

AMALGAMATED APPLIANCE HOLDINGS LIMITED

Unaudited interim results

for the period ended 31 December 2010



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

Highlights (continuing operations)

Interim distribution of
4 cents per share

Revenue increased
by 12,9% to
R451,4 million

Basic earnings per
share increases by
9,6% to 12,6 cents

Cash on hand
R163,7 million

Condensed group statement of comprehensive income for the period ended 31 December 2010

		Unaudited six months 31 December 2010 R'000	Unaudited six months 31 December 2009 R'000	Audited 12 months 30 June 2010 R'000
Continuing operations				
Revenue	12,9	451 369	399 652	759 095
Operating profit	8,6	34 887	32 136	57 336
Restructuring costs – operations		–	(734)	(926)
Fair value adjustments on financial instruments		(4 488)	(1 096)	–
Net interest received		5 506	3 872	12 215
Profit before taxation	5,1	35 905	34 178	68 625
Taxation		(10 804)	(10 116)	(19 730)
Profit for the period from continuing operations	4,3	25 101	24 062	48 895
Discontinued				
Profit/(loss) from discontinuing operations		13	475	(10 420)
Profit for the period		25 114	24 537	38 475
Total comprehensive income for the period		25 114	24 537	38 475
From continuing and discontinuing operations				
Basic earnings per share – (cents)	6,8	12,6	11,8	18,7
Diluted basic earnings per share – (cents)	6,8	12,5	11,7	18,6
From continuing operations				
Basic earnings per share – (cents)	9,6	12,6	11,5	23,7
Diluted basic earnings per share – (cents)	8,7	12,5	11,5	23,7
From discontinuing operations				
Basic earnings/(loss) per share – (cents)		0,0	0,2	(5,1)
Diluted basic earnings/(loss) per share – (cents)		0,0	0,2	(5,0)
Capital distribution per share – (cents)		4,0	–	8,0

Condensed statement of financial position as at 31 December 2010

		Unaudited 31 December 2010 R'000	Unaudited 31 December 2009 R'000	Audited 30 June 2010 R'000
ASSETS				
Non-current assets		57 299	76 339	66 886
Property, plant and equipment		9 516	10 892	8 585
Trademarks		1 644	1 645	1 645
Deferred taxation		46 139	63 802	56 656
Current assets		586 825	572 821	554 412
Inventories		172 063	132 208	145 968
Trade and other receivables		228 741	196 482	181 755
Taxation prepaid		10 618	6 652	10 615
Bank and cash on hand		163 696	195 711	204 377
		575 118	531 053	542 705
Current assets classified as held for sale		11 707	41 768	11 707
Total assets		644 124	649 160	621 298
EQUITY AND LIABILITIES				
Total equity		475 392	459 877	465 135
Non-current liabilities		1 444	1 066	1 257
Long term borrowings		–	319	101
Deferred taxation		1 444	747	1 156
Current liabilities		167 288	188 217	154 906
Trade and other payables		121 410	119 772	110 174
Derivative financial liability		6 733	2 797	439
Distributions payable		139	157	157
Bank overdraft		–	24	–
Short term portion of long term borrowings		319	823	482
Provisions		26 980	22 010	31 947
		155 581	145 583	143 199
Liabilities directly associated with assets classified as held for sale		11 707	42 634	11 707
Total equity and liabilities		644 124	649 160	621 298

Condensed group statement of cash flows for the period ended 31 December 2010

		Unaudited six months 31 December 2010 R'000	Unaudited six months 31 December 2009 R'000	Audited 12 months 30 June 2010 R'000
Cash flow from operating activities		(37 333)	90 561	103 186
Cash generated by trading		42 023	36 028	51 333
Working capital changes		(68 913)	51 331	42 720
Cash (utilised)/generated by operations		(26 890)	87 359	94 063
Net interest received		5 506	3 872	12 145
Taxation paid		(7)	(670)	(3 012)
Distributions paid		(15 942)	–	–
Cash flow from investing activities		(3 162)	(1 171)	4 851
Additions to property, plant and equipment		(3 230)	(1 809)	(3 059)
Proceeds on disposal of property, plant and equipment		68	638	7 909
Cash flow from financing activities		(186)	(5 870)	(18 976)
Net movement in treasury shares		78	(4 143)	(13 266)
Decrease in long term borrowings		(264)	(1 727)	(6 710)
Net (decrease)/increase in cash and cash equivalents		(40 681)	83 520	89 061
Cash surplus at the beginning of the year		204 377	115 316	115 316
Cash surplus at the end of the period		163 696	198 836	204 377

Note to the condensed group statement of cash flows for the period ended 31 December 2010

		Unaudited six months 31 December 2010 R'000	Unaudited six months 31 December 2009 R'000	Audited 12 months 30 June 2010 R'000
Cash flow from operating activities		(37 333)	90 561	103 186
– Continuing operations		(37 333)	77 549	96 725
– Discontinuing operations		–	13 012	6 461
Cash flow from investing activities		(3 162)	(1 171)	4 851
– Continuing operations		(3 162)	(1 136)	(1 940)
– Discontinuing operations		–	(35)	6 791
Cash flow from financing activities		(186)	(5 870)	(18 976)
– Continuing operations		(186)	(4 801)	(14 484)
– Discontinuing operations		–	(1 069)	(4 492)
Cash surplus at the end of the period		163 696	198 836	204 377
– Continuing operations		163 696	195 687	204 377
– Discontinuing operations		–	3 149	–

Supplementary information for the period ended 31 December 2010

		Unaudited six months 31 December 2010 R'000	Unaudited six months 31 December 2009 R'000	Audited 12 months 30 June 2010 R'000
Shares in issue (000's)		212 190	212 190	212 190
Shares in issue – weighted (000's)		199 620	208 550	205 917
Diluted number of shares – weighted (000's)		200 911	209 064	206 554
Net asset value per share (cents)		224	217	219
Cost of sales (R'000) – continuing operations		310 640	278 239	517 867
Cost of sales (R'000) – discontinuing operations		–	71 153	98 820
Net inventory raised (R'000) – continuing operations		8 296	3 402	8 562
Interest received (R'000) – continuing operations		(5 711)	(4 606)	(13 616)
Interest received (R'000) – discontinuing operations		–	(5)	(20)
Interest paid (R'000) – continuing operations		205	734	1 401
Interest paid (R'000) – discontinuing operations		–	7	90
Capital expenditure (R'000) – continuing operations		3 230	1 746	2 995
Capital expenditure (R'000) – discontinuing operations		–	63	63
Capital commitments (R'000) – continuing operations		1 509	455	–
Depreciation, amortisation and impairment charge (R'000) – continuing operations		2 295	2 311	4 698
Depreciation, amortisation and impairment charge (R'000) – discontinuing operations		–	–	2 998
Operating lease commitments (R'000) – continuing operations		22 799	16 367	29 583
Profit (R'000) – continuing operations		25 101	24 062	48 895
Profit/(loss) on disposal of property, plant and equipment (R'000) – continuing operations		(64)	(174)	549
Total tax effects on adjustments (R'000) – continuing operations		19	49	(154)
Headline profit (R'000) – continuing operations		25 056	23 937	49 290
Headline earnings per share – (cents) – continuing operations	8,7	12,6	11,5	23,9
Diluted headline earnings per share – (cents) – continuing operations	9,6	12,5	11,4	23,9
Profit/(loss) (R'000) – discontinuing operations		13	475	(10 420)
Profit on disposal of property, plant and equipment (R'000) – discontinuing operations		–	(1)	380
Total tax effects on adjustments (R'000) – discontinuing operations		–	–	(106)
Headline profit/(loss) (R'000) – discontinuing operations		13	474	(10 146)
Headline earnings/(loss) per share – (cents) – discontinuing operations		0,0	0,2	(4,9)
Diluted headline earnings/(loss) per share – (cents) – discontinuing operations		0,0	0,2	(4,9)
Headline earnings per share – (cents) – continuing and discontinuing operations	7,7	12,6	11,7	19,0
Diluted headline earnings per share – (cents) – continuing and discontinuing operations	7,8	12,5	11,6	19,0

Condensed group statement of changes in equity for the period ended 31 December 2010

		Unaudited six months 31 December 2010 R'000	Unaudited six months 31 December 2009 R'000	Audited 12 months 30 June 2010 R'000
Balance as at 1 July		465 135	438 672	438 672
Net profit for the period		25 114	24 537	38 475
Capital distribution		(15 925)	–	–
Net treasury movement		78	(4 143)	(13 266)
Share based payment		990	811	1 254
Balance at period end		475 392	459 877	465 135

Supplementary information for the period ended 31 December 2010

		Unaudited six months 31 December 2010 R'000	Unaudited six months 31 December 2009 R'000	Audited 12 months 30 June 2010 R'000
Revenue		–	70 600	86 160
Operating profit/(loss)		18	667	(9 265)
Fair value adjustments on financial instruments		–	–	–
Restructuring costs – operations		–	–	(4 960)
Net interest paid		–	(2)	(70)
Profit/(loss) before tax		18	665	(14 295)
Taxation		(5)	(189)	3 875
Profit/(loss) from discontinuing operations		13	476	(10 420)

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

		Unaudited 31 December 2010 R'000	Unaudited 31 December 2009 R'000	Audited 30 June 2010 R'000
Assets classified as held for sale				
Property, plant and equipment		11 707	21 912	11 707
Deferred taxation		–	360	–
Inventory		–	2 506	–
Trade and other receivables		–	13 841	–
Bank and cash on hand		–	3 149	–
Assets classified as held for sale		11 707	41 768	11 707
Liabilities directly associated with assets classified as held for sale				
Long term borrowings		–	(2 174)	–
Deferred taxation		(2 024)	(2 681)	(2 024)
Trade, other payables and provisions		(9 683)	(36 441)	(9 683)
Taxation		–	(89)	–
Short term portion of long term liability		–	(1 249)	–
Liabilities directly associated with assets classified as held for sale		(11 707)	(42 634)	(11 707)
Net liabilities classified as held for sale		–	(866)	–

The discontinued operations and assets held for sale relate to Tedalex Properties (Atlantis) (Pty) Limited (refer note 4).

Trading environment

Trading conditions for the six months were extremely competitive with deflationary pricing occurring of between 3% and 5% in the product categories where we compete. The consumers however decided to return to the stores over the festive season and as a result we saw growth in our market segments of 6% to 8% for the period under review.

Commentary

The Board is pleased to announce double digit revenue growth compared to the prior period for the Group's interim results for the six months ended 31 December 2010 (the period). As a sales and marketing entity, the Group continues to focus and invest in its trusted brands through above and below the line advertising. In line with this strategy the Wiltshire and Artl Fanti brands were introduced into the market place with resounding acceptance. The full impact of these new brands is expected to flow through in future trading periods. Our strategy of offering a boutique of brands "good, better, best" paid off in the period under review with all brands achieving good growth.

In line with this strategy the houseware brands were launched into the market.

Initial indications make us cautiously optimistic going forward, however the hard work is just starting with listings, promotions and brand building being focused on by the team to achieve sustainable growth.

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. Retailers have made a decision to delist suppliers who continuously go out of stock. This decision achieved the desired effect with increased sales and a marginal increase of our physical stock holding over our target.

Overdue debtors declined, however receivables increased due to a promotion with extended terms. This money has subsequently been collected.

As discussed in our Annual Report for June 2010, the imminent introduction of the Consumer Protection Act poses challenges for all participants in the consumer markets and the Group has 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 we believe this Act will be to the benefit of reputable brand distributors such as AMAP.

Our quality improvement programme is achieving benefits through a substantial reduction in customer returns.

Financial performance

Statement of comprehensive income (continuing operations)

- Revenue increased by 12,9% to R451,4 million (2009: R399,7 million).
- Operating profit increased by 8,6% to R34,9 million (2009: R32,1 million).
- As a result of a strengthening Rand/USD exchange rate the fair value adjustments on financial instruments reflected an increased cost of 409% to R4,5 million (2009: cost R1,1 million).
- Profit after tax increased by 4,3% to R25,1 million (2009: R24,1 million).
- Basic earnings per share increased by 9,6% to 12,6 cents (2009: 11,5 cents).
- Diluted HEPS increased by 9,6% to 12,5 cents (2009: 11,4 cents).

Statement of financial position (continuing operations)

- Inventory increased in line with the growth in revenue as well as the result of the introduction of new brands to R172,1 million (2009: R132,2 million).
- Trade and other receivables increased in line with revenue growth to R228,7 million (2009: R196,5 million).
- Bank and cash on hand amounted to R163,7 million (2009: R195,7 million). A net capital distribution of R15,9 million was paid in December 2010 thereby decreasing the bank and cash on hand amount as at December 2010.
- Current assets exceed current liabilities by a factor of more than 3 times. The statement of financial position is net unencumbered.

Interim distribution to shareholders

Based on the current financial position, the Board has declared an interim capital distribution of 4 cents per share for the six months ended 31 December 2010 (2009: NIL) out of share premium as approved by shareholders at the AGM held on 5 November 2010.

Shareholders are advised that the last day to trade cum the distribution will be Friday, 25 March 2011.

The shares commence trade ex the distribution as from Monday, 28 March 2011 and the record date will be Friday, 1 April 2011.

Share certificates may not be dematerialised or rematerialised between Monday, 28 March 2011 and Friday, 1 April 2011, both days inclusive.

Changes to the Board

Bruce Garth Drummond was appointed as Chief Financial Officer and Executive Financial Director in November 2010.

Segmental reporting

The Group predominantly markets and distributes consumer durables from a single business unit. Information regarding aggregated customer and geographical information is in line with that disclosed in the Annual Report for June 2010 as required in line with the requirements for IFRS 8 Operating Segments.

Subsequent events

No events material to the understanding of the report have occurred during the period between 31 December