ALTRON

UNAUDITED CONSOLIDATED INTERIM RESULTS

for the six months ended 31 AUGUST 2020

CONTENTS

ALLIED ELECTRONICS CORPORATION LIMITED

(Registration number 1947/024583/06)

(Incorporated in the Republic of South Africa)

Share code: AEL

ISIN: ZAE000191342

Unaudited Consolidated Interim Results for the six months ended 31 August 2020 and interim dividend announcement

Highlights

- Earnings before interest tax and depreciation ("EBITDA") for Total Operations and Continuing Operations up 1% and 17%, respectively.
- Bytes UK delivered strong performance with EBITDA of R459m, up 51%. (Constant currency 27%).
- Interim dividend declaration of 33 cents per share, up 14%.

Total Operations	**Six months ended 31 August**		**% change**
R'millions	**2020**	2019*	
Revenue	**9 125**	8 531	7
EBITDA	**836**	827	1
Operating Profit before capital items	**432**	460	(6)
Net Profit after tax	**249**	266	(6)
Cash generated from operations	**294**	168	75
Earnings per share	**69**	74	(7)
Headline earnings per share	**67**	73	(8)

The Executive Committee regularly evaluates the various operations against its stated purpose and vision and during the reporting period, it became evident that some of our current offerings do not fit the ICT mould of the future Altron. These operations include our Document and People Solutions businesses as well as the Altron Arrow electronic component distribution operation. These businesses are exciting businesses in their own right, but they do not fit the refined vision of a future Altron which speaks to a highly differentiated technology solutions provider. Consequently, the Board has taken the decision to treat these businesses as held-for-sale and management is exploring opportunities to exit the aforementioned businesses. The above-mentioned operations are disclosed as discontinued operations and held-for-sale at the reporting date.

Continuing Operations	**Six months ended 31 August**		**% change**
R'millions	**2020**	2019*	
Revenue	**8 354**	7 320	14
EBITDA	**883**	755	17
Operating profit before capital items	**508**	410	24
Net profit after tax	**309**	238	30
Earnings per share	**85**	67	27
Headline earnings per share	**83**	65	28
Interim dividend per share	**33**	29	14

* *Comparatives for the continued operations have been re-presented to give effect to the additional discontinued operations as outlined below. For total operations and continued operations, previously reported results as at 29 February 2020 included the first-time adoption of IFRS16, Leases. In the initial review, operating lease agreements relating to the leasing of fibre cables were erroneously assessed to not meet the definition of a lease in terms of IFRS16. Consequently, these contracts had an impact on the presentation and disclosure of the prior year comparatives as at 31 August 2019. Only the comparatives require restatement as the lease was correctly classified and accounted for at 29 February 2020.*

ALTRON GROUP CHIEF EXECUTIVE COMMENTED:

Mteto Nyati

As communicated before, we have a well laid out five-year roadmap. However, the theme of our H1 results has been dominated by the impact of COVID-19, which coincided with the start of our financial year. Management was well prepared for aspects such as remote working, liquidity management and was proactive in managing the cost base.

- 80% of Altron's systems are cloud-based, which enabled a smooth transition from office working to working from home.
- To address liquidity risk, management immediately reviewed all of our non-essential capital expenditure, deferred and reduced executive bonus payments relating to the prior year.
- Early discussions were held to secure additional liquidity as a precaution under the volatile economic environment.
- To manage the cost base, Altron proactively took the difficult decision to roll back salary increases, in addition to reducing all non-essential expenditure.

Unfortunately, as the period of lockdown extended beyond the initial three weeks, it became clear that our initial cost interventions were not adequate. Consequently, additional cost reduction measures were required, which led to 600 staff members being impacted across our South African operations.

Our operations collectively proved to be highly resilient during the reporting period, which bore the brunt of lockdown levels 5 to 3. This is evident in overall EBITDA being slightly up from the prior year, assisted by positive currency translation impacts. However, within our various operations, some benefited from the pandemic, while others were negatively impacted. Examples of our operations which benefited over the financial period:

- Bytes UK operations were net beneficiaries of an elevated need for remote connectivity.
- Altron Karabina ("Karabina"), also benefited from accelerated cloud adoption as customers transitioned from on-premise data centres to cloud hosting and computing.
- Altron Security, comprising of the new Altron Ubusha ("Ubusha") acquisition, assisted customers in addressing the increased security vulnerabilities as a result of elevated remote working.

With a peak protracted economic environment and a record low in business confidence, we have seen major capex expenditure projects placed on hold or delayed, which widely impacted hardware sales across the group. A number of our operations were unfortunately negatively impacted during the period under review, as discussed below:

- Altron Document Solutions was materially impacted by the COVID-19 pandemic, which resulted in widespread remote working, whereby printers in corporate offices remained largely idle. The reduced printing volumes resulted in a reduction in revenue which was insufficient to cover its cost base, leading to an EBITDA loss for the reporting period.
- Altron People Solutions was impacted by the inability to carry out classroom-style training during the lockdown and social distancing protocols thereafter. Business Process Outsourcing also operated with reduced staff, which negatively impacted revenue leading to an EBITDA loss.
- With over 2 700 shopfronts impacted, transaction volumes diminished by 47% as the micro-lending industry was not deemed an essential service during levels 5 and 4, which directly affected the revenues of Altron Fintech.
- The private medical industry has been negatively impacted with over 300 practice closures as people have been limiting their visits to medical practitioners for minor illnesses. Specialists and dentists could not perform elective surgery, which has seen a sharp decrease in the number of transaction switches within the medical space.
- Delays in large capital expenditure projects due to customers prolonging implementations and hardware refreshes has led to lower hardware sales which have impacted the revenue mix within Altron Systems Integration.

Revenue growth and improved profitability are key aspects of the Altron strategy. Despite the challenges brought on by COVID-19 and the weak and uncertain economic environment, the group delivered gross invoiced income growth of 34.9%, revenue growth of 7.0% and EBITDA of 1.1% against the prior period.

As part of management's focus on profitability, expense management has played a significant part and will continue to do so for the foreseeable future. The impact of the initiatives to reduce headcount and right-size certain operations in line with their contracted revenues resulted in the following once-off costs which have been absorbed in the first half of our financial results:

- Severance pay as a result of section 189 retrenchments amounted to R19m.
- The initiative to roll-back salary increases was effective from May 2020, which resulted in two months of higher salary charges amounting to R20m.

In addition to the above costs, forex losses have been incurred to the amount of R35m, as a result of the volatility in currency due to the global pandemic.

As a result of the headcount reduction, the group is expected to realise a R9.5m saving per month in employment costs.

Financial overview

CONTINUING OPERATIONS

Revenue increased by 14% to R8.4bn on a statutory basis. However, the impact of IFRS 15 on cloud-based sales in our UK operations is material, in addition to the impact on licence revenue in Karabina and Ubusha. Given that these transactions are treated as agency revenue, only the margin is recognised as revenue. Taking gross invoiced income into account, continued operations grew by 43% against the prior year of which 98% of this growth was organic in nature.

EBITDA increased by 17% to R883m, of which 3% of this increase relates to the acquisition of Ubusha. EBITDA has been negatively impacted by the restructuring cost of R3.9m, two months of salary increases prior to the reversal, R13m, as well as forex losses of R35m.

The continued operations' EBITDA margin on statutory revenue increased to 10.6% compared to 10.3% in the prior year. 61% of its revenue is generated from the private sector and 39% from the public sector and within the South African context, revenue from the private sector is 83% and 17% from the public sector.

DISCONTINUED OPERATIONS

As reported above, Altron Document Solutions, Altron People Solutions and Altron Arrow have newly been disclosed as discontinued operations, as these operations do not fit into the refined vision of a future Altron which speaks to a highly differentiated technology solutions provider. Consequently, the Board took the decision to explore opportunities to exit these businesses and as a result, they have been treated as discontinued operations that are held-for-sale.

The discontinued operations experienced a decline in revenue of 36.4% to achieve a statutory revenue of R771m. This decline in revenue significantly impacted the EBITDA margins which resulted in a full assessment to right-size the business to counter the revenue contraction. Restructuring costs relating to discontinued operations amounted to R14m and salary increases of R7m were incurred before reversal. EBITDA declined by R119m against the prior year, which resulted in an EBITDA loss of R47m for the period under review.

CASH MANAGEMENT

The group's overall net debt decreased to R2bn from R2.1bn as at the end of 31 August 2019. Cash generated from operations before working capital movements totalled R886m for the period. Net interest paid was R109m (including the right-of-use interest) while tax and net dividends paid were R194m and R97m, respectively for the period.

The group utilised a net amount of R413m on investing activities for the period under review. Included in this amount, was R207m which related to the purchase of Ubusha. R183m relates to investing predominately in capital expenditure and R23m in intangible assets.

The net outflow from financing activities of R378m predominantly relates to R133m payment to reduce long-term borrowings, R34m on buying out minority interests within the group, with the remaining portion relating to lease payments.

OPERATIONAL REVIEW

1. DIGITAL TRANSFORMATION

1.1 BYTES UK

Bytes UK's strong operational performance was amplified by a 19% foreign currency translation benefit, resulting in revenue growth of 23% to R4.779bn and EBITDA of 51% to R459m, with the effect of over half of the continued operations' earnings being from offshore. Pre-IFRS 15 adjustments, like-for-like gross invoiced income for the period increased by 62%.

Bytes UK's customers have invested significantly in digital transformation, increased security requirements, hybrid datacentres, Windows 10 and general IT upgrades, which has been accelerated by remote working requirements as a result of the global pandemic.

1.2 THE REST OF DIGITAL TRANSFORMATION

Altron Systems Integration ("ASI") generated revenue of R1bn, which is 5% lower than the comparative period. Delays in large capital expenditure projects due to customers prolonging implementations and hardware refreshes during the current economic climate has led to lower hardware sales. We have seen an improvement to the gross margin of ASI as service revenue attached to projects has increased in relation to lower margin hardware sales. ASI EBITDA has been negatively impacted by forex losses as a result of the volatile South African Rand. ASI has restructured their business, to right-size and get to the correct cost base to sustain future growth as markets return to pre-Covid-19 norms. Severance pay associated with this restructuring has impacted EBITDA by R3.3m. An increase of R19m has been raised in the estimated credit loss provision to address the elevated risk associated with specific long-term debtors.

During the prior year, Altron Nexus ("Nexus") implemented a turnaround strategy, which included the introduction of two seasoned executives, which has yielded positive results with Nexus returning to profitability. We are pleased with the sustained recovery, with Nexus reporting EBITDA of R56m with the prior year comparative being loss-making.

The litigation matter between City of Tshwane ("CoT") and Nexus is well known, whereby judgement was handed down in the Gauteng High Court in Pretoria on 16 July 2019, setting aside the award of the CoT contract on the basis of primarily internal processes not having been followed by the CoT in the awarding of the tender. Our leave to appeal was accepted by the Registrar of the Supreme Court of Appeal ("SCA") on 21 February 2020 without qualifications. We are pleased with the subsequent unanimous verdict which was delivered on the 5 October 2020, whereby the SCA overturned, with costs, the previous judgment of the High Court in Pretoria in its entirety. The ruling has the following implications:

- There was no basis for finding any possible maladministration or mismanagement of Nexus.
- CoT and its officials were solely to blame for its predicament.
- The ruling confirms that the broad contract is in force and should be resumed without any further delay. The original contract was for three years, with an additional 18 years for an operate and maintenance contract.
- Nexus will be able to recover all its costs and any amounts outstanding under the contract.

Altron will engage with its partners and CoT regarding the way forward without delay.

We have seen Altron Karabina ("Karabina") recover from revenue losses, linked to a key customer, with several recent new client logos won. This alleviated the customer concentration risk which Karabina was exposed to in the prior period. In addition, significant focus was placed on improving the contracting methodology for large complex implementation which has improved the overall profitability of key projects. These actions have resulted in EBITDA of R5m compared to prior year losses, notwithstanding the lockdown impacting project deliveries.

2. HEALTHTECH/FINTECH

The Altron Fintech operation has been a resilient performer during recent years but has been affected during levels 5 and 4 of lockdown whereby unsecured lending was not deemed an essential service. Collection volumes have declined by 47% during levels 5 and 4, resulting in EBITDA of R67m which is a reduction of 28%. However, since moving to level 3 and beyond the business quickly recovered and we expect to see volumes normalising from October 2020 onwards.

Although Altron Healthtech has seen a decline in transaction volumes as a result of the pandemic and lockdown, they have achieved an EBITDA of R48m which represents a 15% reduction.

3. SMART IOT – NETSTAR

Netstar proved remarkably resilient in the face of a poor operating environment. With new vehicle sales down by 35% year-on-year, it generated revenue at similar levels to the prior year on the back of a strong annuity revenue base, coupled with the turnaround in the Australian operation, yielding Revenue of R764m and EBITDA of R297m, which are similar to prior year levels. Although the subscriber base grew 16.6% year on year to 860k, it represents 3% growth since February 2020 as a direct consequence of the pandemic, whereby the Toyota partnership contributed to all of this growth.

4. MANAGED SERVICES

Altron Managed Solutions reported strong revenue growth of 23% to R690m which was biased to lower margin hardware sales. Margin was further negatively impacted by higher foreign currency denominated costs and fixed price service models, which includes foreign currency cost components. These impacts led to a minor EBITDA reduction, to R42m.

Financial overview (CONTINUED)

INTERIM DIVIDEND

The Board remains committed to maintaining the group's dividend cover of 2.5 times on headline earnings relating to continuing operations and accordingly made the decision to declare a gross interim cash dividend of 33 cents per share (26.4 cents net of 20% dividend withholding tax) for the financial half-year ended 31 August 2020, payable to shareholders recorded in the register of the company at the close of business on the record date appearing below.

The Board has confirmed by resolution that the solvency and liquidity test as contemplated by the Companies Act, No. 71 of 2008, as amended, has been duly considered, applied and satisfied. This is a dividend as defined in the Income Tax Act, No. 58 of 1962 and is payable from income reserves. The income tax number of the company is 9725149711. The number of ordinary shares in issue at the date of this declaration is 401 321 820, including 32 287 469 treasury shares. The salient dates applicable to the dividend are as follows:

DIVIDEND DATES

Last day to trade *cum* dividend	Tuesday, 10 November 2020
Commence trading *ex* dividend	Wednesday, 11 November 2020
Record date	Friday, 13 November 2020
Payment date	Monday, 16 November 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 November 2020 and Friday, 13 November 2020.

DIRECTORATE

During the financial half-year, our Board continued to provide valuable input to the group in realising Altron's vision and mission through the steadfast implementation of the One Altron strategy. There were no changes to the composition of the Altron Board during the past six months.

OUTLOOK

The global and local economic environments deteriorated significantly during the reporting period and Altron took painful decisions to ensure future sustainability and limit the impact of revenue reduction. Consequently, we can look forward to a very different second half, which will yield the benefits of our extensive cost reduction initiatives and less restrictive lockdown levels. We are also eager to get our City of Tshwane broadband project back on track. In addition, we continue to be excited about the benefits that will flow from the Bytes UK demerger whereafter Altron's Head Office will be right-sized in accordance with the reduced operations.

In preparation of Altron 2.0 for the future, the focus will be on concluding the exit of identified non-core assets in order to reduce working capital and debt levels with the commensurate increase in profitability metrics.

Looking further ahead, Altron remains vigilant of a possible second COVID-19 wave and the potential impact thereof on the economy and our people. Nevertheless, our focus will shift to the exciting growth opportunities available to us. These would include:

- Expanding our security offering and building on the solid performance of our most recent acquisition.
- Deepening our relationships with Microsoft and Amazon Web Services in sub-Saharan Africa to capture opportunities in the fast-growing Cloud Computing space.
- Scaling up our own, high margin, IP platforms in Healthtech and Fintech as well as vehicle Telematics in Netstar.
- Growing our Custom Application Development capabilities to assist customers maximising benefits from their investments in large-scale ERP systems.

Altron enjoyed excellent success in the execution of its current five-year strategy and will deliver on its objectives, COVID-19 notwithstanding. Consequently, management is developing a new medium-term plan focusing on differentiation based on high-value offerings and exceptional customer experience. This new medium-term plan will continue to have "Delivering Innovation that Matters" as its core guiding purpose and will include carefully selective acquisitions which are aligned to the mentioned growth areas in local as well as international geographies. Margin expansion and a high annuity base will be core objectives.

FURTHER INFORMATION

Any forecast financial information contained in this announcement is the responsibility of the directors and has not been reviewed or reported on by the external auditors.

For and on behalf of the Board.

MJ Leeming
Chairman

M Nyati
Chief Executive

C Miller
Chief Financial Officer

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Directors
MJ Leeming (Chairman), M Nyati (Chief Executive)*, C Miller (Chief Financial Officer)*, AC Ball, BW Dawson, BJ Francis, GG Gelink, P Mnganga, S Sithole (Zimbabwean), SW van Graan, RE Venter

* *Executive*

Group Company Secretary
WK Groenewald

22 October 2020

Condensed consolidated balance sheet

R millions	Note	31 August 2020 (Unaudited)	Restated* 31 August 2019 (Unaudited)	29 February 2020 (Audited)
Assets				
Non-current assets		**4 297**	4 626	4 507
Property, plant and equipment		**659**	624	648
Right-of-use assets		**372**	574	524
Intangible assets including goodwill	8.3	**2 176**	1 929	1 945
Equity-accounted investments		**22**	11	15
Financial assets at amortised cost		**189**	301	191
Financial assets at fair value through profit or loss		**–**	138	117
Financial assets at fair value through other comprehensive income		**21**	21	21
Finance lease assets		**–**	188	237
Contract costs capitalised		**195**	91	163
Capital rental devices		**268**	282	297
Trade and other receivables		**137**	93	121
Contract assets		**10**	–	11
Defined benefit asset		**83**	187	83
Deferred taxation		**165**	187	134
Current assets		**9 975**	8 059	9 118
Inventories		**1 244**	1 071	1 252
Trade and other receivables	4.3	**6 135**	5 191	5 726
Financial assets at fair value through profit and loss		**1**	20	25
Contract assets		**283**	280	205
Taxation receivable		**19**	13	32
Restricted cash		**6**	27	13
Cash and cash equivalents		**1 234**	1 402	1 810
		8 922	8 004	9 063
Assets classified as held-for-sale	9	**1 053**	55	55
Total assets		**14 272**	12 685	13 625
Equity and liabilities				
Total equity		**3 988**	3 510	3 763
Shareholders' equity		**4 064**	3 682	3 939
Non-controlling interests		**(76)**	(172)	(176)
Non-current liabilities		**2 051**	2 095	2 502
Loans**		**1 384**	1 550	1 707
Lease liabilities***		**302**	419	391
Contract liabilities		**300**	89	349
Deferred taxation		**65**	37	55
Current liabilities		**8 233**	7 080	7 360
Loans**		**357**	346	493
Lease liabilities***		**116**	179	181
Bank overdraft		**1 086**	1 518	854
Provisions		**10**	13	14
Trade and other payables		**4 162**	3 541	4 325
Financial liabilities at fair value through profit and loss		**8**	3	3
Contract liabilities		**1 914**	1 371	1 380
Taxation payable		**29**	109	110
		7 682	7 080	7 360
Liabilities classified as held-for-sale	9	**551**	–	–
Total equity and liabilities		**14 272**	12 685	13 625

* *Refer to note 15 for more detail in respect of the restatement of prior year balances.*

** *Loans include finance lease liabilities recognised prior to the adoption of IFRS 16 leases.*

*** *Lease liabilities arising on adoption of IFRS 16.*

Condensed consolidated statement of comprehensive income

R millions	Note	% Change	Six months ended 31 August 2020 (Unaudited)	Restated* Six months ended 31 August 2019 (Unaudited)	Restated* Year ended 29 February 2020 (Audited)
CONTINUING OPERATIONS					
Revenue	13, 14	14	**8 354**	7 320	14 381
Operating costs excluding capital items			**(7 471)**	(6 565)	(12 672)
Earnings before interest, taxation, depreciation, amortisation, capital items and equity accounted losses (EBITDA before capital items)**	14	17	**883**	755	1 709
Depreciation and amortisation			**(375)**	(345)	(693)
Operating profit before capital items	14	24	**508**	410	1 016
Capital items	5		**5**	10	(1)
Operating profit			**513**	420	1 015
Finance income			**36**	47	119
Finance expense			**(146)**	(168)	(347)
Share of loss of equity accounted investees, net of taxation			**–**	(1)	–
Profit before taxation			**403**	298	787
Taxation			**(94)**	(60)	(167)
Profit for the period from continuing operations			**309**	238	620
DISCONTINUED OPERATIONS					
Revenue	13, 14	(36)	**771**	1 211	2 332
Operating costs excluding capital items			**(818)**	(1 139)	(2 212)
Earnings before interest, taxation, depreciation, amortisation, capital items and equity accounted losses (EBITDA before capital items)**	14	(165)	**(47)**	72	120
Depreciation and amortisation			**(29)**	(22)	(52)
Operating (loss)/profit before capital items	14	(252)	**(76)**	50	68
Capital items	5		**(2)**	(6)	(2)
Operating (loss)/profit			**(78)**	44	66
Finance income			**–**	2	1
Finance expense			**(3)**	(4)	(7)
(Loss)/profit before taxation			**(81)**	42	60
Taxation			**21**	(14)	(22)
(Loss)/profit for the period from discontinued operations			**(60)**	28	38
Profit for the period from total operations			**249**	266	658
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Remeasurement of defined benefit asset/obligation			**–**	–	(112)
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences in respect of foreign operations***			**182**	11	81
Other comprehensive income for the period, net of taxation			**182**	11	(31)
Total comprehensive income for the period			**431**	277	627

Condensed consolidated statement of comprehensive income

(continued)

R millions	Note	% Change	Six months ended 31 August 2020 (Unaudited)	Restated* Six months ended 31 August 2019 (Unaudited)	Restated* Year ended 29 February 2020 (Audited)
Net profit/(loss) attributable to:					
Non-controlling interests			**(8)**	(9)	(12)
Non-controlling interests from continuing operations			**(9)**	(12)	(20)
Non-controlling interests from discontinued operations			**1**	3	8
Altron equity holders			**257**	275	670
Altron equity holders from continuing operations			**318**	250	640
Altron equity holders from discontinued operations			**(61)**	25	30
Net profit for the period			**249**	266	658
Total comprehensive income attributable to:					
Non-controlling interests			**(8)**	(9)	(12)
Non-controlling interests from continuing operations			**(9)**	(12)	(20)
Non-controlling interests from discontinued operations			**1**	3	8
Altron equity holders			**439**	286	639
Altron equity holders from continuing operations			**500**	255	602
Altron equity holders from discontinued operations			**(61)**	31	37
Total comprehensive income for the period			**431**	277	627
Basic earnings per share from continuing operations (cents)		27	**85**	67	172
Diluted earnings per share from continuing operations (cents)		25	**84**	67	171
Basic (loss)/earnings per share from discontinued operations (cents)		(329)	**(16)**	7	8
Diluted (loss)/earnings per share from discontinued operations (cents)		(329)	**(16)**	7	8
Basic earnings per share from total operations (cents)		(7)	**69**	74	180
Diluted earnings per share from total operations (cents)		(8)	**68**	74	179

* *Comparative information has been re-presented for the discontinued operations (note 9) and restated (note 15).*

** *The group presents in its consolidated statement of comprehensive income earnings before interest, taxation, depreciation, amortisation, capital items and equity accounted losses. This represents the contribution by the group from its revenue after deducting the associated employee costs and materials and services consumed expenses. This also includes other income earned; and finance lease interest income that is considered to be revenue for the group.*

*** *This component of other comprehensive income is not subject to tax.*

Condensed consolidated statement of cash flows

R millions	Note	Six months ended 31 August 2020 (Unaudited)	Restated** Six months ended 31 August 2019 (Unaudited)	Year ended 29 February 2020 (Audited)
Cash flows from operating activities				
Cash generated by operations		**294**	168	1 695
Interest received		**62**	73	166
Interest paid		**(171)**	(197)	(397)
Dividends received from equity accounted investees and other investments		**–**	–	2
Taxation paid		**(194)**	(103)	(169)
Dividends paid, including to non-controlling interests		**(97)**	(166)	(274)
		(106)	(225)	1 023
Cash flows utilised in investing activities				
Proceeds on the disposal of subsidiaries and businesses net of cash		**–**	164	164
Proceeds on the disposal of property, plant and equipment and intangible assets		**3**	52	57
Acquisition of subsidiaries, net of cash acquired	8.1	**(222)**	(10)	(37)
Acquisition of intangible assets		**(23)**	(26)	(50)
Acquisition of property, plant and equipment		**(114)**	(109)	(208)
Other investing activities		**(57)**	(145)	(196)
		(413)	(74)	(270)
Cash flows utilised in financing activities				
Loans repaid		**(133)**	(133)	(267)
Loans advanced		**–**	300	700
Settlement of finance leases****		**(117)**	(87)	(286)
Lease payments***		**(94)**	(107)	(168)
Acquisition of minority interests	8.2	**(34)**	–	–
		(378)	(27)	(21)
Net (decrease)/increase in cash and cash equivalents		**(897)**	(326)	732
Net cash and cash equivalents at the beginning of the period		**956**	200	200
Cash classified as held-for-sale		**(43)**	–	–
Effect of exchange rate fluctuations on cash held		**132**	10	24
Net cash and cash equivalents at the end of the period*		**148**	(116)	956
**** Net cash and cash equivalents comprises***				
Cash at bank		***1 192***	*1 297*	*1 718*
Cash held on behalf of merchants		***42***	*105*	*92*
Bank overdrafts		***(1 086)***	*(1 518)*	*(854)*
Net cash and cash equivalents at the end of the period		***148***	*(116)*	*956*

*** Refer to note 15 for more detail in respect of the restatement of prior year balances.*

**** Principal lease payments in relation to leases recognised on adoption of IFRS 16.*

*****Principal lease payments in relation to leases prior to the adoption of IFRS 16.*

Condensed consolidated statement of changes in equity

R millions	Attributable Share capital and premium	 Treasury shares
Balance at 28 February 2019 (Audited)	**3 165**	**(299)**
Total comprehensive income for the period		
Profit for the period - restated*	–	–
Other comprehensive income		
Foreign currency translation differences in respect of foreign operations	–	–
Total other comprehensive income	–	–
Total comprehensive income for the period – restated*	–	–
Transactions with owners, recorded directly in equity		
Contributions by and distributions to owners		
Dividends to equity holders	–	–
Share-based payment transactions	–	–
Total contributions by and distributions to owners	–	–
Changes in ownership interests in subsidiaries		
Changes in shareholding of subsidiaries	–	–
Total changes in ownership interests in subsidiaries	–	–
Total transactions with owners	**–**	**–**
Balance at 31 August 2019 (unaudited) – Restated*	**3 165**	**(299)**
Total comprehensive income for the period		
Profit for the period	–	–
Other comprehensive income		
Foreign currency translation differences in respect of foreign operations	–	–
Remeasurement on net defined benefit asset	–	–
Total other comprehensive income	–	–
Total comprehensive income for the period	–	–
Transactions with owners, recorded directly in equity		
Contributions by and distributions to owners		
Dividends to equity holders	–	–
Share-based payment transactions	–	–
Issue of share capital	5	–
Total contributions by and distributions to owners	5	–
Changes in ownership interests in subsidiaries		
Changes in shareholding of subsidiaries	–	–
Total changes in ownership interests in subsidiaries	–	–
Total transactions with owners	5	–
Balance at 29 February 2020 (Audited)	**3 170**	**(299)**
Total comprehensive income for the period		
Profit for the period	**–**	**–**
Other comprehensive income		
Foreign currency translation differences in respect of foreign operations	**–**	**–**
Total other comprehensive income	**–**	**–**
Total comprehensive income for the period	**–**	**–**
Transactions with owners, recorded directly in equity		
Contributions by and distributions to owners		
Dividends to equity holders	**–**	**–**
Treasury shares acquired (note 11.3)	**–**	**(131)**
Treasury shares disposed (note 11.3)	**–**	**42**
Share-based payment transactions	**–**	**–**
Loss on treasury shares (note 11.3)	**–**	**–**
Issue of share capital	**34**	**–**
Total contributions by and distributions to owners	**34**	**(89)**
Changes in ownership interests in subsidiaries		
Change in shareholding of subsidiaries (Note 8.2)	**–**	**–**
Total changes in ownership interests in subsidiaries	**–**	**–**
Total transactions with owners	**34**	**(89)**
Balance at 31 August 2020 (unaudited)	**3 204**	**(388)**

* *Refer to note 15 for more detail in respect of the restatement of prior year balances.*

Dividends declared 33 cents per share (2020: 26 cents – final and 29 cents – interim)

	to Altron equity holders				
	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	(2 479)	**3 148**	**3 535**	**(162)**	**3 373**
	–	275	**275**	(9)	266
	11	–	**11**	–	11
	11	–	**11**	–	11
	11	275	**286**	(9)	277
	–	(163)	**(163)**	(3)	(166)
	18	–	**18**	–	18
	18	(163)	**(145)**	(3)	(148)
	6	–	**6**	2	8
	6	–	**6**	2	8
	24	**(163)**	**(139)**	**(1)**	**(140)**
	(2 444)	**3 260**	**3 682**	**(172)**	**3 510**
	–	395	**395**	(3)	392
	70	–	**70**	–	70
	(112)	–	**(112)**	–	(112)
	(42)	–	**(42)**	–	(42)
	(42)	395	**353**	(3)	350
	–	(108)	**(108)**	–	(108)
	13	–	**13**	–	13
	(5)	–	**–**	–	–
	8	(108)	**(95)**	–	(95)
	(1)	–	**(1)**	(1)	(2)
	(1)	–	**(1)**	(1)	(2)
	7	(108)	**(96)**	(1)	(97)
	(2 479)	**3 547**	**3 939**	**(176)**	**3 763**
	–	**257**	**257**	**(8)**	**249**
	182	**–**	**182**	**–**	**182**
	182	**–**	**182**	**–**	**182**
	182	**257**	**439**	**(8)**	**431**
	–	**(97)**	**(97)**	**–**	**(97)**
	–	**–**	**(131)**	**–**	**(131)**
	–	**–**	**42**	**–**	**42**
	20	**–**	**20**	**–**	**20**
	(6)	**–**	**(6)**	**–**	**(6)**
	(34)	**–**	**–**	**–**	**–**
	(20)	**(97)**	**(172)**	**–**	**(172)**
	(142)	**–**	**(142)**	**108**	**(34)**
	(142)	**–**	**(142)**	**108**	**(34)**
	(162)	**(97)**	**(314)**	**108**	**(206)**
	(2 459)	**3 707**	**4 064**	**(76)**	**3 988**

Notes to the condensed consolidated financial statements

1. GENERAL INFORMATION

Altron is a leading ICT business, operating in a number of geographies. Its principal subsidiaries are Altron TMT Proprietary Limited (which includes various operating divisions); Netstar Proprietary Limited and the balance of the Netstar group (including its Australian operations); Altron Nexus Proprietary Limited; Bytes Software Services Limited and Phoenix Software Limited in the UK; and the Altron Rest of Africa operations.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 31 August 2020 are prepared in accordance with International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC), Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), and the requirements of the Companies Act of South Africa.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 29 February 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

This report was compiled under the supervision of Mr Cedric Miller, Chief Financial Officer.

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated financial statements.

A number of amendments to accounting pronouncements are effective 1 March 2020, but they do not have a material effect on the group's interim financial statements.

4. IMPACT OF THE COVID-19 PANDEMIC

On 11 March 2020, the World Health Organisation ("WHO") officially declared the novel coronavirus, COVID-19, a global pandemic. Governments across the world have taken extreme measures to curb the spread of the virus. The unprecedented deterioration of the global economic outlook caused by the rapid spread of COVID-19, and the extreme measures implemented by various governments has exacerbated South Africa's economic and fiscal challenges. The various economies to which the group is exposed, are and have been impacted by these measures, however, the group's particular industry is likely to see some benefit from the new way of doing business.

Altron's flexible workforce solutions were tested by the sudden onset of the COVID-19 pandemic, which required the group to take several important steps to secure the health and safety of its employees. The group established a crisis management structure to ensure effective decision-making and information sharing, and implemented contingency measures to ensure that client service was uninterrupted. All employees have been provided with information on reporting and action procedures in the event of incidents and the group continues to be proactive in managing staff health risks.

The effects of COVID-19 together with critical risks impacting the local economy which include continued volatility in global financial markets, sudden interruptions in capital inflows, the reliability of electricity supply and SOE uncertainties have a direct impact on financial risk. The financial risks directly impacting the group primarily include exchange rate volatility and credit risk.

Despite the challenges brought on by COVID-19 and the weak and uncertain economic environment, the group remains focussed on the improving profitability, maintaining a healthy liquidity position and debt levels as well as improving working capital management. Management took early precautionary action and implemented cost saving initiatives to counter the expected reduction in revenue, these include postponing cash absorbing projects and where possible decreasing variable costs. As the period of lockdown extended beyond the initial three weeks, it became clear that our initial cost interventions were not adequate. Consequently, additional cost reduction measures were required, which lead to around 600 staff members being impacted across our South African operations.

While the group's operations continue to focus on delivering solutions that meet customer needs in a changing environment, the effects of COVID-19 are felt in varying degrees across the group's operations. The following highlights the direct and indirect impact of the COVID-19 pandemic.

4. IMPACT OF THE COVID-19 PANDEMIC (CONTINUED)

4.1 Operational impact

- A number of our operations were unfortunately negatively impacted during the period under review as discussed below:
  - Altron Document Solutions was materially impacted by the Covid-19 pandemic, which resulted in widespread remote working, whereby printers in corporate offices remained largely idle. The reduced printing volumes resulted in a reduction in revenue which was insufficient to cover its cost base leading to an EBITDA loss for the reporting period.
  - Altron People Solutions was impacted by the inability to carry out classroom-style training during the lockdown and social distancing protocols thereafter. Business Process Outsourcing also operated with reduced staff which negatively impacted revenue leading to an EBITDA loss.
  - With over 2 700 shopfronts impacted, transaction volumes diminished by 47% as the micro-lending industry was not deemed an essential service during levels 5 and 4, which directly affected the revenues of Altron Fintech.
  - The private medical industry has been negatively impacted with over 300 practice closures as people have been limiting their visits to medical practitioners for minor illnesses and specialists and dentists could not perform elective surgery, which has seen a sharp decrease in the number of transaction switches within the medical space.
- The group experienced an overall growth in revenue as a result of the strong performance by Bytes UK which was further aided by foreign currency translation gains as a result of the South African Rand weakening against the Pound Sterling.
- The group's total net foreign exchange losses recognised in the statement of comprehensive income for total operations amounted to R35 million as at 31 August 2020.
- The group has continued to classify its joint arrangement investment in CBI-Electric Telecom Cables (ATC) as held-for-sale. Management have continued to engage with potential buyers and have actively marketed the investment despite the delays caused by the current economic environment and the effects of COVID-19 which are beyond the group's control. The group continues to market the investment at a fair value that is reasonable. The fair value recognised is based on management's best estimate and judgement and represents the lowest value at which the group will dispose the investment to a willing buyer. The group has recognised an impairment loss of R4 million during the current reporting period. Refer to note 9.

4.2 Impact on liquidity risk

The group's net debt position increased to R2 billion (29 February 2020: R1,3 billion). The group has focussed on managing liquidity and maintaining healthy debt levels. Altron's liquidity has proven to be resilient during the COVID-19 period and all commitments were honoured from existing resources. Liquidity proved to be well managed with no covenants and limits being breached during the current reporting period. The group is mindful of protecting its cash flow, and the move to consolidating our businesses at a centralised campus is still proceeding.

Capital management

Altron's capital management is partially restricted by covenants provided to lenders in respect of borrowing obligations. In accordance with the debt structure of the group, the group's net debt to attributable EBITDA before capital items ratio is limited to 2 and attributable EBITDA before capital items divided by the net finance charge is limited to a minimum 3.5 times.

4. IMPACT OF THE COVID-19 PANDEMIC (CONTINUED)

4.2 Impact on liquidity risk (continued)

Attributable EBITDA before capital items is defined as the amount attributable to shareholders of the group and is calculated as follows: revenue after deducting the associated employee costs and materials and services consumed expenses. This also includes other income earned by the group and finance income on leases recognised as revenue. This excludes finance costs, taxation, depreciation, amortisation, capital items and share of losses from associates as defined in the accounting policies.

Altron has complied with the required covenants at 31 August 2020 and at 29 February 2020. The compliance with these ratios is summarised in the table below.

Financial covenant Ratio	Covenant level	Calculated ratio at 31 August 2020
Net debt divided by attributable EBITDA	Ratio not exceeding 2 times	0.9
Attributable EBTIDA divided by net finance charges	Ratio not less than 3.5 times	10.59

There were no changes in the group's approach to capital management during the year.

The group's net debt may be calculated as follows:

R millions	Six months ended 31 August 2020 (Unaudited)	Year ended 29 February 2020 (Audited)
Long-term loans	1 384	1 707
Short-term loans	357	493
Long-term loans included in held-for-sale liabilities (note 9)	217	–
Short-term loans included in held-for-sale liabilities (note 9)	174	–
Total loans	**2 132**	2 200
	149	864
Total net cash (per statement of cash flow)	148	956
Cash included in held-for-sale assets (note 9)	43	–
Less: Cash held on behalf of merchants	(42)	(92)
Net debt as reported	**1 983**	1 336

4.3 Impact on credit risk

Cash and cash equivalents

The group has assessed the potential impairment on cash balances. The nature of the bank balances are largely short term in nature. Given the significant actions taken by central banks to improve liquidity through monetary and fiscal interventions, the group's expected credit losses ("ECL") on cash balances remained immaterial.

Trade and other receivables

The group generally deals with a widespread customer base. The increase in trade and other receivables balance is mainly as a result of Bytes UK operations due to the weakening in the rand against the Pound Sterling as well as increased trading activity. Expected credit loss ratios have increased since February 2020 year-end to account for the impact of COVID-19. The group has increased expected credit loss ratios by applying the contraction in GDP as a guide to account for forward looking information. In addition, debtors balances were analysed and high risk debtors were identified with reference to ageing and expected credit loss ratios were increased accordingly.

4. IMPACT OF THE COVID-19 PANDEMIC (CONTINUED)

4.3 Impact on credit risk (continued)

As disclosed in note 11.1, the group has a gross balance outstanding from Thobela Telecoms (RF) Proprietary Limited ("Thobela") of R309 million (February 2020: R309 million).

The expected credit loss allowance raised in the prior period, has been reversed as a result of the positive outcome of the ruling handed down by the Supreme Court of Appeal.

The following represents a breakdown of trade and other receivable balances and the exposure to credit risk.

Financial assets at amortised cost	Six months ended 31 August 2020 (Unaudited)	Year ended 29 February 2020 (Audited)
Gross trade receivables	**4 381**	3 919
Less: Impairment allowance	**(121)**	(127)
Less: Other allowances*	**(16)**	(14)
Deposits	**16**	14
Current portion of finance lease assets**	**175**	189
Other receivables	**139**	123
Proceeds receivable on the disposal of Powertech Transformers	**151**	151
Facility receivable from Aeromaritime International Management	**45**	45
	4 770	4 300
Non-financial assets		
Costs incurred to fulfil contracts	**1 344**	1 125
Prepayments	**354**	291
Other receivables	**98**	102
VAT receivable	**36**	29
	1 832	1 547
Less: Long-term contract fulfilment costs	**(137)**	(121)
	6 465	5 726
***Less*: Classified as held-for-sale (note 9)**	**(330)**	–
Trade receivables	**6 135**	5 726

* *Other allowances comprise of credit note and settlement discount allowances.*

** *Finance lease assets relate to document processing equipment. The lease asset arising is in turn financed by a reciprocal lease agreement with financial institutions. The actual equipment sold provides collateral to the group. Therefore ECLs calculated are immaterial.*

4. IMPACT OF THE COVID-19 PANDEMIC (CONTINUED)

4.3 Impact on credit risk (continued)

Financial assets at amortised cost	Six months ended 31 August 2020 (Unaudited)	Year ended 29 February 2020 (Audited)
Exposure to credit risk		
The exposure to credit risk, excluding finance lease assets, at the reporting date was represented by:		
Gross trade receivables	**4 381**	3 919
Less: Impairment allowance	**(121)**	(127)
Less: Other allowances*	**(16)**	(14)
Deposits	**16**	14
Other receivables	**139**	123
Proceeds receivable on the disposal of Powertech Transformers	**151**	151
Facility receivable from Aeromaritime International Management	**45**	45
Long-term contract assets, net of contract loss allowance	**10**	11
Short-term contract assets, net of contract loss allowance	**283**	205
Short-term contract assets, net of contract loss allowance included in held-for-sale assets (note 9)	**26**	–
	4 914	4 327
Reconciliation of gross exposure to credit risk		
Impairment allowance	**121**	127
Gross trade receivables	**5 035**	4 454

* *Other allowances comprise of credit note and settlement discount allowances.*

The following table reflects the movements related to credit risk, excluding the impacts of the amounts outstanding from Thobela.

R millions	31 August 2020	29 February 2020	Movement
Trade receivables gross carrying amount	**5 035**	**4 454**	–
Exclude Thobela	**(309)**	**(309)**	–
Trade receivables gross carrying amount excluding Thobela	**4 726**	**4 145**	14%
Expected credit loss allowance	**121**	**127**	–
Exclude Thobela	**–**	**(40)**	–
Expected credit loss allowance excluding Thobela	**121**	**87**	39%
Average expected credit loss ratio	**2.56%**	**2.10%**	0.46bps

4. IMPACT OF THE COVID-19 PANDEMIC (CONTINUED)

4.3 Impact on credit risk (continued)

Reconciliation of loss allowance

The movement in the impairment allowance in respect of balances exposed to credit risk, excluding finance lease assets during the year was as follows:

R millions	Trade and other receivables 31 August 2020	Trade and other receivables 29 February 2020	Contract assets 31 August 2020	Contract assets 29 February 2020
Balance at the beginning of the year	**127**	93	*****	1
Increase in expected credit loss allowance	**(1)**	56	**1**	*
Movement in expected credit loss allowance in relation to gross balances not in default	**10**	9	**1**	–
Movement in expected credit loss allowance in relation to Thobela	**(40)**	40	**–**	–
Movement in expected credit loss allowance in relation to gross balances greater than 120 days past due	**29**	7	**–**	–
Written off				
Directly to trade and other receivables and contract assets##	**(6)**	(23)	**–**	(1)
Translation	**1**	1	**–**	–
Balance at the end of the reporting period	**121**	127	**1**	*

* *Nominal amount.*

Relates to debtors that were previously fully provided for. The debtors balances were therefore written off against allowances raised.

While the group is not immune to the fragile economic backdrop, it remains focused on managing the risks brought about by COVID-19. However, the global acceleration of digital transformation has resulted in increased consumer demand for digital solutions which results in a positive outlook for the group.

5. CAPITAL ITEMS

R millions	Six months ended 31 August 2020 (Unaudited)	Restated* Six months ended 31 August 2019 (Unaudited)	Restated* Year ended 29 February 2020 (Audited)
Continuing operations			
Net profit on disposal of property, plant and equipment	**1**	23	21
Impairment of goodwill	**–**	(5)	(4)
Capital rental devices written off	**(9)**	(11)	(21)
Reversal of provision related to East Africa disposal	**13**	–	–
Foreign currency translation recycling to profit and loss on deregistration of foreign dormant operations	**–**	3	3
	5	10	(1)
Discontinued operations			
Profit on disposal of non-current financial assets at amortised cost	**–**	–	2
Net profit on disposal of property, plant and equipment	**–**	–	3
Impairment of goodwill	**–**	–	(1)
Impairment on held-for-sale disposal groups (note 9)	**(4)**	–	–
Closure of dormant operations	**2**	–	–
Foreign currency translation recycling to profit and loss on deregistration of foreign dormant operations	**–**	(6)	(6)
	(2)	(6)	(2)
Total	**3**	4	(3)

* *Comparative information has been re-presented for the discontinued operations (note 9) and restated (note 15).*

6. EARNINGS PER SHARE

R millions		Six months ended 31 August 2020 (Unaudited)	Restated* Six months ended 31 August 2019 (Unaudited)	Restated* Year ended 29 February 2020 (Audited)
Headline earnings per share from continuing operations	**(cents)**	**83**	65	171
Headline (loss)/earnings per share from discontinued operations	**(cents)**	**(16)**	8	9
Headline earnings per share from total operations	**(cents)**	**67**	73	180
Diluted headline earnings per share from continuing operations	**(cents)**	**82**	64	169
Diluted headline (loss)/ earnings per share from discontinued operations	**(cents)**	**(16)**	8	9
Diluted headline earnings per share from total operations	**(cents)**	**66**	72	178

* *Comparative information has been re-presented for the discontinued operations (note 9) and restated (note 15).*

6. EARNINGS PER SHARE (CONTINUED)

6.1 Reconciliation between attributable earnings and headline earnings from total operations

R millions		Six months ended 31 August 2020 (Unaudited)	Six months ended 31 August 2019 (Unaudited)	Year ended 29 February 2020 (Audited)
Earnings attributable to shareholders		**257**	275	670
Capital items – gross		**(3)**	(4)	3
Tax effect of capital items		**(2)**	(1)	(3)
Non-controlling interest in capital items		**(1)**	(2)	(3)
Headline earnings		**251**	268	667
Headline earnings per share from total operations	**(cents)**	**67**	73	180

6.2 Reconciliation between attributable earnings and headline earnings from continuing operations

R millions		Six months ended 31 August 2020 (Unaudited)	Six months ended 31 August 2019 (Unaudited)	Year ended 29 February 2020 (Audited)
Earnings attributable to shareholders		**318**	250	640
Capital items		**(5)**	(10)	1
Tax effect of capital items		**(3)**	(1)	(4)
Non-controlling interest in capital items		**(1)**	(2)	(3)
Headline earnings		**309**	237	634
Headline earnings per share from continuing operations	**(cents)**	**83**	65	171

6.3 Reconciliation between attributable earnings and headline earnings from discontinued operations

R millions		Six months ended 31 August 2020 (Unaudited)	Six months ended 31 August 2019 (Unaudited)	Year ended 29 February 2020 (Audited)
(Loss)/earnings attributable to shareholders		**(61)**	25	30
Capital items		**2**	6	2
Tax effect of capital items		**1**	–	1
Headline earnings		**(58)**	31	33
Headline earnings per share from discontinued operations	**(cents)**	**(16)**	8	9

6. EARNINGS PER SHARE (CONTINUED)

6.4 Reconciliation of weighted average number of shares

	Six months ended 31 August 2020 (Unaudited)	Six months ended 31 August 2019 (Unaudited)	Year ended 29 February 2020 (Audited)
	Number of shares	Number of shares	Number of shares
Issued shares at the beginning of the year (A ordinary and N ordinary shares)	**399 580 510**	399 380 572	399 380 572
Effect of own shares	**(26 685 874)**	(28 180 081)	(28 180 081)
Effect of own shares held at the beginning of the year	**(28 180 081)**	(28 180 081)	(28 180 081)
Weighted average effect of own shares disposed during the year (note 11.3)	**1 683 025**	–	–
Weighted average effect of settlement of share linked incentive (SLI) hedge (note 11.3)	**(188 818)**	–	–
Weighted average effect of shares issued during the year	**1 001 943**	4 392	32 872
Weighted average number of shares	**373 896 579**	371 204 883	371 233 363

6.5 Reconciliation between number of shares used for earnings per share and diluted earnings per share

	Number of shares	Number of shares	Number of shares
Weighted average number of shares	**373 896 579**	371 204 883	371 233 363
Dilutive options	**3 085 533**	3 767 719	3 128 314
Weighted average number of shares (diluted)	**376 982 112**	374 972 602	374 361 677

6.6 Reconciliation between earnings and diluted earnings

	R millions	R millions	R millions
Earnings attributable to shareholders	**257**	275	670
Diluted earnings	**257**	275	670

6.7 Reconciliation between headline earnings and diluted headline earnings

	R millions	R millions	R millions
Headline earnings	**251**	268	667
Diluted headline earnings	**251**	268	667
Diluted headline earnings per share from total operations (cents)	**66**	72	178

7. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

(a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amounts of these financial assets and liabilities are considered to be a reasonable approximation of fair value.

31 August 2020

	Carrying amount		Fair value			
R millions	**Measured at fair value**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value						
Preference share investment in Technologies Acceptances Receivables Proprietary Limited	21	21	–	–	21	21
Forward exchange contracts	1	1	–	1	–	1
	22	22	–	1	21	22
Financial liabilities measured at fair value						
Forward exchange contracts	(8)	(8)	–	(8)	–	(8)
	(8)	(8)	–	(8)	–	(8)

7. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (CONTINUED)

(a) Accounting classifications and fair values (continued)

29 February 2020

R millions	Carrying amount Measured at fair value	Carrying amount Total	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total
Financial assets measured at fair value						
Preference share investment in Technologies Acceptances Receivables Proprietary Limited	21	21	–	–	21	21
Cash collateral – Share linked incentive ("SLI") hedge	117	117	117	–	–	117
Forward exchange contracts	25	25	–	25	–	25
	163	163	117	25	21	163
Financial liabilities measured at fair value						
Forward exchange contracts	(3)	(3)	–	(3)	–	(3)
	(3)	(3)	–	(3)	–	(3)

The different levels as disclosed in the table above have been defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market date (unobservable inputs).

7. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (CONTINUED)

(b) Measurement of fair values

Cash collateral – Share linked incentive ("SLI") hedge

The group's valuation of its SLI hedge is based on the group's share price (level 1 financial asset measured at fair value). The group settled its SLI hedge on 26 August 2020 resulting in an increase of 5.8 million treasury shares. The group recognised a gain of R14 million on valuation of the shares. Refer to note 11.3.

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Forward exchange contracts	*Market comparison technique*: The fair value of foreign exchange contracts are marked-to-market by comparing the contracted forward rate to the present value of the current forward rate of an equivalent contract with the same maturity date	Not applicable	Not applicable
Preference share in Technologies Acceptances Receivables Proprietary Limited	The dividend growth model was used to determine the fair value of the preference share using the historic dividends that were received from the investment.	Discount rate of 14.2% (February 2020: 14.2%) Annual perpetuity growth 0% (February 2020: 0%)	The estimated fair value would increase/(decrease) if: • the discount rate was lower/(higher) by 1% then the value would increase/(decrease) by R2 million; • the annual perpetuity growth rate was higher/(lower) by 1% then the value would increase/(decrease) by R2 million.

Transfers

There were no transfers between levels 1, 2 or 3 of the fair value hierarchy for the years ended 31 August 2020 and 29 February 2020.

8. ACQUISITION OF SUBSIDIARIES AND CHANGES IN OWNERSHIP

8.1 Acquisition of subsidiaries

Acquisition of Ubusha Technologies ("Ubusha")

Effective 1 March 2020, Altron, through its wholly owned subsidiary, Altron TMT SA Group, acquired the entire issued share capital of Gydan Investments (RF) Proprietary Limited, the holding company of Ubusha Technologies Proprietary Limited ("Ubusha"), including, *inter alia*, its primary subsidiary, Ubusha.

The Acquisition significantly enhances Altron's existing capability in the IT security market. Through Ubusha, Altron will strengthen its capabilities and will now be able to offer customers a securely managed identity profile for their clients across devices, platforms and locations.

The purchase price is approximately R367 million, of which R259 million was paid upfront (R223 million in cash and R35 million in the group's own treasury shares). The transaction has been structured that the remainder of the purchase price is payable equally over two years. Management is still finalising the full purchase price allocation and the initial assessment is presented below.

Goodwill of R290 million has been recognised on the acquisition of Ubusha which relates to the expected future synergies flowing from the group's intention to increase its footprint in security offerings into new markets and customer segments.

The fair value of the acquired brands and customer relationships of R56 million is provisional pending receipt of the final valuation for these assets. Deferred tax of R16 million has been provided in relation to these fair value adjustments.

The acquisition contributed revenue of R52 million and net profit after tax of R12 million to the group during the six months ended 31 August 2020.

R millions	**Recognised values**	**Fair value adjustments**	**Carrying amount**
Intangible assets on acquisition (note 8.3)	–	56	56
Deferred tax	–	(16)	(16)
Trade and other receivables	37	–	37
Net cash acquired	16	–	16
Trade and other payables	(28)	–	(28)
Total net assets on acquisition	**25**	**40**	**65**
Goodwill on acquisition (note 8.3)			290
Total consideration			**355**
Less: Treasury shares utilised to settle transaction (note 11.3)			(36)
Less: Deferred purchase consideration			(96)
Cash paid			**223**
Less: Cash and cash equivalents in subsidiary acquired			(16)
Cash paid in relation to Ubusha			**207**
Other acquisitions not material to the group			15
Cash paid in relation to current year acquisitions			**222**

8. ACQUISITION OF SUBSIDIARIES AND CHANGES IN OWNERSHIP (CONTINUED)

8.2 Transactions with non-controlling interests

Altron Nexus Proprietary Limited ("Nexus")

On 30 June 2020, the group acquired 25% plus one share of the issued shares of Nexus for R30 million bringing the group's total share to 100%. Immediately prior to the purchase, the carrying amount of the existing non-controlling interest in Nexus was R178 000. The group recognised a decrease in non-controlling interests of R178 000 and a decrease in equity attributable to owners of the parent of R30 million.

Netstar Proprietary Limited ("Netstar")

On 17 June 2020, the group acquired an additional 5% share of the issued shares of Netstar for R4 million bringing the group's total share to 80%. Immediately prior to the purchase, the carrying amount of the existing non-controlling interest in Netstar was negative R253 million. The group recognised a decrease in the negative non-controlling interests of R51 million and a decrease in equity attributable to owners of the parent of R55 million.

Altech UEC South Africa Proprietary Limited ("UEC")

On 25 August 2020, the group acquired 25% plus one share of the issued shares of UEC for a nominal amount bringing the group's total share to 100%. Immediately prior to the purchase, the carrying amount of the existing non-controlling interest in UEC was negative R57 million. The group recognised a decrease in non-controlling interests of R57 million and a decrease in equity attributable to owners of the parent of R57 million.

The effect of the above transactions on premium/discount on non-controlling equity transactions reserve during the year is summarised as follows:

R millions	31 August 2020
Carrying amount of non-controlling interests acquired	**(108)**
Consideration paid to non-controlling interests	**(34)**
Excess of consideration paid recognised in reserve (premium/discount on non-controlling equity transactions)	**(142)**

8. ACQUISITION OF SUBSIDIARIES AND CHANGES IN OWNERSHIP (CONTINUED)

8.3 Intangible assets including goodwill

The intangible assets held by the group increased primarily as a result of the acquisition of Ubusha (note 8.1).

R millions	Goodwill	Customer relationships	Trade names, designs, patents and trade marks	Distribution rights, license agreements and proprietary software	Total
At 29 February 2020					
Cost	1 526	402	619	92	**2 639**
Accumulated amortisation and impairment	(39)	(226)	(384)	(45)	**(694)**
Net book amount	**1 487**	**176**	**235**	**47**	**1 945**
Half-year ended 31 August 2020					
Opening net book amount	1 487	176	235	47	**1 945**
Acquisition of subsidiary*	290	71	6	–	**367**
Additions	–	–	23	–	**23**
Amortisation	–	(27)	(40)	(24)	**(91)**
Translation	112	18	10	–	**140**
Closing net book amount	**1 889**	**238**	**234**	**23**	**2 384**
Less classified as held-for-sale (note 9)	(162)	(26)	–	(20)	(208)
Closing net book amount	**1 727**	**212**	**234**	**3**	**2 176**
At 31 August 2020					
Cost	1 928	499	672	92	**3 191**
Accumulated amortisation and impairment	(39)	(261)	(438)	(69)	**(807)**
Less classified as held-for-sale (note 9)	(162)	(26)	–	(20)	**(208)**
Closing net book amount	**1 727**	**212**	**234**	**3**	**2 176**
** Acquisition of subsidiaries relates to the following:*					
Ubusha (note 8.1)	*290*	*50*	*6*	*–*	*346*
Other acquisitions not material to the group	*–*	*21*	*–*	*–*	*21*
	290	*71*	*6*	*–*	*367*

9. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

The Executive Committee regularly evaluates the various operations against its stated purpose and vision and during the reporting period, it became evident that some of the group's current offerings do not fit the ICT mould of the future Altron. These operations include the Document and People solutions businesses as well as the Altron Arrow electronic component distribution operation. These businesses do not fit the refined vision of a future Altron which speaks to a highly differentiated technology solutions provider.

Management is exploring opportunities to exit the aforementioned businesses and are currently actively marketing these investments at an appropriate fair value. The sale of these entities is expected to be completed in the next 12 months. Consequently, the Board has taken the decision to treat these businesses as held-for-sale and discontinued operations effective 31 August 2020 as the classification criteria have been met.

Financial performance and cash flow information

The comparative consolidated statement of comprehensive income has been re-presented for the classification of Altron People Solutions ("APS"), Altron Document Solutions ("ADS") and Altron Arrow ("Arrow") as held-for-sale and discontinued operations in the current reporting period.

Net assets of business held-for-sale:

R millions	31 August 2020	31 August 2019	29 February 2020
Property, plant and equipment	**40**	–	–
Right-of-use assets	**58**	–	–
Equity-accounted investments	**51**	55	55
Intangible assets including goodwill	**208**	–	–
Finance lease assets	**217**	–	–
Non-current assets	**574**	55	55
Inventories	**80**	–	–
Trade and other receivables	**330**	–	–
Contract assets	**26**	–	–
Cash and cash equivalents	**43**	–	–
Current assets	**479**	–	–
Assets classified as held-for-sale	**1 053**	55	55
Loans	**217**	–	–
Lease liabilities	**49**	–	–
Non-current liabilities	**266**	–	–
Loans	**174**	–	–
Lease liabilities	**16**	–	–
Trade and other payables	**77**	–	–
Contract liabilities	**16**	–	–
Taxation payable	**1**	–	–
Provisions	**1**	–	–
Current liabilities	**285**	–	–
Liabilities classified as held-for-sale	**551**	–	–

9. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATIONS (CONTINUED)

Breakdown of disposal groups held-for-sale:

R millions	31 August 2020 Altron Document Solutions	Altron People Solutions	Altron Arrow	Equity accounted investment*	Total
	586	**193**	**223**	**55**	**1 057**
Non-current assets	**411**	**92**	**20**	**55**	**578**
Current assets	**175**	**101**	**203**	**–**	**479**
Impairment of held-for-sale equity accounted investment*					**(4)**
Assets classified as held-for-sale					**1 053**
Liabilities classified as held-for-sale	**417**	**82**	**52**	**–**	**551**
Non-current assets	**235**	**31**	**–**	**–**	**266**
Current assets	**182**	**51**	**52**	**–**	**285**

R millions	29 February 2020 Equity accounted investment*	Total
Non-current assets	55	55
Assets classified as held-for-sale		55

Cash flows utilised in discontinued operations:

R millions	31 August 2020	31 August 2019	29 February 2020
Net cash generated from operating activities	**(40)**	23	303
Net cash utilised in investing activities	**(15)**	11	7
Net cash utilised in financing activities	**(128)**	(111)	(306)
Net cash flow for the year	**(183)**	(77)	4

* *This relates to CBI Electric Aberdare ATC Telecom Cables (ATC). During the 2019 financial year, the group recognised an impairment loss of R67 million. During the current year, the Group recognised a further impairment loss of R4 million in respect of the investment in ATC based on the determination of the fair value less cost to sell of the investment in accordance with the IFRS 5 Non-current Assets Held-for-sale. (refer to note 4.1)*

10. RELATED PARTY TRANSACTIONS

The group has a related-party relationship with joint ventures and key management.

R millions	Six months ended 31 August 2020 (Unaudited)	Six months ended 31 August 2019 (Unaudited)	Year ended 29 February 2020 (Audited)
Transactions			
Sale of goods and services to joint venture	–	8	1
Key management remuneration	36	49	82
Balances			
Thobela Telecoms – joint venture (Trade receivables)	309	309	309
Thobela Telecoms – joint venture (Investment loan)	30	23	23

11. SIGNIFICANT EVENTS AND TRANSACTIONS

11.1 Credit risk concentration risk

On 22 August 2017, the City of Tshwane brought forward an application to review and set aside the tender which was awarded to Altron Nexus (Pty) Ltd ("Nexus") for the provision of a municipal broadband network project. Judgment in favour of the application was handed down on 16 July 2019.

Nexus along with Thobela Telecoms (RF) (Pty) Ltd ("Thobela") applied for leave to Appeal to the Supreme Court of Appeal, which was duly granted.

As per the First Appellant's Notice of Appeal, Nexus as the first appellant lodged its notice on 15 October 2019 which had been successfully filed with the Registrar with a request to seek an expedited hearing. On 24 February 2020, Nexus were advised that the Registrar at the Supreme Court of Appeal accepted the appeal record on the 21 February 2020 without qualifications.

At 29 February 2020, the group had raised an expected credit loss ("ECL") provision of R49 million against the respective amounts owed by Thobela (R40 million in respect of the trade receivables balance outstanding and R9 million in respect of the investment loan advanced). As set out in note 12, upon the positive outcome of the ruling by the Supreme Court of Appeal, R40 million of the ECL relating to the gross trade receivables has been reversed.

11.2 Potential unbundling and separate listing of Altron United Kingdom (UK) subsidiary, Bytes Technology Group Limited (Bytes UK) and significant judgement applied by management

As part of its strategic review, the Board assessed each of the business units within Altron, to identify opportunities which have the potential to unlock further value for shareholders and to streamline operations. The Board concluded that the true value of Bytes UK, a wholly-owned subsidiary of Altron, is not reflected in the Company's share price. This business has increasingly developed a growth trajectory and strategic levers that are different to the rest of the Group and operates in a different geographical capital market with a highly rated peer group.

Consequently, the Board has resolved to pursue:

- a potential listing and potential share offering of Bytes UK on the London Stock Exchange;
- a secondary listing of Bytes UK on the Johannesburg Stock Exchange ("JSE"); and
- an unbundling of the remaining Altron shareholding in Bytes UK, post the potential share offering to Altron shareholders (collectively referred to as "the Potential Transaction").

The group's planned demerger of Bytes UK from the Altron Group means that the consideration of the demerger and any related required disclosures is a significant judgement for the current reporting period. The main consideration is whether the demerger of Bytes UK should lead to the segment being classified as a held-for-sale disposal group and discontinued operation.

The group has considered the requirements of IFRS 5 Non-current assets held-for-sale and Discontinued Operations, where the key tests for this classification are that a business must be available for immediate sale in its present condition and that the transaction should be highly probable. Given that the transaction is subject to both regulatory and shareholder approval and that at this stage, there is not sufficient certainty of the outcome of these approval processes as at 31 August 2020 (nor as at the date of this report), we are unable to conclude that this transaction is highly probable and cannot be classified as a disposal group and discontinued operation.

11. SIGNIFICANT EVENTS AND TRANSACTIONS (CONTINUED)

11.3 Altron group Treasury Shares

Shares utilised in the acquisition of the Ubusha Technologies Proprietary Limited ("Ubusha") transaction

As disclosed in note 8.1, the group utilised 1 683 025 of its treasury shares to discharge R36 million of its upfront purchase price. At the date of the transaction, the treasury shares were carried at a cost of R42 million. A loss of R6 million has been recognised directly in equity.

Settlement of cash collateral - Share Linked Incentive (SLI) hedge

On 26 August 2020, the group settled its SLI hedge. The group had the settlement option in terms of the agreement to receive cash or the physical settlement of shares. The group elected to receive shares and as a result the number of treasury shares increased by 5 790 413. The SLI hedge was classified as a non-current financial asset at fair value through profit or loss. A gain of R14 million was recognised on the date of the transaction based on the group's share price.

The effect of the above transaction on the number and value of treasury shares may be summarised as follows:

	Value R millions	Number of shares
Balance at 29 February 2020	**299**	**28 180 081**
Shares disposed during the year	**(42)**	**(1 683 025)**
Acquired on settlement of share linked incentive (SLI) hedge	**131**	**5 790 413**
Balance at 31 August 2020	**388**	**32 287 469**

12. EVENTS AFTER REPORTING PERIOD

Altron Nexus Proprietary Limited ("Nexus")/The City of Tshwane Municipality ("the City") broadband network judgement

In terms of IAS 10 *Events after the reporting period*, adjusting post-balance sheet events are events that provide further evidence of conditions that existed at the end of the reporting period 31 August 2020. As mentioned in note 11.1, the recoverable balance from Thobela was pending the outcome of the appeal as at 31 August 2020 and the group had recognised an expected credit loss allowance of R40 million. On 5 October 2020, the Supreme Court of Appeal ("SCA") upheld the appeal in favour of Altron. The condition therefore existed at the reporting date and the outcome of the appeal after the period end, results in a remeasurement of the expected credit loss raised. The SCA overturned the previous judgment of the High Court in Pretoria in its entirety with costs. The ruling has the following implications:

- There was no basis for finding any possible maladministration or mismanagement of Nexus.
- The City and its officials were solely to blame for its predicament.
- The ruling confirms that the broad contract is in force and should be resumed without any further delay. The original contract was for three years, with an additional 18 years for an operate and maintenance contract.
- Altron Nexus will be able to recover all its costs and any amounts outstanding under the contract.

Based on the above, the group has a legally enforceable right to payment of the balance outstanding by Thobela and management therefore consider the recoverability thereof to be highly probable. The result of the appeal constitutes an adjusting post-balance sheet event and as a result the R40 million credit loss allowance previously raised has been reversed.

Declaration of dividend

The group declared a dividend of 33 cents per share on 21 October 2020.

The directors are not aware of any other events after the reporting period that will have an impact on the financial position, performance or cash flows of the group.

13. REVENUE BY SEGMENT

The Altron group is a diversified group which derives its revenues and profits from a variety of sources.

Segmentation is based on the group's internal organisation and reporting of revenue based upon internal accounting presentation.

Revenue by reportable segment is disaggregated by major product/service and geographic region below.

31 August 2020

Continuing operations

R millions	Altron Managed Solutions	Managed Services	Altron Nexus	Altron Systems Integration	Bytes Technology Group UK	Altron Rest of Africa and other international operations
Revenue by product						
Project related revenue	**–**	**–**	**231**	**94**	**193**	**–**
Over time	–	–	231	94	193	–
Sale of goods and related services	**237**	**237**	**56**	**516**	**271**	**59**
At a point in time	237	237	29	324	271	59
Over time	–	–	27	192	–	–
Maintenance, support and outsource services	**453**	**453**	**173**	**288**	**26**	**56**
Over time	453	453	173	288	26	56
Training and skills management	**–**	**–**	**–**	**–**	**20**	**–**
Over time	–	–	–	–	20	–
Software, cloud and licenses, including software assurance services	**–**	**–**	**–**	**29**	**4 269**	**–**
At a point in time	–	–	–	1	2 476	–
Over time	–	–	–	28	1 793	–
Software application and development	**–**	**–**	**–**	**101**	**–**	**–**
At a point in time	–	–	–	101	–	–
Over time	–	–	–	–	–	–
Switching and other transactional services	**–**	**–**	**–**	**21**	**–**	**–**
Over time	–	–	–	21	–	–
Total revenue from contracts with customers	**690**	**690**	**460**	**1 049**	**4 779**	**115**
Revenue by geographic region						
South Africa	594	594	453	942	–	3
Rest of Africa	96	96	7	48	–	88
Total Africa	**690**	**690**	**460**	**990**	**–**	**91**
Europe	–	–	–	58	4 758	1
Rest of world	–	–	–	1	21	23
Total International	**–**	**–**	**–**	**59**	**4 779**	**24**
Total revenue	**690**	**690**	**460**	**1 049**	**4 779**	**115**

Altron Karabina	Altron Security	Digital Transform-ation	Healthtech/ Fintech	Healthtech/ Fintech	Netstar	Smart IoT	Corporate and consolid-ation	Other	Continuing operations
97	**29**	**644**	**–**	**–**	**–**	–	**(13)**	**(13)**	**631**
97	29	644	–	–	–	–	(13)	(13)	631
–	**13**	**915**	**73**	**73**	**764**	**764**	**(132)**	**(132)**	**1 857**
–	–	683	67	67	65	65	(128)	(128)	924
–	13	232	6	6	699	699	(4)	(4)	933
3	**2**	**548**	**83**	**83**	**–**	**–**	**(34)**	**(34)**	**1 050**
3	2	548	83	83	–	–	(34)	(34)	1 050
2	**–**	**22**	**–**	**–**	**–**	–	–	**–**	**22**
2	–	22	–	–	–	–	–	–	22
6	**8**	**4 312**	**173**	**173**	**–**	**–**	**(14)**	**(14)**	**4 471**
6	–	2 483	95	95	–	–	(15)	(15)	2 563
–	8	1 829	78	78	–	–	1	1	1 908
–	**–**	**101**	**–**	**–**	**–**	**–**	–	**–**	**101**
–	–	101	–	–	–	–	–	–	101
–	–	–	–	–	–	–	–	–	–
–	**–**	**21**	**219**	**219**	**–**	**–**	**(18)**	**(18)**	**222**
–	–	21	219	219	–	–	(18)	(18)	222
108	**52**	**6 563**	**548**	**548**	**764**	**764**	**(211)**	**(211)**	**8 354**
108	39	1 545	525	525	654	654	(161)	(161)	3 157
–	–	143	22	22	2	2	(36)	(36)	227
108	**39**	**1 688**	**547**	**547**	**656**	**656**	**(197)**	**(197)**	**3 384**
–	8	4 825	1	1	–	–	(14)	(14)	4 812
–	5	50	–	–	108	108	–	–	158
–	**13**	**4 875**	**1**	**1**	**108**	**108**	**(14)**	**(14)**	**4 970**
108	**52**	**6 563**	**548**	**548**	**764**	**764**	**(211)**	**(211)**	**8 354**

13. REVENUE BY SEGMENT (CONTINUED)

31 August 2020

R millions

Discontinuing operations

Revenue by product	**Altron Document Solutions**	**Altron People Solutions**	**Altron Arrow**	**Discontinued operations**
Sale of goods and related services	**213**	**110**	**163**	**486**
At a point in time	43	94	163	300
Over time	170	16	–	186
Maintenance, support and outsource services	**222**	**–**	**–**	**222**
Over time	222	–	–	222
Training and skills management	**–**	**28**	**–**	**28**
Over time	–	28	–	28
Total revenue from contracts with customers	**435**	**138**	**163**	**736**
Rental finance income	35	–	–	35
Total revenue	**470**	**138**	**163**	**771**
Revenue by Geographic region				
South Africa	430	138	162	730
Rest of Africa	40	–	–	40
Total Africa	**470**	**138**	**162**	**770**
Europe	–	–	–	–
Rest of world	–	–	1	1
Total International	**–**	**–**	**1**	**1**
Total revenue	**470**	**138**	**163**	**771**
Total revenue				**9 125**

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13. REVENUE BY SEGMENT (CONTINUED)

The Altron group is a diversified group which derives its revenues and profits from a variety of sources.

Segmentation is based on the group's internal organisation and reporting of revenue based upon internal accounting presentation.

Revenue by reportable segment is disaggregated by major product / service and geographic region below.

31 August 2019

R millions

Continuing operations

Revenue by product	Altron Managed Solutions	Managed Services	Altron Nexus	Altron Systems Integration	Bytes Technology Group UK	Altron Rest of Africa and other international operations	Altron Karabina
Project related revenue	**–**	**–**	**242**	**215**	**109**	**–**	**77**
Over time	–	–	242	215	109	–	77
Sale of goods and related services	**265**	**265**	**79**	**454**	**313**	**135**	**–**
At a point in time	265	265	79	428	313	135	–
Over time	–	–	–	26	–	–	–
Maintenance, support and outsource services	**295**	**295**	**100**	**284**	**30**	**25**	**–**
Over time	295	295	100	284	30	25	–
Training and skills management	**–**	**–**	**–**	**–**	**16**	**–**	**–**
Over time	–	–	–	–	16	–	–
Software, cloud and licenses, including software assurance services	**–**	**–**	**–**	**9**	**3 405**	**–**	**9**
At a point in time	–	–	–	9	2 843	–	–
Over time	–	–	–	–	562	–	9
Software application and development	**–**	**–**	**–**	**102**	**–**	**–**	**–**
Over time	–	–	–	102	–	–	–
Switching and other transactional services	**–**	**–**	**–**	**37**	**–**	**–**	**–**
Over time	–	–	–	37	–	–	–
Total revenue from contracts with customers	**560**	**560**	**421**	**1 101**	**3 873**	**160**	**86**
Revenue by Geographic region							
South Africa	502	502	408	1 031	–	8	86
Rest of Africa	58	58	13	63	–	118	–
Total Africa	**560**	**560**	**421**	**1 094**	**–**	**126**	**86**
Europe	–	–	–	4	3 856	1	–
Rest of world	–	–	–	3	17	33	–
Total international	**–**	**–**	**–**	**7**	**3 873**	**34**	**–**
Total revenue	**560**	**560**	**421**	**1 101**	**3 873**	**160**	**86**

Digital Transform-ation	Healthtech/ Fintech	Healthtech/ Fintech	Netstar	Smart IoT	Corporate and consolid-ation	Other	Continuing operations
643	**–**	**–**	**–**	**–**	**(4)**	**(4)**	**639**
643	–	–	–	–	(4)	(4)	639
981	**111**	**111**	**764**	**764**	**(79)**	**(79)**	**2 042**
955	88	88	73	73	(64)	(64)	1 317
26	23	23	691	691	(15)	(15)	725
439	**69**	**69**	**–**	**–**	**(70)**	**(70)**	**733**
439	69	69	–	–	(70)	(70)	733
16	**–**	**–**	**–**	**–**	**–**	**–**	**16**
16	–	–	–	–	–	–	16
3 423	**80**	**80**	**–**	**–**	**(73)**	**(73)**	**3 430**
2 852	80	80	–	–	(73)	(73)	2 859
571	–	–	–	–	–	–	571
102	**20**	**20**	**–**	**–**	**–**	**–**	**122**
102	20	20	–	–	–	–	122
37	**301**	**301**	**–**	**–**	**–**	**–**	**338**
37	301	301	–	–	–	–	338
5 641	**581**	**581**	**764**	**764**	**(226)**	**(226)**	**7 320**
1 533	558	558	674	674	(79)	(79)	3 188
194	23	23	3	3	(9)	(9)	269
1 727	**581**	**581**	**677**	**677**	**(88)**	**(88)**	**3 457**
3 861	–	–	–	–	(138)	(138)	3 723
53	–	–	87	87	–	–	140
3 914	**–**	**–**	**87**	**87**	**(138)**	**(138)**	**3 863**
5 641	**581**	**581**	**764**	**764**	**(226)**	**(226)**	**7 320**

13. REVENUE BY SEGMENT (CONTINUED)

31 August 2019
R millions
*Discontinuing operations**

Revenue by product	Altron Document Solutions	Altron People Solutions	Altron Arrow	Discontinued operations
Sale of goods and related services	**588**	**–**	**245**	**833**
At a point in time	588	–	245	833
Over time	–	–	–	–
Maintenance, support and outsource services	**134**	**–**	**–**	**134**
Over time	134	–	–	134
Training and skills management	**–**	**204**	**–**	**204**
Over time	–	204	–	204
Software, cloud and licenses, including software assurance services	**–**	**17**	**–**	**17**
At a point in time	–	7	–	7
Over time	–	10	–	10
Total revenue from contracts with customers	**722**	**221**	**245**	**1 188**
Rental finance income	23	–	–	23
Total revenue	**745**	**221**	**245**	**1 211**
Revenue by geographic region				
South Africa	698	213	241	1 152
Rest of Africa	47	3	–	50
Total Africa	**745**	**216**	**241**	**1 202**
Europe	–	–	–	–
Rest of world	–	5	4	9
Total international	**–**	**5**	**4**	**9**
Total revenue	**745**	**221**	**245**	**1 211**
Total revenue				**8 531**

* *Comparative information has been re-presented for the discontinued operations (note 9).*

14. REPORTING SEGMENTS

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. The group determines and presents operating segments based on the information that is internally provided to the group's executive committee, which is the group's chief operating decision-maker (CODM). An operating segment's operating results are reviewed regularly by the CODM to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the group's headquarters and the subgroup's headquarters).

The segmental information has been prepared to highlight the continuing and discontinued operating segments. This provides more insight into revenue, earnings before interest, taxation, depreciation, amortisation, capital items and equity accounted losses (EBITDA before capital items), operating profit before capital items and depreciation disclosed in the statement of comprehensive income.

14. REPORTING SEGMENTS (CONTINUED)

The below is categorised in accordance with the group's reporting segments. The segment revenues and earnings before interest, taxation, depreciation, amortisation, capital items and equity accounted losses (EBITDA before capital items) generated by each of the group's segments are summarised as follows:

R millions	Revenue			EBITDA before capital items			Operating profit before capital items		
	31 August 2020	31 August 2019[1,2]	29 February 2020[1]	**31 August 2020**	31 August 2019[1,2]	29 February 2020[1]	**31 August 2020**	31 August 2019[1,2]	29 February 2020[1]
Altron Managed Solutions	**690**	560	1 393	**42**	43	103	**(3)**	16	47
Managed Services	**690**	560	1 393	**42**	43	103	**(3)**	16	47
Altron Nexus	**460**	421	868	**56**	(2)	24	**24**	(40)	(46)
Altron Systems Integration	**1 049**	1 101	2 076	**3**	38	125	**(10)**	24	99
Bytes Technology Group UK	**4 779**	3 873	7 203	**459**	303	611	**430**	280	561
Altron Security	**52**	–	–	**22**	–	–	**17**	–	–
Altron Rest of Africa	**115**	160	373	**(12)**	9	26	**(15)**	5	19
Altron Karabina	**108**	86	177	**5**	–	2	**(6)**	(12)	(21)
Digital Transformation	**6 563**	5 641	10 697	**533**	348	788	**440**	257	612
Netstar	**764**	764	1 541	**297**	291	611	**111**	110	244
Smart IoT	**764**	764	1 541	**297**	291	611	**111**	110	244
Healthtech/Fintech	**548**	581	1 230	**115**	148	327	**87**	121	275
Healthtech/Fintech	**548**	581	1 230	**115**	148	327	**87**	121	275
Corporate and consolidation	**(211)**	(226)	(480)	**(104)**	(75)	(120)	**(127)**	(94)	(162)
Other	**(211)**	(226)	(480)	**(104)**	(75)	(120)	**(127)**	(94)	(162)
Continuing operations	**8 354**	7 320	14 381	**883**	755	1 709	**508**	410	1 016
Multimedia Group	**–**	–	–	**1**	(2)	(7)	**–**	(2)	(7)
Autopage Group	**–**	–	–	**–**	4	2	**–**	4	2
Powertech Group	**–**	–	–	**–**	(1)	(1)	**–**	(1)	(1)
Altron Document Solutions	**470**	745	1 477	**(22)**	39	88	**(38)**	27	59
Altron People Solutions	**138**	221	392	**(25)**	21	22	**(36)**	12	1
Altron Arrow	**163**	245	463	**(1)**	11	16	**(2)**	10	14
Discontinued Operations	**771**	1 211	2 332	**(47)**	72	120	**(76)**	50	68
Altron Group	**9 125**	8 531	16 713	**836**	827	1 829	**432**	460	1 084

[1] *Comparative information has been re-presented for the discontinued operations (note 9).*

[2] *Refer to note 15 for restatement of August 2019 balances.*

14. REPORTING SEGMENTS (CONTINUED)

Segment EBITDA before capital items can be reconciled to operating profit before capital items as follows:

	EBITDA before capital items		
R millions	**31 August 2020**	31 August 2019[1,2]	29 February 2020[1]
EBITDA before capital items	**836**	827	1 829
Reconciling items:			
Depreciation – Property, plant and equipment	**(86)**	(85)	(167)
Depreciation – Right-of-use assets	**(100)**	(93)	(195)
Amortisation	**(91)**	(66)	(132)
Amortisation of costs incurred to acquire contracts and capital rental devices	**(127)**	(123)	(251)
Total operating profit before capital items	**432**	460	1 084
Operating loss/(profit) from discontinued operations before capital items	**76**	(50)	(68)
Operating profit from continuing operations before capital items	**508**	410	1 016

[1] *Comparative information has been re-presented for the discontinued operations (note 9).*

[2] *Refer to note 15 for restatement of August 2019 balances.*

Revenues/EBITDA before capital items/operating profit from segments below the quantitative thresholds are attributable to smaller operating segments of the Altron group. None of those segments have met any of the quantitative thresholds for determining reportable segments for the reportable periods.

Quantitative thresholds have been calculated based on totals for the Altron group and not per sub-group.

15. CORRECTION OF ACCOUNTING TREATMENT IN AUGUST 2019 COMPARATIVES

15.1 Correction of error in the accounting for leasing contract and its related disclosure

During the 2018 financial year, the group undertook a detailed review of its leasing contracts in preparing for its adoption of the new IFRS 16 standard on leases with effect from 1 March 2019. In the initial review, operating lease agreements relating to the leasing of fibre cables were erroneously assessed to not meet the definition of a lease in terms of IFRS 16. Consequently, these contracts had an impact on the presentation and disclosure of the period ended 31 August 2019 balances. Only the August 2019 comparatives require restatement, as the lease was correctly classified and accounted for at 29 February 2020.

15.2 Cash flow impact on back-to-back finance lease assets and finance lease liabilities

The group sells goods under finance lease arrangements in certain parts of its business. As part of these transactions, the group enters into back-to-back arrangements with an external party to receive cash from the transaction on day one. As the customer settles the monthly lease instalments with the group, the group settles its monthly instalments with the external financier. The finance lease asset and finance lease liability have been correctly presented on a gross basis on the consolidated balance sheet, in line with the IFRS requirements for set off. In the August 2019 comparatives, the cash flow impact in relation to these transactions has incorrectly been netted off in the consolidated statement of cash flows as part of investing activities.

During the current year, this was corrected with the cash inflow now being presented as part of operating activities and the cash outflow as part of financing activities. The relating interest received and interest paid were also updated. Only the August 2019 comparatives require restatement, as the consolidated statement of cash flows was correctly presented at 29 February 2020.

The above has been corrected by updating each of the affected financial statement line items included in the consolidated statement of cash flows for the prior period as noted below for the period ending August 2019. The corrections did not have an impact on the consolidated balance sheet or consolidated statement of comprehensive income.

15. CORRECTION OF ACCOUNTING TREATMENT IN AUGUST 2019 COMPARATIVES (CONTINUED)

The above adjustments have been corrected by updating each of the affected financial statement line items for the period 31 August 2019 as follows:

	31 August 2019		
R millions	**As previously reported***	**Adjustments (note 15.1)**	**Restated**
STATEMENT OF COMPREHENSIVE INCOME			
(Extract)			
CONTINUING OPERATIONS			
Operating costs excluding capital items	(6 588)	23	(6 565)
Earnings before interest, taxation, depreciation, amortisation, capital items and equity accounted losses (EBITDA before capital items)	**732**	**23**	**755**
Depreciation and amortisation	(325)	(20)	(345)
Operating profit before capital items	**407**	**3**	**410**
Operating profit	**417**	**3**	**420**
Finance expense	(163)	(5)	(168)
Profit before taxation	**300**	**(2)**	**298**
Taxation	(61)	1	(60)
Profit for the period from continuing operations	**239**	**(1)**	**238**
TOTAL OPERATIONS			
Profit for the period from total operations			
Net profit/(loss) attributable to:			
Non-controlling interests	(9)	–	(9)
Altron equity holders	276	(1)	275
Profit for the period from total operations	**267**	**(1)**	**266**
Total comprehensive income attributable to:			
Non-controlling interests	(9)	–	(9)
Altron equity holders	287	(1)	286
Total comprehensive income for the period	**278**	**(1)**	**277**

* *Comparative information has been re-presented for the discontinued operations (note 9).*

15. CORRECTION OF ACCOUNTING TREATMENT IN AUGUST 2019 COMPARATIVES (CONTINUED)

R millions	31 August 2019 As previously reported*	Adjustments (note 15.1)	Restated
STATEMENT OF FINANCIAL POSITION			
(Extract)			
Non-current assets			
Right-of-use assets	435	139	574
Equity and liabilities			
Total equity	**3 511**	**(1)**	**3 510**
Shareholders' equity	3 683	(1)	3 682
Non-controlling interests	(172)	–	(172)
Non-current liabilities			
Lease liabilities	317	102	419
Current liabilities			
Lease liabilities	140	39	179

R millions	31 August 2019 As previously reported*	Reclassification**	Adjustments (note 15.1)	Adjustments (note 15.2)	Restated
CASH FLOW					
(Extract)					
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated by operations	46	–	23	99	168
Interest received	50	–	–	23	73
Interest paid	(169)	–	(5)	(23)	(197)
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash inflow/(outflow) relating to finance lease arrangements	12	–	–	(12)	–
CASH FLOWS USED IN FINANCING ACTIVITIES					
Settlement of finance leases	(89)	89	–	(87)	(87)
Lease payments	–	(89)	(18)	–	(107)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(326)**	**–**	**–**	**–**	**(326)**

* *Comparative information has been re-presented for the discontinued operations (note 9).*

** *Lease payments relate to principal lease payments in relation to leases recognised on adoption of IFRS 16. These have been reclassified from "settlement of finance leases" to lease payments.*

Supplementary information

(Total operations – Unaudited)

R million	**31 August 2020**		31 August 2019		29 February 2020
Depreciation and amortisation	**404**		367		745
Net foreign exchange (loss)/profit	**(35)**		11		(2)
Cash flow movements					
Capital expenditure (including intangibles)	**137**		135		258
Net additions to contract fulfilment costs	**3**		(3)		4
Additions to contract fulfilment costs	**139**		131		207
Contract costs written off	**(9)**		(11)		(21)
Amortisation of costs incurred to fulfil contracts during the year	**(127)**		(123)		(182)
Capital commitments	**264**		62		187
Contingent liabilities					
There were no contingent liabilities identified as at 31 August 2020					
Ratios (total operations)					
EBITDA margin	**9.2%**		9.7%		10.9%
ROIC	**18.21%**	*	21.97%	*	23.4%
ROE (continuing operations)	**16.5%**	*	14.4%	*	17.8%
ROA	**7.5%**	*	9.7%	*	10.6%
RONA	**11.8%**	*	12.6%	*	14.5%
Current ratio	**1.2:1**		1.1:1		1.2:1
Acid test ratio	**1.1:1**		1:1		1.1:1

* *Annualised*

NOTES

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