Allied Electronics Corporation Limited

(Incorporated in the Republic of South Africa)
(Registration number 1947/024583/06)
ISIN: ZAE000029658
JSE Code: ATN

Audited consolidated financial results and dividend declaration for the year ended 28 February 2002.

- Operating Income up 22%
- Headline earnings per share up 28%
- Cash on hand - R1.4 billion
- Dividend up 19%

Income statement

Figures in R000

	% Change	**Year ended 28.02.02**	Year ended 28.02.01
Revenue	10.6%	**9,899,547**	8,951,166
Operating income	21.6%	**762,876**	627,300
Dividend income		**22,329**	22,077
Net interest income		**68,965**	54,465
Income from associates		**23,990**	10,529
Amortisation of goodwill		**(48,550)**	(43,285)
Exceptional item (Note 1)		**(83,923)**	63,615
Income before taxation	1.5%	**745,687**	734,701
Taxation		**195,371**	145,564
Income after taxation		**550,316**	589,137
Attributable to outside shareholders		**(242,309)**	(291,556)
Attributable earnings	3.5%	**308,007**	297,581

Basic earnings per share (cents)		**111.9**	103.3
Headline earnings per share (cents)	27.5%	**129.5**	101.5
Dividend per share (cents) - proposed		**37.0**	31
Weighted average number of shares in issue (000)			
- ordinary shares		**94,689**	96,984
- participating preference shares		**180,519**	191,150

Notes:

1. *Exceptional items*

Loss/profit on disposal of investment	**(37,448)**	85,417
Group restructuring costs	**(5,100)**	-
Profit on sale of operations	**56,456**	-
Impairment of assets	**4,488**	-
Capital profit on sale of property	**7,423**	-
Restraint of trade	**2,600**	32,834
Voltex settlement	**(36,400)**	-
Discontinued operations	**(18,497)**	-
Share of associates' exceptional items	**2,985**	(49,500)
Net loss arising on disposal and closure	**(60,430)**	(5,136)
	(83,923)	63,615

2. Reconciliation between earnings and headline earnings

Attributable earnings	**308,007**	297,581
Amortisation of goodwill	**48,550**	43,285
Exceptional items - gross	**83,923**	(63,615)
	440,480	277,251
Tax effect of above adjustments	**(13,237)**	(7,690)
Outside shareholders' interest	**(70,954)**	23,013
Headline earnings	**356,289**	292,574

3. The group, in line with revised Generally Accepted Accounting Practice, now only accrues a dividend in the financial statements on the last date to register for a dividend declared and no longer in anticipation of a dividend declaration. The comparatives have been restated.

The accounting policies and methods of computation adopted in this report are consistent with statements of Generally Accepted Accounting Practice and the previous year, except as reported above.

4. Diluted earnings per share and diluted headline earnings per share are not materially different from basic earnings per share and headline earnings per share respectively.

Balance sheet

Figures in R000

	Year ended 28.02.02	Year ended 28.02.01
Assets		
Non-current assets	**2,402,557**	2,228,580
Fixed assets	**701,845**	627,391
Goodwill	**265,109**	256,344
Negative Goodwill	**-**	(24,137)
Advance to rental finance customers	**1,041,833**	853,811
Finance lease assets	**100,447**	89,850
Investments and loans	**166,539**	300,811
Deferred taxation	**129,784**	79,510
Current assets	**4,678,233**	4,066,874
Inventories	**1,106,345**	1,124,716
Accounts receivable	**2,026,511**	1860,257
Voltex sale proceeds	**101,131**	-
Net cash and cash equivalents	**1,444,246**	1,081,901
Total assets	**7,080,790**	6,295,454
Equity and liabilities		
Ordinary shareholders' interest	**1,945,075**	1,761,151
Outside shareholders' Interest	**1,635,780**	1,642,250
Non-current liabilities	**986,091**	733,761
Deferred taxation	**49,524**	50,216
Current liabilities	**2,464,320**	2,108,076
Total equity and liabilities	**7,080,790**	6,295,454
Net asset value per share (cents)	**725.1**	615.7
Shares in issue at end of period (000) (excluding own shares acquired)		
- ordinary shares	**93,902**	96,997
- participating preference shares	**174,344**	189,043

Statement of changes in equity

Figures in R000

	Year ended 28.02.02	Year ended 28.02.01
Balance at start of period	**1,666,457**	1,399,897
Changes in accounting policy	**94,694**	86,568
	1,761,151	1,486,465
New shares issues movement	**27,246**	5,730
Attributable earnings	**308,007**	297,581
Dividends	**(89,723)**	(80,651)
Net gains and losses not recognised in the income statement	**138,892**	89,815
Foreign currency translation	**163,735**	99,464
Rights offer costs	**-**	(3,131)
Release of Foreign currency translation reserve on sale of 25% of a subsidiary	**(10,615)**	-
Other movements	**(14,228)**	(6,518)
Sub Total	**2,154,573**	1,798,940
Change in equity as result of subsidiary company acquiring its own shares	**(200,498)**	(37,789)
Shareholders' equity at end of year	**1,945,075**	1,761,151

Cash flow statement

Figures in R000

	Year ended 28.02.02	Year ended 28.02.01
Operating activities	**584,800**	313,698
Cash generated by operations	**857,797**	797,994
Net investment income	**84,986**	80,738
Changes in working capital	**238,579**	(174,001)
Taxation paid	**(244,351)**	216,500
Cash available from operating activities	**937,011**	488,231
Dividends paid, including to outside shareholders	**(352,211)**	(174,533)
Investing activities	**(269,194)**	(408,126)
Financing activities	**(51,293)**	264,767
Net funds generated / (utilised)	**264,313**	170,339

Operational contribution

	Year ended 28.02.02	%	Pro Forma* 28.02.01	%	Year ended 28.02.01

Revenue						
Altech		**3,604,705**	**36.4**	3,690,850	41.2	3,690,850
Powertech		**3,737,180**	**37.8**	3,351,581	37.4	3,351,581
BTG		**2,341,499**	**23.7**	1,731,482	19.3	382,886
Corporate/Fintech		**216,163**	**2.2**	177,253	2.0	1,525,849
		9,899,547	**100.0**	8,951,166	100.0	8,951,166
Headline earnings	**% held at 28.2.02**					
Altech	**53.4**	**150,661**	**42.3**	123,443	42.2	123,443
Powertech	**59.6**	**95,951**	**26.9**	77,062	26.3	77,062
BTG	**54.7**	**52,174**	**14.6**	25,355	8.7	(6,293)
Corporate/Fintech	**100.0**	**57,503**	**16.1**	66,714	22.8	98,362
		356,289	**100.0**	292,574	100.0	292,574

** BTG adjusted by revenue and headline earnings for the year attributable to companies purch Fintech on 28 February 2001*

Message to our shareholders

The past year has been characterised by the completion of a number of the group's stated restructuring objectives. Certain non core businesses were disposed of and a number of rationalisation programmes were implemented, notably within the BTG and Powertech groups. The group repurchased some 21.5 million of its shares in terms of a specific *pro rata* share offer at a cost of R175 million and, following a scheme of arrangement which was sanctioned by the High Court, Fintech became a wholly owned subsidiary of Altron and was subsequently de listed. A further action to simplify the group's structure has been the recently announced offer to Powertech minorities of 400 cents per Powertech share, which together with a proposed capital reduction of 100 cents per Powertech share will, subject to Powertech shareholder approval, result in a payment of 500 cents per Powertech share to Powertech minorities on or about Thursday 27 June 2002.

The general trading environment in which the group operated during the year under review was impacted somewhat by the global slowdown in the telecommunications and IT sectors and consequent reduction in demand of certain group products. However, notwithstanding these difficult trading conditions, the group showed resilience and once again produced solid results. A number of core operations delivered better than expected results, particularly in the second half, and your directors are pleased to report an increase of 11% in revenue from R9 billion to R9.9 billion. Of this, R2.3 billion was attributable to export and foreign operations presenting 24% of total revenue. Operating income rose by a significant 22% to R763 million with headline earnings per share at 129.5 cents from 101.5 cents, an improvement of 28%.

The balance sheet remains strong with cash and cash equivalents at year end of R1.4 billion. Net asset value per share increased 18% from 615.7 cents to 725.1 cents. A dividend of 37 cents per Altron ordinary and participating preference share has been proposed. This represents an increase over the prior year of 19%.

Business activities

Altech

For the sixth consecutive year, Altech has again recorded an excellent performance. Headline earnings per share were up 22% to 268 cents and while revenue remained unchanged at R3.6 billion, operating income rose by 26% to R337 million from R284 million.

Autopage Cellular also performed well during the period under review and increased its subscriber base to more than 460 000 subscribers. Similarly, **Netstar** also reported good growth and grew its subscriber base to some 160 000 vehicles.

UEC Technologies (UEC) recorded strong profit and market share growth despite market conditions that were difficult and increasingly competitive. Whilst UEC continued to dominate the local market, its growth for the past year has come mainly from international markets with revenues to the Middle East and North Africa exceeding the total revenues earned in South Africa.

Alcatel Altech Telecoms (AAT) profitability was negatively affected by facility closure costs, plus the accrual for future closure costs. In addition, AAT did not escape the impact of the worldwide downturn in the telecoms market. Altech recently announced that it was exercising its option to sell its entire 40% share of the AAT business to Alcatel CIT of France. The sale is in furtherance of Altech's policy of placing an even greater emphasis on its 100% owned home-grown technology product development with the additional advantage of ownership of Intellectual Property rights.

During the period under review, **Alcom Systems** commissioned the first ever Digital Terrestrial Trunked radio system on the African continent to the City of Cape Town while **Alcom Radio Distributors** received the coveted Motorola Top Distributor award for the Middle East and Africa region. Both **Isis** and its 50%- held subsidiary **Keops Isis** secured several contracts which are expected to benefit the businesses during the next reporting period. **Altech Card Solutions** maintained its dominant role within its chosen markets and produced good results during the year. **Arrow Altech Distribution** gained market share during the year end. This trend is expected to continue into the current year.

The past year has seen Altech make further progress in strengthening the group. Looking forward its increased focus on TMT convergence, substantial and sound acquisition together with continuing globalisation, will remain its core strategies to ensure the maintenance of long-term growth and increased shareholder value.

Powertech

The Powertech Group was impacted during the first half, by difficult trading conditions in the international telecommunications arena together with reduction in demand for certain power electronics products. However despite these conditions, Powertech recorded a full year increase of 19% in revenue from R3.1 billion to R3.7 billion coupled with headline earnings per share growth of a pleasing 26% to 61.2 cents from 48.5 cents. Operating income increased by 10% from R197 million to R216 million.

The Power Cables Division of **Aberdare Cables** delivered a strong performance and the corrective action taken by the management of Aberdare Cables during the year contributed to a turnaround in the low voltage cable manufacture business. The medium voltage cable operation reported a satisfactory increase in sales on the back of export orders and Aberdare Telecom Networks benefited from the roll out of the Second Network Operator where it was awarded contracts for the supply of innovative fibre optic cable products to Eskom's "Esi tel" and Transnet's "Transtel" operations.

ABB Powertech Transformers again recorded excellent results while the declining demand in automotive batteries together with increased operating costs impacted the performance of the Battery Group. Corrective action in the form of factory consolidation and branch distribution has taken place within the **Willard** and **Sabat Battery** operations.

During the period under review a 25.1% equity interest in **Aberdare Fibre Optic Cables** was sold to the world's largest optical fibre cable manufacturer, Corning Inc of the United States of America and black empowerment shareholding alliances were strengthened with the Ikwezi Group through agreements concluded with Aberdare Cables and **Rentech**.

The year ahead for Powertech will be one of continued focus on its core businesses, gross profit management and provision of added value services and solutions for its many customers.

BTG

Our IT business, BTG, posted significantly improved results that far exceeded market expectations and was able to report headline earnings per share of 40.3 cents compared to a prior year pro-forma figure of a loss of 16.4 cents and an actual loss of 156 cents per share. An increase in revenue of 17% from R2 billion to R2.34 billion was recorded while operating profits from continued operations rose by 85% to R116.6 million. Adjusted headline attributable earnings (excluding the benefits of raising a deferred tax asset) rose by R81 million from a loss of R20.4 million to a profit of R60.8 million.

Improved results were recorded by most of BTG's operations, in particular the networking and software businesses which had recorded significant losses in the previous year. The most significant improvement was reported by BTG's United Kingdom business which recorded an increase in profits from R7 million to R25 million compared to the prior year.

Digital Healthcare Solutions (formerly Mediswitch and QEDI) attained profitability during its first year of operation as a merged entity. **National Data Systems** with its NCR products and **Alcatel Business Systems** with its state-of-the-art PABX systems also achieved improved results. **Xerox SA** produced yet another set of solid results and the acquisition from Xerox UK of their sub-Saharan African distribution businesses contributed to increased profitability. Negotiations are underway to extend this area of activity within the sub-Saharan region.

As was advised in a recent cautionary, BTG is currently in an advanced stage of acquiring 100% of an IT services company in the United Kingdom which, if successfully concluded, will have a meaningful impact on BTG's profit growth for the next few years. This, together with the improvements achieved during the past year in all its other operations, positions BTG for positive earnings growth during the next financial year.

Corporate

Corporate activities comprise the group's treasury operations, its London Finance Company and more recently Fintech, the group's financing and leasing business which became wholly-owned in December 2001. Fintech increased its capital financed by 23% to some R1 billion and reported headline earnings per share of 36.9 cents. The quality of the rental book remains sound.

Repurchase of shares

Altron Finance (Pty) Limited, a wholly owned subsidiary of the company, has acquired since February 2001, in aggregate, the following number of ordinary and participating preference shares in the issued share capital of Altron:

	Number of shares	
	Ordinary	*Participating Preference*
In terms of a general authority	1 262 100	4 718 864
In terms of the specific pro rata authority	1 984 369	19 591 628
Total	3 246 469	24 310 492

The above equates to an effective buy back of 9% of the number of issued shares in the market.

Outlook

It is anticipated that the trading environment in which the group operates will continue to be somewhat difficult, but notwithstanding this, order books are satisfactory and the first two months of trading has met expectations. The year ahead is expected to be one of continuing progress with emphasis on realising the full potential of the group, using its considerable technology base and strong balance sheet to contribute to growth in earnings for 2003.

The board is of the opinion that the rationalisation benefits, the market share increase, and the new product introductions during the past year will continue in the year ahead and provide further benefits. As announced on SENS on Friday 10 May 2002, it must be noted that Mr Leslie Boyd has resigned from the Board. We thank him for his valuable contribution during his term of office.

Dividends

Notice is hereby given that the following dividends have been declared in respect of the year ended 28 February 2002:

- Ordinary dividend No. 54 of 37 cents per share; and
- Participating preference dividend No.8 of 37 cents per share.

The above dividends are payable as follows:

	2002
Last day for trading to qualify for and participate in the dividend (cum dividend)	Friday 28 June
Trading *ex* dividend commences	Monday 1 July
Record Date	Friday 5 July
Dividend payment date (electronic and certificated register)	Monday 8 July

Dividend cheques in payment of these dividends to certificated shareholders will be posted to shareholders on or about Monday 8 July 2002. Electronic payment to certificated shareholders will be undertaken simultaneously.

Shareholders who have dematerialised their share certificates will have their bank accounts, which are linked to their safe custody accounts, credited on Monday 8 July 2002.

In the case of certificated shareholders, notice of any change of address of shareholders must reach the transfer secretaries, Computershare Services Limited, on or before Friday 28 June 2002. Certificates may not be dematerialised or rematerialised from Monday 24 June 2002 to Friday 5 July 2002, both days inclusive.

Annual Report

The annual report of Altron for the year ended 28 February 2002 will be posted to shareholders in the month of June 2002.

On behalf of the board

Dr Bill Venter
Chairman

Robert Venter
Chief Executive Officer

14 May 2002

Directors:
Dr WP Venter (Chairman), RE Venter (Chief Executive), IM Ayob, MC Berzack, PMO Curle* (alternate: GJ Trollope), DA Hawton, F Mabuza-Suttle, PD Redshaw*, GM Rochussen, Dr HA Serebro (alternate: Adv DC Mpofu), CG Venter, PL Wilmot
Secretaries: Altron Management Services (Pty) Limited: Ms SF Linford, Group Secretary
* British

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IT Services for the Enterprise