

Amalgamated Appliance Holdings Limited

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



Audited results

for the year ending 30 June 2011

Highlights (continuing operations)



Total capital distribution per share up 50% year-on-year, from 8 to 12 cents per share



Revenue from continuing operations increased by 8,9% to R826 million



Headline earnings per share increased by 52,6% to 29,0 cents



Cash on hand R260,4 million

Condensed Group statement of comprehensive income for the year ended 30 June 2011

		Audited 30 June 2011 R'000	Restated* 30 June 2010 R'000
	%		
Continuing operations			
Revenue	8,9	826 423	759 095
Operating profit	17,5	69 037	58 769
Fair value adjustment on financial instruments		(2 022)	-
Restructuring costs – operations		(1 118)	(926)
Net interest received		11 517	12 215
Profit before taxation	10,5	77 414	70 058
Taxation		(20 004)	(20 142)
Profit for the year from continuing operations		57 410	49 916
Discontinued operations			
Loss from discontinued operations		-	(11 441)
Total comprehensive income for the year	49,2	57 410	38 475
From continuing and discontinued operations			
Basic earnings per share – (cents)	54,5	28,9	18,7
Diluted basic earnings per share – (cents)	54,3	28,7	18,6
From continuing operations			
Basic earnings per share – (cents)	19,4	28,9	24,2
Diluted basic earnings per share – (cents)	18,6	28,7	24,2
From discontinued operations			
Basic loss per share – (cents)	-	-	(5,6)
Diluted basic loss per share – (cents)	-	-	(5,5)
Capital distribution per share – interim (cents)		4,0	-
– final (cents)		8,0	8,0

* Group comparative figures have been restated to reflect the transfer of assets from "held for sale" to investment property.

Condensed Group statement of financial position as at 30 June 2011

	Audited 30 June 2011 R'000	Audited 30 June 2010 R'000
ASSETS		
Non-current assets	58 620	66 886
Property, plant and equipment	8 904	8 585
Investment property	11 707	-
Trademarks	1 645	-
Deferred taxation	36 364	56 656
Current assets	594 604	554 412
Inventories	137 050	145 958
Trade and other receivables	197 154	181 755
Taxation receivable	-	10 615
Bank and cash on hand	260 400	204 377
	594 604	542 705
Current assets classified as held for sale	-	11 707
Total assets	653 224	621 298
EQUITY AND LIABILITIES		
Total equity	494 970	465 135
Non-current liabilities	2 660	1 257
Long-term borrowings	-	101
Deferred taxation	2 660	1 156
Current liabilities	155 594	154 906
Trade and other payables	127 817	110 174
Derivative financial liability	2 298	439
Capital distribution and dividends payable	204	157
Taxation	228	-
Short-term portion of long-term liability	-	482
Provisions	25 047	31 947
	155 594	143 199
Liabilities directly associated with assets classified as held for sale	-	11 707
Total equity and liabilities	653 224	621 298

Condensed Group statement of cash flows for the year ended 30 June 2011

	Audited 30 June 2011 R'000	Audited 30 June 2010 R'000
Cash flow from operating activities	67 324	103 186
Cash generated by trading	74 752	51 333
Working capital changes	(5 768)	42 720
Cash generated by operations	68 984	94 053
Capital distribution and dividends paid	(23 788)	-
Net interest received	11 517	12 145
Taxation received/(paid)	10 611	(3 012)
Cash flow from investing activities	(5 195)	4 851
Additions to property, plant and equipment	(5 540)	(3 058)
Proceeds on disposal of property, plant and equipment	345	7 909
Cash flow from financing activities	(6 106)	(18 976)
Net movement in treasury shares	(5 623)	(13 266)
Decrease in long term borrowings	(483)	(5 710)
Net increase in cash and cash equivalents	56 023	89 061
Cash surplus at the beginning of year	204 377	115 316
Cash surplus at the end of the year	260 400	204 377

Notes to the condensed Group statement of cash flows for the year ended 30 June 2011

	Audited 30 June 2011 R'000	Audited 30 June 2010 R'000
Cash flow from operating activities	67 324	103 186
- Continuing operations	67 324	96 725
- Discontinuing operations	-	6 461
Cash flow from investing activities	(5 195)	4 851
- Continuing operations	(5 195)	(1 940)
- Discontinuing operations	-	6 791
Cash flow from financing activities	(6 106)	(18 976)
- Continuing operations	(6 106)	(14 484)
- Discontinuing operations	-	(4 492)
Cash surplus/(deficit) at the end of the year	260 400	204 377
- Continuing operations	260 400	204 377

Condensed Group statement of changes in equity for the year ended 30 June 2011

	Audited 30 June 2011 R'000	Audited 30 June 2010 R'000
Balance as at 1 July	465 135	438 672
Net profit for the year	57 410	38 475
Capital distribution	(23 835)	-
Net treasury movement	(5 623)	(13 266)
Share based payment	1 883	1 254
Balance at 30 June 2011	494 970	465 135

Supplementary information for the year ended 30 June 2011

	Audited 30 June 2011 R'000	Restated 30 June 2010 R'000
Shares in issue (000's)	212 190	212 190
Shares in issue – weighted (000's)	198 892	205 917
Diluted number of shares – weighted (000's)	200 252	206 554
Net asset value per share (cents)	233	219
Cost of sales (R'000) – continuing operations	565 745	517 867
Cost of sales (R'000) – discontinued operations	-	98 820
Net inventory provision raised – continuing operations	13 073	8 562
Interest received (R'000) – continuing operations	(11 949)	(13 616)
Interest received (R'000) – discontinued operations	-	(20)
Interest paid (R'000) – continuing operations	432	1 401
Interest paid (R'000) – discontinued operations	-	90
Legal fees (R'000) – continuing operations	6 188	1 580
Capital expenditure (R'000) – continuing operations	5 540	2 996
Capital expenditure (R'000) – discontinued operations	-	63
Capital commitments (R'000) – continuing operations	478	-
Depreciation, amortisation and impairment charge (R'000) – continuing operations	4 489	4 698
Depreciation, amortisation and impairment charge (R'000) – discontinued operations	-	2 998
Operating lease commitments (R'000) – continuing operations	83 108	29 583
Profit (R'000) – continuing operations	57 410	49 916
Loss on disposal of property, plant and equipment (R'000) – continuing operations	387	549
Total tax effects on adjustments (R'000) – continuing operations	(108)	(154)
Headline profit (R'000) – continuing operations	57 689	50 311
Headline earnings per share – (cents) – continuing operations	29,0	24,4
Diluted headline earnings per share – (cents) – continuing operations	28,8	24,4
Loss (R'000) – discontinued operations	-	(11 441)
Loss on disposal of property, plant and equipment (R'000) – discontinued operations	-	380
Total tax effects on adjustments (R'000) – discontinued operations	-	(106)
Headline loss (R'000) – discontinued operations	-	(11 167)
Headline loss per share – (cents) – discontinued operations	-	(5,4)
Diluted headline loss per share – (cents) – discontinued operations	-	(5,4)
Headline earnings per share – (cents) – continuing and discontinued operations	52,6	29,0
Diluted headline earnings per share – (cents) – continuing and discontinued operations	52,0	28,8

Supplementary information for the year ended 30 June 2010

	Restated R'000	Total discontinued operations Previously presented R'000
Statement of comprehensive income – discontinued operations		
Revenue	86 160	86 160
Operating loss	(10 698)	(9 265)
Restructuring costs – operations	(4 960)	(4 960)
Net finance costs	(70)	(70)
Loss before taxation	(15 728)	(14 295)
Taxation	4 287	3 875
Loss from discontinued operations	(11 441)	(10 420)

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

	Audited 30 June 2011 R'000	Audited 30 June 2010 R'000
Statement of financial position		
Assets classified as held for sale		
Property, plant and equipment	-	11 707
Assets classified as held for sale	-	11 707
Liabilities directly associated with assets held for sale		
Deferred taxation	-	(2 024)
Trade, other payables and provisions	-	(9 683)
Liabilities directly associated with assets held for sale	-	(11 707)
Net assets classified as held for sale	-	-

NOTES

- Basis of preparation**
The audited consolidated Group annual financial statements for the year ended 30 June 2011 have been prepared in accordance with accounting policies compliant with International Financial Reporting Standards (IFRS), information as required by IAS 34 Interim Financial Reporting, the AC 500 Standards as issued by the Accounting Practices Board and the JSE Limited's Listings Requirements. The accounting policies and their application are consistent, in all material respects, with those detailed in AMAP's 2010 annual report. All new and revised standards that became effective during the current period were adopted and did not lead to any significant changes in accounting policies.
- Diluted basic and diluted headline earnings per share**
Diluted basic and diluted headline earnings per share are determined by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive ordinary shares.
- 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.
- Assets transferred from "held for sale" to investment property**
During the year ended 2009, the Atlantis property was transferred from held for sale in line with the requirements of IFRS 5, non-current assets held for sale and discontinued operations. However, this asset no longer meets the criteria for classification as held for sale, and has been transferred to investment property. Only the statement of comprehensive income has been re-presented.

Audited results

The auditors, Deloitte & Touche, have issued an unmodified audit opinion on the Group's annual financial statements for the year ended 30 June 2011. A copy of their audit report is available for inspection at the company's registered office. These condensed Group annual financial statements have been derived from the Group annual financial statements and are consistent, in all material respects, with the Group annual financial statements.

Commentary

Having completed the difficult journey of restructuring AMAP over the last three years, we are pleased to announce that the investment in the Group's key brands and intellectual property have continued to reap rewards, with the Group growing revenue, margins and profit in line with targets during the year to June 2011. We have also seen our trusted brands grow market share across all categories and are well on our way to become Africa's distributor of leading consumer brands.

Our operations are characterised by a team approach, with specialists in the purchasing, logistics, financial, marketing and sales side of the business, enabling us to approach each brand from a multi-disciplinary perspective and to gain a deep understanding of each brand and its target market. The group's strategy of offering a boutique of brands offering "good, better, best" paid off in the period under review with all brands achieving good growth.

With the kitchen becoming the centre of family life and often designed to be open-plan in the modern home, the demand for fashionable, quality housewares, not only for functional use, but for display purposes is increasing amongst style-conscious consumers. Whether it's a consumer starting out in the job market and buying a Pineware iron and toaster or an established homeowner purchasing a co-ordinated range of Russell Hobbs housewares, the kitchen is now an extension of the consumer's decorative environment and the group has introduced new additions to its range of appliances to provide an integrated, end-to-end product solution for our customers.

In line with this strategy, various housewares brands were launched into the market. We now operate across the small appliance; sewing; housewares; accessories; and personal care categories. This gives the group a diverse and balanced portfolio of trusted brands, reducing our reliance on any one category or customer income group. Indications are that by introducing innovator products into stores, the group will benefit from additional growth at the top end of the market. In line with this strategy the Wiltshire and Arti Farti brands were introduced into the market place with resounding success. The impact of these new brands has begun to flow through in the fourth quarter of the reporting period.

Financial performance

Statement of comprehensive income – (continuing operations)

- Revenue from operations for the year under review increased by 8,9% to R826,4 million (2010: R759,1 million).
- Pre-tax profit for the year was R77,4 million (2010: R70,1 million – restated).
- The Group received net interest of R11,5 million (2010: R12,2 million).
- Total comprehensive income for the year amounted to R57,4 million (2010: R49,9 million – restated).
- Basic earnings per share increased to 28,9 cents (2010: 24,2 cents – restated).
- HEPS increased to 29,0 cents (2010: 24,2 cents – restated).

Statement of financial position

The statement of financial position is as follows:

- Current assets exceed current liabilities by a factor of almost four, while the Group is unencumbered.
- Cash on hand amounted to R260,4 million (2010: R204,4 million).
- Inventory decreased to R137,1 million from R146,0 million a year ago, and from R154,3 million in 2009.
- Trade and other receivables at year end were R197,2 million, compared with R181,8 million a year ago.

Management is confident that the business will continue to generate cash through inventory control, stricter credit control, improved collections, overhead savings and the benefits of improved product category selection that has been implemented. This financial information was prepared by Marion Kearns CA(SA).

Acquisitions during the year

Tedex Trading (Pty) Limited, a wholly-owned subsidiary of AMAP, has entered into a sale of business agreement with Sammeg Satellite (Pty) Limited, Samsat (Cape) (Pty) Limited, Samsat (KZN) (Pty) Limited, Sean Claude Meadows, Joel Kevan Dorfan and Michael Roy Weinberg to acquire the businesses as going concerns for a maximum purchase consideration of R70 000 000.

The sale is pending fulfilment of the conditions precedent, namely Competitions Commission approval and transfer of major contracts.

Segmental reporting

The Group predominantly markets and distributes consumer durables from a single business unit.

Subsequent events

No events material to the understanding of this report have occurred during the period between 30 June 2011 and the date of this report.

Distribution to shareholders

Based on the current financial position, the board has declared a final capital distribution by way of a capital reduction out of share premium of 8 cents per share for the year ended 30 June 2011 (2010: 8 cents) out of share premium.

Shareholders are advised that the last date to trade *cum* the distribution will be Friday, 14 October 2011.

The shares will commence trade *ex* the distribution as from Monday, 17 October 2011 and the record date will be Friday, 21 October 2011. The payment date is Monday, 24 October 2011.

Share certificates may not be dematerialised or rematerialised between Monday, 17 October 2011 and Friday, 21 October 2011, both dates inclusive.

Changes to the board and company secretary

Bruce Drummond was appointed as Chief Financial Officer on 5 November 2010. Spyros Scafidas was appointed as a non-executive Director on 1 July 2011. Myron Berzack resigned from the board on 7 September 2011. Leon Campher resigned from the Board of Directors and as Chairman of the Board on 22 September 2011. David Cleasby was appointed as Chairman of the Board of Directors and Colin Scott as Lead Independent Director, effective 22 September 2011. Bruce Drummond, the Chief Financial Officer and company secretary will resign from the position of company secretary of AMAP effective 7 November 2011. Marion Kearns, has been appointed as company secretary of AMAP with effect from 7 November 2011.

The year ahead

Following the completion of the restructuring, the group's financial position has improved significantly in the key areas of gearing, inventories and cash on hand. Having established a solid foundation for future growth, the group intends to make inroads into new product categories and fulfill our vision of becoming Africa's preferred distributor of branded consumer merchandise.

Our strong cash position has also enabled us to acquire a number of new brands, some of which were completed post-balance sheet date. These brands need to be invigorated, but we expect them to make a contribution to our performance in the next 18 months.

We remain cautiously optimistic about the group's growth prospects over the next year, despite the muted outlook for the South African economy. Our view is that consumers are likely to remain under pressure for the foreseeable future and will continue to look for value and quality in brands they can trust. We believe AMAP is well positioned to meet their needs.

Acknowledgements

I would like to extend my appreciation and gratitude to our non-executive directors and board members for their valuable guidance and counsel over the past year. The strong financial position that AMAP now finds itself in is also thanks to each and every staff member whose dedication and commitment to our customers, suppliers and shareholders has helped the group establish a firm foundation from which to grow.

For and on behalf of the board

David Cleasby
Chairman of the Board of Directors

Johannesburg
26 September 2011

Alan Coward
Chief Executive Officer

Directors	
*DE Cleasby (Chairman), AS Coward, MG Crow, BG Drummond, *SH Miller, DE Oliver, *DD Tabata, *S Scafidas, *CKL Scott (Lead Independent)	
*Non-executive	
Company Secretary BG Drummond	
Transfer secretaries	
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