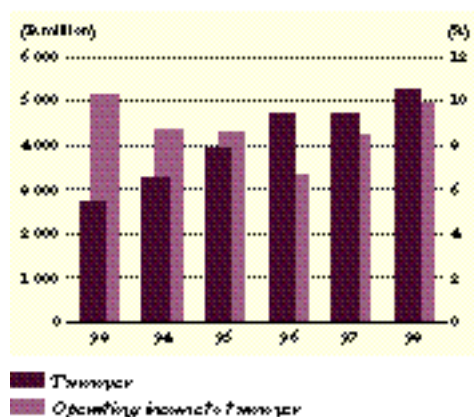


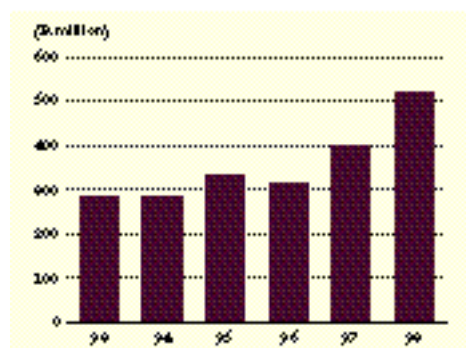
Financial HIGHLIGHTS

	1998 R000	1997 R000	% Change
Turnover	5 216 473	4 708 775	11
Operating income	516 562	395 085	31
Attributable earnings	181 107	114 951	58
Earnings per share (cents)	93,3	59,5	57
Headline earnings per share (cents)	78,3	63,8	23

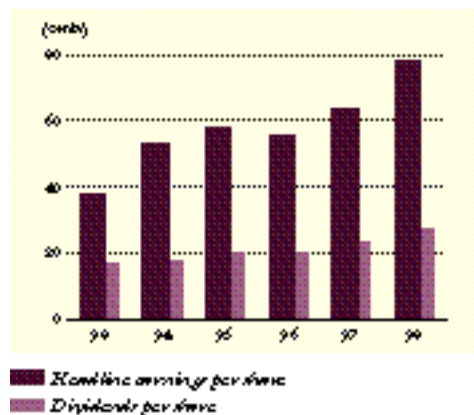
TURNOVER AND OPERATING INCOME TO TURNOVER %



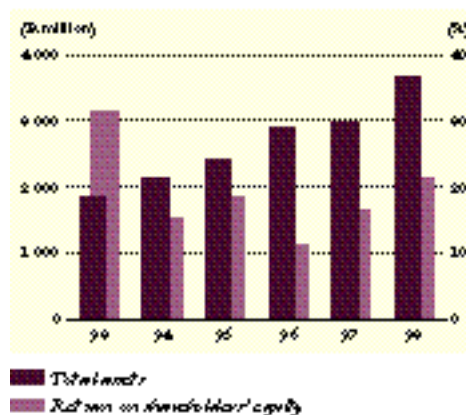
OPERATING INCOME



HEADLINE EARNINGS PER SHARE AND DIVIDENDS PER SHARE



TOTAL ASSETS AND RETURN ON SHAREHOLDERS' EQUITY %



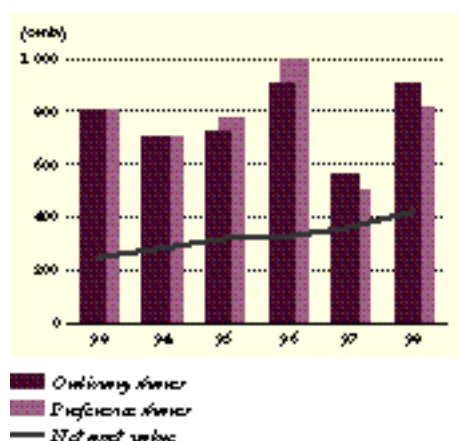
Six-year Financial Review

ALTRON

	1998 R000	1997 R000	1996 R000	1995 R000	1994 R000	1993 R000
OPERATING RESULTS						
Turnover	5 216 473	4 708 775	4 706 192	3 895 917	3 244 670	2 719 375
Operating income	516 562	395 085	312 829	331 754	282 303	281 195
Net interest received/(paid)	49 659	23 292	(12 486)	3 132	14 330	26 492
Income before exceptional items	566 221	418 377	300 343	334 886	296 633	307 687
Exceptional items	57 645	(24 295)	(85 590)	(26 769)	(38 527)	112 983
Income before tax	623 866	394 082	214 753	308 117	258 106	420 670
Taxation	(216 332)	(147 331)	(100 829)	(102 733)	(80 748)	(143 482)
Net income	407 534	246 751	113 924	205 384	177 358	277 188
Attributable to outside shareholders	(226 047)	(133 715)	(43 804)	(96 696)	(93 674)	(121 494)
(Loss)/Income from associated companies and non-consolidated subsidiaries	(380)	1 915	1 542	6 180	5 855	3 748
Preference dividends paid by subsidiaries	—	—	—	(1 837)	(6 556)	(10 413)
Earnings attributable to shareholders	181 107	114 951	71 662	113 031	82 983	149 029
Dividends*	54 127	44 446	38 432	38 297	33 732	32 415
BALANCE SHEETS						
Shareholders' equity	831 859	700 072	633 271	615 744	542 591	473 968
Outside shareholders' interest	980 914	808 969	730 706	718 679	644 896	519 924
Fixed capital	1 812 773	1 509 041	1 363 977	1 334 423	1 187 487	993 892
Long-term liabilities	182 364	238 785	314 073	2 128	3 697	8 257
Short-term loans	8 134	4 998	25 088	32 227	34 029	40 544
Redeemable preference shares	—	—	—	—	60 000	80 000
Borrowings	190 498	243 783	339 161	34 355	97 726	128 801
Total capital employed	2 003 271	1 752 824	1 703 138	1 368 778	1 285 213	1 122 693
Represented by:						
Fixed and non-current assets	1 110 116	1 002 176	1 126 135	730 828	692 670	629 434
Net cash and deposits	714 262	461 882	161 392	187 628	311 442	314 267
Other current assets	1 813 221	1 504 322	1 601 597	1 480 387	1 119 628	890 898
Total assets	3 637 599	2 968 380	2 889 124	2 398 843	2 123 740	1 834 599
Current liabilities and deferred taxation	(1 634 328)	(1 215 556)	(1 185 986)	(1 030 065)	(838 527)	(711 906)
Total employment of capital	2 003 271	1 752 824	1 703 138	1 368 778	1 285 213	1 122 693

*Comparative figures have been adjusted to take into account the 5-for-1 sub-division of ordinary shares and the capitalisation issue of participating preference shares at 17 October 1994. This presentation makes comparison with prior years more meaningful.

MARKET PRICE PER SHARE AND NET ASSET VALUE PER SHARE



DEFINITIONS

Borrowings

All interest-bearing liabilities, including redeemable preference shares.

Borrowings ratio

The percentage of borrowings to fixed capital.

Capital employed

The total of fixed capital and borrowings which is equivalent to total assets less all liabilities which do not bear interest.

Current ratio

The ratio of current assets to current liabilities.

Dividend cover

Earnings attributable to shareholders divided by the dividends for the year.

Earnings

Earnings attributable to shareholders as disclosed in the income statement.

Fixed capital

Shareholders' equity interest, plus outside shareholders' equity interest in subsidiaries.

Liabilities ratio

The percentage of total liabilities to fixed capital.

Liquidity ratio

The ratio of current assets excluding inventory to current liabilities.

Market value per share

The sellers' price quoted by the Johannesburg Stock Exchange at year end.

	1998 R000	1997 R000	1996 R000	1995 R000	1994 R000	1993 R000
RATIOS AND STATISTICS						
Earnings						
Ordinary shares in issue (000)*						
– at year end	96 795	96 603	96 466	96 142	95 930	95 295
– weighted average	96 740	96 526	96 325	96 065	95 610	95 120
Participating preference shares in issue (000)*						
– at year end	99 862	96 603	96 463	96 142	95 930	95 295
– weighted average	97 382	96 525	96 319	96 065	95 610	95 120
Earnings per share (cents)*	93,3	59,5	37,2	58,8	43,4	78,3
Headline earnings per share (cents)	78,3	63,8	55,4	57,5	53,2	37,9
Dividends per share (cents)	27,5	23,0	19,9	19,9	17,5	17,0
Dividend cover (times)	3,4	2,6	1,9	3,0	2,5	4,6
Profitability						
Operating income to turnover (%)	9,9	8,4	6,6	8,5	8,7	10,3
Return on shareholders' equity (%)	21,8	16,4	11,3	18,4	15,3	31,4
Return on capital employed (%)	25,8	22,5	18,4	24,2	22,0	25,0
Return on operating assets (%)	18,8	16,7	12,6	17,2	19,0	22,9
Consumer price index (percentage increase)	5,4	9,8	6,5	9,9	9,9	9,0
Financial						
Borrowings ratio (%)	10,5	16,2	24,9	2,6	8,2	13,0
Liabilities ratio (%)	100,7	96,7	111,8	79,8	78,8	84,6
Current ratio	1,6:1	1,7:1	1,5:1	1,6:1	1,7:1	1,7:1
Liquidity ratio	1,0:1	1,1:1	0,8:1	0,9:1	1,1:1	1,1:1
Shares						
Number of shareholders						
– ordinary shares	409	447	460	468	451	508
– participating preference shares	307	367	412	430	—	—
Net asset value per share (cents)*	423,0	362,3	328,2	320,2	282,8	248,7
Price earnings ratio (times)						
– ordinary shares	9,6	9,4	24,2	12,3	16,1	10,2
– participating preference shares	8,7	8,4	26,9	13,2	—	—
Market value per share at year end (cents)*						
– ordinary shares	900	560	900	725	700	800
– participating preference shares	810	500	1 000	775	—	—
Employees						
Number of employees	11 080	10 891	12 480	13 190	13 250	13 500

* Comparative figures have been adjusted to take into account the 5-for-1 sub-division of ordinary shares and the capitalisation issue of participating preference shares at 17 October 1994. This presentation makes comparison with prior years more meaningful.

DEFINITIONS

Net asset value per share
Shareholders' equity divided by the number of shares in issue at year end.

Operating assets
Total assets less investments, loans and cash.

Operating income
Net income before adding interest received and deducting interest paid, exceptional items and taxation.

Price : earnings ratio
The market value per share at year end divided by the earnings per share.

Return on capital employed
The percentage of operating income to capital employed.

Return on operating assets
The percentage of operating income to operating assets.

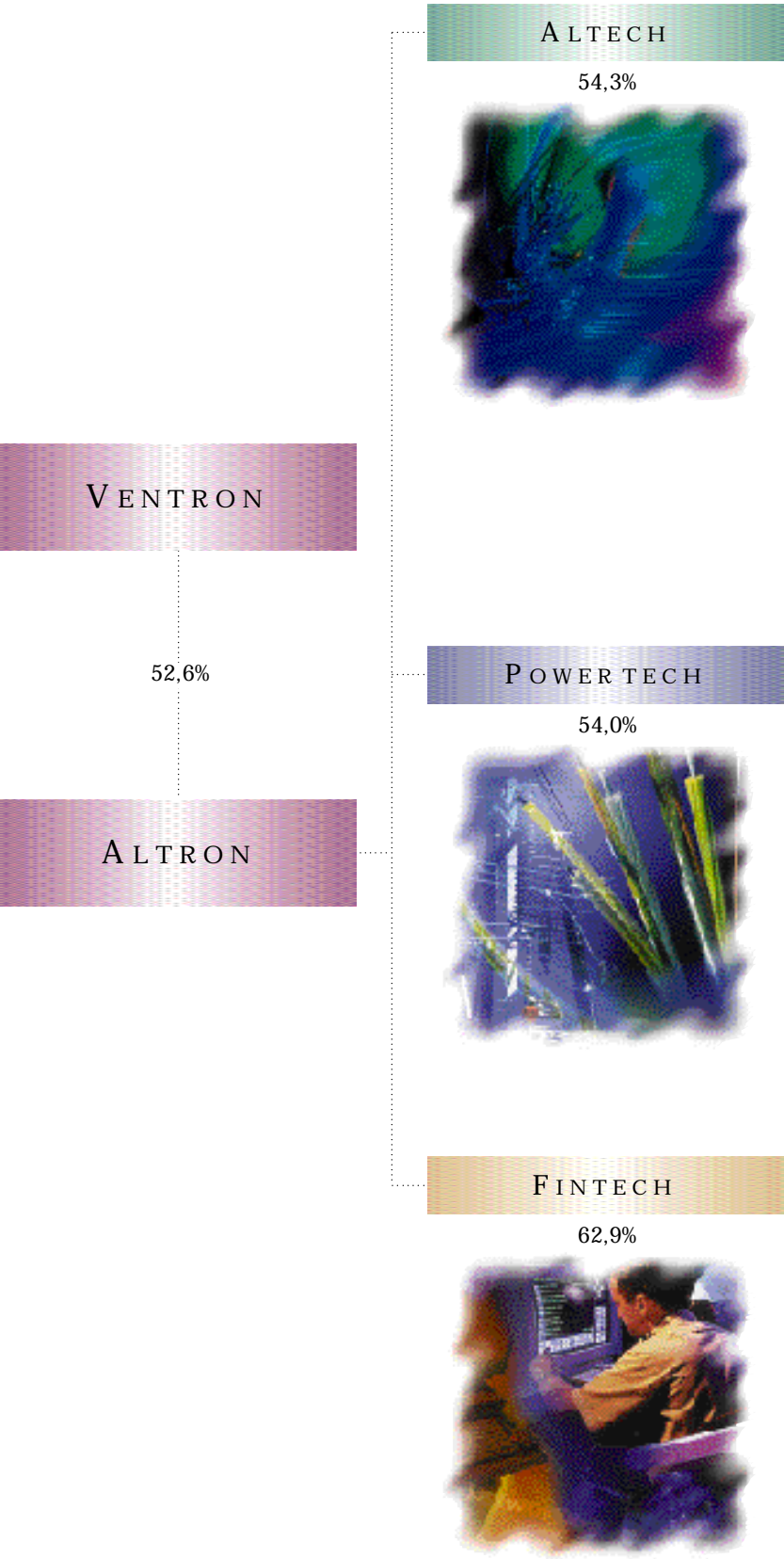
Return on shareholders' equity
The percentage of attributable earnings to shareholders' equity.

Total assets
Fixed assets, investments and loans together with current assets.

Total liabilities
The sum of all interest-bearing and non-interest-bearing debt.

Group Structure

ALTRON



TELECOM - MUNICATIONS DIVISION Alcatel Altech Telecoms Alcatel Altech Swaziland Alcatel Altech Lesotho Comprehensive range of sophisticated professional telecommunications equipment and systems.	DISTRIBUTION DIVISION Arrow Altech Distribution Arrow Altech Holdings Distributors of a vast range of professional electronic components and products.
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POWER TRANSMISSION AND DISTRIBUTION ABB Powertech Transformers ABB Powertech Transmission and Distribution Power and distribution transformers. Fabrication and erection of powerline towers,	powerline accessories; capacitors; high voltage switchgear and protection equipment relay, projects. Construction of medium to high voltage transmission lines.
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XEROX SOUTH AFRICA (50/50 partnership with Xerox Limited) Sole distributor of Xerox office products and associated services.	NATIONAL DATA SYSTEMS Exclusive distributor of NCR enterprise-wide information systems.
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MANUFACTURING DIVISION

African Capacitors; Alcom Radio Distributors; Alcom Systems
Micro Press Tool; STC Frequency Technology; UEC Commercial
Design and manufacture of digital satellite decoders, stored value meters, capacitors, crystals, and plastic components, as well as the design, installation and commissioning of two-way radio equipment and systems.

WIRELESS COMMUNICATIONS DIVISION

Autopage Cellular; Autopage Paging; Netstar
Paging, cellular telephony and vehicle tracking and recovery systems.

INFORMATION TECHNOLOGY DIVISION

Altech Smart Card Technologies; Isis
Integrated computer systems solutions, electronic systems integration and smart card technology systems.

DEFENCE DIVISION

Altech Defence Systems
Integrated defence computer systems solutions and integration.

MINING DIVISION

Altech Mining Technologies
Detonator Technologies
Manufacturer of electronic detonator systems and devices for the mining industry.

CABLES

Aberdare Cables, AIB Investments
Alcobre (Portugal) Power, telecommunications and fibre optic cables and cable accessories.

BATTERIES

Willard Batteries; Sabat Batteries
Automotive, industrial and stationary batteries; solar panels and miners' lamps.

INDUSTRIAL GROUP

Litemaster/Crabtree
EPC; Whiteleys; Strike Technologies
Yelland Control
Electrical wiring accessories; switches; earth leakage protection equipment; process control components; electrical monitoring; metering and lightning protection.

LIGHTING

Lascon; Zumtobel; Lighting Structures; Lightech
Luminaries, commercial, architectural, security, industry and street lighting, light fittings; masts and lamps.

TRIDONIC

Chokes, ballasts and lighting control gear.

INTERTECH

Sole distributor for Intergraph Corporation and distributor of Bentley's Microstation software.
Internet service provider and representative for Raptor Internet firewall systems.

TRANS RSA

Exclusive distributor of Kenwood commercial land mobile radios.

ALCATEL STC BUSINESS SYSTEMS

(50/50 partnership with Alcatel Business Systems)
Distributor of Alcatel PABX systems and associated equipment and services.

RONEO AUTOMATION

Sole distributor of Neopost mailroom and Duplo duplicating and print finishing products.
Non-exclusive distributor of the AB Dick/Itek range of printing products.

FINTECH INFORMATICS

Sole distributor of JVC datavideo.
Projectors and CCTV cameras and recorders.
Distributor of a range of multi-user products.
TECHNOLOGIES ACCEPTANCES
Leasing and rental services.

Directorate PROFILES

Altron's Chairman's Policy Committee:



Front row (from left): Deon Trollope, Gavin Rochussen, Dr David Jacobson, Dr Bill Venter, Dr Harold Serebro
Back row (from left): Peter Curle, David Redshaw, Craig Venter, Robert Venter

DR W P (BILL) VENTER OMSG

Date of birth:
29 July 1934

Qualifications:

DComm (hc); DSc (Eng) (hc); CEng; MIEE (UK);
MIEE (SA); Hon Fellow of SAIEE

Titles:

Chairman of Ventron, Altron and Alcatel Altech Telecoms.

Director of Altech, Powertech, Fintech, Telemetrix PLC, ABB Powertech Transformers, Aberdare Cables and Xerox SA. Member of the Altron Audit Committee.

External directorships and memberships: Director of Amic, Nedcor Bank Limited and Nedcor Limited.

International Ambassador for the Institute of Electrical Engineers London.

Chairman of the board: Council for Scientific and Industrial Research (CSIR), Member of the Engineering Council of South Africa.

Trustee of President Mandela's Children's Trust Fund.
Hon Professor in the faculty of Business Administration at the University of Potchefstroom.

Voted Engineer of the Year 1995. Honorary patron of the Electronics Industries Federation.

Fellow of the Institute of Administration and Commerce and the Institute of Marketing Management.

Hon Fellow of the South African Institute of Electrical Engineers.

Experience:

Founder of Altron, through Allied Electric in 1965 and the formation of the Altech group in 1976.

Engineered the establishment of the Powertech and Fintech groups which, together with Altech, were positioned under the control of Altron and ultimately Ventron.

In addition, also facilitated the formation of the Telemetrix/GTI groups overseas.

Some 30 years devoted to entrepreneurial endeavours and initiatives in the electronics, telecommunications and power electrical industries, both in South Africa and abroad, firstly as design engineer, then marketing manager and thereafter Chief Executive and latterly Chairman. Dr Venter has played a significant role in developing the South African electronics and electrical industry into the key component of the national economy that it is today.

I M (I SMAIL) AYOB

Date of birth:
3 January 1942

Qualifications:
LLB (London), Barrister at Law; H Dip Tax Law;
H Dip Co Law (Wits)

Titles:
Non-Executive Director of Altron .
Director of several other South African companies.
Senior partner in the law firm Ismail Ayob and Partners.
Chairman of the Gauteng Law Council and member
of Council of the Transvaal Law Society.

L (LESLIE) BOYD

Date of birth:
3 March 1937

Qualifications:
CEng; Fellow of the Institution of Metallurgists (UK)

Titles:
Non-Executive Director of Ventron, Altron
and Powertech.
Non-Executive Chairman of Altech.
Chairman of Altron's Remuneration Committee.
Deputy Chairman of Anglo American Corporation.
Chairman of Amic, AECI, Amplats and Highveld Steel
and Vanadium Corporation and Columbus joint venture.
Director of several other major South African companies.
President of the Board of Governors, SA Foundation.
Founding President of Sacob, immediate past
Chairman of Business South Africa and a member
of the board of the International Iron and Steel
Institute.

P M O (P ETER) CURLE

Date of birth:
19 May 1946

Qualifications:
MA (Oxon)

Titles:
Altron Executive Director: Corporate Finance.
Member of Altron Chairman's Policy Committee.
Re-joined the group with effect from 1 April 1997,
having previously served the group in a senior executive
capacity from 1979 to 1986.

D A (BUDDY) HAWTON

Date of birth:
8 July 1937

Qualifications:
FCIS

Titles:
Non-Executive Director of Altron .
Chairman of the Altron Audit Committee and
member of the Altron Remuneration Committee.
Chairman and Chief Executive of Safren.
Executive Chairman of Kersaf.
Chairman of Rennie's Group.
Director of Old Mutual, Standard Bank Investment
Corporation and several other major South African
companies.

DR D H (DAVID) JACOBSON

Date of birth:
23 February 1943

Qualifications:
PrEng; BSc (Eng) (Rand); PhD (London); Fellow of
IEEE and SAIEE; MiMktM; MCSSA; MORSSA;
FRSSAF

Titles:
Altron Group Executive Director: Science and
Technology
Director of Altron , Fintech and Powertech.
Alternate Director of Altech.
Member of Altron Chairman's Policy Committee.
Chairman of Altron Group Science and Technology
Council.
Member of the Council of the University of the
Witwatersrand.
Hon Professor at the University of the Witwatersrand.
Founder member of the South African Academy of Science.
Fellow of the Academy of Engineers.
Council member - Foundation for Research
Development (FRD).
Member of the State Tender Board and Council of the SABS.

Experience:
Former Deputy President of the CSIR. Former
Associate Professor at Harvard University and
Professor at the University of the Witwatersrand.
32 years of involvement in management, science,
technology and new product and services development.
Past President of the SAIEE.

Directorate Profiles

(continued)

F (FELICIA) MABUZA -SUTTLE

Date of birth:
3 June 1950

Qualifications:
BA; MA (Communications)

Titles:
Non-Executive Director of Altron .

Experience:
Marketing communications professional with more than 20 years' experience in corporate communications, media relations, marketing and customer service in South Africa and overseas. Extensive media experience, executive producer and television show host for South Africa's most popular television show. Has managed special projects in areas of training and programme development for the SABC and other television networks.

P D (DAVID) REDSHAW

Date of birth:
29 January 1942

Qualifications:
BA (Hons); ACMA

Titles:
Executive Chairman of Fintech.
Director of Altron .
Alternate Director of Amic and Powertech.
Member of Altron Chairman's Policy Committee.

Experience:
34 years in senior financial and general management positions.

DR H A (HAROLD) SEREBRO

Date of birth:
12 October 1938

Qualifications:
MB.B.Ch, MD(Rand), FRCP(Canada),
FACP(USA), MktM

Titles:
Executive Director of Ventron.
Director of Altron, Altech, Autopage Holdings and Fintech.
Senior Altron Group Executive: Market Development, Strategic Planning and Corporate Development.
Chairman of Altron Group Purchasing and Manufacturing Council, Altron Group Export Council, Altron Group Security Council and of Altron Group Medical Aid Council.
Member of Altron Chairman's Policy Committee, the Board of Trustees – University of the Free State, Unisa, Witwatersrand Technikon and of the President's Youth Empowerment Award Programme.

Experience:
16 years in the electronics industry with the Altron group.

G M (GAVIN) ROCHUSSEN

Date of birth:
25 September 1959

Qualifications:
BComm; BAcc; CA(SA)

Titles:
Financial Director of Altron, Director of Altech, Powertech and Autopage Holdings.
Alternate Director of Fintech.
Member of the Altron Chairman's Policy Committee, Chairman of the Altron Group Pension Fund, the Altron Group Provident Fund and Deputy Chairman of the Altron Group Medical Aid Scheme.

Experience:
12 years financial management experience in the corporate environment and consulting to entrepreneurial business enterprises. Regional chairman of an international practice of business consultants, auditors and corporate advisors.

A J (TONY) TRAHAR

Date of birth:
1 June 1949

Qualifications:
BComm; CA(SA)

Titles:
Non-Executive Director of Ventron, Altron and Powertech.
Executive Director of Anglo American Corporation.
Deputy Chairman of Anglo American Industrial Corporation.
Executive Chairman of Mondi Limited, Chairman of South African Motor Corporation and director of several other major South African companies.

C G (C RAIG) VENTER

Date of birth:

4 July 1962

Qualifications:

BSc (Econ)(UCLA); BA (Psychology)(UCLA);
MBA (USC); MSc (Mgmt Science)(USC)

Titles:

Director of Altron and Ventron.

Chief Executive of Altech.

Director of Alcatel Altech Telecoms and Netstar.

Chairman of Autopage Holdings, Arrow Altech
Distribution and Detonator Technologies and a
member of the Altron Chairman's Policy Committee.

Honorary member of Altron's Young Presidents' Club.

Non-executive director of South African Aerospace
Maritime and Defence Industries.

Experience:

11 years in senior management positions in the
Altech group.

R E (R OBER T) VENTER

Date of birth:

7 May 1960

Qualifications:

BSc (Econ)(UCLA); MBA (UCLA) Dean's List

Titles:

Director of Altron and Ventron.

Chief Executive of Powertech.

Director of ABB Powertech Transformers, ABB
Powertech Transmission and Distribution, Telematrix
PLC and GTI Corporation.

Chairman of Aberdare Cables.

Member of Altron Chairman's Policy Committee.

Honorary member of Altron's Young Presidents' Club.

Member of the Board of Trustees – University of the
Free State.

Experience:

Four years merchant banking experience in the
United States, latter two years as Vice-president,
Bear Stearns, Inc. Eight years experience in senior
management positions in the Powertech group.

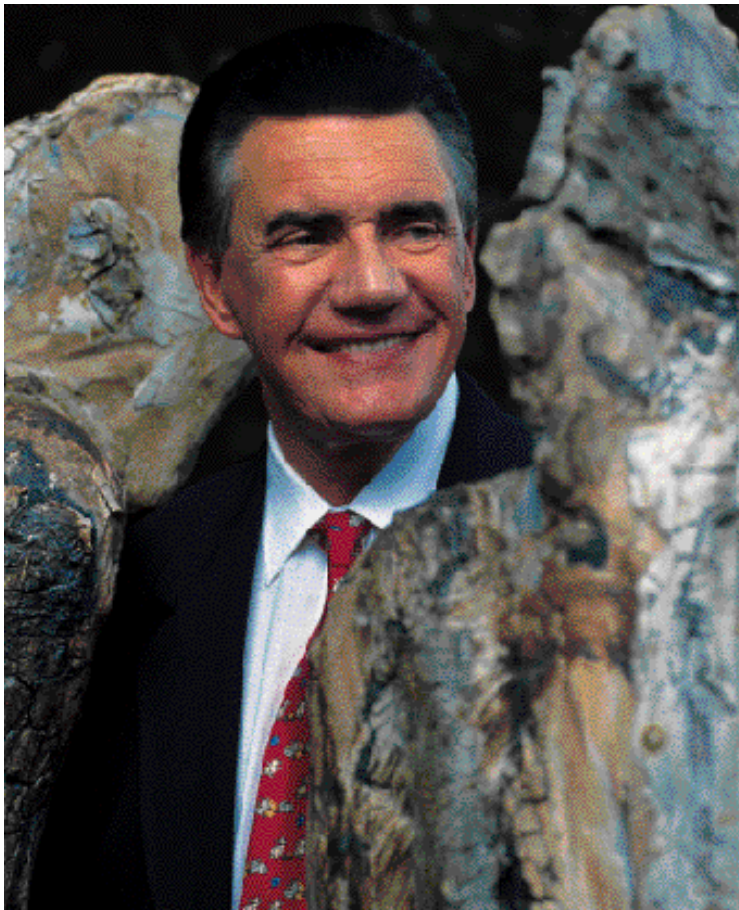
CORPORATE MISSION

Altron's mission is to manifest
the continued development of
a significant South African-
controlled group, able to supply a
wide range of high-technology
products through:

- organic growth and by acquisition
where appropriate, innovative
technology, product line additions
and response to market
opportunities;
- a dynamic programme of technology
development to ensure market
leadership;
- improving productivity throughout
the group's operations and
honouring its commitment to
quality;
- meeting customer needs. Customer
satisfaction is taken personally and
Altron is committed to providing
superior value on a continuing basis;
- granting autonomy to managers of
operating units, while centralised
management provides direction and
support. The result is a highly
motivated and professional team;
- providing its employees with
challenging but rewarding career
and development opportunities;
- engendering a sense of pride,
excitement and loyalty in all who
are associated with the group;
- creating the best possible working
conditions for all Altron's people;
- the promotion and expansion of
export markets;
- import replacement and local
manufacture, wherever viable; and
- being caring, responsible and
supportive of the communities in
which the group operates, responding
meaningfully to the social
responsibilities incumbent upon
a large public corporation.

Chairman's Statement

REVIEW



Dr Bill Venter (Chairman)

STATE OF THE ECONOMY

Reflecting on the operating environment of our businesses during the past year, one notes that South Africa is still in the midst of an extensive socio-political and economic transition. However, the achievements by the government to bring about a true democracy have been commendable.

With the elections of 1999 nearing, government is calling even more earnestly on commerce and industry to act with bold initiative to position South Africa as a major player, not only on the African continent, but also within the global economy.

This call is consistent with Altron's continuing strategy of local, regional and global development and expansion. Altron's companies are rising enthusiastically to this further challenge to ensure that the foundations that are now being laid for a successful economy and an equitable and open society, are sound and lasting.

Despite meaningful progress in reducing inflation and restructuring the economy, continuing high rates of violent crime and fraud are a real deterrent to overseas investment and a significant motivator for the emigration of so many of South Africa's skilled and

talented young people. As called for in my 1997 Chairman's Statement, one trusts that government is giving this serious attention and taking decisive and urgent action to curb these scourges which are affecting the nation so adversely.

On the other hand, there are many positive developments in the new South Africa and, that which inspires hope for the future, is the rapidly growing daily evidence of goodwill and co-operation in the workplace, in our desegregated schools and universities, in most sports and in our communities. I am especially encouraged by the stoic leadership of both President Mandela and Deputy President Thabo Mbeki, whose philosophy of dignity and respect for all, as a replacement for intolerance, retribution and violence, sets a good example which needs to be emulated by all South Africans.

I remain optimistic about the business outlook for South Africa and the following factors are particularly encouraging:

- South Africa's growing global acceptance;
- success of the government's democratisation programme, including increased transparency and innovative decision-making;
- political stability;
- growing tolerance between population groups;
- positive, albeit relatively slow economic growth;
- virtual elimination of discrimination and unjust laws;
- falling interest rates and inflation; and
- positive outlook on prospects for growth by big business.

Factors which are not encouraging and which require counter-initiatives are:

- unemployment, currently estimated at more than 4,2 million people, and increasing;
- poor and sometimes corrupt administration at various levels of provincial government and in public service;
- a number of labour policy initiatives that could entrench race consciousness and discrimination, thus increasing the cost of labour;
- declining levels of service in education, health, welfare and housing;
- high interest rates; and
- shortfall of targets by government in its GEAR strategy.

In this regard, I firmly believe that it is of utmost importance for the country to accept and implement the principles of GEAR. Everyone is now challenged to push forward aggressively with the implementation of this programme. When global markets improve, as they surely must, South Africa will thus be well positioned to take full advantage in the upturn of this momentum. Above all, the recent Asian experience must not tempt us to depart from the principles of GEAR, when many of the Asian countries departed from some of their avowed principles, they suffered dire consequences. They allowed their currencies to become over-valued and their domestic borrowing to mushroom. South Africa, however, has learnt from that crisis that our options to deviate from GEAR commitments could be drastically curtailed by foreign investors. These are the same investors who are the international “policemen” of any country’s economic policies.

BUSINESS INCENTIVES

Whilst the Altron group is firmly positioned in realising its dream of becoming a world player in its chosen markets, it operates under the difficult circumstances of inadequate export incentives and import tariffs, factors which do not hinder many countries in the industrialised world.

Consequently, many South African industries are at a major disadvantage when competing in foreign and local markets. Government needs to recognise that it has a vital role to play in enabling local industry to develop and expand. Many economists are of the opinion that a daring move would be for government to encourage domestic demand and, as such, create a growth climate, rather than focusing too strongly on exports alone. By introducing the appropriate incentives (export incentives, realistic import duties, training incentives, tax concessions or grants for realistic and well measured research, innovation and technology development), government will succeed in its vision of considerably enhancing our economic growth.

The international esteem for our government’s priority in respect of the high-technology industry is low, and this market is often seen as somewhat limited. The fact that many South African companies are themselves investing outside the country may be regarded as tacit confirmation of the lack of an investor-friendly economic climate for this industry. There is a strong feeling in industry against high customs tariffs for technology product imports, and there is definitely room for some improvement, especially in the telecoms arena.

Typical supply-side support measures should include:

- risk-sharing for research and development and high-tech manufacturing;
- promotion and support for scientific and technical education;
- low cost loans;
- venture capital;

- rewards for innovation;
- hi-tech business incubators; and
- massive support for SMME's and small "greenfields" start-up enterprises.

Furthermore, because South African companies are becoming increasingly involved globally, it is imperative that our government looks meaningfully and favourably at enhanced export incentives that will be enabling but that are not open to abuse. To level the playing fields, our export incentives in the form of tax "breaks", grants or long-term finance at attractive interest rates should at least endeavour to match those of our foreign competitors.

An expanding economy is the most effective way of creating jobs and thus of reducing crime – through greater levels of employment, increased prosperity and a sense of pride in being part of a "winning team". Industry must create the jobs, but this also means that industry must be given a platform by government from which it can be reasonably competitive. There is no suggestion here for support of the inefficient, the lack-lustre or the technology deficient enterprise – on the contrary, they will fall by the wayside when the race for markets at home and abroad gains full momentum.

In my view, foreign companies currently have it "too easy" in South Africa when transacting business. They benefit from low import tariffs here, which in many cases are lower than GATT binding levels. They enjoy significant export and other financial incentives from their home countries, not to speak of their ability to arbitrarily shift manufacture to low cost, low tax, emerging countries, especially in the Far East. Many foreign corporations operating in South Africa do not have local development, design and manufacturing facilities. Accordingly, they do not contribute meaningfully to reducing unemployment in South Africa, to training South Africans, or assisting with our balance of payments problem by either manufacturing locally or exporting products and goods being manufactured here as a result of gaining local business.

Altron's policy is to do our best to take on the global competition with the resources we have on hand and do as much as we can to capture the markets this country has to offer. In so doing, our group will be developing a skill base which, in turn, will substantially improve the quality and quantity of our workforce and consequently its productivity and competitiveness.

We aim to achieve ever-increasing export competitiveness and as soon as an export market reaches a level where it requires production at our own manufacturing facilities overseas, we will do so, but not at the expense of jobs at home. However, what our group will not do is to specifically establish factories in low-countries overseas to export to South Africa. We believe that would be unpatriotic and essentially detrimental to our economy.

FOCUS ON THE ELECTRONICS INDUSTRY IN SOUTH AFRICA

According to the latest statistics gathered in a recently published nation-wide survey, the South African electronics industry recorded revenues of almost R35 billion in 1996.

However, the industry experienced a rather pedestrian compound annual growth rate of around 5 percent a year between 1991 and 1996. Because of significant infrastructural spending, the outlook to the end of the century is distinctly brighter with a much improved growth anticipated to the year 2000 and beyond.

ALTRON EMERGING AS A GLOBAL PLAYER

The past year has indisputably been one of Altron's most exciting and successful. I truly believe Altron now qualifies as a "best-in-class" company. One of the reasons for this distinction is that Altron pays as much attention to data about employee and customer satisfaction as it does to data on current financial performance. The investment community has reflected this impressive increase, in your group's share prices and its market capitalisation during the past two years.

New young, motivated and experienced management in our core business operations, together with our innovative corporate strategies, have ensured that Altron has retained its dominant position in its various fields of activities during the period under review.



The past year has been indisputably one of the most exciting and successful for Altron and, in fact, the investment community is regarding it as nothing less than spectacular. Powertech's proposed acquisition of the cable manufacturing operations of Voltex (main picture) has placed it among the world's 25 world-ranked companies in this field, while ABB Powertech Transformers (inset) was awarded a R66 million contract for the Namibia/RSA transmission inter-connection.

The group's relationship with its stakeholders, especially empowerment and international technology partners, coupled with its local development and manufacturing capabilities, position it as a leader on the South African scene with world-class expertise in its chosen areas of endeavour. The new joint venture alliances with Arrow Electronics (USA), the partnership with Thomson-CSF, the proposed acquisition of the Voltex cable interests and the purchase of Sabat Batteries are just a few recent significant initiatives in this regard.

These developments will significantly enhance our focus on achieving critical mass in key operations to compete more effectively, both locally and internationally, and to secure a good market position in the global village.

The aim of our transformation programme is to focus our organisation on creating greater value by meeting the expectations of our shareholders, our customers and our employees. We are achieving this through efficient utilisation of our capital, our people, and our innovative technologies. We have successfully instilled the qualities of a small company soul – and small company speed in decision making – inside Altron's big company body.

ALTRON – “THE VIRTUAL ORGANISATION”

In the present economic scenario of constant flux and renewal, it is often impossible to be certain where the next major technological breakthroughs will occur. Altron has therefore set itself the objective of being pro-active, experimental, and open to challenge – collaborating with our alliance partners and government in the new paradigm of the “virtual organisation”.

We realise that in order to prosper in the new South Africa, we will have to learn and react quicker than our competition and, in so doing, produce better and more reliable products, services and technologies. We aim to become the No 1 player in the areas of industry in which we operate, serving our nation and our continent, using management skills, technology and innovation as the levers with which to do so.

As pleasing as our results are, we remain humble and far from satisfied. We are only in the early stages of our journey towards becoming a truly cost-effective customer-driven company able to compete globally. It is interesting to note that currently Altron generates more than one-third of its sales revenue from products that did not exist three years ago. We intend maintaining this ratio well into the next millennium. We assure Altron shareholders of our unflinching commitment to strive for still higher performance levels by continually seeking to improve our standards of excellence.

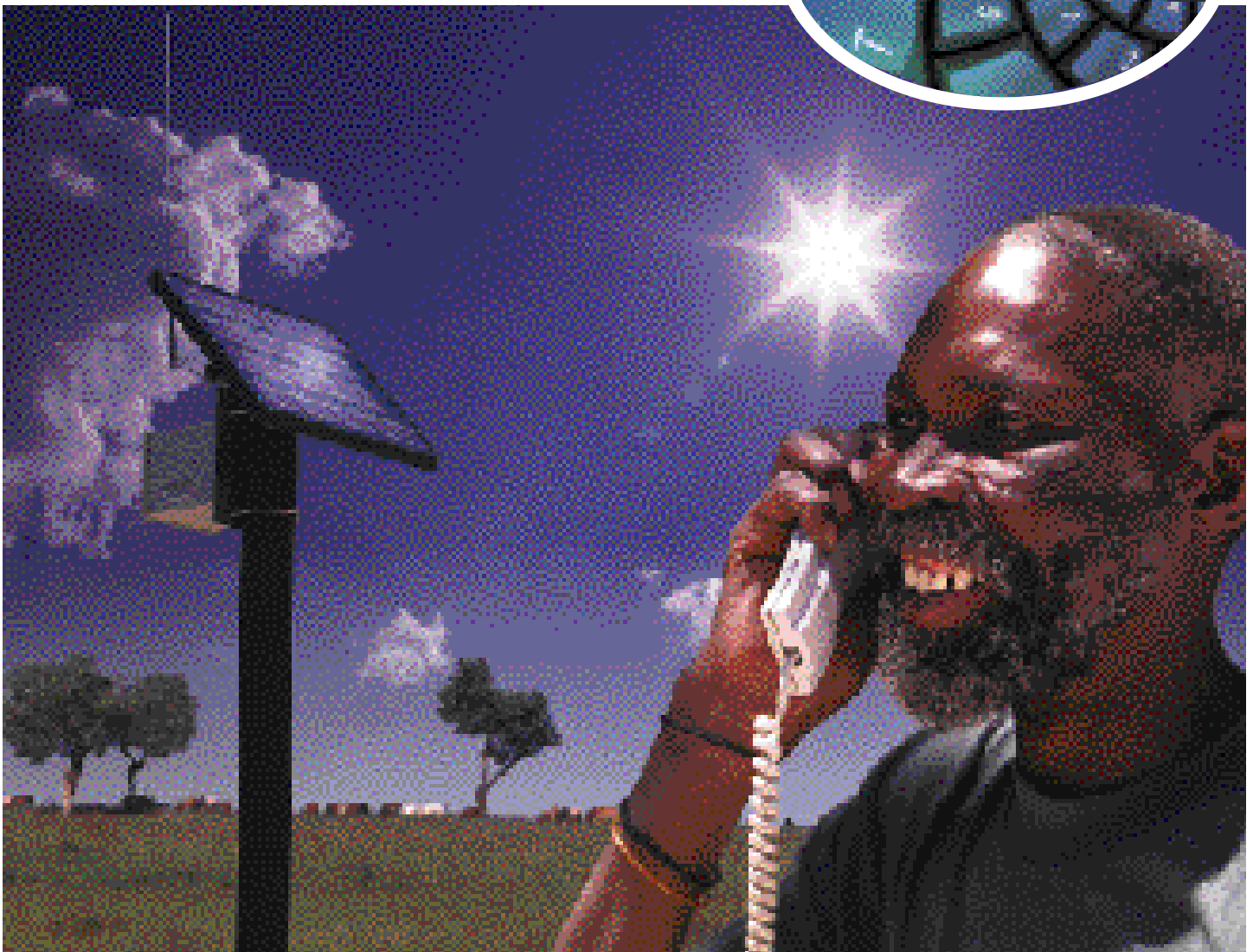
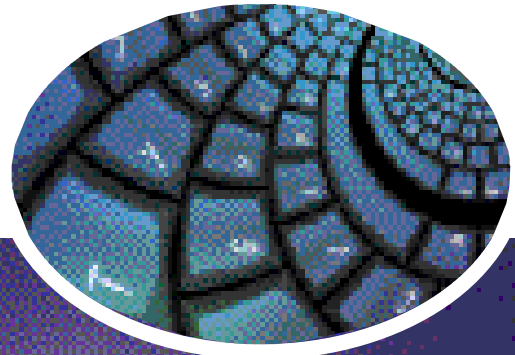
BLACK EMPOWERMENT

A visible highlight of the year was the emergence of our group as the industry leader in the field of black empowerment. In our first major deal, one of South Africa's fast growing black empowerment companies, the Rethabile group, acquired a 20 percent holding in Alcatel Altech Telecoms for R125 million.

In two other empowerment deals, Alcom Systems, a member of the Altech Group and a direct business partner of Motorola's Radio Network Solutions Group, introduced a strategic black equity business consortium, headed by IT&T, as a 20 percent shareholder in Alcom Systems, and the Altech/Thomson-CSF alliance agreement provides for an empowerment partner to purchase a 20 percent stake in that new company. As a result, the chosen partner will become one of the first black empowerment groups to participate in South Africa's defence industry. This agreement has already been received with enthusiasm and has been acknowledged and positively endorsed by key defence customers.

The recent announcement of Aberdare Cables' R800 million contract to supply Telkom with optical fibre and telecommunications copper cable will also involve one or two black empowerment groups, who will become shareholders in Aberdare Cables, now ranked among the world's 25 leading cable manufacturers. During the coming year we expect to announce further black empowerment involvement in several other Altron group companies.

Altron's black empowerment programme gained further prominence with the publication of Altron's Manifesto for Economic and Employment Equity and Affirmative Action. I see this publication and its implementation as being yet another milestone in Altron's journey towards meaningful economic empowerment and employment equity.



One of Altron's major roles in the new South Africa is helping to improve the way people live and work, especially in the country's remote, rural areas. During the year under review, Powertech's Willard Batteries (main picture) was awarded a R75 million contract from Telkom for the supply of solar power systems for its telecommunications programmes, while Fintech's significant involvement in key areas of the information technology industry enabled Fintech to increase sales to more than R1 billion for the first time in its history

SIGNIFICANT BUSINESS AND TECHNICAL HIGHLIGHTS

- A high point of the year was Telkom's appointment of Alcatel Altech Telecoms as the major supplier for its almost R2 billion urban and rural wireless access telephone network, which is part of its Vision 2000 programme. This contract was won in the face of competition against several world-renowned telecommunication companies and, consequently, I view this tender, which is the largest ever awarded by Telkom, as a vote of confidence in Altron's technical expertise, its excellent quality of products, and its superior customer care programme. Further major achievements are:
- Altron announced a joint venture alliance between Altech and Arrow Electronics, the world's largest distributor of electronic components. This new partnership, Arrow Altech Distribution, with expected revenues of more than R550 million, is the single largest electronic component distributor on the African continent.
- Aberdare Cables, by virtue of its excellent quality record and advanced design and manufacturing capabilities, won the major share of Telkom's R800 million contract to supply copper and optic fibre cable for the Vision 2000 programme.
- The signing of the multimillion-rand joint venture alliance between Altech and French-based Thomson-CSF, one of the world's most significant defence companies. A ground-breaking aspect of the deal is the guarantee from Thomson-CSF of additional annual export business for the local company, worth a minimum of R150 million over the next few years.
- Powertech announced that agreements had been reached to enable it to acquire the entire cable manufacturing interests, as well as a 25 percent stake in the distribution business of Voltex Holdings Limited. The R800 million to R1 billion deal is the largest ever concluded in the power-electrical industry in the Southern Hemisphere and, as a result, for the first time, South Africa will have a technology company ranked in the top 25 worldwide.
- The group's technological expertise and supremacy was recognised and acknowledged on a broad front when Altron companies won seven of this year's Technology Top 100 awards for technology development and innovation. The Minister of Arts, Culture, Science and Technology's Award for Overall Technological Excellence was made to Altech, which was also named South Africa's Technology Company of the Year. Altron companies collectively won more awards than any other high-tech group at this gala event.
- Subsequent to year-end, Powertech acquired the Sabat Battery Company which will increase Powertech's battery division's turnover to more than R400 million a year, and will position Willard Batteries as the leading battery manufacturer in South Africa, with major export potential to the UK and elsewhere.

EXPORTS

All participating companies in Altron's export drive exceeded their forecasts. As a result, the group's export sales topped the R350 million mark for the first time.

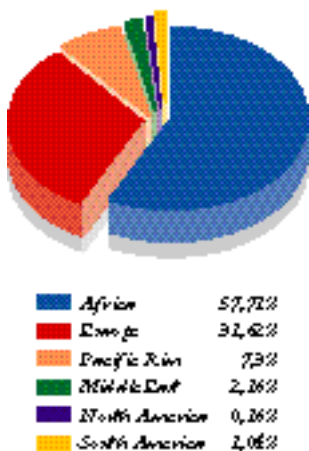
The group intensified its export thrust and has recorded the following major achievements:

- 26 Altron group companies exported to 72 countries worldwide.
- 17 group companies achieved record export sales. Some of these are Alcatel Altech Telecoms, Altech Defence Systems, African Capacitors, ABB Powertech Transformers, Aberdare Cables, Strike Technologies, Trans RSA, Tridonic, U-Lite and Willard Batteries.



The Altech group performed extremely well over the past year, further consolidating its position as one of South Africa's leading telecommunications and network operators. The latest satellite (main picture) and defence technology has been made available to it through its strategic relationship with Alcatel and Thomson-CSF, while disadvantaged communities (inset) continue to benefit from funding provided by both the group's "Masisizane" programme and the Bill Venter Foundation.

ALTRON GROUP
EXPORT DESTINATION



- Altron expanded its exports into diverse new markets, including Benin, Brunei, Columbia, Ethiopia, Eritrea, Indonesia, Maldives, Malta, Pakistan, United Kingdom, South Korea, Sierra Leone, Sri Lanka, Saudi Arabia and Portugal.
- Exports to the African continent represent 58 percent of the group's total exports, an increase of 23 percent compared with the previous year.
- Aberdare Cables exported power and telecommunication cable, mainly to Africa and the Far East, in excess of R76 million – an improvement of 35 percent compared with the previous year.
- In conjunction with its international subsidiary, Alcobre Cables of Portugal, Aberdare Cables exported to several Mediterranean countries including Crete, Cyprus, Morocco, Tunisia and Turkey.
- ABB Powertech Distribution Transformers was awarded a R430 million contract to supply high-voltage transmission lines to the Namibian Electricity Utility.
- ABB Powertech Transformers was awarded a R12 million order to supply generator transformers to Bahrain in the Middle East.
- Strike Technologies' export turnover increased by 190 percent with the export of electrical relays, surge arrestors and metering equipment, mainly to Africa and the Far East.
- UEC Commercial has secured an export order valued at R26 million from Greece for locally developed and manufactured digital satellite television (DSTV) decoders. UEC Commercial's digital satellite decoder has been hailed as a leader in its field, garnering several awards, including the Engineering Association of South Africa's prestigious Top Product Award.
- U-Lite/Lascon has been appointed as one of the "officially approved international suppliers" to the McDonald's restaurant chain. Luminaires have already been exported to McDonald's outlets in Jordan, Israel, Greece, Cyprus and Pakistan.
- Alcatel Altech Telecoms was awarded a multi-million rand contract by the Lesotho Highlands Development Authority for the expansion of its telecommunications network.
- Altech Defence Systems exported artillery fire control systems to Oman and Pilatus cockpit procedural training equipment to Brunei.
- The third edition of the group's export manual, listing over 200 innovative products designed for international niche markets, was recently published and widely distributed. The export manual has its own web site which can be accessed on the Internet at the following address: <http://www.exports.altron.co.za>

INNOVATION AND TECHNOLOGY DEVELOPMENT

Altron continues to emphasise its dedicated programme of technology development which is market focused and embodies the very latest technological innovations. Having designated 1998 as The Year of Science and Technology, the government has clearly confirmed its major commitment to advancing science and technology in South Africa.

Altron unequivocally supports this first nation-wide initiative to promote, emphasise and popularise science, engineering and technology throughout all sections of the community.

During the year Altron will help raise significant public awareness in this field with the key message being: "science, engineering and technology are integral to our daily lives through their direct influence on business, government and recreation".

The competitive edge of the future belongs to the innovators who transcend the existing parameters of their competitors. In this regard, the high-technology industry has a dual role to play.

On the one hand, this industry is a vital development and manufacturing component of the national economy, seeking continued growth and expansion through entrepreneurial endeavour. On the other hand, its products and systems are facilitators, enabling other industries and commerce to expand and become more effective. Indeed, economic prosperity in South Africa is fundamentally dependent on the “enabling technologies” of electronics, telecommunications, electrical and information technology.

Altron regards technology leadership as an absolute requirement for business success and for contributing to South Africa’s necessary development.

This fact drives our substantial commitment to technology development, our dedication to the state-of-the-art, and our need for optimal international partnerships. Anything less than leadership is inadequate for the role which we have envisaged for Altron in the market-place.

Altron has forged ahead with its successful dual-technology strategy, regarded as being unique among high-tech companies in South Africa. It has already established partnerships and co-operative agreements with many of the world’s leading high-tech companies such as ABB, Alcatel, Arrow, Xerox, Thomson-CSF, Intel, Motorola, Texas Instruments, Harris, SGS Thomson and Varta. It also has in place a comprehensive programme of local technology development and a number of innovative and exciting products and systems are developed each year by the group’s engineering teams.

Technological leadership is essential, but requires rapid and effective conversion of technology into saleable products and services, as valued by our customers, to produce market leadership.

Altron encourages its employees to be both creative and innovative. Thus its flexible and adaptable approach is the formula for success. We have become the developer, the simplifier, the integrator, the exploiter of technologies and their practical applications. This is substantiated by the solid contributions of our engineering teams, which, during the period under review, initiated numerous sophisticated and innovative programmes. Some of the results are:

- Netstar remains at the pinnacle of vehicle tracking and recovery systems.
- UEC Commercial has achieved prominence through new technologies which are rapidly becoming a part of everyday life. These include digital satellite television decoders, pre-payment electricity meters, toll road systems, two-way radios, remote control systems and solar products. A prestigious UEC project is the joint development of satellite digital decoders with a leading Japanese manufacturer, Kenwood, and the consequent transfer of UEC’s locally developed technology to that company under a license agreement. This is the first time a South African high-tech company has licensed a world ranking Japanese company to use its technology.
- Electrodet TM, Altech’s locally designed and developed electronic detonating system for the mining industry, has made significant progress this past year, with more than 12 000 blasts daily in South African mines. This world-leading technology is now attracting international interest.

- Isis Information Systems, as part of a consortium, is supplying a world quality enterprise-encompassing integrated information system, for the Saldanha Steel Mill. A R45 million design and systems integration project for the Revenue Services is a further example of Isis prowess in the IT Field.
- Alcatel Altech Telecoms, having been awarded Telkom's R1,3 billion tender for DECT wireless telecommunications systems, has adapted and enhanced the chosen DECT technology for local use, thus meeting Telkom's Vision 2000 project specifications.
- U-Lite now offers a new range of industrial bulkhead luminaires developed specifically for use in the highly corrosive atmospheres that are common in industrial environments.
- Aberdare Cables has invested heavily in high-speed extrusion, twinning and lay-up facilities in order to manufacture cable as part of a complete structured wiring system, using both copper and optical fibre.
- Willard Batteries improved product performance during the year while simultaneously reducing costs. To enhance its position internationally, Willard Batteries invested some R30 million and embarked on the development of a fully maintenance-free automotive battery using advanced calcium-grid technology. Willard Batteries has, as a result, been awarded the Ford Fiesta, Ford Mondeo and Hyundai battery supply contracts.

ALTRON AND THE "SOUTH AFRICAN DREAM"

One often hears of the "American Dream" – we at Altron are more concerned with the "South African Dream", a dream which we are dedicated to bring into reality by firstly assisting, and then enabling all of Altron's people, especially those previously denied equal opportunities, to reach into unfathomable deep pools of resources, resilience, courage and dedication and, in so doing, find the drive to succeed and create a better life, not only for themselves, but also for their families. This, then, is the essence of Altron's "South African Dream".

Altron has long held the philosophy that, to function as a caring corporate citizen, it needs to move beyond its basic business role of shareholder wealth creation and also invest in projects and initiatives that do not, on the face of it, contribute immediately to its profitability.

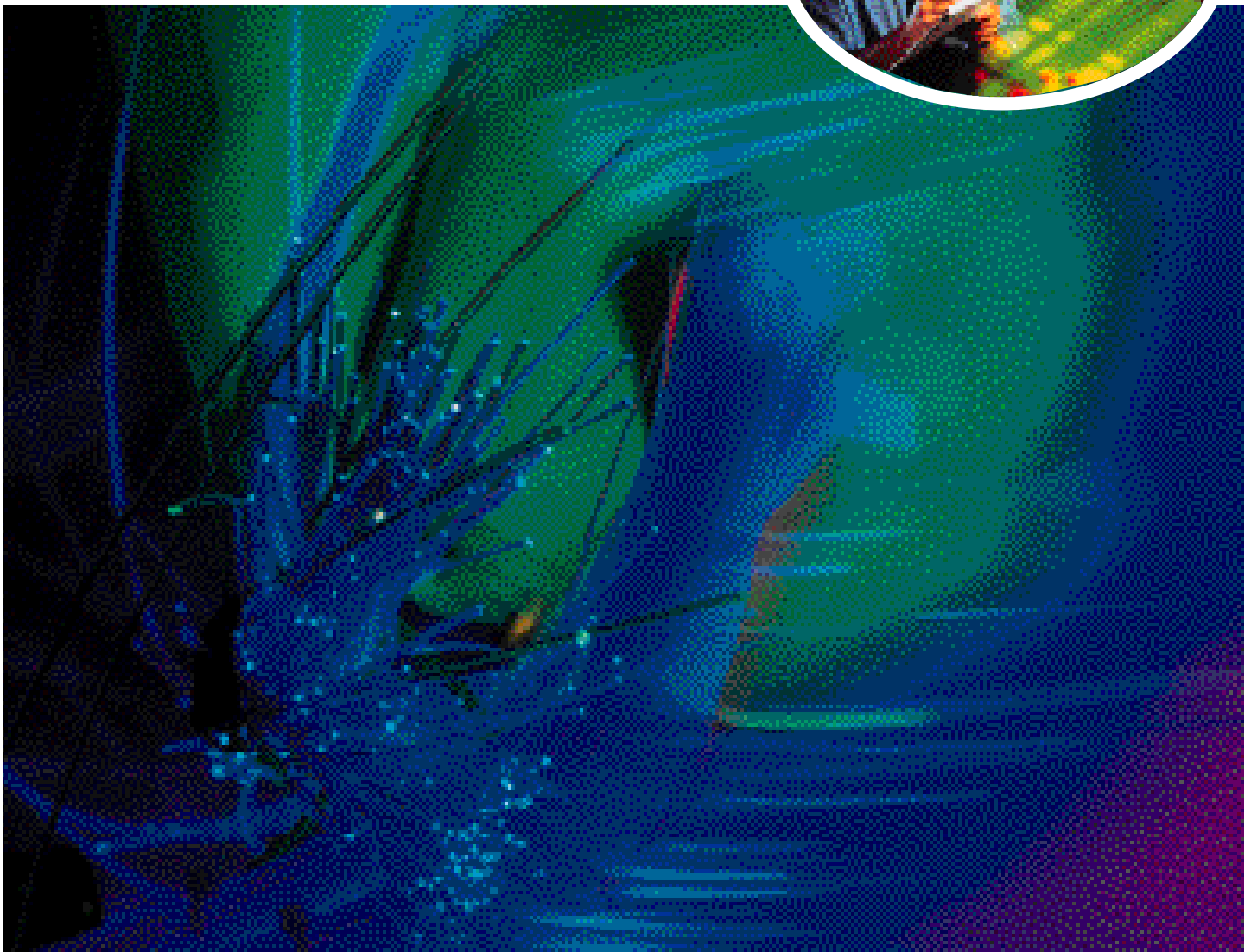
The group recognises its corporate responsibilities to all its stakeholders, including its shareholders, its customers, its staff and the community as a whole. Altron rewards its shareholders with a solid return on their investment; its customers with committed service and top-quality products, and its staff with inspiring and equal opportunities. It also provides access to training and development, thus creating promotion and market-related rewards. Being a dependable corporate partner to the community also means addressing deficits across the social spectrum. In this regard the group contributes to a broad range of charitable, educational and social investment projects, all of which have contributed to the creation of a more stable social environment in South Africa.

The principle tools of Altron's social responsibility contribution are its award-winning "Masisizane" programme; and the group's recently published Manifesto for Economic and Employment Equity and Affirmative Action.

Our group's vision for South Africa's metamorphosis to the 21st century, inextricably links Altron to the establishment of a healthy, just society, and this within the framework of a growing economy.

The group supports these ideals in:

- meeting the basic needs of its people, directly or indirectly, through its products in such critical areas as jobs, housing, water, electricity, communications, transport, a healthy environment, nutrition, health care and social welfare;
- developing human resources by creating new job opportunities aimed at empowering the group's current and future employees, as well of those of our suppliers of products and services; and
- contributing wherever it can to the new democratic order in national, regional and local government to facilitate socio-economic development.



Young, enthusiastic and dedicated managers (inset) in our core business operations, together with the group's continually expanding technological base in areas such as fibre optics communications (main picture) have ensured that Altron has retained its dominant position in its various fields of activities.

Chairman's Statement (continued)

REVIEW

As is evident from my review of our activities during the past year, the group wholeheartedly supports the objectives of the government's black empowerment and affirmative action programmes. There is no doubt that black empowerment remains one of the cornerstones on which our nation, to be successful, must be built. This will ensure that black-owned and black-managed companies will be in a position to assist in the expansion of the country's various networks and infrastructure.

Through our long-term alliances with our numerous overseas principals, Altron continues to attract increasing foreign investment to the economy from international leaders in high technology. Our black empowerment programme has shown considerable progress and has set the pace for others to follow.

During the year under review, Altron contributed significantly to the community by enhancing educational facilities in rural areas. Altron, working in conjunction with The Bill Venter Foundation, has been responsible for refurbishing and upgrading a number of secondary schools under the group's "Adopt-a-School" programme. More recently, a significant donation supported a FutureKids teacher computer training project in Soweto, resulting in the training of 24 newly computer-literate teachers. Also, a R2 million grant to the University of Pretoria (now educating more than 8 000 black students) is enabling it to train and develop black electronic engineers.

Through its various programmes in support of the arts, Altron has enabled disadvantaged young students to further their studies in the field of music, while the esteemed Bill Venter Literary Award, carrying prize money of R35 000, bestows recognition each year upon outstanding contributions in published book form written by university personnel.

Substantial investment in our employees remains one of our priorities. Technical and non-technical training programmes offer them the opportunity to explore the wealth of their skills.

Altron's prestige bursary scheme now has a complement of 76 students (of which the majority are black) at technikons and universities throughout southern Africa.

The group's unique management trainee scheme provides further opportunities to management-orientated young graduates and certain staff members to undergo on-the-job management training at Altron's many facilities countrywide. The aim is to equip them for fast-track management appointments.

FINANCIAL REVIEW

Altron's financial performance during the period under review reflected an outstanding year for the group. As was predicted in 1997, the 1998 results were a significant improvement. Particularly pleasing is that performance and earnings growth exceeded forecasts in an economy in which growth was lower than expected.

Attributable earnings increased by 58 percent to R181 million from R115 million translating to a 57 percent increase in earnings per share from 59,5 cents to 93,3 cents. These earnings were achieved on a turnover increase of 11 percent from R4,71 billion to R5,22 billion.

All operations within the group reflected significant growth in turnover and headline earnings. There has also been a notable improvement in the earnings "quality" of the group, with a 23 percent increase in group headline earnings per share, from 63,8 cents to 78,3 cents. Underscoring this pleasing increase to group headline earnings were headline earnings increases of 26 percent for

Altech, 20 percent for Powertech and 20 percent for Fintech. The earnings increase should be viewed in the context of the local economy where an average inflation rate of 5,4 prevailed during the year.

In view of the exceptional earnings growth and earnings “quality” backed by full order books in all operating companies, the dividend has been increased by 20 percent to 27,5 cents per share. It is gratifying to note that the group has never missed a dividend payment in its 17-year history.

The balance sheet has strengthened as a result of improved cash flows and working capital management. Net asset value per share increased by 17 percent from 362 cents to 423 cents. Net assets increased by 19 percent with cash on hand at year end of R714 million, up from R462 million at the previous year end.

- Altech reported increased turnover to R2,1 billion compared to the previous year’s R1,92 billion. Operating income increased by 46,5 percent to R181 million and attributable earnings increased from R76 million to R152 million. Headline earnings per share increased by 26 percent from 700 cents to 882 cents. The balance sheet remained strong with cash and cash equivalents up from R396 million to R501 million and net asset value per share up 19,7 percent from 5 260 cents to 6 297 cents.
- Autopage recorded pleasing results for the year under review. Turnover rose by 22,2 percent to R306,1 million from R250,4 million and attributable earnings increased by 25,6 percent to R4,8 million from R3,8 million. Headline earnings per share were 26 percent higher at 13,3 cents and the dividend per share was increased by 25 percent to 5 cents from 4 cents. Cash on hand increased significantly to R53 million from R37 million, the increase being largely derived from improved working capital control at Autopage Cellular. Operating income before depreciation remains at R12,3 million due to increased marketing costs for the “Minicall” Caller Pays Paging (CPP) launch during the year.
- Powertech also reported pleasing results and recorded a 20 percent improvement in headline earnings per share of 67,3 cents from 56,0 cents. Turnover rose to R1,95 billion from R1,81 billion with operating income increasing by 12 percent from R172 million to R193 million. Powertech’s balance sheet remains strong with net cash resources at year end of R187 million compared to R90 million at the previous year end.
- Once again Fintech reported excellent results and achieved solid growth during the year. Turnover increased by 25% from R973 million to R1,2 billion. Headline earnings per share increased by 20 percent to 680,2 cents from 564,7 cents and the dividend per share was increased by 20 percent to 220 cents from 185 cents. The ongoing strategic emphasis on providing solutions rather than selling “boxes” continued, with hardware sales now forming less than one-third of total revenues and a significantly lesser portion of profitability, thus resulting in a further improvement in operating margins. Another good cash performance reduced borrowings (including the financing of rentals to customers) to R167 million from R239 million. Net asset value per share rose by 29 percent to R22,23 from R17,27.

The group has now positioned itself to become a global player in several niche areas and many operating companies have demonstrated truly world-class competence. These competencies reside mainly in our electrical and telecoms cable manufacture skills, the production of automotive batteries, transformers, telecommunications products, electrical components and digital satellite decoders.

ALTRON AND THE FUTURE

Altron reflects on the past financial year with pride and satisfaction. As previously mentioned, turnover exceeded R5 billion for the first time and headline earnings increased by 23 percent. We enter 1998 with the largest order book in the history of the group. Net assets increased by 19 percent and total group market capitalisation increased from R2 billion to R5,6 billion. Valuable new strategic alliances were put in place during the year; substantial order books were obtained; significant contracts were secured and margins were preserved through diligent attention to cost reduction. With a young, dedicated and enthusiastic management team concentrating on industries and technologies we know best, I believe we have a solid platform for even further real growth this year. We strongly believe that strategic alliances are more beneficial than innovation as the growth strategy for the future. No other South African technology company has more alliances with top 10 world leaders in technology than we do.

Our superior technological resources and comprehensive expertise are key assets in all major areas of our business. Whether in electronics, communications, energy or information technology, our products and systems provide state-of-the-art solutions to virtually every high-tech need of the nation as well as targeted export markets.

Significant management attention has and will be focused on:

- strict financial management controls;
- strategic investment in fast-growing market sectors;
- improved internal efficiencies, particularly in terms of cost control;
- attainment of our goal to reduce the average cost of goods sold by 4 percent during each of the coming years;
- programmes to increase market share in established and new markets;
- rationalisation and consolidation, particularly where synergy and increased productivity generate cost savings;
- increased export activity to both the African market and to other international markets;
- the introduction of innovative products, systems and services to leapfrog the competition;
- further emphasis on quality in terms of both products and customer service;
- enhanced commitment by all of our people to "Team Altron"; and
- further alliances with world leaders in our chosen areas of business.

Altron's excellent mix of electronics, telecommunications, power-electrical and information technology skills, with its powerful and established ties with the world's leading technology corporations, ensures that the group plays a pivotal role in the country's fast-growing high-tech industry as we move into and beyond the year 2000.

The group has entered the current financial year with confidence, and it is well prepared for a continually changing and dynamic environment. In so doing, Altron will continue to build on its recognised professionalism, its leadership in serving customers, its dealings with its employees, its relationship with suppliers and with the communities in which we operate, as well as its commitment to shareholder value. For us at Altron, our real growth has only just begun. We believe the Internet's growth prospects are so huge and so open-ended, and the Net is evolving so rapidly, that ordinary growth expectations do not apply – for this reason Altron must seriously consider investment in this and other IT related business sectors. Steps will soon be taken to bring this about.

APPRECIATION

To our suppliers and customers in government, commerce and industry, and to our principals and associates internationally, I extend my sincere appreciation for helping to make the past financial year one to remember with pride and satisfaction.

The Chairman's Committee has been a real pillar of support to me and must carry much of the credit for the Altron group's outstanding results. We need to give thanks to our shareholders who have demonstrated confidence in us, both during good times and bad. We would be nothing without the support of our customers and we thank you for allowing us to provide you with a vast variety of competitively priced "best available" technological products and services.

We are grateful for the wise counsel of our non-executive directors, who in their own right, are brilliant leaders of other large South African enterprises and service groups. This message of appreciation will be incomplete without expressing a sense of overwhelming gratitude for the commitment, dedication and loyalty of our employees, who once again helped Altron remain a winning company. Without them, our "South African Dream" could never be realised.



Dr Bill Venter

CHAIRMAN

29 May 1998

ALCATEL ALTECH TELECOMS (AAT) DELIVERED A SOLID PERFORMANCE AND WAS APPOINTED BY TELKOM AS ONE OF TWO SUPPLIERS FOR ITS DIGITAL ENHANCED CORDLESS TELECOMMUNICATIONS (DECT) WIRELESS LOCAL LOOP CONTRACT , SECURING THE MAJOR PORTION OF THE BUSINESS AMOUNTING TO R1,3 BILLION . THIS IS THE LARGEST ORDER EVER PLACED BY TELKOM .

ALTECH GROUP

	1998 R million	1997 R million
Turnover	2 056	1 921
Income before tax	318	171
Attributable earnings	152	76
Total assets	1 594	1 128

Altron group currently has a 54.3 percent shareholding in Altech

ALTECH BOARD OF DIRECTORS

- Leslie Boyd – Non-Executive Chairman
- Craig Venter – Chief Executive
(alternate Deon Trollope)
- Bill Bragg
- John Carstens
- Dr Hilton Davies
- Gavin Rochussen
- Dr Harold Serebro
- Dr Bill Venter (alternate Dr David Jacobson)

ALTECH EXECUTIVE COMMITTEE

- Craig Venter – Chief Executive
- John Carstens – Financial Director
- Dr David Jacobson
- Gert Labuschagne – Managing Director:
Arrow Altech Distribution
- Colyn Levin – Group Executive: Commercial
- Hugh McCluskey – Group Executive:
Altech Manufacturing
- Graham Passmoor – Chief Executive:
Autopage Holdings
- John Pitout – Managing Director:
Alcatel Altech Telecoms
- Peter Riley – Managing Director:
Detonator Technologies
- Gavin Rochussen
- Dr Harold Serebro
- Deon Trollope
- Dr Bill Venter

The Distribution division performed well during the year under review and the joint venture entered into with Arrow Electronics Inc. of the USA culminated in the formation of Arrow Altech Distribution (AAD). As a result AAD has become the largest player in the African electronic component distribution market. The benefits of the association with Arrow will include access to global markets and to Arrow’s considerable purchasing power and worldwide inventory.

The Manufacturing division recorded major export sales increases and in particular, UEC Commercial established itself as one of the 10 leading suppliers of digital satellite television decoders worldwide. More than 60 000 decoders have now been manufactured by UEC Commercial with some 34% being exported to Greece, Australia and elsewhere. Alcom Systems renewed its exclusive distributorship with Motorola Network Solutions group for another 7 years and successfully commissioned and completed the R96 million SAPS Tafelberg, Cape Peninsula Public Safety Trunking System. An order totalling R100 million for implementation at a future date was secured from the Tygerberg Metropolitan Council.

The importance of global alliances was emphasised by the creation of a joint venture with Thompson-CSF, the world’s largest exporter of defence electronic systems and Altech Defence Systems (ADS). Of significance is the commitment by Thompson-CSF to place with ADS additional export orders totalling R150 million

The Mining division was recapitalised by it shareholders, Altech and Denel during the year and blasting volumes of the Electrodet™ increased to 12 000 units per day. The Electrodet™ has received global interest notably from Canada and North America. More than 3,5 million incident-free detonations have taken place; however, the company is still operating below break-even.

Altech will continue to focus on its globalisation strategy through the identification and implementation of strategic mergers and acquisitions. In realising the current importance of information technology in these times Altech has issued a cautionary statement concerning the possible formation of a listed entity managed by experienced IT professionals. A further announcement will be made shortly. Altech's export drive is anticipated to grow rapidly from its already strong base of 15% of turnover. The order books are at an all time high and this positively positions Altech to achieve similar increased growth in headline earnings during this year.



In the fast-paced high technology industry, excellence depends not only on providing high quality products and outstanding service, but on an ability to meet customer needs, along with the foresight and flexibility to recognise and react quickly to changing market trends. Altron has assisted the aircraft and the vehicle industries through its simulation testing and tracking programmes (main picture) while its "Mini-Call" pagers have filled a market niche for effective and affordable pagers in the youth market (inset).

Operational Review

POWERTECH

ABERDARE CABLES EXPERIENCED A VERY GOOD YEAR WITH ITS TELE-COMMUNICATION CABLE DIVISION REFLECTING GROWTH , MAINLY ATTRIBUTABLE TO INCREASED EXPORTS AND DEMAND FROM TELKOM . THE AWARD OF A SIGNIFICANT PORTION OF TELKOM 'S TELECOMS CABLE CONTRACT , WORTH APPROXIMATELY R1 BILLION FOR THE SUPPLY OF COPPER AND OPTICAL FIBRE CABLE OVER THE NEXT THREE YEARS WILL PROVIDE A SATISFACTORY INCOME STREAM DURING THIS PERIOD . THE POWER CABLES DIVISION ACHIEVED SATISFACTORY RESULTS AND EXPANDED ITS EXPORT MARKETS INTO SUB-SAHARA AFRICA AND THE FAR EAST .

POWERTECH GROUP

	1998	1997
	R million	R million
Turnover	1 949	1 814
Income before tax	199	141
Attributable earnings	113	79
Total assets	1 129	987

Altron group currently has a 54.0 percent shareholding in Powertech

POWERTECH BOARD OF DIRECTORS

- Dr John Maree – Chairman
- Robert Venter – Chief Executive
- Leslie Boyd (alternate Lindl Hauptfleisch)
- Dr David Jacobson
- Dr Len Konar
- Bill McCarroll
- Gavin Rochussen
- Tony Trahar
- Deon Trollope
- Dr Bill Venter

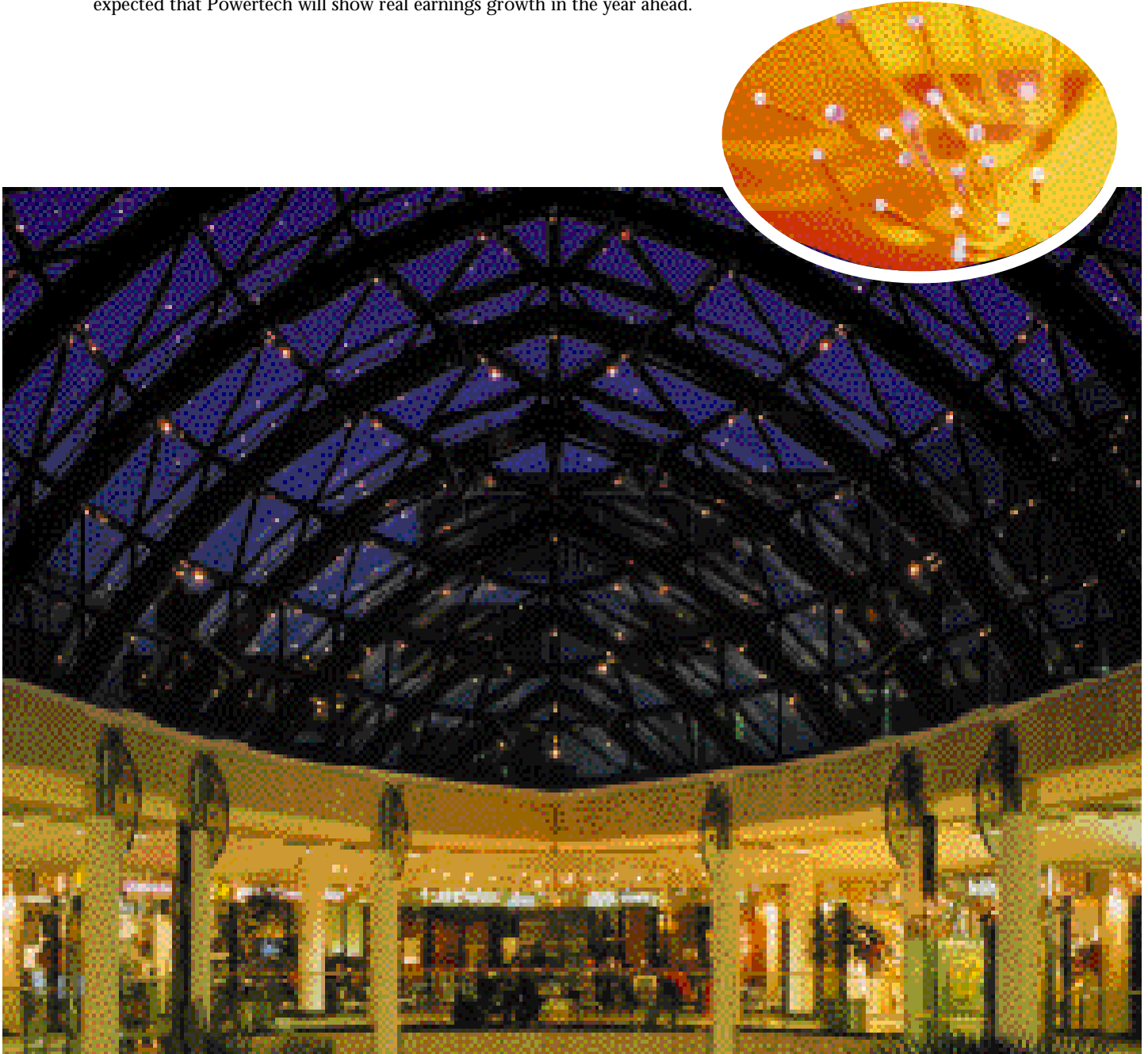
POWERTECH EXECUTIVE COMMITTEE

- Robert Venter – Chief Executive
- Norbert Claussen – Managing Director: Willard Batteries
- Drew Donald – Chief Executive: U-Lite Holdings
- Bill McCarroll – Financial Director
- John Myers – Chief Executive: Industrial Group
- Keith Plowden – Chief Executive: ABB Powertech Transformers
- Richard Seymour – Chief Executive: Aberdare Cables
- Gavin Rochussen
- Deon Trollope
- Dr Bill Venter

ABB Powertech Transformers performed well with increasing export volumes and was awarded a R66 million contract for the transformer requirements of the Namibia/South Africa transmission line. The Distribution Transformer division has been rationalised and an improvement in performance is already evident. ABB Powertech Transmission and Distribution posted disappointing results due to the loss of a number of large contracts early in the year as subsidised foreign competition entered the market. However, recently secured exports to sub-Sahara Africa and the Middle East are encouraging and the R366 million contract from NamPower will ensure an improvement in the company's results.

Willard Batteries continued its pleasing performance and increased both its local and export sales especially in the Automotive division. It concluded a R30 million capital expenditure programme which will increase production capacity and improve its competitiveness significantly. Demand for solar power has increased and Willard Batteries was recently awarded a R75 million Telkom contract for the supply of DC solar power systems to power telecommunications installations over a three year period. Subsequent to year end, Powertech acquired the Sabat Battery company with effect from 1 March 1998 and together with Willard Batteries this transaction has placed the Powertech Group at the forefront of battery manufacturing in Southern Africa. Both the Industrial Group and the Lighting Group experienced difficult market conditions mainly due to prevailing conditions in the construction industry.

Telkom's Vision 2000 programme is gaining momentum and Aberdare Cables, Willard Batteries and Lighting Structures will all play a meaningful role in supporting this ambitious infrastructural development initiative. The low inflation rate and reduction in interest rates will stimulate economic growth, particularly, in the building industry and this should benefit both the Industrial and Lighting Groups. Powertech's export drive will gain momentum. It is expected that Powertech will show real earnings growth in the year ahead.



Sophisticated and attractive luminaires to the highest international standards have captured the South African imagination and the more futuristic lighting is becoming "de rigueur" at hotels, office parks and shopping centres (main picture) countrywide. Through its Powertech/U-Lite operation, Altron is playing a vital role in helping architects and builders of such structures to realise their dreams while the group's use of optical fibre technology remains one of the most fascinating and successful applications of this century (inset).

Operational Review

FINTECH

ALL OF FINTECH 'S OPERATIONS , PARTICULARL Y NDS CONTRIBUTED HANDSOMEL Y TO ITS IMPROVEMENT IN TURNOVER . TWO KEY FACTORS CONTRIBUTED TO NDS' S SUCCESS IN THIS REGARD – ONE WAS THE LAUNCH BY NCR OF ITS NEW PERSONA RANGE OF SELF -SERVICE CASH TERMINALS AND THE OTHER WAS THE DECISION BY ONE OF THE MAJOR BANKS TO ABANDON ITS DUAL VENDOR POLICY TO SOURCE EXCLUSIVEL Y FROM NDS.

FINTECH GROUP

	1998 R million	1997 R million
Turnover	1 212	973
Income before tax	127	102
Attributable earnings	85	76
Total assets	921	871

Altron group currently has a 62,9 percent shareholding in Fintech

FINTECH BOARD OF DIRECTORS

- David Redshaw – Executive Chairman
- Bill Bragg
- Humphrey Borkum
- Nkuli Gobodo
- Dr David Jacobson
- Dr Harold Serebro
- Dr Bill Venter (alternate Gavin Rochussen)

FINTECH EXECUTIVE COMMITTEE

- David Redshaw – Chief Executive
- Martin Baak – Managing Director:
Alcatel STC Business Systems
- Jim Beatty – Fintech Informatics/Roneo Automation
- Frank Gartland – Group Executive:
Corporate Marketing and Communications
- Jack Horton – Managing Director:
National Data Systems
- John Mills – Group Financial Director
- Pierre Nothard – Managing Director: Xerox SA
- Ian Pennel – Managing Director:
Technologies Acceptances
- Gavin Rochussen
- Dr Harold Serebro
- Rex van Olst – Managing Director:
Intertech Systems
- Dr Bill Venter
- Paul Werner – Managing Director:
Trans RSA

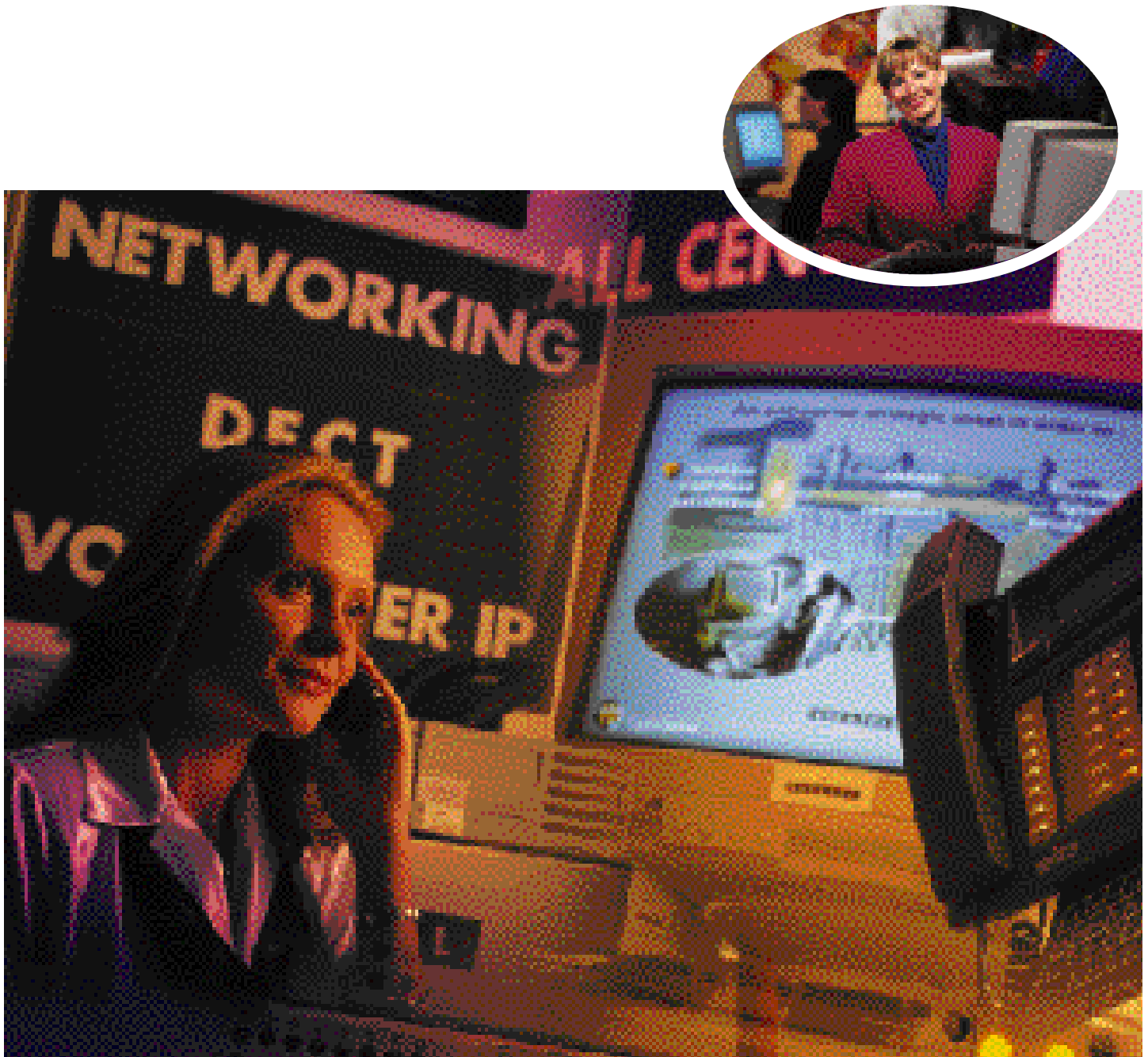
Alcatel STC recorded a major increase in turnover with the introduction of the “One Touch Easy” Alcatel cellular phone and in addition several large installations of its state-of-the-art Alcatel 4 400 PABX call centres have been ordered. Apart from addressing the basic requirements of the upper end of the market, the 4 400 meets market demand for mobility, multimedia applications and computer and telephony integration.

Xerox SA made remarkable inroads in its markets and this trend is expected to continue with the advent of its new “channels” business encompassing printers and desktop products. One of the more exciting projects facing Fintech in the coming year will be the formation of an entirely new division of Xerox SA called Xerox Channels. This operation will be tasked with acquiring a major presence in the small office home office (soho) market for scanners, copiers, faxes and printers. These plans which involve some exciting new Xerox products are in line with Xerox’s world-wide strategy for this sector of the market.

Technologies Acceptances, Fintech’s financial services group, broadened its markets and introduced several new packages without any increase in credit exposure. Forward growth strategies envisage an ever-increasing role for Fintech’s finance operation in a wide range of activities.

During the year under review Intertech developed further its role as an Internet service provider and is currently expanding its range of value added services in this rapidly growing market.

Fintech intends to pursue an aggressive service and outsourcing strategy and together with its high order book expects to show real earnings growth in the year ahead.



Organisations are becoming more and more demanding in their need to access, distribute and integrate information faster, cheaper and more efficiently. Through Altron's IT operation, Fintech, the group's Alcatel 4 000 PABX system is meeting market demand for mobility, multimedia applications, as well as computer and telephony integration (main picture), while one of Xerox's more exciting projects in the coming year will be to acquire a dominant presence in the 'desk top' market for scanners, copiers, faxes and printers (inset).

ALTRON

as at 28 February 1998

SIZE OF HOLDINGS	Ordinary shares				Participating preference shares			
	Number of shareholders	%	Number of shares	% of shares in issue	Number of shareholders	%	Number of shares	% of shares in issue
1 – 500 shares	157	38,2	48 882	—	103	33,6	33 515	—
501 – 1 000 shares	71	17,3	64 065	0,1	53	17,2	47 815	—
1 001 – 5 000 shares	111	27,5	308 225	0,3	85	27,7	212 325	0,2
5 001 – 10 000 shares	21	5,1	170 510	0,2	15	4,9	128 060	0,1
10 001 – 50 000 shares	16	3,9	427 635	0,4	14	4,6	305 285	0,3
50 001 – 100 000 shares	8	2,0	618 860	0,7	6	1,9	382 020	0,3
Over 100 000 shares	25	6,0	95 156 638	98,3	31	10,1	98 752 495	99,1
	409	100,0	96 794 815	100,0	307	100,0	99 861 515	100,0

	Category of ordinary shareholders					Category of participating preference shares			
	Number of shareholders	%	Number of shares	%		Number of shareholders	%	Number of shares	%
Holding companies	2	0,5	50 904 035	52,6		2	0,6	50 904 035	51,0
Individuals	304	74,3	1 940 662	2,0		227	74,0	972 525	1,0
Banks and nominee companies	48	11,8	19 263 487	19,9		35	11,5	18 411 342	18,4
Insurance companies	6	1,5	9 951 010	10,3		5	1,6	13 534 470	13,6
Investment companies	7	1,7	13 150	—		3	1,0	3 040	—
Other corporate bodies	30	7,3	12 785 111	13,2		14	4,6	5 214 580	5,2
Pension funds	12	2,9	1 937 360	2,0		21	6,7	10 821 523	10,8
	409	100,0	96 794 815	100,0		307	100,0	99 861 515	100,0

SHAREHOLDER	SPREAD	Public %	Non-public %
Ordinary shares		33,5	66,5
Participating preference shares		49,1	50,9

MAJOR SHAREHOLDERS HOLDING 5 PERCENT OR MORE OF THE COMPANY'S LISTED SECURITIES
AS AT 28 FEBRUARY 1998

Name of shareholders	Ordinary		Participating preference	
	Number of shares	%	Number of shares	%
Ventech (Pty) Limited	38 517 700	39,8	38 517 700	38,6
Ventron Corporation Limited	12 383 335	12,8	12 383 335	12,4
Standard Bank Nominees (Tvl) (Pty) Limited	10 692 772	11,0	7 796 997	7,8
South African Mutual Life Assurance	6 693 200	6,9	9 102 800	9,1
Anglo American Industrial Corporation Limited	6 283 815	6,5	—	—

Stock Exchange

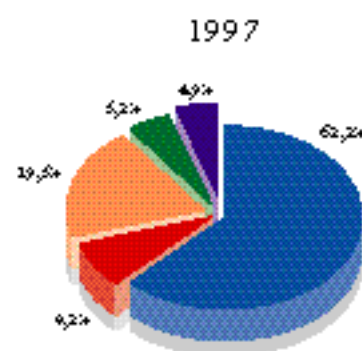
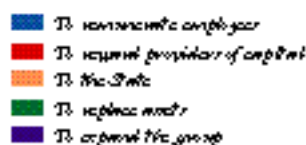
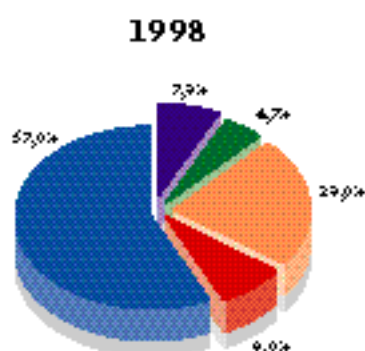
	1998		1997		1996		1995	1994	1993
	Ordinary	Participating preference	Ordinary	Participating preference	Ordinary	Participating preference	Ordinary	Ordinary	Ordinary
Market value per share (cents)									
– at year end	900	810	560	500	900	1 000	725	700	800
– highest	1 100	975	960	810	1 225	1 150	1 000	880	800
– lowest	560	505	500	475	650	650	650	650	570
Number of shares traded (000)	10 869	7 546	5 773	5 715	5 281	4 213	4 213	5 110	2 605
Value of shares traded (R000)	94 690	60 942	36 448	34 649	48 915	48 048	57 150	84 976	36 010
Total volume traded as percentage of total issued shares (%)	11,2	7,5	6,0	5,9	5,5	5,7	4,4	5,3	2,7

Value Added Statement

ALTRON

Value added is the measure of wealth the group has created in all its operations by “adding value” to the cost of raw materials, products and services purchased. The statement below summarises the total wealth created and shows how it was shared by employees and other parties who contribute to its creation. Also set out below is the amount retained and re-invested in the group for the replacement of assets and the further development of operations.

	1998		1997	
	R million	%	R million	%
Turnover (including VAT)	5 913		5 331	
Suppliers of materials and services	(4 336)		(3 949)	
	1 577		1 382	
Non-operating income	131		87	
Total value added	1 708		1 469	
Applied as follows:				
To remunerate employees	973	57,0	914	62,2
Salaries, wages, pensions and other benefits				
To reward providers of capital	136	8,0	120	8,2
Interest on loans	18		3	
Dividends to shareholders	118		117	
To the State	393	23,0	287	19,5
Company tax	187		134	
Value added tax	177		141	
Secondary tax on companies	29		12	
To replace assets	80	4,7	76	5,2
Depreciation				
To expand the group	126	7,3	72	4,9
Net earnings retained				
	1 708	100,0	1 469	100,0



Corporate GOVERNANCE

CORPORATE CODE OF CONDUCT

Altron is committed to excellence, integrity, professionalism and the growth and development of all its operations. The people of Altron are its most important asset and we expect our people to share in Altron's values and beliefs, in a manner which demonstrates:

- respect for one another;
- honesty and integrity in dealings, not only with one another, but with all the Altron group's stakeholders;
- confidentiality and discretion in the use of information proprietary to the Altron group;
- avoidance of any conflict of interest which may interfere with the independent exercise of their judgement in the best interests of the Altron group;
- adherence to all laws and regulations determining the Altron group's legal and moral obligations;
- fostering a non-racial, non-discriminatory work and business environment in promoting a climate of harmony and tolerance.

The Corporate Code of Conduct has the total commitment of the Altron board and we believe that it commits the group to the highest standards of behaviour expected by all its stakeholders. In response to the obligations this places on Altron as the controlling shareholder it retains absolute authority over certain primary functions as the holding company:

- policy and strategy;
- key operating standards; and
- acquisitions and disposals.

The board of Altron subscribes to the values of good corporate governance espoused in the King Report. In so doing, the directors recognise the need to conduct the enterprise with integrity and in accordance with generally acceptable corporate practices. This is entrenched in the Altron group's established systems of internal control, procedures and policies governing corporate conduct.

All the key principles underlying the King recommendations have been reflected in Altron's Corporate Governance structures which are reviewed from time to time to take into account corporate changes and international developments in regard to corporate governance. The directors specifically report as follows:

RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

Shareholders are referred to the statement of approval of the annual financial statements set out on page 41 of the directors' report.

CHAIRMAN AND BOARD OF DIRECTORS

The board comprises eight non-executive directors, three of whom are chief executives of Altron's listed sub-holding companies, and five executive directors. The non-executive directors are of sufficient calibre and number for their views to carry significant weight in the board's decisions.

The board under the Chairmanship of Dr Bill Venter meets regularly, retains full and effective control over the group and monitors the executive management.

All directors have access to the advice and services of the group company secretary, who is responsible to the board for ensuring that procedures and applicable statutes and regulations are complied with. The board has established a number of committees in which the non-executives play an active role and which operate within the defined terms of reference laid down by the board:

Chairman's Policy Committee

This committee comprises the Chairman and certain senior executives of the group. It is responsible for the development of strategy and policy proposals for consideration by the board and the implementation of the board's directives.

Audit Committee

The Audit Committee which is chaired by a non-executive director, Mr D A Hawton, meets periodically with the group's external and internal auditors and Altron's executive management to review accounting, auditing and financial reporting matters so as to ensure that an effective control environment in the group is maintained. The committee also monitors proposed changes in accounting policy, reviews the internal audit functions and discusses the accounting implications of major transactions.

Remuneration Committee

A Remuneration Committee consisting of a majority of non-executive directors is chaired by Mr L Boyd, a non-executive director. This committee in consultation, where necessary, with management ensures that the group's directors and senior

executives are fairly rewarded for their individual contributions to the group's overall performance. This Remuneration Committee also reviews the remuneration of executive directors and senior management of the sub-holding groups Altech, Powertech and Fintech.

INTERNAL CONTROLS AND INTERNAL AUDIT

Internal controls comprise methods and procedures adopted by management to assist in achieving the objectives of safeguarding assets, preventing and detecting error and fraud, ensuring the accuracy and completeness of accounting records and preparing reliable financial statements. The group's approach in this regard is further set out on page 41 of the directors' report dealing with the approval of the annual financial statements.

The internal audit function serves management and the board of directors by performing independent evaluations of the adequacy and effectiveness of group companies' controls, financial reporting mechanisms and records, information systems and operations and in the reporting on the adequacy of these controls, provides additional assurance regarding the safeguarding of group assets and financial information.

The internal audit department is designed to respond to management's requirements while maintaining an appropriate degree of independence to render impartial and unbiased judgements in performing its service. The department is organised into two units, one at head office and another at a regional office in the Cape which enables the department to cover the group's extensive activities and locations more adequately. It also enables the internal audit staff to obtain a broad range of diverse, group-wide experience and provides them with an opportunity to share their experience with other team members. The internal and external auditors have unrestricted access to the Chairman of the Audit Committee.

ANNUAL FINANCIAL STATEMENTS

The directors are responsible for the preparation of the annual financial statements. Management fulfils its responsibilities by maintaining adequate accounting

records to ensure the integrity of these annual financial statements. This is accomplished by systems of internal controls designed to provide reasonable, but not absolute, assurance as to the reliability of these financial statements. Such controls provide assurance that the group's assets are safeguarded, that transactions are executed in accordance with management's authorisations and that the financial records are reliable. This is augmented by the Altron Group Policy Manual which outlines the Altron ethic and prescribed fundamental group policies and procedures and is regularly updated to take cognisance of changing circumstances in the financial and operational environment.

WORKER PARTICIPATION AND AFFIRMATIVE ACTION

Altron continues to promote a climate which encourages its employees to reach their maximum potential and to provide a shift from prescriptive to a more participative management style environment. The group has a variety of participative structures, at the various operating company levels, for handling issues which affect employees directly and significantly. These structures, which have been set up with trade unions and other employee representatives, are designed to achieve good employer/employee relations through effective sharing of relevant information, consultation and resolution of conflict. An affirmative action programme is in place and forms part of the group's business plan. Promotion shall, where possible, take place from within Altron and employees are given the opportunity to develop their potential.

CORPORATE CODE OF CONDUCT

Altron is committed to promoting the highest standards of behaviour and the group's Corporate Code of Conduct, which is outlined on page 34 of this report, gives a clear guide as to the expected behaviour of all employees in their dealings with the group's stakeholders. This is further augmented by a detailed Code of Conduct, which forms part of the Altron Group Policy Manual and outlines the Altron ethos. All employees are required to maintain the highest ethical standards in ensuring that the group's business practices are conducted in a manner which in all reasonable circumstances is above reproach.

Annual Financial Statements

VENTRON AND ALTRON

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Report of the Independent Auditors

TO THE MEMBERS OF VENTRON CORPORATION LIMITED AND ALLIED ELECTRONICS CORPORATION LIMITED

We have examined the annual financial statements and group annual financial statements set out on pages 37 to 73. These financial statements are the responsibility of the companies' directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion these financial statements fairly present the financial position of the companies and the groups at 28 February 1998, and the results of their operations and cash flow information for the year then ended, in accordance with generally accepted accounting practice and in the manner required by the Companies Act.

KPMG

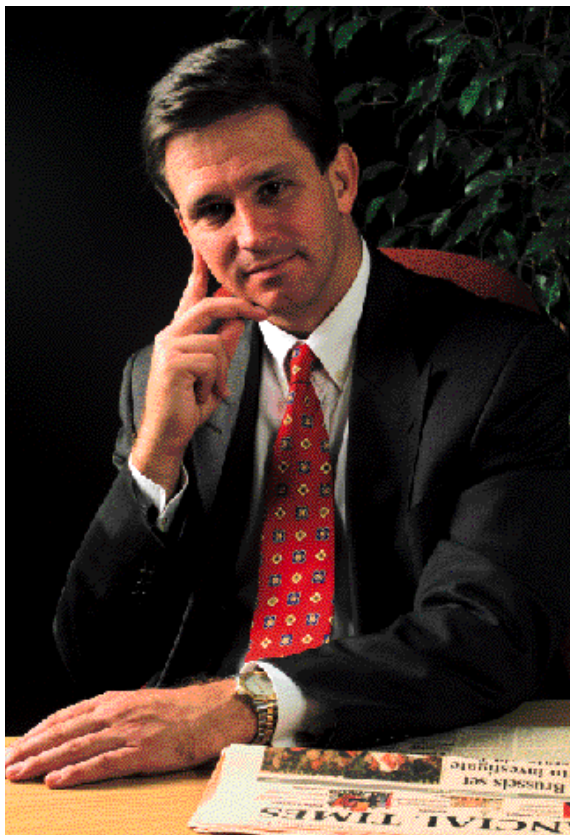
CHARTERED ACCOUNTANTS (SA)
Registered Accountants and Auditors

Fisher Hoffman Sithole
CHARTERED ACCOUNTANTS (SA)
Registered Accountants and Auditors

Johannesburg
29 May 1998

Directors' Report

FINANCIALS



Gavin Rochussen (Group financial director)

TO THE MEMBERS OF VENTRON CORPORATION LIMITED AND ALLIED ELECTRONICS CORPORATION LIMITED

The directors have pleasure in submitting the annual financial statements of the group for the year ended 28 February 1998.

NATURE OF BUSINESS

Ventron Corporation Limited (Ventron), incorporated in the Republic of South Africa, is an investment holding company and its sole income is derived from its 52,6 percent listed subsidiary, Allied Electronics Corporation Limited (Altron).

Altron is an investment holding company. Its principal listed subsidiaries, Allied Technologies Limited, Power Technologies Limited and Fintech Limited, are invested in the professional electronics, telecommunications, power electrical and electrical appliances, and information technology industries.

FINANCIAL RESULTS

Group attributable earnings in respect of Ventron for the year ended 28 February 1998 were R101 million (1997: R61 million), representing earnings per share of 372,9 cents (1997: 225,5 cents).

Group attributable earnings in respect of Altron for the year ended 28 February 1998 were R181 million (1997: R115 million), representing earnings per share of 93,3 cents (1997: 59,5 cents).

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

DIVIDENDS

The following dividends were declared in respect of the year ended 28 February 1998:

VENTRON

Dividend No 60 of 97,5 cents per share (1997: 82 cents).

ALTRON

- ordinary dividend No 50 of 27,5 cents per share (1997: 23 cents); and
- participating preference dividend No 4 of 27,5 cents per share (1997: 23 cents).

These dividends are payable on Monday 6 July 1998 to shareholders registered in the books of the companies at the close of business on Friday 22 May 1998.

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

Directors' Report

(continued)

financials

SUBSIDIARIES , ASSOCIATE COMPANIES
AND OTHER INVESTMENTS

Particulars of the principal subsidiaries of the group are given in Annexure 2 on page 71 whilst particulars of the associate companies and other investments are provided in Annexure 3 on page 72.

The attributable interest of the companies in the income and losses of their subsidiaries for the year ended 28 February 1998 is:

	1998 R000	1997 R000
VENTRON		
Aggregate amount of income after taxation	126 369	81 744
Aggregate amount of losses after taxation	25 901	21 230
ALTRON		
Aggregate amount of income after taxation	231 386	153 321
Aggregate amount of losses after taxation	50 032	40 288

Rethabile transaction

It was announced on 9 June 1997 that the Rethabile Group would acquire a 20 percent interest in Alcatel Altech Telecoms (Pty) Limited (AAT). Pursuant to these arrangements, Altech and Alcatel CIT each sold 10 percent of AAT's issued shares to a special purpose holding company, Rethabile Telecoms Investment (Pty) Limited (Rethabile Telecoms). In consideration therefor, Altech and Alcatel CIT each received cumulative redeemable preference shares in Rethabile Telecoms to the value of R63 000 000.

Arrow Altech Distribution

An agreement was concluded with Arrow Electronics Inc. (Arrow) for the restructure of Altech's electronic components distribution businesses consisting of Allied Electronic Components (incorporating Contelec), Electronic Building Elements, Fairmont Electronics and Pace Electronics. The restructure involved the sale

by Altech of its electronic component distribution businesses to a joint venture company now known as Arrow Altech Distribution (Pty) Limited. The cash consideration payable by Arrow was a maximum of R116 650 000 for 50 percent of the company, subject to adjustment in respect of earnings before interest and tax of the joint venture company for the financial years ended 28 February 1999 and 29 February 2000. The effective date for accounting for this joint venture was 1 March 1997.

Proposed Powertech acquisition

On Tuesday 24 March 1998 a press announcement was published which contained preliminary information concerning the proposed acquisition by Powertech of the cable manufacturing interests of the Voltex Group together with a 25% shareholding in that group's electrical wholesale distribution activities.

These transactions will involve the acquisition by Altron of additional shares in Powertech. In addition, it is proposed that Altron will undertake a cash issue of participating preference shares and will place additional new participating preference shares to fund its acquisition of the Powertech shares.

The institutional share placing exercise relating to the funding of these transactions is in progress and shareholders will be advised as soon as possible of the full terms relating to these transactions together with their financial effects.

SHARE CAPITAL

Full details of the authorised, issued and unissued capital of the companies at 28 February 1998 are contained in note 7 to the financial statements.

VENTRON

10 800 ordinary shares were allotted and issued during the past financial year in terms of Ventron Corporation Limited Share Trust.

Particulars relating to The Ventron Corporation Limited Share Trust are set out in note 7.4 to the annual financial statements.

The remaining unissued Ventron ordinary shares are subject of a general authority granted to directors in terms of the Companies Act, 1973, as amended, and which authority remains valid only until the next annual general meeting which will be held on Wednesday 8 July 1998. At that meeting, shareholders will be asked to continue to place the unissued ordinary 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 shares for cash as and when suitable situations arise.

ALTRON

In order to raise funds for additional working capital requirements, 3 000 000 participating preference shares were issued for cash in terms of section 5.82 of the Listings Requirements of the Johannesburg Stock Exchange. The net proceeds so raised was R23,9 million.

Particulars relating to the Altron Executive Share Option Scheme and The Allied Electronics Corporation Limited Share Trust are set out in note 7.4 to the financial statements. Subsequent to the year end, 7 000 ordinary shares and 8 400 participating preference shares were allotted and issued pursuant to such schemes.

At the date of this report, a total of 5 219 755 ordinary shares and 36 126 660 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 Wednesday 8 July 1998. At that meeting, shareholders will be asked to continue to place 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

The names of the directors of the companies in office at the date of this report appear from pages 6 to 9.

The following changes occurred to the composition of the board of directors from the beginning of the accounting period up to date of this report:

Appointments

ALTRON

1 April 1997	G N Sproule P M O Curle
15 May 1997	C G Venter R E Venter
1 March 1998	G M Rochussen

Resignations/withdrawals

31 March 1997	C J de Jager P A Watt
28 February 1998	G N Sproule

In terms of Ventron's company articles of association, Mr L Boyd and Dr W P Venter retire at the forthcoming annual general meeting by rotation. All the retiring directors are eligible and available for re-election.

In terms of Altron's articles of association, Mr G M Rochussen retires at the forthcoming annual general meeting and Messrs I M Ayob, L Boyd and Drs H A Serebro and W P Venter retire by rotation. All the retiring directors are eligible and available for re-election.

Directors' Report

(continued)

FINANCIALS

SECRETARIES

Altron Management Services (Pty) Limited act as secretaries to the companies. The secretaries' business and postal addresses appear on page 76.

SEGMENTAL REPORTING

Segmental information is included in this annual report as part of the operational reviews.

Attributable earnings contributions to Altron were as follows:

	1998	1997
	R000	R000
Altech	77 646	42 110
Powertech	60 138	42 101
Fintech	53 419	49 269
Altron corporate	(10 096)	(18 529)
	181 107	114 951

INSURANCE RISK MANAGEMENT

The group's risk management programme incorporates the integral elements of risk control and risk finance wherein conventional insurance protects its assets against high value losses which is substantiated by comprehensive levels of self-insurance. Fixed assets at all levels are insured on a replacement value basis.

The effectiveness of the group's policy on risk management is reflected in the keen rates currently charged by its insurers in return for a relatively low claims experience. A sophisticated risk appraisal and review programme, incorporating a system of performance measurement, not only serves to identify hazards and minimise losses but provides an equitable method of premium allocation based on practical achievement.

Operating sites are graded according to size/value and risk control audits are conducted on a regular basis – for the larger operations twice a year and the remainder averaging once a year.

INFLATION ACCOUNTING

The group's annual financial statements are prepared on the historical cost basis, other than properties which are revalued at regular intervals, and as such do not disclose the effects of inflation on profits.

The fields of high technology in which the group is substantially involved include two features which have dominant effects on the way in which inflation affects the group, namely:

- rapid technology change, ensuring that equipment is rarely replaced in its existing form; and
- a tendency for unit costs of certain group products to reduce, despite general price rises and the fact that new products usually include enhanced features.

We do not, therefore, believe that in our circumstances there is an acceptable method of accounting for inflation which will clearly indicate the impact of inflation on the group. However, the earnings per share can be compared with inflation as measured by the Consumer Price Index (CPI) which forms part of the Altron group's Six-year Financial Review on page 3.

We are satisfied that our financial objectives and conservative accounting policies make adequate provision for the maintenance of capital and sustainable growth in real terms at an acceptable level.

DIRECTORS ' INTERESTS

VENTRON

At 28 February 1998 the present directors of the company held direct and indirect beneficial interests, including family interests, in 2 033 of the company's issued ordinary shares (1997: 1 233). A total of 95 000 options are allocated to directors in terms of the company's employee share scheme.

Chairman and director, Dr W P Venter, through his family and related trusts is the controlling shareholder of the company and in accordance with the definition contained in the Listings Requirements of the Johannesburg Stock Exchange, has a 59,8 percent beneficial interest in the company in respect of 16 177 870 (1997: 16 177 870) ordinary shares.

ALTRON

At 28 February 1998 the present directors of the company held direct and indirect beneficial interests, including family interests, in 2 753 050 of the company's issued ordinary shares (1997: 2 734 150 ordinary shares) and 10 850 of the company's issued participating preference shares (1997: 10 500). A total of 545 000 ordinary and 652 000 participating preference share options are allocated to executive directors in terms of the company's employee share schemes.

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

VENTRON MAJOR SHAREHOLDERS

Listed below are the major shareholders of Ventron holding 5 percent or more of Ventron's listed securities as at 28 February 1998.

Name of shareholders	Number of ordinary shares	%
Biltron (Pty) Limited	16 177 870	59,8
Anglo American Industrial Corporation Limited	7 860 741	29,0

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out in this report have been prepared in accordance with generally accepted accounting practices and are based on appropriate accounting policies, which are supported by reasonable and prudent judgements and estimates. These have been consistently applied except that Fintech Limited, a subsidiary of the companies, has deemed it prudent to provide for a tax equalisation reserve and its effect on the group financial statements is not material.

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

These financial statements have been prepared on the going-concern basis, since the directors of Ventron and Altron have every reason to believe that the companies and the 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 annual financial statements of Ventron and Altron for the year ended 28 February 1998 which appear on pages 37 to 73 were approved by the board and signed on its behalf on 29 May 1998.

for: Ventron Corporation Limited

Dr Bill Venter

CHAIRMAN

Dr Harold Serebro

EXECUTIVE DIRECTOR

for: Allied Electronics Corporation Limited

Dr Bill Venter

CHAIRMAN

Gavin Rochussen

GROUP FINANCIAL DIRECTOR

Principal Accounting Policies

FINANCIALS

This summary of principal accounting policies of the group is presented to assist in the evaluation of the annual financial statements. These policies have been consistently applied.

BASIS OF ACCOUNTING

The financial statements are prepared on the historical cost basis, modified by the periodic revaluation of land and buildings, and in accordance with Generally Accepted Accounting Practice.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the company and its subsidiaries. Where an investment in a subsidiary is acquired or disposed of during the financial year, its results are included from, or to, the date control became, or ceased to be, effective.

Accumulated depreciation of fixed assets relating to subsidiaries acquired is not set off against the original cost on acquisition.

Where an investment in a subsidiary is made during the financial year, any excess or shortfall of the purchase price compared with the fair value of the attributable net assets is recognised as goodwill and immediately charged directly to distributable reserves.

ADVANCES TO RENTAL FINANCE COMPANIES

Advances to rental finance customers are regarded as financing transactions and are supported by operating and finance leases and are stated at the outstanding capital balances.

Finance income earned is computed at the interest rates inherent in the contracts and is brought to income in proportion to the balance outstanding under each contract, by reference to the net present value of payments outstanding and is included in turnover.

CAPITALISATION OF BORROWINGS COSTS

Interest on borrowings raised specifically to finance the construction of assets to prepare them for sale or use, is capitalised up to the date that the assets are substantially complete.

DEFERRED TAXATION

Deferred taxation is provided using the liability method on the comprehensive basis, whereby current rates of tax are applied to items of income and expenditure which are recognised for tax purposes in periods different from those used for accounting purposes, reduced by computed tax losses carried forward.

Deferred tax assets are not created unless their future recovery is assured beyond reasonable doubt.

DISCONTINUED OPERATIONS

Discontinued operations are significant, distinguishable components that have been sold or abandoned or are subject to a formal plan of disposal.

Discontinued operations are separately recognised in the financial statements once management has made a commitment to discontinue the operation without a realistic possibility of withdrawal. Assets and liabilities of a discontinued operation are measured at realisable value and are presented as a single net amount. The operating profit or loss of discontinued operations up until the date of discontinuance is included in normal operating results and separately disclosed. The profit or losses on discontinuance includes incremental costs directly related to the discontinuance.

EARNINGS PER SHARE

Earnings per share is the earnings attributable to shareholders for the period, in cents, divided by the weighted average number of shares in issue.

Fully diluted earnings per share are calculated on the maximum number of shares that would have been in issue at year end had all share options been exercised and other potential dilutions taken place at the beginning of the year.

EXCEPTIONAL ITEMS

Exceptional items are items of income or expenditure that arise from the ordinary activities of the group but are of such a size or nature that they are separately disclosed in order to assist in evaluating the group's performance.

FOREIGN CURRENCIES

Foreign currency transaction risks are eliminated, where possible, by entering into forward exchange contracts.

Assets and liabilities in foreign currencies are translated at the hedged rates of exchange.

Gains and losses arising from currency related transactions during the year are included in operating income.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value taking account of market conditions and technology changes. Cost is determined on the first-in, first-out and average cost methods. Work and contracts in progress and finished goods include direct costs and an appropriate portion of manufacturing overhead expenditure, and are shown net of any payments received in advance. Where contracts in progress extend over more than one accounting period, interim profits are taken, based on the stage of completion of each contract, less provisions for anticipated losses.

INVESTMENTS

An investment in an associate is a long-term investment in a company in which the group has significant influence but not control. Such an investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the group's share of net assets of the associate.

Other investments are reflected at cost less amounts written off and provision for any permanent diminution in value. Income from other investments is brought to account when the right to receive payment is established.

LEASED ASSETS

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the group as lessee. Assets subject to finance lease agreements are capitalised, where material, at the cash cost equivalent and the corresponding liability to the lessor is raised. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income, and the capital repayment, which reduces the liability to the lessor. These assets are depreciated on the same basis as similar categories of assets owned by the group.

Operating leases are those leases which are not finance leases. Costs of leasing vehicles and equipment held under operating leases are charged to income as incurred. The cost of the assets and the outstanding commitments are not recorded in the balance sheet.

PROPERTY, PLANT, VEHICLES AND EQUIPMENT

Land and buildings are included at cost to the group or subsequent valuation. It is group policy to have land and buildings valued by certified valuers at regular intervals not exceeding five years. Surpluses and deficits on revaluation are dealt with via the non-distributable reserve.

Plant, vehicles and equipment are stated at cost less accumulated depreciation.

Patents, trademarks and copyrights are written off on acquisition. No valuation is made of internally developed patents, trademarks and copyrights.

The cost of property, plant, vehicles and equipment acquired under finance leases is capitalised. Lease finance charges are charged to operating income on a systematic

basis over the period of the leases. The cost of assets acquired under operating leases is not capitalised and the outstanding commitments are not recorded in the balance sheet. Operating lease charges are charged to income as incurred.

Land is not depreciated. Buildings, plant, vehicles and equipment and vehicles are depreciated at varying rates, on a straight-line basis over their expected useful lives, to estimated residual values.

Surpluses and losses arising on disposal of property, plant, vehicles and equipment in the normal course of business are included in operating income.

RESEARCH AND DEVELOPMENT

Research and development costs are written off in the year in which they are incurred.

RETIREMENT FUNDING

All eligible employees are either members of pension schemes administered by Allied Electronics Corporation Limited, which are funded in accordance with recommendations of the actuary, or schemes within the various industries in which they are employed. These schemes are defined contribution or defined benefit plans. The group's contributions for current service costs, past service and any supplemental benefits or enhanced contributions are charged against income when due in accordance with the actuary's recommendations.

TURNOVER

Turnover comprises the invoiced sales value of goods and services sold to customers, net of trade discounts and value added tax (and includes finance income earned by the group's rental finance subsidiary). On consolidation, turnover between group companies is eliminated except for sales between group companies on an arm's length basis. Other sales and transfers of a non-trading nature between group companies are excluded, as well as turnover of associate companies, commission, dividends and interest income.

PRESENTATION

Unless otherwise stated, all amounts in the annual financial statements are shown rounded off to the nearest R1 000. Comparative figures are restated or regrouped where necessary.

Consolidated Income Statements

FINANCIALS

for the year ended 28 February 1998

		VENTRON CORPORATION LIMITED		ALLIED ELECTRONICS CORPORATION LIMITED	
	Notes	1998 R000	1997 R000	1998 R000	1997 R000
Turnover	1	5 216 473	4 708 775	5 216 473	4 708 775
Operating income before interest		516 408	395 004	516 562	395 085
Net interest income	2	50 522	24 171	49 659	23 292
Income before exceptional items	3	566 930	419 175	566 221	418 377
Exceptional items	4	57 645	(24 295)	57 645	(24 295)
Income before taxation		624 575	394 880	623 866	394 082
Taxation	5	216 623	147 660	216 332	147 331
Income after taxation		407 952	247 220	407 534	246 751
Attributable to outside shareholders		(306 873)	(187 255)	(226 047)	(133 715)
– normal operations		(268 516)	(205 947)	(201 738)	(148 553)
– exceptional items		(38 357)	18 692	(24 309)	14 838
Share of income of associate companies		(197)	1 009	(380)	1 915
Earnings attributable to shareholders		100 882	60 974	181 107	114 951
Dividends		(26 378)	(22 176)	(54 127)	(44 446)
Transfers (to)/from non-distributable reserves		(409)	1 209	(790)	2 295
Retained income for the year		74 095	40 007	126 190	72 800
Distributable reserves – opening balance		123 046	90 329	477 794	418 828
Write down of associates and off-shore investments		(4 839)	—	(9 348)	—
Goodwill written off on acquisition		(942)	(7 290)	(1 819)	(13 834)
Distributable reserves					
– closing balance	8	191 360	123 046	592 817	477 794
Earnings per share (cents)	6	372,9	225,5	93,3	59,5
Headline earnings per share (cents)	6	317,2	241,3	78,3	63,8
Dividend per share (cents)		97,5	82,0	27,5	23,0

Consolidated Balance Sheets

at 28 February 1998

		VENTRON CORPORATION LIMITED		ALLIED ELECTRONICS CORPORATION LIMITED	
	Notes	1998 R000	1997 R000	1998 R000	1997 R000
CAPITAL EMPLOYED					
Share capital and premium	7	221 239	221 085	190 614	165 110
Reserves	8	217 228	153 438	641 245	534 962
Shareholders' equity		438 467	374 523	831 859	700 072
Outside shareholders' interests	9	1 382 118	1 140 139	980 914	808 969
Long-term liabilities	10	182 364	238 785	182 364	238 785
Deferred taxation	11	25 487	32 765	25 487	32 765
		2 028 436	1 786 212	2 020 624	1 780 591
EMPLOYMENT OF CAPITAL					
Fixed assets	12	443 702	400 955	443 702	400 955
Advances to rental finance customers	13	486 667	466 818	486 667	466 818
Investments and loans	13	179 747	134 403	179 747	134 403
Net current assets		918 320	784 036	910 508	778 415
Current assets		2 530 553	1 968 206	2 527 483	1 966 753
Inventories	14	845 065	692 872	845 065	692 872
Accounts receivable		968 156	811 450	968 156	811 450
Cash and cash equivalents	15	717 332	463 884	714 262	462 431
Current liabilities		1 612 233	1 184 170	1 616 975	1 188 338
Short-term loans	10	4 749	1 704	8 134	4 998
Accounts payable		1 188 017	859 793	1 187 981	859 762
Provisions	16	120 334	96 982	120 334	96 982
Bank overdraft	10	—	549	—	549
Taxation payable		183 197	109 280	182 971	108 946
Dividends recommended		26 378	22 176	54 080	44 437
Outside shareholders for dividends		89 558	93 686	63 475	72 664
		2 028 436	1 786 212	2 020 624	1 780 591
Net asset value per share (cents)		1 620,7	1 384,9	423,0	362,3

Consolidated Cash Flow Statements

FINANCIALS

for the year ended 28 February 1998

		VENTRON CORPORATION LIMITED		ALLIED ELECTRONICS CORPORATION LIMITED	
Notes		1998 R000	1997 R000	1998 R000	1997 R000
Cash retained from operating activities		510 696	272 820	485 568	271 847
Cash generated by operations	A	645 538	463 068	635 526	463 150
Investment income		94 552	46 062	93 689	45 183
Decrease/(Increase) in working capital	B	26 827	(43 752)	26 822	(43 750)
Cash generated by operating activities		766 917	465 378	756 037	464 583
Interest paid		(18 399)	(3 167)	(18 399)	(3 167)
Taxation paid	C	(149 984)	(104 109)	(149 585)	(104 036)
Cash available from operating activities		598 534	358 102	588 053	357 380
Dividends paid					
– to shareholders		(22 176)	(20 012)	(44 484)	(38 403)
– to outside shareholders		(65 662)	(65 270)	(58 001)	(47 130)
Cash generated by/(utilised) in investing activities		(195 787)	98 086	(195 787)	98 086
Investment to maintain operations		(38 486)	208 569	(38 486)	208 569
Replacement of fixed assets		(53 661)	(69 721)	(53 661)	(69 721)
Proceeds on disposal of fixed assets		9 665	18 764	9 665	18 764
Proceeds on disposal of interest in subsidiary	D	1 288	65 000	1 288	65 000
Proceeds on disposal of investments	E	—	162 297	—	162 297
Proceeds on disposal of operations	F	4 222	23 229	4 222	23 229
Proceeds on disposal of discontinued operations	G	—	9 000	—	9 000
Investment to expand operations		(157 301)	(110 483)	(157 301)	(110 483)
Additions to fixed assets		(71 020)	(15 289)	(71 020)	(15 289)
Acquisition of operations	H	(21 088)	(33 206)	(21 088)	(33 206)
Increase in advances to rental finance customers		(19 849)	(41 743)	(19 849)	(41 743)
Increase in investments		(45 344)	(24 603)	(45 344)	(24 603)
Decrease in long-term loans receivable		—	4 358	—	4 358
Cash effects of financing activities		(53 103)	(70 870)	(29 592)	(70 416)
Decrease in long-term borrowings		—	(1 342)	—	(1 342)
Decrease in long-term liabilities		(56 421)	(73 065)	(56 421)	(73 065)
Increase/(Decrease) in short-term loans		3 045	(377)	3 136	77
Proceeds on share issue in holding company		154	—	25 504	779
Increase/(Decrease) in outside shareholders' interest		119	3 914	(1 811)	3 135
Cash resources					
Net funds generated		261 806	300 036	260 189	299 517
Cash and cash equivalents in disposals		(7 809)	973	(7 809)	973
Cash and cash equivalents					
– at beginning of year		463 335	162 326	461 882	161 392
– at end of year		717 332	463 335	714 262	461 882

Notes to the Consolidated Cash Flow Statements

	VENTRON CORPORATION LIMITED		ALLIED ELECTRONICS CORPORATION LIMITED	
	1998 R000	1997 R000	1998 R000	1997 R000
A CASH GENERATED BY OPERATIONS				
Income before exceptional items	566 930	419 175	566 221	418 377
Dividend income	(25 631)	(18 724)	(25 631)	(18 724)
Interest received	(68 921)	(27 338)	(68 058)	(26 459)
Interest paid	18 399	3 167	18 399	3 167
	<u>490 777</u>	<u>376 280</u>	<u>490 931</u>	<u>376 361</u>
Adjustments for:				
Depreciation	80 439	75 736	80 439	75 736
Surplus on disposal of fixed assets	(4 569)	(3 681)	(4 569)	(3 681)
Movement in provisions and other non-cash items	78 891	17 422	68 725	17 423
Cash movement in exceptional items	—	(2 689)	—	(2 689)
	<u>645 538</u>	<u>463 068</u>	<u>635 526</u>	<u>463 150</u>
B DECREASE / (INCREASE) IN WORKING CAPITAL				
Increase in inventories	(152 193)	(17 543)	(152 193)	(17 543)
Increase in accounts receivable	(149 532)	(97 774)	(149 532)	(97 774)
Increase in accounts payable	328 552	71 565	328 547	71 567
	<u>26 827</u>	<u>(43 752)</u>	<u>26 822</u>	<u>(43 750)</u>
C TAXATION PAID				
Amounts unpaid at beginning of year	(109 280)	(66 561)	(108 946)	(66 483)
Amounts charged to the income statement	(223 901)	(146 828)	(223 610)	(146 499)
Amounts unpaid at end of year	183 197	109 280	182 971	108 946
	<u>(149 984)</u>	<u>(104 109)</u>	<u>(149 585)</u>	<u>(104 036)</u>
D PROCEEDS ON DISPOSAL OF INTEREST IN SUBSIDIAR Y				
Book value of interest	184	37 000	184	37 000
Surplus on disposal	1 104	28 000	1 104	28 000
	<u>1 288</u>	<u>65 000</u>	<u>1 288</u>	<u>65 000</u>

Notes to the Consolidated Cash Flow Statements

(continued)

FINANCIALS

	VENTRON CORPORATION LIMITED		ALLIED ELECTRONICS CORPORATION LIMITED	
	1998 R000	1997 R000	1998 R000	1997 R000
E PROCEEDS ON DISPOSAL OF INVESTMENTS				
Book value of investments	—	156 805	—	156 805
Surplus on disposal	—	5 492	—	5 492
	<u>—</u>	<u>162 297</u>	<u>—</u>	<u>162 297</u>
F PROCEEDS ON DISPOSAL OF OPERATIONS				
Fixed assets	—	3 173	—	3 173
Net working capital	(328)	7 622	(328)	7 622
Net cash at bank	7 809	3 427	7 809	3 427
Minority shareholders	(3 479)	—	(3 479)	—
Surplus on disposal	220	9 007	220	9 007
	<u>4 222</u>	<u>23 229</u>	<u>4 222</u>	<u>23 229</u>
G PROCEEDS ON DISPOSAL OF DISCONTINUED OPERATIONS				
Fixed assets	—	13 351	—	13 351
Net working capital	—	51 812	—	51 812
Net loans	—	(21 048)	—	(21 048)
Net overdraft	—	(4 400)	—	(4 400)
Exceptional write-offs	—	(25 715)	—	(25 715)
Loss on disposal	—	(5 000)	—	(5 000)
	<u>—</u>	<u>9 000</u>	<u>—</u>	<u>9 000</u>
H ACQUISITION OF OPERATIONS				
Fixed assets	(2 870)	—	(2 870)	—
Net working capital	(7 358)	(8 110)	(7 358)	(8 110)
Premium on acquisition	(10 860)	(25 096)	(10 860)	(25 096)
	<u>(21 088)</u>	<u>(33 206)</u>	<u>(21 088)</u>	<u>(33 206)</u>

Notes to the Consolidated Financial Statements

	VENTRON CORPORATION LIMITED		ALLIED ELECTRONICS CORPORATION LIMITED	
	1998 R000	1997 R000	1998 R000	1997 R000
1 TURNOVER				
Sales to customers	5 216 473	4 708 775	5 216 473	4 708 775
The following are excluded from turnover:				
Value added tax	696 784	621 943	696 784	621 943
Dividends and interest income, which are shown in notes 2 and 3.7	94 552	46 062	93 689	45 183
2 INTEREST				
Interest income	68 921	27 338	68 058	26 459
Interest expense	(18 399)	(3 167)	(18 399)	(3 167)
Net interest income	50 522	24 171	49 659	23 292
3 INCOME BEFORE EXCEPTIONAL ITEMS				
This is stated after taking account of the following items:				
3.1 Operating costs				
Material and services	3 208 143	3 058 390	3 208 143	3 058 390
Employees remuneration	973 289	914 500	973 135	914 419
Net change in inventories	152 193	17 543	152 193	17 543
Other operating costs	366 440	323 338	366 440	323 338
	4 700 065	4 313 771	4 699 911	4 313 690
3.2 Auditors' remuneration				
Audit fees	6 462	6 619	6 462	6 619
Fees for other services	468	226	468	226
	6 930	6 845	6 930	6 845
3.3 Depreciation of fixed assets				
Property	1 343	1 484	1 343	1 484
Plant, equipment and vehicles	78 424	71 606	78 424	71 606
Industrialisation expenditure	672	2 646	672	2 646
	80 439	75 736	80 439	75 736

Notes to the Consolidated Financial Statements

(continued)

FINANCIALS

	VENTRON CORPORATION LIMITED		ALLIED ELECTRONICS CORPORATION LIMITED	
	1998 R000	1997 R000	1998 R000	1997 R000
3.4 Fees payable				
Management fees	4 413	2 555	4 413	2 555
Technical, consultancy and “know-how” fees	28 664	20 853	28 664	20 853
	<u>33 077</u>	<u>23 408</u>	<u>33 077</u>	<u>23 408</u>
3.5 Increase in provisions	<u>23 352</u>	<u>26 182</u>	<u>23 352</u>	<u>26 182</u>
3.6 Operating lease charges				
Property	43 511	37 704	43 511	37 704
Plant, equipment and vehicles	23 196	26 206	23 196	26 206
	<u>66 707</u>	<u>63 910</u>	<u>66 707</u>	<u>63 910</u>
3.7 Other income				
Dividends from investments	25 631	18 724	25 631	18 724
Government grants and other allowances	9 092	11 938	9 092	11 938
	<u>34 723</u>	<u>30 662</u>	<u>34 723</u>	<u>30 662</u>
3.8 Research and development expenditure	<u>24 345</u>	<u>30 753</u>	<u>24 345</u>	<u>30 753</u>
3.9 Surplus on disposal of fixed assets				
Property	(6)	1 405	(6)	1 405
Plant, equipment and vehicles	4 574	2 276	4 574	2 276
	<u>4 568</u>	<u>3 681</u>	<u>4 568</u>	<u>3 681</u>

	VENTRON CORPORATION LIMITED		ALLIED ELECTRONICS CORPORATION LIMITED	
	1998 R000	1997 R000	1998 R000	1997 R000
4 EXCEPTIONAL ITEMS				
Surplus on disposal of equity in businesses	90 097	5 107	90 097	5 107
Deficit on disposal of equity in businesses	—	(37 298)	—	(37 298)
Surplus on disposal of other operations	—	37 007	—	37 007
Trademarks and copyrights written off	(550)	(24 431)	(550)	(24 431)
Group restructuring costs (incurred and provided)	(31 902)	(4 680)	(31 902)	(4 680)
Gross exceptional items	57 645	(24 295)	57 645	(24 295)
Tax relief on discontinuance costs	(4 208)	1 310	(4 208)	1 310
Attributable to outside shareholders	(38 357)	18 692	(24 309)	14 838
Net effect on attributable earnings	15 080	(4 293)	29 128	(8 147)

Notes to the Consolidated Financial Statements

(continued)

FINANCIALS

	VENTRON CORPORATION LIMITED		ALLIED ELECTRONICS CORPORATION LIMITED	
	1998 R000	1997 R000	1998 R000	1997 R000
5 TAXATION				
5.1 South African taxation charge				
Normal taxation – current	191 355	138 275	191 064	137 976
Deferred taxation – current	(1 156)	3 879	(1 156)	3 879
Normal taxation – prior	3 698	(4 229)	3 698	(4 259)
Deferred taxation – prior	141	623	141	623
Transfer from tax equalisation account	(6 263)	(3 670)	(6 263)	(3 670)
	<u>187 775</u>	<u>134 878</u>	<u>187 484</u>	<u>134 549</u>
Secondary tax on companies	28 848	12 444	28 848	12 444
Transition levy	—	338	—	338
	<u>216 623</u>	<u>147 660</u>	<u>216 332</u>	<u>147 331</u>
5.2 Reconciliation of rate of taxation				
South African normal tax rate	<u>35,0 %</u>	<u>35,0 %</u>	<u>35,0 %</u>	<u>35,0 %</u>
Adjusted for:				
Disallowable expense	0,2 %	4,1 %	0,2 %	4,1 %
Non-taxable income	(7,9)%	(8,1)%	(7,9)%	(8,1)%
(Decrease)/Increase in deferred tax assets not raised	0,2 %	(0,4)%	0,2 %	(0,4)%
Creation/(Utilisation) of tax losses	2,0 %	(0,2)%	2,0 %	(0,2)%
Abnormal write-offs	—	5,1 %	—	5,1 %
Investment and other allowances	(0,3)%	(0,1)%	(0,3)%	(0,1)%
Transfer from tax equalisation account	1,0 %	(0,9)%	1,0 %	(0,9)%
Prior year adjustments	<u>1,0 %</u>	<u>(0,4)%</u>	<u>1,0 %</u>	<u>(0,4)%</u>
	<u>(3,8)%</u>	<u>(0,9)%</u>	<u>(3,8)%</u>	<u>(0,9)%</u>
Secondary tax on companies	4,6 %	3,2 %	4,6 %	3,2 %
Transition levy	—	0,1 %	—	0,1 %
Net increase	<u>0,8 %</u>	<u>2,4 %</u>	<u>0,8 %</u>	<u>2,4 %</u>
Effective tax rates	<u>35,8 %</u>	<u>37,4 %</u>	<u>35,8 %</u>	<u>37,4 %</u>
5.3 Tax losses				
The estimated tax losses available for set-off against future taxable income are as follows:				
Total available tax losses	141 974	105 029	141 974	105 029
Applied to reduce deferred taxation	<u>(13 833)</u>	<u>(1 410)</u>	<u>(13 833)</u>	<u>(1 410)</u>
	<u>128 141</u>	<u>103 619</u>	<u>128 141</u>	<u>103 619</u>

6 EARNINGS PER SHARE

VENTRON CORPORATION LIMITED

6.1 Actual

Earnings per share of 372,9 cents (1997: 225,5 cents) is calculated using the weighted average number of shares in issue during the year of 27 051 624 (1997: 27 043 647), based on earnings attributable to shareholders.

6.2 Diluted

Fully diluted earnings per share based on 27 097 647 (1997: 27 138 647) shares is 372,3 cents (1997: 225,2 cents) calculated on the earnings attributable to shareholders for the year ended 28 February 1998, representing a dilution of 0,2% on the actual earnings stated in 6.1 above. This calculation thus does not recognise any funds to be received from such issues or any projected growth in attributable earnings arising from such additional funds, which could compensate for any dilution in earnings.

6.3 Headline earnings per share

Headline earnings per share is 317,2 cents (1997: 241,3 cents) based on the earnings attributable to shareholders before exceptional items, and calculated using the weighted average number of shares in issue during the year of 27 051 624 (1997: 27 043 647).

6.4 Reconciliation between earnings and headline earnings

	1998	1997
	R000	R000
Attributable earnings	100 882	60 974
Exceptional item – gross	(57 645)	24 295
Tax on exceptional items	4 208	(1 310)
Outside shareholders' interests – Altron	24 309	(14 838)
– Ventron in Altron	14 048	(3 854)
Headline earnings	85 802	65 267

ALLIED ELECTRONICS CORPORATION LIMITED

6.5 Actual

Earnings per share of 93,3 cents (1997: 59,5 cents) is calculated using the weighted average number of shares in issue during the year of 194 122 226 (1997: 193 050 391), based on earnings attributable to shareholders.

6.6 Diluted

Fully diluted earnings per share based on 202 326 030 (1997: 196 535 930) shares is 89,5 cents (1997: 58,5 cents) calculated on the earnings attributable to shareholders for the year ended 28 February 1998, representing a dilution of 4,25% on the actual earnings stated in 6.5 above. This calculation thus does not recognise any funds to be received from such issues or any projected growth in attributable earnings arising from such additional funds, which could compensate for any dilution in earnings.

6.7 Headline earnings per share

Headline earnings per share is 78,3 cents (1997: 63,8 cents) based on the earnings attributable to shareholders before exceptional items, and calculated using the weighted average number of shares in issue during the year of 194 122 226 (1997: 193 050 391).

6.8 Reconciliation between earnings and headline earnings

	1998	1997
	R000	R000
Attributable earnings	181 107	114 951
Exceptional item – gross	(57 645)	24 295
Tax on exceptional items	4 208	(1 310)
Outside shareholders' interests	24 309	(14 838)
Headline earnings	151 979	123 098

Notes to the Consolidated Financial Statements

(continued)

FINANCIALS

		VENTRON CORPORATION LIMITED	ALLIED ELECTRONICS CORPORATION LIMITED
		Number of shares	
		1998	1997
		1998	1997
7	SHARE CAPITAL		
7.1	Authorised		
	VENTRON CORPORATION LIMITED		
	Ordinary shares of 500 cents each	31 700 000	31 700 000
	ALLIED ELECTRONICS CORPORATION LIMITED		
	Ordinary shares of 2 cents each		247 500 000
	Participating preference shares of 0,01 cent each		500 000 000
7.2	Issued		
	Ordinary shares		
	In issue at beginning of year	27 043 647	27 043 647
	Issued in terms of share schemes	10 800	—
	In issue at end of year	27 054 447	27 043 647
	Participating preference shares		
	In issue at beginning of year		96 602 575
	Issued in terms of share schemes		3 258 940
	In issue at end of year		99 861 515

Refer to note 5 of the notes to the company financial statements for further details of the companies authorised and issued share capital.

7.3 Unissued

VENTRON CORPORATION LIMITED

600 506 (1997: 611 306) ordinary shares reserved to meet the requirements of The Ventron Corporation Limited Share Trust.

4 045 047 (1997: 4 045 047) ordinary shares under the control of the directors until the forthcoming annual general meeting.

ALLIED ELECTRONICS CORPORATION LIMITED

Ordinary shares

5 226 755 (1997: 5 418 995) ordinary shares reserved to meet the requirements of the Altron Executive Share Option Scheme and The Allied Electronics Corporation Limited Share Trust.

145 478 430 (1997: 145 478 430) ordinary shares under the control of the directors until the forthcoming annual general meeting.

Participating preference shares

36 135 060 (1997: 37 016 600) participating preference shares reserved to meet the requirements of the Altron Executive Share Option Scheme and The Allied Electronics Corporation Limited Share Trust.

364 003 425 (1997: 366 380 825) participating preference shares under the control of the directors until the forthcoming annual general meeting.

7.4 Employee share schemes

VENTRON CORPORATION LIMITED

Options allocated

Scheme	Number of options allocated as at 1 March 1997	Number of options granted	Number of options lapsed	Number of options forfeited	Number of options exercised	Number of options allocated as at 28 February 1998
Share trust	95 000	—	—	41 000	10 800	43 200

- Note: 1. No share options were granted to, or lapsed by directors during the year.
2. The subscription price of the 10 800 shares exercised by directors during the year was R153 900. The market price of these shares was R254 650.

ALLIED ELECTRONICS CORPORATION LIMITED

Scheme	Number of options allocated as at 1 March 1997		Number of options granted		Number of options lapsed		Number of options forfeited		Number of options exercised		Number of options allocated as at 28 February 1998	
	Ordinary	Part. pref.	Ordinary	Part. pref.	Ordinary	Part. pref.	Ordinary	Part. pref.	Ordinary	Part. pref.	Ordinary	Part. pref.
Share option	179 700	180 000	—	—	5 100	5 100	4 800	4 800	137 800	138 100	32 000	32 000
Share trust	481 940	5 247 840	—	978 000	8 000	8 000	68 400	823 800	48 040	115 840	357 500	5 278 200
Total	661 640	5 427 840	—	978 000	13 100	13 100	73 200	828 600	185 840	253 940	389 500	5 310 200

- Note 1. 484 500 participating preference share options were granted to directors during the year. No share options were lapsed by directors; however, directors of the company who resigned during the year forfeited 50 000 ordinary and 286 700 participating preference shares on resignation.
2. The market price of share options exercised during the year ranged from R6,10 to R10,80. The subscription price of these options ranges from R5,00 to R13,00.
3. The subscription price of the 31 900 ordinary share options exercised by the directors during the year amounted to R215 910. The market price of these ordinary shares exercised amounted to R273 710 and the participating preference shares amounted to R255 560.

Options available for allocation

2 963 260 ordinary shares are available for future allocation in terms of the Altron Executive Share Option Scheme with a further 1 873 995 ordinary shares available for future allocation in terms of The Allied Electronics Corporation Limited Share Trust.

2 963 260 participating preference shares are available for future allocation in terms of the Altron Executive Share Option Scheme with a further 27 861 600 participating preference shares available for future allocation in terms of The Allied Electronics Corporation Limited Share Trust.

Notes to the Consolidated Financial Statements

(continued)

FINANCIALS

	VENTRON CORPORATION LIMITED		ALLIED ELECTRONICS CORPORATION LIMITED	
	1998 R000	1997 R000	1998 R000	1997 R000
8 RESERVES				
8.1 Non-distributable reserves				
Balance at beginning of year	30 392	26 674	57 168	50 112
Movement for the year				
Deficit on revaluation of assets and investments	(688)	(221)	(1 332)	(420)
Equity accounted income/(loss)	478	(988)	924	(1 875)
Loss on disposal of land, buildings and investments	(25)	—	(48)	—
Unrealised surplus on translation of foreign currency reserves	(9 234)	4 927	(17 836)	9 351
Share premium arising in subsidiary on the issue of shares	4 945	—	9 552	—
Balance at end of year	25 868	30 392	48 428	57 168
Surplus on revaluation of assets and investments	12 982	13 670	24 135	25 467
Capital redemption reserve fund	710	710	1 346	1 346
Equity accounted income	2 777	2 299	5 278	4 354
Transfer on repayment of preference shares	(198)	(198)	(375)	(375)
Surplus on disposal of land and buildings and investments	4 598	4 623	8 713	8 761
Unrealised surplus on translation of foreign currency reserves	54	9 288	(221)	17 615
Share premium arising in subsidiary on the issue of shares	4 945	—	9 552	—
8.2 Distributable reserves				
Retained income	191 360	123 046	592 817	477 794
8.3 Total reserves	217 228	153 438	641 245	534 962

The accumulated distributable reserves, if declared as a cash dividend, would be subject to secondary tax on companies.

In the normal course of business, it is not expected that such a distribution from past distributable reserves will arise.

9 OUTSIDE SHAREHOLDERS' INTEREST

Equity interest	1 340 018	1 125 839	938 814	794 669
Interest free loans	42 100	14 300	42 100	14 300
	1 382 118	1 140 139	980 914	808 969

	VENTRON CORPORATION LIMITED		ALLIED ELECTRONICS CORPORATION LIMITED	
	1998 R000	1997 R000	1998 R000	1997 R000
10 BORROWINGS				
10.1 Long-term liabilities and short-term loans				
Long-term liabilities – other	14 967	—	14 967	—
Funding of rental finance book	167 397	238 785	167 397	238 785
	<u>182 364</u>	<u>238 785</u>	<u>182 364</u>	<u>238 785</u>
Short-term loans (including the portion of long-term liabilities repayable within one year)	4 749	1 704	8 134	4 998
Bank overdraft	—	549	—	549
Aggregate borrowings	<u>187 113</u>	<u>241 038</u>	<u>190 498</u>	<u>244 332</u>
In terms of the articles of association, the borrowing powers of the companies are unlimited.				
Refer to Annexure 1 for details.				
10.2 Guarantees	590 595	587 822	590 595	587 822
Borrowing facilities	409 000	321 530	409 000	321 530
Operating guarantees	181 595	266 292	181 595	266 292
11 DEFERRED TAXATION				
11.1 Deferred taxation movement				
Balance at beginning of year	32 765	31 933	32 765	31 933
Charged/(Credited) to the income statement				
– current year	(1 156)	3 879	(1 156)	3 879
– prior year	141	623	141	623
Transfer from tax equalisation account	(6 263)	(3 670)	(6 263)	(3 670)
Balance at end of year	<u>25 487</u>	<u>32 765</u>	<u>25 487</u>	<u>32 765</u>
11.2 Deferred taxation balance				
Provisions for taxation on timing differences resulting from:				
Fixed asset allowances	55 920	38 293	55 920	38 293
Debtors' allowances	(5 327)	(3 658)	(5 327)	(3 658)
Consumable stores	274	252	274	252
Receipts in advance	—	1 188	—	1 188
Construction work in progress	9 316	6 583	9 316	6 583
Provisions	(32 426)	(19 164)	(32 426)	(19 164)
Tax equalisation reserve	1 958	8 221	1 958	8 221
Tax losses	(10 370)	—	(10 370)	—
Other timing differences	6 142	1 050	6 142	1 050
	<u>25 487</u>	<u>32 765</u>	<u>25 487</u>	<u>32 765</u>
The above balance has been reduced by deferred tax assets of subsidiaries amounting to	21 323	7 711	21 323	7 711

Notes to the Consolidated Financial Statements

(continued)

FINANCIALS

	Land and buildings R000	Plant, equipment and vehicles R000	Industrial- isation expenditure R000	Total R000
12 FIXED ASSETS – GROUP				
Cost or valuation				
Balance at 28 February 1997	158 748	690 745	8 061	857 554
Additions at cost	3 602	123 949	—	127 551
Revaluations	900	—	—	900
Disposals and exceptional write-offs	(1 196)	(50 444)	(8 061)	(59 701)
Other movements	(10)	(159)	—	(169)
Balance at 28 February 1998	162 044	764 091	—	926 135
Accumulated depreciation				
Balance at 28 February 1997	13 732	435 478	7 389	456 599
Depreciation for the year	1 343	78 474	672	80 439
Disposals	(435)	(46 109)	(8 061)	(54 605)
Balance at 28 February 1998	14 640	467 793	—	482 433
Carrying amount at 28 February 1998	147 404	296 298	—	443 702
Carrying amount at 28 February 1997	145 016	255 267	672	400 955
Land and buildings held by the group were valued during 1994 on an open-market value basis, in continuation of existing use, by certified valuers Raymond Reinertsen (Pty) Limited and Taverner and Associates.				
Details of land and buildings are available to shareholders, on request, for inspection at the registered office of the company.				

	VENTRON CORPORATION LIMITED		ALLIED ELECTRONICS CORPORATION LIMITED	
	1998 R000	1997 R000	1998 R000	1997 R000
13 INVESTMENTS AND LOANS				
13.1 Associate companies				
Unlisted	7 859	28 304	7 859	28 304
13.2 Other investments				
Unlisted	153 786	87 997	153 786	87 997
Refer to Annexure 3 for details.				
13.3 Loans				
Other loans	18 102	18 102	18 102	18 102
13.4 Total investments and loans	179 747	134 403	179 747	134 403
13.5 Advances to rental finance customers				
A subsidiary, Technologies Acceptances (Pty) Limited, provides finance to customers who wish to rent certain of the group's products.				
14 INVENTORIES				
Raw materials	250 423	197 514	250 423	197 514
Work in progress	171 619	130 844	171 619	130 844
Contracts in progress	(43)	4 381	(43)	4 381
Finished goods	341 670	180 893	341 670	180 893
Merchandise	76 279	173 946	76 279	173 946
Consumable stores and spares	5 117	5 294	5 117	5 294
	845 065	692 872	845 065	692 872
Deducted from contracts in progress are receipts in advance amounting to	11 319	17 629	11 319	17 629
Inventory valued at cost	768 397	486 125	768 397	486 125
Inventory valued at net realisable value	76 668	206 747	76 668	206 747
	845 065	692 872	845 065	692 872
15 CASH AND CASH EQUIVALENTS				
Cash at bank and on deposit	717 332	463 884	714 262	462 431
16 PROVISIONS				
Warranty	60 153	65 013	60 153	65 013
Provision for restructuring costs	27 420	—	27 420	—
Other	32 761	31 969	32 761	31 969
	120 334	96 982	120 334	96 982

Notes to the Consolidated Financial Statements

FINANCIALS

(continued)

17 RETIREMENT BENEFIT INFORMATION

The majority of non-scheduled employees are members of either the Altron Group Pension Fund or the Altron Group Retirement Fund. The first is a defined contribution pension fund, while the latter was converted from a defined benefit provident fund to a defined contribution provident fund on 28 February 1998. Both these funds are governed by the Pension Funds Act, 1956 as amended. The net amount charged against income in respect of contributions amounted to R44 926 000 (1997: R37 055 461).

The funds are actuarially valued at intervals of not more than three years with interim valuations on a yearly basis as at the end of February. The results of the valuations are only available in July of each year. The contribution rate by the employers to the Altron Group Pension Fund was 9,25% to 28 February 1998, which was increased to 9,5% on 1 March 1998 and is calculated on the pensionable emoluments of members.

The actuary indicated at the last valuation dated 28 February 1997 that the benefits were fully funded and adequate reserves exist in the funds.

The remaining employees participate in other benefit plans or pension fund arrangements, set up in terms of industry requirements and the group's contribution to these funds amounted to R7 207 000 (1997: R11 454 000).

The group has commissioned an actuarial valuation of the potential liabilities for post-retirement medical benefits, principally in connection with contributions to the Altron medical aid scheme relative to current employees and retirees. This report indicates that there are sufficient reserves to cover the past-service contractual liability for post-retirement medical benefits.

	VENTRON CORPORATION LIMITED		ALLIED ELECTRONICS CORPORATION LIMITED	
	1998 R000	1997 R000	1998 R000	1997 R000
18 COMMITMENTS				
18.1 Capital expenditure				
Contracts for capital expenditure not provided for in the financial statements	17 710	11 743	17 710	11 743
Capital expenditure authorised but not contracted for	7 818	3 816	7 818	3 816
	<u>25 528</u>	<u>15 559</u>	<u>25 528</u>	<u>15 559</u>
18.2 Amounts outstanding under operating lease agreements				
Payable within the next year:				
Property	38 891	32 933	38 891	32 933
Plant, equipment and vehicles	29 844	22 676	29 844	22 676
	<u>68 735</u>	<u>55 609</u>	<u>68 735</u>	<u>55 609</u>
Payable thereafter:				
Property	127 665	88 216	127 665	88 216
Plant, equipment and vehicles	34 782	28 114	34 782	28 114
	<u>162 447</u>	<u>116 330</u>	<u>162 447</u>	<u>116 330</u>
Total	<u>231 182</u>	<u>171 939</u>	<u>231 182</u>	<u>171 939</u>

	VENTRON CORPORATION LIMITED		ALLIED ELECTRONICS CORPORATION LIMITED	
	1998 R000	1997 R000	1998 R000	1997 R000
19 CONTINGENT LIABILITIES				
Balance of consideration for acquisition of subsidiary	—	16 250	—	16 250
Guarantees of housing loans to employees – Powertech	—	12	—	12

20 FOREIGN CURRENCY COMMITMENTS

The group has entered into certain forward exchange contracts, which do not relate to specific items appearing in the balance sheet, but were entered into to cover foreign commitments not yet due. The contracts will be utilised for purposes of trade during 1998/99.

Details are as follows:

	Foreign amount (000)	Rand amount (000)
British pounds	11 663	96 604
US dollars	33 099	164 679
German marks	3 441	9 687
French francs	138 224	116 385
European currency units	15 072	81 938
Japanese yen	24 035	928
Other	4 532	2 576
		<u>472 797</u>

Company Income Statements

FINANCIALS

for the year ended 28 February 1998

		VENTRON CORPORATION LIMITED		ALLIED ELECTRONICS CORPORATION LIMITED	
	Notes	1998 R000	1997 R000	1998 R000	1997 R000
Turnover	1	—	—	—	—
Operating income before interest		27 844	23 333	61 942	53 300
Interest income/(expense)		856	868	—	(9)
Income before taxation	2	28 700	24 201	61 942	53 291
Taxation	3	289	325	—	—
Earnings attributable to shareholders		28 411	23 876	61 942	53 291
Dividends	4	(26 378)	(22 176)	(54 127)	(44 446)
Retained income for the year		2 033	1 700	7 815	8 845
Distributable reserves – opening balance		3 807	2 107	13 986	5 141
Distributable reserves – closing balance	6	5 840	3 807	21 801	13 986

Company Balance Sheets

at 28 February 1998

		VENTRON CORPORATION LIMITED		ALLIED ELECTRONICS CORPORATION LIMITED	
	Notes	1998 R000	1997 R000	1998 R000	1997 R000
CAPITAL EMPLOYED					
Share capital and premium	5	221 239	221 085	190 614	165 110
Reserves	6	5 840	3 807	26 861	19 046
Shareholders' equity		<u>227 079</u>	<u>224 892</u>	<u>217 475</u>	<u>184 156</u>
EMPLOYMENT OF CAPITAL					
Fixed assets	7	—	—	50	50
Interest in subsidiaries	8	222 649	222 564	208 883	176 752
Net current assets		4 430	2 328	8 542	7 354
Current assets		31 066	24 869	62 658	51 812
Accounts receivable		27 997	23 415	62 644	51 812
Cash and cash equivalents	9	3 069	1 454	14	—
Current liabilities		26 636	22 541	54 116	44 458
Accounts payable		36	32	36	21
Taxation payable		222	333	—	—
Dividends recommended		26 378	22 176	54 080	44 437
		<u>227 079</u>	<u>224 892</u>	<u>217 475</u>	<u>184 156</u>

Company Cash Flow Statements

FINANCIALS

for the year ended 28 February 1998

		VENTRON CORPORATION LIMITED		ALLIED ELECTRONICS CORPORATION LIMITED	
	Notes	1998 R000	1997 R000	1998 R000	1997 R000
Cash retained from operating activities		4 796	520	9 949	951
Cash generated by/(utilised in) operations	A	1 559	(83)	(247)	339
Investment income		27 997	24 284	62 189	51 373
Increase in working capital	B	(1 328)	(3 600)	(7 509)	(12 349)
Cash generated by operating activities		28 228	20 601	54 433	39 363
Interest paid		(856)	—	—	(9)
Taxation paid	C	(400)	(69)	—	—
Cash available from operating activities		26 972	20 532	54 433	39 354
Dividends paid to shareholders		(22 176)	(20 012)	(44 484)	(38 403)
Cash utilised in investing activities		—	—	—	1 788
Proceeds on disposal of fixed assets		—	—	—	1 588
Proceeds on disposal of investments		—	—	—	200
Cash effects of financing activities		(3 181)	—	(9 935)	(2 739)
Increase in interest in subsidiaries		(3 335)	—	(35 439)	—
Decrease in short-term borrowings		—	—	—	(3 518)
Proceeds on share issue to shareholders		154	—	25 504	779
Cash resources					
Net funds generated		1 615	520	14	—
Cash and cash equivalents					
– at beginning of year		1 454	934	—	—
– at end of year		3 069	1 454	14	—

Notes to the Company Cash Flow Statements

	VENTRON CORPORATION LIMITED		ALLIED ELECTRONICS CORPORATION LIMITED	
	1998 R000	1997 R000	1998 R000	1997 R000
A CASH GENERATED BY/ (UTILISED IN) OPERATIONS				
Income before taxation	28 700	24 201	61 942	53 291
Dividend income	(27 997)	(23 416)	(62 189)	(51 373)
Surplus on disposal of fixed assets	—	—	—	(1 588)
Interest expense/(income)	856	(868)	—	9
	<u>1 559</u>	<u>(83)</u>	<u>(247)</u>	<u>339</u>
B INCREASE IN WORKING CAPITAL				
Increase in accounts receivable	(1 332)	(3 603)	(7 524)	(12 313)
Increase/(Decrease) in accounts payable	4	3	15	(36)
	<u>(1 328)</u>	<u>(3 600)</u>	<u>(7 509)</u>	<u>(12 349)</u>
C TAXATION PAID				
Amounts unpaid at beginning of year	(333)	(77)	—	—
Amounts charged to the income statement	(289)	(325)	—	—
Amounts unpaid at end of year	222	333	—	—
	<u>(400)</u>	<u>(69)</u>	<u>—</u>	<u>—</u>

Notes to the Company Financial Statements

FINANCIALS

	VENTRON CORPORATION LIMITED		ALLIED ELECTRONICS CORPORATION LIMITED	
	1998 R000	1997 R000	1998 R000	1997 R000
1 TURNOVER				
There is no turnover in the companies as their main source of income is dividends from their subsidiaries which is disclosed below.				
2 INCOME BEFORE TAXATION				
This is stated after taking account of the following items:				
2.1 Income from subsidiaries				
Dividends	27 997	23 416	62 189	51 373
2.2 Surplus on disposal of fixed assets				
Part expropriation of property	—	—	—	1 588
2.3 Directors' emoluments				
Executive directors				
– salaries and bonuses	4 131	3 383	8 125	4 772
– retirement, medical and other benefits	1 007	553	1 466	1 026
	5 138	3 936	9 591	5 798
Non-executive directors				
– fees	—	—	57	52
Total directors' emoluments	5 138	3 936	9 648	5 850
Less: paid by subsidiaries	(5 138)	(3 936)	(9 591)	(5 798)
Emoluments paid by the company	—	—	57	52
Number of executive directors in office during the year	2	2	8	5
Benefits from share options exercised by directors during the year amounted to	101	—	313	42

	VENTRON CORPORATION LIMITED		ALLIED ELECTRONICS CORPORATION LIMITED	
	1998 R000	1997 R000	1998 R000	1997 R000
3 TAXATION				
3.1 South African taxation charge				
Normal taxation – current	289	296	—	—
Normal taxation – prior year adjustment	—	29	—	—
	<u>289</u>	<u>325</u>	<u>—</u>	<u>—</u>
3.2 Reconciliation of rate of taxation				
South African normal tax rate	35,0 %	35,0 %	35,0 %	35,0 %
Adjusted for:				
Disallowable expenses	(0,1)%	0,1 %	0,1 %	0,1 %
Non-taxable income	(33,9)%	(33,9)%	(35,1)%	(35,1)%
Prior year adjustments	—	0,1 %	—	—
Net reduction	<u>(34,0)%</u>	<u>(33,7)%</u>	<u>(35,0)%</u>	<u>(35,0)%</u>
Effective tax rate	<u>1,0 %</u>	<u>1,3 %</u>	<u>—</u>	<u>—</u>
4 DIVIDENDS				
Dividend No. 60 of 97,5 cents (1997: 82 cents) per share	26 378	22 176		
Balance of ordinary dividend No. 49			47	5
Balance of preference dividend No. 3			—	4
Ordinary dividend No. 50 of 27,5 cents (1997: 23 cents) per share			26 618	22 218
Preference dividend No. 4 of 27,5 cents (1997: 23 cents) per share			27 462	22 219
	<u>26 378</u>	<u>22 176</u>	<u>54 127</u>	<u>44 446</u>

Notes to the Company Financial Statements

FINANCIALS

(continued)

	VENTRON CORPORATION LIMITED		ALLIED ELECTRONICS CORPORATION LIMITED	
	1998 R000	1997 R000	1998 R000	1997 R000
5 SHARE CAPITAL AND PREMIUM				
5.1 Authorised				
Ordinary shares	158 500	158 500	4 950	4 950
Participating preference shares			50	50
	<u>158 500</u>	<u>158 500</u>	<u>5 000</u>	<u>5 000</u>
5.2 Issued				
Ordinary shares				
In issue at beginning of year	135 218	135 218	1 932	1 929
Issued in terms of share schemes	54	—	4	3
In issue at end of year	<u>135 272</u>	<u>135 218</u>	<u>1 936</u>	<u>1 932</u>
Participating preference shares				
In issue at beginning of year			10	10
Issued in terms of share schemes			—	—
In issue at end of year			<u>10</u>	<u>10</u>
5.3 Share premium				
Balance at beginning of year	85 867	85 867	163 168	162 392
Share premium arising from issue of new shares	100	—	25 500	776
Balance at end of year	<u>85 967</u>	<u>85 867</u>	<u>188 668</u>	<u>163 168</u>
Total issued share capital and premium	<u>221 239</u>	<u>221 085</u>	<u>190 614</u>	<u>165 110</u>
Refer to note 7 of the notes to the consolidated financial statements for details of the number of authorised and issued shares.				

	VENTRON CORPORATION LIMITED		ALLIED ELECTRONICS CORPORATION LIMITED	
	1998 R000	1997 R000	1998 R000	1997 R000
6 RESERVES				
6.1 Non-distributable reserves				
Revaluation of assets and investments	—	—	50	50
Surplus on disposal of assets and investments	—	—	5 010	5 010
	—	—	5 060	5 060
6.2 Distributable reserves				
Retained income	5 840	3 807	21 801	13 986
6.3 Total reserves	5 840	3 807	26 861	19 046
The accumulated distributable reserves, if declared as a cash dividend, would be subject to secondary tax on companies.				
In the normal course of business, it is not expected that such a distribution from past distributable reserves will arise.				
7 FIXED ASSETS				
Land	—	—	50	50
This consists of undeveloped land which due to its nature has not been revalued.				
8 INTEREST IN SUBSIDIARIES				
Shares at cost less amounts written off	219 314	219 314	173 444	173 444
Amounts payable by subsidiaries	3 335	3 250	35 439	3 308
	222 649	222 564	208 883	176 752
Refer to Annexure 2 for details.				
9 CASH AND CASH EQUIVALENTS				
Cash at bank	3 069	1 454	14	—

Annexur es to the Financial Statements

FINANCIALS

Annexur e 1

INFORMATION IN RESPECT OF LONG -TERM LIABILITIES AND SHORT -TERM LOANS			GROUP	
	Terms of repayment	Rate of interest p.a.	1998 R000	1997 R000
Long-term liabilities				
Unsecured				
Industrial Development Corporation of South Africa	Monthly amounts of R1 041 670 to terminate June 2000	10,5%	14 967	—
Other unsecured loans	None	None	4 749	1 704
Ventron group			4 749	1 704
Ventron Corporation Limited	No fixed terms	Variable	3 334	3 250
Ventech (Pty) Limited	No fixed terms	Variable	51	44
Altron group			8 134	4 998
Funding of rental book				
Various commercial banks	Various	15,62 – 17,66%	166 893	231 333
Other	Various	15,62 – 17,66%	504	7 452
			167 397	238 785

Annexure 2

INFORMATION IN RESPECT OF INTEREST IN PRINCIPAL SUBSIDIARIES

	Issued	Effective holding		Shares at cost less amounts written off		Net indebtedness	
	capital R000	1998 %	1997 %	1998 R	1997 R	1998 R	1997 R
VENTRON CORPORATION LIMITED							
Ventech (Pty) Limited							
– ordinary	16	100	100	161 791	161 791	—	—
– 8% cumulative preference	2	100	100	2	2	—	—
Allied Electronics Corporation Limited (Altron)							
– ordinary	1 936	53	53	57 521	57 521	—	—
– participating preference	10	53	53	—	—	—	—
Allied Technologies Limited (Altech)							
	517	28	29	—	—	—	—
Altron Finance (Pty) Limited	5	52	53	—	—	3 335	3 250
Fintech Limited (Fintech)	6 202	33	34	—	—	—	—
Power Technologies Limited (Powertech)	212 209	28	28	—	—	—	—
				<u>219 314</u>	<u>219 314</u>	<u>3 335</u>	<u>3 250</u>
ALLIED ELECTRONICS CORPORATION LIMITED							
Allied Technologies Limited (Altech)	517	54	55	13 361	13 361	—	—
Altron Finance (Pty) Limited	5	100	100	235	235	35 439	3 308
Altron Investment Holdings (Pty) Limited	—	100	100	—	—	—	—
Altron Management Services (Pty) Limited	10	100	100	—	—	—	—
Altron Properties (Pty) Limited	200	100	100	—	—	—	—
Bilven (Pty) Limited	100	100	100	13 263	13 263	—	—
Fintech Limited (Fintech)	6 202	63	65	67 853	67 853	—	—
Power Technologies Limited (Powertech)	212 209	53	53	78 732	78 732	—	—
				<u>173 444</u>	<u>173 444</u>	<u>35 439</u>	<u>3 308</u>

Notes: The above details are given in respect of interest in subsidiaries, where material. A full list of South African subsidiaries is available to shareholders, on request, at the registered office of the company.

Details of indirect investments in subsidiaries of Altech, Fintech and Powertech may be found in the annual reports of those listed companies.

Annexur es to the Financial Statements

FINANCIALS

(continued)

Annexur e 3

INFORMATION IN RESPECT OF INTEREST IN ASSOCIATE COMPANIES AND OTHER INVESTMENTS

	ABB Powertech Transmission and Distribution (Pty) Limited		Aeromaritime International Management Services (Pty) Limited									
	Total R000	Limited R000	Limited R000									
Associated companies – unlisted												
At 28 February 1998												
Ventron effective interest		6%	26%									
Altron effective interest		11%	50%									
Investment at cost less amounts written off	3 068	3 066	2									
Attributable share retained (loss) /income	(2 540)	(4 569)	2 029									
Indebtedness	7 331	7 331	—									
Total investment	7 859	5 828	2 031									
Directors' valuation	7 859	5 828	2 031									
At 28 February 1997												
Ventron effective interest		6%	26%									
Altron effective interest		11%	50%									
Investment at cost less amounts written off	19 221	19 219	2									
Attributable share of retained income	1 752	—	1 752									
Indebtedness	7 331	7 331	—									
Total investment	28 304	26 550	1 754									
Directors' valuation	28 304	26 550	1 754									
	Altron effective interest		Investment at cost less amounts written off		Attributable share of retained income		Indebtedness		Total investment		Ventron effective interest	
	1998 %	1997 %	1998 R000	1997 R000	1998 R000	1997 R000	1998 R000	1997 R000	1998 R000	1997 R000	1998 %	1997 %
Other – unlisted												
Alustang (Pty) Limited	8	8	150	150	—	—	—	—	150	150	4	4
Offshore trust			13 067	14 260	75 866	73 587	—	—	88 933	87 847	—	—
Rethabile Telecoms Investment (Pty) Limited (cumulative redeemable preference shares) – preference shares			63 000	—	—	—	—	—	63 000	—		
Puisano Investment Holdings (Pty) Limited (cumulative redeemable preference shares)			1 700	—	—	—	—	—	1 700	—		
E.P.I. (Pty) Limited			3	—	—	—	—	—	3	—		
Directors' valuation			77 920	14 410	75 866	73 587	—	—	153 786	87 997		

Annexur e 4

INFORMATION IN RESPECT OF INTEREST IN EQUITY ACCOUNTED ASSOCIATES

	(Unaudited) February 1998 R000	Audited June 1997 R000
A. The group made an investment in 40% of ABB Powertech Transmission and Distribution (Pty) Limited effective from 31 December 1996. The company is involved in overhead power transmission lines and erection, substation projects and equipment, network control and protection and reactive power compensation. The financial year end for ABB Powertech Transmission and Distribution (Pty) Limited is 31 December, however, account has been taken of the movements for the two months to February 1998. The attributable earnings of shareholders for the 14 months to 28 February 1998 was R11 422 000. This covers the entire period since the group's investment. The company balance sheets are summarised as follows		
Non-current assets	25 182	32 658
Current assets	137 691	123 206
Total assets	162 873	155 864
Interest-free liabilities (include deferred tax)	(113 391)	(98 619)
Interest-bearing funding	(34 908)	(31 252)
	14 574	25 993
Shareholders' equity	(3 754)	7 665
Shareholders' interest-free loans	18 328	18 328
	14 574	25 993
B. The group made an investment in 50% of Aeromaritime International Management Services (Pty) Limited effective from 1 July 1990. The company provides shipping and freight services. This service covers seafreight, airfreight, imports, exports, transport and freight audit. The financial year end for Aeromaritime International Management Services (Pty) Limited is 30 June, however, account has been taken of the movements for the eight months to 28 February 1998. The company's balance sheets are summarised as follows:		
Non-current assets	713	666
Current assets	31 583	27 817
Total assets	32 296	28 483
Interest-free liabilities (include deferred tax)	(27 213)	(25 430)
	5 083	3 035
Shareholders' equity	5 083	3 035

Notice of Annual General MEETING

VENTRON CORPORATION LIMITED

Notice is hereby given that the forty-sixth annual general meeting of members of Ventron Corporation Limited will be held at its corporate headquarters in the Wildman Room, 1st Floor, Altron House, 4 Sherborne Road, Parktown, Johannesburg on Wednesday 8 July 1998 immediately following the conclusion of the preceding Altron annual general meeting, which commences at 09:00 to conduct the following business:

1. To receive and consider the annual financial statements for the year ended 28 February 1998.
2. To elect directors in accordance with the provisions of the company's articles of association.
3. To renew the general authority granted to directors to allot and issue the unissued ordinary shares of the company, after providing for the allotment and issue of ordinary shares in terms of the company's share scheme, upon such terms and conditions as they in their sole discretion may determine; subject to the provisions of the Companies Act, 1973, as amended, and the requirements of the Johannesburg Stock Exchange ("JSE").
4. Subject to the renewal of the general authority proposed in terms of 3 above and in terms of the requirements of the JSE, shareholders to grant a waiver in favour of the directors for the allotment and issue of ordinary shares in the capital of the company for cash other than in the normal course by way of a rights offer or pursuant to the company's share schemes or acquisitions utilising such securities.

The allotment and issue of shares for cash, as and when suitable situations arise, shall be subject to the following limitations:

- this authority shall only be valid until the next annual general meeting of the company, but shall not endure beyond the period of 15 months from the date set down for the forty-sixth annual general meeting;
- a paid press announcement giving details, including the impact on net asset value and earnings per share, will be published at the time of any such allotment and issue of shares representing, on a cumulative basis within one

year, 5 percent or more of the number of shares in issue prior to any such issues;

- that issues in the aggregate in any one year shall not exceed 10 percent of the number of shares of the company's issued share capital, provided further that such issues shall not in aggregate in any three-year period exceed 15 percent of the company's issued share capital; and
- that, in determining the price at which an allotment and issue of shares will be made in terms of this authority, the maximum discount permitted will be 10 percent of the average closing price of the shares to be issued as determined over the 30 days prior to the date of the paid press announcement or, where no press announcement is required and none has been made, the date of issue of such shares.

As less than 35 percent of the company's issued shares are in the hands of the public as defined by the JSE, the approval of a 90 percent majority of the votes cast by shareholders present in person or represented by proxy at this annual general meeting will be required for this authority to become effective.

A member entitled to attend and vote at the meeting may appoint a proxy to attend, speak and vote in his stead. A proxy need not be a member of the company. Proxy forms should be forwarded to reach the company's transfer secretaries by not later than 09:00 on Monday 6 July 1998. The completion of a proxy form will not preclude a member from attending the meeting.

By order of the Board

Altron Management Services (Pty) Limited

SECRETARIES



per: **Sandi Linford**

GROUP SECRETARY

29 May 1998

ALLIED ELECTRONICS CORPORATION LIMITED

Notice is hereby given that the fifty-second annual general meeting of shareholders of Allied Electronics Corporation Limited will be held at its corporate headquarters in the Wildman Room, 1st Floor, Altron House, 4 Sherborne Road, Parktown, Johannesburg on Wednesday 8 July 1998 at 09:00 to conduct the following business:

1. To receive and consider the annual financial statements for the year ended 28 February 1998.
 2. To elect directors in accordance with the provisions of the company's articles of association.
 3. To confirm the remuneration of non-executive directors for the past financial year.
 4. To renew the general authority granted to directors to allot and issue the unissued ordinary and participating preference shares of the company, after providing for the allotment and issue of ordinary and participating preference shares in terms of the company's share schemes, upon such terms and conditions as they in their sole discretion may determine; subject to the provisions of the Companies Act, 1973, as amended, and the requirements of the Johannesburg Stock Exchange ("JSE").
 5. Subject to renewal of the general authority proposed in terms of 4 above and in terms of the requirements of the JSE, shareholders to grant a waiver in favour of the directors for the allotment and issue of ordinary and/or participating preference shares in the capital of the company for cash other than in the normal course by way of a rights offer or pursuant to the company's share schemes or acquisitions utilising such securities.
- The allotment and issue of shares for cash, as and when suitable situations arise, shall be subject to the following limitations:

- this authority shall only be valid until the next annual general meeting of the company but shall not endure beyond the period of 15 months from the date set down for the fifty-second annual general meeting;
- a paid press announcement giving details, including the impact on net asset value and earnings per share, will be published at the time of any such allotment and issue of shares representing, on a cumulative basis within one

year, 5 percent or more of the number of shares of that class in issue prior to any such issues;

- that issues in the aggregate in any one year shall not exceed 10 percent of the number of shares of any class of the company's issued share capital, in each case, provided further that such issues shall not in aggregate in any three-year period exceed 15 percent of the company's issued share capital of each such class; and
- that, in determining the price at which an allotment and issue of shares will be made in terms of this authority, the maximum discount permitted will be 10 percent of the average closing price of the class of shares to be issued as determined over the 30 days prior to the date of the paid press announcement or, where no press announcement is required and none has been made, the date of issue of such class of share.

As less than 35 percent of the company's issued shares are in the hands of the public as defined by the JSE, the approval of a 90 percent majority of the votes cast by shareholders present in person or represented by proxy at this annual general meeting will be required for this authority to become effective.

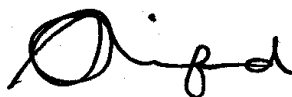
Ordinary and participating preference shareholders are entitled to attend and speak at the meeting, but only ordinary shareholders are entitled to vote.

Ordinary and participating preference shareholders may appoint a proxy to attend, speak and in respect of an ordinary shareholder, vote in their stead. A proxy need not be a shareholder of the company. Proxy forms should be forwarded to reach the company's transfer secretaries by not later than 09:00 on Monday 6 July 1998. The completion of a proxy form will not preclude a shareholder from attending the meeting.

By order of the Board

Altron Management Services (Pty) Limited

SECRETARIES



per: **Sandi Linford**

GROUP SECRETARY

29 May 1998

Corporate Administration

Business address
Altron House
4 Sherborne Road
Parktown 2193
PO Box 935, Boksburg 1460, South Africa
Telephone: National (011) 726-3060/9
International 27 11 726-3060/9
Telefax: (011) 726-5778
Web site: [http\www.altron.co.za](http://www.altron.co.za)

Secretaries and registered office
Altron Management Services (Pty) Limited
corner Brakpan and Van Dyk Roads
Boksburg East 1459
PO Box 935, Boksburg 1460, South Africa
Telephone: National (011) 899-6111
International 27 11 899-6111
Telefax: (011) 914-3910
E-mail: ams@ams.altron.co.za

Transfer secretaries
Mercantile Registrars Limited
94 President Street
Johannesburg 2001
PO Box 1053, Johannesburg 2000, South Africa
Telephone: National (011) 333-8181

Joint auditors
KPMG
Fisher Hoffman Sithole

Bankers
ABSA Bank Limited
First National Bank of Southern Africa Limited
Nedbank, a division of Nedcor Bank Limited
The Standard Bank of South Africa Limited

Currency Conversion Guide

To facilitate the interpretation of this report by readers not familiar with the South African rand, we provide the following conversion guide:

At 28 February 1998, one rand was equal to:

	1998	1997
£	0,1231	0,1371
US\$	0,2025	0,2233
DM	0,3670	0,3778
Fr.F	1,2307	1,2752
Yen	25,5820	26,9300



Allied Electronics Corporation Limited

(Incorporated in the Republic of South Africa)

(Registration No 05/24583/06)



• ALLIED ELECTRONICS CORPORATION LIMITED

PROXY

FOR THE FIFTY-SECOND ANNUAL GENERAL MEETING

– FOR USE BY ORDINARY SHAREHOLDERS

I/We

(PLEASE PRINT)

of

being the holder(s) of ordinary shares in the capital of the company do hereby appoint:

1. or failing him,

2. or failing him,

the Chairman of the annual general meeting as my/our proxy to attend and speak for me/us at the fifty-second annual general meeting of the company to be held or to abstain from voting as indicated below:

	Number of ordinary shares		
	For	Against	Abstain
1. Annual financial statements			
2. Election of directors			
3. Remuneration of non-executive directors			
4. Unissued shares			
5. Waiver of pre-emptive rights			

Signed at on 1998

Signature

Assisted by me
(WHERE APPLICABLE)

NOTES

1. An ordinary shareholder may insert the name of a proxy or the names of two alternative proxies of the ordinary shareholder's choice in the space provided and any such proxy need not be a shareholder of the company. Should a proxy not be specified, this will be exercised by the Chairman of the annual general meeting.
2. An ordinary shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. An ordinary shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the ordinary shareholder in the appropriate box(es). An ordinary shareholder or his proxy is not obliged to use all the votes exercisable by the ordinary shareholder, or to cast all those votes exercised in the same way, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the ordinary shareholder.
3. If an ordinary shareholder does not indicate on this instrument that his proxy is to vote in favour of or against any resolution or to abstain from voting, or give contradictory instructions, or should any further resolution(s) or any amendment(s) which may be properly put before the annual general meeting be proposed, the proxy shall be entitled to vote as he thinks fit.
4. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this form, unless previously recorded by the company or waived by the Chairman of the annual general meeting.
5. This proxy form should be completed and returned to the company's transfer secretaries, Mercantile Registrars Limited, 6th Floor, Mercantile Building, 94 President Street, Johannesburg 2001 (PO Box 1053, Johannesburg 2000), so as to reach them by not later than 09:00 on Monday 6 July 1998.

ADDITIONAL FORMS OF PROXY ARE AVAILABLE FROM THE TRANSFER SECRETARIES ON REQUEST.



Allied Electronics Corporation Limited

(Incorporated in the Republic of South Africa)

(Registration No 05/24583/06)



• ALLIED ELECTRONICS CORPORATION LIMITED

PROXY

FOR THE FIFTY -SECOND ANNUAL GENERAL MEETING

– FOR USE BY PARTICIPATING PREFERENCE SHAREHOLDERS

I/We

(PLEASE PRINT)

of

being the holder(s) of participating preference shares in the capital of the company do hereby appoint:

1. or failing him,

2. or failing him,

the Chairman of the annual general meeting as my/our proxy to attend and speak for me/us at the fifty-second annual general meeting of the company to be held on Wednesday 8 July 1998 at 09:00 and at any adjournment thereof.

Signed at on 1998

Signature

Assisted by me
(WHERE APPLICABLE)

NOTES

1. A participating preference shareholder may insert the name of a proxy or the names of two alternative proxies of the participating preference shareholder's choice in the space provided and any such proxy need not be a shareholder of the company. Should a proxy not be specified, this will be exercised by the Chairman of the annual general meeting.
2. A participating preference shareholder or his proxy is entitled to attendance at the annual general meeting, and to speak but not vote thereat in terms of the company's articles of association.
3. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this form, unless previously recorded by the company or waived by the Chairman of the annual general meeting.
4. This proxy form should be completed and returned to the company's transfer secretaries, Mercantile Registrars Limited, 6th Floor, Mercantile Building, 94 President Street, Johannesburg 2001 (PO Box 1053, Johannesburg 2000), so as to reach them by not later than 09:00 on Monday 6 July 1998.

VL **Ventr on Corporation Limited**
(Incorporated in the Republic of South Africa)
(Registration No 51/03937/06)

PROXY
FOR THE FORTY -SIXTH ANNUAL GENERAL MEETING

I/We

(PLEASE PRINT)

of

being the holder(s) of ordinary shares in the capital of the company do hereby appoint:

1. or failing him,

2. or failing him,

the Chairman of the annual general meeting as my/our proxy to attend and speak for me/us at the forty-sixth annual general meeting of the company to be held on Wednesday 8 July 1998 immediately upon conclusion of the preceding Altron annual general meeting which commences at 09:00 and at any adjournment thereof, and to vote for me/us on my/our behalf or to abstain from voting as indicated below:

	Number of ordinary shares		
	For	Against	Abstain
1. Annual financial statements			
2. Election of directors			
3. Unissued ordinary shares			
4. Waiver of pre-emptive rights			

Signed at on 1998

Signature

Assisted by me
(WHERE APPLICABLE)

NOTES

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space provided and any such proxy need not be a member of the company. Should a proxy not be specified, this will be exercised by the Chairman of the annual general meeting.
2. A member is entitled to one vote on a show of hands and, on a poll, one vote in respect of each share held. A member's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by that member in the appropriate box(es). A member or his proxy is not obliged to use all the votes exercisable by the member, or to cast all those votes exercised in the same way, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the member.
3. If a member does not indicate on this instrument that his proxy is to vote in favour or against any resolution or to abstain from voting, or give contradictory instructions, or should any further resolution(s) or any amendment(s) which may be properly put before the annual general meeting be proposed, the proxy shall be entitled to vote as he thinks fit.
4. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this form, unless previously recorded by the company or waived by the Chairman of the annual general meeting.
5. This proxy form should be completed and returned to the company's transfer secretaries, Mercantile Registrars Limited, 6th Floor, Mercantile Building, 94 President Street, Johannesburg 2001 (PO Box 1053, Johannesburg 2000), so as to reach them by not later than 09:00 on Monday 6 July 1998.



Shareholders' DIARY

Financial year end	28 February 1998
Annual general meetings	8 July 1998
Reports and financial statements	
Preliminary reports and dividend announcements (published)	7 May 1998
Annual financial statements (mailed to shareholders)	29 May 1998
Interim reports	October 1998
Dividend details	
Dividends declared	7 May 1998
Last day to register	22 May 1998
Payable	6 July 1998