



# AMALGAMATED APPLIANCE HOLDINGS LIMITED

Registration number: 1997/004130/06 ISIN: ZAE00012647 Share code: AMA ("AMAP" or "the Group")

## HIGHLIGHTS#

Returned to profitability

Basic earnings per share increased  
to 18,7 cents

HEPS increased

to 19,0 cents

Net cash on hand

R204,4 million

\*Highlighted results relate to continuing and discontinuing operations

## Reviewed consolidated results for the year ended 30 June 2010

### CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Reviewed 30 June 2010 R'000	Restated* Audited 30 June 2009 R'000
<b>Continuing operations</b>		
Revenue	759 095	1 044 294
Operating profit/(loss)	57 336	(73 845)
Impairment of goodwill and trademarks	—	(5 766)
Restructuring costs – operations	(926)	(7 820)
Fair value adjustments on financial instruments	—	909
Net interest received/(paid)	12 215	(2 694)
Profit/(loss) before taxation	68 625	(89 216)
Taxation	(19 730)	25 821
Profit/(loss) for the year from continuing operations	48 895	(63 395)
<b>Discontinuing operations</b>		
Loss from discontinuing operations	(10 420)	(5 621)
<b>Profit/(loss) for the year</b>	<b>38 475</b>	<b>(69 016)</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>38 475</b>	<b>(69 016)</b>
<b>From continuing and discontinuing operations</b>		
Basic earnings/(loss) per share – (cents)	18,7	(33,1)
Diluted basic earnings/(loss) per share – (cents)	18,6	(33,1)
<b>From continuing operations</b>		
Basic earnings/(loss) per share – (cents)	23,7	(30,4)
Diluted basic earnings/(loss) per share – (cents)	23,7	(30,4)
<b>From discontinuing operations</b>		
Basic loss per share – (cents)	(5,1)	(2,7)
Diluted basic loss per share – (cents)	(5,0)	(2,7)
<b>Proposed capital distribution per share – (cents)**</b>	<b>8,0</b>	—

\* Restatement – refer to note 2 below.

\*\* To be approved by shareholders, refer to commentary for further details.

### CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Reviewed 30 June 2010 R'000	Audited 30 June 2009 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>66 886</b>	<b>87 459</b>
Property, plant and equipment	8 585	11 890
Trademarks	1 645	1 645
Deferred taxation	56 656	73 924
<b>Current assets</b>	<b>554 412</b>	<b>514 244</b>
Inventories	145 958	154 293
Trade and other receivables	181 755	187 289
Taxation receivable	10 615	6 649
Bank and cash on hand	204 377	124 943
	542 705	473 174
Current assets classified as held for sale	11 707	41 070
<b>Total assets</b>	<b>621 298</b>	<b>601 703</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Total equity</b>	<b>465 135</b>	<b>438 672</b>
<b>Non-current liabilities</b>	<b>1 257</b>	<b>1 433</b>
Long-term borrowings	101	676
Deferred taxation	1 156	757
<b>Current liabilities</b>	<b>154 906</b>	<b>161 598</b>
Trade and other payables	110 174	96 729
Derivative financial liability	439	2 077
Capital distribution and dividends payable	157	157
Taxation	—	318
Bank overdraft	—	868
Short-term portion of long-term liability	482	1 125
Provisions	31 947	19 254
	143 199	120 528
Liabilities directly associated with assets classified as held for sale	11 707	41 070
<b>Total equity and liabilities</b>	<b>621 298</b>	<b>601 703</b>

### CONDENSED GROUP STATEMENT OF CASH FLOWS

	Reviewed 30 June 2010 R'000	Audited 30 June 2009 R'000
<b>Cash flow from operating activities</b>	<b>103 186</b>	<b>138 591</b>
Cash generated/(utilised) by trading	51 333	(77 848)
Working capital changes	42 720	230 699
Cash generated by operations	94 053	152 851
Net interest received/(paid)	12 145	(2 694)
Taxation paid	(3 012)	(11 564)
Dividends paid and capital distribution	—	(2)
<b>Cash flow from investing activities</b>	<b>4 851</b>	<b>(301)</b>
Additions to property, plant and equipment	(3 058)	(2 636)
Proceeds on disposal of property, plant and equipment	7 909	2 335
<b>Cash flow from financing activities</b>	<b>(18 976)</b>	<b>(5 524)</b>
Net movement in treasury shares	(13 266)	74
Increase in long-term borrowings	(5 710)	(5 598)
<b>Net increase in cash and cash equivalents</b>	<b>89 061</b>	<b>132 766</b>
Cash surplus/(deficit) beginning of year	115 316	(17 450)
<b>Cash surplus at the end of the year</b>	<b>204 377</b>	<b>115 316</b>

### NOTES TO THE CONDENSED GROUP STATEMENT OF CASH FLOWS

	Reviewed 30 June 2010 R'000	Audited 30 June 2009 R'000
<b>Cash flow from operating activities</b>	<b>103 186</b>	<b>138 591</b>
– Continuing operations	96 725	126 447
– Discontinuing operations	6 461	12 144
<b>Cash flow from investing activities</b>	<b>4 851</b>	<b>(301)</b>
– Continuing operations	(1 940)	(3 090)
– Discontinuing operations	6 791	2 789
<b>Cash flow from financing activities</b>	<b>(18 976)</b>	<b>(5 524)</b>
– Continuing operations	(14 484)	(2 747)
– Discontinuing operations	(4 492)	(2 777)
<b>Cash surplus at the end of the year</b>	<b>204 377</b>	<b>115 316</b>
– Continuing operations	204 377	124 075
– Discontinuing operations	—	(8 759)

### CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Reviewed 30 June 2010 R'000	Audited 30 June 2009 R'000
Balance as at 1 July	438 672	506 337
Net profit/(loss) for the year	38 475	(69 016)
Net treasury movement	(13 266)	74
Share based payment	1 254	1 277
Balance at year end	465 135	438 672

Directors "PL Campher (Chairman), "MC Berzack, "DE Cleasby, AS Coward, MG Crow, "SH Müller, DB Oliver, "DD Tabata, "CKL Scott "Non-executive Secretary BG Drummond Transfer secretaries Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg 2001, PO Box 61051, Marshalltown 2107 Registered office 29 Heronmere Road, Reuven 2091, PO Box 39186, Booyens 2016, Telephone (011) 490 9000 Sponsor Bridge Capital Advisors (Pty) Limited, 2nd Floor, 27 Fricker Road, Illovo Boulevard, Illovo 2196

### SUPPLEMENTARY INFORMATION

	Reviewed 30 June 2010	Audited 30 June 2009
Shares in issue (000's)	212 190	211 190
Shares in issue – weighted (000's)	205 917	208 469
Diluted number of shares – weighted (000's)	206 554	208 575
Net asset value per share (cents)	219	208
Cost of sales (R'000) – continuing operations	517 867	891 233
Cost of sales (R'000) – discontinuing operations	98 820	26 422
Net inventory raised – continuing operations*	8 562	28 080
Net inventory raised – discontinuing operations*	—	48
Interest received (R'000) – continuing operations	(13 616)	(8 450)
Interest received (R'000) – discontinuing operations	(20)	(38)
Interest paid (R'000) – continuing operations	1 401	11 144
Interest paid (R'000) – discontinuing operations	90	38
Capital expenditure (R'000) – continuing operations	2 995	2 583
Capital expenditure (R'000) – discontinuing operations	63	52
Capital commitments (R'000) – continuing operations	—	892
Depreciation, amortisation and impairment charge (R'000) – continuing operations	4 698	10 424
Depreciation, amortisation and impairment charge (R'000) – discontinuing operations	2 998	1 668
Operating lease commitments (R'000) – continuing operations	29 583	19 004
<b>Profit/(loss) (R'000) – continuing operations</b>	<b>48 895</b>	<b>(63 395)</b>
Loss/(profit) on disposal of property, plant and equipment (R'000) – continuing operations	549	(83)
Impairment of goodwill (R'000) – continuing operations	—	1 170
Impairment of trademarks (R'000) – continuing operations	—	4 596
Total tax effects on adjustments (R'000) – continuing operations	(154)	(1 264)
<b>Headline profit/(loss) (R'000) – continuing operations</b>	<b>49 290</b>	<b>(58 976)</b>
Headline earnings/(loss) per share – (cents) – continuing operations	23,9	(28,3)
Diluted headline earnings/(loss) per share – (cents) – continuing operations	23,9	(28,3)
<b>Loss (R'000) – discontinuing operations</b>	<b>(10 420)</b>	<b>(5 621)</b>
Loss/(profit) on disposal of property, plant and equipment (R'000) – discontinuing operations	380	(19)
Impairment of property, plant and equipment (R'000) – discontinuing operations	—	179
Total tax effects on adjustments (R'000) – discontinuing operations	(106)	(45)
<b>Headline loss (R'000) – discontinuing operations</b>	<b>(10 146)</b>	<b>(5 506)</b>
Headline loss per share – (cents) – discontinuing operations	(4,9)	(2,6)
Diluted headline loss per share – (cents) – discontinuing operations	(4,9)	(2,6)
Headline earnings/(loss) per share – (cents) – continuing and discontinuing operations	19,0	(30,9)
Diluted headline earnings/(loss) per share – (cents) – continuing and discontinuing operations	19,0	(30,9)

\* Restatement – the statement of comprehensive income has been restated to correctly reflect the net raised amounts on inventory movement. Details of the net (raised/reversed) amounts are reflected under the additional information section and included in the cost of sales amount.

### Discontinuing operations and assets classified as held for sale

#### Statement of comprehensive income

	Reviewed 30 June 2010 R'000	Audited 30 June 2009 R'000
Revenue	86 160	18 584
Operating loss	(9 265)	(7 396)
Fair value adjustments on financial instruments	—	885
Restructuring costs – operations	(4 960)	(1 296)
Net interest paid	(70)	—
Loss before tax	(14 295)	(7 807)
Taxation	3 875	2 186
<b>Loss from discontinuing operations</b>	<b>(10 420)</b>	<b>(5 621)</b>

The major classes of assets and liabilities classified as held for sale as follows:

#### Statement of financial position

	Reviewed 30 June 2010 R'000	Audited 30 June 2009 R'000
<b>Assets classified as held for sale</b>	<b>11 707</b>	<b>41 070</b>
Property, plant and equipment	—	24
Deferred taxation	—	9 038
Inventory	—	10 129
Trade and other receivables	—	1
Bank and cash on hand	—	—
<b>Liabilities classified as held for sale</b>	<b>11 707</b>	<b>41 070</b>
<b>Liabilities directly associated with assets classified as held for sale</b>	<b>—</b>	<b>(2 780)</b>
Long-term borrowings	(2 024)	(2 499)
Trade, other payables and provisions	(9 683)	(25 230)
Taxation	—	(89)
Bank overdraft	—	(8 760)
Short-term portion of long-term liability	—	(1 712)
Liabilities directly associated with assets classified as held for sale	(11 707)	(41 070)

### NOTES

#### 1. Basis of preparation

The condensed financial information has been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the AC 500 standards as issued by the Accounting Practices Board and the information as required by IAS 34: *Interim Financial Reporting*. The report has been prepared using accounting policies that comply with IFRS which are consistent with those applied in the financial statements for the prior year end 30 June 2009, except for IAS 1 Presentation of Financial Statements and IFRS 8 Operating Segments. The implementation of these standards required no prior year restatement.

#### 2. Restatement

The operating profit/(loss) in the statement of comprehensive income has been re-presented to include the net write down of inventory. The net inventory raised amounts are now disclosed in the supplementary information section.

The re-presentation noted above has no effect on the statement of financial position for the current and prior years.

#### 3. Auditors' review

The condensed provisional financial information for the year ended 30 June 2010 has been reviewed by the Group's auditors, Deloitte & Touche. The review was conducted in accordance with ISRE 2410 *Review of Interim Financial Information performed by the Independent Auditor of the Entity*. A copy of their unmodified review report is available for inspection at the Company's registered office. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the Company's auditors.

#### 4. Diluted basic and diluted headline earnings/(loss) per share

Diluted basic and diluted headline earnings/(loss) per share are determined by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive ordinary shares.

#### 5. Contingent liability

As disclosed in the Group's annual report for the year ended 30 June 2007 and subsequent years, SARS issued a letter of intent in February 2007 to levy customs and excise on a wholly owned subsidiary for R28,3 million. The subsidiary has raised a formal objection, in line with the professional advice of its external legal customs duty advisers, and remains confident that its objection will be upheld.

There is no obligation, current or pending, which is considered likely to have a material adverse effect on the Group.

#### 6. Assets classified as held for sale and discontinuing operations

During the prior year, it was decided to transfer the assets of Tedalex Manufacturing (Pty) Limited and the Atlantis property to assets "held for sale" in line with the requirements of IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*.

As a result of the assets being disposed of in Tedalex Manufacturing (Pty) Limited in June 2010, the assets are no longer held for sale. It is still the intention of the Group to dispose of the Atlantis property. Tedalex Manufacturing (Pty) Limited and the Atlantis property are reflected as discontinued operations in line with the requirements of IFRS 5.

### Commentary

The Board is pleased to announce the return to profitability for the 12 month period ended 30 June 2010. The Group continued to focus and invest in its trusted brands through above and below the line advertising and promotion. This resulted in the Group increasing its market share in most categories. Revenue and stock levels were in line with the Group's targets.

#### Economic and trading environment

A year ago the economic commentators were calling an end to the deep recession caused by the sharp collapse in commodity prices in late 2008. Yet the long-awaited recovery has not materialised and we see no evidence of employment growth and increased consumer spending. Here and there are snippets of economic hope: consumer inflation has fallen within the Reserve Bank's target range of 3% to 6%; month-on-month consumer spending was uncharacteristically robust leading up to the World Cup 2010; business confidence surveys point to gentle lifting in the national business psyche; interest rates are at historically low levels and likely to remain there for some time. While we take hope from these glimpses of optimism, our trading experience over the last financial year reminds us that recessionary conditions still persist.

#### Operations

We continue to feel the impact of the National Credit Act introduced in 2008, in that spending patterns have shifted from credit-driven furniture chains, where the Group has traditionally dominated, to the mass discounters and independent specialists. We expect consumer demand to remain weak so long as employment numbers across the economy diminish.

The downturn in the consumer market forced the Group to change its model of selling consumer electronics products to the retail trade from one where products are procured and warehoused based on market research or demand, to one where orders are now placed on a "back-to-back" basis. This change resulted in substantial staff retrenchments and much reduced inventories and overheads, leading to a sustained improvement in margins. Sales in the categories of small domestic appliances and sewing machines continue to be encouraging. While year-on-year revenue in these categories were marginally higher, we continue to make market share gains in key product categories, and margins improved somewhat on the previous year.

The imminent introduction of the Consumer Protection Act poses challenges for all participants in the consumer markets and the Group is positioned to deal with it. We fully support the intention to arm consumers with better information on which to base purchasing decisions, and we believe this Act will be to the benefit of reputable brand distributors such as AMAP.

#### Financial performance (continuing operations)

Revenue from continuing operations for the year under review decreased by 27% to R759,1 million, due to the restructuring of our business model. Pre-tax profit for the year is R68,6 million (2009: loss R69,2 million).

Restructuring costs for the period totalled R0,9 million (2009: R7,8 million).

As a result of stringent working capital management, the Group received net interest of R12,2 million (2009: interest paid of R2,7 million).

Total comprehensive income for the year for continuing operations amounted to a profit of R48,9 million (2009: loss of R63,4 million).

Basic earnings per share increased to 23,7 cents (2009: loss per share of 30,4 cents) and HEPS increased to 23,9 cents (2009: HLPS of 28,3 cents).

#### Statement of financial position (continuing operations)

The statement of financial position shows a marked improvement over two years in the key areas of gearing, inventories, and cash on hand. Current assets exceed current liabilities by a factor of more than 3, while the balance sheet is net ungeared. Cash on hand amounted to R204,4 million (2009: R124,9 million). Stringent working capital management had a considerable impact on strengthening the Group's balance sheet. In a particularly challenging trading environment, inventory decreased to R146,0 million from R154,3 million a year ago, and from R365,2 million in 2008. This was primarily attributable to the action of changing the method of sale of consumer electronics products as well as improved management control over the categories of seasonal small domestic appliances and electrical accessories.

Trade and other receivables at year end was R181,7 million, compared with R187,3 million a year ago. This is an improvement on historical practice, and is due largely to the better collection of over-dues, and stricter control on credit approvals.

Management is confident that the business will continue to generate cash through inventory control, overhead savings and the benefits of improved product category selection that has been implemented.

#### Changes to the Board

The following changes to the Board have taken place for the year under review:

- Dumisani Dumekhaya Tabata was appointed as an independent non-executive director with effect from July 2009;
- Myron Cyril Berzack was appointed in December 2009 as a non-executive director;
- David Edward Cleasby was appointed in April 2010 as a non-executive director;
- Steven Karele, formerly the Group chief financial officer and executive director, resigned from the Board in June 2010;
- Steven Levitt, who joined the Board in 2001 as an independent and non-executive director, resigned from the Board in June 2010;
- Rian du Plessis, who joined the Board in 2007 as an independent non-executive director, resigned from the Board in June 2010;
- Colin Scott was appointed to the Board as an independent non-executive director in July 2010.

#### Corporate governance

The Group subscribes to the spirit of good corporate governance as set out in the King II Report and accepts the need to conduct the enterprise with integrity, transparency and equal opportunity. The Board has further embraced the principles of the King III Report, which further raises the corporate governance bar in light of the new Companies Act and changing trends in international governance. King III places emphasis on the requirement to report on how companies enhance those positive aspects and address any possible negative impacts on the economic life of the community in which it will operate in the year ahead. AMAP will report on the application of King III and if any principles and practices are found to be inappropriate for the Group, the reason for not implementing or not complying with King III recommendations, will be disclosed.

#### Prospects

We expect retail sales to remain flat in the categories in which we trade for the coming financial year, with hopes of improvement now deferred till 2012. Bottom line profit improvement must therefore come from a relentless pursuit of cost savings, efficiency gains and excellent management of our brand portfolio. The restructuring exercise now largely complete has resulted in a lower overhead base, positive cash generation and a virtually ungeared balance sheet. This is an excellent foundation going forward, as we can now grow the business without substantially increasing overheads. We continue to make inroads into new product categories. Given the strong statement of financial position we are currently investigating a number of suitable acquisitions, but only if they follow our overall business vision to be Africa's top distributor of branded consumer merchandise. Our Africa growth strategy is on track and we are excited by the opportunities that await us in the north.

In light of the above, the Group expects to improve operational performance in the new financial year.