



AMALGAMATED APPLIANCE HOLDINGS LIMITED

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

CONDENSED GROUP INCOME STATEMENT

for the period ended 31 December 2006

	Unaudited 6 Months 31 Dec 2006 R'000	Restated* Unaudited 6 Months 31 Dec 2005 R'000	Audited 12 Months 30 June 2006 R'000
Revenue	1 139 379	1 150 623	2 150 771
Operating profit	114 806	104 022	180 764
Fair value adjustments on financial instruments	(8 376)	(3 039)	6 988
Net interest paid	(5 579)	(1 425)	(4 211)
Profit before tax	100 851	99 558	183 541
Taxation	(30 256)	(27 064)	(53 993)
Net profit	70 595	72 494	129 548
Attributable to equity holders of the parent	70 595	71 711	129 548
Attributable to minority interest	—	(783)	—
Earnings per share – (cents)	34,0	34,8	62,7
Diluted basic earnings per share – (cents)	33,7	34,3	62,0
Distribution to shareholders – (cents)	—	—	20,0

* Restated revenue (R1 056 830 less settlement discount R13 067 (circular 09/2006) plus international cell phone sales R106 860 (previously net reported))

CONDENSED GROUP BALANCE SHEET

as at 31 December 2006

	Unaudited 31 Dec 2006 R'000	Unaudited 31 Dec 2005 R'000	Audited 30 June 2006 R'000
ASSETS			
Non-current assets	52 031	60 634	56 153
Property, plant and equipment	36 950	35 822	36 050
Goodwill	1 170	1 170	1 170
Trademarks	5 204	8 117	5 539
Other financial assets	5 573	13 824	10 211
Deferred tax	3 134	1 701	3 183
Current assets	909 032	825 766	885 690
Inventory	503 396	384 098	366 904
Trade and other receivables	358 487	310 269	249 730
Derivative financial asset	1 581	—	24 789
Bank and cash on hand	45 568	131 399	244 267
Total assets	961 063	886 400	941 843
EQUITY AND LIABILITIES			
Total equity	547 031	458 560	517 002
Long-term borrowings	6 755	8 740	6 433
Current liabilities	407 277	419 101	418 408
Trade and other payables	385 265	389 010	366 637
Derivative financial liability	—	3 227	—
Capital distribution and dividends payable	232	83	77
Taxation	21 780	23 104	47 592
Short-term portion of long-term liability	—	3 677	4 102
Total equity and liabilities	961 063	886 400	941 843

CONDENSED GROUP CASH FLOW STATEMENT

for the period ended 31 December 2006

	Unaudited 6 Months 31 Dec 2006 R'000	Unaudited 6 Months 31 Dec 2005 R'000	Audited 12 Months 30 June 2006 R'000
Cash flow from operating activities	(153 343)	(144 629)	(26 431)
Cash generated by trading	125 162	124 144	194 665
Working capital changes	(216 909)	(181 433)	(127 041)
Cash utilised by operations	(91 747)	(57 289)	67 624
Net interest paid	(5 579)	(1 425)	(4 211)
Taxation paid	(56 017)	(51 001)	(54 924)
Dividends paid	—	(34 914)	(34 920)
Cash flow from investing activities	(4 756)	(2 691)	(7 175)
Additions property, plant and equipment	(5 441)	(3 140)	(7 917)
Proceeds on disposal of property, plant and equipment	119	360	465
Decrease in other financial assets	566	89	277
Cash flow from financing activities	(40 600)	(1 040)	(1 886)
Net movement in treasury shares	1 536	(66)	970
Capital distribution	(42 282)	—	—
Increase/(decrease) in long-term borrowings	146	(974)	(2 856)
Net decrease in cash	(198 699)	(148 360)	(35 492)
Cash and cash equivalent at beginning of period	244 267	279 759	279 759
Cash and cash equivalent at the end of the period	45 568	131 399	244 267

UNAUDITED INTERIM RESULTS FOR SIX MONTHS ENDED 31 DECEMBER 2006

COMMENTARY

The trading context

Trading conditions for the period under review showed continued momentum from the extended consumer boom, while some signs of a slowdown began to emerge in our core markets. The traditional furniture retailers in particular reported slowing growth rates and greater difficulty in debt collection. A weaker Rand in September and October 2006 saw some price increases on imported goods. Festive season trade, while still healthy, did not reach the levels expected by many commentators. In consumer electronics, some of our major international competitors aggressively entered the mass market, which placed a ceiling on margins in this segment. The growth of flat screen television was an ongoing feature, although with significant price deflation, as anticipated. In small appliances, solid growth was evident in all market segments with consumers continuing to buy up to well known and respected brands.

Operating performance

In the light of the conditions described above, both of Amap's major trading divisions performed creditably, with a combined increase of 11%, stable gross margins and operating cost increases contained to well below inflation. In Appliances, Russell Hobbs further strengthened its position at the premium end of the market and Salton remained the leading national brand. Seasonal product sell-through was good, clearing the pipeline for strong sales during upcoming seasonal peaks. In Electronics, Sansui held its position as brand leader in the face of strong sales and marketing campaigns by its global competitors and excellent progress was made in new areas such as Sansui computers and Polaroid digital photography. Tedex also grew strongly as we made a concerted effort to revitalise this iconic South African brand. The international trading activity of the mobile phone business was curtailed and a new strategy was implemented for local sales. As a result of these strategic shifts, this business contributed R119,4 million less sales than for the comparable period, but performed ahead of budget on both turnover and profit. Our manufacturing division faced the greatest challenge, with sales of CRT television inevitably dampened by the emergence of plasma and LCD. Several initiatives are under way to replace lost production with new products.

Financial performance

Revenue from continuing activities (excluding the R106,9 million of revenue from the curtailed international mobile phone trading business) grew 11% for the period under review. Gross margins for the Group improved meaningfully to 22,5% (2005: 20,9%) mainly as a result of the shift of strategy in the low margin mobile phone business, but also driven by solid trading in the core divisions. Combined with generally well-controlled operating expenses, this resulted in an operating profit increase of 10,4% year-on-year to R114,8 million (2005: R104,0 million). Our operating profit margin moved above the key 10% level. However, our final results taking into account higher interest cost (as a result of higher stock levels) and a negative fair value adjustment, were very much in line with the comparable 6 months last year and the Group closed the period with R45 million cash on hand.

Strategic developments

Amap has for several years evolved a strategy of focused expansion into related product categories. Such growth has allowed the Group to utilise the "leverage" of its existing brands, trade relationships, logistics, administration and financial infrastructure to enhance profitability and diversify its product portfolio. In recent years, this growth has been predominantly organic, although in the initial years of its evolution, Amap made a number of significant acquisitions to further this vision namely Tedex Trading (Tedex, Sansui, Toshiba and Pioneer brands) in consumer electronics and Pace Grandom in electrical accessories. In November 2006, we announced our intention to make a significant move in this context, with a dual acquisition that, if successfully concluded, would make Amap by far the leading manufacturer and marketer of household durable products in South Africa. The prospective acquisition of the South African furniture interests of the Steinhoff Group is dealt with in detail in a separate announcement, which appears elsewhere in this publication.

Distribution to shareholders

The board has resolved to continue the policy of a single distribution to shareholders at the end of each financial year.

Board

No changes have taken place in the composition of the board which comprises six non-executive directors and six executive directors.

Social responsibility and labour relations

Sound labour relations remains a priority of the Group, as it is the driving force which ensures our employee participation in achieving the goals of our Group. The relevant trade unions also make a valuable contribution in maintaining our labour harmony. The focus on employment equity has increased our skills development activities with many more employees benefiting accordingly. Employee morale is good, which is reflected in a very low staff turnover. In terms of nation building, our Social Responsibility efforts continue to make a difference to the quality of life of disabled and disadvantaged people.

Segmental reporting

The Group markets and distributes consumer durables predominantly in southern Africa and therefore the directors consider the disclosure of segmental information in terms of IAS 14 not to be meaningful.

Corporate governance

Operations at all levels subscribe to the spirit of good corporate governance as set out in the King Report and Amap accepts the need to conduct the enterprise with integrity, transparency and equal opportunity.

Subsequent event

No events material to the understanding of the report have occurred in the period between the period end date and the date of this report except those as detailed in the strategic developments section above.

For and on behalf of the board

J Cohen
Chairman

BG Drummond
Company Secretary

Johannesburg
1 March 2007

STATEMENT OF CHANGES IN EQUITY

for the period ended December 2006

	Share capital R'000	Share pre- mium R'000	Treasury shares R'000	Accu- mulated profits R'000	Share- holder for dividend R'000	Share- based compen- sation reserve R'000	Minority interest R'000	Total R'000
Unaudited								
Balance at 30 June 2005	2 122	162 741	(10 915)	230 808	34 960	1 021	—	420 737
Net profit for the period	—	—	—	71 711	—	—	783	72 494
Dividend settled – cash election	—	—	—	—	(34 960)	—	—	(34 960)
Net treasury movement	—	—	(66)	—	—	—	—	(66)
Share-based payment	—	—	—	—	—	355	—	355
Balance at 31 December 2005	2 122	162 741	(10 981)	302 519	—	1 376	783	458 560
Net profit for the period	—	—	—	57 837	—	—	(783)	57 054
Net treasury movement	—	—	1 036	—	—	—	—	1 036
Share-based payment	—	—	—	—	—	352	—	352
Balance at 30 June 2006	2 122	162 741	(9 945)	360 356	—	1 728	—	517 002
Net profit for the period	—	—	—	70 595	—	—	—	70 595
Capital distribution	—	(42 437)	—	—	—	—	—	(42 437)
Net treasury movement	—	—	1 536	—	—	—	—	1 536
Share-based payment	—	—	—	—	—	335	—	335
Balance at 31 December 2006	2 122	120 304	(8 409)	430 951	—	2 063	—	547 031
Basis of preparation of results								
The interim report is prepared in accordance with:								
* IAS 34 Interim financial reporting								
* The requirements of the South African Companies Act, Act 61 of 1973 as amended and								
* The Listing Requirements of the JSE Limited (JSE)								
These financial statements incorporate accounting policies that are consistent with those used in preparing the financial results for the year ended June 2006.								

SUPPLEMENTARY INFORMATION

for the period ended 31 December 2006

	Unaudited 6 Months 31 Dec 2006 R'000	Restated* Unaudited 6 Months 31 Dec 2005 R'000	Audited 12 Months 30 June 2006 R'000
Shares in issue (000's)	212 190	212 190	212 190
Shares in issue – weighted (000's)	207 905	206 291	206 561
Diluted number of shares – weighted (000's)	209 554	209 057	208 974
Net asset value per share (cents)	258	216	244
Cost of sales (R'000)	882 523	909 619	1 712 659
Interest received (R'000)	3 064	5 013	4 948
Interest paid (R'000)	(8 643)	(6 438)	(9 159)
Capital expenditure (R'000)	5 440	3 140	7 917
Capital commitments (R'000)	2 580	583	1 450
Depreciation, amortisation and impairment charge (R'000)	4 780	4 864	11 512
Finance and operating lease commitments (R'000)	45 964	40 742	49 440
Profit attributable to ordinary shareholders (R'000)	70 595	71 711	129 548
(Profit)/loss on disposal of property, plant and equipment (net of tax) (R'000)	(11)	(99)	168
Impairment of property, plant and equipment (R'000)	—	305	2 199
Headline earnings (R'000)	70 584	71 916	131 915
Headline earnings per share – (cents)	34,0	34,9	63,9
Diluted headline earnings per share – (cents)	33,7	34,4	63,1

* Restated cost of sales (R802 759) plus international cell phone cost of sales R106 860 (previously net reported)

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