



Leading Technologies: Touching Lives

**AUDITED ABRIDGED CONSOLIDATED ANNUAL
FINANCIAL RESULTS FOR THE YEAR ENDED
28 FEBRUARY 2010**

HIGHLIGHTS

- ⬆ Revenue of R9,2 billion
- ⬆ Operating profit up by 7% to R933 million
- ⬆ Adjusted headline earnings per share grows to 605 cents
- ⬆ Dividends increased by 5% to 339 cents per share
- ⬆ Strong balance sheet

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Condensed consolidated statement of comprehensive income

Figures in R million	2010 (Audited)	2009 (Audited)
Revenue	9 200	9 164
Operating profit before capital items	933	874
Capital items (Note 1)	(42)	(2)
Results from operating activities	891	872
Finance income	25	68
Finance costs	(40)	(70)
Profit before taxation	876	870
Taxation	(259)	(226)
STC	(32)	(28)
Profit for the year	585	616
Other comprehensive income		
Foreign currency translation differences for foreign operations	(332)	10
Effective portion of changes in fair value of cash flow hedges	–	(4)
Other comprehensive income for the period, net of income tax	(332)	6
Total comprehensive income for the year	253	622
Profit attributable to:		
Non-controlling interest	65	67
Owners of the Company	520	549
Profit for the year	585	616
Total comprehensive income attributable to:		
Non-controlling interest	19	59
Owners of the Company	234	563
Total comprehensive income for the year	253	622
Basic earnings per share (cents)	536	569
Diluted basic earnings per share (cents)	529	545

Notes

Figures in R million

Basis of preparation

The abridged consolidated financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective at 28 February 2010 and the presentation and disclosure requirements of IAS 34, Interim Financial Reporting and in compliance with the Listings Requirements of the JSE Limited.

The accounting policies followed are consistent with those used in the prior year.

Auditor's report

PKF (Jhb) Inc's unmodified auditor's report included in the consolidated annual financial statements and on the abridged consolidated annual financial statements contained in this abridged report are available for inspection at the Company's registered office.

Figures in R million	% Change	2010 (Audited)	2009 (Audited)
Headline earnings per share (cents)	0	571	571
Diluted headline earnings per share (cents)	3	562	547
Adjusted headline earnings per share (cents)	2	605	592
Diluted adjusted headline earnings per share (cents)	5	596	567

Notes continued

Figures in R million	2010 (Audited)	2009 (Audited)
1. Capital items		
Net loss on disposal of property, plant and equipment	–	(2)
Net profit on disposal of bandwidth capacity	23	–
Impairment of intangible assets	(65)	–
	(42)	(2)
2. Reconciliation between earnings and headline earnings		
Attributable earnings	520	549
Capital items – gross	42	2
	562	551
Tax effects of adjustments	(18)	–
Minority interest in adjustments	9	–
Headline earnings	553	551
Dilutive earnings attributable to BEE minorities in a subsidiary	–	(6)
Fully diluted headline earnings	553	545
3. Reconciliation between earnings and fully diluted earnings		
Attributable earnings	520	549
Additional earnings attributable to BEE minorities	–	(6)
Fully diluted earnings	520	543
4. Reconciliation between headline earnings and adjusted headline earnings		
Headline earnings	553	551
Adjustments for:		
Amortisation of intangible assets arising on business combinations	40	25
	593	576
Tax effect of adjustments	(7)	(5)
Adjusted headline earnings	586	571
Additional earnings attributable to BEE minorities	–	(6)
Fully adjusted diluted headline earnings	586	565

Balance sheets

Figures in R million	2010 (Audited)	2009 (Audited)
ASSETS		
Non-current assets	2 866	2 071
Property, plant and equipment	1 051	837
Intangible assets, including goodwill	1 599	1 122
Loans	130	–
Deferred taxation	86	112
Current assets	2 204	2 885
Inventories	370	416
Trade and other receivables, including derivatives	1 218	1 248
Cash and cash equivalents	616	1 221
Assets classified as held for sale	–	107
TOTAL ASSETS	5 070	5 063
EQUITY AND LIABILITIES		
Total equity	2 607	2 547
Altech equity holders	2 122	2 249
Minority interest	485	298
Non-current liabilities	544	188
Loans	342	115
Finance lease liability	11	–
Deferred income	96	–
Deferred taxation	95	73
Current liabilities	1 919	2 300
Trade and other payables, including derivatives	1 803	1 827
Warranty provisions	15	18
Bank overdraft	–	310
Taxation payable	101	145
Liabilities classified as held for sale	–	28
TOTAL EQUITY AND LIABILITIES	5 070	5 063
Net asset value per share (cents)	2 179	2 328

Condensed consolidated statement of changes in equity

Figures in R million	Attributable to Altech equity holders					Non-controlling interest	Total equity
	Share capital and premium	Treasury shares	Other reserves	Retained earnings	Total		
Balance at 1 March 2008	3	(292)	73	2 171	1 955	72	2 027
Total comprehensive income for the period							
Profit for the year	-	-	-	549	549	67	616
Other comprehensive income							
Effective portion of changes in fair value of cash flow hedges	-	-	(4)	-	(4)	-	(4)
Foreign currency translation differences for foreign operations	-	-	18	-	18	(8)	10
Total other comprehensive income	-	-	14	-	18	(8)	10
Total comprehensive income for the period	-	-	14	549	567	59	626
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of share capital	4	-	-	-	4	-	4
Dividends to equity holders	-	-	-	(278)	(278)	(11)	(289)
Share-based payment transactions	-	-	5	-	5	-	5
Total contributions by and distributions to owners	4	-	5	(278)	(273)	(11)	(284)
Changes in ownership interests in subsidiaries							
Capital subscription received from minority shareholders	-	-	-	-	-	79	79
Minority interest on acquisition of subsidiaries	-	-	-	-	-	99	99
Total changes in ownership interests in subsidiaries	4	-	5	(278)	(273)	178	178
Total transactions with owners	8	-	10	(556)	(546)	167	(106)
Balance at 28 February 2009 (audited)	7	(292)	92	2 442	2 249	298	2 547
Total comprehensive income for the period							
Profit for the year	-	-	-	520	520	65	585
Other comprehensive income							
Foreign currency translation differences for foreign operations	-	-	(286)	-	(286)	(46)	(332)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	-	-
Total other comprehensive income	-	-	(286)	-	(286)	(46)	(332)
Total comprehensive income for the period	-	-	(286)	520	234	19	253
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of share capital	38	-	-	-	38	-	38
Dividends to equity holders	-	-	-	(313)	(313)	(13)	(326)
Share-based payment transactions	-	-	8	-	8	-	8
Total contributions by and distributions to owners	38	-	8	(313)	(267)	(13)	(280)
Changes in ownership interests in subsidiaries							
Premium on minority transactions	-	-	(94)	-	(94)	181	87
Total changes in ownership interests in subsidiaries	-	-	(94)	-	(94)	181	87
Total transactions with owners	38	-	(86)	(313)	(361)	168	(193)
Balance at 28 February 2010 (audited)	45	(292)	(280)	2 649	2 122	485	2 607

Abridged cash flow statements

Figures in R million	Year ended 2010 (Audited)	Year ended 2009 (Audited)
Cash flows - operating activities	514	301
Cash generated by operations	1 164	1 050
Changes in working capital	(4)	(251)
Net financial expense	(15)	(2)
Taxation paid	(305)	(207)
Cash available – operating activities	840	590
Dividends paid		
– to Altech equity holders	(313)	(278)
– to minority shareholders	(13)	(11)
Cash flows – utilised in investing activities	(677)	(1 026)
Cash flows (applied in)/from financing activities	(138)	45
Decrease in net cash and cash equivalents	(301)	(680)
Cash at acquisitions	6	–
– at beginning of period	911	1 591
– at end of period	616	911

Supplementary information

Figures in R million	2010 (Audited)	2009 (Audited)
Depreciation and amortisation	232	191
Capital expenditure	483	385
Capital commitments	137	280
Lease commitments	235	214
Payable within the next 12 months	93	78
– property	50	43
– plant, equipment and vehicles	43	35
Payable thereafter:	142	136
– property	73	98
– plant, equipment and vehicles	69	38
Net foreign exchange losses	(23)	(5)
Weighted average number of shares (million)	96,933	96,530
Diluted average number of shares (million)	98,342	99,572
Shares in issue at end of period (million)	97,374	96,610
Ratios		
EBITDA	1 165	1 133
Operating margin (%)	10,1	9,5
ROCE (%)	35,2	34,2
ROE (%)	26,1	24,3
ROA (%)	35,3	33,5
Current ratio	1,1	1,3
Acid test ratio	1,0	1,1

Segment analysis

The segment information has been prepared in accordance with IFRS 8 – Operating Segments (IFRS 8) which defines the requirements for the disclosure of financial information of an entity's operating segments.

IFRS 8 replaces IAS14 – Segment Reporting. The standard requires segmentation based on the group's internal organisation and reporting of revenue and operating income based upon internal accounting presentation.

In identifying its operating segments, management generally follows the Group's product and service lines.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches.

In the previous annual and interim financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns with results reported based on the IFRS accounting policies used in the financial statements.

The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements, except that certain items are not included in arriving at the operating profit of the operating segments (amortisation of intangibles).

The requirements of IFRS 8 have been applied retrospectively and comparative figures restated.

The Group operates a number of different operating segments primarily within the Telecommunications, Multi-media & Electronics and Information Technology sectors.

The segment revenues, and operating profit generated by each of the Group's reportable segments are summarised as follows:

	Revenue			Operating profit				
	12 months to 28 Feb 2010 Rm	12 months to 28 Feb 2009 Rm	Growth Cur/Pyr %	12 months to 28 Feb 2010 Rm	OM %	12 months to 28 Feb 2009 Rm	OM %	Growth Cur/Pyr %
Altech Autopage Cellular	5 597	5 264	6,3	296	5,3	296	5,6	0,0
Altech UEC Group	1 079	1 324	(18,5)	5	0,5	33	2,5	(84,8)
Altech Netstar Group	880	829	6,2	269	30,6	250	30,2	7,6
Kenya Data Networks	401	334	20,1	158	39,4	158	47,3	0,0
Other Altech Segments	1 414	1 539	(8,1)	247	17,5	152	9,9	62,5
Altech Group	9 371	9 290	0,9	975	10,4	889	9,6	9,7
Amortisation of intangibles Corporate	–	–	–	(40)	–	(25,0)	–	60,0
Inter segment revenue	(171)	(126)	35,7	–	0,0	10,0	0,0	–
Altech Group	9 200	9 164	0,4	933	10,1	874	9,5	6,8

Revenues and operating profit from segments below the quantitative thresholds are attributable to smaller operating segments of the Altech Group.

None of those segments has met any of the quantitative thresholds for determining reportable segments for the reportable periods.

Quantitative thresholds have been calculated based on totals for the Altech group.

Business combinations

Acquisitions

Acquisition of 100 % interest in Fleetcall (Proprietary) Limited

The Group acquired 100 % of the issued share capital of Fleetcall (Proprietary) Limited on 1 March 2009. The maximum purchase price is R75 million, payable in cash. The purchase price is payable as follows:

- First tranche: R48 million; and
- Second tranche: R27 million.

The second tranche will be paid in terms of an earn out mechanism over one year based on after tax profit targets for the year ending February 2010 being achieved.

The acquired business contributed revenues of R59 million and net profit after tax of R17 million to the Group.

These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiaries to reflect amortisation on the fair value adjustments to intangible assets from 1 March 2009, together with the consequential tax effects.

Fleetcall is the largest trunk two-way radio operator in South Africa.

Acquisition of 100% interest in Lateral Technology Concepts (Proprietary) Limited (Technology Concepts)

The Group acquired 100% of the issued share capital of Technology Concepts on 1 March 2009. The maximum purchase price is R45 million payable in cash. The purchase price is payable as follows:

- Initial payment of R7,5 million; and
- The remaining maximum payments of R37,5 million will be paid in terms of an earn out mechanism over two years based on after tax profit targets for the year ending February 2010 and 2011 being achieved.

The acquired business contributed revenues of R34 million and net profit after tax of R3 million to the Group.

These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiaries to reflect amortisation on the fair value adjustments to intangible assets from 1 March 2009, together with the consequential tax effects.

Technology Concepts is an established internet technology services business and corporate internet service provider.

Acquisition of 50% in NuPay (Proprietary) Limited (NuPay)

The Group acquired 50% plus 1 share of the issued share capital of NuPay on 1 June 2009 for a consideration of R53,5 million.

The acquired business contributed revenues of R74 million and net profit after tax before allocation of R6 million to the Group.

If the acquisition had occurred on 1 March 2009, group revenue and net profit after tax before allocations would have increased by R99 million and R8 million respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiaries to reflect amortisation on the fair value adjustments to intangible assets from 1 March 2009, together with the consequential tax effects.

Acquisition of the Altech Netstar franchisees in Nelspruit and Polokwane

During the period under review the Group acquired 100% of the Altech Netstar franchisees in Nelspruit and Polokwane.

Revenue and profit after tax attributable to these acquisitions are not material.

Business combinations continued

Acquisition of Components and System Design cc (CSD)

During the period under review the Group acquired 100% of CSD a component distributor.

Revenue and profit after tax attributable to these acquisitions are not material.

	Carrying amount	Fair value adjustments	Recognised values
The acquiree's balance sheets at the date of acquisition are as follows:			
Property, plant and equipment	35,0	–	35,0
Intangible assets on acquisition	–	62,0	62,0
Inventories	2,0	–	2,0
Fair value of net assets acquired	2,0	–	2,0
Trade and other receivables	18,0	–	18,0
Trade and other payables	(17,0)	–	(17,0)
Deferred tax	(11,0)	(10,0)	(21,0)
Tax	(4,0)	–	(4,0)
Cash and cash equivalents	7,0	–	7,0
Total net assets on acquisition	32,0	52,0	84,0
Attributable to minorities			(1,5)
Goodwill on acquisition			109,0
Total consideration			191,5

Disposal of Namitech South Africa, a division of Altech Information Technologies (Proprietary) Limited

On 1 April 2009 the Group disposed of the net assets of Namitech South Africa division for R82,2 million to Gemalto.

The net assets were shown as held for sale at 28 February 2009.

Post-balance sheet events

The Group has signed agreements to sell 25% plus 1 share of its' interest in Altech Netstar Group to Thebe Investment Corporation (Proprietary) Limited and Identity Capital Partners (Proprietary) Limited effective 1 March 2010.

The empowerment consortium acquired its shareholding in Altech Netstar Group for a nominal consideration.

Commentary

Message to shareholders

The directors are pleased to report on positive Altech group results for the year ended 28 February 2010, despite the slow global economic recovery. Adjusted headline earnings per share improved to 605 cents per share. Operating income increased by 7% to R933 million reflecting an operating margin of 10,1% (2009: 9,5%) on revenue of R9,2 billion. Net asset value per share was 2 179 cents. Return on shareholders' equity improved to 26,1%. Cash at year end was R616 million. A dividend of 339 cents which represents a 5% increase on prior year has been declared.

Operational reviews

Telecoms

Telecoms and Wireless Communications

Altech Autopage Cellular

Despite difficult trading conditions during the financial year, revenues increased by 6,3% compared to the prior year largely due to an increase in airtime revenue, value added services and pre-paid voucher sales. Operating income remained under pressure for the trading period, recording a marginal decline in operating margin from the prior year.

The three GSM Operators agreed to a reduction in the Mobile Termination Rate from 1 March 2010. Further reductions to mobile retail tariffs are expected during the first six months of 2010, which could have an adverse impact on operating margins for the financial year ending February 2011. Actions to mitigate this impact have already been taken.

The acquisition of Altech Technology Concepts has provided a platform to develop and market converged voice/data services, on an enhanced basis.

In November 2009, Altech Autopage Cellular commenced a process to achieve significant reductions in overall operating expenditure. The first phase organisational restructure was concluded by January 2010. This process will continue until July 2010 to achieve the planned savings.

The company has shown strong growth of 190 247 gross connections acquired for the period; however, it should be noted that a high percentage of the additional growth was achieved in the low to mid-tier tariff packages. The total Altech Autopage Cellular customer base now stands close to 1 million active subscribers.

Altech Netstar Stolen Vehicle Recovery (SVR)

SVR reached a total of over 409 000 billable subscriber vehicles, an increase of 4,1% for the year, despite the significant reduction in new vehicle sales in South Africa. However, new vehicle sales appear to be improving.

Progress is being made across Africa and the Middle East with a number of licensed operators being established as well as large multinational corporations being signed up as customers. Ongoing discussions are taking place regarding significant opportunities in Brazil.

Altech Netstar Fleet Solutions (ANFS)

ANFS achieved a 9,9% growth in billable subscribers to close the year with a base of in excess of 60 000 subscriber vehicles. Operating income for the year exceeded budget by 5,1%.

Continued strong growth is expected for ANFS for the 2011 financial year.

Altech Netstar Traffic

The company managed to achieve a profit, largely due to a major pilot project awarded to it.

Commentary continued

Altech Technology Concepts (ATC)

ATC showed significant growth during the financial year despite connectivity pricing continuing to drop. This drop in pricing is as a result of the additional undersea capacity into South Africa and increased competition.

ATC has invested significantly in additional sales and technical resources to drive additional growth into 2010/2011. A plan to move ATC from a second tier into a first tier ISP has been finalised. This will allow ATC to provision and run its own network allowing for increased innovation and new product development. The intention is to be operational by June 2010.

ATC is extending its range of services with a focus on managed services. The most recent product/service additions include Mail Marshal anti-spam and anti-virus, FortiGate firewalls, and a VMware, Dell and Xiotech infrastructure, allowing ATC to provision virtual servers for customers.

Converged Services and Connectivity

Altech Alcom Matomo

Altech Alcom Matomo provides a number of specialised mission-critical radio and telemetry products and solutions for various customers. The company again recorded a solid performance, despite the adverse market environment, experiencing positive customer growth in the SADC region with key projects for police services in Angola and Botswana now completed. The confirmed order book had increased to R40 million at year end.

The final stage of the R540 million project for the South African Police Services (SAPS) in Gauteng has been completed. Successful mission-critical radio communications support for the Confederations Cup has also resulted in the award of similar work for the 2010 World Cup Stadium communications. The company has further organised itself to operate in a smaller projects environment and is now implementing a range of projects for police services in neighbouring countries and significantly upgrading the City of Cape Town's communications network, as well as fulfilling orders for the national power utility and certain municipalities.

Altech Alcom Radio Distributors

Altech Alcom Radio Distributors recorded a positive performance and was again amongst Motorola's top distributors for Europe, Middle East and Africa, notwithstanding challenging trading conditions.

Digital mobile radio sales expanded positively as the new technology is being assimilated by the market. Software-based radio applications to enhance the productivity of these digital systems are being explored, and these are expected to support further expansion of the product range.

Altech Fleetcall

Altech Fleetcall is a national trunked radio operator, providing airtime services for wireless voice and data communication for telemetry, dispatching, alarm monitoring, fleet management, security and many more voice and data applications. It has its own national network infrastructure and serves mainly customers operating vehicle fleets. The company was recently selected by Bombela to provide seamless and instantaneous radio communication services for the Gautrain Rapid Rail Link and has continued to grow its subscriber base over the last financial year, resulting in exceptional year-end results.

Altech Stream East Africa

Significant restructuring took place in the portfolio managed by Altech Stream East Africa through further injection of capital into Kenya Data Networks (KDN) and the acquisition of Altech Stream Rwanda by KDN. Altech now owns 60,8% of KDN, which in turn now owns 90% of Altech Stream Rwanda.

Altech Data International was established in Mauritius to house Altech's Seacom capacity purchase. This is owned 60,8% by Altech and 39,2% by the Sameer Group.

Commentary continued

We are proud to report that despite challenges and subsequent project delays, the East African Group plus the new entity in Mauritius have exceeded their budgets.

Kenya Data Networks (KDN) produced good results for the period, mostly attributable to strong growth in the East African ICT sector and further developments in the East African fibre network. This growth is expected to continue, supported by KDN's strengthened position as the infrastructure provider of choice in Kenya and its expanding network in the neighbouring regions, notably Uganda and Rwanda.

The Seacom undersea data cable went live in the second half of 2009. The Group's East African businesses have benefited from the last quarter of 2009, in excess of the capacities purchased being utilised. KDN also owns 11% in the Kenyan government-led TEAMS undersea fibre cable project. This has gone live and provides additional landing points as network redundancy. KDN is currently building a high security Data Centre in Nairobi, Kenya and this will be operational towards the end of this calendar year.

It has been a year of consolidation and rationalisation for **Swift Global (Kenya)**, across its products and services. The company's technical platforms have been integrated into the KDN infrastructure framework.

Infocom Uganda is the leading internet service provider (ISP) brand in Uganda and is recognised as a technologically strong services entity. It also holds very attractive telecommunications infrastructure and service licensing rights within Uganda.

In addition to its existing WiFi and WiMax network business, Infocom is starting to generate strong revenue from distributing undersea data cable capacity to Uganda. This also provides the vital link between KDN and Altech Stream Rwanda which has outperformed expectations.

Altech Stream Rwanda is a start-up broadband network and internet service provider (ISP), which was granted the necessary internet and gateway licences in June 2007. By the 2009/2010 financial year end, the business had completed the rollout of an outdoor WiFi network for consumers and a WiMax network for corporate customers, both covering most of Kigali, the capital city. The company is well positioned to achieve market leadership in Rwanda through the distribution of undersea bandwidth capacity and interconnect facilities.

Multi-media and electronics

Altech UEC (AUEC)

Despite the global economic slow-down, AUEC has seen the benefits of investment in developing technologies and products for the Digital Pay TV industry. Local demand for set-top-boxes (STB's) remains firm while exports to Africa, Australia, Middle East, Europe and India are growing steadily.

Additional investments have been made in local manufacturing plant and equipment and a total of 2 million STB units were produced in the last 12 months.

Ahead of the South African Digital Migration (DTT) programme, AUEC has developed a terrestrial STB and has been participating in trials with all the potential operators. Coupled with this opportunity AUEC has developed the MediaGate concept which allows movies to be played via an internet protocol STB in the home. This concept will open a new market in the Telco arena, as converged technologies increasingly become a customer requirement in the future.

The Australian Digital Migration project has commenced, and UEC Australia has been contracted to participate and has already supplied 60 000 STB's into this market.

Commentary continued

Arrow Altech Distribution

Due to global recession and weak demand, the local electronics industry underperformed during 2009. A number of key customers in the electronics manufacturing sector cut back on production and relied on inventories to meet immediate orders.

Recovery of the market is likely to be patchy and relatively weak over the next year, with potentially only one major project envisaged for the 2010 calendar year, namely the DTT rollout.

Management's pro-active response to the difficult economic conditions, coupled with consistent performance from all the company's technology groups resulted in solid operational results for the year.

Technology (Information technology)

Altech ISIS

This operation stabilised and strengthened its position at existing customers and is well positioned to generate strong revenue and income growth going forward, with its innovative real-time converged customer care and billing solution offering. To support this expansion drive it has added substantial investment into its project management, business analysis and systems integration capacity to support its position as a reputable supplier of turnkey business support systems.

Altech West Africa

Located in Lagos, Nigeria, the company predominantly manufactures prepaid cellular vouchers for all five major telecommunications operators in the country and is currently producing over 100 million prepaid air time vouchers per month.

During 2009 the company's product lines have been expanded by adding the capability to supply initialised and personalised chip-card products to telecommunications network operators and financial service providers. Capability and professional services capacity have been added to the company to enable the supply, implementation and support of the Altech group's e-Security range of products in Nigeria, including supply and support of the Verisign range of products.

Altech Card Solutions

Continuing the trend of recent years, Altech Card Solutions has increased the delivery of Point-of-sale and PIN-pad end-to-end solutions for leading financial service providers and retailers. Growth has surpassed expectations in the supply of electronic security product either as a turnkey project or as a hosted managed service from its fully PCI and EMV compliant seven tier security operation centre. The card personalisation solutions and integrated financial transaction services activities performed better than in the prior financial year.

Altech NuPay

This transaction service provider and switching company, acquired by Altech in June 2009, has managed to exceed its profit targets, despite the global economic downturn. Exciting projects are underway to launch new reconciliation facilities to a broad market sector, as well as to individuals. This will open up a whole new dimension to the business. This product will also help other entities to assist their clients with better services and reconciliation mechanisms.

Corporate finance transactions

Salient transactions during the financial year under review were as follows:

Investments into East Africa

Altech's current major priority growth area is within the East African telecommunications sector. Significant focus has been given to Altech's East African subsidiaries, particularly in terms of capital injection for the roll-out of additional fibre and obtaining access to undersea cable bandwidth.

Commentary continued

Altech's subsidiary Kenya Data Networks Limited (KDN) is the leading data network infrastructure operator in Kenya, with a nationwide fibre optic network. It is extending its coverage to neighbouring landlocked states, such as Uganda and Rwanda, and it is ideally positioned to link the new undersea cables landing at Mombasa, Kenya, to these and other states in the interior of East and Central Africa.

Accordingly, KDN has an extensive roll-out plan over the next few years in order to capitalise on the explosive growth opportunity offered by the expansion of data carrier demand in the region.

To this end, Altech has concluded the following deals:

- Altech has increased its economic stake in KDN by investing a further USD39,5 million into the company. The capital injection will be used to roll out the KDN network, further establishing KDN as the key provider of broadband in East Africa. The additional equity shares in KDN to be subscribed for by Altech will be non-voting, thus preserving the strong minority shareholder local influence in KDN through our strategic partners, the Sameer Group.
- In addition, Altech has acquired a further 1,8% (voting) shareholding in KDN from a KDN minority shareholder, for approximately USD3,3 million. 50% of the shares will be paid for in cash over two years on the achievement of profit targets. The remaining 50% will be paid in Altech shares which are subject to a phased release process over three years. The combination of this transaction and the equity injection referred to above has increased Altech's economic interest in KDN from 51% to 60,8%.
- Altech has acquired significant bandwidth capacity on the SEACOM undersea cable system. The agreement sees Altech procuring two STM-16s from SEACOM (equivalent to 5 Gbps), with the option to upgrade, within three years, to double this capacity, to an STM-64. SEACOM has, in turn, purchased in excess of USD20 million of capacity on the East Africa terrestrial backbone network owned by KDN.
- Altech, through its subsidiary KDN, acquired an 8,5% overall (10% of Kenya share) stake in The East Africa Marine System Limited (TEAMS) for an amount of USD11 million. This shareholding gives KDN 10,2 Gbps of bandwidth on the TEAMS undersea cable.
- Altech has established an international office in Mauritius to hold, co-ordinate and manage certain of its international assets. This is due to the increasing importance of the Altech group's international activities, in particular its African activities.

Other transactions

- Altech acquired 50% plus one share in NuPayment Solutions (Pty) Limited (Nupay) with effect from 1 June 2009. Nupay is a payments processing company focused on the automation of electronic debit orders, providing authenticated and non-authenticated managed transactions within the card-based and electronic funds transfer environments. The purchase consideration was R53,5 million in cash.
- Effective 1 March 2009, Altech acquired 100% of the issued capital in Fleetcall (Pty) Limited (Fleetcall). Fleetcall is a national trunked radio operator based in Centurion. The total maximum purchase price was R75 million, of which R35 million is held in escrow to be released to the vendors of Fleetcall on achieving profit warranties, with a reduced payout if these warranties are not met.
- Altech acquired, through its Altech Netstar subsidiary the Netstar franchisees' businesses in Nelspruit (effective 1 April 2009) and Polokwane (effective 1 May 2009), as going concerns, for an aggregate maximum purchase consideration of approximately R7,8 million and R15,9 million, respectively.
- Effective 1 April 2009, Altech disposed of the Altech NamiTech South Africa and Altech Cardtronics businesses to Gemalto NV for a net consideration of R82,2 million (an increase of R3,7 million on the previously reported amount, based on closing audited adjustments). These businesses comprised all activities relating to the commercialisation, manufacturing and personalisation of secure and non-secure,

Commentary continued

chip and chipless, cards for the telecommunications, financial services, government, utility, security, and retail markets; recharge vouchers as well as related packaging and fulfillment services.

- Effective 1 March 2009, Altech acquired all the issued share capital of Lateral Technology Concepts (Pty) Limited, an internet services provider for small and medium enterprises, for a maximum total consideration of R45 million. R7,5 million was paid upfront and R37,5 million is held in escrow to be released to the vendors on achieving various profit warranties, with a reduced payout if these warranties are not met.
- Effective 1 November 2009, Arrow Altech Distribution acquired 100% of the assets of the business of Components and System Design cc (CSD), for a cash purchase price of R2,2 million. CSD is a value-added distributor of electronic components, with in-depth expertise in the development of embedded microcontroller/processors and radio frequency designs.
- Effective 1 March 2010, the Altech Netstar sub-group concluded an empowerment deal for 25% plus one share. The deal includes the businesses of ComTech and Altech Netstar Fleet Solutions (ANFS), and further the 50% shareholding in Altech Netstar Traffic. Thebe Corporation and Identity Capital Partners were the two empowerment groupings that acquired the stake, with a strong focus on synergies between the various parties.

In order to facilitate the empowerment transaction, Altech disposed all of the shares in Altech Netstar (Pty) Limited to another wholly owned subsidiary, Altech Netstar Group (Pty) Limited, in return for preference shares in that company. The businesses of ComTech and ANFS were sold into Altech Netstar in return for a loan. This resulted in an effective nil net asset value for Altech Netstar Group. The empowerment consortium was thereby enabled to acquire its shareholding in Altech Netstar Group for a nominal consideration. The total value of this overall empowerment transaction was in excess of R1,5 billion. The international business and intellectual property of the Altech Netstar Group has been retained, wholly owned by Altech.

- On 4 January 2010, Altech acquired a further 25,11% shareholding in its subsidiary Altech Alcom Matomo (Pty) Limited (AAM) from Platina Venture Holdings R15,2 million. AAM is now a wholly-owned subsidiary of Altech. This transaction is a precursor to a proposed broader empowerment transaction which will involve both AAM and its sister subsidiary, Altech Alcom Radio Distributors.

Directorate

Dr HA Serebro resigned as a non-executive director to the Altech board with effect from 31 July 2009. The board appreciates his valuable contribution to the Group as a director.

Altech transformation

The Altech Group is committed to transformation and empowerment through skills enhancement, representative shareholding and widespread development of disadvantaged communities by focusing on areas with the maximum long-term benefit. The Altron's transformation Vision 2012 sets the guidelines for developing our people and the communities around us through education, training and skills development, health, social welfare and job creation. Altech is proud to confirm that the Group and its operations have all achieved the targets for 2010 as set out in the guidelines of Vision 2012.

Commentary *continued*

The way forward

We believe real growth in the coming year will be achieved through:

- Capitalising on convergence.
- Continued diversification of Altech's income base within the TMT sector through globalisation, M&A activity and convergence opportunities.
- Evaluate the expansion of the Altech Data Centre strategy across Africa.
- Continuing the transformation of Altech Technology Concepts up the value chain.
- Focusing and expanding the strong presence that we have in East Africa.
- Continued expansion of annuity revenue businesses (currently 82%).
- Strong focus on margins, cost, working capital and cash flow.
- Participation in the South African and Australian digital migration programmes.

Declaration of ordinary dividend No 67

Ordinary dividend number 67 of 339 cents per share (2009: 323 cents) for the year ended 28 February 2010 is declared payable to ordinary shareholders recorded in the register at the close of business on 28 May 2010. The timetable for the payment of the dividend is as follows:

Last day to trade <i>cum</i> dividend	Friday, 21 May 2010
Trading <i>ex</i> dividend commences	Monday, 24 May 2010
Record date	Friday, 28 May 2010
Payment date	Monday, 31 May 2010

Share certificates may not be dematerialised or rematerialised between Monday, 24 May 2010 and Friday, 28 May 2010, both days inclusive. The certificated register will be closed for this period.

Annual general meeting

The company's 64th annual general meeting will be held in the Boardroom, Altech Corporate Offices, 79 Central Street, Houghton on Wednesday, 7 July 2010 at 15h00. Further details on the company's annual general meeting will be included in Altech's annual report to be posted to shareholders on or before 31 May 2010.

By order of the board

Dr Hilton Davies
(*Non-executive Chairman*)

19 April 2010

Craig Venter
(*Chief Executive Officer*)

Dr John Carstens
(*Chief Financial Officer*)

Corporate information

Directors

Dr HK Davies (Chairman)[#]

CG Venter (Chief Executive Officer)

Dr JEW Carstens (Chief Financial Officer)

PMO Curle^{*}, ML Leoka[#]

R Naidoo[#], M Sindane[#]

ZJ Sithole[#], AMR Smith^{*#}

RE Venter[#], Dr WP Venter[#]

^{*} British [#] Non-executive

Secretaries

Altech Management Services (Pty) Limited

Sponsor

Investec Bank Limited

Altech

(Incorporated in the Republic of South Africa)

Registration number: 1946/020415/06

Share code: ALT

ISIN: ZAE000015251



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