

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 29 February 2008.

NATURE OF BUSINESS

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

FINANCIAL RESULTS

Group attributable earnings for the year ended 29 February 2008 were R1 019 million (2007: R805 million), representing earnings per share of 357 cents (2007: 287 cents). Headline earnings per share were at 375 cents (2007: 283 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 29 February 2008:

- ▶ Ordinary dividend number 60 of 156 cents per share (2007: 118 cents).
- ▶ Participating preference dividend number 14 of 156 cents per share (2007: 118 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 187 while particulars of the associate companies, joint ventures and other investments are provided in Annexure 1 on page 176.

The attributable interest of the group in the income and losses of its subsidiaries for the year ended 29 February 2008 is:

	2008 R million	2007 R million
Aggregate amount of profit after taxation	1 401	1 186
Aggregate amount of losses after taxation	84	97

ACQUISITION OF 0.82% OF BYTES ORDINARY SHARES

During the period under review and prior to the Bytes scheme of arrangement, Altron took advantage of several opportunities to purchase 0.82% of the issued share capital of Bytes on the open market at a cost of R21.9 million.

ACQUISITION OF 3.71% OF ALTECH ORDINARY SHARES

During the period under review, Altron took advantage of several opportunities to purchase 3.71% of the issued share capital of Altech on the open market at a cost of R186.5 million.

BYTES SCHEME OF ARRANGEMENT

On 11 December 2007, the High Court sanctioned the Bytes scheme of arrangement whereby Altron acquired 42.3% of the ordinary share capital of Bytes that Altron and its subsidiaries did not already own from all shareholders of Bytes other than the Altron group in accordance with and as contemplated by the Securities Regulation Code on Takeovers and Mergers. In settlement of the Bytes scheme consideration, Altron issued 8 495 016 Altron ordinary shares and 22 110 410 Altron participating preference shares as consideration for the Bytes ordinary shares. The listing of Bytes on the JSE Limited was terminated on 15 January 2008.

IST GROUP

On 22 August 2007, the Competition Tribunal unconditionally approved the acquisition of the IST Group (Pty) Limited by Powertech for a purchase consideration totalling R504 million. The five IST divisions acquired by Powertech were Energy, Otokon, Data, Telecom and Industrial. The Defence and Nuclear divisions were excluded from the acquisition.

CABLES DE COMUNICACIONES ZARAGOZA

During the period under review, Powertech acquired the 25% minority shareholder interest in Cables de Comunicaciones Zaragoza for an amount of €7.6 million (approximately R74.2 million) from the company's management in Spain. A further €1 million was received by the minority shareholders as a dividend. Cables de Comunicaciones Zaragoza is a manufacturer of copper telecommunications, instrumentation and railway signalling cables serving the Spanish and European markets.

COMTECH (PTY) LIMITED

On 27 June 2007, Altech concluded an agreement to acquire fleet management company ComTech (Pty) Limited for Altech Netstar Fleet Management Services for a purchase consideration of up to R74.2 million. The Competition Authorities unconditionally approved this acquisition on 1 January 2008.

SAMEER ICT GROUP

On 1 March 2008, Altech acquired a controlling interest in three subsidiaries of Kenya's Sameer ICT Group for US\$75 million. The transaction sees Altech acquire a 51% controlling interest in Kenya Data Networks Limited, Swift Global (Kenya) Limited and Infocom Limited.

ABB POWERTECH TRANSFORMERS

On 26 March 2008, the Competition Tribunal unconditionally approved the acquisition by Powertech of the 50% shareholding that it did not already own in its joint venture company, ABB Powertech Transformers, from ABB South Africa for a purchase consideration of R320 million.

SHARE CAPITAL

Full details of the authorised, issued and unissued capital of the company at 29 February 2008 are contained in note 10 to the financial statements.

Share schemes

Particulars relating to the Altron Group Share Incentive Trust 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 7 584 445 participating preference shares remain reserved for the purposes of the company's employee share schemes.

General authority to issue shares

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 Tuesday, 15 July 2008. 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 February 2008	Ms BJM Masekela
Resignations	
29 February 2008	Ms DC Radley

In terms of the company's articles of association, Messrs BJM Masekela, MJ Leeming, MC Berzack, CG Venter and Dr PM Maduna retire by rotation. All the retiring directors are eligible and available for re-election. Their profiles appear on pages 189 to 193.

SECRETARIES

Altron Management Services (Pty) Limited act as secretaries to the company. The secretaries' business and postal addresses appear on the inside back cover of this annual report (page 203).

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 180 .

Headline earnings contributions to Altron were as follows:

	2008 R million	2007 R million
Altech	288	236
Bytes	170	116
Powertech	577	415
Corporate	37	26

DIRECTORS' INTERESTS

At 29 February 2008, the present directors of the company held direct and indirect interests, including family interests, in 60 035 576 of the company's issued ordinary shares (2007: 59 881 073 ordinary shares) and 23 432 336 of the company's issued participating preference shares (2007: 34 486 558). Details of shares held per individual director are listed below. A total of 3 979 280 participating preference share options and conditional rights are allocated to directors in terms of the company's employee share schemes.

Directors' report *continued*

2008

Name of director	Direct beneficial		Direct non-beneficial	
	Ordinary shares	Participating preference shares	Ordinary shares	Participating preference shares
Dr WP Venter	8 694 070	6 246 731	—	—
RE Venter	—	90 732	—	—
MC Berzack	—	302 690	—	—
PD Redshaw	—	8 713 [†]	—	—
Dr HA Serebro	627 600	1 555	—	—
PL Wilmot	—	3 971 [†]	—	—
MJ Leeming	2 500	—	—	—

Name of director	Indirect beneficial		Indirect non-beneficial	
	Ordinary shares	Participating preference shares	Ordinary shares	Participating preference shares
Dr WP Venter	31 263 527	34 055	19 367 000*	16 741 572*
Dr HA Serebro	8 379	1 010	—	—
MJ Leeming	2 500	1 307 [†]	—	—
MJ Lamberti	—	—	70 000	—

[†]Messrs Redshaw, Wilmot and Leeming obtained Altron participating preference shares in accordance with the Bytes scheme of arrangement, sanctioned by the High Court on 11 December 2007.

*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.

2007

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.

RESOLUTIONS

The company passed and registered one special resolution on 8 August 2007, 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 18 July 2007, approving the acquisition by Altech or any of its subsidiaries of Altech's shares.

At subsidiary level, Powertech passed and registered one special resolution on 18 October 2007, adopting new articles of association.

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.

AUDIT COMMITTEE

In terms of section 270 A(f) of the Corporate Laws Amendment Act of 2006 ("the Act"), the Altron audit committee has discharged all of those functions delegated to it in terms of the Altron audit committee mandate and terms of reference, and ascribed to it in terms of the Act.

During the period under review, the Altron audit committee:

- a) met on three separate occasions to review *inter alia* the year-end and interim results of the Altron group, as well as to consider regulatory and accounting standard compliance insofar as the same pertained to the audit committee and the Altron group respectively;
- b) considered and satisfied itself that the external auditors are independent auditors (see page 101 of the annual report), determined the external auditors' fees for the 2007/8 financial year and nominated the external auditors for appointment for the financial year ending 28 February 2009;
- c) determined the non-audit-related services which the external auditors are permitted to provide to Altron and revised the policy for the use of the external auditors for non-audit-related services. This included preapproving all non-audit-related service agreements concluded between Altron and the external auditors;
- d) confirmed the internal audit charter and the audit plan for the 2007/8 financial year;
- e) ensured that the audit committee complied with the membership criteria specified in the Act;
- f) reviewed the Altron group's code of conduct and recommended changes thereto to the Altron board; and
- g) held separate meetings with management and the external auditors to discuss any problems and reservations arising from the year-end audit and any related matters which management and the external auditors wished to discuss.

For further details in this regard, shareholders are referred to page 100 of the 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' responsibilities also include 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 29 February 2008 which appear on pages 116 to 188 were approved by the board and signed on its behalf on 5 May 2008.

For: Allied Electronics Corporation Limited



Dr WP Venter

Chairman



RE Venter

Chief executive