

Directors' report

To the members of Allied Electronics Corporation Limited

The directors have pleasure in submitting the annual financial statements of the Altron group for the year ended 28 February 2007.

NATURE OF BUSINESS

Altron is an investment holding company. Its principal subsidiaries, Allied Technologies Limited, Power Technologies (Pty) Limited and Bytes Technology Group Limited, operate in the power electronics, telecommunications, multi-media and information technology industries.

FINANCIAL RESULTS

Group attributable earnings for the year ended 28 February 2007 were R805 million (2006: R494 million), representing earnings per share of 287 cents (2006: 176 cents). Headline earnings per share were 286 cents (2006: 189 cents).

Full details of the financial position and results of the Altron group are set out in these financial statements.

DIVIDENDS

The following dividends were declared in respect of the year ended 28 February 2007:

- ▶ ordinary dividend No. 59 of 118 cents per share (2006: 78 cents); and
- ▶ participating preference dividend No. 13 of 118 cents per share (2006: 78 cents).

It remains policy to declare dividends annually at the time of announcing the Altron group's results in May of each year.

SUBSIDIARIES, ASSOCIATE COMPANIES AND OTHER INVESTMENTS

Particulars of the principal subsidiaries of the Altron group are given on page 201 while particulars of the associate companies, joint ventures and other investments are provided in Annexure 1 on page 190.

The attributable interest of the group in the income and losses of its subsidiaries for the year ended 28 February 2007 is:

	2007 R million	2006 R million
Aggregate amount of income after taxation	1 186	878
Aggregate amount of losses after taxation	97	127

ACQUISITION OF ALTRON PARTICIPATING PREFERENCE SHARES

On 4 August 2006, Altron Finance (Pty) Limited acquired 3 388 383 Altron participating preference shares in the open market at a price of R22.50 per share. The total purchase consideration for these shares amounted to the sum of R77 million.

These shares, acquired by Altron Finance (Pty) Limited in terms of a special resolution passed by members of Altron on 14 July 2006, were funded from available internal resources and are held as treasury stock.

ACQUISITION OF 1.27% OF BYTES ORDINARY SHARES

During the period under review, Altron took advantage of several opportunities to purchase 1.27% of the issued share capital of Bytes on the open market at a cost of R25.2 million.

MERGER OF TELECOMS CABLES BUSINESS

On 1 February 2007, the telecommunications cable manufacturing businesses and assets of Altron and Reunert were merged in a joint venture, following approval of the merger by the Competition Tribunal.

SHARE CAPITAL

Full details of the authorised, issued and unissued capital of the company at 28 February 2007 are contained in note 10 to the financial statements.

Share schemes

Particulars relating to the Altron Group Share Incentive Scheme and The Allied Electronics Corporation Limited Share Trust are set out in note 10 to the financial statements.

At the date of this report, a total of 4 847 855 ordinary shares and 14 458 257 participating preference shares remain reserved for the purposes of the company's employee share schemes.

The remaining unissued ordinary shares and participating preference shares are the subject of a general authority granted to the directors in terms of section 221 of the Companies Act, 1973, as amended, and which authority remains valid only until the next annual general meeting which will be held on Friday, 13 July 2007. At that meeting, shareholders will be asked to place

10% of the unissued ordinary and participating preference shares under the control of the directors. Shareholders will also be asked to waive their pre-emptive rights in favour of the directors to allot and issue ordinary and/or participating preference shares for cash as and when suitable circumstances arise.

DIRECTORATE

Appointments:

1 May 2006	Mr DM Ramaphosa (alternate to Dr HA Serebro)
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Resignations:

31 July 2006	Adv DC Mpofu
28 February 2007	Mr DM Ramaphosa (alternate to Dr HA Serebro)

In terms of the company's articles of association, Dr WP Venter and Dr HA Serebro and Messrs PD Redshaw, PL Wilmot and JRD Modise retire by rotation. All the retiring directors are eligible and available for re-election. Their profiles appear on pages 205 to 211.

SECRETARIES

Altron Management Services (Pty) Limited act as secretaries to the company. The secretaries' business and postal addresses appear on page 221 of this annual report.

SEGMENTAL REPORTING

Segmental information is included in this annual report as part of the operational reviews and shareholders are referred to annexure 2 on page 194.

Headline earnings contributions to Altron were as follows:

	2007	2006
	R millions	R millions
Altech	236	214
BTG	125	111
Powertech	415	170
Corporate	26	34

DIRECTORS' INTERESTS

At 28 February 2007 the present directors of the company held direct and indirect beneficial interests, including family interests, in 59 881 073 of the company's issued ordinary shares (2006: 59 791 936 ordinary shares) and

34 486 558 of the company's issued participating preference shares (2006: 34 511 558). Details of shares held per individual director are listed below. A total of 4 044 105 participating preference share options and conditional rights are allocated to directors in terms of the company's employee share schemes.

RESOLUTIONS

The company passed and registered one special resolution on 26 July 2006, approving the acquisition by the company or any of its subsidiaries of the company's shares.

At subsidiary level, Altech passed and registered one special resolution on 17 July 2006, approving the acquisition by Altech or any of its subsidiaries of Altech's shares.

Name of director	Direct beneficial		Direct non-beneficial	
	Ordinary shares	Participating preference shares	Ordinary shares	Participating preference shares
Dr WP Venter	8 660 236	8 577 217	—	—
MC Berzack	—	401 332	—	—
Dr HA Serebro	514 300	1 555	—	—
MJ Leeming	2 500	—	—	—
RE Venter	—	45 366	—	—

Name of director	Indirect beneficial		Indirect non-beneficial	
	Ordinary shares	Participating preference shares	Ordinary shares	Participating preference shares
Dr WP Venter	31 263 527	8 718 506	19 367 000*	16 741 572*
Dr HA Serebro	1 010	1 010	—	—
MJ Leeming	2 500	—	—	—
MJ Lamberti	—	—	70 000	—

*Chairman and director, Dr WP Venter, through his family and related trusts, is the controlling shareholder of the company.

At the date of this report, these interests remain unchanged.

At subsidiary level, Bytes passed and registered two special resolutions on 20 July 2006, one adopting amended articles of association and the other obtaining authority for Bytes to acquire ordinary shares in Bytes for purposes of an odd-lot offer.

Except for the above, no other special resolutions, the nature of which might be significant to shareholders in their appreciation of the state of affairs of the Altron group, were passed by the company or its subsidiaries during the period covered by this annual report.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out in this annual report have been prepared in accordance with International Financial Reporting Standards and are based on appropriate accounting policies, which are supported by reasonable and prudent judgements and estimates.

The directors of the company are responsible for the preparation of the annual financial statements and related financial information that fairly presents the state of affairs and the results of the company and the Altron group.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

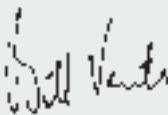
The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

These financial statements have been prepared on the going-concern basis, since the directors have every reason to believe that the company and the Altron group have adequate resources in place to continue in operation for the foreseeable future. The auditors have concurred with the directors' going-concern statement.

The auditors are responsible for reporting on whether the group annual financial statements and separate parent annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

The annual financial statements for the year ended 28 February 2007 which appear on pages 140 to 202 were approved by the board and signed on its behalf on 7 May 2007.

*For: **Allied Electronics Corporation Limited***



Dr Bill Venter

Chairman



RE Venter

Chief Executive



DC Radley

Chief Financial Officer