

# A n n u a l R e p o r t 1 9 9 9



[www.stellavista.com](http://www.stellavista.com)



## Synopsis of business

Stella Vista Technologies is a communications and information systems company, specialising in the design of advanced LED (Light Emitting Diode) display systems suitable for a host of applications.

After five years of trading under the name of Stardust Electronics and making this name synonymous with Quality LED Displays, the company listed on the Johannesburg Stock Exchange in June 1999.

Stella Vista's mission is to be recognised as one of the top five companies in the world that design and market multimedia communication systems based on LED technology, which we have already achieved in terms of the level of technology and products that we design.

Stella Vista's formula for success is our drive towards the pursuit of excellence encompassing vision, creativity, perseverance, reliability, service and integrity.

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Turnover for trading period up 2%, if annualised, up 104%



Turnover up 5% on forecast

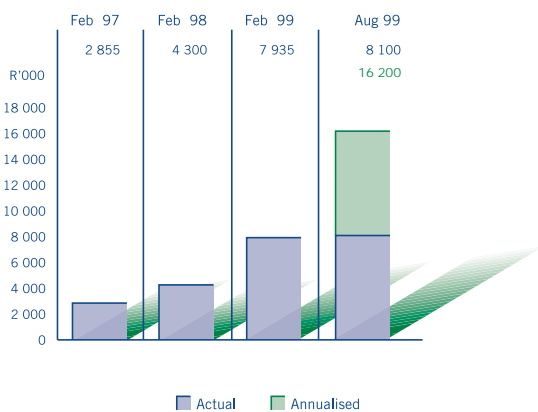


Headline earnings for trading period up 48%, if annualised, up 107%

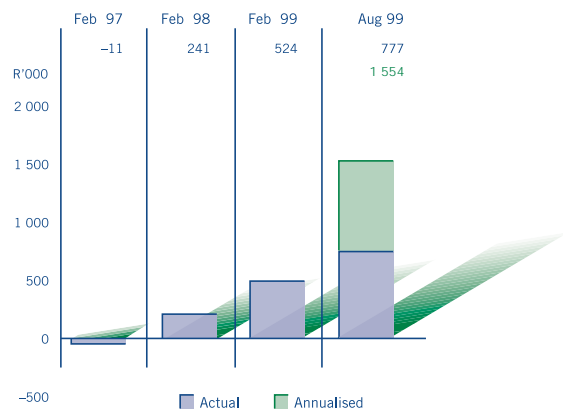


Headline earnings up 34% on forecast

Turnover



Headline earnings





This was a momentous year for Stella Vista. We listed on 10 June 1999 in the Development Capital sector of the Johannesburg Stock Exchange, raising R14 million to fund our development and expansion programmes and to enable us to continue to attract and retain skilled staff.

### FINANCIAL RESULTS

From a financial point of view our success is demonstrated by our results. The company committed itself to meeting the forecasts in its prospectus for the six-month trading period to 31 August 1999. We exceeded the sales forecast by 5% and our profit forecast by 34%, largely as a result of the single-minded efforts of our staff. Interest income in excess of expectations also helped achieve these satisfactory results. The company is essentially debt-free, and is able to take advantage of lower interest rates both for expansion and more particularly to assist customers to acquire or rent displays. Since the company's inception, turnover has grown by more than 100% per annum. It is important to note that this growth has been totally organic, and is set to continue in the same vein. This will keep us focused on what we do best.

### TECHNICAL AND SALES

There were several notable achievements in the past twelve months.

Stella Vista was the first company worldwide to announce the development of a 10-bit display system, which it did in November 1998. The significance of this achievement is underscored by the recent announcement by the largest light-emitting diode (LED) display producer in the world that it had produced a 10-bit display, some twelve months later than Stella Vista.

Exploratory visits internationally also showed that Stella Vista's technology is comparable with or better than other international companies' and resulted in numerous enquiries. Particular interest has been expressed in large electronic replay screens for sports stadia and international sporting events.

The company completed the design of its 10-bit display system with Virtual Resolution™ and installed full-colour, high-resolution LED display screens at Johannesburg International Airport and other locations in South Africa. Subsequent to the year-end, orders for several more advertising display screens have been received.

We continued the installation of our Flight Information Display Systems at Johannesburg and Cape Town International Airports. As a result, we have received inquiries from several international airport management companies interested in these systems.

Research and development activity increased subsequent to the listing and a total facility control system is being developed. We expect to make product announcements in the new year.

A pilot display project was launched at the Village Walk, Sandton. Teaming up with Independent-On-Line and I-Net Bridge, the display can offer up-to-date business, sporting, local and international news. This new medium, which provides content as well as advertising in outdoor venues and shopping malls, will be developed further.

### PROSPECTS

Local demand will continue to grow, but we expect the market to level off over the next few years, as there is a limit to the

number of large sports arena displays and airport signage opportunities. We are, however, convinced that advertising displays will continue to be erected and used more creatively. There are numerous opportunities under negotiation or evaluation, which could prove to be very exciting and our local order book is growing steadily. Nonetheless, the major potential lies in international markets.

Selling into an international market will only be successful if the technical and maintenance support is available. Stella Vista is committed to being a world-class player and will not expand into any markets without careful research and without being able to ensure that the necessary infrastructure is in place to support our customers.

Our international research has shown that the primary market should initially be the United States and we will be setting up an office in Pasadena, California, in the new year. The opportunities in the US are in various market segments, such as sports stadia (there are some 500 colleges in California and a further 4 500 throughout the rest of the United States), airports (Los Angeles alone has four major airports), traffic Variable Message Signs, and several other possibilities. Our observations have shown that the technology used so far in the US is mostly outdated, which presents us with a great opportunity, since not only is our technology world class, but our pricing makes us extremely competitive.

A recent exploratory visit to Australia has identified a high level of interest in that country, particularly as the Olympic Games in Sydney approach. We are appointing agents in Australia to market and service our products.



We expect that other international expansion will take place in the following years, once we have established ourselves in the United States and Australia.

The world market for large full-colour LED displays passed the US \$1 billion mark during 1999. Considering that no company holds more than 6 - 7% of the whole market, Stella Vista, with our high levels of technology, product specifications, quality and service, coupled with comparatively low prices, should perform well in the future, locally and internationally.

We are confident that Stella Vista will comfortably meet its prospectus forecasts for the year to 31 August 2000.

### DIRECTORS AND STAFF

The listing process took up a large amount of our time and the achievements of the company in the last few months have stretched us all. It is only due to the dedication and support of all the staff and to the involvement of our non-executive directors that we have been so successful. It will also be due to that same ethos that we will achieve all our goals in the future.

### SHAREHOLDERS

The company faced a number of challenges this year. The economic turmoil affecting emerging markets everywhere, coupled with currency and interest rate fluctuations, led to volatility in the local stock market. The listings of Sanlam and Old Mutual had also removed a large amount of liquidity from the market. These issues, together with the fall from favour of small capitalisation stocks, unquestionably impacted on the company's share price.

It was vital that Stella Vista listed as the business could not grow nor develop without the additional capital raised. Our achievements since the listing have confirmed our decision and we believe that as we continue to produce growth and superior results the share price will move to levels more correctly reflecting the underlying value of the business.



## THE COMPANY

Stella Vista is an information company, using light-emitting diode (LED) technology and sophisticated control software in the development of multimedia communications systems. Stella Vista's mission is to be recognised as one of the top five companies in the world in this field.

Although the business was established in 1994, the key strength of Stella Vista is based on the solid grounding of its founders who have, between them, over 40 years experience in the technology and products developed and marketed by the company and who have been in the electronic LED display field since 1990.

Through the integration of LED technology and computer software, Stella Vista has developed the leading range of multimedia communications systems in South Africa. All Stella Vista's products, including the computer software, have been designed in-house and the company's engineers and technicians, who have successfully developed all of Stella Vista's products, undertake ongoing and innovative research of markets and potential products.

## THE INDUSTRY

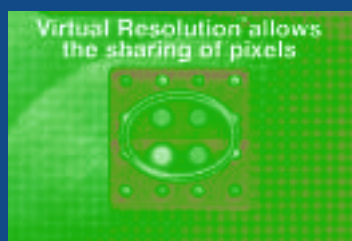
The development of electronic displays started several decades ago with the use of luminescent lamps. Today, the most advanced electronic displays use LEDs. The LED has proved to be the most reliable technology for displays, consuming less electricity, providing widest angles of view and being the brightest, as well as having the greatest advances in technology and applications over the last two decades.

LED technology is based on the chemical characteristic of some semiconductor materials to emit light of a certain wavelength (colour), depending on the type of material used. Starting with one-colour (usually red) LED displays developed from small, low-resolution units for showing mostly text and limited animation to three-colour units with better graphic capabilities. An early problem that confronted the LED display industry was

Virtual Resolution™, sophisticated interlacing technology also known as "pixel sharing", substantially increases the clarity of the video image on the screen. It effectively quadruples the total resolution of the screen at very little extra cost to the user.

It involves sharing the LEDs between pixels as illustrated in the pictures:

To produce all the possible colours, three basic colours are used (red, green and blue). There are two red and one each of green and blue LEDs in one pixel (picture element, dot). As can be seen in the top picture, this arrangement of LEDs allows for showing four (2 x 2) pixels. If we share the LEDs, as illustrated in the bottom picture, we double the number of observable pixels both horizontally and vertically, which actually quadruples the number of pixels displayed. This is achieved by using Stella Vista's proprietary Virtual Resolution™ technology, the result of which is image quality that is not achievable by the conventional displays.



that nobody knew how to make a blue LED (essential for full-colour screens, as one of the three primary colours).

With the advent of blue (and pure green) LEDs and their becoming affordable in the mid 1990s, the position changed entirely. LEDs soon made inroads into the high end of the display market, and eliminated CRT as competition. This was the last obstacle to LEDs being accepted as the technology of choice in electronic displays.

Today, LED displays are used extensively. In addition to providing simple message and advertising boards, the red-green displays are used in information systems at airports, railway stations, call centres, cinema complexes and offices. Advertising boards of the highest quality have been developed, utilising full-colour LEDs to produce moving video quality displays comparable to broadcast television, both outdoors and in very large formats.

## CORPORATE PHILOSOPHY

In order to achieve its objectives, the corporate values of Stella Vista are based on the following fundamental philosophies. We expect to have customers for life. As a result we ensure that Stella Vista deals with all clients with the utmost integrity. We have a fair pricing policy for our products, backed by service excellence and timely support for our customers. We will continue our world-class research and development, thus enabling the company to maintain its pre-eminent position in respect of both software and hardware requirements for its current and future products.

## QUALITY MATTERS

We will continue to ensure stringent quality controls over the design, manufacture,



assembly and servicing of all the group's products. The business is only as good as its people. We are committed to instilling amongst all employees a team ethos of excellence and pride in the group and its products, rewarding employees appropriately for their efforts.

This philosophy drives our business and is the benchmark against which all decisions are measured. We will ensure that this philosophy remains the cornerstone around which we will build the business.

## PRODUCTS

Stella Vista has two main product lines:

### TITAN

Titan™ video displays are the most advanced Stella Vista products. They are used as advertising boards, showing video and animated advertisements at various locations (road intersections, airports, shopping centres, for example), as replay screens at sports stadia and other venues, and as communication screens at conference centres. As they become more advanced and integrated, the number of uses (and the size of the market) for this product increases significantly.

Their primary qualities include the ability to show full-colour, full-motion video, using 256 (8-bit) or 1024 (10-bit) shades of each primary colour (red, green, blue) to achieve a complete range of 16 million or 1 billion colours.

### CONSTELLATION

Constellation™ information displays are used as an information delivery vehicle for large numbers of people in a variety of situations. Customer Information Systems are used at places such as airport terminals (informing passengers of the

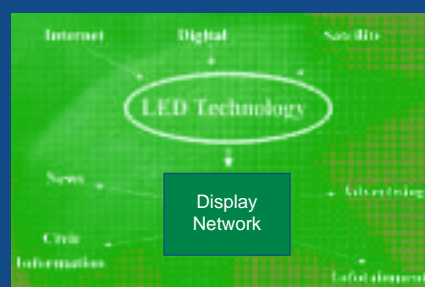
flight status) and entertainment complexes (informing patrons of the film starting times). Staff Information Systems show network status, production status or any other information that needs to be conveyed to staff at call centres, offices, factories, banks and airports.

Another use of the Constellation™ range of displays is as Traffic Variable Message Systems. An example of this is a group of displays that Stella Vista has developed in cooperation with Siemens and supplied for installation at the Huguenot tunnel in the Cape.

## CORPORATE GOVERNANCE

The company is committed to the principles of the King Report on Corporate Governance. The Chairman is a non-executive and an audit committee and a remuneration committee are being established, under the chairmanship of an independent, non-executive director.

Stella Vista is at the forefront of the development of a new communications medium. In essence the displays are similar to giant television screens. Any form of digital information, from any source, can be displayed on the screen. This allows the screens to be used for more than static or animated graphic advertising. Displays can and must be used as an information display system showing current news, civic and traffic information, entertainment and a variety of other types of information as well as advertising. The displays are not restricted to outdoor venues, but can be erected in shopping malls and numerous similar venues, where the full sound capability can also be exploited. Advertising too will change as advertisers and agencies realise the power of providing advertising which is directed specifically at the passing traffic and which attracts and retains attention.

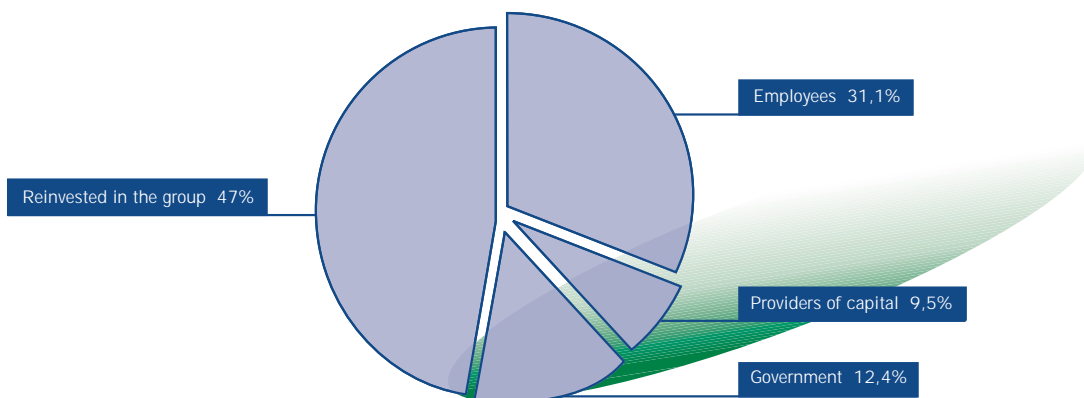


# Value added statement

for the period ended 31 August 1999



	1999 R	%
Revenue	8 100 615	
Paid to suppliers for materials and services	(5 676 534)	
Value added by operations	2 424 081	90,4
Interest income	256 984	9,6
Total wealth created	2 681 065	100,0
Distributed as follows:		
Employee		
– Salaries, wages and benefits	834 122	31,1
Providers of capital		
– Interest cost	254 895	9,5
Government		
– Income tax	332 948	12,4
Reinvested in the group		
– Depreciation	303 642	11,3
– Amortisation	178 581	6,7
– Retained earnings	776 877	29,0
Total distribution of wealth created	2 681 065	100,0





## TO THE MEMBERS OF STELLA VISTA TECHNOLOGIES LIMITED

The Group and Company annual financial statements set out on pages 8 to 22 have been approved by the Board of Directors and are signed on its behalf by:

MURIS TABAKOVIC  
Chief Executive Officer  
20 October 1999

# Report of independent auditors



## TO THE MEMBERS OF STELLA VISTA TECHNOLOGIES LIMITED

We have audited the Group and Company annual financial statements of Stella Vista Technologies Limited (formerly Megacor Holdings (Proprietary) Limited) set out on pages 8 to 22 for the eight months ended 31 August 1999. These Group financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these Group 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 Group financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the Group 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, the Group financial statements fairly present, in all material

respects, the financial position of the Company and of the Group at 31 August 1999 and the results of their operations and cash flows for the eight months then ended in accordance with generally accepted accounting practice, and in the manner required by the Companies Act.

PRICEWATERHOUSECOOPERS INC  
Registered Accountants and Auditors  
Chartered Accountants (SA)  
Sunninghill

20 October 1999



The Directors have pleasure in submitting the first financial statements of the Group and of the Company for the trading period ended 31 August 1999.

The Company was incorporated on 9 January 1996 and was established as a holding company which acquired the entire business of Stardust Electronics (Proprietary) Limited with effect from 1 March 1999 in preparation for a listing on the Johannesburg Stock Exchange. The group's results are for the period ended 31 August 1999. The company was listed on 10 June 1999.

## NATURE OF BUSINESS

Stella Vista Technologies Limited is a South African company listed on the development capital sector of the Johannesburg Stock Exchange. The current business operations of the company focus on the research, development, marketing, sales and support of communication and information systems.

## CHANGE OF NAME

The company changed its name on 3 May 1999 from Megacor Holdings (Proprietary) Limited to Stella Vista Technologies Limited.

## OPERATING AND FINANCIAL REVIEW

Comprehensive details of the financial position and operating results of the Group and the Company are set out in these group financial statements.

## STATEMENT OF RESPONSIBILITY

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity

of the Group financial statements and related information. The auditors are responsible to report on the fair presentation of the Group financial statements. The Group financial statements have been prepared in accordance with generally accepted accounting practice and in the manner required by the Companies Act.

The directors are also responsible for the company's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the Group financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

The Group and Company financial statements have been prepared on the going-concern basis, since the Directors have every reason to believe that the Group and the Company have adequate resources in place to continue in operation for the foreseeable future.

## YEAR 2000

All identified problems relating to the year 2000 are being rectified. At the same time the Group remains vigilant towards identifying and addressing new problems should they arise. Stella Vista is taking all reasonable and practicable steps to ensure business continuity at the change of the millennium and at this stage does not foresee any material operational difficulties which would have a significant impact on the future business results of Stella Vista Limited.

## STAKEHOLDER AWARENESS

Communications have been entered into with the Group's suppliers and clients to determine their level of compliance. Although no guarantees can be given that all stakeholders will be compliant, it is envisaged that some degree of non-compliance should not materially affect the Group's continued operations. An assessment of the indirect risk to Stella Vista Technologies' financial performance has led to the conclusion that current provisions adequately provide for losses due to the underperformance of investee companies as a result of year 2000 complications.

## COST CONSIDERATIONS

The constant evaluation of information technology systems dictates the enhancement and replacement of systems. Year 2000 compliance is but one of the constantly changing business requirements and therefore all costs associated with compliance are funded as part of normal operational and information technology expenses.

The structured approach to the project minimises the risk of material legal liability.

## CORPORATE GOVERNANCE

Stella Vista is fully committed to the principles of accountability, transparency and integrity in accordance with generally accepted corporate governance practices. Due to the size of the Group certain aspects of the King Code of Corporate Practice and Conduct are impractical, but these practices are being monitored to ensure their enactment as soon as is practical.



## SHARE CAPITAL AND ACQUISITIONS

Details of the authorised and the issued share capital of the Company at 31 August 1999 are contained in the Group financial statements.

The listing of the Company on 10 June 1999 resulted in the following shares being issued:

- 28 000 000 shares at 50 cents per share resulting in R14 000 000 cash raised in terms of a private placing. The purpose of this issue was to provide a source of funds for working capital, research and development and capital expenditure.
- 91 500 000 shares at 4,2 cents per share amounting to R3 845 000 for the acquisition of Stardust Electronics (Proprietary) Limited.
- 10 400 000 shares at 1 cent per share amounting to R104 000 in payment for the expenses of the placing and the listing.
- 10 000 000 shares at 1 cent per share amounting to R100 000.

## DIVIDENDS

In view of the Group's strategic expansion plans, the directors do not anticipate declaring dividends in the immediate future.

## SUBSIDIARIES

With effect from 1 March 1999, 100% of the share capital of Stardust Communications Systems (Proprietary) Limited and Stardust Asset Finance (Proprietary) Limited was acquired. Stardust Communications Systems (Proprietary) Limited specialises in light emitting diode technology, designing and marketing a range of programmable

electronic LED displays for a host of applications. Stardust Asset Finance (Proprietary) Limited will be utilised as a financing vehicle to assist in the marketing of the Group's specialised products.

## SHARE INCENTIVE SCHEME

No options were granted during the period under review.

## DIRECTORS' REPORT

An analysis of the Directors' registered shareholding as at 31 August 1999 is set out below:

Director	Direct beneficial	Indirect beneficial	% holding
M Tabakovic	-	24 430 500	17,45
S Radman	-	9 150 000	6,54
D Tabakovic	-	12 169 500	8,69
R Burke	33 500	22 875 000	16,34
A Coulson	-	22 875 000	16,34
C Livingstone	150 000	-	0,11

## EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The directors are not aware of any matter or circumstances arising since the end of the financial year, not otherwise dealt with in the report or group financial statements, that would affect the operations of the group or the results of those operations significantly.

# Income statements

for the period ended 31 August 1999



	Notes	Group 31 August 1999 R	Company 31 August 1999 R
REVENUE		8 100 615	–
COST OF SALES		(4 122 509)	–
GROSS PROFIT		3 978 106	–
OTHER OPERATING INCOME		62 986	–
DISTRIBUTION COSTS		(274 631)	–
ADMINISTRATION EXPENSES		(1 071 174)	–
OTHER OPERATING EXPENSES		(1 607 756)	–
OPERATING PROFIT	2	1 087 531	–
Net finance income	3	22 294	252 107
PROFIT BEFORE TAX		1 109 825	252 107
Taxation	4	(332 948)	(75 632)
NET PROFIT FOR THE PERIOD		776 877	176 475
Earnings per share (cents)	5		
– Basic and headline		0,55	–

# Balance sheets

as at 31 August 1999



	Notes	Group 31 August 1999 R	Company 31 August 1999 R	Company 31 December 1998 R
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	6	2 040 531	-	-
Intangible assets	7	1 517 554	-	-
Investments in subsidiaries	8	-	400	-
Non-current receivables	9	3 935 859	-	-
Deferred tax asset	10	340 457	-	-
		<b>7 834 401</b>	<b>400</b>	-
<b>Current assets</b>				
Inventories	11	8 691 845	-	-
Receivables and prepayments	12	1 681 947	-	1 000
Amounts owing by subsidiaries		-	7 194 600	-
Cash and cash equivalents	13	11 501 548	11 107 107	-
		<b>21 875 340</b>	<b>18 301 707</b>	1 000
<b>TOTAL ASSETS</b>		<b>29 709 741</b>	<b>18 302 107</b>	1 000
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Ordinary share capital	14	1 400 000	1 400 000	1 000
Share premium	14	16 650 000	16 650 000	-
Retained earnings		776 877	176 475	-
		<b>18 826 877</b>	<b>18 226 475</b>	1 000
<b>Non-current liabilities</b>				
Interest-bearing borrowings	15	4 086 687	-	-
Other borrowings	16	2 426 995	-	-
		<b>6 513 682</b>	-	-
<b>Current liabilities</b>				
Trade and other payables		2 609 606	-	-
Provisions	17	78 656	-	-
Current portion of interest-bearing borrowings	15	640 023	-	-
Current tax liabilities	18	1 040 897	75 632	-
		<b>4 369 182</b>	<b>75 632</b>	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>29 709 741</b>	<b>18 302 107</b>	1 000

# Cash flow statements

for the period ended 31 August 1999



	Notes	Group 31 August 1999 R	Company 31 August 1999 R
<b>Cash flows from operating activities</b>			
Cash receipts from customers		4 047 685	-
Cash paid to suppliers and employees		(8 387 403)	-
Cash flows from operating activities	19	(4 339 718)	-
Interest received		256 984	252 336
Foreign exchange gain		20 205	-
Interest paid		(254 895)	(229)
Taxation paid	20	(3 750)	-
Net cash (utilised in)/from operating activities		(4 321 174)	252 107
<b>Cash flow from investing activities</b>			
Acquisition of property, plant and equipment		(1 094 345)	-
Proceeds on disposal of property, plant and equipment		354 064	-
Investments in subsidiaries	21	(2 395 110)	(400)
Net cash utilised in investing activities		(3 135 391)	(400)
<b>Cash flow from financing activities</b>			
Ordinary shares issued		1 399 000	1 399 000
Share premium raised		16 650 000	16 650 000
<b>Net proceeds raised:</b>			
Borrowings		909 113	-
<b>Net loans made:</b>			
Amount owing by subsidiaries		-	(7 193 600)
Net cash generated by financing activities		18 958 113	10 855 400
<b>Net increase in cash and cash equivalents</b>		<b>11 501 548</b>	<b>11 107 107</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at end of period</b>		<b>11 501 548</b>	<b>11 107 107</b>

# Statement of changes in equity

for the period ended 31 August 1999



	Group 31 August 1999 R	Company 31 August 1999 R	Company 31 December 1998 R
<b>Share capital</b>			
Ordinary shares			
At beginning of period	1 000	1 000	1 000
Ordinary shares issued	1 399 000	1 399 000	-
	1 400 000	1 400 000	1 000
<b>Share premium</b>			
Share premium raised	16 650 000	16 650 000	-
	18 050 000	18 050 000	1 000
<b>Retained earnings</b>			
Retained opening balance	-	-	-
Net profit for the period and at end of period	776 877	176 475	-



## 1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated group financial statements are set out below.

### 1.1 Basis of preparation

The consolidated group financial statements are prepared in accordance with general accepted accounting practice. The consolidated Group financial statements are prepared under the historical cost convention.

### 1.2 Consolidation

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A listing of the Group's principal subsidiaries is set out in Note 8.

### 1.3 Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, receivables, trade creditors and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### 1.4 Research and development

Research and development expenditure is recognised as an expense, except that costs incurred on development projects are recognised as development assets (intangible assets) to the extent that such expenditure is expected to have future benefits. However, development costs initially recognised as an expense are not recognised as an asset in a subsequent period.

Development costs that have been capitalised are amortised from the commencement of the commercial production of the product to which they relate on a straight-line basis over the period of their expected benefit, but not exceeding five years.

### 1.5 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation.

Depreciation is calculated on the straight-line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful life as follows:

Assets for rehire	5 years
Motor vehicles and workshop equipment	5 years
Computer equipment	3 years
Office furniture and equipment	10 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

### 1.6 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined on a first-in first-out (FIFO) basis. The cost of finished goods and work in progress comprises raw materials and an appropriate allocation of overheads. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.



### 1.7 Trade receivables

Trade receivables are carried at anticipated realisable value.

Certain trade receivables have been factored with finance institutions (Note 15.2).

### 1.8 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, net of bank overdrafts.

### 1.9 Provisions

Provisions are recognised when the Group has present legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

### 1.10 Deferred income taxes

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Current legislated tax rates are used to determine deferred income tax.

The principal temporary difference arises from provisions on inventory. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised.

### 1.11 Revenue recognition

Sales are recognised upon delivery of products and customer acceptance, net of value added tax (VAT) and discounts, and after eliminating sales within the Group. Deposits received from customers relating to long-term rental agreements, are recognised as income over the period of the rental agreements.

Other revenues earned by the Group are recognised on the following bases:

Interest income – as it accrues unless collectibility is in doubt.

	Group 31 August 1999 R	Company 31 August 1999 R
2. OPERATING PROFIT		
The following items have been charged/(credited) in arriving at operating profit:		
Depreciation on property, plant and equipment – owned assets	303 642	–
Amortisation of intangible assets – Deferred development costs	178 581	–
Operating lease rentals – Office equipment	18 014	–
Foreign exchange gain	(20 205)	–



	Group 31 August 1999 R	Company 31 August 1999 R
<b>2. OPERATING PROFIT (CONTINUED)</b>		
Auditors' remuneration		
– Audit fees – current year	153 800	20 000
– Over provision – prior year	(44 617)	–
– Other services	29 350	–
	138 533	20 000
Directors' emoluments		
– Salaries	302 502	–
Fees relating to non-employees		
– Consulting services	101 354	–
Staff costs		
– Salaries and wages	834 122	–
Average monthly number of full time persons employed by the Group during the year	21	
<b>3. FINANCE INCOME</b>		
Interest income	256 984	252 107
Foreign exchange transaction gains	20 205	–
	277 189	252 107
Interest expense		
– Bank borrowings	(232 750)	–
– Instalment sale agreements	(22 145)	–
	(254 895)	–
Net finance income	22 294	252 107
<b>4. TAXATION</b>		
Current tax – SA normal	641 509	75 632
Deferred tax	(308 561)	–
	332 948	75 632
Profit before tax	1 109 825	252 107
	%	%
Tax calculated at a tax rate of 30%	30	30



	Group 31 August 1999 R	Company 31 August 1999 R
5. EARNINGS PER SHARE		
Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of shares in issue during the year.		
Net profit attributable to shareholders	776 877	-
Weighted average number of ordinary shares in issue	140 000 000	-
Basic and headline earnings per share (cents)	0,55	-

	Assets for rehire R	Motor vehicles R	Workshop equipment R	Computer equipment R	Office furniture & equipment R	Total R
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#### 6. PROPERTY, PLANT AND EQUIPMENT

##### Group

##### Period ended 31 August 1999

Acquired from Stardust Electronics	1 699 354	297 983	23 119	-	45 840	2 066 296
Additions	-	346 020	69 751	77 394	137 776	630 941
Disposals	(353 064)	-	-	-	-	(353 064)
Depreciation charge	(234 545)	(46 031)	(12 835)	(4 673)	(5 558)	(303 642)
Closing net book amount	1 111 745	597 972	80 035	72 721	178 058	2 040 531

##### At 31 August 1999

Cost	2 243 654	756 330	151 842	179 276	188 633	3 519 735
Accumulated depreciation	(1 131 909)	(158 358)	(71 807)	(106 555)	(10 575)	(1 479 204)
Net book amount	1 111 745	597 972	80 035	72 721	178 058	2 040 531

	Group 31 August 1999 R	Company 31 August 1999 R
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Instalment sale agreement assets included above comprise:

##### Motor vehicles

Cost	644 003	-
Accumulated depreciation	(46 031)	-
Net book amount	597 972	-



	Group 31 August 1999 R	Company 31 August 1999 R
<b>7. INTANGIBLE ASSETS</b>		
Acquired from Stardust Electronics	1 232 732	-
Investments in intangible assets	463 403	-
Amortisation charge	(178 581)	-
Net book value at the end of year	1 517 554	-
Intangible assets comprise development costs which have been capitalised.		
<b>8. INVESTMENTS IN SUBSIDIARIES</b>		
<b>Unlisted</b>		
Investments in subsidiaries acquired during the period	-	400

The following information relates to the company's interest in subsidiaries acquired on 1 March 1999:

Name	Country of incorporation	Number of shares held	Portion owned	Nature of business
Stardust Asset Finance (Proprietary) Limited	South Africa	300	100%	Asset financing
Stardust Communications Systems (Proprietary) Limited	South Africa	100	100%	Design and marketing of electronic LED displays

	Group 31 August 1999 R	Company 31 August 1999 R
<b>9. NON-CURRENT RECEIVABLES</b>		
Trade receivables	3 935 859	-
Non-current trade receivables included at R3 935 859 have been ceded to The Standard Bank of South Africa Limited, Stannic Division (Note 15.2)		



	Group 31 August 1999 R	Company 31 August 1999 R	
<b>10. DEFERRED TAX ASSET</b>			
Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30%.			
The movement on the deferred income account is as follows:			
Balance acquired through subsidiaries	31 895	-	
Movements during year attributable to: Timing differences	308 562	-	
At end of period	340 457	-	
Deferred tax assets and liabilities and deferred tax charge/ (credit) in the Group income statement are attributable to the following items:			
	Acquired 1 March 1999 R	Charged/ (credited) to income statement R	31 August 1999 R
<b>Deferred income tax liabilities</b>			
Accelerated tax depreciation	-	13 393	13 393
	-	13 393	13 393
<b>Deferred income tax asset</b>			
Provisions	-	(306 556)	(306 556)
Other deductible temporary differences	(31 895)	(15 399)	(47 294)
	(31 895)	(321 955)	(353 850)
Net deferred income tax asset	31 895	308 562	340 457
	Group 31 August 1999 R	Company 31 August 1999 R	
<b>11. INVENTORIES</b>			
Raw material components	3 934 296	-	
Work in progress	2 631 214	-	
Finished goods	2 126 335	-	
	8 691 845	-	
<b>12. RECEIVABLES AND PREPAYMENTS</b>			
Trade receivables	1 245 900	1 000	
Prepayments	3 000	-	
Current portion of long-term receivables	433 047	-	
	1 681 947	1 000	
Trade receivables included at R433 047 are ceded as security for borrowings as set out by Note 15.2.			



	Group 31 August 1999 R	Company 31 August 1999 R		
<b>13. CASH AND CASH EQUIVALENTS</b>				
Bank balances	11 495 548	11 107 107		
Cash on hand	6 000	-		
	<b>11 501 548</b>	<b>11 107 107</b>		
For the purpose of the cash flow statement for the period end, cash and cash equivalents comprise the following:				
Bank balances	11 898 548	11 107 107		
Cash on hand	6 000	-		
Bank overdrafts	(403 000)	-		
	<b>11 501 548</b>	<b>11 107 107</b>		
<b>14. ORDINARY SHARE CAPITAL</b>				
<b>Authorised:</b>				
600 000 000 ordinary shares of 1c each	6 000 000	6 000 000		
<b>Issued:</b>				
140 000 000 ordinary shares of 1c each	1 400 000	1 400 000		
Share premium	16 650 000	16 650 000		
<b>14.1 Issued share capital comprise the following classes of shares:</b>				
<b>Class of shares</b>	<b>Number of shares</b>	<b>Par value</b>	<b>Book value</b>	<b>Rights, preferences and restrictions</b>
Class A ordinary shares	140 000 000	R0,01	R0,01	Class A rights and restrictions
<b>14.2 Unissued shares</b>				
All unissued shares are under the control of the directors in terms of a general authority to allot and issue shares on such terms and conditions and at such times as they deem fit.				
This general authority expires at the forthcoming annual general meeting of the company.				
	Group 31 August 1999 R	Company 31 August 1999 R		
<b>15. INTEREST-BEARING BORROWINGS</b>				
<b>15.1 Instalment sale agreements</b>				
Total amount outstanding	415 575	-		
Less: Deferred finance charges	(57 771)	-		
	<b>357 804</b>	<b>-</b>		
Less: Current portion of interest-bearing borrowings	(206 976)	-		
	<b>150 828</b>	<b>-</b>		



	Group 31 August 1999 R	Company 31 August 1999 R
15. INTEREST-BEARING BORROWINGS (CONTINUED)		
Above agreements are secured over motor vehicles having a book value of R597 972 and is repayable over a period of five years, in monthly instalments of R24 718 inclusive of interest. Interest is charged at rates varying between 0,25% below and 0,915% above the prime overdraft lending rates.		
<b>15.2 Borrowings secured by cession of certain accounts receivable</b>	6 363 762	-
Less: Deferred finance charges	(1 994 856)	-
	4 368 906	-
Less: Current portion of interest-bearing borrowings	(433 047)	-
	3 935 859	-
The above borrowings are repayable at a period not exceeding five years in monthly instalments of R88 137. Interest is charged at 15,5% with an annual escalation of 12%.		
	4 086 687	-
Maturity of non-current borrowings:		
Not later than 1 year	640 023	-
Later than 1 year and not later than 5 years	4 086 687	-
16. OTHER BORROWINGS		
Borrowings from shareholders	2 200 000	-
Clients deposits	226 995	-
	2 426 995	-
Borrowings from shareholders are unsecured, interest-free and are not repayable before 1 September 2000.		
<b>Borrowing powers</b>		
The Articles of Association of the Company state that the extent of the borrowings are at the discretion of the directors.		
17. PROVISIONS		
Provision for leave pay	78 656	-
18. CURRENT TAX LIABILITIES		
SA normal tax	1 040 897	75 632



	Group 31 August 1999 R	Company 31 August 1999 R
<b>19. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Reconciliation of profit before tax to cash generated from operations:		
Operating profit before tax	1 109 825	-
Adjusted for:		
Interest received	(256 984)	-
Foreign exchange gain	(20 205)	-
Interest paid	254 895	-
Non-cash items:		
Depreciation included in other operating costs	303 642	-
Amortisation of intangible assets	178 581	-
Movements in current assets and liabilities		
Decrease in inventories	155 359	-
Increase in receivables and prepayments	(5 190 016)	(1 000)
Decrease in trade and other payables	(874 815)	-
Cash flows from operating activities	(4 339 718)	(1 000)
<b>20. TAXATION PAID</b>		
SA normal tax	(3 750)	-
<b>21. ACQUISITION OF SUBSIDIARY</b>		
On 1 March 1999, the Group acquired 100% of the assets and liabilities of Stardust Electronics (Proprietary) Limited.		
The assets and liabilities arising from the acquisition are as follows:		
Cash and cash equivalents	(2 399 612)	-
Property, plant and equipment	1 602 892	-
Intangible assets	1 696 135	-
Inventories	8 847 204	-
Receivables	427 790	-
Payables	(3 966 214)	-
Borrowings	(6 244 592)	-
Deferred tax asset	31 895	-
Fair value of net liabilities	(4 502)	-
Cash and cash equivalents acquired	2 399 612	-
Cash outflow on acquisition	2 395 110	-

**22. COMPARATIVE FIGURES**

Comparative figures for the company have not been disclosed in the income statement or cash flow statement, as the Company did not trade in the prior year.



(Registration number 96/00172/06)

For use by the members at the annual general meeting of shareholders of the Company to be held at 10:00 on 19 January 2000 or any adjournment thereof ("the annual general meeting") in the boardroom of the Company, 134 Side Road, West Turffontein, Johannesburg.

I/We (name in full) \_\_\_\_\_

of \_\_\_\_\_

being the holder(s) of  ordinary shares in the company, hereby appoint

1. \_\_\_\_\_ or failing him/her,

2. \_\_\_\_\_ or failing him/her,

3. the chairman of the annual general meeting, as my/our proxy to act for me/us on my/our behalf at the first annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof; and to vote for and against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions (see note 2):

Number of votes (one vote per ordinary share)

	In favour of	Against	Abstain
1. Approval of financial statements			
2. Ordinary resolution 1			
3. Ordinary resolution 2			
4. Other business			

Signed at \_\_\_\_\_ on \_\_\_\_\_

Signature \_\_\_\_\_

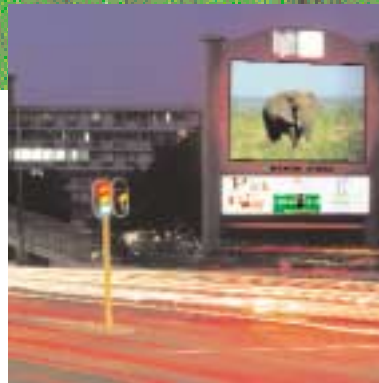
Assisted by me (where applicable) \_\_\_\_\_

Each member is entitled to appoint one or more proxies (who need not be a member of the company) to attend, speak and, on a poll, vote in place of that member at the annual general meeting.

Please read the notes on the reverse side hereof.



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(s) provided, with or without deleting "the chairman" of the annual general meeting. The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy, to the exclusion of those whose names follow.
2. A member's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate box provided. Failure to comply with the above will be deemed to authorise the chairman of the annual general meeting, if he is the authorised proxy, to vote in favour of the resolution at the annual general meeting, or any other proxy to vote or abstain from voting at the annual general meeting as he/she deems fit in respect of all the member's votes exercisable at that meeting.
3. A member or his/her proxy is not obliged to vote in respect of all the ordinary shares held or represented by him but the total number of votes for or against the resolution and in respect of which any abstention is recorded may not exceed the total number of votes to which the member or his/her proxy is entitled.
4. Forms of proxy must be lodged with or posted to the Company's Secretary, Lutrin & Partners, Ground Floor, Autoparks House, 13 Park Crescent, Glenhazel, 2192, PO Box 37172, Birnam Park, 2015 to be received by them not later than 10:00 am on 17 January 2000.
5. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person at the meeting to the exclusion of any proxy appointed in terms hereof should such member wish to do so.
6. Any alterations or corrections made to this form of proxy must be initialled by the signatory(ies).
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's secretary or waived by the chairman of the annual general meeting.
8. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a member wishes to vote.



## Synopsis of business

Stella Vista Technologies is a communications and information systems company, specialising in the design of advanced LED (Light Emitting Diode) display systems suitable for a host of applications.

After five years of trading under the name of Stardust Electronics and making this name synonymous with Quality LED Displays, the company listed on the Johannesburg Stock Exchange in June 1999.

Stella Vista's mission is to be recognised as one of the top five companies in the world that design and market multimedia communication systems based on LED technology, which we have already achieved in terms of the level of technology and products that we design.

Stella Vista's formula for success is our drive towards the pursuit of excellence encompassing vision, creativity, perseverance, reliability, service and integrity.

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Notice is hereby given that the first annual general meeting of shareholders of Stella Vista Technologies Limited will be held at 134 Side Road, West Turffontein, Johannesburg.

The following business will be dealt with at the annual general meeting of shareholders:

- to receive and consider the annual financial statements for the period ended 31 August 1999.
- to transact such other business as may be transacted at any ordinary general meeting;
- to consider and, if deemed fit, pass the following two ordinary resolutions:

#### **ORDINARY RESOLUTION NUMBER 1**

"Resolved that, in terms of this ordinary resolution number 1, all of the unissued ordinary shares in the capital of the company are hereby placed under the control of the directors of the company as a general authority, in terms of section 221(2) of the Companies Act 1973, Act 61 of 1973, as amended ("the Act"), for allotment and issue from time to time to such persons and in such manner as the directors of the company may determine in accordance with the provisions of the Act, the Company's Articles of Association and the Listing

Requirements of the JSE, until such time as the authority lapses in terms of the Act."

#### **ORDINARY RESOLUTION NUMBER 2**

"Resolved that the directors be given the general authority to issue new ordinary shares of 1 cent each for cash when suitable situations arise, subject to the Listing Requirements of the JSE and to the following limitations that:

- this authority shall be valid until the next annual general meeting of the company (provided it shall not extend beyond 15 months);
- a paid press announcement giving full details, including the impact on net asset value and earnings per share, be published at the time of any issue representing, on a cumulative basis within one year, 5% or more of the number of ordinary shares in issue prior to the issues;
- issues in the aggregate in any one year will not exceed 10% of the number of ordinary shares in the company's issued share capital and provided further that such issues shall not in aggregate in any three-year period exceed 15% of the company's issued share capital;
- the issue must be made to public shareholders as defined by the JSE;
- in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permit-

ted will be 10% of the weighted average traded price as determined over the 30 days prior to the date that the price of the issue is determined or agreed to by the directors of the company."

At less than 35% of the company's issued shares are in the hands of the public, as defined by the JSE, the approval of a 90% majority of the votes cast by shareholders present or represented by proxy at this general meeting is required for this ordinary resolution number 2 to become effective.

A member entitled to attend and vote at the annual general meeting is entitled to appoint one or more persons as his/her proxy to attend, vote and speak in his/her stead. A proxy need not be a member of the company. Forms of proxy must be deposited at the registered office of the company or posted to Lutrin & Partners, Ground Floor, Autoparks House, 13 Park Crescent, Glenhazel, 2192, PO Box 37172, Birnam Park, 2015, so as to arrive not less than 48 hours before the time of holding the meeting.

#### **By order of the board**

Lutrin & Partners  
Company Secretary

## Directors and administration



#### **COMPANY SECRETARY AND REGISTERED ADDRESS**

Lutrin & Partners

#### **Business address**

Ground Floor, Autoparks House  
13 Park Crescent  
Glenhazel 2192

#### **Postal address**

PO Box 37172  
Birnam Park 2015

#### **AUDITORS**

PricewaterhouseCoopers Inc

#### **ATTORNEYS**

Ramsay, Webber and Company

#### **BANKERS**

The Standard Bank of South Africa Limited

#### **DIRECTORATE**

At the date of this report the directors of the company are:

#### **Executive**

M Tabakovic (Chief Executive Officer)  
S Radman  
D Tabakovic

#### **Non-executive**

R Burke (Chairman)  
A Coulson  
C Livingstone

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