ALLIED ELECTRONICS
CORPORATION LIMITED
(Registration number 1947/024583/06)
(Incorporated in the Republic of South Africa)
Share code: AEL
ISIN: ZAE000191342

PRELIMINARY SUMMARISED AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2019 AND FINAL DIVIDEND ANNOUNCEMENT

FINANCIAL COMMENTARY

We continue to deliver on our stated goal of consistent double-digit growth at an EBITDA level despite the ongoing challenging economy. During the year, the group's financial performance continued to improve significantly on a statutory basis:

- Revenue from continuing operations increased by 7% to R15.7 billion.
- EBITDA from continuing operations increased by 30% to R1.6 billion.
- HEPS from continuing operations increased by 50% to 179 cents.
- ROCE from continuing operations at 20%.
- Final dividend declared of 44 cents per share, with total dividend for the year of 72 cents per share.

In the financial year under review, we secured key wins in both the private and public sector. These included, amongst others, the Gauteng Broadband Network Phase 2 contract, secured by Altron Nexus. Altron CyberTech was awarded the Gautrain management agency tender, through which we provide a secure and protected technology network. Altron Bytes Systems Integration was awarded a data and analytics contract by FNB, Netstar won a three-year contract from the eThekwini Municipality for the supply, integration and maintenance of a vehicle tracking technology solution for 7 000 vehicles, as well as Bytes UK being awarded a five-year GBP 155 million (R2.7 billion) Windows 10 contract with the UK NHS, as reported at the financial half-year. Netstar Australia Group was awarded a fleet management contract by Ausgrid.

The disposal of the remaining material non-core businesses and assets of the group has been successfully concluded. Powertech Transformers was disposed of with effect from 31 July 2018. The disposal of Altech UEC/Multimedia, being the last non-core control asset, was concluded during the financial year.

To improve market comprehension of our solutions and services, we have grouped our operations into the following segments, namely Digital Transformation, Fintech/Healthtech, Smart IoT and Managed Services. Our operating companies are also presented to the market under one identity following the introduction of a new Altron brand in FY19.

Due to the inclusion of non-core discontinued operations in the total results for the year, the continuing operations' results provide stakeholders with an accurate measure of the core sustainable earnings of Altron. The numbers presented in the commentary below are shown on a normalised basis.

FINANCIAL OVERVIEW

CONTINUING OPERATIONS

Gross revenue increased by 30% to R19.2 billion, however, the impact of adopting IFRS 15 Revenue from Contracts with Customers resulted in reported revenue from the continuing operations increasing by 7% from R14,7 billion to R15.7 billion, while normalised EBITDA increased by 24% to R1.6 billion, with strong year-on-year EBITDA growth of 79% from Bytes UK. The group's normalised EBITDA margin on reported revenue increased to 10.4% compared to 8.9% in the prior year. Free cash flow increased significantly to R425 million. Within a South African context, the group generates 83% of its revenue from the private sector and 17% from the public sector. Organic EBITDA growth for the year was 18%, with 6% growth attributable through acquisitions.

In line with accounting standards, during the year, the amortisation of contract costs in Netstar were reclassified from operating expenses to depreciation, resulting in an increase in depreciation and amortisation expense of R253 million in the current year and by R199 million in FY18. Capital items were a loss of R26 million, mostly as a result of the impairment of contract costs in Netstar, which were offset by profit on the disposal of property. The net interest costs in the continuing operations at R176 million remained relatively constant compared to the prior year. Other comprehensive income for the year includes R113 million (a loss of R62 million in FY18) relating to foreign currency translation differences in respect of foreign operations, due to the weakening of the rand during FY19.

DISCONTINUED OPERATIONS

The results of the discontinued operations continue to show a significant improvement from the previous financial year. EBITDA improved to R54 million compared to a prior year of R8 million. This was mainly due to the operational improvement of the Powertech Transformers and Altech UEC/Multimedia businesses, which maintained their momentum in delivering strong EBITDA turnaround.

Profit after-tax improved significantly from a loss of R253 million in the prior year to a profit of R70 million. This is mainly due to the improved operational performance, profits on disposals realised in the current year and a further reduction in the interest expense as proceeds from disposals have been used to reduce debt. Furthermore, impairments processed in the prior year were not needed in the current year.

CASH MANAGEMENT

The group's overall net debt of R1.3 billion (including deferred disposal receipts) showed a meaningful improvement on the FY18 year-end position of R1.5 billion. Cash generated from operations totalled R1.5 billion for the year. A total of R184 million was absorbed into working capital, compared to R298 million in the prior year. Net finance expenses continued to reduce to R196 million (R239 million in FY18), while tax paid for the year amounted to R147 million.

The group utilised R414 million on investment activities for the year, funded out of internally generated cash. Included in this amount was R191 million relating to capital rental devices in Netstar, which reflects the continued improved growth in its subscriber base, R146 million relating to the acquisition of Altron Karabina and R58 million which was paid towards EZY2C acquired in FY18. Furthermore, R190 million was investment in property, plant and equipment and R93 million in intangible assets, as development costs were capitalised throughout the year. Also included in investment activities are inflows of R176 million relating to proceeds on the disposal of non-core assets and R123 million concerning the disposal of property, plant and equipment.

R185 million cash utilised in financing activities predominantly relates to the net repayment of term loans. Given the continued improved performance of the group, our long and short-term facilities were successfully refinanced with effect from 28 February 2019 which will result in a decrease in finance costs during FY20.

OPERATIONAL REVIEW

DIGITAL TRANSFORMATION

Bytes UK had another strong year, growing revenue by 5% and EBITDA by 79% to R368 million. The performance of the business was positively impacted by the inclusion of Phoenix Software for the full year (acquired in the second half of the previous financial year). The business is set to grow further, following the five-year, GBP155 million (circa R2.7 billion) NHS contract, secured during the year.

The mandatory adoption of IFRS 15 in the current year impacted the revenue recognition of Bytes UK. The business changed from a principal to an agent in a major part of its cloud-based business resulting in an adverse impact of GBP200 million on revenue during the year, although EBITDA remained unaffected.

Altron Bytes Systems Integration ("BSI") refined its operating model which resulted in revenue increasing by 7%, while EBITDA decreased by 3%. The newly adopted operating model has already started to yield a significant increase in pipeline opportunities. BSI continues to streamline the business and drives large group initiatives in Cloud Services, IoT, Data Analytics and Security.

Altron Nexus ("Nexus") produced positive results for the year, with revenue largely in line with the prior year, while growing EBITDA by 54% to R123 million. The business responded to a disappointing first half of the year, with a strong performance in the second half, due to delays in the award and implementation of large projects which have since been realised. The roll-out of the Gauteng broadband network phase 2 project, together with the closing out of historic projects have resulted in a significant improvement in EBITDA for the year.

As at the date of the release of this announcement, the challenges relating to the City of Tshwane ("CoT") broadband network contract remain unresolved. While the parties still await the release of the court judgement, meaningful progress has been made in the group's negotiations with CoT. Management remains positive regarding the outcome of this matter. The business continues to win and deliver on current broadband network opportunities, further building on its momentum of evolving into the preferred safe city solution provider for the smart city evolution.

Altron Karabina was acquired effective 1 September 2018 in response to our strategy to extend Altron's capabilities in Cloud Services and Data Analytics. The results for the five months of the financial year were in line with our expectations for the business. We are excited by the enhanced skills introduced to the group by Altron Karabina, with the team contributing to cross- and up-sell initiatives into our larger customers.

FINTECH/HEALTHTECH

Altron Bytes Secure Transaction Solutions ("BSTS") continues to perform well, growing revenue by 6% and EBITDA by 14% to R289 million, driven by further improved EBITDA margins of 25% and a number of new contracts secured during the year. BSTS maintains its status as a key growth focus for the group. All components of this business performed well, with the NuPay division again being the outstanding performer. The Healthtech side of the business continues to focus its attention in the healthcare space delivering higher value services to healthcare professionals, as well as within the public health sector. Looking forward, it is also assessing opportunities in the Altron Rest of Africa markets. Fintech is expanding its product offerings further into the unsecured lending environment, which presents significant growth opportunity for this division, while the CyberTech division is seeing gains through its cyber security operations centre to provide security for customer networks, such as being awarded the Gautrain management agency tender.

SMART IoT

Netstar, inclusive of its Australian operations, showed continued improvements in its performance. The business reported a 10% increase in revenue and 19% improvement in EBITDA to R582 million against the prior year. Netstar further improved the growth in its subscriber base, particularly in stolen vehicle recovery ("SVR"), with churn and retentions under close control, improving by 6%.

During the second half of the year, Netstar re-evaluated its ground recovery suppliers in SVR. Through a formal process, managed by Deloitte, Netstar effected a change in its service providers in this space to ensure enhanced services, while having a lower cost of delivery going into FY20.

During the year, the business consolidated its Australian operations, Pinpoint and EZY2C. These are now driven through a single Netstar Australia brand.

MANAGED SERVICES

Altron Bytes Document Solutions ("BDS") has seen revenue improve by 11% and EBITDA increase by 10% to R77 million compared to the prior year. This is testament to the successful efforts by the business of gaining market share in a declining market.

Strategically the business remains focused on selected growth areas, including managed print services and the high-end production environment. BDS' growth strategy of driving cross-selling of Altron's various offerings into its extensive base of more than 4 500 customers remains on course.

Altron Bytes Managed Solutions ("BMS") reported revenue and EBITDA increase of 14% and 5% year-on-year, respectively. In a highly competitive market, BMS is focused on quality of service while closely managing its cost base and maintaining its drive to enhance annuity income. Further improvement in the performance of BMS are being driven by the ongoing diversification of its offerings, including a focus on growing into retail and end-user computing.

Altron Bytes People Solutions ("BPS") grew revenue by 5% for the year, with EBITDA in line with the prior year. As BPS' customer base continues to digitally transform their businesses and finding new and innovative ways to service their customers, it results in declining call volumes through BPS' call centre environments. This has necessitated an internal drive by the business to reduce costs in line with declining call volumes. BPS is furthermore focusing on growing its enabling technologies, including robotic processes, in order to diversify its offerings from traditional call centres, to providing digitally transformed customer experiences.

ALTRON ARROW

Altron Arrow's experienced a challenging year, given the problems faced in the SA contract manufacture space, whereby the demand for the delivery of components have been curtailed. This resulted in revenue and EBITDA for the year declining by 11% and 12%, respectively. In challenging economic conditions, the business maintained its leading component distributor position, with a market share of 27%. Altron Arrow continues to drive market share expansion in a declining market by leveraging their established global brand.

DIVIDEND

Notice is hereby given that a final cash dividend of 44 cents per share (35.2 cents net of 20% dividend withholding tax) for the financial year ended 28 February 2019 has been declared, 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, 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 399 380 572, including 28 180 080 treasury shares. The salient dates applicable to the interim dividend are as follows:

Dividend dates:	
Last day to trade cum dividend	Tuesday, 28 May 2019
Commence trading ex dividend	Wednesday, 29 May 2019
Record date	Friday, 31 May 2019
Payment date	Monday, 3 June 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 29 May 2019 and Friday, 31 May 2019.

DIRECTORATE AND CHANGE IN FUNCTION

During the past financial year, our board took further steps to ensure alignment to our ICT focused strategy and implementing its diversity policy at board level. As part of this process, Ms Phumla Mnganga was appointed as an independent non-executive director on the Altron board, with effect from 1 February 2019.

On 14 March 2019, the board announced the appointment of Mr Cedric Miller as executive financial director and Chief Financial Officer ("CFO") of Altron, with effect from 1 May 2019. Following Mr Miller's appointment, Mr Andrew Holden, the Altron Group Chief Operations Officer, who assumed the additional role of acting CFO on 20 October 2018, stepped down as acting CFO, with effect from 30 April 2019. Furthermore, Mr Miller has also been appointed to the Altron Risk Management Committee and the Altron Investment Committee, with effect from 9 May 2019.

The board further announced that Dr WP Venter, Chairman Emeritus, retired as non-executive director of the Altron board, with effect from 31 July 2018. Dr Penuell Maduna and Ms Dawn Mokhobo also retired as independent non-executive directors from the board, with effect from 28 February 2019.

Following the retirement of Ms Mokhobo, Mr Stewart van Graan assumed the role of Chairman of the Altron Social and Ethics Committee, with effect from 3 May 2019.

OUTLOOK

Despite the muted economic conditions in the jurisdictions in which the group operates, Altron remains well-positioned for continued growth and accelerating the implementation of its One Altron strategy of offering end-to-end solutions to its extensive customer base. We continue to focus on organic growth, supplemented by selective acquisitions. In particular:

- cross- and up-selling in Altron's top accounts in South Africa;
- extending our Microsoft capabilities to include Licencing Solutions Provider status;
- driving margin expansion in Altron BSI;
- increased focus on the automotive sector within Netstar South Africa;
- solidify our Netstar operation in India; and
- the group remains committed to double digit EBITDA growth.

For and on behalf of the board.

MJ Leeming	M Nyati	C Miller
Chairman	Chief Executive	Chief Financial Officer

Registered office
Altron House, 4 Sherborne Road, Parktown, 2193

Sponsor
Investec Bank Limited

Transfer secretaries
Computershare Investor Services Proprietary Limited, 1st Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

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

9 May 2019

AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2019

Independent auditor's report on the summary consolidated financial statements

To the Shareholders of Allied Electronics Corporation Limited

Opinion
The summary consolidated financial statements of Allied Electronics Corporation Limited, contained in the accompanying preliminary report, which comprise the summary consolidated balance sheet as at 28 February 2019, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the related notes, are derived from the audited consolidated financial statements of Allied Electronics Corporation Limited for the year ended 28 February 2019.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 3 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary Consolidated Financial Statements
The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon
We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 8 May 2019. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Director's Responsibility for the Summary Consolidated Financial Statements
The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in note 3 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's Responsibility
Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on the Summary Financial Statements.

PricewaterhouseCoopers Inc.
Director: A.M Motaung
Registered Auditor
Johannesburg
8 May 2019

SUMMARY CONSOLIDATED
BALANCE SHEET

		GROUP		
R millions	Note	28 Feb 2019	28 Feb 2018 Restated(1)	1 Mar 2017 Restated(1)
ASSETS				
Non-current assets		4 171	3 798	2 893
Property, plant and equipment		620	615	569
Intangible assets and goodwill		1 965	1 669	1 029
Equity-accounted investments		19	20	23
Other investments		-	468	302
Financial assets at amortised cost		350	-	-
Financial assets at fair value through profit or loss		202	-	-
Financial assets at fair value through other comprehensive income		21	-	-
Finance lease assets		196	187	190
Contract costs capitalised		83	-	-

Capital rental devices		293	461	404
Trade and other receivables		87	-	-
Defined benefit asset		180	164	178
Deferred taxation		155	214	198
Current assets		7 430	6 138	6 991
Inventories		1 017	993	1 046
Trade and other receivables		4 725	3 360	2 752
Financial assets at fair value through profit or loss		6	-	-
Contract assets		195		-
Taxation receivable		25	4	3
Restricted cash		26	-	-
Cash and cash equivalents		1 381	1 067	1 546
		7 375	5 424	5 347
Assets classified as held-for-sale	9	55	714	1 644
Total assets		11 601	9 936	9 884
EQUITY AND LIABILITIES				
Total equity		3 373	2 545	2 028
Share capital and share premium		2 866	2 861	2 448
Retained earnings		3 148	2 543	2 356
Other reserves		(2 479)	(2 614)	(2 536)
Attributable to Altron shareholders		3 535	2 790	2 268
Non-controlling interests		(162)	(245)	(240)
Non-current liabilities		1 424	1 580	2 048
Loans		1 262	1 502	2 000
Provisions		-	5	5
Contract liabilities		87	-	-
Deferred taxation		75	73	43
Current liabilities		6 804	5 811	5 808
Loans		484	404	395
Bank overdrafts		1 181	972	956
Provisions		15	20	16
Trade and other payables		3 603	3 881	3 350
Financial liabilities at fair value through profit or loss		18	-	-
Contract liabilities		1 423	-	-
Taxation payable		80	69	67
		6 804	5 346	4 784
Liabilities classified as held-for-sale	9	-	465	1 024
Total equity and liabilities		11 601	9 936	9 884

(1) Refer to note 17 for more detail in respect of the restatement of prior year balances

SUMMARY CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME

R millions	Notes	% Change	2019	Restated* 2018
CONTINUING OPERATIONS				
Revenue	13	7	15 723	14 743
Operating costs excluding capital items*			(14 116)	(13 509)
Earnings before interest, taxation, depreciation, amortisation, capital items and equity accounted losses (EBITDA and capital items)**		30	1 607	1 234
Depreciation and amortisation*			(566)	(451)
Operating profit before capital items		33	1 041	783
Capital items	5		(26)	(38)
Operating profit		36	1 015	745
Finance income			130	164
Finance expense			(306)	(342)
Share of loss of equity accounted investees, net of taxation			(1)	(1)
Profit before taxation		48	838	566
Taxation			(158)	(145)
Profit for the year from continuing operations		62	680	421
DISCONTINUED OPERATIONS				
Revenue	13	(59)	1 202	2 938
Operating costs excluding capital items			(1 148)	(2 930)
Earnings before interest, taxation, depreciation, amortisation, capital items and equity accounted losses (EBITDA and capital items)**			54	8
Operating profit excluding capital items		575	54	8
Capital items	5		24	(271)
Operating profit/(loss)			78	(263)
Finance income			24	56
Finance expense			(27)	(77)
Proft/(loss) before taxation			75	(284)
Taxation			(5)	31
Profit/(loss) for the year from discontinued operations			70	(253)
Profit for the year from total operations			750	168

* Costs incurred to fulfil contracts relating to hardware and fitment have been reclassified from materials and services consumed to depreciation and amortisation, as a result the prior year has been restated.

** The group presents in its consolidated statement of comprehensive income earnings before interest, taxation, depreciation, amortisation, capital items and equity accounted losses from associates. 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 to be revenue for the group.

R millions	Note	% Change	2019	Restated* 2018
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurement of net defined benefit asset			4	(5)
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences in respect of foreign operations***			113	(62)
Effective portion of changes in the fair value of cash flow hedges			3	2
Transfer to reserves			-	(3)
Other comprehensive income for the year, net of taxation			120	(68)
Total comprehensive income for the year			870	100
Net profit/(loss) attributable to:				
Non-controlling interests			39	(19)
Non-controlling interests from continuing operations			25	17
Non-controlling interests from discontinued operations			14	(36)
Altron equity holders			711	187
Altron equity holders from continuing operations			655	404
Altron equity holders from discontinued operations			56	(217)
Net profit for the year			750	168
Total comprehensive income attributable to:				
Non-controlling interests			39	(18)
Non-controlling interests from continuing operations			25	17
Non-controlling interests from discontinued operations			14	(35)
Altron equity holders			831	118
Altron equity holders from continuing operations			775	356
Altron equity holders from discontinued operations			56	(238)
Total comprehensive income for the year			870	100
Basic earnings per share from continuing operations (cents)	6	62	177	109
Diluted earnings per share from continuing operations (cents)	6	62	175	108
Basic earnings/(loss) per share from discontinued operations (cents)	6	125	15	(59)
Diluted earnings/(loss) per share from discontinued operations (cents)	6	126	15	(58)
Basic earnings per share from total operations (cents)	6	276	192	51
Diluted earnings per share from total operations (cents)	6	280	190	50

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

SUMMARY CONSOLIDATED
STATEMENT OF CASH FLOWS

R millions	2019	Restated* 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated by operations	1 127	1 062
Interest received	134	178
Interest paid	(330)	(417)
Dividends received from equity accounted investees and other investments	4	32
Taxation paid	(147)	(142)
Dividends paid, including to non-controlling interests	(111)	(5)
Net cash inflow from operating activities	677	708
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash acquired	(218)	(698)
Proceeds on the disposal of subsidiaries, associate and businesses net of cash disposed of	176	233
Proceeds on disposal of property, plant and equipment and intangible assets	123	3
Cash (outflow)/received relating to finance lease arrangements	(6)	15
Acquisition of intangible assets	(93)	(84)
Acquisitions of property, plant and equipment	(190)	(194)
Other investing activities	(206)	(246)
Net cash (outflow) from investing activities	(414)	(971)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans repaid	(1 716)	(755)
Loans advanced	1 543	195
Settlement of finance leases	(12)	-
Proceeds from share issue	-	400
Net cash (outflow) from financing activities	(185)	(160)
Net increase (decrease) in cash and cash equivalents	78	(423)
Net cash and cash equivalents at the beginning of the year	95	502
Cash and cash equivalents at the beginning of the year	95	590
Cash previously classified as held-for-sale	-	(88)
Effect of exchange rate fluctuations on cash held	27	16
Net cash and cash equivalents at the end of the year	200	95

* Refer to note 17 for more detail in respect of the restatement of prior year balances.

SUMMARY CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY

R millions	Share capital and premium	Treasury shares	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to Altron equity holders						
Balance at 28 February 2017	2 747	(299)	(2 536)	2 356	2 268	(240)	2 028
Total comprehensive income for the year							
Profit for the year	-	-	-	187	187	(19)	168
Other comprehensive income							
Foreign currency translation differences in respect of foreign operations	-	-	(62)	-	(62)	-	(62)
Remeasurement of net defined benefit asset	-	-	(5)	-	(5)	-	(5)
Effective portion of changes in the fair value of cash flow hedges	-	-	1	-	1	1	2
Transfer to reserves	-	-	(3)	-	(3)	-	(3)
Total other comprehensive income	-	-	(69)	-	(69)	1	(68)
Total comprehensive income for the year	-	-	(69)	187	118	(18)	100
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	-	-	-	-	-	(5)	(5)
Issue of share capital	413	-	(13)	-	400	-	400
Share-based payment transactions	-	-	20	-	20	-	20
Total contributions by and distributions to owners	413	-	7	-	420	(5)	415
Changes in ownership interests in subsidiaries							
Buy-back of non-controlling interest	-	-	(16)	-	(16)	16	-
Acquisition of subsidiary	-	-	-	-	-	2	2
Total changes in ownership interests in subsidiaries	-	-	(16)	-	(16)	18	2
Total transactions with owners	413	-	(9)	-	404	13	417
Balance at 28 February 2018	3 160	(299)	(2 614)	2 543	2 790	(245)	2 545
Adjustment on initial application of IFRS 9 and IFRS 15	-	-	-	(1)	(1)	-	(1)
Restated total equity at the beginning of the year	3 160	(299)	(2 614)	2 542	2 789	(245)	2 544
Total comprehensive income for the year							
Profit for the year	-	-	-	711	711	39	750
Other comprehensive income							
Foreign currency translation differences in respect of foreign operations	-	-	113	-	113	-	113
Remeasurement of net defined benefit asset	-	-	4	-	4	-	4
Effective portion of changes in the fair value of cash flow hedges	-	-	3	-	3	-	3
Total other comprehensive income	-	-	120	-	120	-	120
Total comprehensive income for the year	-	-	120	711	831	39	870
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	-	-	-	(105)	(105)	(5)	(110)
Issue of share capital	5	-	(5)	-	-	-	-
Share-based payment transactions	-	-	20	-	20	-	20
Total contributions by and distributions to owners	5	-	15	(105)	(85)	(5)	(90)
Changes in ownership interests in subsidiaries							
Disposal of operations	-	-	-	-	-	49	49
Total changes in ownership interests in subsidiaries	-	-	-	-	-	49	49
Total transactions with owners	5	-	15	(105)	(85)	44	(41)
Balance at 28 February 2019	3 165	(299)	(2 479)	3 148	3 535	(162)	3 373

Dividend per share declared 44 cents(final) and 28 cents(interim)(2018: nil).

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

1. INDEPENDENT AUDIT

The summary consolidated financial statements have been derived from the audited consolidated financial statements. The directors of the company take full responsibility for the preparation of the summary consolidated financial statements and that the financial information has been correctly derived and are consistent in all material respects with the underlying audited consolidated financial statements. The summary consolidated financial statements for the year ended 28 February 2019 have been audited by our independent auditors, PricewaterhouseCoopers Inc. who have expressed an unmodified opinion thereon. The auditors also expressed an unmodified opinion on the consolidated financial statements from which the summary consolidated financial statements were derived. A copy of the auditor's report on the consolidated financial statements is available for inspection at the company's registered office, together with the financial statements identified in the auditor's report.

2. 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 (previously known as Altech Radio Holdings Proprietary Limited); Bytes Software Services Limited and Phoenix Software Limited in the UK; and the Altron Rest of Africa operations.

3. BASIS OF PREPARATION

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary financial statements and the requirements of the Companies Act applicable to summary financial statements. The summary financial statements were prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC) and the Financial Pronouncements as issued by the Financial Reporting Standard Council (FRSC), and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived, are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated financial statements, apart from restatements and the changes to accounting policies noted below. The summary consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 28 February 2019, which have been prepared in accordance with IFRS. A copy of the full set of the audited consolidated financial statements is available for inspection from the company secretary at the registered office of the company.

This report was compiled under the supervision of Mr Andrew Holden, Chief Operating Officer and Mr Cedric Miller CA(SA), Chief Financial Officer.

4. PRINCIPAL ACCOUNTING POLICIES

The group adopted all new, revised or amended accounting pronouncements that became effective in the current reporting period. The following standards had an impact on the group:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The group had to change its accounting policies and make certain retrospective adjustments, which were recorded on 1 March 2018 in terms of the adoption approach elected, following the adoption of IFRS 9 and IFRS 15, which is disclosed in note 14. The other amendments listed above did not have a material impact on the amounts recognised in prior periods and have not; and are not expected to significantly affect the current or future periods.

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

	R millions	2019	2018
5.	CAPITAL ITEMS		
	Continuing operations		
	Impairment of goodwill	-	(30)
	Net profit on disposal of property, plant and equipment	16	1
	Impairment of property, plant and equipment	(7)	(17)
	Contract costs written off	(35)	-
	Reversal of provision related to East Africa	-	10
	Impairment of historic proceeds receivable	-	(2)
		(26)	(38)
	Discontinued operations		
	Profit/(loss) on disposal of discontinued operations	30	(90)
	Profit/(loss) on disposal of intangible assets	(2)	(6)
	Profit on disposal of property, plant and equipment	63	-
	Impairment of held-for-sale disposal groups	(67)	(175)
		24	(271)
	Total	(2)	(309)

	Cents	% change	2019	2018
6.	EARNINGS PER SHARE			
	Headline earnings per share from continuing operations	50	179	119
	Headline earnings per share from discontinued operations	500	12	2
	Headline earnings per share from total operations	58	191	121
	Diluted headline earnings per share from continuing operations	50	179	119
	Diluted headline earnings/(loss) per share from discontinued operations	500	12	2
	Diluted headline earnings per share from total operations	58	191	121
	Normalised headline earnings per share from continuing operations	36	183	135

	R millions		2019	2018
6.1	Reconciliation between earnings and headline earnings			
	Attributable to Altron equity holders		711	187
	Capital items - gross		3	309
	Tax effect of capital items		(6)	(22)
	Non-controlling interests in capital items		-	(26)
	Headline earnings		708	448
	Headline earnings per share from total operations	(cents)	191	121
6.2	Reconciliation between earnings and headline earnings from continuing operations			
	Attributable to Altron equity holders		655	404
	Capital items - gross		26	38
	Tax effect of capital items		(18)	(1)
	Headline earnings from continuing operations		663	441
	Headline earnings per share from continuing operations	(cents)	179	119
6.3	Reconciliation between earnings and headline earnings from discontinued operations			
	Attributable to Alton equity holders		56	(217)
	Capital items - gross		(23)	271
	Tax effect of capital items		12	(21)
	Non-controlling interests in capital items		-	(26)
	Headline earnings from discontinued operations		45	7
	Headline earnings per share from discontinued operations	(cents)	12	2

		Number of shares	Number of shares
6.4	Reconciliation of weighted average number of shares		
	Issued shares at the beginning of the year (A ordinary and N ordinary shares)	399 092 426	370 040 477
	Share buy back (9 A shares for every 10 N shares)	-	(26 438 009)
	Effect of own shares held at the beginning of the year	(28 180 081)	(28 180 081)
	Effect of shares issued during the year	100 522	54 726 365
	Weighted average number of shares	371 012 867	370 148 752
6.5	Reconciliation between number of shares used for earnings per share and diluted earnings per share		
	Weighted average number of shares	371 012 867	370 148 752
	Dilutive options	3 801 170	2 473 130
	Diluted weighted average number of shares	374 814 037	372 621 882

	R millions	2019	2018
6.6	Reconciliation between earnings and diluted earnings are as follows:		
	Earnings attributable to shareholders	711	187
	Diluted earnings	711	187
6.7	Reconciliation between headline earnings and diluted headline earnings		
	Headline earnings	708	448
	Diluted headline earnings	708	448
	Diluted headline earnings per share from total operations (cents)	189	120

6.8 Reconciliation between headline earnings and normalised headline earnings

Normalised headline earnings have been presented to demonstrate the impact of material, non-operational once-off costs associated with accessing benefits that will only be realised in subsequent reporting periods, as well as certain restructuring costs, on the headline earnings of the group.

The presentation of normalised headline earnings is not an IFRS defined measure or requirement.

R millions	2019	2018
Headline earnings are reconciled to normalised headline earnings as follows:		
Headline earnings	663	441
Foreign currency gains on contingent consideration	5	(6)
Retrenchment and restructuring costs	34	77
Acquisition-related costs	-	8
Settlement of contingent consideration	(13)	-
Tax effect of adjustments	(10)	(20)
	679	500

7. ACQUISITION OF SUBSIDIARIES AND BUSINESS

The following material acquisition was concluded during the current year:

Acquisition of iSPartners Group Proprietary Limited ("Altron Karabina")

Effective 1 September 2018, Altron TMT SA Group Proprietary Limited acquired 100% of the issued share capital of Altron Karabina, a Microsoft solutions business, for a purchase price of R217 million, of which R161 million was paid upfront and the remainder is payable over the next two years, with no targets attached to the payment of the remaining balance.

The acquisition contributed revenue of R105 million and a net profit after tax of R6 million to the group since acquisition. If Altron Karabina was acquired on 1 March 2018, the contributed revenue would have been R210 million and the net profit after tax would have been R12 million.

Goodwill of R148 million was recognised on the acquisition of Altron Karabina which relates to the expected future synergies flowing from the group's intention to increase its footprint in the Microsoft environment in South Africa.

R millions	Carrying amount	Fair value adjustments	Recognised values
The acquired balances at the effective date were as follows:			
Property, plant and equipment	4	-	4
Intangible assets	16	50	66
Deferred tax	(2)	(14)	(16)
Trade and other receivables	37	-	37
Trade and other payables	(37)	-	(37)
Cash and cash equivalents	15	-	15
Net identifiable assets acquired	33	36	69
Goodwill on acquisition			148
Total purchase consideration			217
Less: Cash and cash equivalents in subsidiary acquired			(15)
Less: Deferred purchase consideration			(56)
Net cash outflow on acquisitions			146

In addition to the above, the group acquired Cape Office Machines, a partner to the Altron Bytes Document Solutions Business for a purchase price of R14 million. The acquisition resulted in intangible assets of R15 million being recognised.

8. DISPOSAL OF SUBSIDIARY

Effective 31 July 2018, the group disposed of its collective 80% equity interest in Powertech Transformers for R250 million.

Net assets of the above operations disposed:

R millions	2019
Non-current assets	1
Other	1
Current assets	493
Inventories	252
Trade and other receivables	241
Equity	49
Non-controlling interest	49
Current-liabilities	(284)
Trade and other payables	(239)
Other	(45)
Disposal value	259
Less: Proceeds receivable	(150)
Profit on disposal of subsidiaries	30
Proceeds received on disposal	139

9. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

Impairment of held-for-sale disposal groups

In prior years the decision was taken to dispose of the Powertech group and the Multimedia group and, as a result, these businesses were classified as discontinued operations. The relevant requirements of IFRS 5 were met for this classification at the time. The disposals of the assets and liabilities held-for-sale were completed during the 2019 financial year, except for the investment held in CBI-Electric Telecom Cables (ATC), which remains held for sale at the end of the year. Management believe that the conclusion of the disposal of the investment will be affected in the 2020 financial year.

Net assets of disposal group held-for-sale:

R millions	2019	2018
Assets classified as held-for-sale	55	714
Non-current assets	55	129
Current assets	-	585
Liabilities classified as held-for-sale	-	(465)
Non-current liabilities	-	(5)
Current liabilities	-	(460)

During the current year, the group recognised a further impairment loss 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 IFRS 5 Non-current Assets Held for Sale.

The impairment is based on management's best estimate and judgement of the fair value of the investment and represents the lowest value that the group will dispose the investment to a willing buyer. The fair value is a level 3 due to the unobservable inputs used in the determining the value.

10. RELATED-PARTY TRANSACTIONS

The group has a related-party relationship with its subsidiaries, associates and joint ventures and with its directors and key management personnel.

R millions 2019	2019	2018
Associates and joint ventures		
Sale of goods and services to joint venture	31	246
Services received from associates	57	295
Interest earned from associate	-	5
Dividends received from joint venture	-	26
Dividends received from associates	-	2
Balances		
Thobela Telecoms - Joint venture (Trade receivables)	301	265

Credit risk, concentration risk and significant judgement applied by management

Gross trade receivable with Thobela Telecoms (RF) Proprietary Limited ("TT")

Altron Nexus Proprietary Limited (Nexus) holds a jointly controlled interest in TT. TT is the vehicle through which the City of Tshwane ("CoT") has contracted for the procurement and installation of a fibre broadband network ("CoT project"). Nexus has in turn been contracted by TT to complete the build and implementation of the CoT project. In the prior year, CoT initiated legal proceedings to halt progress on the project combined with a review of the tender given concerns over internal CoT irregularities related to the tender process.

As at the end of the reporting period, the group had an outstanding balance of R301 million (2018: R265 million) outstanding from TT. The increase in the balance from the prior year is as a result of delay costs that were invoiced to TT in terms of the agreements entered into.

Management is of the view that their legal case is sound and that there is a very high probability that judgment will go in their favour, which would escalate receipt of the outstanding funding. In addition, CoT has commenced with certain initiatives in relation to the project in order to amicably resolve the ongoing dispute

Any potential loss is further negated through the group's right to collect the equipment that has been installed due to amounts owing remaining outstanding.

Management is confident that the judge presiding over the matter will issue judgment in the near future. As at year-end management has not raised a loss allowance in respect of the outstanding balance from TT. In accordance with IFRS 15; R34 million of the revenue relating to the delay costs charged have been constrained at year-end.

11. FINANCIAL ASSETS AND LIABILITIES 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 amount is a reasonable approximation of fair value.

28 February 2019

	Carrying amount		Fair value			
R millions	Designated 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
Cash collateral - Share-linked incentive ("SLI") hedge*	108	108	108	-	-	108
Investment in Aberdare Cables Proprietary Limited	94	94	-	-	94	94
Forward exchange contracts	6	6	-	6	-	6
	229	229	108	6	115	229
Financial liabilities measured at fair value						
Forward exchange contracts	(18)	(18)	-	(18)	-	(18)
	(18)	(18)	-	(18)	-	(18)

28 February 2018

	Carrying amount				Fair value			
R millions	Designated at fair value	Fair value-hedging instruments	Available-for-sale	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	71	-	-	71	71	-	-	71
Equity investments	185	-	21	206	-	-	206	206
Forward exchange contracts	-	30	-	30	-	30	-	30
	256	30	21	307	71	30	206	307
Financial liabilities measured at fair value								
Forward exchange contracts	-	(96)	-	(96)	-	(96)	-	(96)
Contingent consideration	(66)	-	-	(66)	-	-	(66)	(66)
	(66)	(96)	-	(162)	-	(96)	(66)	(162)

The carrying amounts of financial assets that are not subsequently measured at fair value i.e. finance lease assets and financial assets is considered to approximate the fair value.

The carrying amount of financial liabilities that are not subsequently measured at fair value i.e. financial liabilities at amortised cost is considered to approximate the fair value.

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).

(b) Measurement of fair values

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 14.68% (2018: 13.50%) Forecast annual perpetuity growth 0% (2018: 3%)	The estimated fair value would increase (decrease) if: - the discount rate were lower (higher) by 1% then the value would increase (decrease) by R2 million; and - the annual perpetuity growth rate were higher (lower) by 1% then the value would increase (decrease) by R2 million.
Investment in Aberdare Cables Proprietary Limited	The valuation of the investment in underpinned by the underlying call and put option structure implemented by the group with the other shareholder to this investment	Contractually agreed amounts	The fair value is driven by the put and call structure as contractually agreed.

Transfers

There were no transfers between levels 1, 2 or 3 of the fair value hierarchy for the years ended 28 February 2019 and 28 February 2018.

12. EVENTS AFTER REPORTING PERIOD

Effective 1 March 2019, the group acquired a 64.59% interest in Altron Aloe Machines for R9.7 million. This business forms part of Altron Bytes Document Solutions division.

The initial accounting for the business combination has not been completed and, as a result, it was impracticable for certain IFRS 3 Business Combination disclosures to be made due to the close proximity of the acquisition to the financial statements release date.

The group declared a dividend of 44 cents per share on 8 May 2019.

The group exercised its put option in respect of the investment in Aberdare Cables Proprietary Limited. The directors are not aware of any other events after the reporting period that will have an impact on financial position, performance or cash flows of the group.

R millions	2018*
13. REVENUE FROM CONTRACTS WITH CUSTOMERS	
13.1 Prior year disclosure	
Goods sold	12 521
Services rendered	5 084
Rental finance income	76
	17 681
Continuing operations	14 743
Discontinued operations	2 938
	17 681

R millions	2019	2018*
13.2 Assets and liabilities related to contracts with customers		
The group has recognised the following assets and liabilities related to contracts with customers:		
Current contract assets	196	-
Loss allowance	(1)	-
Total current contract assets	195	-
Non-current contract costs capitalised	83	-
Current contract costs capitalised	98	
Total contract costs capitalised	181	-
Non-current contract liabilities	87	-
Current contract liabilities	1 423	-
Total contract liabilities	1 510	-

Contract liabilities recognised at the beginning of the year

At the beginning of the year, R1 394 million was recognised as a contract liability. The total amount was recognised as revenue during the current year, due to the short-term nature of the contracts entered into. The closing balance represents new contracts entered into where the performance obligations have not yet been met at year-end. The contract liability is expected to be recognised as revenue in the next financial year.

Revenue in terms of IAS 18	2019
Had the group applied the accounting policies effective in the prior year, the total revenue would have been:	
Revenue	20 356

Unsatisfied long-term service contracts

The following table shows unsatisfied performance obligations.

R millions	2019	2018*
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 28 February 2019	3 553	-
	3 553	-
Management expects the contract liabilities that are allocated to contracts with partially or fully unsatisfied performance obligations will be recognised as follow:		
Within one year	257	-
Within two years	114	-
Thereafter	3 182	-
	3 553	-

* The group elected to adopt IFRS 15 using the modified retrospective approach without restating the prior year, therefore prior year balances have not been disclosed.

13.3 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.

Continuing operations				Altron ICT international operations						Altron ICT South African operations					
R millions	Altron Nexus	Altron Bytes Document Solutions	Altron Bytes Managed Solutions	Altron Bytes People Solutions	Altron Bytes Secure Transaction Solutions	Altron Bytes Systems Integration	Altron Karabina	Altron ICT South African Operations	Bytes Technology Group UK	Other international operations	Altron ICT International operations	Altron Arrow	Netstar	Corporate and con-solidation	Continuing operations
Revenue by product															
Project related revenue	515	-	-	-	-	522	80	1 117	216	2	218	-	-	(42)	1 293
Over time	515	-	-	-	-	522	80	1 117	216	2	218	-	-	(42)	1 293
Sale of goods and related services	150	861	407	-	276	602	-	2 343	320	152	472	499	1 521	(155)	4 680
At a point in time	150	861	407	-	245	560	-	2 223	320	152	472	499	85	(105)	3 174
Over time	-	47	-	-	31	42	-	120	-	-	-	-	1 436	(50)	1 506
Maintenance, support and outsource services	520	557	761	-	124	580	8	2 550	91	89	180	-	-	(87)	2 643
Over time	520	557	761	-	124	580	8	2 550	91	89	180	-	-	(87)	2 643
Training and skills management	-	-	-	427	-	-	1	428	34	-	34	-	-	(15)	447
Over time	-	-	-	427	-	-	1	428	34	-	34	-	-	(15)	447
Software, cloud and related licences, including software assurance services	-	33	-	31	168	36	-	268	5 712	42	5 754	-	-	(209)	5 813
At a point in time	-	33	-	23	168	36	-	260	4 137	42	4 179	-	-	(154)	4 285
Over time	-	-	-	8	-	-	-	8	1 575	-	1 575	-	-	(55)	1 528
Software application and development	-	-	-	-	34	212	16	262	-	-	-	-	-	(9)	253
Over time	-	-	-	-	34	212	16	262	-	-	-	-	-	(9)	253
Switching and other transactional services	-	-	-	-	539	75	-	614	-	-	-	-	-	(20)	594
Over time	-	-	-	-	539	75	-	614	-	-	-	-	-	(20)	594
Total Revenue	1 185	1 451	1 168	458	1 141	2 027	105	7 535	6 373	285	6 658	499	1 521	(537)	15 676
Rental finance income	-	47	-	-	-	-	-	47	-	-	-	-	-	-	47
Total Revenue	1 185	1 498	1 168	458	1 141	2 027	105	7 582	6 373	285	6 658	499	1 521	(537)	15 723
Revenue by geographic region															
South Africa	1 169	1 351	1 056	450	1 120	1 937	105	7 188	5	22	27	494	1 292	(194)	8 807
Rest of Africa	16	147	112	1	21	77		374	2	208	210	5	-	(35)	554
Total Africa	1 185	1 498	1 168	451	1 141	2 014	105	7 562	7	230	237	499	1 292	(229)	9 361
Europe	-	-	-	7	-	10	-	17	6 311	17	6 328	-	1	(308)	6 038
Rest of world	-	-	-	-	-	3	-	3	55	38	93	-	228	-	324
Total international	-	-	-	7	-	13	-	20	6 366	55	6 421	-	229	(308)	6 362
Total Revenue	1 185	1 498	1 168	458	1 141	2 027	105	7 582	6 373	285	6 658	499	1 521	(537)	15 723

Discontinued operations

R millions	Discontinued operations Powertech Group	Multimedia Group	Autopage Group	Corporate and consolidation	Discontinuing operations
Revenue by product					
Sale of goods and related services	427	761	-	-	1 188
At a point in time	427	761	-	-	1 188
Maintenance, support and outsource services	-	14	-	-	14
Over time	-	14	-	-	14
Total revenue	427	775	-	-	1 202
Revenue by geographic region					
South Africa	394	481	-	-	875
Rest of Africa	33	-	-	-	33
Total Africa	427	481	-	-	908
Rest of world	-	294	-	-	294
Total international	-	294	-	-	294
Total revenue	427	775	-	-	1 202

14. CHANGES IN ACCOUNTING POLICIES

The group has adopted the following new accounting pronouncements as issued by the International Accounting Standards Board (IASB), which were effective for the group from 1 March 2018:

- IFRS 9 Financial Instruments (IFRS 9).
- IFRS 15 Revenue from Contracts with Customers (IFRS 15).

The changes in accounting policies have been applied retrospectively, however, the comparative numbers have not been restated, the cumulative impact of the changes in accounting policies have been recognised in opening retained earnings i.e on 1 March 2018.

Adoption of IFRS 9

The adoption of IFRS 9 had the following impact on the group:

- Change from the IAS 39 incurred loss model to the Expected Credit Loss (ECL) model to calculate impairments on applicable financial assets
- Change in classification of the measurement categories for financial instruments.

Impairments

Before the adoption of IFRS 9, the group calculated the allowance for credit losses using the incurred loss model. Under the incurred loss model, the group assessed whether there was any objective evidence of impairment at the end of each reporting period. If such evidence existed the allowance for credit losses in respect of financial assets at amortised cost were calculated as the difference between the asset's carrying amount and its recoverable amount, being its present value of the estimated future cash flows discounted at the original effective interest rate (EIR).

Under IFRS 9, the group calculates the allowance for credit losses based on the ECLs for financial assets measured at amortised cost, finance lease assets, investments at FVOCI and contract assets. ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, being the difference between the cash flows to the group in accordance with the contract and the cash flows that the group expects to receive. ECLs are discounted at the original EIR of the financial asset.

The impact of applying the ECL model (under the general 3 step approach) on non-current financial assets at amortised cost and at fair value through other comprehensive income was not material on adoption date.

The group applies the simplified approach to determine the ECL for trade receivables, finance lease assets and contract assets. This results in calculating lifetime ECLs for these assets. ECLs for trade receivables, finance lease assets and contract assets are determined using a simplified parameter-based approach.

The table below reconciles the loss allowance as reported on 28 February 2018 in accordance with IAS 39 to the ECL as determined under IFRS 9 of financial instruments that have been impacted by the adoption of IFRS 9:

R millions	2018
Loss allowance	
Closing balance at 28 February 2018	169
Adjustment on adoption of IFRS 9	3
Opening loss allowance as at 1 March 2018	172

Due to the conservative approach previously followed, the adoption of IFRS 9 did not result in a material change in the loss allowance on adoption date.39.

Classification, initial recognition and subsequent measurement

IFRS 9 introduces new measurement categories for financial assets, the impact of which is illustrated in the table below. From 1 March 2018, the group classifies financial assets in each of the IFRS 9 categories based on the group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

The group intends to hold the non-current financial assets at amortised costs to maturity to collect contractual cash flows and these cash flows consists solely of payments of principal and interest on the principal amount outstanding. The group's business model for these instruments is to hold to collect the contractual cash flows and is monitored at an investment level.

The group intends to hold the non-current financial assets at FVOCI as long-term strategic investments that are not expected to be sold in the short to medium term.

R millions	Measurement category IAS 39	IFRS 9	Carrying amount 28 February 2018	1 March 2018	Difference
Non-current financial assets					
Participation Loan to TAR	Loans and receivables	Amortised cost	191	191	-
Preference share investment in TAR	Available for sale	FVOCI	21	21	-
Cash collateral - Share linked incentive ("SLI") hedge	FVTPL*	FVTPL	71	71	-
Preference share investment in Auto X Proprietary Limited	Loans and receivables*	Amortised cost	91	91	-
Investment in Aberdare Cables Proprietary Limited	FVTPL*	FVTPL	94	94	-
Current financial assets					
Cash and cash equivalents	Loans and receivables	Amortised cost	1 067	1 067	-
Trade and other receivables	Loans and receivables	Amortised cost	3 031	3 028	(3)
Forward exchange contracts	FVTPL	FVTPL	30	30	-
Non-current financial liabilities					
Loans	Amortised cost	Amortised cost	1 464	1 464	-
Loans - contingent consideration	FVTPL	FVTPL	38	38	-
Current financial liabilities					
Loans	Amortised cost	Amortised cost	386	386	-
Loans - contingent consideration	FVTPL	FVTPL	28	28	-
Trade and other payables	Amortised cost	Amortised cost	3 562	3 562	-
Bank overdraft	Amortised cost	Amortised cost	972	972	-
Forward exchange contracts	FVTPL	FVTPL	101	101	-

* These financial assets were classified as available for sale in the prior year, however, the measurement of these instruments were in accordance with the categories indicated above. These have been amended accordingly to present the appropriate classification.

The reclassification into the new measurement categories of IFRS 9 did not have a significant impact on the group. The impact of the reclassifications on financial assets measurement categories was as follows:

R millions	FVTPL	FVOCI (Available-for-sale under IAS 39)	Amortised cost (loans and receivables under IAS 39)
Financial assets			
Closing balance at 28 February 2018	195	21	4 081
Change in carrying amount due to change in measurement under IFRS 9	-	-	(3)
Opening balance at 1 March 2018	195	21	4 078

Transition to IFRS 9

Changes in accounting policies from the adoption of IFRS 9 have been applied retrospectively, however, the group has elected not to restate comparative information. Differences between the carrying amounts of financial instruments as at 28 February 2018 and 1 March 2018 resulting from the initial application of IFRS 9 are recognised in retained earnings. Accordingly, information relating to 28 February 2018 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The group has elected as an accounting policy choice to not adopt the hedge accounting requirements of IFRS 9, but rather to continue applying the hedge accounting requirements of IAS 39.

Adoption of IFRS 15

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods or services to a customer when a customer obtains control of the goods or services. For additional information about the group's accounting policy relating to revenue recognition, refer to the accounting policies section of the financial statements.

On adoption of IFRS 9 and IFRS 15, the group restated its retained earnings at 1 March 2018 as follows:

R millions	2018
Retained earnings - as previously reported at 28 February 2018	
Closing balance at 28 February 2018	2 543
Impact on the adoption of IFRS 9	(3)
Impact on the adoption of IFRS 15	2
Opening retained earnings - 1 March 2018	2 542

The nature of the changes in the accounting policies are set out below:

Project related revenue

Changes in the accounting policy relate to certain broadband rollout projects where goods and services were provided to customers, in terms of which the costs and related revenue relating to equipment delivered at the respective client site, was historically recognised on a milestone basis upon delivery.

The group reviewed its contracts relating to these arrangements and in terms of IFRS 15, the goods and services were concluded to be part of a combined performance obligation. In addition, taking into account the guidance in IFRS 15 as it relates to uninstalled materials, the group resolved that the cost of the uninstalled materials (delivered equipment) be excluded from measuring the progress in these contracts. This resulted in the costs (i.e. fulfilments costs) and related revenue billed to the client (contract liabilities) in respect of open contracts on adoption date, being deferred in the opening balance sheet and subsequently recognised during the current financial reporting period.

Cloud services and related licences

The group reviewed its accounting policy for the sale of cloud services (and related licences) on adoption of IFRS 15. Previously, management applied their judgement in determining the accounting in accordance with the "risks and rewards" approach followed under IAS 18, which resulted in these arrangements being accounted for by the group as the principal. One of the considerations applied in reaching this conclusion was the consideration of credit risk.

Under IFRS 15, based on the concept of "control" and the transfer thereof; and the change in the criteria to be considered when assessing whether an arrangement should be accounted for on a principal or agent basis, these arrangements are now accounted for by the group as an agent in terms of IFRS 15. One of the previously relevant indicators, i.e. credit risk is no longer included in the guidance under IFRS 15 further supporting the conclusion reached.

Transition to IFRS 15

Changes in accounting policies from the adoption of IFRS 15 have been applied retrospectively, however, the group has elected not to restate comparative information. The cumulative impact of IFRS 15 is recognised as an adjustment in retained earnings, on 1 March 2018. Accordingly, information relating to 28 February 2018 does not reflect the requirements of IFRS 15 but rather those of IAS 18.

The group applied the following practical expedients when applying IFRS 15:

1. The group has elected to apply IFRS 15 only to contracts that are not completed as at the date of initial application.

2. For contracts that were completed that had variable consideration, the transaction price at the date that the contract was completed was used, rather than estimating variable consideration amounts.

3. For contracts that were modified before the adoption date, the contracts were not restated for these contract modifications and instead, the aggregate effect of all modifications that occurred before the adoption date were considered in aggregate when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations.

4. For all reporting periods presented before the date of initial application, we have elected not to disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when we expect to recognise that amount as revenue.

5. We have elected when, at contract inception, the period between the transfer of a promised good or service and payment for that good or service will be one year or less, not to account for the effects of the time value of money; and

15. STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE

The group is required to adopt IFRS 16 Leases from 1 March 2019. The group has made an initial assessment of the impact that the standards will have on its financial statements and is in the process of quantifying the impact on equity as at 1 March 2019. Further the group is in the process of implementing changes to its processes relating to leases.

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. Practical expedients are available for short-term and low-value leases. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Lease (IAS 17).

The group expects that the most significant impact of the new standard will result from its current property and network site operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of R481 million. Of these commitments, approximately R73 million relates to non-lease components of operating leases which will continue to be recognised as an expense in profit or loss as they are incurred.

For lease commitments (excluding non-lease components, short-term and low-value leases) the group will recognise lease liabilities, representing the present value of the future minimum lease payments discounted at a rate appropriate and after taking into account the lease term, value, economic environment and security over the asset applicable, on 1 March 2019, and corresponding right-of-use assets in respect of these leases, adjusted for prepayments recognised as at 28 February 2019.

On adoption of IFRS 16 operating lease costs (other than short-term and low value lease) will no longer be recognised as part of operating expenses. The group intends to apply a threshold of R100 000 for assessing what constitutes low-value assets. For the year ended 28 February 2019 the group has recognised lease expenses of R176 million. Of these operating lease expenses, approximately R39 million relates to non-lease components of operating leases which will continue to be recognised as an expense in operating expenses as they are incurred.

As a result of the new accounting rules, EBITDA (as defined) used to measure segment results is expected to increase, as the total operating lease payments were previously included in EBITDA (as defined) under IAS 17. The group will recognise depreciation on the right-of-use assets and interest on the lease liabilities over the lease term in profit or loss - these charges are excluded from EBITDA (as defined).

Due to the impact of reducing finance charges over the life of the lease, the impact on earnings will initially be dilutive, before being accretive in later periods. Furthermore, leases denominated in currencies that are not the functional currency of the operation will increase foreign exchange exposure. Therefore, the group expects that net profit after tax may decrease for 2019 as a result of adopting the new standards.

Cash generated from operations will increase, as lease costs will no longer be included in this category of cash flows. Interest paid will increase, as it will include the interest portion of the lease liability repayments. This is expected to have a net positive impact on net cash generated from operating activities. Net cash used in financing activities will increase, as the capital portion of lease liability repayments will be included within repayment of borrowings.

The group's activities as a lessor are not material and hence the group does not expect any significant impact on the financial statements. However, some additional disclosures will be required in the next reporting period.

The Group will apply the standard using the modified retrospective approach on 1 March 2019 with optional practical expedients and will apply its election consistently to all of its leases. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 March 2019, with no restatement of comparative information. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid lease expenses). The group has elected to apply the practical expedient to not reassess the lease definition.

Other standards

The following relevant amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRIC 23 Uncertainty over Income Tax Treatments.

16. 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 and board of directors, who is the group's chief operating decision-makers ("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 and earnings before interest, tax, depreciation and amortisation before capital items (EBITDA before capital items), disclosed in the statement of comprehensive income.

The below is categorised in accordance with the group's reporting segments. The segment revenues and earnings before interest, tax, depreciation, amortisation and capital items (EBITDA and capital items) by each of the group's reportable segments are the key performance measures reviewed by the CODM and are summarised as follows:

	Revenue			EBITDA before capital items		
			Growth			Growth
R millions	2019	2018	%	2019	2018	%
Altron Nexus	1 185	1 155	3	123	80	54
Altron Bytes Document Solutions	1 498	1 353	11	77	70	10
Altron Bytes Managed Solutions	1 168	1 027	14	78	74	5
Altron Bytes People Solutions	458	438	5	29	29	
Bytes Secure Transaction Solutions	1 141	1 073	6	289	253	14
Bytes Systems Integration	2 027	1 897	7	119	123	(3)
Altron Karabina	105	-		10	-	
Altron ICT South African operations	7 582	6 943	9	725	629	15
Bytes Technology Group UK	6 373	6 088	5	368	206	79
Other international operations	285	244	17	7	16	(56)
Altron ICT international operations	6 658	6 332	5	375	222	69
Corporate and consolidation (other)	-	-		29	33	(12)

	Revenue			EBITDA before capital items		
			Growth			Growth
R millions	2019	2018	%	2019	2018	%
Altron ICT	14 240	13 275	7	1 129	884	28
Altron Netstar*	1 521	1 378	10	582	490	19
Altron Arrow	499	560	(11)	29	33	(12)
Corporate and consolidation (other)	(537)	(470)	(14)	(107)	(94)	(14)

Normalised continuing operations	15 723	14 743	7	1 633	1 313	24
Foreign currency gains on deferred acquisition liability					6	
Retrenchment and restructuring costs				(26)	(77)	
Acquisition related costs					(8)	
Continuing operations as reported	15 723	14 743	7	1 607	1 234	30
Altech Multimedia	775	974	(20)	15	44	(66)
Altech Autopage	-	-		5	(23)	122
Powertech Group	427	1 964	(78)	34	(13)	362
Discontinued operations	1 202	2 938	(59)	54	8	575
Altron Group	16 925	17 681	(4)	1 661	1 242	34

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

R millions	2019	2018
EBITDA before capital items	1 661	1 242
Reconciling items:		
Depreciation	(179)	(149)
Amortisation	(134)	(103)
Amortisation of costs incurred to fulfil contracts*	(253)	(199)
Total operating profit before capital items	1 095	791
Discontinued operations profit before capital items	(54)	(8)
Continuing operations profit before capital items	1 041	783

* Costs incurred to obtain contracts and capital rental devices have been reclassified to amortisation. The expense was previously included in operating costs before capital items.

Revenues/EBITDA before capital items 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 subgroup.

17. CORRECTION OF PRIOR YEAR ACCOUNTING TREATMENT

During the current year, the group undertook a detailed review of the contracts with customers and vendors in respect of specific business operations. Upon conclusion of this process, the group discovered that the terms and conditions of certain contracts had not been correctly accounted for historically. As a consequence, these contracts had an impact on the presentation and disclosure of the prior year balances.

Matters identified

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. In previous years, the finance lease asset and the finance lease liability were set off on presentation in the balance sheet. Upon analysis of the IFRS requirements for set off, i.e. that the group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously, were not met. Due to the offset requirements not being met in accordance with the requirements of IFRS, the finance lease asset and finance lease liability needed to be presented separately on the balance sheet and as a result the comparative balances were accordingly restated.

The group enters into arrangements in terms of which it acts as a clearing/collecting agent on behalf of certain merchants. In terms of these arrangements, the group collects the cash on behalf of the merchant which is paid into the group's bank account, after which it is paid over by the group to the merchant immediately once the payment clears the bank account. In prior years, the group netted the amounts received into its bank account and the amounts payable to the merchant when presenting its balance sheet. Upon reflection, it was concluded that the balance sheet presentation as previously applied was not appropriate and the cash received as well as the payable to the merchant should have been included on a gross basis, resulting in the comparative balances being restated. As this arrangement had an impact on the cash on hand balances maintained by the group, the statement of cash flow has been restated to reflect the impact of the additional cash on hand at the end of the preceeding reporting periods.

The above has been corrected by updating each of the affected financial statement line items for the prior period noted below. The corrections did not have an impact on the consolidated statement of comprehensive income:

	Year ended 28 February 2017			Year ended 28 February 2018		
R millions	As previously reported	Adjustments	Restated	As previously reported	Adjustments	Restated
Statement of financial position (Extract)						
Non-current assets						
Finance lease assets	98	89	187	113	77	190
Current assets						
Trade and other						

receivables	3 270	90	3 360	2 669	83	2 752
Cash and cash equivalents	768	299	1 067	1 373	173	1 546
Non-current liabilities						
Loans	1 413	89	1 502	1 923	77	2 000
Current liabilities						
Loans	314	90	404	312	83	395
Trade and other payables	3 582	299	3 881	3 177	173	3 350

	28 February 2018		
R millions	As previously reported	Adjustments	Restated
Cash flow (Extract)			
Cash flows from operating activities			
Cash generated from operations	936	126	1 062
Cash flow (Extract)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	936	126	1 062
CASH FLOWS USED IN FINANCING ACTIVITIES			
Loans advanced	67	(128)	195
Loans repaid	(627)	128	(755)
Net decrease in cash and cash equivalents	(549)	126	(423)
Net cash and cash equivalents at the beginning of the year	329	173	502
Net cash and cash equivalents at the end of the year	(204)	299	95

18. COMMITMENTS

R Millions	2019	2018
Non-cancellable operating leases		
At year-end the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:		
Within one year		
Property	114	155
Plant, equipment and vehicles	13	22
	127	177
One to five years		
Property	250	252
Plant, equipment and vehicles	15	48
	265	300
Thereafter		
Property	44	35
Plant, equipment and vehicles	45	1
	89	36
Total	481	513
Capital commitments		
Significant capital expenditure authorised and contracted for at the end of the reporting period but not recognised as liabilities are as follow:		
Property, plant and equipment	6	-
	6	-

19. OTHER MATERIAL TRANSACTIONS DURING THE CURRENT YEAR

During the current year, the group renegotiated its long-term debt financing with the banks at more favourable terms. A long-term facility of R2 billion was granted to the group of which R1.3 billion was drawn at 28 February 2019. The previous drawn facility of R1.2 billion was settled on 28 February 2019.

The remaining undrawn facility at year-end is R700 million. At year-end, R267 million is repayable within 12 months and R1 033 million repayable after 12 months.

During the current year the group acquired property, plant and equipment at a cost of R190 million, consisting mainly of land, buildings and leasehold improvements, motor vehicles, furniture and equipment and IT equipment and software. During the current year the group disposed of property, plant and equipment with a carrying amount of R43 million, consisting mainly of land, buildings and leasehold improvements and motor vehicles, furniture and equipment.

SUPPLEMENTARY INFORMATION
(TOTAL OPERATIONS)

R millions	2019	2018
Total operations		
Depreciation and amortisation*	566	451
Net foreign exchange (profits)/losses	(11)	43
Cashflow movements		
Capital expenditure (including intangibles)	283	278
Net additions to costs to fulfil contracts	(42)	58
Additions to costs to fulfil contracts	246	257
Amortisation of costs incurred to fulfil contracts during the year	(353)	(199)
Contract costs written off	(35)	-
Lease commitments	481	513

Payable within the next 12 months:		127	180
Payable thereafter:		354	333
Weighted average number of shares	(millions)	371	370
Diluted average number of shares	(millions)	374	373
Shares in issue at the end of the year	(millions)	371	371
Ratios			
EBITDA margin	(%)	9,8	7,0
ROCE	(%)	21,4	17,8
ROE	(%)	21,3	16,7
ROA	(%)	12,0	9,9
RONA	(%)	17,3	14,9
Current ratio		1,1:1	1,1:1
Acid test ratio		0,9:1	0,9:1

* Amortisation of contract costs and capital rental devices have been reclassified from operating expenses to depreciation and amortisation.

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