

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 2009.

NATURE OF BUSINESS

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

FINANCIAL RESULTS

Group attributable earnings for the year ended 28 February 2009 were R835 million (2008: R1 019 million), representing earnings per share of 266 cents (2008: 357 cents). Headline earnings per share were at 275 cents (2008: 375 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 2009:

- » Ordinary dividend No 61 of 119 cents per share (2008: 156 cents)
- » Participating preference dividend No 15 of 119 cents per share (2008: 156 cents).

It remains Altron's policy to declare dividends annually at the time of announcing the 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 203, while particulars of the associate companies, joint ventures and other investments are provided in Annexure 1 on page 192.

The attributable interest of the group in the profits and losses of its subsidiaries for the year ended 28 February 2009 is:

	2009 Rm	2008 Rm
Aggregate amount of profit after taxation	1 284	1 401
Aggregate amount of losses after taxation	132	84

CORPORATE ACTIVITY DURING THE YEAR

SAMEER ICT GROUP

On 1 March 2008, Altech acquired 51% of the issued share capital of Kenya Data Networks Limited, Swift Global (Kenya) Limited and Infocom Limited from Sameer ICT Limited in Kenya for a maximum combined purchase consideration of US\$75 million. A further US\$10.2 million was injected into these businesses in order to fund capital projects.

ABB POWERTECH TRANSFORMERS

On 1 April 2008, Powertech acquired 50% of the share capital of ABB Powertech Transformers from ABB South Africa for a purchase consideration of R320 million. The transaction was unconditionally approved by the Competition Authorities.

YELLAND CONTROL

Effective 1 April 2008, Powertech disposed of the Yelland Control business as a going concern to Omron Electronics (Pty) Limited for a purchase consideration of R75 million.

INTELLECA VOICE AND MOBILE

Bytes Technology Group South Africa (Pty) Limited, trading through its Bytes Communication Systems division, purchased Intelleca Voice and Mobile, a provider of contact and call centre solutions for an amount of R115 million. The effective date of the acquisition was 1 April 2008.

BYTES SA: KAGISO

On 1 July 2008, Kagiso exercised its option to acquire a further 22% equity interest in Bytes SA for a purchase consideration of R198 million. Kagiso now owns 27% of the issued share capital of Bytes SA.

NOR PAPER

Bytes Technology Group South Africa (Pty) Limited, trading through its Bytes Document Solutions division, purchased NOR Stationery Wholesalers and NOR Paper with effect from 1 July 2008. NOR specialises in the distribution of imported as well as locally sourced speciality paper and paper products. The purchase price was R115 million with an additional maximum consideration of R49 million subject to the achievement of certain profits within the 12-month period ending 30 June 2009.

CORPORATE ACTIVITY AFTER BALANCE SHEET DATE

FLEETCALL

On 1 March 2009 and following the unconditional approval by the Competition Authorities, Altech acquired 100% of the issued share



capital of Fleetcall (Pty) Limited for a purchase consideration of R75 million of which R35 million will be held in escrow pending the company achieving certain profits over the following financial year.

ALTECH NAMITECH SOUTH AFRICA

Effective 1 April 2009, the Competition Authorities unconditionally approved the disposal by Altech of the Altech NamITech South African operations to Gemalto in France for a purchase price linked to the businesses' net asset value of approximately R79 million. These operations comprised all business activities of the commercialisation, manufacturing and personalisation of secure and non-secure, chip and chipless cards for the telecommunications, financial services, government, utility, security and retail markets, recharge vouchers, as well as related packaging and fulfilment services.

LATERAL TECHNOLOGY CONCEPTS

Effective 1 April 2009, Altech acquired 100% of the issued share capital of Lateral Technology Concepts (Pty) Limited for a total consideration of R45 million, of which R7.5 million was paid upfront and R37.5 million is being held in escrow to be paid to the vendors subject to achieving certain earn-outs over the following two financial years.

SHARE CAPITAL

Full details of the authorised, issued and unissued capital of the company at 28 February 2009 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 15 518 130 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, 14 July 2009. At that meeting, shareholders will be asked to place 5% 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 August 2008	Mr AMR Smith
3 November 2008	Mr NJ Adami
3 November 2008	Ms DNM Mokhobo

Resignations

18 July 2008	Mr MJ Lamberti
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Subsequent to the financial year end and with effect from 1 March 2009, Dr WP Venter's role at Altron changed from being a full-time chairman to a non-executive chairman.

In terms of the company's articles of association, Messrs AMR Smith, NJ Adami and DNM Mokhobo retire and Messrs N Claussen, PMO Curle and RE Venter retire by rotation. All the retiring directors are eligible and available for election/re-election. Their profiles appear on pages 206 to 212.

SECRETARIES

Altron Management Services (Pty) Limited act as secretaries to the company. The secretaries' business and postal addresses appear on page 223 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 pages 196 to 199.

Attributable headline earnings contributions to Altron were as follows:

	2009 Rm	2008 Rm
Altech	342	288
Bytes	207	170
Powertech	266	577
Corporate, financial services and eliminations	46	37

DIRECTORS' INTERESTS

At 28 February 2009 the present directors of the company held direct and indirect interests, including family interests, in 59 979 697 of the company's issued ordinary shares (2008: 60 035 576 ordinary shares) and 16 813 839 of the company's issued participating preference shares (2008: 23 432 336). Details of shares held per individual director are listed below. A total of 3 420 369 participating preference share options and conditional rights are allocated to directors in terms of the company's employee share schemes.



Directors' report continued

2009

Name of director	Direct beneficial		Direct non-beneficial	
	Ordinary shares	Participating preference shares	Ordinary shares	Participating preference shares
Dr WP Venter	8 694 070	5 241 731	—	—
RE Venter	—	90 732	—	—
MC Berzack	—	302 690	—	—
PD Redshaw	—	8 713	—	—
Dr HA Serebro	627 600	1 555	—	—
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*	11 122 046*
Dr HA Serebro	22 500	1 010	—	—
MJ Leeming	2 500	1 307	—	—
PL Wilmot	—	10 000	—	—

*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.

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	—

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

†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.

RESOLUTIONS

The company passed and registered one special resolution on 24 July 2008, 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 11 August 2008, approving the acquisition by Altech or any of its subsidiaries of Altech's shares.

At subsidiary level, Bytes passed and registered three special resolutions on 26 May 2008, converting the company from a public to a private company, adopting new articles of association and changing the name of the company to include "Proprietary" before "Limited".



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 among others:

- 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 in so far 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 102 of the annual report), determined the external auditors' fees for the 2008/09 financial year and nominated the external auditors for appointment for the financial year ending 28 February 2010
- 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 2008/09 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
- g) discharged those audit committee responsibilities specified in section 270A of the Act, for and on behalf of Bytes and Powertech
- h) held separate meetings with management, the internal auditors 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.

Furthermore, on 26 February 2009 and in terms of paragraph 3.84 (h) of the JSE Listings Requirements, the Altron audit committee conducted an evaluation into the appropriateness of the expertise and experience of Altron's financial director. The committee can report that it has satisfied itself that Mr AMR Smith possesses the appropriate expertise

and experience required of a financial director of a public listed company. Mr Smith is a member of the Institute of Chartered Accountants of Scotland.

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.

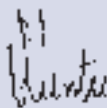
The auditors are responsible for reporting on whether the group annual financial statements and separate parent annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

The annual financial statements for the year ended 28 February 2009 which appear on pages 126 to 205 were approved by the board and signed on its behalf on 4 May 2009.

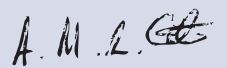
For: **Allied Electronics Corporation Limited**



Dr WP Venter – Chairman



RE Venter – Chief Executive



AMR Smith – Chief Financial Officer

