

AMALGAMATED APPLIANCE HOLDINGS LIMITED

Registration number 1997/004130/06 ("Amap" or "the Group")
ISIN: ZAE000012647 • Share code: AMA

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2005



*The results have been restated due to the first-time adoption of IFRS. Refer to the accounting policy note.

Abridged Group Income Statement

for the period ended 31 December 2005

	% 6 months change	Unaudited 6 months 31 December 2005 R'000	Restated * 6 months 31 December 2004 R'000	Restated * 12 months 30 June 2005 R'000
Revenue	(2)	1 056 830	1 075 996	1 798 174
Operating profit	22	104 022	85 601	169 132
Fair value adjustments on financial instruments		(3 039)	31 769	28 446
Net interest paid	(78)	(1 425)	(6 556)	(9 666)
Profit before taxation		99 558	110 814	187 912
Taxation	(27)	(27 064)	(37 102)	(59 947)
Net profit	(2)	72 494	73 712	127 965
Profit attributable to minority shareholders		(783)	-	-
Profit attributable to ordinary shareholders	(3)	71 711	73 712	127 965
Basic earnings per share – (cents)	(3)	34,8	35,9	62,3
Diluted basic earnings per share – (cents)	(3)	34,3	35,3	61,2

Abridged Group Balance Sheet

as at 31 December 2005

	Unaudited 31 December 2005 R'000	Restated * 31 December 2004 R'000	Restated * 30 June 2005 R'000
ASSETS			
Non-current assets	60 634	81 162	69 382
Property, plant and equipment	35 822	38 125	36 996
Goodwill	1 170	936	1 170
Trademarks	8 117	9 230	8 888
Other financial assets	13 824	25 834	16 256
Deferred tax – net	1 701	7 037	6 072
Current assets	825 766	828 050	739 944
Inventory	384 098	343 735	261 536
Trade and other receivables	310 269	382 315	186 136
Derivative financial asset	-	-	12 513
Bank and cash on hand	131 399	102 000	279 759
Total assets	886 400	909 212	809 326
EQUITY AND LIABILITIES			
Capital and reserves	457 776	369 719	420 737
Minority interest	783	-	-
Long-term borrowings	8 740	10 511	9 973
Current liabilities	419 101	528 982	378 616
Trade and other payables	389 010	475 257	323 749
Derivative financial liability	3 227	22 721	-
Dividends payable	83	37	37
Taxation	23 104	30 492	51 412
Short-term portion of long-term liability	3 677	475	3 418
Total equity and liabilities	886 400	909 212	809 326

Statement of Changes in Equity

for the period ended 31 December 2005

	Share capital R'000	Share premium R'000	Treasury share R'000	Fair value adjust- ment R'000	Accum- ulated profits R'000	Share- holder dividend R'000	Share- based compen- sation reserve R'000	Total R'000
Unaudited								
Balance at 1 July 2004 (Audited)	2 122	162 741	(7 285)	2 194	132 396	30 767	-	322 935
IFRS adjustments	-	-	-	-	5 472	-	318	5 790
Restated balance at 1 July 2004	2 122	162 741	(7 285)	2 194	137 868	30 767	318	328 725
Net profit for the period	-	-	-	-	73 712	-	-	73 712
Net profit as previously reported	-	-	-	-	73 343	-	-	73 343
IFRS adjustments	-	-	-	-	369	-	-	369
Dividend settled – cash election	-	-	-	-	-	(30 767)	-	(30 767)
Net treasury movement	-	-	(2 782)	-	-	-	-	(2 782)
IFRS adjustment: Share-based payment	-	-	-	-	-	-	340	340
Fair value movement	-	-	-	491	-	-	-	491
Balance at 31 December 2004	2 122	162 741	(10 067)	2 685	211 580	-	658	369 719
Net profit for the period	-	-	-	-	54 252	-	-	54 252
Net profit as previously reported	-	-	-	-	54 082	-	-	54 082
IFRS adjustments	-	-	-	-	170	-	-	170
Dividends adjustment to share incentive trust	-	-	-	-	(64)	-	-	(64)
Dividends proposed – gross	-	-	-	-	(36 072)	36 072	-	-
Dividends proposed – share incentive trust	-	-	-	-	1 112	(1 112)	-	-
Net treasury movement	-	-	(848)	-	-	-	-	(848)
IFRS adjustment: Share-based payment	-	-	-	-	-	-	363	363
Fair value movement	-	-	-	(2 685)	-	-	-	(2 685)
Balance at 30 June 2005	2 122	162 741	(10 915)	-	230 808	34 960	1 021	420 737
Net profit for the period	-	-	-	-	71 711	-	-	71 711
Dividend settled – cash election	-	-	-	-	-	(34 960)	-	(34 960)
Net treasury movement	-	-	(66)	-	-	-	-	(66)
Share-based payment	-	-	-	-	-	-	354	354
Balance at 31 December 2005	2 122	162 741	(10 981)	-	302 519	-	1 375	457 776

Directors

J Cohen (Chairman), SG Bernhardt, MC Berzack*, S Cohen, MJ Jooste*, JM Kahn*, JP Kieser*, SA Levitt*, A Nossel, S Scafidis, DM van der Merwe*

Alternates

S Green*

*Non-executive

Transfer secretaries

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Telephone (011) 490 9000

Sponsor

Bridge Capital Services (Pty) Limited
1st Floor, Building 22A, The Woodlands, Woodlands Drive, Woodmead

Financial Highlights

Operating profit increase	22%
Interest paid reduction	78%
Net cash on hand	R130m
Headline earnings per share	34,9 cents

Abridged Group Cash Flow Statement

for the period ended 31 December 2005

	Unaudited 6 months 31 December 2005 R'000	Restated * 6 months 31 December 2004 R'000	Restated * 12 months 30 June 2005 R'000
Cash flow from operating activities	(144 629)	(91 825)	77 417
Cash generated by trading	124 144	90 096	162 650
Working capital changes	(181 433)	(95 255)	5 697
Cash (utilised)/generated by operations	(57 289)	(5 159)	168 347
Net interest paid	(1 425)	(6 556)	(9 666)
Taxation paid	(51 001)	(49 343)	(50 470)
Dividends paid	(34 914)	(30 767)	(30 794)
Cash flow from investing activities	(2 691)	(2 830)	4 130
Additions to property, plant and equipment	(3 140)	(3 071)	(7 435)
Proceeds on disposal of property, plant and equipment	360	241	470
Proceeds on disposal of investments	-	-	10 873
Decrease in other financial assets	89	-	222
Cash flow from financing activities	(1 040)	3 829	5 386
Net movement in treasury shares (Decrease)/increase in long-term borrowings	(66)	(2 782)	(3 630)
Net (decrease)/increase in cash	(148 360)	(90 826)	86 933
Cash surplus at the beginning of the period	279 759	192 826	192 826
Cash resources at the end of the period	131 399	102 000	279 759

Supplementary Information

for the period ended 31 December 2005

	Unaudited 6 months 31 December 2005	Restated * 6 months 31 December 2004	Restated * 12 months 30 June 2005
Shares in issue (000's)	212 190	212 190	212 190
Shares in issue – weighted (000's)	206 291	205 283	205 486
Diluted number of shares – weighted (000's)	209 057	208 964	209 127
Net asset value per share (cents)	216	174	195
Cost of sales (R'000)	802 759	818 985	1 359 088
Interest received (R'000)	5 013	2 039	4 513
Interest paid (R'000)	(6 438)	(8 595)	(14 179)
Capital expenditure (R'000)	3 140	3 072	7 435
Capital commitments (R'000)	538	516	906
Depreciation, amortisation and impairment charge (R'000)	4 864	4 605	9 760
Finance and operating lease commitments (R'000)	40 742	39 765	30 457
Profit attributable to ordinary shareholders (R'000)	71 711	73 712	127 965
Profit on disposal of property, plant and equipment (net of tax) (R'000)	(99)	(144)	(60)
Profit on disposal of subsidiary (R'000)	-	-	(663)
Profit on disposal of investment (net of tax) (R'000)	-	-	(4 318)
Impairment of non-current assets (net of tax) (R'000)	305	-	714
Headline earnings (R'000)	71 917	73 568	123 638
Headline earnings per share – (cents)	34,9	35,8	60,2
Diluted headline earnings per share – (cents)	34,4	35,2	59,1

Comments

Operations

All divisions in the Group, operated profitably. With strong support from our suppliers and customers, we maintained or increased market share in all key categories. However, continuing price deflation in consumer electronics together with a slowdown in demand for certain products such as home theatre systems exerted pressure on revenues, leading to a marginal decline compared with the prior period. The trend towards a more stable and stronger rand continues to place a severe strain on our manufacturing facilities but ongoing efficiency improvement has ensured their continued viability. We introduced several exciting new products into our range during the period including the UnoUno coffee maker, Sansui personal computers and several new LCD and Plasma TVs, all of which have shown very promising sales trends. In addition, we have further strengthened our core operating infrastructure to handle the Group's growing unit sales, with investments in logistics, customer service and information technology.

Group performance

In spite of the 2% revenue decline from R1 076 million to R1 057 million, the Group's operating profits grew by 22% as a result of a combination of productivity gains and reduced expenses. Coupled with an interest cost reduction of 78% to R1,4 million and a lower tax rate, this strong operating result all but offset the net unfavourable swing of R35 million before tax of fair value adjustments on financial instruments (AC133/112) (2004: +R32 million; 2005: -R3 million), to deliver headline earnings per share of 35 cents (1 cent below the comparable period last year). Cash on hand increased by almost R30 million after providing R52 million for funding the mobile phone venture.

Board

During the period under review, Salton Inc. disposed of their 52,6% shareholding in Amap and Steinhoff International purchased a strategic stake of 25,1% in the Group. As a result, our USA directors L Dreimann and WB Rue resigned from the Board together with alternate non-executive director, ECW Janssen van den Doornmalen. Messrs MJ Jooste and DM van der Merwe representing Steinhoff joined the Board effective 1 November 2005.

Social responsibility and labour relations

The Group has embarked on a systematic process, guided by The Department of Trade and Industry's Codes of Good Practice, to fulfil the broad-based requirements of Black Economic Empowerment including employment equity, management and control, skills development, procurement and equity ownership.

Accounting Policies

The interim report is prepared on the historical cost basis except for financial instruments on certain property, plant and equipment which have been fair valued. This is in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) expected to be applicable at 30 June 2006, IAS 34: Interim financial reporting, the requirements of the South African Companies Act and the Listings Requirements of the JSE. The results are presented in terms of IFRS statements and interpretations applicable at the date of publication.

The Group has adopted and applied IFRS for the first time for the year ended 2006.

The transition date is 1 July 2004 ("the transition date"). The Group's opening IFRS balance sheet at the transition date has therefore been restated to reflect all statements expected to be applicable at 30 June 2006. Certain accounting policy changes and reclassifications were applied to comply with IFRS 1 and the comparative figures in respect of 2005 have been adjusted to reflect these changes.

The following new accounting policies were adopted:

• Property, plant and equipment

In terms of IFRS 1, a first time adopter may elect to use the fair value of individual items of property, plant and equipment at transition date as the deemed cost. Alternatively, a first time adopter may elect to measure individual items of property, plant and equipment at depreciated cost, determined in accordance with IFRS. These elections are available to each individual asset. Amap has made this transitional election on individual asset level, as the circumstances of each asset required.

• Share-based payments

The Group has applied IFRS 2: Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity settled awards granted after 7 November 2002, which were unvested as of 1 July 2004.

Reconciliations and descriptions of the effect of the transition from South African Standards of Generally Accepted Accounting Practice to IFRS on the Group's assets, liabilities, equity and net profit, are provided below:

Reconciliation of Income Statement

	6 months 31 December 2004 R'000	12 months 30 June 2005 R'000
Profit attributable to shareholders		
As previously reported under SA GAAP	73 343	127 425
IFRS adjustments	369	540
Property, plant and equipment (net of tax)	709	1 243
Share-based payments	(340)	(703)
As reported under IFRS	73 712	127 965

Reconciliation of Assets, Liabilities and Equity

	Property, plant and equipment R'000	Net deferred tax R'000	Retained earnings R'000	Share-based compensa- tion reserve R'000
1 July 2004				
As previously reported	31 077	10 243	132 396	-
IFRS adjustments	8 044	(2 254)	5 472	318
Share-based payments	-	-	(318)	318
Property, plant and equipment	8 044	(2 254)	5 790	-
As reported under IFRS	39 121	7 989	137 868	318
31 December 2004				
As previously reported	29 188	9 475	205 739	-
IFRS adjustments	8 937	(2 438)	5 841	658
Share-based payments	-	-	(658)	658
Property, plant and equipment	8 937	(2 438)	6 499	-
As reported under IFRS	38 125	7 037	211 580	658
30 June 2005				
As previously reported	27 308	8 728	224 797	-
IFRS adjustments	9 688	(2 656)	6 011	1 021
Share-based payments	-	-	(1 021)	1 021
Property, plant and equipment	9 688	(2 656)	7 032	-
As reported under IFRS	36 996	6 072	230 808	1 021

Related Party Transactions

The company entered into various related party transactions. These transactions are no less favourable than those arranged with third parties.

Subsequent Events

No events material to the understanding of the report have occurred in the period between the period end date and the date of this report.

Our social responsibility programmes focus on education and development and the upliftment of the quality of life of disadvantaged people. In addition, our employee relations remain excellent,