

AMALGAMATED APPLIANCE HOLDINGS LIMITED



Integrated Annual Report 2011

# Trusted Brands

# Amalgamated Appliance Holdings Limited Integrated Annual Report 2011

## Integrated Reporting

This is our first Integrated Report in line with the requirements of the King Code and Report on Governance for South Africa (King III). AMAP endorses the Code of Corporate Practices and Conduct, as well as the King Code of Governance for South Africa 2009 (King III) and its Code of Governance. We recognise in line with the principles of King III that our financial, social and environmental performance are fully integrated in the operations of our business and therefore should not be separately reported. In an environment of increasing regulatory pressure, we are committed to ensuring that governance structures and processes are regularly reviewed in response to changing requirements to ensure alignment with best practice.

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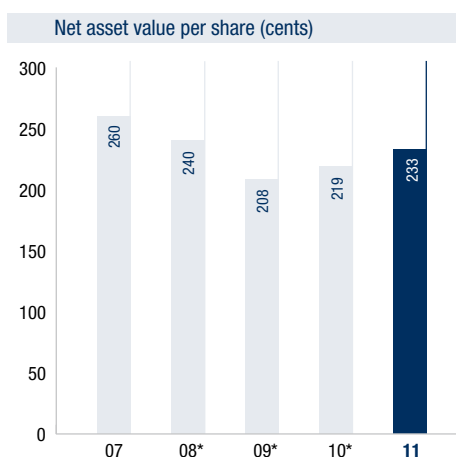
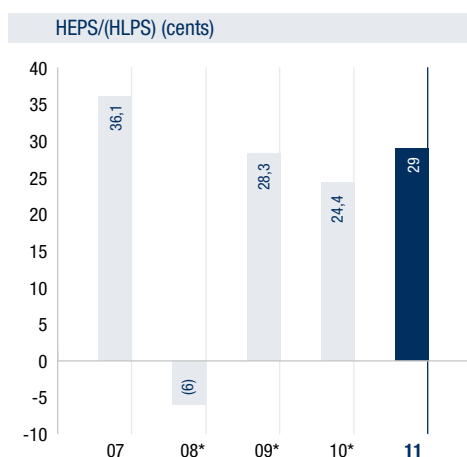
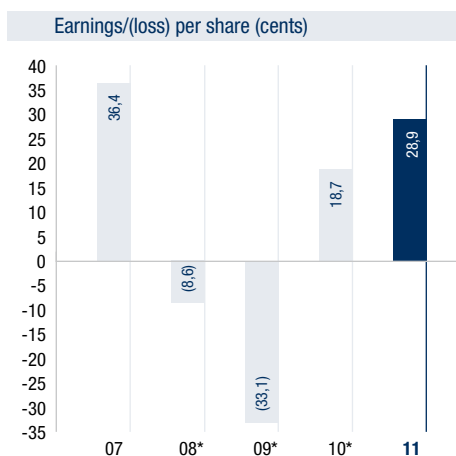
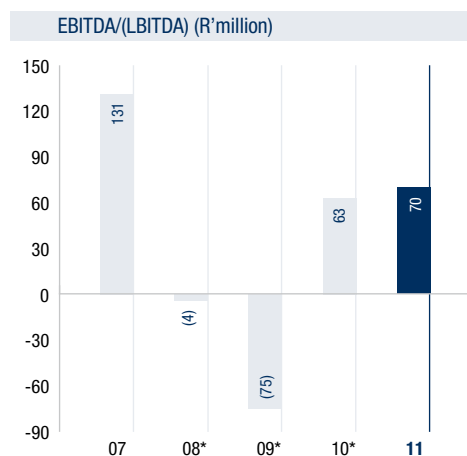
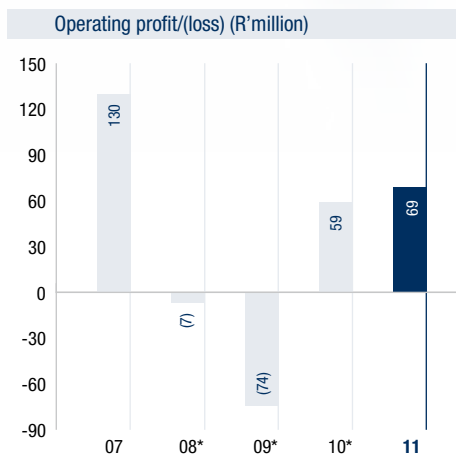
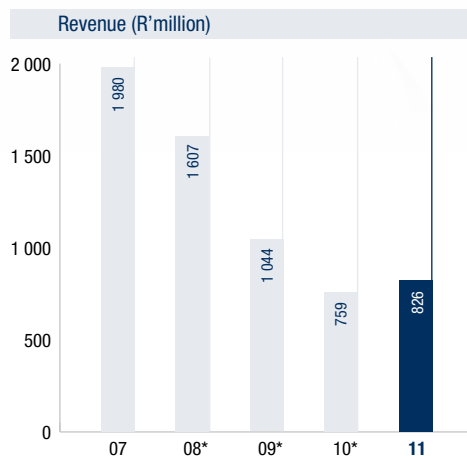
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## Five-year overview



AMALGAMATED APPLIANCE HOLDINGS LIMITED



\* Continuing operations only

## Who we are

Amalgamated Appliance Holdings Limited (AMAP) is a focused group specialising in the sales and marketing of branded household durables.

## Our vision

- We are a single business
- We are a sales and marketing group
- We invest in and support our brands
- We have world-class, lowest cost shared services

## Our business model



## Our brand story

- Best:** These brands enjoy status and surround themselves with products that make a statement. These products allow customers to be adventurous and creative. They offer something unique and add a touch of class to customers lifestyles.
- Better:** These brands are for the price sensitive consumers who often research products well before making a decision. They are for the down to earth customers who focus on spending time with close friends and family.
- Good:** These are brands that cater to every market. We offer products to those customers who are also highly dependent and often rely on and support those in their community, as if they are their own family.

# Brand positioning

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Best</p>		<p>REMINGTON®</p>  <p>Russell Hobbs® <i>Elegantly modern, traditionally stylish.</i></p> <p>Pioneer Dj</p>	<p>brother® <i>At your side.</i></p> <p>wiltshire®</p> <p>SANSUI</p>	
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Better</p>		<p>TEDELEX</p> <p>salton</p> <p>salton®<i>Elite</i></p>	<p><i>Empisal</i></p> <p>MULTIX</p> <p>artifanti®</p>	  <p>behringer</p> <p>George Foreman</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Good</p>		<p>WESTPOINT</p> <p><i>Pineware</i></p> 	<p>AUDIX MICROPHONES</p> 	 

## Current directorate



**David Cleasby (49)**  
*Non-executive Director*  
*Chairman*

*CA (SA)*  
Appointed to the Board in April 2010, and  
Chairman in September 2011  
(nominated by The Bidvest Group Limited)

Member of the Audit, Risk Management,  
Remuneration, Nomination and Share Trust  
Committees

David is a qualified chartered accountant. He is  
the Group Financial Director of The Bidvest Group  
Limited ("Bidvest") and a director of numerous  
Bidvest subsidiaries and associate companies.



**Colin Scott (66)**  
*Independent non-executive Director*  
*Lead independent Director*

Appointed to the Board in July 2010  
Chairman of the Remuneration, Share Trust and  
Nomination Committees  
Member of the Audit Committee

Colin, with 39 years' retail experience, started  
one of South Africa's first discount stores  
in Braamfontein in 1964. In 1970 he was  
instrumental in, and a founding director of, Dion  
Discount Centres until 1975. In 1976 he opened  
Stax Stores which was bought by Metro Cash &  
Carry. Colin was appointed managing director of  
Metro Trade Centre and Stax in November 1991  
until his retirement in April 2001.



**Dumisani Tabata (56)**  
*Independent non-executive Director*

*BProc, LLB*  
Appointed to the Board in July 2009  
Member of the Remuneration, Nomination and  
Share Trust Committees

Dumisani, a practising attorney, is currently  
a director of Smith Tabata Inc., a firm he was  
instrumental in establishing in 1984 and is  
also an Executive Director of Vuwa Investment  
(Proprietary) Limited. Further, he has also  
served as an acting Judge of the High Court  
and has acted in various advisory roles to both  
professional bodies as well as corporate entities.



**Steve Müller (50)**  
*Independent non-executive Director*

*CA (SA)*  
Appointed to the Board in November 2007  
Chairman of the Audit and Risk Management  
Committees  
Member of the Share Trust Committee

Prior to 2000, Steve held various investment  
banking and auditing positions.  
Steve held the position as Executive Director of  
Gensec Bank and Head of Investment Banking  
from January 2000 to August 2003. Subsequent  
to that date, Steve has gone into various private  
business ventures.



**Spyros Scafidas (46)**  
*Non-executive Director*

*Marketing diploma*  
Appointed to the Board in July 2011  
Member of the Risk Management Committee  
Spyros Scafidas, who is resident in Perth,  
Australia, has been appointed as a Non-executive  
Director with effect from 1 July 2011. Spyros has

a graduate diploma in marketing and has been  
in the appliance industry for 24 years. Having  
spent 20 years of his working career with the  
AMAP Group, Spyros held various management  
positions including Executive Director and  
Non-executive Director appointments. Spyros  
has been a part-time consultant for AMAP, an  
agreement that ended on 30 June 2011.



**Alan Coward (56)**  
*Group Chief Executive Officer*

*CA (SA)*  
Appointed to the Board in February 2008  
Chairman of the Executive Committee  
Member of the Risk Management Committee

Alan qualified as a Chartered Accountant in  
1979. Prior to joining AMAP, he served as the  
Managing Director at Budget Rent a Car. In 1986  
he joined Panasonic South Africa and served  
as Group Managing Director from 1991. He  
joined IBM (SA) in 2001 as General Manager of  
Global Services. He also served as a Director of  
McCarthy Motor Holdings.



**Murray Crow (43)**  
*Executive Director*

*MBA*  
Appointed to the Board in December 2008  
Member of the Executive and Risk Management Committees

Murray completed an MBA from Henley UK and has over 10 years' experience in the domestic appliance industry. Murray held the position of Managing Director at Whirlpool South Africa prior to joining AMAP. He spent seven years in the FMCG industry at Cadbury, Colman Foods and Tongaat Foods prior to joining Whirlpool.



**Bruce Drummond (54)**  
*Group Chief Financial Officer  
Company Secretary*

*BCom, FCIS*  
Appointed to the Board in November 2010  
Chairman of the IT Steering Committee

Member of the Executive and Risk Management Committees

Bruce was appointed as Chief Financial Officer in November 2010. He has held various senior financial positions from factory level to Head Office within the AMAP group over the last 23 years and was appointed company secretary of AMAP in 1997.



**Des Oliver (60)**  
*Executive Director*

Appointed to the Board in July 2008  
Member of the Executive and Risk Management Committees

Des has over 25 years' experience in the consumer electronics industry including as Sales and Marketing Director of Frank & Hirsch and as Sales Director of Panasonic Consumer Company. He fulfilled a general management role at Saco Systems, a subsidiary of Reunert Limited before joining AMAP.

## Directorate resignations after reporting period



**Myron Berzack (62)**  
*Non-executive Director*

Appointed to the Board in December 2009  
Resigned 7 September 2011  
Myron previously served on the AMAP Board from 19 August 1998 to 26 February 2008. Currently he is an executive director of The Bidvest Group Limited ("Bidvest"), a director

of numerous Bidvest subsidiaries and a non-executive director of Allied Electronics Corporation. Myron has 40 years' experience in the electrical industry and specialises in marketing, distribution, financial control and reporting functions.



**Leon Campher (63)**  
*Independent non-executive Director*

*BEcon*  
Appointed to the Board in November 2007  
Appointed Chairman in February 2008  
Resigned on 22 September 2011  
Leon is currently the CEO of the Association for Savings and Investments SA (ASISA), lead

independent director of Brimstone Investment Corporation, a director of Sun International Limited, Strate Limited, Safcom and International Investment Funds Association.

Leon serves on the following institutions: Financial Markets Advisory Board, Directorate of Market Abuse, BUSA Council and the Financial Sector Charter Council.

## Chairman's review



David Cleasby  
*Non-executive Chairman*

### Highlights

- AMAP continued to grow market share despite the pervasive recessionary environment and reported 10% growth in the product categories in which we operate.
- AMAP's strategic relationships continue to grow from strength to strength as South Africa and Africa become significant growth markets for many international brands.
- The Group now operates as a single entity with a culture of transparency and openness central to the way we operate.
- After the difficult restructuring exercise implemented three years ago, AMAP has been transformed into a leaner, more efficient organisation.

The trading environment remained challenging for most of the financial year. Gross domestic product (GDP) came in at a reasonable 2,8% supported by private consumption expenditure which grew marginally more than inflation at 4,4% and 4,3% respectively for the 2010 calendar year. Despite an improvement in economic growth in the first quarter of 2011 to 4,5%, a sharp slowdown in the second quarter to 1,3% signals that growth is likely to remain patchy and lacklustre for some time.

Against this backdrop, consumer confidence remained muted with a number of specific factors contributing to this mood. Unemployment ticked up off its already high base to 25,7% in the second quarter of 2011 and this is clearly concerning. Further, debt levels remain an obstacle to consumer spending with household debt to disposable income ratios at close to 80%. Although the slight improvement in credit extension growth was driven mainly by households for most of the period, there is little evidence of strong credit-led consumer demand. Consumers look set to face increasing transport, food and administered prices such as municipal rates and electricity costs in the years ahead.

However, for the employed who are mostly our target market, some generous wage increases resulted in real wage growth. With interest rates looking set to remain low in the foreseeable future, aggregate consumer spend should continue to grow at a moderate pace in the absence of any significant downturn in property prices.

With South Africa now part of the BRICS trading group, there is recognition that our country has one of the most sophisticated financial systems in the developing world. Positioned strategically on the trading routes between the Eastern and Western hemispheres, we believe South Africa will take on an even greater prominence in the post-recession era. South Africa is also the gateway to millions of African consumers at a time when Africa is finally generating greater business interest due to better stability and faster growth.

AMAP's expansion north of our borders represents an exciting opportunity for the group and a chance to challenge conventional thinking about retail outlets and product branding. Having solidified our position in our home market, we have sought to identify African markets where we

*AMAP is resilient and able to respond to any market uncertainty and meet our customers' changing needs.*

can establish a foothold and believe we can gain market share. Customer segments across the 15 countries in which we have a presence vary greatly, but our focus on identifying segments with similar tastes and preferences across countries will enable us to position our brands to take advantage of Africa's growth story.

As in any emerging market, doing business in African countries can be rewarding, but is riskier. We have strengthened our risk management capabilities and built capacity to identify and manage the impact of potential risks across our entire organisation.

In South Africa, notwithstanding increased competition for every cent in consumers' wallets, sales volume growth over the review period was pleasing. We have exited non-core businesses such as TV manufacturing and focused on introducing new product categories and brands to meet consumers' needs. The turnaround in our fortunes has been nothing short of impressive. The Company's balance sheet is in good health with no gearing and growing cash in the bank. This affords us the flexibility to be selective about the brands we would like to acquire and add to our stable.

Considering the uncertainty in the global financial markets and the South African economy, as a group we remain cautious. We believe that after the successful restructuring exercise, AMAP is resilient and able to respond to any market uncertainty and meet our customers' changing needs.

The Group now owns or distributes 27 brands with more than 1 000 products in our portfolio. AMAP continues to build its reputation among retailers by providing excellent back-up service on some of the most well-known and trusted South African and international brands across the "good, better, best" spectrum. Our diversification of brands covers all consumer income groups, enabling us to better manage risk related to the economic environment. This is evidenced by the significant improvement in our volume and

## Chairman's review continued

revenue growth despite the macro-economic headwinds.

### Changes to the Board

Bruce Drummond was appointed Chief Financial Officer and executive director on 5 November 2010. Spyros Scafidas, who is resident in Perth, Australia, was appointed as a non-executive director with effect from 1 July 2011. Spyros has a graduate diploma in marketing and has been in the appliance industry for 24 years. Myron Berzack resigned from the Board of Directors after the financial reporting year on 7 September 2011. Leon Campher resigned from the Board of Directors and as chairman on 22 September 2011. Colin Scott was appointed lead independent director on 22 September 2011.

### Sustainability

During the past year, the Group has carefully considered the guidance provided in the revised King Code and Report on Governance for South Africa (King III) and a substantial amount of work was completed to enable us to present our stakeholders with our first integrated report. This provides an overview of our social, environmental, economic and financial impacts and influences.

To AMAP, sustainability entails not only the management of external influences on the Company, but the impact of the Company on its various stakeholders.

Our strategy formulation process at Board level places sustainability at its centre. The Group's ability to make a valuable socio-economic contribution in the areas in which we operate relies on our ability to operate a financially sound business and generate sustainable revenues. This allows us to pay shareholders a return for their investment and support other stakeholders such as employees, government, suppliers and communities.

Transformation and Broad-based Black Economic Empowerment (BBBEE) remain a priority for the Board with the overall BBBEE strategy driven by the CEO. With the transformation largely completed we have put into place programmes to ensure we comply at an acceptable BEE score and this will be verified by an independent accredited verification agency. A sustainable equity ownership deal will be pursued by the Board in the longer term to ensure that such ownership benefits all stakeholders.

Our 304 employees underpin our sustainability and our organisational structures and an open-door policy encourages teamwork. Through our succession planning strategy, we seek to develop internal talent by providing staff with the opportunity to choose development opportunities that resonate at an individual level with their career ambitions. We believe that an inspiring workplace is one in which our employees are encouraged to think creatively and are free to embrace an innovative approach to their work.

At our Pinetown manufacturing plant, we have ensured that our operations comply with the relevant environmental regulations and have made a concerted effort to manage the environmental impact of our manufacturing activities. A programme to reduce packaging across our product ranges was introduced during the past financial year and we have measured our carbon footprint as well as energy, water, and paper consumption in order to implement waste recycling initiatives using 2011 as a base year (refer page 28).

The fair treatment of customers is critical to our business and we have been proactive in complying with the Consumer Protection Act. In this way we believe we contribute to the strengthening of our brands in the hearts and minds of consumers and create competitive advantage.

### Corporate governance

We remain fully committed to principles of transparency, integrity and accountability. In keeping with this, we undertook a review of our corporate governance framework in respect of King III, the JSE Listings Requirements and the much-awaited new Companies Act, 2008, which became effective from 1 May 2011.

The primary responsibility for good corporate governance rests with the Board and its chairman. In this report the Group outlines its application of King III and where appropriate, provides reasons for not implementing particular provisions and practices. The Board is satisfied that the Board committees set out in detail later in this report have effectively discharged their duties and responsibilities and are aligned with the recommendations in King III.

## Strategic partners

We continue to look for strategic opportunities and believe our strong cash position enables us to actively pursue acquisition opportunities that are aligned with AMAP's philosophy and strategy.

## Prospects

With no clear path to sustained economic growth in South Africa, it seems prudent to expect only moderate growth across our product categories in the year ahead. With consumer price inflation on the rise for most of 2010 and into 2011, it is likely that the upper limit of the inflation target range of 3 – 6% will be breached during the first quarter of 2012 mainly as a result of increasing transport costs, food prices, household operating costs and above-inflation wage hikes. According to economists and the major local banks, GDP growth of between 3,2% and 3,5% appears to be a realistic expectation. However, this does need to be viewed in conjunction with the effects of public-sector debt and lower growth in the Eurozone and the USA and their potential impact on the emerging market economies.

Although we applaud government for putting jobs at the centre of its economic policy, we do not anticipate significant improvements in employment rates over the next year. Wage increases above inflation are also likely to put further pressure on businesses although this does help boost the existing consumer pool spending to some degree.

Despite these factors, we believe AMAP is set to generate growth. In addition, the Group's portfolio of trusted brands ideally positions it to capture the upside when it occurs.

The combination of a diversified product portfolio, sound financials, steady domestic growth and new opportunities in Africa make AMAP a sound investment case.

## Appreciation

I would like to thank our outgoing Chairman, Leon Campher, and Group Chief Executive Officer, Alan Coward, and his management team for doing a superb job in difficult conditions over the past three years as well as each Board member for their valuable insights and contribution. My appreciation must also extend to our stakeholders, including our employees, customers and suppliers for their support during the year.

For and behalf of the Board



**David Cleasby**  
*Non-executive Chairman*

## Operational review



Alan Coward  
*Chief Executive Officer*

### Highlights

- Total capital distribution per share up 50% year-on-year.
- Revenue increased by 8,9% to R826 million.
- Basic earnings per share increased by 54,5% to 28,9 cents per share.
- Cash on hand R260,4 million.

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 preferred distributor of leading consumer brands.

### **Economic and trading environment**

Macro-economic fundamentals continued to impact consumer spending during the year under review as job losses, inflation and a slower-than-anticipated recovery from the global recession took their toll on consumers. Increases in electricity and municipal rates as well as general inflation continued to put disposable income under pressure. Although there was a slight improvement in trading conditions to January 2011, with the Group recording double-digit revenue growth compared with the prior period, the latter half of the financial year was characterised by a sharp slowdown in the economy affecting gross profit margins and trading profit. However, AMAP continued to grow market share despite the pervasive recessionary environment and reported 10% growth in the product categories in which we operate.

The strong Rand enabled us to maintain the costs of imported products, not only enabling us to pass on cost savings to consumers, but making it more affordable for consumers to move up the ranges, choosing our more expensive brands.

### **Performance**

As a sales and marketing entity, AMAP continues to differentiate itself by investing in its trusted brands and focusing on developing its intellectual property. Our operations are characterised by a team approach with specialists in the purchasing, logistics, financial, marketing and the 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 during the year under review with all brands achieving good growth.

Our key account managers analyse the latest consumer trends, both locally and internationally, and ensure that we are able to deliver the right

*Our diversification of brands covers all consumer income groups enabling us to better manage risk related to the economic environment.*

products and brands to customers across the LSM groups at the right time.

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 among 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 coordinated range of Russell Hobbs houseware, 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 houseware 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 innovative 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 in the marketplace and were well accepted. The impact of these new brands has begun to flow through in the fourth quarter of the reporting period.

Although we are regularly approached to represent new brands, we continue to choose to acquire or buy the rights only from those principals with whom we believe we can build long-term relationships and who share our common vision and goals. Our business strategy has always been one based on organic growth through existing brands and supplementing this with acquisitions. The Group now owns roughly one-third of its brands and is licensed to distribute other international brands on an exclusive basis

## Operational review continued

across sub-Saharan Africa. Our portfolio is equally balanced between local and international brands.

AMAP's approach to each individual brand is to ensure its quality and to undertake advertising and promotional campaigns independently from the retailers through which we sell our products. The Group's investment in trusted brands continued to pay off with new international players in the retail space recognising the hard work of promotions and brand-building and indicating their eagerness to work closely with us in future.

AMAP's strategic relationships continue to grow from strength to strength as South Africa and Africa become significant growth markets for many international brands. We will look to expand our relationships with existing partners including Spectrum Brands (US), Brother (Japan), Hoover (US) and McPhersons (Australia). Unfortunately due to strategic differences, our partnership with Stoneage was terminated.

In the accessories categories, we have entered into an agreement to acquire a satellite and terrestrial service provider. The rationale underpinning this was to expand our channels to market for the accessories business and create a base from which to expand additional brands into Africa. The transaction is currently awaiting Competition Commission approval and transfer of major contracts.

AMAP's strategy is to remain a sales and marketing company although we continue to manufacture about 30% of our small appliance products locally in ranges where we remain competitive on an import parity pricing basis. In order to achieve overhead recoveries, we also work with local retailers to manufacture their house brands. Because we have broad discretion over where we source our products from, the Group has been able to put in place a successful quality management programme over the past three years which improved our quality therefore reducing customer returns by approximately 25% year-on-year. It is only through the passion, knowledge and teamwork of our people that we have enabled the turnaround of AMAP so effectively. The Group now operates as a single entity with a culture of transparency and openness central to the way we operate. The move to our new head office in Fourways undertaken during the year, marked an important milestone, making us more

accessible to customers and better positioning our brands among our key target markets. The Group's talent pipeline is developed through on-the-job training, contributing and drawing on the diverse range of skills already present within the organisation. Staff members are encouraged to come up with ideas and to implement them. It is particularly rewarding to see our focus on innovation bearing fruit with the introduction of the brand Arti Farti, driven by a group of motivated employees.

### Cost-cutting and efficiencies

After the difficult restructuring exercise implemented three years ago, AMAP has been transformed into a leaner, more efficient organisation. Costs during the 2011 financial year remained in line with inflation despite some of our input costs increasing at above-inflation rates.

Operational efficiencies across the supply chain from procurement through to logistics and marketing continued to improve. Enhancements to our customer relationship management (CRM) solution have resulted in improvements for order turnaround times and enable speedy communication with our clients. Our business means not only focusing on the end-consumers of our products, but on retailers as customers too and we are focused on initiatives to integrate our business more closely with those of our retail customers.

The year again saw the Group emphasising stock reduction and control, matching this with intelligent procurement. However a conscious decision was made to be more aggressive in our stockholding to ensure that we did not lose any opportunities in sales over the festive season. We found retailers were choosing to delist suppliers who continuously went out of stock. Our decision achieved the desired effect with increased sales and a marginal increase of our physical stockholding over our target during the 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).

Basic earnings per share increased to 28,9 cents (2010: 24,2 cents restated) and HEPS increased to 29,0 cents (2010: 24,4 cents restated).

## Statement of financial position (continuing operations)

The statement of financial position shows a marked improvement over the last two years in the key areas of gearing, inventories and cash on hand. Current assets exceed current liabilities by a factor of almost four while the statement of financial position is ungeared. Cash on hand amounted to R260,4 million (2010: R204,4 million). Stringent working capital management had a considerable impact on strengthening the Group's statement of financial position. In a particularly challenging trading environment, 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 was R197,2 million compared with R181,8 million a year ago. This increase is due to higher revenue this year and was minimised by better collections 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.

## Risks and compliance

The introduction of the Consumer Protection Act poses challenges for all participants in the consumer market and the Group has already implemented an action plan to meet the requirements of the Act. We fully support the intention to provide consumers with relevant information on which to base purchasing decisions and believe the Act will be to the benefit of reputable brand distributors like AMAP. Our policies are in line with the requirements of the Act and the Group's quality improvement programme is achieving benefits through a substantial reduction in customer returns.

## African expansion

With Africa's long-term growth likely to result in widespread urbanisation and an expanding labour force, the rise of the middle-class African consumer presents an important opportunity

for companies involved in the retail industry. Research by McKinsey shows that in 2000, only 59 million households on the continent had \$5 000 or more in income, above which they start spending roughly half of it on non-food items. By 2014, the number of such households could reach 106 million. Africa already has more middle-class households than India and its rising consumption will create more demand for a range of products including houseware and appliances.

AMAP has seen substantial growth off a low base in sub-Saharan Africa over the past three years. As South African-based retailers have expanded successfully across the continent, we have been able to follow and establish a regional footprint. We now have a presence in 15 sub-Saharan African countries and expect our current growth rates to be maintained. When we set out on our African expansion strategy, sales outside South Africa contributed less than 2% to the Group's revenue. We are now well on track to meet our target of generating 10% of revenues from our African sales by 2013 with our retail partners, agents and appointed distributors.

Much of this success is the result of African consumers becoming more discerning about quality and seeking products with good back-up service. As local African consumers have built confidence and trust in our brands, we plan to expand into local retail outlets to reach a wider target market.

## 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 fulfil our vision of becoming Africa's leading distributor of branded consumer merchandise.

However, we expect economic and trading conditions to remain tough in the year ahead and anticipate growth to be flat across most product categories. Much will depend on whether there is a stabilisation in European and American markets and whether volatility in the financial markets has wider ramifications on the world's economies.

Our strong cash position has also enabled us to acquire a number of new brands, some of which

## Operational review *continued*

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 are energised and inspired by the opportunities in Africa and look forward to taking our trusted brands to more consumers across the continent.

With the volatility of the exchange rate and price increases from Asia we expect our margins to come under pressure over the coming year.

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

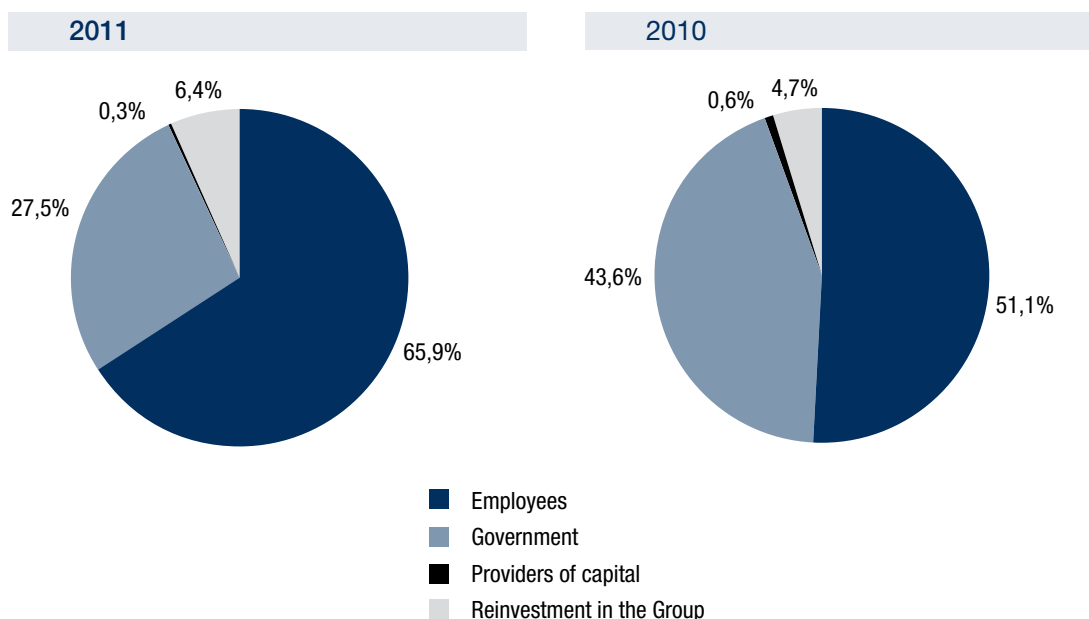
I would like to extend my appreciation and gratitude to Leon Campher for his guidance and support over the years and wish him well in his future endeavours. I would also like to thank our non-executive directors and Board members for their valuable guidance and counsel over the past year. The strong 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.



**Alan Coward**  
*Chief Executive Officer*

## Value added statement *for the year ended 30 June 2011*

Continuing and discontinuing operations	2011		2010	
	R'000	%	R'000	%
<b>REVENUE</b>	<b>826 423</b>		845 285	
Investment income	<b>11 949</b>		13 636	
Cost of materials, services and expenses	<b>(681 026)</b>		(625 426)	
<b>VALUE ADDED</b>	<b>157 346</b>	<b>100</b>	233 495	100
Distribution as follows:				
<b>Employees</b>				
– Salaries and wages, commission and other benefits	<b>103 613</b>	<b>65,9</b>	119 299	51,1
<b>Government</b>				
– Taxation (received)/paid	<b>(10 611)</b>	<b>(6,7)</b>	3 012	1,3
– PAYE	<b>11 324</b>	<b>7,2</b>	13 200	5,6
– Customs duty, excise duty, VAT and import surcharge	<b>42 559</b>	<b>27,0</b>	63 862	27,3
– Ad valorem	–	–	21 877	9,4
<b>Providers of capital</b>				
– Interest paid	<b>432</b>	<b>0,3</b>	1 491	0,6
<b>Reinvestment in the Group</b>				
– Depreciation, amortisation and impairment	<b>4 489</b>	<b>2,9</b>	7 696	3,3
– Reinvestment for expansion	<b>5 540</b>	<b>3,5</b>	3 058	1,4
<b>Employee headcount</b>	<b>304</b>		311	



## Corporate governance

*AMAP is committed to maintaining a culture of effective corporate governance to ensure the long-term sustainability of the business. The Group therefore embraces the principles of integrity, transparency and accountability in its dealings with all stakeholders.*

The corporate governance statement documented below sets out the key governance principles and practices of AMAP. AMAP is committed to maintaining a culture of effective corporate governance to ensure the long-term sustainability of the business. The Group therefore embraces the principles of integrity, transparency and accountability in its dealings with all stakeholders. The Institute of Directors Governance Assessment Instrument (GAI) framework was used to assess compliance. A level AA (High Application) was achieved.

appropriately. The Board recognises the responsibility of the Group to conduct its affairs with prudence, transparency, accountability, fairness and in a socially responsible manner.

In terms of King III, the Board needs to consider the interests of the Group and shareholders, taking into account the concerns and issues of its wider stakeholders, including suppliers, customers, employees and the environment. AMAP understands the importance of balancing long-term social, environmental and economic interests with the principal need to maximise the profits of the Group.

### Endorsement

The Board of Directors (“the Board”) is committed to ensuring that the Group is governed

Requirements per King III	Apply	Note	Page reference
1. Chairman of the Board	✓		17
2. Board composition	✓		17
3. Independence of non-executive directors	✓		18
4. Director information reported	✓		4 – 5
5. Board performance	✓		17
6. Rotation of directors	✓		17
7. Lead independent director	✓		17
8. Board committees and reporting structure	✓		19
9. Audit committee	✓		19
10. Risk committee	✓		20
11. IT governance	✓		21
12. Assurance of sustainability information		1	
13. Company secretary		2	

Notes:

1. Sustainability information is not separately audited. However, all reported figures have been commissioned from independent rating agencies or consultants.
2. Refer to section on the Company secretary of this report (refer page 18).

## Board of Directors

### Board Charter

A formal board charter confirms that the directors are accountable to shareholders and are responsible for the following:

- Overseeing relationships with stakeholders of the company along sound governance principles;
- Contributing to and approving the strategy;
- Overseeing that the strategy results in sustainable outcomes;
- Considering sustainability as a business opportunity that guides strategy formulation;
- Ensuring that the Company is playing its role as a responsible corporate citizen by taking into account the impact of the business operations on society and the environment;
- Providing oversight of performance against targets and objectives;
- Assessing the Group as a going concern;
- Approving the annual and interim financial statements;
- Providing effective leadership on an ethical foundation;
- Overseeing key performance and risk areas;
- Ensuring effective risk management and internal control;
- Overseeing IT governance;
- Overseeing legislative, regulatory and governance compliance;
- Overseeing director selection, orientation and evaluation;
- Ensuring balanced and understandable communication to stakeholders; and
- Matters considered crucial for business success.

A clear division of responsibility is embedded in the Board charter with the Board chaired by David Cleasby, a non-executive director. Colin Scott, an independent non-executive director, was appointed Lead Independent Director. The Board has delegated authority to the Chief Executive Officer and the directors of the AMAP Group for the implementation of the strategy and the ongoing management of the business.

Given the expertise of the various Board members, AMAP feels that the Board functions effectively and the assessment of individual Board members is a continuous process.

### Chairman of the Board of Directors

The Chairman, David Cleasby (previously Leon Campher), is a non-executive director and

was appointed as Chairman on 22 September 2011. The Chairman is responsible for ensuring the effectiveness of governance practices within the Group.

Particular areas of responsibility for the Chairman include guidance regarding strategic planning, relationships with principals, government and customers, Group economic empowerment, corporate relations, top-level contact with regulatory bodies and advice on local and overseas acquisitions.

The Chairman's duties are governed by a formal Board-approved mandate regulating the terms of reference of his office and this is reviewed from time to time when appropriate.

### Board composition

AMAP has a unitary Board that leads and controls the Group. The Board of Directors comprise four executive directors and seven non-executive directors chosen for their achievements, business acumen and skills.

The Board considers Steve Müller, Colin Scott and Dumisani Tabata as independent non-executive directors and David Cleasby and Sypros Scafidas (appointed on 1 July 2011) as non-executive directors.

All directors bring independent judgement to the issues of performance, strategy and resources including key appointments of directors and staff and standards of conduct within the Group. Details of the non-executive and executive directors of the Board are listed on pages 4 and 5.

The non-executive directors have no fixed term of appointment and no service contracts with AMAP.

Letters of appointment confirm the terms of their service. Their fees are independent of the Group's financial performance. The non-executive directors receive no share options or bonuses.

The Board meets at least four times per year (refer tables of attendance on page 23). In addition, the articles of association of the Company provide for material decisions taken between meetings to be ratified by way of directors' resolutions.

## Corporate governance continued

Directors declare their interests in contracts and other appointments at all Board meetings. Meetings are conducted in accordance with formal agendas ensuring that all matters are properly addressed. Standing subcommittees of AMAP have been appointed whilst ad hoc subcommittees are created as and when required. The Chairman of the relevant subcommittee sets the agenda for each meeting in consultation with the Group Chairman and Group CEO. Any director may request that additional matters be added to the agenda. Board packs are circulated to the directors in advance of the meetings. The non-executive directors take responsibility for ensuring that the Chairman reviews all matters requiring the Board's attention. The Board ensures that there is an appropriate balance of authority in its make-up so that no one individual or block of individuals can dominate its decision-making process.

### Changes to the Board during the year

Refer to the Chairman's review.

### Director independence

A formal evaluation of independence was performed and three of the five non-executive directors are classified as independent in terms of King III, namely Steve Müller, Colin Scott and Dumisani Tabata. David Cleasby, who represents Bidvest (BB Investment Co (Pty) Limited), a 27,6% shareholder in AMAP, and Spyros Scafidas, who was employed as a consultant to the Group until 30 June 2011, are non-independent, non-executive directors.

### Role and responsibilities of the Board

The Board is responsible for the strategic direction, performance, affairs and risk management of AMAP. In directing the Group, the Board exercises leadership, integrity and judgement based on fairness, accountability, responsibility and transparency directed to achieve the ongoing prosperity of the Group.

The Board approves operational and investment plans and strategies and empowers executive management to implement these plans and strategies. There is a clear division between the responsibilities of the Board and management.

Structured management succession planning for purposes of identifying, developing and advancing future leaders in the Group, is an important element in the management process.

The Board remains accountable for the overall success of the approved strategies, based on values, objectives and stakeholder requirements, and for the process and policy to ensure the integrity of risk management and internal control. The Board is the focal point of the Group's corporate governance structure and is also responsible for ensuring that it complies with all relevant laws, regulations and codes of best business practice.

The directors have unrestricted access to the advice and services of the Company Secretary. They are entitled to seek professional advice at the Company's expense if the Board approval process is followed. Directors also have unrestricted access to all Company information and may meet independently with management.

Newly-appointed directors participate in an induction programme which outlines their fiduciary responsibilities and provides Company and industry background information.

### Company Secretary

The Company Secretary acts as an advisor to the Board and plays a pivotal role in ensuring compliance with regulations, the induction of new directors and providing advice to directors on governance, compliance and their fiduciary responsibilities.

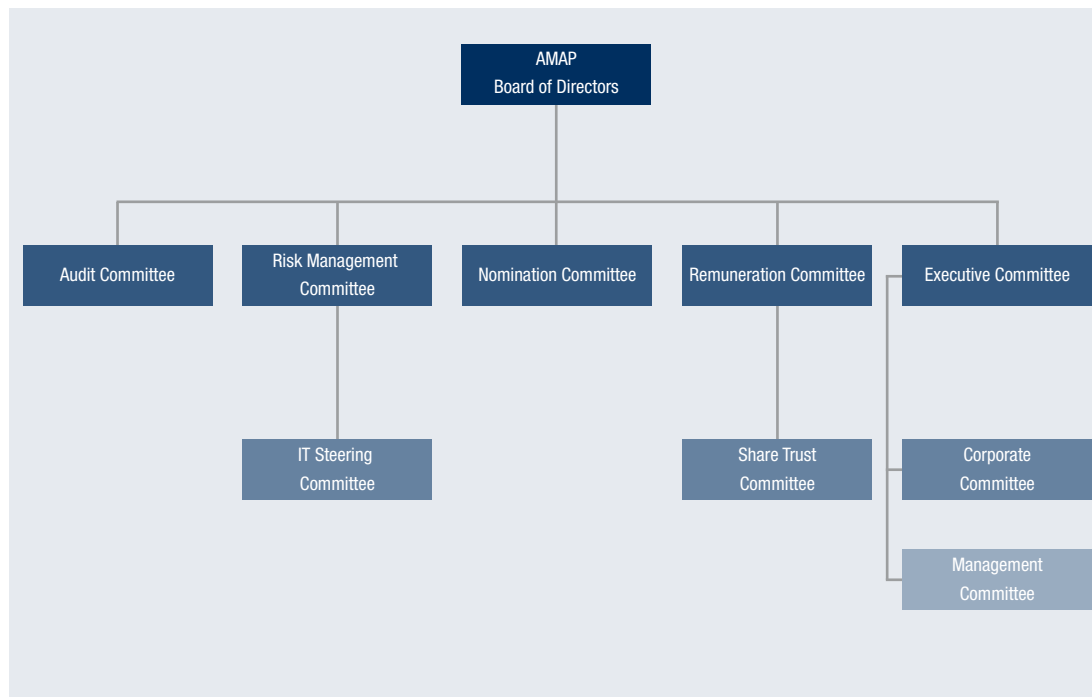
The current company secretary position is held by Bruce Drummond who was appointed as an executive director (Chief Financial Officer) during the current year. Although a secretarial agency is utilised to assist the Company Secretary in performing his duties, it is the intention of the Board to consider the appointment of a new company secretary in the near future.

### Materiality and approval framework

Issues of a material or strategic nature which can impact on the reputation and performance of the Group are referred to the Board. Other issues, as mandated by the Board, are dealt with at executive management level.

The minutes of all the committee meetings are circulated to the members of the Board. Issues that require the Board's attention or a Board resolution are highlighted and included as agenda items for the next Board meeting.

## Governance structure



### Board committees

The Board of Directors has delegated specific responsibilities to five Board committees. The board committees, with the exception of the Executive Committee, are all chaired by non-executive directors. Each committee has a charter/terms of reference and the directors confirm that the committees have functioned in accordance with their terms of reference during the financial year.

Membership of each committee is reviewed regularly by the Group Chairman and adjusted accordingly. The chairmen of the committees are elected by the members of each committee unless sound reasons cause the committees and the Board to determine otherwise.

### Audit Committee report

The Audit Committee supports the Board, the details of which are listed below.

#### Purpose and function

- Approving the internal audit plan and reviewing the activities and findings of the internal audit function.
- Evaluating the performance of the internal audit function.

- Reviewing external audit plan and reviewing the activities and findings of the external audit function.
- Approving principles for recommending the use of the external auditors for non-audit services and pre-approval of all fees paid to the external auditor for non-audit service.
- Assessing the independence and objectivity of the external auditors.
- Determining the nature and extent of non-audit services which may be provided by the external auditors and pre-approving the terms for the provision of non-audit services by the external auditors.
- Considering significant differences of opinion between management and the internal or external auditors.
- Reviewing the adequacy of internal controls, financial and non-financial.
- Considering whether AMAP is able to continue as a going concern.
- Monitoring proposed changes in accounting policy and all published financial information.
- Ensuring regulatory compliance.
- Reviewing risk areas of the Company's operations to be covered in the scope of internal and external audit functions.

## Corporate governance continued

- Overseeing the integrated reporting process including:
  - reviewing the financial reporting systems, accounting policies and information issued to stakeholders in terms of International Financial Reporting Standards (IFRS), and
  - reviewing disclosure on sustainability to ensure reliability and non-conflicting with financial information.
- Monitoring the ethical conduct of the Company, its directors and senior executives.

As noted in the 2010 annual report, the Audit Committee and the Board had decided to appoint the Group Accountant as Financial Director (FD) designate. The Group Accountant had held this position for eight years and performed the required responsibilities of FD designate. At the Board meeting held on 5 November 2010, Bruce Drummond (Financial Director designate) was appointed as Chief Financial Officer (CFO). The committee considered and satisfied itself of the appropriateness of the expertise and experience of the CFO.

The Audit Committee chairman and its members confirm their review and approval of the above-mentioned activities in line with the terms of reference. In addition, the Audit Committee is satisfied with the effectiveness of the system of internal controls based on the review conducted by the independent internal auditors.



**Steve Müller**  
*Audit Committee Chairman*

26 September 2011

### Composition

The current committee consists of two independent non-executive directors, Steve Müller (Chairman) and Colin Scott, and one non-executive director, David Cleasby. The executive directors attend meetings by invitation. Shareholders are required to elect the members of this committee at the Company's annual general meeting (refer to ordinary resolution 3). Steve Müller was appointed to the committee in March 2008, and David Cleasby and Colin Scott were appointed in July and September 2010 respectively.

### Meetings

The Audit Committee meets four times per year or more frequently if required. Hylton Cochrane (legal advisor) attends Audit Committee meetings by invitation.

### Risk Management Committee

The Risk Management Committee forms an integral component of the Group's governance framework and enables management to limit the impact of business, industry and general risks and protect the interests of all stakeholders.

### Purpose and function

- Annually reviewing the risk management policy and plan and recommending these for approval to the Board.
- Making recommendations on risk tolerance and appetite.
- Annually reviewing the comprehensive Group risk matrix addressing general business risks, trading conditions, succession planning, credit risk, exchange rate exposure, IT risk, insurable losses, interest rate and liquidity risks, and ensuring that all strategic and key operational risks are identified and monitored.
- Monitoring implementation of the risk management policy and plan.
- Assessing the effectiveness of the system and process of risk management based on assurances gained from management and written assessment from Internal Audit on the effectiveness of internal controls and risk management.
- Assessing the environmental and social sustainability of the Group.
- Identifying stakeholders and evaluating their legitimate interests and expectations.
- Overseeing IT governance and the function of the IT Steering Committee by:
  - ensuring that an IT charter and policies are established and implemented;
  - ensuring that an IT internal control framework is adopted and implemented; and
  - receiving an independent assurance on the effectiveness of the IT internal controls.

The Board retains accountability for risk management. The Risk Management Committee ensures the Group has adequate risk management and internal control procedures in place.

The Risk Committee has identified and monitored the following major risks:

<b>Risk</b>	<b>Impact</b>	<b>Mitigation</b>
Loss of major customers	This could result in a decline in sales	Relationship management of key customers is in place and new customer relationships are constantly being developed
Long-term exchange rate adjustment	This could cause an increase in pricing making us uncompetitive	Foreign exchange policy is regularly reviewed and the impact of exchange rate on pricing monitored by the Risk Management Committee
Consumer Protection Act	Failure to comply could result in reputational damage and product recall	AMAP fully supports the intention to arm consumers with better information on which to base purchasing decisions. An action plan was put in place in the prior financial period and is constantly evaluated for compliance
Product quality and failure	Potential reputational risk and potential decline in sales	Quality is tested on an ongoing basis and stringent quality standards are in place
Change in economic conditions	Decline in sales due to reduction in consumer spending capacity	The Risk Management Committee constantly monitors this and ensures that risk is minimised where possible
IT risk	Business risks associated with system failure	The IT Steering Committee, as a sub-committee of the Risk Management Committee, has compiled an IT Disaster Recovery Plan and the Risk Management Committee has compiled a Business Continuity Plan, both of which are tested regularly and independently reviewed by internal audit
Statutory and legal compliance	Failure to comply could result in reputational damage and legislative action	Statutory and legal requirements are regularly monitored to ensure compliance

No significant change in the overall risk profile of the Group was identified during the year. The directors confirm that risk mitigation and monitoring processes have proved to be robust and have been effective in limiting the impact of risks on the business in the current challenging economic environment.

The Board feels that the risk management process is effective.

### Composition

The committee consists of three non-executive directors, Steve Müller (Chairman), David Cleasby and Spyros Scafidas and the executive directors. Senior management attend meetings by invitation. David Cleasby was appointed to the committee in July 2010, Steve Müller was

appointed in June 2008 and Spyros Scafidas was appointed in September 2011.

### Meetings

The Risk Management Committee meets four times per year or more frequently if circumstances dictate or decision-making is required. The internal auditors attend risk committee meetings occasionally by invitation.

### Information Technology Steering Committee is a sub-committee of the Risk Management Committee

The Information Technology Steering Committee chaired by Bruce Drummond and supported by senior management, meets regularly and ensures that Group strategic business needs

## Corporate governance continued

and core objectives are met. In addition, the committee is tasked to keep up with ongoing technological changes to provide management with accurate and meaningful data in order to assist with the effective running of the Group.

A Group information technology (IT) disaster recovery plan is in place and is tested bi-annually to ensure systems continuity at all times.

### Remuneration Committee (REMCO) report

During the year under review, the committee comprised Colin Scott (Chairman), Leon Campher, Dumisani Tabata and Myron Berzack. All members were independent non-executive directors except for Myron Berzack and the committee satisfied its responsibilities in compliance with the written terms of reference during the year. Leon Campher was appointed to the committee in November 2007, Myron Berzack and Dumisani Tabata in December 2009 and Colin Scott in July 2010.

The REMCO meets at least twice a year to review and consider changes to the following:

- General salary increases for the staff
- Salary increases for executive directors
- The directors' fees payable to the non-executive directors
- Short- and long-term incentives payable to executive directors
- Retention bonuses when necessary
- Any other pay related issues applicable to the executive directors

The CEO and executive management attend committee meetings by invitation.

### Remuneration philosophy

The Company philosophy is to remunerate its employees fairly in relation to the market and services they provide. The primary executive remuneration objective is also to attract, retain and motivate executive directors by ensuring that an appropriate portion of their remuneration package is performance-related. To this end, an annual cash incentive is set which rates performance against a balanced scorecard of key performance areas agreed to. The scorecard is governed by a set of rules recommended by the consultants of 21st Century and approved by the REMCO. The scorecard is highly performance driven, as 90% of the weighted score is directed at improving shareholder wealth. The following scorecard is applicable to the executive directors:

- 65% achieving budgeted profit
- 25% achieving budgeted NAV
- 10% leadership, governance and control.

This ensures that the interests of management and the shareholders are aligned.

Furthermore, remuneration is framed taking into account the total cost of employment (TCOE). This guaranteed pay concept incorporates basic pay, allowances, benefits, etc, but excludes bonuses and any incentives. This definition of pay makes comparisons with market-related salary surveys easier.

In this regard the REMCO, during the year under review, commissioned 21st Century, a company which evaluates remuneration levels of the marketplace, to do the following evaluations.

- Review the directors' fees payable to non-executive directors
- Short- and long-term incentives payable to Executive Directors
- The guaranteed pay for the Company CEO
- Evaluate our incentive system in relation to the King III report.

The results from the consultants reassured the REMCO members that AMAP's remuneration practices are in line with good corporate governance.

### Top-paid employees of the Group who are not executive directors:

30 June 2011  
R'000

Employee 1	2 750
Employee 2	2 265
Employee 3	2 253
Total	7 268

### Share trust option scheme

The main function of the Share Trust Committee is to award share options on recommendation from the REMCO to employee participants in terms of the trust deed and to manage the share option scheme accordingly.

REMCO utilises the share option as the basis for long-term incentives motivation to retain key employees and reward deserving employees on a merit basis.

The Group share option scheme, which was approved by the shareholders a number of years

ago, is managed by a Share Trust Fund. The Trustees of the Trust Fund for the year under review were as follows:

- M Berzack – Trustee (Non-executive Director) – resigned on 7 September 2011
- L Campher – (Independent non-executive Director) – resigned on 22 September 2011
- C Scott – Chairman (Independent non-executive Director)
- D Tabata – Trustee (Independent non-executive Director)
- D Cleasby – Trustee (Non-executive Director)
- S Müller – Trustee (Independent non-executive Director)

### Nomination Committee (NOMCO)

This committee is an independent committee in terms of the King report and meets when required to do so, but at least once a year.

The current members of the committee are Colin Scott (Chairman), David Cleasby and Dumisani Tabata. All members are independent non-executive directors (except for Myron Berzack) in terms of the King III report. The CEO and HR Director attend by invitation when appropriate.

The appointment of executive and non-executive directors is a transparent and formal procedure

governed by NOMCO's terms of reference.

Special emphasis is placed on the development of diverse leadership and the representation of all race groups. Specific areas of responsibility include:

- Ensuring a balance of skills at Board level
- Succession planning of Executive Management
- Nomination of members to serve on subcommittees

Recent resignations from the Board required that the Nomination Committee identify and evaluate suitable candidates for the Board. The composition of the various subcommittees was revisited and appointments recommended to the Board for approval.

### Executive Committee

The Executive Committee comprises the executive directors, namely Alan Coward (Chairman), Murray Crow, Bruce Drummond and Des Oliver. The terms of reference for this committee, the Management and Corporate committees have been amended in line with the requirements of the Companies Act. The Management and Corporate Committees are subcommittees of the Executive Committee and all key operational and strategic decision-making occurs at Executive Committee level.

### Board and committee attendance – 1 July 2010 to 30 June 2011

	Board	Audit	Risk Management	Remuneration	Nomination	Executive
Number of meetings	5	5	5	4	4	5
<b>Non-executive directors</b>						
L Campher	5	X	5	4	4	X
M Berzack	4	X	X	4	4	X
D Cleasby	4	2	5	X	X	X
S Müller	5	5	4	X	X	X
C Scott	5	5	X	4	4	X
D Tabata	3	X	X	4	4	X
<b>Executive directors</b>						
A Coward	5	X	5	X	X	5
B Drummond	5	X	5	X	X	5
D Oliver	5	X	5	X	X	5
M Crow	5	X	4	X	X	5

X Not eligible to attend

The above table reflects committee members for the year under review. Refer to page 26 for committee details over the financial period and at the date of this report.

## Corporate governance continued

The Management and Corporate Committees consist of the Executive Committee members, supported by various members of senior management. These serve as forums for monthly operational reviews of administrative, treasury and operational issues.

### Internal audit

The internal auditors, Grant Thornton, report directly to the Audit Committee and the Chief Financial Officer. Annually, the internal auditors execute a proposed audit plan jointly with management that ensures sufficient evidence will be obtained to evaluate the effectiveness of all internal control procedures prioritised by the relevant degree of inherent risk in each activity. The activities and output of this function are reviewed and approved by the Audit Committee. As a consequence of the restructuring of the Group, the internal audit completed the adequacy review of internal control documentation and procedures during the year. All controls are adequately monitored. The internal auditors will review the effectiveness of internal controls for all areas in the next financial year.

### Internal control

The directors and management are responsible for maintaining effective systems of internal control. These systems are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the financial statements to safeguard, verify and maintain accountability of the Group's assets and to detect and minimise significant fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations.

Close day-to-day control of operations and procedures are maintained and monitored by senior management, who produce monthly performance reports and management accounts for review by senior management, the Executive Committee and the Board.

No significant internal control problems have come to the attention of the directors to indicate a material failure in internal controls within the Group during the year.

The Group's internal audit function is outsourced to Grant Thornton which reports that it has conducted a detailed and robust review of the

Group's system of internal controls. The areas covered as per the internal audit plan were manufacturing, warehousing, service operations, Group accounts and Information Technology disaster recovery.

A documented review of the Group's system of internal control – specifically the design adequacy of the internal financial controls – was conducted by the internal audit function during the 2011 financial year and was considered and reviewed by the Audit Committee. Areas that were identified as needing improvement have either been addressed or are in the process of being addressed by management.

A thorough review of the effectiveness of these internal controls is to be performed within the next financial year.

Based on the results of the formal documented reviews and considering the information and explanations given by management and the results of the audit assessed by the Audit Committee, nothing has come to the attention of Internal audit that caused it to believe that the Company's system of internal controls was not currently adequate.

### Dealing in securities

In accordance with the Listings Requirements of the JSE, AMAP has adopted a code of conduct for insider trading. During the closed period directors and designated senior employees are prohibited from dealing in the Company's securities. Directors may only deal in the Company's securities outside the closed period with the authorisation of the Chairman and the Group CEO. The closed period lasts from the end of the financial reporting period until the publication of financial results for that period. Additional closed periods may be declared from time to time if circumstances warrant.

### Fraud and illegal acts

AMAP does not engage in or accept or condone the engaging of any illegal acts in the conduct of its business. The directors' policy is to actively pursue and prosecute the perpetrators of fraudulent or other illegal activities should they become aware of any such acts. There is an ongoing external fraud hotline in place to support this philosophy.

## Legal/Arbitration

There are no pending or threatened legal or arbitration proceedings which had or may have a material effect on the financial position of the Company or the Group.

## Going concern

The directors confirm, giving due cognisance to the Group's current financial position and cash flows, that the Group is a going concern. The Group expects to improve operational performance in the year ahead and therefore considers the deferred tax asset to be utilisable in the foreseeable future.

## Stakeholder engagement

Stakeholder engagement is central to the Group's economic, social and environmental sustainability. AMAP is committed to transparent, timely, accurate and consistent communications with stakeholders in accordance with legal constraints and strategy and aims to present a balanced and logical assessment of the Group's position in all its communications. Any potential gaps between stakeholder perception and Group performance are measured and managed by the Executive Committee and the Group's reputation and impact on stakeholder perception is regularly discussed at Board meetings.

The Group has identified the following primary stakeholders who have an interest in the business or who could influence the business in a positive or negative manner:

- Customers
- Suppliers
- Employees
- Shareholders and analysts
- Regulatory bodies
- Communities

## Customers

Customers are assigned key account managers who perform market research, customer visits and have developed strong relationships with customers. The executive directors also engage with key customers as and when required. Our customer relationship management (CRM) team constantly adds to its CRM software to better meet customers' needs. This ensures high levels of customer retention, improved service levels and increased sales.

## Suppliers

Key marketing and sales staff visit supplier factories regularly and frequent meetings are held with key suppliers. This allows us to secure reliable and sustainable supply chains which service the merchandise needs of the Group and ensure delivery of quality goods.

## Employees

AMAP believes that intellectual capital is one of the core strengths of the business along with trusted brands. The Group believes in attracting and retaining talented staff and providing a stimulating and productive work environment in order to make the best use of the intellectual capital within the business.

## Shareholders and analysts

The Group encourages stakeholder attendance at general meetings and, where appropriate, provides full and comprehensive explanations of the effects of resolutions to be proposed at these meetings.

Company announcements are released on SENS and posted on the Company's website. Further results announcements are posted to shareholders. The Chairman and Board are available to answer queries from stakeholders at all times and wherever possible, the Group CEO will engage with the financial media to ensure accurate reporting. Communication with institutional shareholders and investment analysts is maintained through semi-annual presentations of financial results, one-on-one visits, trading statements and press announcements of interim and annual results.

## Regulatory bodies

The Board is ultimately responsible for compliance with applicable legislation and, through its various committees, ensures that timeous statutory reporting requirements are met, regulatory submissions are made and liaisons held with regulatory bodies as required.

## Communities

Community investment and upliftment is at the heart of the organisation. This is achieved through continuous investment in the Group's CSI programme and various initiatives within the Group and with other stakeholders.

## Board and committee membership

### Committees during the year under review

#### Board of Directors

Leon Campher (Chairman)  
Myron Berzack  
Alan Coward  
David Cleasby  
Murray Crow  
Bruce Drummond  
Steve Müller  
Des Oliver  
Colin Scott  
Dumisani Tabata

#### Audit Committee

Steve Müller (Chairman)  
David Cleasby  
Colin Scott

#### Risk Management Committee

David Cleasby (Chairman)  
Leon Campher  
Steve Müller  
Alan Coward  
Murray Crow  
Bruce Drummond  
Des Oliver

#### Remuneration Committee

Colin Scott (Chairman)  
Myron Berzack  
Leon Campher  
Dumisani Tabata

#### Nomination Committee

Leon Campher (Chairman)  
Myron Berzack  
Colin Scott  
Dumisani Tabata

#### Share Trust Committee

Leon Campher (Chairman)  
Myron Berzack  
Steve Müller  
Dumisani Tabata

### Current committees

#### Board of Directors

David Cleasby (Chairman)  
Alan Coward  
Murray Crow  
Bruce Drummond  
Steve Müller  
Des Oliver  
Spyros Scafidas  
Colin Scott  
Dumisani Tabata

#### Audit Committee

Steve Müller (Chairman)  
David Cleasby  
Colin Scott

#### Risk Management Committee

Steve Müller (Chairman)  
David Cleasby  
Spyros Scafidas  
Alan Coward  
Murray Crow  
Bruce Drummond  
Des Oliver

#### Remuneration Committee

Colin Scott (Chairman)  
David Cleasby  
Dumisani Tabata

#### Nomination Committee

Colin Scott (Chairman)  
David Cleasby  
Dumisani Tabata

#### Share Trust Committee

Colin Scott (Chairman)  
David Cleasby  
Dumisani Tabata

# Sustainability report

## Introduction

In the pursuit of sustainability, the Group subscribes to the guidelines of the King III report and endeavours to support the principles in all areas.

## Code of ethics

All employees are required to maintain high ethical standards, ensuring that the Group conducts its business in a proper and professional manner. The code controls the Group's commitment to its customers, suppliers, shareholders and the broader community as well as policies and guidelines regarding the personal conduct of management, staff, officials and other employees. A policy is in place to restrict employees who have access to privileged information from dealing directly or indirectly in AMAP shares during sensitive periods and prior to the announcement of the financial results.

In support of the code of ethics is a fraud hotline operated by an outside independent company to protect the confidentiality of whistleblowers and shareholders' interests.

## Employee wellness

The value of healthy employees, mentally and physically, is recognised by the Group. To this end we hold regular wellness days in conjunction with Discovery Health which address the health profile of the employees including a voluntary Aids test. Aids/HIV counselling is also provided by Discovery.

## Labour relations

Sound labour relations remain the cornerstone of our employee relationship, which ensures full participation in achieving the goals of our Group. The Group subscribes fully to the principle of freedom of association and the relevant trade unions also make a contribution in maintaining our labour harmony. Regrettably, the Group was faced with a protected week-long national wage strike this year. While the strike did have some impact on operations in general, it did not jeopardise our business or the good working relationship between management and labour.

The relocation of the company's Head Office from Booyens to Fourways (as the lease for the Booyens premises expired) proved challenging for employees commuting to the new premises.

However, working in a modern and well-planned office structure has resulted in good morale among the employees.

## Broad-Based Black Economic Empowerment (BBBEE)

The Group embraces the principles of the relevant legislation and codes of good practice and remains committed to the process of black economic transformation to secure a sound economy for the country into the future. However, the search for a sustainable equity ownership deal has not yet been achieved. This is a goal which the CEO and the Board of Directors wish to achieve in the longer term provided that such change will benefit all stakeholders.

Our current BBBEE rating is Level 9. This low rating is as a result of restructuring over the past three years and the closure of our television factory.

A process is now in place to improve our BBBEE rating to Level 5 by the end of the next financial year.

## Employment equity

The Group continues to pursue the philosophy of employee upliftment, and in consequence hereof, has dedicated resources to training and development programmes to achieve demographic representation in the workforce. All employees are given the opportunity to develop their potential for themselves and the Group. We comply fully with all relevant equity and skills legislation. Equity committees and structures are in place to improve our employee equity profile as a sales and marketing organisation into the future. The employer/employee relationship is governed by sound human resource policies. The culture of the Group is performance-driven and operational and financial achievements are rewarded with appropriate incentive schemes as follows:

- Short-term cash incentives governed by a rated balanced scorecard.
- The payment of a discretionary 13th cheque to employees who are not on any incentive scheme. The payment thereof is subject to an acceptable merit assessment through a performance management appraisal exercise.
- In the long term, performance is rewarded through the allocation of share options by the Group through the share trust.

## Sustainability report continued

### Training and development

Training and career development are strategic priorities for the Company. We provide ongoing opportunities for employees to enhance their knowledge and competencies. Our training philosophy also enhances our succession planning structures which are in place.

### Preferential procurement

Most of the Company's procurement spend is for product and components from international suppliers and therefore our local spend is comparatively small. Nevertheless, in keeping with the national spirit to empower previously disadvantaged groups in our community, we actively support and encourage black-owned and empowered SMEs by procuring their services for our transport, printing and packaging, security and cleaning requirements as well as for financial advisory services. We have several enterprise development projects underway designed to increase the number of Previously Disadvantaged Individual (PDI)-owned and controlled suppliers.

### Corporate Social Investment (CSI)

Our CSI efforts are driven by Des Oliver, an executive director of AMAP. No funding or sponsorship is granted to individuals as we believe that funding approved institutions is more practical and beneficial. However, small donations are given to accredited organisations who conduct recognised community work.

Our main efforts are currently focused on a joint project in the retail industry to establish a recycling scheme. Discussions with leading retailers are underway. Collection points will be made available for the public to dispose of their discarded small electrical appliances for

scrapping and recycling. Underprivileged citizens will be used to strip these appliances for recycling as well as PDIs. There is great potential for this project and the contribution towards the Group's CSI efforts is exciting.

### Environmental protection

The Group's philosophy is to reduce negative environmental impact where it is practical to do so. A process was started during the year to determine the Company's Carbon Footprint. The definition of Carbon Footprint is as follows:

"The quantity of greenhouse gas emissions from each production unit for the whole life cycle (cradle to grave) of a particular product. Carbon footprint thus calculates the carbon dioxide equivalent of the emissions issuing from the extraction of raw materials, transportation and parts for assembly all the way to waste management for end of product life."

An experienced company in measuring gas emissions was commissioned to undertake the measurement for the Group. To this end, our present emissions profile is as follows:

• Stationary fuels	0,57 tonnes
• Company-owned vehicles	362,81 tonnes
• Electricity	2 487,07 tonnes
• Outsourced freight/transport	1 515 tonnes
• Commuting employees	551 tonnes
• Business travel	75 tonnes

A total of approximately five tonnes of carbon emissions occurred during the period under review which is considered to be a reasonable level by the measurement company. Efforts are underway to improve these ratings for the next financial year.

# Annual financial statements

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## Directors' responsibility statement and approval

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements included in the integrated annual report.

The Company and Group annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the South African Companies Act on the going-concern basis and incorporate full and responsible disclosure. The annual financial statements are based upon appropriate accounting policies and are supported by reasonable and prudent judgements and estimates.

The directors are satisfied that the information contained in the financial statements fairly represents the results of operations for the year ended 30 June 2011 and the financial position of the Company and Group at year-end 30 June 2011. The accuracy of the other information included in the annual report was considered by the directors and they are satisfied that it accords with the financial statements.

The directors and management are also responsible for the Company's and Group's system of internal financial controls. The system was developed to provide reasonable, but not absolute, assurance regarding the

reliability of the financial statements, the safeguarding of assets and to prevent and detect misrepresentation and losses.

The directors are of the opinion that the Company and Group will continue as a going concern in the future.

The financial statements were audited by independent auditors Deloitte & Touche to whom unrestricted access was given to all financial records and related information. The directors are further of the opinion that all statements made to the auditors during the course of the audit were valid and relevant. The independent auditors' report is presented on page 31.

The annual financial statements including the audit committee report which appears on pages 19 and 20, and 32 to 62 were approved by the Board of Directors on 26 September 2011 and are signed on its behalf by:



**D Cleasby**  
Chairman

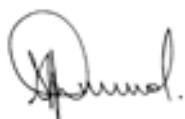


**A S Coward**  
Group CEO

Johannesburg

## Certification by Company Secretary

In my capacity as Company Secretary, I hereby confirm in terms of Section 88 (2) of the Companies Act No.71 of South Africa, 2008, as amended, that for the year ended 30 June 2011, to the best of my knowledge and belief, the Company has lodged with the Registrar all such returns as are required by a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



**B G Drummond**  
Company Secretary

26 September 2011  
Johannesburg

## Independent auditors' report *to the members of Amalgamated Appliance Holdings Limited*

### Report on the financial statements

We have audited the annual financial statements and Group annual financial statements of Amalgamated Appliance Holdings Limited which comprise the audit committee report on pages 19 and 20 and the report of the directors, the statement of financial position and consolidated statement of financial position as at 30 June 2011, the statement of comprehensive income and consolidated statement of comprehensive income, the statement of changes in equity and consolidated statement of changes in equity and the statement of cash flows and consolidated statement of cash flows for the year ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 32 to 62.

### Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

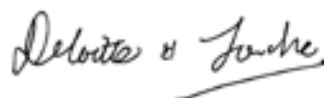
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement including the assessment of the risks of material misstatements on the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the

purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and of the Group as at 30 June 2011 and of their financial performance and their cash flows for the year ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.



**Deloitte & Touche**  
Registered Auditors  
Per M Ajoodha  
Partner

26 September 2011

Building 1 and 2  
Deloitte Place  
The Woodlands  
Woodlands Drive  
Woodmead Sandton

*National Executive: GG Gellink Chief Executive, AE Swiegers Chief Operating Officer, GM Pinnock Audit, DL Kennedy Risk Advisory and Legal Services, NB Kader Tax, L Geeringh Consulting, L Bam Corporate Finance, JK Mazzoco Human Resources, CR Beukman Finance, TJ Brown Chairman of the Board, MJ Comber Deputy Chairman of the Board.*

*A full list of partners and directors is available on request.*

*B-BBEE rating: Level 2 contributor/AAA (Certified by Empowerdex).*

*Member of Deloitte Touche Tohmatsu Limited.*

## Report of the directors *for the year ended 30 June 2011*

Your directors have pleasure in submitting their report on the affairs of the Company and Group for the year ended 30 June 2011.

### Nature of business

The main business of the Group is in manufacturing, importing, exporting and distributing small domestic appliances, housewares, personal care, sewing and electronic products as well as electrical accessories.

### Group results

The Company and Group financial statements for the year under review are set out on pages 32 to 62. The financial statements were compiled and prepared by Marion Kearns CA (SA) in her capacity as group accountant.

### Financial objectives

The Group's objectives are to maintain consistent long-term real growth in earnings.

### Share capital

	2011 R'000	2010 R'000
<b>Authorised</b>		
800 000 000 ordinary shares of 1 cent each	<b>8 000</b>	8 000
<b>Issued</b>		
212 189 689 ordinary shares of 1 cent each	<b>2 122</b>	2 122

### Directorate and Secretary

Details of the non-executive and executive directors are stated on pages 4 and 5, which includes the details of the Company Secretary.

### Directors' interests

The directors' interests, directly or indirectly, in the issued share capital of the Company as at 30 June 2011 were:

	Direct beneficial		Indirect beneficial	
	2011	2010	2011	2010
M C Berzack***	<b>38 589</b>	38 589	–	–
A S Coward	–	–	<b>151 000</b>	100 000
B G Drummond**	<b>150 000</b>	–	–	–
S Karele*	–	205 246	–	–
S A Levitt*	–	2 704	–	–
C K L Scott	<b>600 000</b>	600 000	<b>50 000</b>	50 000

\* Resigned 30 June 2010

\*\* Appointed 5 November 2010

\*\*\* Resigned 7 September 2011

S Scafidas held 90 000 shares as at 30 June 2011 and was appointed as a director on 1 July 2011.

No other changes in the interest of directors were noted since 30 June 2011 and to the date of this report.

### Distribution to shareholders

The Board approved an interim distribution to shareholders by way of a capital distribution out of share premium of 4 cents per share (2010: nil) in March 2011 and a final capital distribution of 8 cents per share (2010: 8 cents) in September 2011. Salient dates are highlighted on page 64.

### Date of incorporation

The Company was incorporated on 20 March 1997.

### Subsidiaries

The interest of the Company in the aggregate net profit after taxation of the subsidiaries is R57 410 000 (2010: R38 475 000). Details of subsidiaries are set out in note 30 on page 62 of the annual financial statements.

	2011 R'000	2010 R'000
Net profit	<b>58 044</b>	49 959
Net losses:		
Tedelex Manufacturing (Pty) Ltd	<b>(524)</b>	(11 441)
Tedelex Properties (Atlantis) (Pty) Ltd	<b>(24)</b>	–
Amalgamated Appliances (Pty) Ltd	<b>(86)</b>	(43)
Profit attributable to ordinary shareholders	<b>57 410</b>	38 475

The above table excludes the detail of any profit making subsidiaries in the current or prior year.

### Asset classified as held for sale

In 2009 the Atlantis property was transferred to assets "held for sale" in line with the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. However, the asset of the Atlantis property has not been sold to date and no longer meets the criteria for classification as "held for sale" and has therefore been transferred to Investment Property.

### Employee share scheme

An employee share scheme, which has been in existence from the listing date, allows for broad participation in the equity of the Company at all levels.

Share options granted	Allocation price cents	Number unexercised	
		Number	30 June 2011
Allocation August 2006	500	1 306 000	168 200
Allocation June 2008	185	4 900 000	3 400 000
Allocation July 2008	174	1 000 000	1 000 000
Allocation December 2008	106	500 000	–
Allocation September 2009	151	5 040 000	4 290 000
Allocation April 2010	171	200 000	200 000
Allocation June 2010	176	2 640 000	2 640 000
Allocation December 2010	<b>191</b>	<b>300 000</b>	<b>300 000</b>
<b>Total options granted</b>		<b>15 886 000</b>	<b>11 998 200</b>

Shares available	2011	2010
Opening balance	<b>12 578 499</b>	2 653 292
Exercise of options granted	<b>(50 000)</b>	(229 000)
Shares purchased	<b>3 000 000</b>	10 154 207
<b>Closing balance including options</b>	<b>15 528 499</b>	12 578 499
The average share price of the exercise of options granted was 191 cents per share (2010: 103 cents per share).		
<b>Share options reconciliation</b>		
Opening balance	<b>13 388 200</b>	6 206 500
Exercise of options granted – after 2002	<b>(50 000)</b>	(229 000)
Resignations	<b>(1 640 000)</b>	–
Options lapsed	–	(469 300)
New options granted	<b>300 000</b>	7 880 000
Closing balance	<b>11 998 200</b>	13 388 200
<b>Number of participants</b>	<b>23</b>	24

Note that various share options were allocated to directors and staff in June 2011. However, the acceptance date for these options is on 30 September 2011.

The fair value of shares held at year-end amounted to R27 951 298 (2010: R20 628 738).

	Number of employees	
	2011	2010
Factory	<b>135</b>	118
Commercial	<b>169</b>	193
Total employee headcount	<b>304</b>	311

### Directors' remuneration

The details of the directors' remuneration and share options are tabled in note 2 on page 45.

### Acquisitions during the year

Tedex Trading (Pty) Ltd, a wholly-owned subsidiary of Amalgamated Appliance Holdings Ltd, has entered into a sale of business agreement with Sammeg Satellite (Pty) Ltd, Samsat Cape (Pty) Ltd, Samsat (KZN) (Pty) Ltd, 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 acquisition is pending fulfilment of the conditions precedent, namely Competition Commission approval and transfer of major contracts.

### Segment reporting

The Group predominantly markets and distributes consumer durables from a single business unit. Information regarding aggregated customer and geographical information is disclosed in note 24.

## Statements of comprehensive income *for the year ended 30 June 2011*

	Notes	GROUP		COMPANY	
		2011 R'000	Restated 2010 R'000	2011 R'000	2010 R'000
<b>Continuing operations</b>					
<b>Revenue</b>		<b>826 423</b>	759 095	-	-
Dividends received		-	-	-	5 292
Investment income	3.1	<b>11 949</b>	13 616	-	-
Restructuring costs – operations		<b>(1 118)</b>	(926)	-	-
Raw materials and consumables used		<b>(565 745)</b>	(517 867)	-	-
Depreciation and amortisation expense		<b>(4 489)</b>	(4 698)	-	-
Employee benefits expense		<b>(87 598)</b>	(97 939)	-	-
Consulting expense		<b>(4 025)</b>	(2 804)	-	-
Fair value adjustments of financial instruments		<b>(2 022)</b>	-	-	-
Finance costs	3.2	<b>(432)</b>	(1 401)	-	-
Other expenses		<b>(95 529)</b>	(77 018)	-	-
Profit before taxation	2	<b>77 414</b>	70 058	-	5 292
Taxation	4	<b>(20 004)</b>	(20 142)	-	-
Profit for the year from continuing operations		<b>57 410</b>	49 916	-	5 292
<b>Discontinued operations</b>	2, 14	-	(11 441)	-	-
<b>Profit for the year from continuing operations and discontinued operations attributable to shareholders</b>		<b>57 410</b>	38 475	-	5 292
<b>Total comprehensive income for the year from continuing operations and discontinued operations attributable to shareholders</b>		<b>57 410</b>	38 475	-	5 292
<b>From continuing and discontinued operations</b>					
Basic earnings per share (cents)	6.1	<b>28,9</b>	18,7	-	-
Diluted basic earnings per share (cents)	6.3	<b>28,7</b>	18,6	-	-
<b>From continuing operations</b>					
Basic earnings per share (cents)	6	<b>28,9</b>	24,2	-	-
Diluted basic earnings per share (cents)	6	<b>28,7</b>	24,2	-	-
<b>From discontinued operations</b>					
Basic loss per share (cents)	6	-	(5,6)	-	-
Diluted basic loss per share (cents)	6	-	(5,5)	-	-
Capital distribution per share – interim (cents)	5	<b>4,0</b>	-	-	-
– final (cents)	5	<b>8,0</b>	8,0	-	-

Group comparative figures have been restated, see note 14.

## Statements of financial position *as at 30 June 2011*

	Notes	GROUP		COMPANY	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
		<b>58 620</b>	66 886	<b>91 321</b>	95 257
Property, plant and equipment	7	<b>8 904</b>	8 585	-	-
Investment property	8	<b>11 707</b>	-	-	-
Trademarks	9	<b>1 645</b>	1 645	-	-
Interest in subsidiaries	10	-	-	<b>91 321</b>	95 257
Deferred taxation	11	<b>36 364</b>	56 656	-	-
		-	11 707	-	-
<b>Assets classified as held for sale</b>					
<b>Current assets</b>					
		<b>594 604</b>	542 705	-	-
Inventories	12	<b>137 050</b>	145 958	-	-
Trade and other receivables	13	<b>197 154</b>	181 755	-	-
Current tax asset		-	10 615	-	-
Bank and cash on hand		<b>260 400</b>	204 377	-	-
<b>Total assets</b>		<b>653 224</b>	621 298	<b>91 321</b>	95 257
<b>EQUITY AND LIABILITIES</b>					
<b>Total share capital and reserves</b>					
		<b>494 970</b>	465 135	<b>69 637</b>	95 100
Share capital	15	<b>2 122</b>	2 122	<b>2 122</b>	2 122
Share premium	16	<b>71 006</b>	94 841	<b>69 378</b>	94 841
Treasury shares		<b>(28 322)</b>	(22 699)	-	-
Accumulated profit/(loss)		<b>442 199</b>	384 789	<b>(1 863)</b>	(1 863)
Share-based compensation reserve		<b>7 965</b>	6 082	-	-
<b>Non-current liabilities</b>					
		<b>2 660</b>	1 257	<b>21 480</b>	-
Interest in subsidiaries	10	-	-	<b>21 480</b>	-
Long-term borrowings		-	101	-	-
Deferred taxation	11	<b>2 660</b>	1 156	-	-
<b>Liabilities directly associated with assets classified as held for sale</b>					
		-	11 707	-	-
<b>Current liabilities</b>					
		<b>155 594</b>	143 199	<b>204</b>	157
Trade and other payables	17	<b>127 817</b>	110 174	-	-
Derivative financial liability	23.4	<b>2 298</b>	439	-	-
Capital distribution		<b>204</b>	157	<b>204</b>	157
Taxation		<b>228</b>	-	-	-
Short-term portion of long-term borrowings		-	482	-	-
Provisions	18	<b>25 047</b>	31 947	-	-
<b>Total equity and liabilities</b>		<b>653 224</b>	621 298	<b>91 321</b>	95 257

## Statements of changes in equity *for the year ended 30 June 2011*

	Share capital R'000	Share premium R'000	Treasury shares R'000	Accu- mulated profits/(loss) R'000	Share- based compen- sation reserve R'000	Attributable to equity holders of the parent R'000
<b>GROUP</b>						
<b>Balance at 30 June 2009</b>	2 122	94 841	(9 433)	346 314	4 828	438 672
Total comprehensive income for the year	–	–	–	38 475	–	38 475
Net treasury movement	–	–	(13 266)	–	–	(13 266)
Share-based payment	–	–	–	–	1 254	1 254
<b>Balance at 30 June 2010</b>	2 122	94 841	(22 699)	384 789	6 082	465 135
Total comprehensive income for the year	–	–	–	<b>57 410</b>	–	<b>57 410</b>
Capital distribution	–	<b>(23 835)</b>	–	–	–	<b>(23 835)</b>
Net treasury movement	–	–	<b>(5 623)</b>	–	–	<b>(5 623)</b>
Share-based payment	–	–	–	–	<b>1 883</b>	<b>1 883</b>
<b>Balance at 30 June 2011</b>	<b>2 122</b>	<b>71 006</b>	<b>(28 322)</b>	<b>442 199</b>	<b>7 965</b>	<b>494 970</b>
<b>COMPANY</b>						
<b>Balance at 30 June 2009</b>	2 122	94 841	–	(7 155)	–	89 808
Total comprehensive income for the year	–	–	–	5 292	–	5 292
<b>Balance at 30 June 2010</b>	2 122	94 841	–	(1 863)	–	95 100
Capital distribution	–	<b>(25 463)</b>	–	–	–	<b>(25 463)</b>
<b>Balance at 30 June 2011</b>	<b>2 122</b>	<b>69 378</b>	–	<b>(1 863)</b>	–	<b>69 637</b>

## Statements of cash flows *for the year ended 30 June 2011*

	Notes	GROUP		COMPANY	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000
<b>Cash flow from operating activities</b>					
Cash receipts from customers		<b>926 722</b>	979 254	-	-
Cash payments to suppliers and employees		<b>(857 738)</b>	(885 201)	-	-
Cash generated by operations	A	<b>68 984</b>	94 053	-	-
Capital distribution and dividends paid	B	<b>(23 788)</b>	-	<b>(25 416)</b>	5 292
Income taxes received/(paid)	C	<b>10 611</b>	(3 012)	-	-
Investment income		<b>11 949</b>	13 636	-	-
Finance costs		<b>(432)</b>	(1 491)	-	-
Net cash flows from operating activities	E	<b>67 324</b>	103 186	<b>(25 416)</b>	5 292
<b>Investing activities</b>					
Proceeds from disposal of property, plant and equipment		<b>345</b>	7 909	-	-
Purchases of property, plant and equipment expansion		<b>(5 540)</b>	(3 058)	-	-
Net cash flows from investing activities	E	<b>(5 195)</b>	4 851	-	-
<b>Financing activities</b>					
Decrease in amounts due from subsidiaries		-	-	<b>25 416</b>	(5 292)
Repayments of obligations under finance leases		<b>(483)</b>	(5 710)	-	-
Net movement in treasury shares		<b>(5 623)</b>	(13 266)	-	-
Net cash flow from financing activities	E	<b>(6 106)</b>	(18 976)	<b>25 416</b>	(5 292)
Net increase in cash and cash equivalents		<b>56 023</b>	89 061	-	-
Cash and cash equivalents at the beginning of the year		<b>204 377</b>	115 316	-	-
<b>Cash and cash equivalents at the end of the year</b>	D, E	<b>260 400</b>	204 377	-	-

## Notes to the statements of cash flows *for the year ended 30 June 2011*

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
<b>A. Reconciliation of profit before taxation to cash generated by operations</b>				
Profit before taxation for the year	77 414	54 330	–	–
Adjusted for:				
Loss on disposal of property, plant and equipment	387	929	–	–
Depreciation, impairment and amortisation	4 489	7 696	–	–
Investment revenue	(11 949)	(13 636)	–	–
Unrealised translation loss/(gain)	2 096	(731)	–	–
Share-based payments	1 883	1 254	–	–
Finance costs	432	1 491	–	–
Operating profit before working capital changes	74 752	51 333	–	–
<b>Working capital changes</b>	<b>(5 768)</b>	42 720	–	–
Decrease in inventories	8 148	18 083	–	–
(Increase)/decrease in trade and other receivables	(15 399)	15 661	–	–
Increase in trade and other payables	1 483	8 976	–	–
Cash generated by operations	68 984	94 053	–	–
<b>B. Capital distribution and dividends paid</b>				
Opening balance – June 2010	157	157	157	157
Capital distribution and dividends paid/(received) for the year	23 835	–	25 463	(5 292)
Closing balance (including dividends payable)	(204)	(157)	(204)	(157)
Capital distribution and dividends paid	23 788	–	25 416	(5 292)
<b>C. Taxation (received)/paid</b>				
Opening balance	(10 615)	(6 242)	–	–
Taxation charge for the year	20 004	15 855	–	–
Reversal of deferred tax movement	(19 772)	(17 216)	–	–
Closing balance	(228)	10 615	–	–
Income tax (received)/paid	(10 611)	3 012	–	–
<b>D. Cash and cash equivalents</b>				
Cash and cash equivalents at the end of the year	260 400	204 377	–	–
<b>E. Cash flows from operating activities</b>	<b>67 324</b>	103 186	<b>(25 416)</b>	5 292
– Continuing operations	67 324	96 725	(25 416)	5 292
– Discontinued operations	–	6 461	–	–
<b>Cash flows from investing activities</b>	<b>(5 195)</b>	4 851	–	–
– Continuing operations	(5 195)	(1 940)	–	–
– Discontinued operations	–	6 791	–	–
<b>Cash flows from financing activities</b>	<b>(6 106)</b>	(18 976)	<b>25 416</b>	(5 292)
– Continuing operations	(6 106)	(14 484)	25 416	(5 292)
– Discontinued operations	–	(4 492)	–	–
<b>Cash and cash equivalents at the end of the year</b>	<b>260 400</b>	204 377	–	–
– Continuing operations	260 400	204 377	–	–

## 1. Accounting policies

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the South African Companies Act of 2008 as amended. The annual financial statements are prepared on the historical cost basis and fair value basis of accounting. In preparation of the annual financial statements, uniform accounting policies have been applied throughout the Group.

### 1.1 Basis of consolidation

The Group's annual financial statements incorporate the annual financial statements of the Company and its subsidiaries. The results of the subsidiaries are included from the effective dates of acquisition and up to the effective dates of disposal. Intragroup balances, all significant intragroup and resulting unrealised profits are eliminated in full. Differences between the consideration paid for subsidiaries acquired and the net tangible asset values at the dates of acquisition are treated as goodwill. Minority interests in the net asset of consolidation subsidiaries are identified separately from the Group's equity thereon.

### 1.2 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### 1.3 Property, plant and equipment

Property, plant and equipment are stated at cost to the Group less accumulated depreciation and any impairment losses.

Depreciation is provided on the straight-line basis at rates which will reduce the book value of the assets to estimated residual values at the end of their useful lives. The estimated useful lives and residual values are reviewed annually. Major improvements to buildings, plant and equipment are capitalised when economic value is added. Maintenance and repairs are expensed when incurred. The gain or loss on the disposal or retirement of an asset is determined as the difference between sales proceeds and the carrying amount of the assets and is recognised in income. Land is not depreciated.

### 1.4 Investment property

Investment properties are held for long-term rental yields or for capital appreciation or both and are not occupied by companies within the Group. Investment properties are measured initially at cost. After initial recognition, investment properties are measured and carried at the lower of cost less depreciation. Depreciation is provided for on the straight-line basis at a rate that will reduce the book value to estimated residual value at the end of the useful life.

### 1.5 Borrowing costs

Borrowing costs directly attributable to any acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of the asset. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# Notes to the annual financial statements *for the year ended 30 June 2011*

## 1. Accounting policies continued

### 1.6 Trademarks

Purchased trademarks are recognised as assets at their historical cost and are amortised over the shorter of their useful lives unless such lives are indefinite. All trademarks and intangibles are assessed annually for impairment.

### 1.7 Amortisation

Amortisation of intangible assets is recognised in the statements of comprehensive income on a straight-line basis over the assets' estimated useful lives unless such lives are indefinite. Intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortised but are tested for impairment annually. Other intangible assets are amortised from the date they are available for use. The amortisation methods, estimated useful lives and residual values are reassessed annually.

### 1.8 Impairment of tangible and intangible assets

The carrying amount of the Group's assets are reviewed at each statement of financial position date to determine if there is any indication of impairment in which case their recoverable amounts are estimated. Where the assets do not generate cash flows and are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised as an expense immediately unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease. Any excess of the impairment loss over the revaluation surplus is charged to profit and loss.

A previously recognised impairment loss will be reversed if the recoverable amount increases as a result of the change in the estimates previously used to determine the recoverable amount to an amount not higher than the carrying amount that would have resulted had no impairment loss being recognised. A reversal of an impairment loss is recognised as income immediately unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as a revaluation increase.

The recoverable amount is the higher of the fair value less cost to sell and the value-in-use. Fair value is determined by ascertaining the current market value of an asset and deducting any costs relating to the realisation of the asset. In assessing the value-in-use, the expected future cash flows from the asset are discounted to their net present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that is largely dependent on those of other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

### 1.9 Reversal of impairment losses

In respect of other assets, an impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. However, this is not to an amount higher than the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in previous years.

### 1.10 Inventories

Inventories are valued at the lower of cost and net realisable value. The value is determined using the first-in first-out method. The value of work in progress and finished goods includes direct material, labour and appropriate overhead costs. These costs are based on rates applicable to normal production capacity. Adequate provision is made for obsolete and slow-moving stock.

## 1. Accounting policies continued

### 1.11 Foreign currency transactions and balances

It is the Group's policy to take forward cover in respect of all foreign liabilities.

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing on the statement of financial position date. Profits and losses arising on exchange are included in the net profit for the period.

### 1.12 Taxation

The charge for taxation is based on the results for the period as adjusted for items which are non-assessable or disallowable.

Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the calculation of assessable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the statement of comprehensive income except when it relates to items credited or charged directly to equity in which case the deferred tax is also dealt with in equity.

### 1.13 Retirement benefits

The policy of the Group is to provide retirement benefits for its employees. The Group expense in respect of contributions to pension and provident funds is based on the current service cost and is charged against income in the period that they become payable. The Group has a defined contribution plan. The Company provides post-retirement medical benefits to certain employees on retirement. The fund is valued annually and the actuarial loss or gain is taken to the statement of comprehensive income.

### 1.14 Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a part of the contractual provisions of the instrument.

Foreign currency forward contracts protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled. Any increase or decrease in the amount required to settle the asset or liability is offset by a corresponding movement in the value of the forward exchange rate.

#### Financial assets

Receivables are initially stated at their nominal value and subsequently stated at fair value after reducing the debt by any appropriate allowance for estimated irrecoverable amounts.

Investments are classified as either held-for-trading or available-for-sale and are measured at subsequent reporting dates at fair value. Where securities are held-for-trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity until the security is disposed of or is determined to be impaired at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Long-term investments, where the Company is not in a position to exercise significant influence or joint control, are stated at cost less impairment loss where the investment's carrying value exceeds its estimated recoverable amount.

# Notes to the annual financial statements *for the year ended 30 June 2011*

## 1. Accounting policies continued

### 1.14 Financial instruments continued

#### Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Financial liabilities include finance lease obligations, interest-bearing bank loans and overdrafts and trade and other payables.

The accounting policy adopted for finance lease obligations is outlined in note 1.16.

Interest-bearing bank loans and overdrafts are recorded at the proceeds received net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables are stated initially and subsequently at their nominal value. Equity instruments are recorded at the proceeds received, net of direct issue costs.

### 1.15 Derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments are recognised in the statement of comprehensive income as they arise.

It is the policy of the Group not to trade in derivative financial instruments for speculative purposes.

### 1.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a financial lease obligation. Finance costs which represent the difference between the total lease commitments of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to profit or loss on the straight-line basis over the term of the relevant lease. Benefits receivable as an incentive to enter into an operating lease are also spread on the straight-line basis over the lease term in line with the requirements of IAS 17 Leases.

### 1.17 Provisions

Provisions are recognised when the Group has a present constructive, business or legal obligation as a result of past events and 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. Provisions for warranty costs are recognised at the date of sale of the relevant products at the directors' best estimate of the expenditure required to settle the Group's liability.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring and the Group has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. Restructuring provisions only include that direct expenditure which is necessarily entailed by the restructuring and not associated with the ongoing activities of the enterprise.

## **1. Accounting policies** continued

### **1.18 Cash and cash equivalents**

For the purposes of the cash flow statements, cash and cash equivalents comprise cash in hand, deposits held with banks, and investment banks, net of bank overdrafts. In the statement of financial position and statement of cash flows, bank overdrafts are included in borrowings.

### **1.19 Research and development**

Research and development costs are charged as an expense in the period in which they are incurred.

### **1.20 Treasury shares**

Treasury shares represent shares in Amalgamated Appliance Holdings Limited that are held by subsidiary companies. These shares are held at cost and treated as a deduction against Group reserves. Dividends relating to treasury shares are eliminated on consolidation. Treasury shares will not exceed 10% of the issued share capital.

### **1.21 Equity compensation benefits**

The Company grants share options to certain directors and employees under a share incentive trust.

### **1.22 Share-based payments**

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Fair value has been calculated by Alexander Forbes Financial Services using their actuarial binomial model. The expected life used in the model has been adjusted based on management's estimates for the effects of non-transferability, exercise restrictions and behavioural considerations.

### **1.23 Investments in subsidiaries**

Investments in subsidiaries are recorded at cost. All investments are reviewed at each statement of financial position date to determine if there is any indication of impairment.

### **1.24 Assets held for sale and discontinued operations**

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. A discontinued operation results from the sale or abandonment of an operation. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

### **1.25 Pension and provident funds**

The Group provides for pension and provident schemes substantially covering all employees. All eligible employees are members of a defined contribution scheme administered by the Company. Total expenses for pension and provident fund are recognised in the Company's various income statements.

### **1.26 Dividend**

Final dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's directors. Interim dividend distributions are recognised in the period in which the dividends are declared.

### **1.27 New accounting pronouncements**

Refer to note 29.

### **1.28 Restatement of prior year figures**

The prior year figures have been restated to reflect the transfer of the Atlantis asset from held for sale to investment property, affecting the classification of discontinued and continuing operations. The restatement did not impact on the statement of financial position in the prior year figures and therefore two years' comparative figures need not be presented.

## Notes to the annual financial statements *for the year ended 30 June 2011*

	<b>GROUP</b>	
	<b>2011 R'000</b>	2010 R'000
<b>2. Profit before taxation</b>		
Profit before taxation is stated after the following:		
<b>Cost of sales</b>	<b>565 745</b>	616 687
– Continuing operations	<b>565 745</b>	517 867
– Discontinued operations	–	98 820
<b>Auditors' remuneration</b>		
– Audit fees	<b>2 453</b>	2 790
– (Over)/under provision in prior year	<b>(266)</b>	710
– Fees for other services	<b>305</b>	412
	<b>2 492</b>	3 912
– Continuing operations	<b>2 492</b>	3 692
– Discontinued operations	–	220
<b>Depreciation, amortisation and impairment</b>		
– Office furniture and equipment	<b>1 305</b>	1 827
– Motor vehicles	<b>306</b>	694
– Plant	<b>2 507</b>	1 829
– Leasehold movements	<b>371</b>	348
	<b>4 489</b>	4 698
– Continuing operations	<b>4 489</b>	4 698
<b>Loss/(profit) on disposal of property, plant and equipment</b>		
– Plant	–	179
– Leasehold improvement	<b>429</b>	–
– Motor vehicles	<b>(103)</b>	172
– Office furniture and equipment	<b>61</b>	578
	<b>387</b>	929
– Continuing operations	<b>387</b>	549
– Discontinued operations	–	380
<b>Operating lease payments</b>		
– Land and buildings	<b>10 846</b>	12 419
– Continuing operations	<b>10 846</b>	9 218
– Discontinued operations	–	3 201
<b>Consultants' fees</b>		
– Managerial	<b>3 919</b>	2 650
– Technical	<b>106</b>	154
	<b>4 025</b>	2 804
– Continuing operations	<b>4 025</b>	2 756
– Discontinued operations	–	48

	GROUP	
	2011 R'000	2010 R'000
<b>2. Profit before taxation</b> continued		
Employee benefits expense		
Post-employment benefits expense (pension and provident fund)		
Defined contribution plan	3 107	4 317
Share-based payments	1 883	1 254
	<b>4 990</b>	5 571
– Continuing operations	4 990	4 322
– Discontinued operations	–	1 249
Legal fees – continuing operations	6 188	1 580
Distribution – continuing operations	63 341	51 601
Net inventory provision raised	13 073	8 562
Foreign exchange translation loss/(gains) – continuing operations	585	(731)

#### Directors' emoluments 2011

##### Individual directors' emoluments

GROUP	Fees for	Basic	Bonuses	Expense	Other	Pension	Total
	services	salary		allowance	benefits	contri-	2011
	R'000	R'000	R'000	R'000	R'000	butions	R'000
						R'000	
<b>Executive</b>							
A S Coward	–	1 838	4 223	224	47	150	6 482
M G Crow	–	1 317	2 754	204	36	110	4 421
B G Drummond*	–	800	–	127	11	66	1 004
D B Oliver	–	1 311	2 643	211	33	110	4 308
Total	–	5 266	9 620	766	127	436	16 215
<b>Non-executive</b>							
P L Campher	61,6	–	–	–	–	–	61,6
D E Cleasby**	35,3	–	–	–	–	–	35,3
M C Berzack**	35,3	–	–	–	–	–	35,3
C K L Scott	38,9	–	–	–	–	–	38,9
S H Muller	71,3	–	–	–	–	–	71,3
D D Tabata	35,6	–	–	–	–	–	35,6
Total	278,0	–	–	–	–	–	278,0

\* Appointed in November 2010

\*\* Fees paid to The Bidvest Group Ltd

Note: The directors' emoluments only include payments made during the year ended 30 June 2011. An accrual for the 2011 bonuses of R8 488 841 has been raised based on current profits. These bonuses were approved by REMCO and will be paid in the next financial year.

Retention bonuses were provided for various executive directors, refer note 18.

The executive directors are the prescribed officers.

## Notes to the annual financial statements *for the year ended 30 June 2011*

### 2. Profit before taxation *continued*

#### Directors' emoluments 2010

##### Individual directors' emoluments

<b>GROUP</b>	Fees for services R'000	Basic salary R'000	Bonuses R'000	Expense allowance R'000	Other benefits R'000	Pension contributions R'000	Total 2010 R'000
<b>Executive</b>							
A S Coward	–	1 698	171	158	63	140	2 230
M G Crow	–	1 207	126	158	48	102	1 641
D B Oliver	–	1 223	127	159	46	103	1 658
S Karele*	–	1 207	2 128	158	2 285	103	5 881
<b>Total</b>	<b>–</b>	<b>5 335</b>	<b>2 552</b>	<b>633</b>	<b>2 442</b>	<b>448</b>	<b>11 410</b>
<b>Non-executive</b>							
P L Campher	96,8	–	–	–	–	–	96,8
D E Cleasby**	21,4	–	–	–	–	–	21,4
M C Berzack**	24,1	–	–	–	–	–	24,1
W A du Plessis*	71,5	–	–	–	–	–	71,5
S A Levitt*	103,2	–	–	–	–	–	103,2
S H Muller	87,3	–	–	–	–	–	87,3
D D Tabata	91,7	–	–	–	–	–	91,7
<b>Total</b>	<b>496,0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>496,0</b>

\* Resigned during the 2010 year

\*\* Fees paid to The Bidvest Group Ltd

	Total options granted	Strike price R	Issue date	Options at which exercised	Price at which exercised R	Date exercised	Gain on exercise per share R	<b>Total options held 30 June 2011</b>
<b>Share options</b>								
<b>Executive</b>								
A S Coward	2 000 000	1,85	June 08					<b>2 000 000</b>
	750 000	1,51	Oct 09					<b>750 000</b>
	400 000	1,51	Oct 09					<b>400 000</b>
	500 000	1,76	June 10					<b>500 000</b>
M G Crow	1 000 000	1,74	July 08					<b>1 000 000</b>
	400 000	1,51	Oct 09					<b>400 000</b>
	300 000	1,51	Oct 09					<b>300 000</b>
	350 000	1,76	June 10					<b>350 000</b>
B G Drummond	40 000	5,00	June 08					<b>40 000</b>
	200 000	1,51	Oct 09	50 000	1,91	Dec 10	0,40	<b>150 000</b>
	150 000	1,76	June 10					<b>150 000</b>
	300 000	1,91	Dec 10					<b>300 000</b>
D B Oliver	1 000 000	1,85	June 08					<b>1 000 000</b>
	400 000	1,51	Oct 09					<b>400 000</b>
	300 000	1,51	Oct 09					<b>300 000</b>
	300 000	1,76	June 10					<b>300 000</b>

	<b>GROUP</b>	
	<b>2011 R'000</b>	2010 R'000
<b>3. Investment income/finance costs</b>		
<b>3.1 Investment income</b>		
Bank deposit	<b>11 733</b>	13 624
Other	<b>216</b>	12
	<b>11 949</b>	13 636
– Continuing operations	<b>11 949</b>	13 616
– Discontinued operations	<b>-</b>	20
<b>3.2 Finance costs</b>		
Interest paid on borrowings	<b>(308)</b>	(939)
Other	<b>(124)</b>	(552)
	<b>(432)</b>	(1 491)
– Continuing operations	<b>(432)</b>	(1 401)
– Discontinued operations	<b>-</b>	(90)
<b>4. Taxation</b>		
South African normal taxation – current	<b>-</b>	-
South African normal taxation – prior	<b>232</b>	(1 361)
Deferred – current	<b>22 568</b>	16 169
Deferred – prior	<b>(2 796)</b>	1 047
	<b>20 004</b>	15 855
– Continuing operations	<b>20 004</b>	20 142
– Discontinued operations	<b>-</b>	(4 287)
2010 comparative figures have been restated, refer note 14.		
<b>4.1 Taxation reconciliation</b>		
Standard normal rate of taxation (%)	<b>28,0</b>	28,0
Taxation at standard rate	<b>21 676</b>	15 212
Adjusted for		
– Permanent differences	<b>892</b>	957
– Prior year adjustment current tax	<b>232</b>	-
– Prior year adjustment deferred tax	<b>(2 796)</b>	(314)
– Income tax expense	<b>20 004</b>	15 885
– Effective rate of taxation (%)	<b>25,8</b>	28,7
Estimated taxation losses available to offset against future taxation income		
Opening balance	<b>162 213</b>	234 135
Raised	<b>9 986</b>	-
Utilised	<b>(72 589)</b>	(71 922)
Closing balance	<b>99 610</b>	162 213
Tax effect at standard normal rate of taxation	<b>27 891</b>	45 420
<b>5. Capital distribution</b>		
Capital distribution – final approved not paid (2010: paid in 2011)	<b>16 975</b>	16 975
– interim paid	<b>8 488</b>	-
	<b>25 463</b>	16 975

#### Final distribution to shareholders

The directors have approved a final capital distribution by way of a capital reduction out of share premium to shareholders for the current year of 8 cents per share (2010: 8 cents per share). Salient dates for the payment are highlighted on page 64.

## Notes to the annual financial statements *for the year ended 30 June 2011*

### 6. Earnings per share – Group

#### 6.1 Earnings per share – from continuing and discontinued operations

Earnings per share of 28,9 cents (2010: 18,7 cents) is calculated based on the net profit attributable to ordinary shareholders of R57 410 000 (2010: R38 475 000) and the weighted average number of 198 892 000 (2010: 205 917 000) ordinary shares in issue during the respective years.

#### 6.2 Headline earnings per share – from continuing and discontinued operations

The calculation of headline earnings per share is based on the net profit attributable to ordinary shareholders of R57 410 000 (2010: R38 475 000) adjusted by a loss of R279 000 (2010: loss of R669 000) after taxation in respect of losses on disposal of property, plant and equipment divided by the weighted average of ordinary shares in issue during the respective years.

#### 6.3 Diluted earnings per share – weighted

Diluted earnings per share of 28,7 cents (2010: 18,6 cents) is calculated based on the net profit attributable to ordinary shareholders and headline earnings/(loss) as defined below divided by the diluted number of 200 252 000 (2010: 206 554 000) ordinary shares. The anti-dilutive effect is as a result of the share options in issue.

#### 6.4 Headline earnings/(loss) per share – analysed

	Profit/(loss) before tax R'000	Taxation R'000	Net profit/(loss) R'000
<b>30 June 2011</b>			
Profit attributable to ordinary shareholders	77 414	(20 004)	57 410
Adjustment			
Loss on disposal of property, plant and equipment	387	(108)	279
<b>Headline profit</b>	<b>77 801</b>	<b>(20 112)</b>	<b>57 689</b>
Headline earnings per share – (cents)			29,0
Diluted headline earnings per share – (cents)			28,8
<b>30 June 2010 – Restated</b>			
<b>Continuing and discontinued operations</b>			
Profit attributable to ordinary shareholders	54 330	(15 855)	38 475
Adjustment			
Loss on disposal of property, plant and equipment	929	(260)	669
<b>Headline profit – continuing and discontinued operations</b>	<b>55 259</b>	<b>(16 115)</b>	<b>39 144</b>
Headline earnings per share – (cents)			19,0
Diluted headline earnings per share – (cents)			19,0
<b>Continuing operations</b>			
Profit attributable to ordinary shareholders	70 058	(20 142)	49 916
Adjustment			
Loss on disposal of property, plant and equipment	549	(154)	395
<b>Headline earnings – continuing operations</b>	<b>70 607</b>	<b>(20 296)</b>	<b>50 311</b>
Headline earnings per share – (cents)			24,4
Diluted headline earnings per share – (cents)			24,4
<b>Discontinued operations</b>			
Loss attributable to ordinary shareholders	(15 728)	4 287	(11 441)
Adjustments			
Loss on disposal of property, plant and equipment	380	(106)	274
<b>Headline loss – discontinued operations</b>	<b>(15 348)</b>	<b>4 181</b>	<b>(11 167)</b>
Headline loss per share – (cents)			(5,4)
Diluted headline loss per share – (cents)			(5,4)

## 7. Property, plant and equipment

<b>GROUP</b>	<b>Office furniture and equipment R'000</b>	<b>Motor vehicles R'000</b>	<b>Plant R'000</b>	<b>Leasehold improve- ments R'000</b>	<b>Total R'000</b>
<b>7.1 30 June 2011</b>					
<b>Cost</b>					
Opening balance	13 375	4 673	35 247	6 663	59 958
Additions	2 065	1 152	378	1 945	5 540
Disposals	(905)	(566)	–	(5 106)	(6 577)
Closing balance	14 535	5 259	35 625	3 502	58 921
<b>Accumulated depreciation</b>					
Opening balance	11 375	3 403	30 710	5 885	51 373
Disposals	(823)	(345)	–	(4 677)	(5 845)
Depreciation for the year	1 305	306	2 507	371	4 489
Closing balance	11 857	3 364	33 217	1 579	50 017
Net book value – 2011	2 678	1 895	2 408	1 923	8 904
Net book value – 2010	2 000	1 270	4 537	778	8 585
Depreciation rates (%)	20	20	10	10 – 50	–
<b>7.2 30 June 2010</b>					
<b>Cost</b>					
Opening balance	20 187	6 524	34 676	6 663	68 050
Additions	1 245	–	1 751	–	2 996
Disposals	(8 057)	(1 851)	(1 180)	–	(11 088)
Closing balance	13 375	4 673	35 247	6 663	59 958
<b>Accumulated depreciation</b>					
Opening balance	16 821	3 741	30 061	5 537	56 160
Disposals	(7 273)	(1 032)	(1 180)	–	(9 485)
Depreciation for the year	1 827	694	1 829	348	4 698
Closing balance	11 375	3 403	30 710	5 885	51 373
Net book value – 2010	2 000	1 270	4 537	778	8 585
Net book value – 2009	3 366	2 783	4 615	1 126	11 890
Depreciation rates (%)	20	20	10	10 – 50	–

## Notes to the annual financial statements *for the year ended 30 June 2011*

	<b>GROUP</b>	
	<b>2011 R'000</b>	2010 R'000
<b>8. Investment property</b>		
<b>Cost</b>		
Opening balance	–	–
Transferred from held for sale	<b>12 004</b>	–
Closing balance	<b>12 004</b>	–
<b>Accumulated depreciation</b>		
Opening balance	–	–
Transferred from held for sale	<b>(297)</b>	–
Closing balance	<b>(297)</b>	–
Net book value – 2011	<b>11 707</b>	–
<p>The Group has not recognised depreciation on investment property in the current year as its residual value exceeds its carrying amount. The directors consider the carrying value to be half of its fair value (no formal valuation was performed). Rental income was R1 290 000 (2010: R2 997 000) and associated costs were R749 000 (2010: R1 564 000).</p> <p>Investment property consists of buildings and land on portion 64 (a portion 420 of the farm Melpost No 4, Atlantis), industrial area, Cape Division. The property was acquired in December 1977 for R212 744. It was transferred from “held for sale” in the year under review.</p>		
<b>9. Trademarks</b>		
<b>Cost</b>		
Opening and closing balance	<b>1 645</b>	1 645
Accumulated amortisation and impairment	–	–
Closing balance	<b>1 645</b>	1 645
<p>The Group does not amortise trademarks. The trademarks are reviewed annually for impairment taking into account their useful lives and economic values. The projected future cash flows were considered and no impairment was deemed necessary.</p>		

	<b>COMPANY</b>	
	<b>2011 R'000</b>	2010 R'000
<b>10. Interest in subsidiaries</b>		
Cost – unlisted	<b>91 321</b>	91 321
Amalgamated Appliances (Pty) Ltd	<b>33 421</b>	33 421
Tedelex Trading (Pty) Ltd	<b>57 900</b>	57 900
Loans (from)/to subsidiaries	<b>(21 480)</b>	3 936
Tedelex Trading (Pty) Ltd*	<b>(21 480)</b>	3 936
<p>Loans to subsidiaries are interest-free and are not repayable within the next 12 months. The directors value the interest in subsidiaries at R69 841 000 (2010: R95 257 000). Refer to page 62 for details of interest in subsidiaries.</p>		
Interest in subsidiaries	<b>69 841</b>	95 257
Interest in subsidiaries asset	<b>91 321</b>	95 257
Interest in subsidiaries liability	<b>(21 480)</b>	–

\* Various contingent assets regarding the equity loans for subsidiary companies have not been raised.

	<b>GROUP</b>	
	<b>2011</b>	2010
	<b>R'000</b>	R'000
<b>11. Deferred taxation</b>		
Opening balance	<b>53 476</b>	70 692
Movement of deferred tax asset		
– Current	<b>(22 568)</b>	(16 169)
– Prior	<b>2 796</b>	(1 047)
Closing net deferred tax	<b>33 704</b>	53 476
Deferred tax asset	<b>36 364</b>	56 656
Deferred tax liability	<b>(2 660)</b>	(3 180)
Deferred tax asset		
– Continuing operations	<b>36 364</b>	56 656
Deferred tax liability		
– Continuing operations	<b>(2 660)</b>	(1 156)
– Discontinued operations	<b>–</b>	(2 024)
Represented by:		
– Provision disallowed	<b>12 902</b>	14 634
– Revised unutilised tax loss	<b>27 891</b>	45 420
– Property, plant and equipment, trademarks and intangibles	<b>(1 458)</b>	(1 783)
– Prepayments	<b>(5 631)</b>	(4 795)
	<b>33 704</b>	53 476
Management believe that the assessed loss will be recovered over the next five years.		
<b>12. Inventories</b>		
Raw materials	<b>8 733</b>	5 453
Consumable stores	<b>144</b>	96
Finished goods	<b>128 173</b>	140 409
Inventories	<b>137 050</b>	145 958
– At net realisable value	<b>33 382</b>	13 250
– At cost	<b>103 668</b>	132 708
<b>13. Trade and other receivables</b>		
Trade receivables	<b>160 542</b>	127 553
Allowance for doubtful debts	<b>(327)</b>	(399)
	<b>160 215</b>	127 154
Prepayments	<b>26 630</b>	23 301
Other receivables	<b>10 309</b>	31 300
Trade and other receivables	<b>197 154</b>	181 755

The directors consider the carrying amount of trade and other receivables to approximate their fair value.  
The credit period of trade receivables range between 30 and 90 days.

## Notes to the annual financial statements *for the year ended 30 June 2011*

### 14. Discontinued operations and assets classified as held for sale

During the year under review, properties previously classified as held for sale were transferred to investment property as they no longer meet the qualifying criteria.

The profit from discontinuing operations for Tedelex Properties (Atlantis) (Pty) Limited in the 2010 financial year has been represented as continuing operations.

	Previously reported		Restated	
	Tedelex Manu- facturing (Pty) Ltd R'000	Tedelex Properties (Atlantis) (Pty) Ltd R'000	Tedelex Manu- facturing (Pty) Ltd R'000	Tedelex Properties (Atlantis) (Pty) Ltd R'000
<b>for the year ended 30 June 2010</b>				
Revenue	86 160	–	86 160	–
Operating (loss)/profit	(10 698)	1 433	(10 698)	–
Restructuring costs – operations	(4 960)	–	(4 960)	–
Net finance costs	(70)	–	(70)	–
(Loss)/profit before taxation	(15 728)	1 433	(15 728)	–
Taxation	4 287	(412)	4 287	–
(Loss)/profit from discontinued operations	(11 441)	1 021	(11 441)	–

The effects of the restatement on the statement of comprehensive income are:

	Previously reported R'000	Re- statement R'000	Restated R'000
<b>for the year ended 30 June 2010</b>			
Other expenses	(78 451)	1 433	(77 018)
Profit before tax	68 625	1 433	70 058
Taxation	(19 730)	(412)	(20 142)
Profit from continuing operations	48 895	1 021	49 916
Loss from discontinuing operations	(10 420)	(1 021)	(11 441)
<b>From continuing operations</b>			
Basic and diluted earnings per share (cents)	23,7	0,5	24,2
<b>From discontinuing operations</b>			
Basic earnings per share (cents)	(5,1)	(0,5)	(5,6)
Diluted earnings per share (cents)	(5,0)	(0,5)	(5,5)

	Total held for sale R'000	Tedelex Properties (Atlantis) (Pty) Ltd R'000
<b>as at 30 June 2010</b>		
Property, plant and equipment	11 707	11 707
<b>Assets classified as held for sale</b>	<b>11 707</b>	<b>11 707</b>
<b>Liabilities directly associated with assets classified as held for sale</b>		
Deferred taxation	2 024	2 024
Trade, other payables and provisions	9 683	9 683
<b>Liabilities directly associated with assets classified as held for sale</b>	<b>11 707</b>	<b>11 707</b>

	<b>GROUP</b>	
	<b>2011 R'000</b>	2010 R'000
<b>15. Share capital</b>		
<b>Authorised</b>		
800 000 000 ordinary shares of 1 cent each at the beginning and end of the year	<b>8 000</b>	8 000
<b>Issued</b>		
212 189 689 ordinary shares of 1 cent each at the beginning and end of the year	<b>2 122</b>	2 122

	<b>COMPANY</b>	
	<b>2011 R'000</b>	2010 R'000
<b>Authorised</b>		
800 000 000 ordinary shares of 1 cent each at the beginning and end of the year	<b>8 000</b>	8 000
<b>Issued</b>		
212 189 689 ordinary shares of 1 cent each at the beginning and end of the year	<b>2 122</b>	2 122

	<b>GROUP</b>	
	<b>2011 R'000</b>	2010 R'000
<b>16. Share premium</b>		
Premium on shares issued at the beginning of the year	<b>94 841</b>	94 841
Capital distribution	<b>(23 835)</b>	–
Premium on shares issued at the end of the year	<b>71 006</b>	94 841

	<b>COMPANY</b>	
	<b>2011 R'000</b>	2010 R'000
Premium on shares issued at the beginning of the year	<b>94 841</b>	94 841
Capital distribution	<b>(25 463)</b>	–
Premium on shares issued at the end of the year	<b>69 378</b>	94 841

	<b>GROUP</b>	
	<b>2011 R'000</b>	2010 R'000
<b>17. Trade and other payables</b>		
Trade payables	<b>54 790</b>	48 977
Accruals	<b>73 027</b>	61 197
Accounts payable	<b>127 817</b>	110 174

The directors consider the carrying amount of trade and other payables to approximate their fair value. The credit period of trade payables ranges between 30 and 90 days.

## Notes to the annual financial statements *for the year ended 30 June 2011*

GROUP	Executive retention bonus R'000	Warranty provisions R'000	Post-employment medical benefits R'000	2011 Total R'000	2010 Total R'000
<b>18. Provisions</b>					
Opening balance	4 369	25 035	2 543	31 947	19 254
Additional provisions raised/(reversed) for the year	2 218	12 377	(249)	14 346	17 610
Utilisation of provision	–	(21 101)	(145)	(21 246)	(4 917)
Closing balance	6 587	16 311	2 149	25 047	31 947

### Executive retention bonuses

The provision for retention bonuses relates to the provision for the retention of various executive directors in order to retain their services. These bonuses are due to be paid in the years ending 30 June 2012 and 30 June 2013. These bonuses were approved by the Remuneration Committee. The expected payments amount to R2 000 000 in October 2011, R2 000 000 in April 2012 and a further R5 000 000 in October 2012.

### Warranty provisions

The warranty provisions represent management's best estimate of the Group's liability under 12-month warranties granted on household domestic products and based on prior experience and industry averages for defective products and new legislation.

### Post-employment medical benefits

An actuarial valuation of Tedex Trading (Pty) Limited post-employment medical benefits has been performed in accordance with IAS 19 Employee Benefits by using the projected unit credit method taking the following actuarial assumptions into account: discount 8,75% per annum (2010: 9% per annum) and post-retirement mortality PA 90 (2010: PA 90).

	GROUP	
	2011 R'000	2010 R'000
<b>18.1 Reconciliation of accrued liability</b>		
The liability has been reconciled as follows:		
Accrued liability at beginning of the year	2 543	2 734
Interest cost	212	235
Employer disbursements	(354)	(357)
Actuarial gain	(252)	(69)
Total accrued liability as at 30 June 2011	2 149	2 543
<b>18.2 Projection of valuation results</b>		
Accrued liability as at 30 June 2011	2 149	
Interest cost (at 8,75% per annum)	174	
Employer benefit payments	(289)	
Projected accrued liability as at 30 June 2012	2 034	

### 18.3 Sensitivity results

The recalculation of the liability to show the following effects:

- A one percentage point decrease or increase in the discount rate

	Central assumption	Discount rate	
		(1%)	1%
Accrued liability as at 30 June 2011 (R'000)	2 149	2 279	2 032
% change	–	6,0%	(5,4%)

		<b>GROUP</b>	
		<b>2011 R'000</b>	2010 R'000
<b>19. Commitments</b>			
<b>19.1 Capital expenditure</b>			
Authorised but not contracted		<b>478</b>	–
<b>19.2 Lease commitments – operating</b>			
The future operating lease commitments for the Group are R65 285 254 (2010: R29 583 157) for property.			
Due as follows:			
– Within one year		<b>12 308</b>	7 952
– Two to five years		<b>58 172</b>	21 631
– Greater than five years		<b>12 628</b>	–
		<b>83 108</b>	29 583
<b>20. Bank facilities</b>			
The facilities with the various banks which include bank overdrafts, call loans, short-term loans, foreign finance and letters of credit are as follows:			
ABSA Bank Limited*		<b>112 924</b>	113 074
First National Bank Limited		<b>35 000</b>	35 000
Investec Limited		<b>10 000</b>	–
Standard Bank of South Africa Limited		<b>45 000</b>	44 000
Total banking facilities		<b>202 924</b>	192 074
Interest on borrowings is incurred at prime less the risk factor attached. Prime interest rate varies between 0,5% – 1,5% below prime.			
* This facility was increased to R150 000 000 subsequent to financial year-end.			
<b>21. Guarantees</b>			
The bank guarantees are as follows:			
ABSA Bank Limited		<b>2 967</b>	2 520
First National Bank Limited		<b>5 500</b>	5 625
Nedbank Limited		–	100
Standard Bank of South Africa Limited		<b>2 430</b>	1 963
Total banking facilities		<b>10 897</b>	10 208
<b>22. Retirement benefits</b>			
The Group has made provision for pension and provident schemes substantially covering all employees. All eligible employees are members of defined contribution schemes administered by the Company. The assets of these schemes are held in administered trust funds separate from the Group's assets. Scheme assets primarily consist of listed shares and fixed income securities. The funds are governed by the Pension Funds Act of 1956.			
The total expense recognised in the Group statement of comprehensive income of R3 107 297 (2010: R4 316 612) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.			

## Notes to the annual financial statements *for the year ended 30 June 2011*

### 23. Financial risk management

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, accounts receivable and payable and loans to subsidiaries, leases and hire-purchase agreements.

In respect of all financial instruments mentioned above, carrying value approximates fair value.

Derivative instruments are used by the Group for hedging purposes. Such instruments used by the Group are forward exchange contracts. The Group does not speculate in the trading of derivative instruments.

#### 23.1 Interest rate risk

The Group may be exposed to interest rate risk as it borrows funds at floating interest rates.

To minimise a portion of the interest rate risk attached to the leasing of motor vehicles for the Group, use is made of a vehicle access finance (VAF) facility with a major bank.

##### Interest rate sensitivity analysis

The Group's exposure to interest rates relates to the Group's borrowings and finance leases, all of which attract interest at rates linked to the prime lending rate.

An assessment of the Group's sensitivity to interest rate exposure shows that if the interest rate had been 100 basis points higher and all other variables remained constant, the Group's profit after tax for the year ended 30 June 2011 would increase by R2 604 000 (2010: R1 735 000). The assessment assumes that the amount of the outstanding liability at the statement of financial position date was outstanding for the whole year. A 100 basis point increase represents management's assessment of the reasonably possible change in interest rates.

#### 23.2 Foreign currency risk

The Group's policy is to hedge/cover, by use of derivative instruments, all foreign-denominated trade commitments within an agreed treasury policy which has been approved by the Board of Directors.

In this regard, the Group establishes forward cover to meet its foreign commitments not yet due and in the future and for proceeds not received in respect of exports.

The majority of forward cover is established to mature within a period of 90 days from the date cover is taken and the commitment is firm and ascertainable.

The Group does not speculate in the trading of derivative instruments.

#### 23.3 Financial risks for the Group

##### (a) Capital risk management

The Group manages its capital to ensure that entities in the group will be able to continue as going concerns.

- Gearing ratio

The gearing ratios at year-end were as follows:

	<b>2011</b>	2010
	<b>R'000</b>	R'000
Debt	–	(583)
Less: Bank and cash on hand	<b>240 600</b>	204 377
Net cash	<b>240 600</b>	203 794
Equity	<b>(494 970)</b>	(465 135)
Net debt to equity ratio	<b>n/a</b>	n/a

- Debt is defined as long- and short-term borrowings
- Equity includes all capital and reserves of the Group

## 23. Financial risk management continued

### 23.3 Financial risks for the Group continued

#### (b) Market risk

Market risk is continuously monitored by senior management of the respective entities within the Group and Board of Directors.

The Group also exposes itself to the financial risks of changes in the interest rates and liquidity.

#### (c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. It is further managed by ensuring adequate banking facilities are available at all times to meet cash requirements.

### 23.4 Foreign currency management

#### Trade exposure

The Group's policy is to cover all trade commitments within agreed treasury policy which have been approved by the Board of Directors. Each division manages its own trade exposure. In this regard, the group has entered into certain forward exchange contracts to cover foreign commitments not yet due and proceeds not yet received.

The contracts will be utilised during the next 12 months. Details of these contracts are:

Currency	Foreign exchange contracts		Foreign currency		Market value		Fair value adjustment	
	2011 R'000	2010 R'000	2011 '000	2010 '000	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Euro	<b>2 626</b>	3 771	<b>261</b>	388	<b>2 585</b>	3 680	<b>(41)</b>	(91)
Great British Pound	<b>120</b>	–	<b>10</b>	–	<b>115</b>	–	<b>(5)</b>	–
Hong Kong Dollar	–	87	–	90	–	89	–	2
US Dollar	<b>111 561</b>	161 242	<b>15 987</b>	20 628	<b>109 310</b>	160 892	<b>(2 252)</b>	(350)
<b>Total</b>	<b>114 307*</b>	165 100	<b>16 258</b>	21 106	<b>112 010</b>	164 661	<b>(2 298)</b>	(439)

\* 92% of total forward cover matures during the three months ended 30 September 2011 and the 8% balance in the period October 2011 to November 2011.

#### Foreign exchange sensitivity analysis

The Group is primarily exposed to the exchange rate fluctuations in relation to the US Dollar. An assessment of the Group's sensitivity to the Rand:Dollar exchange rate shows that should the Rand strengthen by 10% against the Dollar, the Group's profit after tax would decrease by R10 930 950 (2010: R15 795 425). A 10% weakening of the Rand versus the Dollar would result in a profit of the same amount. The assessment includes all foreign currency-denominated monetary items and adjusts their translation at the end of the year.

## Notes to the annual financial statements *for the year ended 30 June 2011*

### 23. Financial risk management *continued*

#### 23.5 Credit risk

Potential areas of credit risk consist of trade receivables and short-term cash investments. Trade receivables consist mainly of large corporate customers and the Group monitors the financial position of its customers on an ongoing basis.

Where appropriate, use of credit guarantee insurance is made.

Provision is made for specific bad debts at year-end and management did not consider there to be any material credit risk that was not covered by credit guarantee insurance or a bad debt provision.

It remains Group policy to deposit short-term cash investments with the major banks.

The table below sets out the credit limit and carrying amount of the five major customers at year-end.

	2011		2010	
	Credit limit R'000	Carrying value R'000	Credit limit R'000	Carrying value R'000
Customer 1	130 000	100 319	114 000	87 733
Customer 2	51 300	36 988	51 300	38 823
Customer 3	51 300	25 761	34 200	30 418
Customer 4	34 200	6 704	34 200	11 503
Customer 5	6 270	6 230	10 260	5 846

Trade receivables are shown net of provisions for amounts which are considered doubtful. This provision has been determined based on knowledge of current market conditions and specific risks pertaining to individual customers as well as past default experience. Included in the trade receivables balance are debtors with a carrying amount of R19 747 884 (2010: R16 740 114) which are past due at the reporting date.

	2011 R'000	2010 R'000
Days past due, but not impaired		
60 – 90 days	11 791	6 396
90 – 120 days	845	1 480
+ 120 days	7 112	8 864
Total past due carrying amount	19 748	16 740
Less: Accruals	(13 997)	(11 102)
Total net past due	5 751	5 638

In line with the Group's accounting policies, total accruals of R13 997 203 (2010: R11 101 782) are held in respect of the Group's total trade receivables. These accruals relate to *inter alia* customer returns and claims.

### 24. Segmental information

The Group markets and distributes consumer durables from a single business unit. In line with the requirements of IFRS 8 Segmental Reporting, the Group reports the following:

- The group relies on two major Group customers for its revenue of consumer durables. These two major customers (2010: three major customer groups) account for at least 10% or more individually of the Group's revenue comprising 30,3% and 15,1% (2010: 35,1%, 11,0%, 10,9%).
- The geographic information regarding export shows that all export sales (excluding sales to local customer distribution centres on-sold to countries outside of South Africa) were to countries within the African continent which aggregated sales were 1,1% of Group sales (2010: 1,1%).

## 25. Related party transactions and directors' interests

### 25.1 Related party transactions – Company and subsidiaries

During the year the Company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase, cash deposit transactions with subsidiaries. These transactions are no less favourable than those arranged with third parties.

At year-end the Company held a deposit with Bidvest Bank Limited of R67 251 126 (2010: R102 840 311), a member of The Bidvest Group Limited.

### 25.2 Directors' interests

The following transactions took place with directors (excluding executive directors) during the year under review:

	Sales		Emoluments		Share option gains	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Directors' interests	47	38	8 804	7 333	-	6

Sales to executive directors amounted to R17 000 (2010: R2 000).

## 26. Subsequent events

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

## 27. 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 are no other obligations current or pending which are considered to have an adverse effect on the Group.

## 28. Judgements and estimates

### Property, plant and equipment

The Group makes judgements based on estimates and assumptions concerning the future of property, plant and equipment and trademarks. The estimated useful lives and residual values are reviewed annually, taking account of the forecast economic and commercial factors and through benchmarking of accounting treatments in the electrical and appliance industries where these assets are used.

### Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in the future against which these can be utilised. Future taxable profits are estimates based on plans which include estimates and assumptions regarding economic growth, interest, inflation, taxation rates and competitive forces.

### Employee share option plan

The Group has an ownership-based compensation scheme for executives and senior employees of the Group. In accordance with the provisions of the plan, it provides for the performance share plan and a share option scheme as approved by shareholders at previous annual general meetings.

The valuation is based on the following share option scheme that was in existence at the end of the current reporting period 30 June 2011.

## Notes to the annual financial statements *for the year ended 30 June 2011*

### 28. Judgements and estimates *continued* June 2011

Share options granted	Number	Allocation price (cents)	Expiry date	Exercise price (cents)	Fair value at grant date (cents)
Allocation December 2010	<b>300 000</b>	<b>191</b>	<b>Feb 2017</b>	<b>191</b>	<b>191</b>
<b>June 2010</b>					
Allocation August 2006	397 000	500	Nov 2012	500	500
Allocation June 2008	3 900 000	185	Oct 2012	185	185
Allocation July 2008	1 000 000	174	July 2012	174	174
Allocation September 2009	5 040 000	151	Sept 2014	151	151
Allocation April 2010	200 000	171	Apr 2015	171	171
Allocation June 2010	2 640 000	176	June 2015	176	176

#### The share option scheme was priced using the actuarial beneficial model

Grant date share price	185	174	151	171	176	191
Exercise price	185	174	151	171	176	191
Expected volatility	38,34	36,47	41,26	39,79	41,04	39,61
Options life	5	4	6	6	7	6
Dividend yield (2 years) (%)	4,3	4,36	2,86	1,28	1,01	0,16
Risk-free interest rate	10,45	11,0	7,90	7,92	8,55	7,81

#### Warranty

Refer to note 18 on provisions for the estimate on warranty.

#### Provision for stock obsolescence

The directors use their judgement in selecting an appropriate obsolete stock policy based on the saleability of stock taking into account the ageing of current stockholding and current market trends.

#### Provision for doubtful debts

The provision for doubtful debt is continually assessed by the directors as set out in note 23.5 (credit risk).

## 29. New accounting pronouncements

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective.

### New/Revised International Financial Reporting Standards

	Effective date
IFRS 1 First-time Adoption of International Financial Reporting Standards — Amendments resulting from May 2010 Annual Improvements to IFRSs	1 January 2011
IFRS 1 First-time Adoption of International Financial Reporting Standards — Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'	1 July 2011
IFRS 1 First-time Adoption of International Financial Reporting Standards — Additional exemption for entities ceasing to suffer from severe hyperinflation	1 July 2011
IFRS 7 Financial Instruments: Disclosures — Amendments resulting from May 2010 Annual Improvements to IFRSs	1 January 2011
IFRS 7 Financial Instruments: Disclosures — Amendments enhancing disclosures about transfers of financial assets	1 July 2011
IFRS 9 Financial Instruments — Classification and Measurement	1 January 2013
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013

### Revised International Accounting Standards

IAS 1 Presentation of Financial Statements — Amendments resulting from May 2010 Annual Improvements to IFRSs	1 January 2011
IAS 1 Presentation of Financial Statements — Amendments to revise the way other comprehensive income is presented	1 July 2012
IAS 12 Income Taxes — Limited scope amendment (recovery of underlying assets)	1 January 2012
IAS 19 Employee Benefits — Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	1 January 2013
IAS 24 Related Party Disclosures — Revised definition of related parties	1 January 2011
IAS 27 Consolidated and Separate Financial Statements — Reissued as IAS 27 Separate Financial Statements (as amended in 2011)	1 January 2013
IAS 28 Investments in Associates — Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)	1 January 2013
IAS 34 Interim Financial Reporting — Amendments resulting from May 2010 Annual Improvements to IFRSs	1 January 2011
IFRIC 13 Customer Loyalty Programmes — Amendments resulting from May 2010 Annual Improvements to IFRSs	1 January 2011
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction — November 2009 Amendments with respect to voluntary prepaid contributions	1 January 2011

Management has assessed the impact of the newly issued Standards that are not yet effective. The impact of these new Standards, together with the amendments to original Standards, is not considered to be material. These new Standards and amendments to original Standards will be adopted on their respective effective dates.

## Notes to the annual financial statements *for the year ended 30 June 2011*

### 30. Interest in subsidiaries

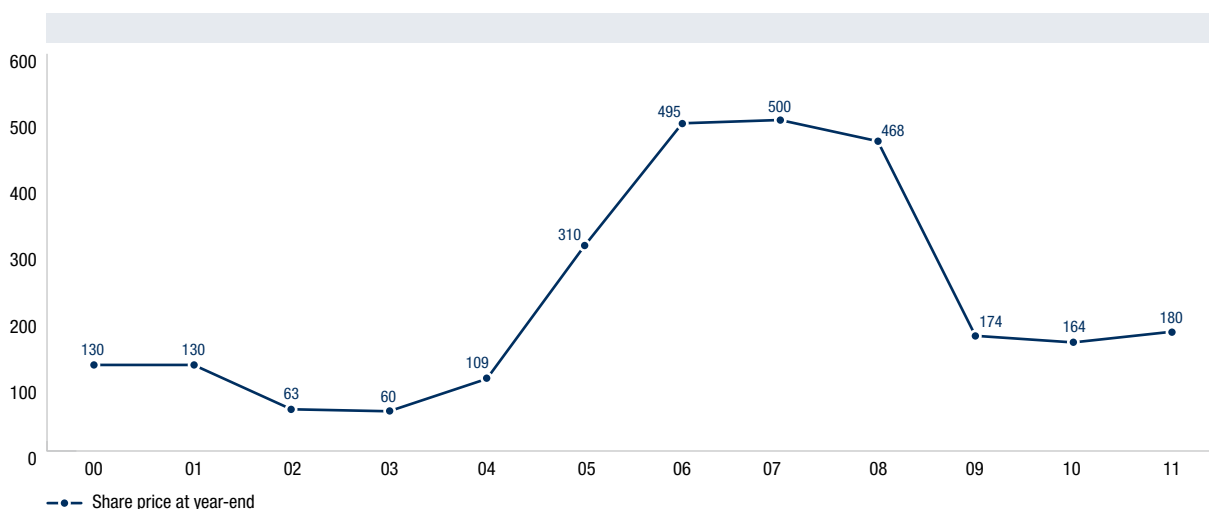
Name of subsidiary company	Date and place of incorporation	Issued ordinary shares	Holding (%)	Effective date of becoming subsidiary	Principal business
<b>30.1 Direct</b>					
Amalgamated Appliances (Pty) Limited (Reg No 1991/004931/07)	6 September 1991 Pretoria	3	100	March 1997	Royalty income
Haz Products (Pty) Limited (Reg No 1980/006458/07)	24 July 1980 Pretoria	300	100	March 1997	Dormant
Tedex Trading (Pty) Limited (Reg No 1996/014667/07)	25 October 1996 Pretoria	1	100	July 1999	Manufacturing and distribution
Tedex Mobile (Pty) Limited (Reg No 2005/009388/07)	29 March 2005 Pretoria	100	100	July 2005	Dormant
<b>30.2 Indirect</b>					
SMC Sales Logistics (Pty) Limited (Reg No 1996/002096/07)	21 February 1996 Pretoria	1	100	December 2002	Distributor/royalty income
Tedex (Pty) Limited (Reg No 89/237)	15 August 1989 Lesotho	1 000	100	July 1999	Dormant
Tedex (Botswana) (Pty) Limited (Reg No 94/642)	22 April 1994 Botswana	2	100	July 1999	Dormant
Tedex Manufacturing (Pty) Limited (Reg No 1969/000612/07)	14 January 1969 Pretoria	100	100	July 1999	Manufacturing and distribution
Tedex Properties (Atlantis) (Pty) Limited (Reg No 1971/002455/07)	29 March 1971 Pretoria	2	100	July 1999	Property owning and letting
Tedex Properties (Pty) Limited (Reg No 1968/007860/07)	15 July 1968 Pretoria	200	100	December 2002	Dormant

## Analysis of shareholders *as at 30 June 2011*

	Number of shareholders	%	Number of shares	%
<b>Shareholders' spread</b>				
1 to 1 000	816	36,27	262 857	0,12
1 001 to 10 000	868	38,58	3 966 014	1,87
10 001 to 100 000	418	18,58	14 822 908	6,99
100 001 to 1 000 000	116	5,16	37 704 854	17,77
1 000 001 shares and over	32	1,42	155 433 056	73,25
	2 250	100,00	212 189 689	100,00
<b>Distribution of shareholders</b>				
Banks	7	0,31	2 225 409	1,05
Brokers	8	0,36	1 283 864	0,61
Close corporations	43	1,91	4 042 104	1,90
Endowment funds	12	0,53	1 681 775	0,79
Individuals	1 824	81,07	20 788 700	9,80
Insurance companies	6	0,27	4 490 691	2,12
Investment companies	5	0,22	65 585 577	30,91
Medical aid schemes	2	0,09	355 809	0,17
Mutual funds	56	2,49	55 609 310	26,21
Nominees and trusts	95	4,22	4 205 566	1,98
Other corporations	42	1,87	187 211	0,09
Pension funds	89	3,96	31 052 024	14,63
Private companies	56	2,49	5 058 679	2,38
Public companies	4	0,18	94 471	0,04
Share trust	1	0,04	15 528 499	7,32
	2 250	100,00	212 189 689	100,00
<b>Public/non-public shareholders</b>				
<b>Non-public shareholders</b>	8	0,40	75 135 372	35,41
Directors	6	0,31	1 106 873	0,52
Strategic holdings (more than 10%)	1	0,04	58 500 000	27,57
Share trust	1	0,04	15 528 499	7,32
<b>Public Shareholders</b>	2 242	99,60	137 054 317	64,59
<b>Total</b>	2 250	100,00	212 189 689	100,00
<b>Beneficial shareholders holding 3% or more</b>				
			Number of shares	%
B B Investment Company (Pty) Ltd			58 500 000	27,57
Amalgamated Appliance Holdings Share Trust			15 528 499	7,32
Government Employees Pension Fund			10 903 498	5,14
Corolife Special Opportunities Portfolio			6 987 084	3,29
Cadiz Equity Ladder Fund			6 673 858	3,15

## JSE performance for the year ended 30 June 2011

	2011	2010
<b>Stock exchange performance</b>		
– At year-end (cents)	<b>180</b>	164
– Highest (cents)	<b>220</b>	185
– Lowest (cents)	<b>166</b>	118
Number of shares traded	<b>60 311</b>	131 530
Value of shares traded (R'000)	<b>115 604</b>	220 447
Number of shares in issue (000)	<b>212 190</b>	212 190
Volume traded as percentage of total shares in issue (%)	<b>28,4</b>	62,0



## Shareholders' diary

Financial period-end	30 June 2011
Annual general meeting	4 November 2011
Audited results announcement	26 September 2011
Integrated annual report	Published October 2011
Interim profit announcement	March 2012
Capital distribution	Salient dates for the payment of the capital distribution by way of reduction out of share premium
	– Last day to trade <i>cum</i> the distribution
	– Shares commence trade <i>ex</i> the distribution
	– Record date
	– Payment date
	Friday, 14 October 2011
	Monday, 17 October 2011
	Friday, 21 October 2011
	Monday, 24 October 2011

Shares will not be dematerialised or rematerialised between Monday, 17 October 2011 and Friday, 21 October 2011, both dates inclusive.

# Notice of Annual General Meeting *for the year ended 30 June 2011*

Notice is hereby given that the thirteenth annual general meeting of the Company will be held in the boardroom, Amalgamated Appliance Holdings Limited, Tedelex House, West Block, Pineslopes Office Park, Cnr The Straight and Witkoppen Roads, Fourways, Johannesburg at 09:00 on 4 November 2011 for the following purposes:

## **1. Approval of annual financial statements**

### **Ordinary resolution 1**

To receive and consider the annual financial statements for the year ended 30 June 2011.

## **2. Election of directors**

### **Ordinary resolution 2**

To elect the following directors who retire by rotation in terms of the Company's articles of association and being eligible to offer themselves for re-election (an abbreviated CV of each director appears on pages 4 and 5 of the annual report):

- 2.1 D Oliver
- 2.2 S H Müller
- 2.3 B G Drummond
- 2.4 S Scaffidas

## **3. Election of members of the Audit Committee**

### **Ordinary resolution 3**

In terms of the Companies Act at each annual general meeting an Audit Committee comprising at least three members must be elected. It is proposed that the current members of the Audit Committee be re-elected for the ensuing year. The election of each member of the Audit Committee will be voted on separately.

Brief CVs of the members are on pages 4 and 5.

- 3.1 Election of SH Müller as a member of the Audit Committee  
"Resolved that SH Müller be and is hereby elected as a member of the Audit Committee."
- 3.2 Election of C K L Scott as a member of the Audit Committee  
"Resolved that C K L Scott be and is hereby elected as a member of the Audit Committee."
- 3.3 Election of D E Cleasby as a member of the Audit Committee  
"Resolved that D E Cleasby be and is hereby elected as a member of the Audit Committee."

## **4. Election of auditors**

### **Ordinary resolution 4**

To re-elect Deloitte & Touche as auditors of the Company and M Ajoodha as the registered auditor for the ensuing period and approve the auditors' remuneration.

## **5. Approval of directors' remuneration**

### **Ordinary resolution 5**

To approve the remuneration of the executive and non-executive directors for the current year.

## **6. Directors' authority to implement Company resolutions**

### **Ordinary resolution 6**

To resolve that each and every director of the Company be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the resolutions passed at this meeting.

## **7. Authority to repurchase shares**

### **Special resolution 1**

To consider and, if deemed fit, pass the following special resolution with or without modification:

## Notice of Annual General Meeting *for the year ended 30 June 2011*

“RESOLVED that the Company hereby approves, as a general approval as contemplated in section 48 of the Companies Act, No 71 of 2008, as amended (“the Companies Act”), the acquisition from time to time, by the Company and/or any of its subsidiary companies, of issued shares of the Company upon such terms and conditions and in such amounts as the directors of the Company may from time to time decide:

- Any such repurchase of shares is effected through the order book operating by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);
- The Company is authorised thereto by its articles of association;
- The general authority shall only be valid until the Company’s next annual general meeting provided that it shall not extend beyond 15 months from the date of passing of this special resolution;
- Provided that the acquisition may not be made at a price greater than 10% (ten percent) above the weighted average of the market value for the issued shares for the 5 (five) business days immediately preceding the date on which any acquisition by the Company and/or any of its subsidiary companies is effected; and
- At any point in time the Company may only appoint one agent to effect any repurchase(s) on the Company’s behalf.
- After such repurchase the Company still complies with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholders’ spread requirements;
- The Company or its subsidiary may not repurchase shares during a prohibited period as defined in paragraph 3.67 of the Listings Requirements of the JSE Limited;
- Acquisitions of shares in any one financial year may not exceed 20% of the Company’s issued share capital pursuant to this general authority;
- Subsidiaries of the Company shall not acquire, in aggregate, more than 10% of the Company’s issued share capital; and
- An announcement will be made to shareholders on each and every occasion on which the Company repurchases 3% or more of the issued share capital of the Company from time to time.

The directors will consider the impact of a repurchase of 20% of the Company’s shares, it being the maximum permissible of a particular class in any one financial year, and ensure that after the date of such repurchase the:

- Company and the Group will be able in the ordinary course of business to pay their debts for the period of 12 months after the date of such repurchase;
- Assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 months after the date of such repurchase. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited annual Group financial statements;
- Share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of such repurchase; and
- Working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of such repurchase.”

### Reason and effect

The reason for and effect of the passing of the aforesaid special resolution is to enable the Company and/or any of its subsidiary companies to acquire issued shares of the Company from time to time upon the terms and conditions and in the amounts as the directors of the Company may from time to time decide subject to the requirements of the Companies Act and the JSE Limited at any time while the general authority exists.

### Explanatory notes to ordinary resolution 5 and special resolution 1

Information required in terms of the JSE Listings Requirements with regard to the distribution out of share premium, the general authority for the Company will make general payments to shareholders and the general authority for the Company or any of its subsidiaries to repurchase the Company's securities appears in the annual financial statements to which this notice of annual general meeting ("notice") is annexed as indicated below:

- Directors and management: pages 4 and 5 of the annual report;
- Major shareholders: page 63;
- Directors' interest in securities: page 32 of the annual financial statements;
- Share capital of the Company: page 53 of the annual financial statements; and
- Litigation: There are no legal or arbitration proceedings including any proceedings that are pending or threatened of which the Company is aware that may have had, in the recent past, a material effect on the Group's financial position.

The directors whose names are given on pages 4 and 5 of the annual report in which this notice was included collectively and individually accept full responsibility for the accuracy of the information given in this notice and certify that to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that the annual report and notice contain all information required by law and the Listings Requirements of the JSE Limited.

There has been no material change in the financial or trading position of the Company and its subsidiaries that has occurred since 30 June 2011.

Pursuant to, and in terms of, the Listings Requirements of the JSE the directors of the Company hereby state:

1. That the intention of the Company and/or any of its subsidiaries is to utilise the general authority to repurchase securities and/or general authority to make a general payment to shareholders if, at some future date, the cash resources of the Company are in excess of its requirements. In this regard the directors will take account of, *inter alia*, appropriate capitalisation structures for the Company, the long-term cash needs of the Company and will ensure that any such repurchases and/or payments are in the interests of shareholders;
2. That the method by which the Company and/or any of its subsidiaries intends to repurchase its securities and the date on which such repurchases will take place has not yet been determined; and
3. That the method by which the Company intends to make general payments to shareholders in terms of a general authority and the date on which such payments will take place have not yet been determined.

## 8. Approval of directors' fees Special resolution 2

In terms of Section 66(8) of the Company Act the Company may pay remuneration to its directors for their service as directors. Section 66(9) requires the remuneration to be paid in accordance with a special resolution approved by shareholders within the previous two years.

The effect of the special resolution is that directors will be entitled to the fees paid for the year from 1 July 2011 until 30 June 2012, such fees to be paid in two instalments at the end of each six-month period. The fees include an annual increase adjustment in line with the current rates.

## Notice of Annual General Meeting *for the year ended 30 June 2011*

Resolved that the fees of the directors as reflected below be approved for the year from 1 July 2011 until 30 June 2012:

Chairman	R40 000
Director	R60 300

If a member of the Audit Committee, the following additional amount:

Chairman	R10 000
Member	R7 500

If a member of the Risk Committee, the following additional amount:

Chairman	R10 000
Member	R7 500

If a member of the Remuneration Committee, the following additional amount:

Chairman	R10 000
Member	R7 500

If a member of the Nomination Committee, the following additional amount:

Chairman	R10 000
Member	R7 500

If a member of the Share Trust, the following additional amount:

Chairman	R10 000
Member	R7 500

### Invitation fee

All non-executive directors who attend the committee meetings by invitation at the request of the Board shall be eligible to receive the same fee as if they were a member of the committee.

## 9. General approval to provide financial assistance to related or inter-related entities to the Company

### Special resolution 3: Financial assistance to related or inter-related entities to the Company

To resolve that the Board of Directors is authorised, in terms of and subject to the provision of section 45 of the Companies Act, No. 71 of 2008, as amended ("Companies Act"), to cause the Company to provide any financial assistance to any company or corporation that is related or inter-related to the Company.

### Reason and effect

Special resolution 3 is required in terms of section 45 of the Companies Act to grant the directors of the Company the authority to cause the Company to provide financial assistance to any entity which is related or inter-related to the Company. This special resolution does not authorise the provision of financial assistance to a director or prescribed officer of the Company. In order for this special resolution 3 to be adopted, the support of at least 75% (seventy-five per cent) of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

## 10. General approval to provide financial assistance for subscription of securities to related or inter-related entities to the Company

### Special resolution 4: Financial assistance for subscription of securities to related or inter-related entities to the Company

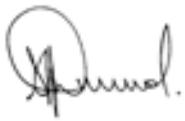
To resolve that the Board of Directors is authorised, in terms of and subject to the provision of section 44 of the Companies Act, to cause the Company to provide any financial assistance for the subscription of securities to any company or corporation that is related or inter-related to the Company.

### Reason and effect

Special resolution 4 is required in terms of section 44 of the Companies Act to grant the directors of the Company the authority to cause the Company to provide financial assistance for the subscription of securities to any entity which is related or inter-related to the Company. This special resolution does not authorise the provision of financial assistance to a director or prescribed officer of the Company.

In order for this special resolution 4 to be adopted, the support of at least 75% (seventy-five per cent) of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

By order of the Board



**B Drummond**  
*Company Secretary*

Johannesburg

## Directory and contact details

### AMALGAMATED APPLIANCE HOLDINGS LIMITED

Registration No 1997/004130/06  
("AMAP" or "the Group")  
ISIN number: ZAE000012647  
Share code number: AMA

#### Company Secretary:

Bruce Drummond BCom FCIS

#### Registered office and postal address

Physical address  
West Block, Pineslopes Office Park  
Cnr The Straight and  
Witkoppen Roads  
Fourways

#### Postal address

PO Box 2207  
Fourways 2055

#### External auditors

Deloitte & Touche  
Building 1 and 2  
Deloitte Place  
The Woodlands Office Park  
Woodlands Drive, Sandton 2196

#### Internal auditors

Grant Thornton  
137 Daisy Street  
Cnr Grayston Drive  
Sandown  
Sandton 2196

### Tedex Trading (Pty) Ltd

#### Head Office

West Block, Pineslopes Office Park  
Cnr The Straight & Witkoppen Roads  
Fourways, Johannesburg 2055  
Tel: 011 267 3000  
Fax: 011 267 3380  
Email: hdoffice@amap.co.za  
Email: finance@amap.co.za  
Email: marketing@amap.co.za

#### Email addresses directory

Arti Farti	shannon@amap.co.za
Audix	joss@alt.biz
Behringer	joss@att.biz
Berda	iborges@amap.co.za
Brother	mmostert@amap.co.za
Empisal	mmostert@amap.co.za
ETI	bkramer@amap.co.za
Fane	joss@alt.biz
George Foreman	mmostert@amap.co.za
HK Auctio	joss@att.biz
Hoover	csatterly@amap.co.za
KRK	joss@alt.biz

#### Transfer Secretaries

Computershare Investor Services  
(Pty) Ltd  
70 Marshall Street  
Johannesburg 2001

#### Attorneys

Eversheds  
22 Fredman Drive  
Sandown  
Sandton 2196

#### Sponsors

Bridge Capital Advisors (Pty) Ltd  
Second Floor, 27 Fricker Road  
Illovo Boulevard  
Illovo 2196

#### Bankers

Absa Bank Limited  
11th Floor  
The Diamond Building  
11 Diagonal Street  
Newtown  
Johannesburg 2001

#### Bidvest Bank Limited

Head Office  
11th Floor  
Rennie House  
19 Ameshoff Street  
Braamfontein 2001

First National Bank of  
Southern Africa Limited  
6th Floor  
4 First Place Bank City  
Cnr Pritchard and Simmonds  
Streets  
Johannesburg 2001

Investec Bank Limited  
100 Grayston Drive  
Sandown  
Sandton 2196

Nedbank Limited  
1st Floor Finance Place  
Nedbank Sandton  
135 Rivonia Road  
Sandown  
Sandton 2196

Standard Bank of South Africa  
Standard Bank Centre  
5 Simmonds Street  
Johannesburg 2001

#### Durban

30 Hillclimb Road  
Westmead  
Pinetown 3610  
Tel: 031 792 6000

#### Pioneer DJ, Behringer, SKB, Audit, Fare

419 Martin Crescent, Greenhills Industrial Estate  
Sam Green Road, Tunney Ext 6, Edenvale  
Tel: 011 822 1430  
Fax: 011 828 8008

#### Cape Town

24 Losack Avenue  
Epping 2 7460  
Tel: 021 535 0600  
Fax: 021 535 0610

# Form of Proxy



## AMALGAMATED APPLIANCE HOLDINGS LIMITED

(Registration No 1997/004130/06)

SHARE CODE: AMA

ISIN: ZAE000012647

("AMAP" or the "Company")

For use by certificated and own-name dematerialised shareholders

I/We

(Name/s in block letters)

Of (Address)

Being a member of AMAP holding \_\_\_\_\_ shares in the Company and entitled to vote hereby appoint:

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

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

the Chairman of the annual general meeting as my/our proxy to attend and vote for me/us on my/our behalf at the annual general meeting of AMAP to be held in the boardroom at Tedelex Head Office, West Block, Pineslopes Office Park, Cnr The Straight and Witkoppen Road, Fourways, on Friday, 4 November 2011 at 09:00 and any adjournment/s thereof.

		In Favour of	Against	Abstain
1.	Ordinary resolution 1: Approval of annual financial statements			
2.	Ordinary resolution 2: Election of directors 2.1 D Oliver 2.2 S H Müller 2.3 B G Drummond 2.4 S Scafidas			
3.	Ordinary resolution 3: Election of members of the Audit Committee 3.1 S Müller 3.2 C Scott 3.3 D Cleasby			
4.	Ordinary resolution 4: Election of auditors			
5.	Ordinary resolution 5: Approval of directors' remuneration			
6.	Ordinary resolution 6: Directors' authority to implement Company resolutions			
7.	Special Resolution 1: Authority to repurchase shares			
8.	Special resolution 2: Approval of directors' fees			
9.	Special resolution 3: General approval to provide financial assistance to related or inter-related entities to the Company.			
10.	Special resolution 4: General approval to provide financial assistance for subscription of securities to related or inter-related entities to the Company			

(Indicate instructions to proxy by way of a cross in the spaces provided above.) Unless otherwise instructed my proxy may vote as he/she thinks fit.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011

Signature \_\_\_\_\_

## Instructions for signing and lodging the form of proxy

1. A member entitled to attend and vote at the abovementioned meeting is entitled to appoint a proxy to attend, speak and vote (on a poll) in his/her stead. The proxy need not be a member of the Company.
2. A shareholder may insert the name(s) of two alternative proxies (neither of whom need be a shareholder of the Company) in the space provided with or without deleting the words "Chairman of the annual general meeting". The person whose name stands first on the form of proxy and has not been deleted and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the Chairman of the annual general meeting.
3. A shareholder's instruction to the proxy must be indicated by the insertion of an "X" or the relevant number of votes exercisable by that shareholder in the appropriate box/boxes provided. If a proxy form, fully signed, is lodged without specific directions as to which way the proxy is to vote, the Chairman of the annual general meeting will be deemed to have been authorised to vote as he/she thinks fit. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy.
4. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alteration or correction must be initialled by the authorised signatory/ies.
5. When there are joint holders of shares, all joint shareholders must sign the form of proxy.
6. The completion and lodging of this form of proxy will not preclude the shareholder who grants this proxy from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
7. Documentary evidence establishing the authority of the person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the transfer secretaries.
8. Where this form is signed under power of attorney, such power of attorney must accompany this form unless it has been registered previously with the Company or the transfer secretaries.
9. A minor must be assisted by his/her parent or guardian unless the relevant document establishing his/her legal capacity has been produced or registered by the transfer secretaries.
10. Completed forms of proxy must be forwarded to the registered office of the Company to be received at least 48 hours excluding Saturdays, Sundays and public holidays, before the annual general meeting.

### **Transfer secretaries office**

Computershare Investor Services (Pty) Limited  
70 Marshall Street  
Johannesburg 2001  
(PO Box 61051, Marshalltown 2107)





AMALGAMATED APPLIANCE HOLDINGS LIMITED

[www.amap.co.za](http://www.amap.co.za)