ALTRON

ANNUAL RESULTS

for the year end 29 February 2020

CONTENTS

2 Financial commentary

4 Financial overview

9 Audited summary consolidated financial statements

11 Independent auditor's report on the summary consolidated financial statements

12 Summary consolidated balance sheet

13 Summary consolidated statement of comprehensive income

15 Summary consolidated statement of cash flows

16 Summary consolidated statement of changes in equity

19 Notes to the summary consolidated financial statements

40 Supplementary information

ALLIED ELECTRONICS CORPORATION LIMITED

(Registration number 1947/024583/06)

(Incorporated in the Republic of South Africa)

Share code: AEL

ISIN: ZAE000191342

Annual results
for the year ended 29 February 2020 and final dividend announcement

HIGHLIGHTS – CONTINUING OPERATIONS

- Gross invoiced income up 23% to R23bn*
- Earnings before interest tax and depreciation ("EBITDA") grew 14% (2%**) to R1.84bn
- Bytes UK delivered strong performance with EBITDA of R611m up 66% (65%**)
- HEPS increased by 2% (6%**) to 182 cents

Continuing Operations	**Year ended 29 February**		**% change***	**% change****
R'millions	**2020**	2019		
Gross invoiced Income	**23 333**	19 041	23	
Revenue	**16 713**	15 723	6	
EBITDA	**1 835**	1 607	14	2
Operating Profit before capital items	**1 090**	1 041	5	4
Net Profit after tax	**672**	680	(1)	4
Cash generated from operations	**1 695**	1 345	26	
Earnings per share	**184**	177	4	9
Headline earnings per share	**182**	179	2	6
Dividend per share	**55**	72	(24)	

* Gross invoiced income represents the total invoiced revenue to customers including from cloud-based sales (and related licenses). This differs from statutory reported revenue, because in terms of IFRS 15, the group acts as an agent on these transactions and therefore recognises margin only as revenue.

** Normalised for the adoption of IFRS 16.

ALTRON GROUP CHIEF EXECUTIVE COMMENTED:

Mteto Nyati

Three years ago, we created a five-year roadmap called the One Altron strategy, prioritising revenue growth, improving profitability, transforming the customer experience and employee excellence, with collaboration at its core.

Over this three-year period, we have strengthened the group through the disposal of non-core assets, the rationalisation of operations and the execution of targeted acquisitions in high-growth areas. Over the same period, we delivered gross invoiced income CAGR of 25.8%, Revenue CAGR of 6.5% and EBITDA CAGR of 21.9%.

The One Altron strategy allowed us to better service our customers through delivering the full breadth of our expertise, solutions and product offerings. This has led to sizeable contract awards from Bet 365, Prudential, many local and National Government organisations in the UK, Standard Bank, Capitec, Coca-Cola Beverages Africa and Barloworld. Group customer Net Promoter Score ("NPS") improved to 46% up 10ppt.

At Altron, we believe that an engaged, highly committed and motivated workforce is a vital ingredient of outstanding customer service. The scarce skills shortage, not only in South Africa, but across the world, impacts the ICT sector tremendously, resulting in an increased focus on being a great place to work for all current and potential employees. As a testament to the success of our culture, Bytes UK was awarded a place on The UK Sunday Times Best 100 Companies to work for list. Our Annual employee engagement index increased 2ppt to 61%.

An integral part of the One Altron Strategy is doing good, while doing good business. To this end, we have focused on reducing our impact on the environment, through our anticipated move to our new, certified green offices in Johannesburg. This is expected to reduce our carbon footprint by 25% in 2021. Furthermore, Altron has adopted a sustainability framework which is aligned to the group's strategic value drivers. In order to embed our ethical values, an increased focus on governance has been achieved through the adoption of a formalised corporate governance framework and realignment of the group's strategic risk efforts.

Despite the low economic growth environment in South Africa and Brexit concerns in the UK, our operations continued to achieve positive growth.

Bytes UK outperformed and took advantage of strong market conditions during 2019, achieving growth in gross invoiced income of 43% and EBITDA of 66%, with the largest contributor, Bytes Software Services, generating organic growth of 80%.

Netstar delivered strong customer growth of 16.5%. An increased focus to reduce churn and improve the customer experience, resulted in an improvement of 29ppt in customer NPS to 52%. Netstar reported the launch of its global connected-car partnership with Toyota and Vodacom, rolling-out connectivity features and in-car Wi-Fi on all new Toyota and Lexus models. This partnership positions the business optimally to grow further in the Smart IoT space.

As previously communicated, Altron Nexus ("Nexus") was negatively impacted by the City of Tshwane ("CoT") Municipal Broadband Network judgement handed down against Thobela Telecoms (RF) Proprietary Limited ("Thobela Telecoms"). The new Nexus management team, with an increased focus on customer service and the application of Altron's strong ethical values, managed to implement a turnaround in Nexus, achieving an EBITDA of R24m from a R25m first-half loss.

The poor performance of Nexus masked an otherwise solid performance from the rest of the group, which delivered strong double-digit operational EBITDA growth of 12% (excluding Nexus). Digital transformation (excluding Bytes UK and Nexus) grew statutory EBITDA by 24%, Managed Services grew EBITDA by 14% and our Healthtech and Fintech business delivered EBITDA growth of 13%.

Looking forward, with the impact of COVID-19 affecting businesses across the globe, the need for a fully digitised remote work-place is becoming more important. We have seen our customers investing heavily in digital transformation, increased security requirements and hybrid datacentres. This is expected to further accelerate the expansion of our remaining growth areas, Cloud, Data Analytics and Security, as we tailor products to meet the needs of our customers. Post year-end, Altron acquired Ubusha Technologies ("Ubusha"), the largest identity security company in Africa. This acquisition will position Altron to further capitalise on opportunities in the Security space.

In March 2020, following the Board's FY21 annual strategy review, we announced a potential demerger of Bytes UK. 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. The Board concluded that the true value of Bytes UK is not reflected in the company´s share price. This business has increasingly developed a growth trajectory and strategic levers that are different from the rest of the group and operates in a different geographical capital market with a highly rated peer group. We believe the potential demerger will allow Bytes UK to pursue its own focused growth strategy and will ultimately unlock further value for shareholders.

Financial overview

FINANCIAL OVERVIEW

CONTINUING OPERATIONS

Revenue increased by 6% to R16.7bn on a statutory basis. However, the impact of IFRS 15 on cloud-based sales in our UK operations is material, given that these transactions are treated as agency revenue, and therefore only the margin is recognised as revenue. Taking gross cloud-based transactions with UK customers into account, group revenue grew by 23% on a like-for-like basis.

EBITDA increased by 14% to R1.8bn, with the adoption of the new IFRS 16 accounting standard positively contributing R203m of this growth. Normalised for the impact of IFRS 16, operational EBITDA grew 2%. However, this growth was negatively impacted by Nexus, which reduced operational EBITDA by R157m. The reduction is largely attributable to slower recognition of milestone related project revenue. The performance of Nexus masked an otherwise solid performance from the rest of the group, which delivered strong double-digit operational EBITDA growth of 12%.

The group's EBITDA margin on statutory revenue increased to 10.9% compared to 10.2% in the prior year. Within a South African context, the group generates 84% of its revenue from the private sector and 16% from the public sector. The EBITDA growth for the year was largely attributable to organic growth.

The depreciation charge for the group increased from R566m to R745m and net finance expense increased from R176m to R234m in FY20, both inclusive of the impact of the IFRS 16 adjustments.

DISCONTINUED OPERATIONS

As previously reported, the successful disposal of the last controlled non-core assets has been concluded. EBITDA from discontinued operations resulted in a R6m loss for the period under review, against R54m profit for the comparative period.

CASH MANAGEMENT

The group's overall net debt reduced to R1.1bn (including deferred disposal receipts), against R1.3bn as at the end of FY19. Cash generated from operations before working capital movements totalled R1.9bn for the year. Net interest paid was R231m (including right of use interest) while tax and net dividends paid were R169m and R272m respectively for the year under review.

The group utilised a net amount of R270m on investment activities for the financial year. Included in this amount was R207m, largely relating to hardware in Netstar, which reflects the continued growth in its subscriber base. R208m related to investment predominantly in capital expenditure, and R50m in intangible assets. This was offset by R164m relating to the deferred proceeds from the disposal of non-core assets.

Net outflow from financing activities of R21m predominantly relates to net long term borrowings contributing to R433m positive cashflow. This was offset by R168m outflow relating to the right of use lease assets and R286m on finance leases relating to document processing equipment.

OPERATIONAL REVIEW

1. DIGITAL TRANSFORMATION

1.1. BYTES UK

Bytes UK delivered a strong performance, growing revenue by 13% to R7 203bn and EBITDA by 66% to R611m, translating into at least a third of the group's earnings from offshore. Pre-IFRS 15 adjustments, like-for-like revenue for the financial year increased by 43%. Strong sales growth was evident in both private and public sector organisations, underpinned by the annuity-based income of 64%. Continuing investments in new sales heads, services and technical capabilities, resulted in double-digit growth across all operating divisions.

Bytes UK's customers have invested heavily in digital transformation, increased security requirements, hybrid datacentres, Windows 10 and general IT upgrades, with infrastructure as a service being one of the biggest contributors to growth.

The business continued to deliver on its strategy of selling more to existing clients, with 93% of Gross Profit generated from existing customers; and increasing market share through adding over 530 net new customers to its base.

With an increased focus on customer satisfaction, the business achieved an increase in customer NPS to 98%. Key new customer wins included Bet 365, Prudential, Nisbets, Enstar, Dart Group, Target and many local and National Government organisations.

Cloud revenue continues to grow strongly, with MS Azure transacted value up 64% year on year and Amazon Web Service showing promising growth with over 50 new customers, spearheading the business to a "multi-cloud" value-added reseller.

The acquisition of Phoenix two years ago, has continued to drive strong performance with 10% growth in operating profit year-on-year.

The merger of Bytes Software Services and Bytes Security Partnerships into one single operation has commenced and will be integrated into the business during the 2021 financial year, creating one of the UK's largest and most successful Security Reseller organisations.

1.2. THE REST OF DIGITAL TRANSFORMATION

Altron Bytes Systems Integration ("Altron BSI") adopted an industry focussed approach to servicing customers. Industry specialists were appointed to improve our ability to service customer needs and in turn, focus sales teams to develop tailored solutions for customers. This strategy delivered revenue growth of 2% to R2 076bn and EBITDA growth of 19% to R125m. The continued focus to transition the revenue base up the value chain, by focusing on growing service revenue, achieved an increased contribution of service revenue to 67% up 2ppt from 2019. Annuity revenue now contributes 44% of Altron BSI's revenue.

Altron BSI continues to focus on large group initiatives in Cloud Services, IoT, Data Analytics and Security as part of the One Altron collaboration strategy. The partnership with SAS announced earlier in the year, has identified increasing opportunities around data analytics, one of Altron's core growth areas.

During the year, Nexus implemented a turnaround strategy which included the introduction of two seasoned executives into the management of Nexus, with a priority of returning the business to profitability. Through a number of initiatives that included an increased focus on customer engagement, strong corporate governance and improved collection practices, Nexus recorded a R49m EBITDA profit during the second half of the year, achieving full-year EBITDA of R24m and Revenue of R868m.

As previously communicated to shareholders, 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. The contract was awarded to a special purpose vehicle, Thobela Telecoms in June 2015, in which Nexus participates as the primary network designer and architect, supplier of broadband equipment and related services, as well as being a minority shareholder in Thobela Telecoms. Thobela Telecoms were advised that the Registrar at the Supreme Court of Appeal accepted the appeal record on 21 February 2020 without qualifications. This confirms that Thobela Telecoms has met all the strict prescribed requirements set and scrutinised by the Registrar to ensure that the appeal is in order. The group believes it has made adequate provision against amounts due on this contract.

The performance of Altron Karabina ("Karabina") was impacted by a significant customer having been adversely affected by the challenging local economic conditions. For the period under review, Karabina generated revenue of R177m and EBITDA of R2m. Although these results did not meet our expectations, Karabina remains a strategic growth driver in Altron's Cloud Services and Data Analytics capabilities. Following the awarding of our Microsoft Licencing Solutions Provider status in September 2019, we have seen an increase in our cloud computing pipeline of new business. The focus for the year ahead will be on converting these pipeline projects into revenue in SA.

Rest of Africa continued to deliver a strong performance with revenue growth of 37% and EBITDA growth in excess of 200%. This was driven by some key contract wins across the African continent in Rwanda, Middle East and Mozambique.

Financial overview (CONTINUED)

2. HEALTHTECH/FINTECH

Altron Bytes Secure Transaction Solutions generated R1.2bn of revenue, up 8% year on year, expanding EBITDA by 13% to R327m. 6 000 new customers were welcomed, as the business continues to evolve from a hardware supplier to a managed services provider in the high-growth Fintech space.

Fintech continues to grow in line with expectations, delivering revenue growth of 8% and EBITDA growth of 15%. The NuPay division improved revenue by 29% and was once again the biggest contributor to EBITDA growth, with an increase of 8% in debit order values processed and a 15% increase in the number of NuPay Cards being used.

In the Healthtech space, the business is broadening its offerings and taking appropriate steps to align with the NHI programme and the opportunities which it will bring. The division achieved a customer NPS of 69%, revenue growth of 7% and EBITDA growth of 11%. MediSwitch secured the exclusive switch for all Spec-Savers stores countrywide.

Cybertech grew revenue by 25%, off a low base. The Ubusha acquisition post year-end, is expected to be a significant enabler to provide increased security services to meet customer needs.

3. SMART IOT | NETSTAR

Netstar generated revenue of R1.5bn and EBITDA of R611m, up 1% and 5% respectively. The subscriber base grew 16.5% to 834 000, with the partnership with Toyota adding 55 421 new subscribers. An increased focus to reduce churn, saw customer NPS increasing to 52% from 23% in the prior year.

Performance was negatively impacted by its Australian operations, which experienced a decline in automotive sales over the financial year, as economic growth remains subdued. The new Australian management team have consolidated the business and adapted new processes and technology stacks, focusing on market segments that generate higher margins, to position an improvement in performance.

The steps taken by the business to move its ground recovery contract in stolen vehicle recovery have been embedded down and is performing above expectations, with an increase of 18% in recovery statistics, realising a 91.9% recovery rate.

4. MANAGED SERVICES

Altron Bytes Document Solutions grew revenue to R1.5bn and EBITDA to R79m, up 1% and 7% respectively. Increased sales efforts delivered market share gains and growth in profitability, despite operating in a segment facing declining market conditions.

Strategically the business remains focused on selected growth areas, including managed print services and the high-end production environment, driving cross-selling into its base of over 4 500 customers.

Altron Bytes Managed Solutions ("Altron BMS") reported strong revenue growth of 19% to R1.4bn and EBITDA increased by 34% to R103m. In a highly competitive market, Altron BMS is focused on the quality of service while closely managing its cost base and maintaining its drive to enhance annuity income. Further improvement in the performance of Altron BMS is being driven by the ongoing diversification of its market segments and offerings. An intensified focus on growing into retail and end-user computing delivered some key wins and cross collaborations, in line with the One Altron Strategy.

Altron Bytes People Solutions ("Altron BPS") revenue declined by 11% with EBITDA declining 27% for the financial year, as their customer base continues to digitally transform their businesses and find new and innovative ways to service their customers. Altron BPS remains focussed on growing its enabling technologies, including robotic processes, in order to diversify its offerings from traditional voice channels, to provide a digitally transformed customer experience.

DIVIDEND

The Board remains committed to maintaining Altron's dividend cover of 2.5 times. However, in light of the current economic upheaval from the COVID-19 pandemic and uncertainty thereof going forward, the Board has decided that it would be prudent to preserve cash at this time and to declare a dividend that is 40% less than would otherwise have been declared.

As such, a final cash dividend of 26 cents per share (20.8 cents net of 20% dividend withholding tax) has been declared for the financial year ended 29 February 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 400 477 483, including 26 497 055 treasury shares. The salient dates applicable to the dividend are as follows:

DIVIDEND DATES

Last day to trade *cum* dividend	Tuesday, 2 June 2020
Commence trading *ex* dividend	Wednesday, 3 June 2020
Record date	Friday, 5 June 2020
Payment date	Monday, 8 June 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 3 June 2020 and Friday, 5 June 2020.

DIRECTORATE

During the financial 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.

Save for the appointment of Mr Cedric Miller as Altron's Chief Financial Officer and executive director with effect from 1 May 2019, as previously communicated, there were no changes to the composition of the Altron board during the past financial year.

OUTLOOK

With the onset of the COVID-19 pandemic impacting businesses across the globe, our focus has been on ensuring the well-being of our employees and protecting the sustainability of Altron. 80% of Altron's business operates in the cloud environment. Currently 100% of our staff are fully productive, with 44% of our workforce supporting essential services.

We have seen an increase in interest from customers for more resilience in their remote information technology capabilities. As a key supplier of software solutions into a market that needs greater security, resilient remote home working capabilities and hybrid cloud, together with a revenue base that is 62% annuity income, this will provide a defensive platform to weather the COVID-19 storm.

Despite the resilience of our base, COVID-19 is expected to have a negative impact for the year ahead. Calculated as a percentage of FY2020 revenue, we expect a mid single-digit reduction in revenue. To limit the impact on our profitability, we have implemented a number of cost savings initiatives for the 2021 financial year, which includes reversing all 2020 salary increases for South African employees. Combined, our cost savings initiatives are estimated to save in the region of R500m.

Notwithstanding the uncertainties surrounding operating in the COVID-19 environment, we continue to make good progress on our key strategic pillars and accelerating the implementation of our One Altron strategy of offering end-to-end solutions to our extensive customer base.

For the 2021 year ahead we will focus in particular on:

- Assessing prevailing market conditions in order to forge ahead with the potential UK demerger at a more opportune time;
- Converting the cloud computing pipeline projects of Karabina into revenue in SA;
- Improving the profitability of Nexus;
- Integrating the Ubusha acquisition into the group; and
- Capitalising on the digital transformation agenda to meet customer needs through offering a One Altron solution.

Our medium-term guidance to double 5 year EBITDA by 2022 remains unchanged.

Financial overview (CONTINUED)

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.

The independent auditor's audit reports by PricewaterhouseCoopers Inc. do not report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the independent auditor's' engagement they should obtain a copy of the unqualified independent auditor's audit reports on the summary group financial statements and the group annual financial statements together with the accompanying financial information from Altron's registered office or can be downloaded from the company's website: www.altron.com

The directors of Altron take full responsibility for the preparation of this preliminary report and the financial information has been correctly extracted from the underlying audited financial statements.

Any investment decisions made by investors and/or shareholders should be based on consideration of the full annual financial results as a whole and investors and/or shareholders are encouraged to review the full annual financial results at www.altron.com

The key audit matters (pursuant to IAS 701) can be viewed via the full independent auditor's audit report and the annual financial statements at www.altron.com

For and on behalf of the Board.

MJ Leeming
Chairman

M Nyati
Chief Executive

C Miller
Chief Financial Officer

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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

13 May 2020

Audited summary consolidated financial statements

FOR THE YEAR ENDED 29 FEBRUARY 2020

The audited summary consolidated financial statements have been independently audited by the group's external auditor. The audited summary consolidated financial statements have been prepared by the Altron financial staff and was supervised by Mr Cedric Miller CA(SA), Chief Financial Officer. The results were made available on 14 May 2020.

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, set out on pages 12 to 39 of the Altron Annual Results for the year ended 29 February 2020, which comprise the summary consolidated balance sheet as at 29 February 2020, 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 29 February 2020.

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 JSE Limited's (JSE) requirements for summary financial statements, 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 13 May 2020. 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 JSE's requirements for summary financial statements, 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 Summary Financial Statements.*

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: **AM Motaung**
Registered Auditor

Johannesburg
13 May 2020

Summary consolidated balance sheet

R millions	Note	**29 February 2020**	28 February 2019
Assets			
Non-current assets		**4 507**	4 171
Property, plant and equipment		**648**	620
Right-of-use assets		**524**	–
Intangible assets including goodwill		**1 945**	1 965
Equity-accounted investments		**15**	19
Financial assets at amortised cost		**191**	350
Financial assets at fair value through profit or loss		**117**	202
Financial assets at fair value through other comprehensive income		**21**	21
Finance lease assets		**237**	196
Contract costs capitalised		**163**	83
Capital rental devices		**297**	293
Trade and other receivables		**121**	87
Contract assets		**11**	–
Defined benefit asset		**83**	180
Deferred taxation		**134**	155
Current assets		**9 118**	7 430
Inventories		**1 252**	1 017
Trade and other receivables		**5 726**	4 725
Financial assets at fair value through profit and loss		**25**	6
Contract assets		**205**	195
Taxation receivable		**32**	25
Restricted cash		**13**	26
Cash and cash equivalents		**1 810**	1 381
		9 063	7 375
Assets classified as held-for-sale		**55**	55
Total assets		**13 625**	11 601
Equity and liabilities			
Total equity		**3 763**	3 373
Shareholders' equity		**3 939**	3 535
Non-controlling interests		**(176)**	(162)
Non-current liabilities		**2 502**	1 424
Loans	9.1	**1 707**	1 262
Lease liabilities		**391**	–
Contract liabilities		**349**	87
Deferred taxation		**55**	75
Current liabilities		**7 360**	6 804
Loans	9.1	**493**	484
Lease liabilities		**181**	–
Bank overdraft		**854**	1 181
Provisions		**14**	15
Trade and other payables		**4 325**	3 603
Financial liabilities at fair value through profit and loss		**3**	18
Contract liabilities		**1 380**	1 423
Taxation payable		**110**	80
		7 360	6 804
Liabilities classified as held-for-sale		**–**	–
Total equity and liabilities		**13 625**	11 601

Summary consolidated statement of comprehensive income

R millions	Note	% change	29 February 2020	28 February 2019
CONTINUING OPERATIONS				
Revenue	11	6	**16 713**	15 723
Operating costs excluding capital items			**(14 878)**	(14 116)
Earnings before interest, taxation, depreciation, amortisation, capital items and equity accounted losses (EBITDA before capital items)*		14	**1 835**	1 607
Depreciation and amortisation			**(745)**	(566)
Operating profit before capital items		5	**1 090**	1 041
Capital items	5		**1**	(26)
Operating profit			**1 091**	1 015
Finance income			**116**	130
Finance expense			**(350)**	(306)
Share of loss of equity accounted investees, net of taxation			**–**	(1)
Profit before taxation			**857**	838
Taxation			**(185)**	(158)
Profit for the period from continuing operations			**672**	680
DISCONTINUED OPERATIONS				
Revenue	11		**–**	1 202
Operating costs excluding capital items			**(6)**	(1 148)
Earnings before interest, taxation, depreciation, amortisation and capital items (EBITDA before capital items) and operating profit before capital items*			**(6)**	54
Capital items	5		**(4)**	24
Operating (loss)/profit			**(10)**	78
Finance income			**–**	24
Finance expense			**–**	(27)
(Loss)/profit before taxation			**(10)**	75
Taxation			**(4)**	(5)
(Loss)/profit for the period from discontinued operations			**(14)**	70
Profit for the period from total operations			**658**	750
Other comprehensive income				
Items that will never be reclassified to profit or loss				
Remeasurement of net defined benefit asset/obligation			**(112)**	4
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences in respect of foreign operations**			**81**	113
Effective portion of changes in the fair value of cash flow hedges			**–**	3
Other comprehensive income for the period, net of taxation			**(31)**	120
Total comprehensive income for the period			**627**	870

Summary consolidated statement of comprehensive income

(continued)

R millions	Note	% change	29 February 2020	28 February 2019
Net profit/(loss) attributable to:				
Non-controlling interests			**(12)**	39
Non-controlling interests from continuing operations			**(12)**	25
Non-controlling interests from discontinued operations			**–**	14
Altron equity holders			**670**	711
Altron equity holders from continuing operations			**684**	655
Altron equity holders from discontinued operations			**(14)**	56
Net profit for the period			**658**	750
Total comprehensive income attributable to:				
Non-controlling interests			**(12)**	39
Non-controlling interests from continuing operations			**(12)**	25
Non-controlling interests from discontinued operations			**–**	14
Altron equity holders			**639**	831
Altron equity holders from continuing operations			**646**	775
Altron equity holders from discontinued operations			**(7)**	56
Total comprehensive income for the period			**627**	870
Basic earnings per share from continuing operations (cents)		4	**184**	177
Diluted earnings per share from continuing operations (cents)		5	**183**	175
Basic (loss)/earnings per share from discontinued operations (cents)		(127)	**(4)**	15
Diluted (loss)/earnings per share from discontinued operations (cents)		(127)	**(4)**	15
Basic earnings per share from total operations (cents)		(6)	**180**	192
Diluted earnings per share from total operations (cents)		(6)	**179**	190

* *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 revenue for the group.*

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

Summary consolidated statement of cash flows

R millions	Notes	29 February 2020	28 February 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated by operations*		**1 695**	1 345
Interest received		**166**	178
Interest paid		**(397)**	(374)
Dividends received from equity accounted investees and other investments		**2**	4
Taxation paid		**(169)**	(147)
Dividends paid, including to non-controlling interests		**(274)**	(111)
		1 023	895
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on the disposal of subsidiaries and businesses net of cash	9.2	**164**	176
Proceeds on the disposal of property, plant and equipment and intangible assets		**57**	123
Acquisition of subsidiaries and businesses, net of cash acquired		**(37)**	(218)
Acquisition of intangible assets		**(50)**	(93)
Acquisition of property, plant and equipment		**(208)**	(190)
Other investing activities		**(196)**	(206)
		(270)	(408)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Loans repaid	9.1	**(267)**	(1 716)
Loans advanced	9.1	**700**	1 543
Lease payments		**(168)**	–
Settlement of finance leases*		**(286)**	(236)
		(21)	(409)
Net increase in cash and cash equivalents		**732**	78
Net cash and cash equivalents at the beginning of the period		**200**	95
Effect of exchange rate fluctuations on cash held		**24**	27
Net cash and cash equivalents at the end of the year		**956**	200

** Refer to note 14 for restatement of prior year balances.*

Summary consolidated statement of changes in equity

R millions	Attributable to Share capital and premium	Treasury shares
Balance at 28 February 2018	3 160	(299)
Adjustment on initial application of IFRS 9 and IFRS 15	–	–
Restated total equity at the beginning of the financial year	3 160	(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	–	–
Effective portion of changes in the fair value of cash flow hedges	–	–
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		
Disposal of operations	–	–
Total changes in ownership interests in subsidiaries	–	–
Total transactions with owners	5	–
Balance at 28 February 2019	**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		
Acquisition of operations	–	–
Change in shareholding of subsidiaries	–	–
Total changes in ownership interests in subsidiaries	**–**	**–**
Total transactions with owners	**5**	**–**
Balance at 29 February 2020	**3 170**	**(299)**

Dividends declared 26 cents per share – final and 29 cents per share – interim (2019: 44 cents – final and 28 cents – interim)

Altron equity holders				
Reserves	Retained earnings	Total	Non-controlling interests	Total equity
(2 614)	2 543	2 790	(245)	2 545
–	(1)	(1)	–	(1)
(2 614)	2 542	2 789	(245)	2 544
–	711	711	39	750
113	–	113	–	113
4	–	4	–	4
3	–	3	–	3
120	–	120	–	120
120	711	831	39	870
–	(105)	(105)	(5)	(110)
20	–	20	–	20
(5)	–	–	–	–
15	(105)	(85)	(5)	(90)
–	–	–	49	49
–	–	–	49	49
15	(105)	(85)	44	(41)
(2 479)	**3 148**	**3 535**	**(162)**	**3 373**
–	670	**670**	(12)	**658**
81	–	**81**	–	**81**
(112)	–	**(112)**	–	**(112)**
(31)	**–**	**(31)**	**–**	**(31)**
(31)	**670**	**639**	**(12)**	**627**
–	(271)	**(271)**	(3)	**(274)**
31		**31**		**31**
(5)		**–**		**–**
26	**(271)**	**(240)**	**(3)**	**(243)**
–	–	**–**	1	**1**
5	–	**5**	–	**5**
5	**–**	**5**	**1**	**6**
31	**(271)**	**(235)**	**(2)**	**(237)**
(2 479)	**3 547**	**3 939**	**(176)**	**3 763**

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 29 February 2020 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 or can be downloaded from the company's website www.altron.com 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; 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 29 February 2020, 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 Cedric Miller CA(SA), Chief Financial Officer.

4. PRINCIPAL ACCOUNTING POLICIES

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 except as described below.

The group adopted all new accounting pronouncements that became effective in the current reporting period. IFRS 16 Leases and its impact on Normalised Headline earnings had a material effect on the group. The reclassifications and the adjustments arising from the adoption of IFRS 16 have been recognised in the opening statement of financial position on 1 March 2019, which is disclosed in note 13.

A number of other new pronouncements including IFRIC 23 are effective for the group from 1 March 2019, these have been considered and do not have a material effect on the consolidated financial statements.

R millions	2020	2019
5. CAPITAL ITEMS		
Continuing operations		
Net profit on disposal of property, plant and equipment	**24**	16
Impairment of property, plant and equipment	**–**	(7)
Impairment of goodwill	**(5)**	–
Capital rental devices written off	**(21)**	(35)
Foreign currency translation recycling to profit and loss on deregistration of foreign dormant operations	**3**	–
	1	(26)
Discontinued operations		
Profit on non-current financial assets at amortised cost	**2**	–
Foreign currency translation recycling to profit and loss on deregistration of foreign dormant operations	**(6)**	–
Impairment of held-for-sale disposal groups	**–**	(67)
Profit on disposal of discontinued operations	**–**	30
Loss on disposal of intangible assets	**–**	(2)
Profit on disposal of property, plant and equipment	**–**	63
	(4)	24
Total	**(3)**	(2)

Cents	2020	2019
6. EARNINGS PER SHARE		
Headline earnings per share from continuing operations	**182**	179
Headline earnings per share from discontinued operations	**(2)**	12
Headline earnings per share from total operations	**180**	191
Diluted headline earnings per share from continuing operations	**181**	177
Diluted headline earnings per share from discontinued operations	**(3)**	12
Diluted headline earnings per share from total operations	**178**	189

R millions		2020	2019
6.1 Reconciliation between attributable earnings and headline earnings from total operations			
Earnings attributable to shareholders		**670**	711
Capital items – gross		**3**	3
Tax effect of capital items		**(3)**	(6)
Non-controlling interest in capital items		**(3)**	–
Headline earnings		**667**	708
Headline earnings per share from total operations	(cents)	**180**	191
6.2 Reconciliation between attributable earnings and headline earnings from continuing operations			
Earnings attributable to shareholders		**684**	655
Capital items – gross		**(1)**	26
Tax effect of capital items		**(3)**	(18)
Non-controlling interest in capital items		**(3)**	–
Headline earnings		**677**	663
Headline earnings per share from continuing operations	(cents)	**182**	179

R millions		2020	2019
6. EARNINGS PER SHARE (CONTINUED)			
6.3 Reconciliation between attributable earnings and headline earnings from discontinued operations			
Earnings attributable to shareholders		**(14)**	56
Capital items – gross		**4**	(23)
Tax effect of capital items		**–**	12
Non-controlling interest in capital items		**–**	–
Headline earnings		**(10)**	45
Headline earnings per share from discontinued operations	(cents)	**(2)**	12

	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)	**399 380 572**	399 092 426
Effect of own shares held at the beginning of the year	**(28 180 081)**	(28 180 081)
Effect of shares issued during the year	**32 872**	100 522
Weighted average number of shares	**371 233 363**	371 012 867
6.5 Reconciliation between number of shares used for earnings per share and diluted earnings per share		
Weighted average number of shares	**371 233 363**	371 012 867
Dilutive options	**3 128 314**	3 801 170
Weighted average number of shares (diluted)	**374 361 677**	374 814 037

R millions		2020	2019
6.6 Reconciliation between earnings and diluted earnings are as follows:			
Earnings attributable to shareholders		**670**	711
Diluted earnings		**670**	711
6.7 Reconciliation between headline earnings and diluted headline earnings			
Headline earnings		**667**	708
Diluted headline earnings		**667**	708
Diluted headline earnings per share from total operations	(cents)	**178**	189

6. EARNINGS PER SHARE (CONTINUED)

6.8 Reconciliation between headline earnings and diluted headline earnings from continuing operations

R millions	2020	2019
Headline earnings	677	663
Diluted headline earnings	677	663
Diluted headline earnings per share from continuing operations (cents)	181	177

6.9 Reconciliation between headline earnings and diluted headline earnings from discontinued operations

R millions	2020	2019
Headline earnings	(10)	45
Diluted headline earnings	(10)	45
Diluted headline earnings per share from discontinued operations (cents)	(3)	12

7. FAIR VALUES AND RISK MANAGEMENT

(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.

29 FEBRUARY 2020	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	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)

7. FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

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)

The carrying amounts of financial assets that are not subsequently measured at fair value i.e. finance lease assets and financial assets are 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 are 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 data (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

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
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 2019: 14.68%) Annual perpetuity growth 0% (February 2019: 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 period ended 29 February 2020 and the year ended 28 February 2019.

8. RELATED PARTY TRANSACTIONS

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

R millions	2020	2019
Transactions		
Sale of goods and services to joint venture	**1**	31
Services received from associates	**–**	57
Key management remuneration	**82**	76
Balances		
Thobela Telecoms – joint venture (Trade receivables)	**309**	301
Thobela Telecoms – joint venture (Investment loan)	**23**	10

9. SIGNIFICANT EVENTS AND TRANSACTIONS

9.1 Debt refinance

In the prior year, the Group renegotiated its long-term debt refinancing with the banks at more favourable terms. The previous drawn facility of R1.2 billion was settled on 28 February 2019. A long-term facility of R2 billion was granted to the Group of which R1.3 billion was drawn at 28 February 2019, resulting in an undrawn revolving credit facility (RCF) of R700 million at 28 February 2019.

In the current year, R267 million was repaid, and R700 million was drawn of the remaining RCF facility resulting in a total undrawn facility of R267 million at 29 February 2020.

9. SIGNIFICANT EVENTS AND TRANSACTIONS (CONTINUED)

9.2 Proceeds on disposal

R millions	2020
Investment in Aberdare Cables Proprietary Limited	94
Preference Share Investment in Auto X Proprietary Limited	64
Bytes Technology Group Namibia (Proprietary) Limited	6
	164

Investment in Aberdare Cables Proprietary Limited

At 28 February 2019, the investment in Aberdare Cables Proprietary Limited was classified as a non-current financial asset at fair value through profit and loss, and had a carrying value of R94 million.

The valuation of the investment was underpinned by the underlying call and put option structure implemented by the group with the other shareholder to this investment.

The put option was exercised in the current financial year.

Preference Share Investment in Auto X Proprietary Limited

Effective 1 July 2017, Powertech Industries Proprietary Limited disposed of 100% of its equity interest in the Auto X group for R324 million. This operation formed part of the Powertech group. R188 million was received on the effective date, while the balance of the proceeds will be settled out of actual receipts received by Auto X from the Automotive Production Development Programme. This receivable is in the form of a preference share, with a carrying value of R61 million at 28 February 2019. The preference share receivable in Auto X was fully settled during the current year.

Bytes Technology Group Namibia (Proprietary) Limited

Effective 30 July 2019, Bytes Technology Group (Proprietary) Limited ("BTG") disposed of 26% of its 100% equity interest in Bytes Technology Group Namibia (Proprietary) Limited ("BTG Namibia") for R6 million.

9.3 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. During the current year, the court set aside the CoT's municipal broadband network project contract (refer to note 10).

As at the end of the reporting period, the Group had an outstanding balance of R309 million (February 2019: R301 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.

10. EVENTS AFTER REPORTING PERIOD

Altron Nexus (Proprietary) Limited ("Nexus")/City of Tshwane Municipal broadband network judgement

As noted in note 9.3, on the 22 August 2017, the City of Tshwane brought forward an application to review and set aside the tender which was awarded to Nexus for the provision of a municipal broadband network project. judgement in favour of the application was handed down on 16 July 2019.

Nexus along with Thobela Telecoms (RF) (Proprietary) Limited ("TT") 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 has 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.

The group has raised an expected credit loss provision of R49mil against the amount owed by TT. The expected credit loss provision was raised based on the information available to management at the time of signing the Annual Financial Statements and takes into account, on a weighted probability basis, management's expectation that on appeal the matter will be successfully concluded in the company's favour which is in line with the advice received from the group's external legal counsel.

Potential unbundling and separate listing of Altron United Kingdom (UK) subsidiary, Bytes Technology Group Limited (Bytes UK) and cautionary announcement

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").

In terms of IFRS 5, non-current assets (or disposal groups) are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and is considered highly probable.

At the reporting date, this is a potential transaction subject to the approval of the board and relevant regulatory bodies in the various jurisdictions. The board has commenced with the planning for the potential transaction and expect that this preparation will take between 9 to 12 months to complete. A reassessment of the market conditions will only be performed post the necessary planning that the board undertakes to determine the way forward on the potential transaction depending on the market conditions at the time. Taking these factors into account and the pending approvals, the group believes that the potential unbundling is not considered to be highly probable and as such does not constitute a held for sale transaction at reporting date.

Acquisition of Ubusha Technologies ("Ubusha")

Post the reporting period, the group acquired identity security company, Ubusha Technologies effective 1 March 2020. Once integrated into Altron, Ubusha will merge with the company's existing Cybertech to form a standalone operating company – Altron Security Solutions.

The maximum purchase price of approximately R367 million, of which R259 million was paid upfront and the remainder is payable over two years. Due to the close proximity of the acquisition to the financial statement release date, the initial accounting for business combination has not been completed and as a result a provisional purchase price allocation has been summarised as follows:

R millions	2020
The purchase price allocation may be summarised as follows:	
Net asset value	**27**
Brand name and customer base acquired	**41**
Goodwill	**288**
Fair value of consideration	**356**

10. EVENTS AFTER REPORTING PERIOD (CONTINUED)

Acquisition of XDN Office (Proprietary) Limited ("XDN")

Effective 1 March 2020, Altron TMT Proprietary Limited, through its Altron Bytes Document Solutions Division acquired the business of XDN for R15 million. The initial accounting for the business combination has not been completed and, as a result , it was impractical for certain IFRS 3 Business Combination disclosures to be made due to the close proximity of the acquisition to the financial statements release date.

Impact of the COVID-19 pandemic

In terms of IAS 10 *Events after the reporting period*, non-adjusting post-balance sheet events are events after the reporting period that are indicative of a condition that arose after the reporting period ended 29 February 2020.

It was concluded that the declaration of COVID-19 as a pandemic is such a non-adjustment event. The impact of COVID-19 on accounting standards that require the use of forward-looking information (expected credit losses and goodwill impairment) was assessed based on information available as at 29 February 2020.

COVID-19 is an unprecedented challenge for humanity and for the economy globally and at the date of this report its effects are subject to significant levels of uncertainty.

The impact of COVID-19 is expected to be felt on the group's diverse trade and other receivables books and intangible assets valuations. The global economic downturn, reduced trading activity and disrupted supply chains as a result of control measures implemented to control the spread of the virus may result in a significant increase in costs and unemployment rates as well as a contraction in GDP.

Impact of forward-looking information on ECL

Management considered information available at 29 February 2020 and incorporated the impact of COVID-19 on its forward-looking information. Significant customer balances with increased risk and the industries, segments and geographic regions in which they operate were assessed and a downward scenario was estimated.

Impact of forward-looking information on Goodwill impairment

Management considered information available at 29 February 2020 on its goodwill impairment testing and incorporated forward-looking information by increasing its discount rate applied in its discounted cash flow valuation model by 1%.

In order to further address the inherent uncertainty embedded in the current situation that the group and our country find ourselves in, management have considered the potential impacts on the group taking a variety of risk elements into account. These included but were not limited to, considering macro-economic factors, contractual obligations and supply chain impacts. In addition, management performed scenario analysis on the business prospects going forward, stress tested forecasts taking into account its "business unusual" impacts. This included consideration of the future revenue pipeline, impacts on the cost structure, discussions with customers and suppliers and conservatively evaluating the future new projects outlook. Although all industries globally have been affected by COVID-19, the ICT sector is expected to be less affected.

Government intervention appears to be slowing the spread of COVID-19 at different speeds in different countries. The severity will be influenced by the lockdown period and the easing thereof.

It is anticipated that the COVID-19 pandemic may have a substantial impact on revenue countered by a material reduction in expenses and therefore the resultant impact on profitability for the year ending 28 February 2021 is not expected to be significant. It is, however, not possible to make an accurate estimate of its full financial effect for the year ahead as the virus's infection rate and impact on macro-economic conditions is uncertain.

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.

Dividends declared

The company declared a dividend of 26 cents per share on 13th May 2020.

Notes to the summary consolidated financial statements (continued)

11. 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.

29 February 2020
R millions
Continuing operations

Revenue by product	Altron Bytes Document Solutions	Altron Bytes Managed Solutions	Altron Bytes People Solutions	Managed Services	Altron Nexus	Altron Bytes Systems Integration	Bytes Technology Group UK	Altron Rest of Africa
Project related revenue	**–**	**–**	**–**	**–**	**244**	**577**	**233**	**14**
Over time	–	–	–	**–**	244	577	233	14
Sale of goods and related services	**944**	**548**	**29**	**1 521**	**175**	**725**	**450**	**244**
At a point in time	861	548	6	**1 415**	116	665	439	244
Over time	83	–	23	**106**	59	60	11	–
Maintenance, support and outsource services	**477**	**845**	**–**	**1 322**	**449**	**471**	**80**	**115**
Over time	477	845	–	**1 322**	449	471	80	115
Training and skills management	**–**	**–**	**380**	**380**	**–**	**1**	**37**	**–**
Over time	–	–	380	**380**	–	1	37	–
Software, cloud and licences, including software assurance services	**31**	**–**	**–**	**31**	**–**	**59**	**6 403**	**–**
At a point in time	21	–	–	**21**	–	57	3 745	–
Over time	10	–	–	**10**	–	2	2 658	–
Software application and development	–	–	–	**–**	–	**170**	–	–
Over time	–	–	–	–	–	170	–	–
Total revenue from contracts with customers	**1 452**	**1 393**	**409**	**3 254**	**868**	**2 076**	**7 203**	**373**
Rental finance income	**68**	**–**	**–**	**68**	**–**	**–**	**–**	**–**
Total revenue	**1 520**	**1 393**	**409**	**3 322**	**868**	**2 076**	**7 203**	**373**
Revenue by Geographic region								
South Africa	1 427	1 274	397	**3 098**	832	1 965	–	7
Rest of Africa	93	119	2	**214**	36	76	1	295
Total Africa	**1 520**	**1 393**	**399**	**3 312**	**868**	**2 041**	**1**	**302**
Europe	–	–	1	**1**	–	31	7 163	8
Rest of world	–	–	9	**9**	–	4	39	63
Total International	**–**	**–**	**10**	**10**	**–**	**35**	**7 202**	**71**
Total Revenue	**1 520**	**1 393**	**409**	**3 322**	**868**	**2 076**	**7 203**	**373**

Altron Karabina	Digital Trans-forma-tion	Altron Bytes Secure Trans-action Solutions	Health-tech/ Fintech	Netstar	Smart IoT	Altron Arrow	Corp-orate and consoli-dation and other inter-national opera-tions	Other	Contin-uing opera-tions
154	1 222	–	–	–	–	–	(65)	(65)	1 157
154	1 222	–	–	–	–	–	(65)	(65)	1 157
–	1 594	252	252	1 541	1 541	472	(157)	315	5 223
–	1 464	242	242	147	147	472	(153)	319	3 587
–	130	10	10	1 394	1 394	–	(4)	(4)	1 636
9	1 124	159	159	–	–	–	(80)	(80)	2 525
9	1 124	159	159	–	–	–	(80)	(80)	2 525
1	39	–	–	–	–	–	–	–	419
1	39	–	–	–	–	–	–	–	419
13	6 475	158	158	–	–	–	(213)	(213)	6 451
–	3 802	158	158	–	–	–	(213)	(213)	3 768
13	2 673	–	–	–	–	–	–	–	2 683
–	170	–	–	–	–	–	–	–	170
–	170	–	–	–	–	–	–	–	170
177	10 697	1 230	1 230	1 541	1 541	472	(549)	(77)	16 645
–	–	–	–	–	–	–	–	–	68
177	10 697	1 230	1 230	1 541	1 541	472	(549)	(77)	16 713
177	2 981	1 186	1 186	1 351	1 351	466	(311)	155	8 771
	408	41	41	5	5	–	(37)	(37)	631
177	3 389	1 227	1 227	1 356	1 356	466	(348)	118	9 402
–	7 202	3	3	–	–	–	(201)	(201)	7 005
–	106	–	–	185	185	6	–	6	306
–	7 308	3	3	185	185	6	(201)	(195)	7 311
177	10 697	1 230	1 230	1 541	1 541	472	(549)	(77)	16 713

Notes to the summary consolidated financial statements (continued)

11. **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.

28 February 2019
R millions
Continuing operations

Revenue by product	Altron Bytes Document Solutions	Altron Bytes Managed Solutions	Altron Bytes People Solutions	Managed Services	Altron Nexus	Altron Bytes Systems Integra-tion	Bytes Tech-nology Group UK	Altron Rest of Africa
Project related revenue	**–**	**–**	**–**	**–**	**515**	**522**	**216**	**2**
Over time	–	–	–	**–**	515	522	216	2
Sale of goods and related services	**861**	**407**	**–**	**1 268**	**150**	**602**	**320**	**144**
At a point in time	861	407	–	**1 268**	150	560	320	144
Over time	–	–	–	**–**	–	42	–	–
Maintenance, support and outsource services	**557**	**761**	**–**	**1 318**	**520**	**580**	**91**	**84**
Over time	557	761	–	**1 318**	520	580	91	84
Training and skills management	**–**	**–**	**427**	**427**	**–**	**–**	**34**	**–**
Over time	–	–	427	**427**	–	–	34	–
Software, cloud and licenses, including software assurance services	**33**	**–**	**31**	**64**	**–**	**36**	**5 712**	**42**
At a point in time	33	–	23	**56**	–	36	4 137	42
Over time	–	–	8	**8**	–	–	1 575	–
Software application and development	**–**	**–**	**–**	**–**	**–**	**212**	**–**	**–**
Over time	–	–	–	**–**	–	212	–	–
Switching and other transactional services	**–**	**–**	**–**	**–**	**–**	**75**	**–**	**–**
Over time	–	–	–	**–**	–	75	–	–
Total revenue from contracts with customers	**1 451**	**1 168**	**458**	**3 077**	**1 185**	**2 027**	**6 373**	**272**
Rental finance income	47	–	–	**47**	–	–	–	–
Total revenue	**1 498**	**1 168**	**458**	**3 124**	**1 185**	**2 027**	**6 373**	**272**

Altron Karabina	Digital Transformation	Altron Bytes Secure Transaction Solutions	Healthtech/ Fintech	Netstar	Smart IoT	Altron Arrow	Corporate and consolidation and other international operations	Other	Continuing operations
80	**1 335**	**–**	**–**	**–**	**–**	**–**	**(42)**	**(42)**	**1 293**
80	**1 335**	–	**–**	–	**–**	–	(42)	**(42)**	**1 293**
–	**1 224**	**276**	**276**	**1 521**	**1 521**	**499**	**(147)**	**344**	**4 633**
–	**1 182**	245	**245**	85	**85**	499	(97)	**394**	**3 174**
–	**42**	31	**31**	1 436	**1 436**	–	(50)	**(50)**	**1 459**
8	**1 288**	**124**	**124**	**–**	**–**	**–**	**(82)**	**(87)**	**2 643**
8	**1 288**	124	**124**	–	**–**	–	(82)	**(87)**	**2 643**
1	**35**	**–**	**–**	**–**	**–**	**–**	**(15)**	**(15)**	**447**
1	**35**	–	**–**	–	**–**	–	(15)	**(15)**	**447**
–	**5 790**	**168**	**168**	**–**	**–**	**–**	**(209)**	**(209)**	**5 813**
–	**4 215**	168	**168**	–	**–**	–	(154)	**(154)**	**4 285**
–	**1 575**	–	**–**	–	**–**	–	(55)	**(55)**	**1 528**
16	**228**	**34**	**34**	**–**	**–**	**–**	**(9)**	**(9)**	**253**
16	**228**	34	**34**	–	**–**	–	(9)	**(9)**	**253**
–	**75**	**539**	**539**	**–**	**–**	**–**	**(20)**	**(20)**	**594**
–	**75**	539	**539**	–	**–**	–	(20)	**(20)**	**594**
105	**9 975**	**1 141**	**1 141**	**1 521**	**1 521**	**499**	**(524)**	**(38)**	**15 676**
–	**–**	–	**–**	–	**–**	–	–	**–**	**47**
105	**9 975**	**1 141**	**1 141**	**1 521**	**1 521**	**499**	**(524)**	**(38)**	**15 723**

Notes to the summary consolidated financial statements (continued)

11. REVENUE BY SEGMENT (CONTINUED)

	Altron Bytes Document Solutions	Altron Bytes Managed Solutions	Altron Bytes People Solutions	Managed Services	Altron Nexus	Altron Bytes Systems Integration	Bytes Technology Group UK	Altron Rest of Africa
Revenue by Geographic region								
South Africa	1 351	1 056	450	**2 857**	1 169	1 937	5	22
Rest of Africa	147	112	1	**260**	16	77	2	208
Total Africa	1 498	1 168	451	**3 117**	1 185	2 014	7	230
Europe	–	–	7	**7**	–	10	6 311	4
Rest of world	–	–	–	**–**	–	3	55	38
Total International	**–**	**–**	**7**	**7**	**–**	**13**	**6 366**	**42**
Total Revenue	**1 498**	**1 168**	**458**	**3 124**	**1 185**	**2 027**	**6 373**	**272**

28 February 2019
R millions
Discontinuing operations

Revenue by product	Powertech Group	Multimedia Group	Autopage Group	Discontinued operations
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**
Total revenue				**16 925**

Altron Karabina	Digital Transformation	Altron Bytes Secure Transaction Solutions	Health-tech/ Fintech	Netstar	Smart IoT	Altron Arrow	Corporate and consolidation and other international operations	Other	Continuing operations
105	**3 238**	1 120	**1 120**	1 292	**1 292**	494	(194)	**300**	**8 807**
	303	21	**21**	–	**–**	5	(35)	**(30)**	**554**
105	**3 541**	1 141	**1 141**	1 292	**1 292**	499	(229)	**270**	**9 361**
–	**6 338**	–	**–**	1	**1**	–	(295)	**(308)**	**6 038**
–	96	–	–	228	228	–	–	–	324
–	**6 434**	**–**	**–**	**229**	**229**	**–**	**(295)**	**(308)**	**6 362**
105	**9 975**	**1 141**	**1 141**	**1 521**	**1 521**	**499**	**(524)**	**(38)**	**15 723**

Notes to the summary consolidated financial statements (continued)

12. 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, 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).

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.

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:

	Revenue			EBITDA before capital items		
R'millions	**Feb 2020**	Feb 2019	Growth %	**Feb 2020**	Feb 2019	Growth%
Altron Bytes Document Solutions	**1 520**	1 498	1	**79**	74	7
Altron Bytes Managed Solutions	**1 393**	1 168	19	**103**	77	34
Altron Bytes People Solutions	**409**	458	(11)	**19**	26	(27)
Managed Services	**3 322**	3 124	6	**201**	177	14
Altron Nexus	**868**	1 185	(27)	**24**	123	(80)
Altron Bytes Systems Integration	**2 076**	2 027	2	**125**	105	19
Bytes Technology Group UK*	**7 203**	6 373	13	**611**	368	66
Altron Rest of Africa	**373**	272	37	**26**	8	225
Altron Karabina	**177**	105	69	**2**	10	(80)
Digital Transformation	**10 697**	9 962	7	**788**	614	28
Netstar	**1 541**	1 521	1	**611**	583	5
Smart IoT	**1 541**	1 521	1	**611**	583	5
Altron Bytes Secure Transaction Solutions	**1 230**	1 141	8	**327**	289	13
Healthtech/Fintech	**1 230**	1 141	8	**327**	289	13
Altron Arrow	**472**	499	(5)	**14**	25	(44)
Corporate and consolidation and other international operations	**(549)**	(524)	(5)	**(106)**	(81)	(31)
Other	**(77)**	(25)		**(92)**	(56)	(64)
Continuing operations	**16 713**	15 723	6	**1 835**	1 607	14
Multimedia Group	**–**	775		**(7)**	15	(147)
Autopage Group	**–**	–		**2**	5	(60)
Powertech Group	**–**	427		**(1)**	34	(103)
Discontinued Operations	**–**	1 202	(100)	**(6)**	54	(111)
Altron Group	**16 713**	16 925	(1)	**1 829**	1 661	10

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

	Feb 2020	Feb 2019
EBITDA before capital items	**1 829**	1 661
Reconciling items:		
Depreciation – Property, plant and equipment	**(167)**	(179)
Depreciation – Right-of-use assets	**(195)**	–
Amortisation	**(132)**	(134)
Amortisation of costs incurred to acquire contracts and capital rental devices	**(251)**	(253)
Total operating profit before capital items	**1 084**	1 095
Discontinued operations loss/(profit) before capital items	**6**	(54)
Continuing operations profit before capital items	**1 090**	1 041

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.

13. 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 2019:

IFRS 16 Leases (IFRS 16):

The group has adopted IFRS 16 retrospectively from 1 March 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The right-of-use asset was measured at the value of the lease liability and adjusted by the amount of any previously recognised prepaid or accrued lease payments. The reclassifications and the adjustments arising from the adoption of IFRS 16 are therefore recognised in the opening statement of financial position on 1 March 2019.

Adoption of IFRS 16

The adoption of IFRS 16 has the following impact on the group:

IFRS 16 introduced a single, on-balance sheet accounting model for leases. As a result, the group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. After the adoption of IFRS 16, the group recognised a depreciation expense on the right-of-use assets and an interest expense accruing on the lease liabilities. Cash generated from operations increased as lease costs are no longer included in this category. Interest paid increased, as it includes the interest portion of the lease liability payments and the capital portion of lease liability repayments is included in cash used in financing activities. Lessor accounting remains similar to previous accounting policies.

The group's leasing activities and significant accounting policies

The group's leases include buildings, high sites, motor vehicles and certain dedicated end-to-end fibre leasing arrangements to which the group has the exclusive use. The term on rental contracts are generally fixed, however, they may have renewal periods as described below.

From 1 March 2019, the group recognises right-of-use assets and lease liabilities at the lease commencement date for most leases. However, the group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. office and computer equipment) and for short-term leases, i.e. leases that at commencement date have lease terms of 12 months or less. The group recognises the lease payments associated with these leases as an expense on a straight-line basis.

The group has applied the practical expedient to 'grandfather' previous assessments performed on existing contracts to determine if these contracts are, or contain, leases.

The group relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review. There were no material onerous leases on 1 March 2019.

The group excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application.

13. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The recognised right-of-use assets relate to the following types of assets:

	29 February 2020 R millions	1 March 2019 R millions
Buildings	**301**	310
High sites	**64**	83
Motor vehicles	**35**	22
Fibre strands	**124**	160
Total right-of-use assets	**524**	575

The increase in right-of-use assets mainly relate to additions during the current year.

The group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. On adoption of IFRS 16, these liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 March 2019.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Interest costs are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The associated right-of-use assets were measured at the amount equal to the lease liability and are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

Lease and non-lease components

A number of lease contracts include both lease and non-lease components. The group has not elected the practical expedient to account for non-lease components as part of its lease liabilities and right-of-use assets. Therefore, non-lease components are accounted for as operating expenses and are recognised in profit or loss as they are incurred.

Renewal and termination options

Certain lease contracts include an option to renew the lease for a further period, or allow for an earlier termination date. Majority of these contracts allow for extension or earlier termination to be determined by the group and not the lessor.

The Group applies judgement in assessing whether extension or termination options will be exercised and these options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). In performing its assessment, management will consider all facts and circumstances that will align with the Group's business plan and future outlook. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

A number of leases entitle both the group and the lessor to terminate the lease without a termination penalty. In determining whether the group has an economic incentive to not exercise the termination option, the group considers the broader economics of the contract and not only contractual termination payments.

Where possible high sites have been grouped on a portfolio basis based on contracts with similar characteristics. Management have used hindsight as well as budgets and forecasts to determine an average renewal period for portfolios identified. A single discount rate was also applied.

Impacts on transition

On transition to IFRS 16, the group recognised right-of-use assets and lease liabilities. The impact on transition is summarised below:

	1 March 2019 R millions
Right-of-use assets	592
Adjusted by previously recognised prepaid or accrued lease payments	(17)
Total assets	**575**
Lease liabilities – non-current	408
Lease liabilities – current	184
Total liabilities	**592**
Existing finance lease liabilities at 1 March 2019	
Lease liabilities – non-current	200
Lease liabilities – current	185
	385
Total lease liabilities at 1 March 2019	**977**
Lease liabilities – non-current	608
Lease liabilities – current	369

Reconciliation of lease commitments to lease liability recognised as at 1 March 2019

When measuring lease liabilities for leases that were previously classified as operating leases, the group discounted lease payments using its incremental borrowing rate at 1 March 2019. A reconciliation of the operating lease commitments disclosed as at 28 February 2019 discounted using the incremental borrowing rate at 1 March 2019 to the lease liability recognised on 1 March 2019 is disclosed below:

	R millions
Operating lease commitments at 28 February 2019 (Restated)**	677
Existing finance lease liabilities at 28 February 2019	385
Discounted using the group's incremental borrowing rate***	(72)
Less: short-term leases and low-value leases recognised on a straight-line basis as expense	(13)
Lease liability recognised as at 1 March 2019	**977**
Of which are:	
Current lease liabilities	369
Non-current lease liabilities	608
	977
** Due to the implementation of IFRS 16, operating lease commitments as disclosed at 28 February 2019, have been restated for the following:	
Operating lease commitments disclosed as at 28 February 2019	481
Contracts previously excluded from operating lease commitments	218
Non-lease components previously recognised in operating lease commitments	(22)
Operating lease commitments at 28 February 2019 (Restated)	**677**

*** The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 March 2019 was between 4.8% and 10.5% due to the different geographic locations of the group's operations.

13. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Impacts for the period

As a result of applying IFRS 16, in relation to the leases that were previously classified as operating leases, the group recognised R524 million of right-of-use assets and R572 million of lease liabilities at 29 February 2020.

Also in relation to those leases under IFRS 16, the group has recognised depreciation and interest costs, instead of operating lease expenses of R203 million that would have been recognised under IAS 17. The group recognised R195 million of depreciation charges and R55 million of interest costs from these leases.

Earnings per share decreased by 8 cents per share for the year ended 29 February 2020 as a result of the adoption of IFRS 16.

Cash from operating activities includes interest paid on lease liabilities of R55 million and cash flows used in financing activities includes R168 million for the lease liability repayments. The cash flows were previously recognised as net cash generated by operations.

14. CORRECTION OF PRIOR YEAR ACCOUNTING TREATMENT

Reallocation of prepayments to costs incurred to fulfill contracts – software asset management services

The group incurs certain costs to fulfil contracts with customers. These costs are directly attributable to the completion of a contract, however, the performance obligation to recognise the revenue has not yet been met.

The group provides Software Asset Management Services. Costs incurred to fulfil contracts are capitalised and recognised over the contract term. In the prior year, these costs were incorrectly classified as prepayments as opposed to contract fulfillment costs. During the current financial year, the classification was corrected and the comparatives were adjusted accordingly.

The correction represents a reclassification within trade and other receivables and contract costs capitalised. Due to contract costs capitalised being included as part of trade and other receivables on the consolidated balance sheet, the correction represents a movement within the trade and other receivables note with no impact on any of the line items presented in the consolidated statement of financial position or any of the other primary financial statements presented.

	28 February 2019		
	As previously reported R millions	Adjustments R millions	Restated R millions
CONTRACT COSTS CAPITALISED			
Costs incurred to fulfil contracts	98	885	983
TRADE AND OTHER RECEIVABLES			
Non-financial assets			
Costs incurred to fulfil contracts	98	885	983
Prepayments	1 173	(885)	288

14. CORRECTION OF PRIOR YEAR ACCOUNTING TREATMENT (CONTINUED)

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 previous years, the cash flow impact in relation to these transactions has incorrectly been netted off in the cash flow statement 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. The comparative numbers were restated accordingly.

The above has been corrected by updating each of the affected financial statement line items included in the statement of cash flows for the prior period as noted below – The corrections did not have an impact on the consolidated balance sheet and statement of comprehensive income, therefore only the impact on the statement of cash flows has been disclosed.

	28 February 2019		
	As previously reported R millions	Adjustments R millions	Restated R millions
Cash flow			
(Extract)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	1 127	218	**1 345**
Interest received	134	44	**178**
Interest paid	(330)	(44)	**(374)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash (outflow)/received relating to finance lease arrangements	(6)	6	**–**
CASH FLOWS USED IN FINANCING ACTIVITIES			
Settlement of finance leases	(12)	(224)	**(236)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	78	–	**78**

Supplementary information (total operations – unaudited)

Supplementary information

(Total operations – Unaudited)

	2020	*R millions* 2 019
Depreciation and amortisation	**745**	566
Net foreign exchange (loss)/profit	**(2)**	11
Cash flow movements		
Capital expenditure (including intangibles)	**258**	283
Net movement on capital rental devices	**4**	(42)
Additions	**207**	191
Written off during the year	**(21)**	(35)
Amortisation for the year	**(182)**	(198)
Capital commitments	**187**	6
Contingent liabilities		
There were no contingent liabilities identified as at 29 February 2020		
Weighted average number of shares (millions)	**371**	371
Diluted average number of shares (millions)	**374**	375
Shares in issue at end of period (millions)	**371**	371
Ratios (total operations)		
EBITDA margin	**10.9%**	9.8%
ROCE averaged	**20.1%**	21.4%
ROE (continuing operations)	**19.0%**	22.4%
ROA	**10.6%**	13.4%
RONA	**14.5%**	17.6%
Current ratio	**1.2:1**	1.1:1
Acid test ratio	**1.1:1**	0.9:1

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