



## AMALGAMATED ELECTRONIC CORPORATION LTD

### AMALGAMATED ELECTRONIC CORPORATION LIMITED

(Incorporated in the Republic of South Africa)  
(Registration number 1997/010036/06)  
Share code: AER ISIN: ZAE000070587  
("Amecor" or "the Company" or "the Group")

# GROUP CONDENSED CONSOLIDATED REVIEWED RESULTS

## FOR THE YEAR ENDED 31 MARCH 2014, DIVIDEND DECLARATION AND CORPORATE ANNOUNCEMENTS RE DISPOSAL OF SUBSIDIARY AND RENEWAL OF CAUTIONARY

### AMECOR ACTIVITIES

Amecor operates the following business units:

#### Continuing operations

**Network**  
Sabre Radio Networks ("Sabre") is the largest security network provider within Southern Africa. Its Radio and GSM infrastructure offers a secure data network comprising of base stations and advanced repeater technology. Sabre has a national network footprint of cutting edge transmission equipment enabling its clients such as security companies the ability to route signals and data to their control centres. Sabre is implementing various strategies to develop its technology in South Africa and exploring the opportunity of expanding into the rest of Africa.

#### Transmission technology

FSK Electronics SA ("FSK") is the leading manufacturer of sophisticated data transmission technology used primarily in the security industry and related niche markets. The Company's expert panel of engineers specialise in the design of radio and GSM, receivers and transceivers, which underpin the growth in annuity earnings for Sabre.

#### Alternative power supplies

Alternative power supplies include generators, inverters and uninterrupted power supply systems. Power Development Services, alongside sister companies Gillespie Diesel Services and Durapower Manufacturing (collectively "the PDS Group"), are engaged in the assembly, distribution, installation and maintenance of world-class alternative power solutions; offered primarily to the industrial, commercial and government market sectors.

#### Discontinued operations

**Disposal of Secequip**  
Secequip is an importer and wholesale distributor of security products. Amecor has reviewed the strategic fit of Secequip within the Group and decided to dispose of the Secequip business. This sharpens its strategic focus on businesses that generate superior free cash flow, deliver attractive margins and provide good prospects for growth.

#### Disposal of Amecor Integrated Solutions ("AIS")

AIS, the Group project management business, was disposed of effective 31 March 2014 to an external party for an insignificant consideration.

### STRATEGIC REVIEW

Amecor remains focused on following key strategic objectives, as outlined in interim results:

- Network.** Amecor continues growing its annuity income from this business unit. Good organic growth has augmented new innovations such as applications where GSM technology is applied to offsite monitoring of sites, equipment and other processes.
- Africa.** FSK continues distributing a broad range of security products and network services in South Africa and to 11 African countries, specific to each country's requirements, including Tanzania, Nigeria, Ghana, Botswana and Angola. FSK's focused expansion in Africa capitalises on the growing demand for sophisticated security technology in these markets.
- Innovation through technology.** Crime is a prevailing reality in Africa necessitating the demand for improved security measures and enhanced personal safety. Amecor's research and development team are on the forefront of new developments in electronic security applications, with a range of exciting new products to be rolled out in the next fiscal period.
- Cost savings.** Amecor continues to assess and evaluate potential cost-saving opportunities within the Group.
- Acquisitions.** Amecor intends to pursue potential acquisitions in the security and related niche market space.

### FINANCIAL REVIEW

Amecor has produced good results for the 12 months ended 31 March 2014. In the current year Amecor disposed of Amecor Integrated Solutions ("AIS"), and effective 1 April 2014 concluded the disposal of Secequip. This has resulted in these businesses being reclassified as discontinued operations, detailed below.

#### Continuing operations

*Statement of profit and loss and other comprehensive income*  
Notwithstanding challenging market conditions, the Group managed to increase turnover by 22.5% from R177.2 million to R217.1 million. PBIT increased by 15.4% from R28.8 million to R33.3 million and PAT grew to R20.9 million from R16.0 million, an increase of 30.4%.

Further key performance indicators include:

- PBIT margin declined from 16.3% to 15.3%, but remained healthy.
- Net finance expense decreased by 8% to R3.5 million.
- Interest cover improved from 7.8 times to 9.5 times.

#### Statement of cash flows

Cash flow generation was negatively impacted by the following:

- capital expenditure, including the new factory and further product development, amounting to R15.4 million (F2013: R10.4 million);
- an increase in dividends paid (F2014: R13.5 million; F2013: R6.6 million); and
- an increase in working capital movements of R30.7 million.

#### Balance sheet

Though net debt of R22.5 million worsened from a net cash position of R7.7 million, this increase is only of a temporary nature due to the increase in working capital. Assets from discontinued operations which mainly comprised inventories and debtors amounted to R68.8 million and liabilities (mainly comprising trade payables) amounted to R12.8 million.

#### Discontinued operations

A profit on the sale of AIS of R2.7 million was realised.

Assets and liabilities attributable to the discontinued operations are:

At 31 March 2014	R'000
<b>Assets</b>	
<b>Non-current assets</b>	
Property, plant and equipment	1 489
Goodwill	5 627
Deferred tax asset	2 682
<b>Current assets</b>	
Inventories	27 402
Trade and other receivables	28 274
Cash and cash equivalents	3 000
Taxation	293
<b>Total assets</b>	<b>68 767</b>
<b>Current liabilities</b>	
Trade and other payables	11 845
Borrowings	1 000
<b>Total liabilities</b>	<b>12 845</b>

The details of the Secequip transaction are summarised under corporate announcements.

### OPERATIONAL REVIEW

#### Network

Networks continued to produce pleasing results, with strong annuity profits converting into high free cash flows. This segment experienced growth in turnover of 42.3% to R31.9 million and 28.2% in PBIT to R2.5 million. Increasing demand for cellular-based data transmissions has added a substantial number of users to the network. GSM product lines distributed into the countries in Africa, through sister company FSK, have boosted the demand for private networks, specific to each country/customers' requirements.

#### Transmission technology

FSK's turnover grew by 17.7% to R57.1 million and PBIT increased by 19.3% to R13 million. The Group's research and development team have produced a number of new technologies which are currently being field-tested. New product ranges will target both local and African markets, and facilitate the growing demand for monitoring technology.

#### Alternative power supplies

The PDS Group increased its turnover by 21.6% to R129.2 million but PBIT declined from R5.2 million to R2.5 million.

#### Outlook

The directors of Amecor are cautiously optimistic about the prospects for the coming year for the following reasons:

- Network.** Amecor's dominant market position is expected to continue to experience good organic growth locally and into Africa. New monitoring technology will provide a further impetus on growth. Sabre is also expected to continue exceptional generation of free cash flow.
- Transmission technology.** FSK is also anticipated to perform well in the current year through new innovative solutions within its continuous research and development programme and subsequent development of new and improved products. The ongoing success of FSK further underpins the success of Sabre.
- Alternative power supplies.** Firm orders placed with the PDS Group in the year under review positioned the company for profitability in the coming year.
- Cash flow.** The Group's cash flow is expected to benefit from an improvement in the working capital requirements at the PDS Group. In addition FSK and Sabre remain strongly cash flow generative. Furthermore, minimal amounts of capital expenditure are expected on finalising the new factory. The repayment of the Secequip loan should also contribute positively.
- Proposed acquisition of Maxidor and further cautionary.** Shareholders are referred to the further cautionary announcement set out in the announcement published on 16 May 2014 regarding a potential acquisition. Shareholders are advised that Amecor is in advanced discussions with parties which, if successful, will result in Amecor acquiring 100% of Maxidor SA Proprietary Limited ("acquisition"). Shareholders are therefore advised to continue exercising caution until a further announcement detailing the acquisition is made.

#### Dividend declaration

The directors paid their first interim dividend in the amount of 6.5 cents per ordinary share in respect of the six months ended 30 September 2013. The net amount paid to shareholders who were not exempt from DWT was 5.525 cents per share, and 6.5 cents per share to shareholders exempt from DWT. There were 77 985 337 ordinary shares in issue; the total interim dividend amount paid was R5.1 million.

In addition to the interim dividend of 6.5 cents per share, the directors have elected to pay a final dividend in the amount of 6.0 cents (F2013: 10 cents) per ordinary share in respect of the year ended 31 March 2014 to shareholders recorded in the share register at 25 July 2014. The net amount payable to shareholders who are not exempt from DWT is 5.1 cents per share, and 6.0 cents per share to shareholders exempt from DWT. There are 77 985 337 ordinary shares in issue; the total dividend amount payable is R4.7 million.

	F2014 – Final	F2014 – Interim	F2013
Distributable dividend (R'000)	4 679	5 069	7 799
Total number of shares in issue ('000)	77 986	77 986	77 986
Dividend payable per share (cents)	6.0	6.5	10.0

Declaration date	Monday, 30 June 2014
Last day to trade cum dividend	Friday, 18 July 2014
Trading ex-dividend commences	Monday, 21 July 2014
Record date	Friday, 25 July 2014
Payment date	Monday, 28 July 2014

These dividends as defined in the Income Tax Act, 1962, and were paid and are payable from income reserves. The applicable South African Dividend Withholding Tax (DWT) rate is 15% and no credits in terms of secondary tax on companies will be utilised. Amecor's income tax number is 9381483842. Share certificates may not be dematerialised or rematerialised between Monday, 21 July 2014 and Friday, 25 July 2014, both dates inclusive. The certificated register will be closed for this period.

### EVENTS AFTER REPORTING PERIOD

#### Corporate announcement

- Maxidor Acquisition**  
Shareholders are referred to the further cautionary announcement set out in the announcement published on 16 May 2014 regarding a potential acquisition. Shareholders are advised that Amecor is in advanced discussions with parties which, if successful, will result in Amecor acquiring 100% of Maxidor SA Proprietary Limited ("acquisition"). Shareholders are therefore advised to continue exercising caution until a further announcement detailing the acquisition is made.

- Disposal of 79% interest in Secequip Proprietary Limited**

#### 2.1 Introduction

Shareholders are referred to the detailed cautionary announcement dated 16 May 2014 wherein they were advised that Amecor's 79% held subsidiary, Secequip Proprietary Limited ("Secequip"), had entered into an agreement with Divine Inspiration 579 Proprietary Limited, to sell, as a going concern, the Secequip business ("business sale agreement"), subject to the fulfilment of the condition precedent that the shareholders of Secequip pass the necessary resolution to enable Secequip to conclude the transaction set out in the business sale agreement by no later than 31 July 2014. This condition precedent will not be fulfilled and the business sale agreement will consequently be of no further force or effect.

AMECOR'S MARKET LEADING OPERATIONS ARE FOCUSED ON MAKING IT SAFE TO LIVE AND DO BUSINESS BY PROVIDING KEY PRODUCTS AND SERVICES OF A STRATEGIC NATURE TO THE SECURITY INDUSTRY IN SOUTH AFRICA AND INCREASINGLY INTO AFRICA.

## Highlights

- Turnover\* up 22.5% to R217.1 million
- PBIT\* up 15.4% to R33.3 million
- PAT\* up 30.4% to R20.9 million
- Dividend increased by 25% to 12.5 cents per share
- Excellent performance by annuity business Sabre and FSK
- Disposal of Secequip
- Proposed acquisition of Maxidor

\*From continuing operations.

In its place, Amecor entered into an agreement with Secequip Supplies Proprietary Limited ("the purchaser"), which is the other 21% shareholder in Secequip ("the agreement"). In terms of the agreement, Amecor will dispose of its 79% interest in Secequip to the purchaser with effect from 1 April 2014 for a consideration of R2.0 million, subject to various conditions precedent ("the disposal"). The purchaser is wholly owned by the existing managing director of Secequip, John Cliford Rogers ("Rogers").

#### 2.2 Nature of business of Secequip

Secequip is an importer and wholesale distributor of security products.

#### 2.3 Rationale for the disposal of the Secequip interest

The disposal is in line with the board's strategic focus on investing in businesses that generate good free cash flow, and above average gross and operating margins.

#### 2.4 Consideration for the disposal

Subject to the fulfilment of the condition precedents set out in paragraph 2.5 below, Amecor will dispose of its 79% shareholding in Secequip to the purchaser for the amount of R2.0 million ("the disposal consideration").

The disposal consideration shall be discharged by the purchaser in cash on the first business day after fulfilment or waiver, as the case may be, of the conditions precedent of the disposal set out in paragraph 2.5 below.

The proceeds of the disposal will be utilised to pursue Amecor's stated strategic investment focus.

#### 2.5 Conditions precedent

The disposal is subject to the fulfilment or waiver, as the case may be, of the following outstanding conditions precedent by no later than 31 July 2014:

- Secequip has granted a notarial bond over the stock, in favour of Amecor;
- the securities register of the purchaser reflects Rogers as the holder of 100% of the issued shares of the purchaser;
- independent experts' fairness report to Shareholders; and
- the JSE Limited has approved the disposal to the extent required.

#### 2.6 Effective date

The effective date of the transaction is 1 April 2014.

#### 2.7 Unaudited pro forma financial effects

Based on the disposal consideration of R2.0 million, the pro forma financial effects of the transaction on Amecor's earnings per share, headline earnings per share, net asset value per share and net tangible asset value per share are not material. The estimated cash proceeds from the Secequip loan will, however, significantly improve the liquidity of Amecor.

#### 2.8 Categorisation

The disposal is a small related party transaction in terms of the JSE Limited Listings Requirements ("Listings Requirements") as the company is transacting with a material shareholder of a subsidiary, and which is also an associate of Rogers, a director of Secequip.

### FINANCIAL INFORMATION

GROUP PROVISIONAL STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME	Year ended 31 March 2014 (Reviewed) R'000	Year ended 31 March 2013 (Restated)* R'000
Revenue	219 371	179 586
Turnover	217 089	177 207
Cost of sales	(140 183)	(108 373)
Gross profit	76 906	68 834
Operating costs	(43 642)	(40 010)
Operating profit before interest and taxation (PBIT)	33 264	28 824
Finance income	2 282	2 379
Finance costs	(5 752)	(6 145)
Profit before taxation	29 794	25 058
Taxation	(8 895)	(9 035)
Profit for the year from continuing operations	20 899	16 023
Profit on disposal of subsidiary	2 734	–
Profit from discontinued operations	770	9 237
Other comprehensive income	–	–
<b>Total comprehensive income for the year</b>	<b>24 403</b>	<b>25 260</b>
Attributable to:		
Ordinary shareholders of Amecor	23 641	23 234
Non-controlling interest	762	2 026
<b>Profit and total comprehensive income for the year</b>	<b>24 403</b>	<b>25 260</b>
Basic earnings per share (cents)	3	31.8
Diluted earnings per share (cents)	3	31.8
<b>Continuing operations</b>		
Earnings per share (cents)	3	31.8
Diluted earnings per share (cents)	3	31.8

\*Restatement due to the requirements of IFRS 5, with specific reference to discontinued operations.

### Key performance indicators

GP margin	35.3%	38.8%
PBIT margin	15.3%	16.3%
Dividend per share	12.5%	10.0%

GROUP PROVISIONAL STATEMENT OF FINANCIAL POSITION	31 March 2014 (Reviewed) R'000	31 March 2013 (Audited) R'000
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>107 323</b>	<b>107 356</b>
Property, plant and equipment	28 549	23 719
Intangible assets	24 154	21 769
Goodwill	54 034	59 661
Deferred tax asset	586	2 207
<b>Current assets</b>	<b>132 785</b>	<b>181 503</b>
Inventories	27 164	49 384
Trade receivables and other receivables	62 375	60 682
Taxation	6 358	4 557
Cash and cash equivalents	36 888	66 880
Assets of disposal group held for sale	68 767	–
<b>Total assets</b>	<b>308 875</b>	<b>288 859</b>

### EQUITY AND LIABILITIES

Equity attributable to Amecor shareholders	174 761	163 443
Non-controlling interest	19 169	19 638
<b>Equity and reserve</b>	<b>193 930</b>	<b>183 081</b>
<b>Non-current liabilities</b>	<b>65 037</b>	<b>64 194</b>
Borrowings	58 529	58 221
Deferred tax liability	6 508	5 973
<b>Current liabilities</b>	<b>37 063</b>	<b>41 584</b>
Trade and other payables	35 793	39 708
Taxation	378	794
Borrowings	892	1 082
Liabilities of discontinued operations	12 845	–
<b>Total equity and liabilities</b>	<b>308 875</b>	<b>288 859</b>

GROUP PROVISIONAL STATEMENT OF CASH FLOWS	Year ended 31 March 2014 (Reviewed) R'000	Year ended 31 March 2013 (Audited) R'000
<b>Net inflow from operating activities</b>	<b>(12 122)</b>	<b>17 491</b>
Cash generated from operations	17 098	36 740
Net finance costs	(3 618)	(3 761)
Taxation paid	(12 108)	(8 888)
Dividends paid	(13 494)	(6 600)
<b>Net outflow from investing activities</b>	<b>(15 402)</b>	<b>(10 438)</b>
<b>Net inflow from financing activities</b>	<b>533</b>	<b>195</b>
<b>Net movement in cash balances</b>	<b>(26 991)</b>	<b>7 248</b>
Cash and cash equivalents at beginning of the year	66 880	59 632
<b>Cash and cash equivalents at the end of the year</b>	<b>39 889</b>	<b>66 880</b>
Cash included in continuing operations	36 888	–
Cash included in discontinued operations	3 001	–

GROUP PROVISIONAL STATEMENT OF CHANGES IN EQUITY	Issued capital (share capital and share premium) R'000	Accumulated profit R'000	Non-controlling interest R'000	Total equity R'000
Balance at 1 April 2012	70 843	75 506	18 222	164 571
Dividends paid	–	(5 990)	(610)	(6 600)
Total comprehensive income – profit	–	23 234	2 026	25 260
Net movement: Treasury shares	(150)	–	–	(150)
Total changes	(150)	17 244	1 416	18 510
Balance at 1 April 2013	70 693	92 750	19 638	183 081
Dividends paid	–	(12 263)	(1 231)	(13 494)
Total comprehensive income – profit	–	23 641	762	24 403
Net movement: Treasury shares	(60)	–	–	(60)
Total changes	(60)	11 378	(469)	10 849
Balance at 31 March 2014	70 633	104 128	19 169	193 930

### NOTES TO THE PROVISIONAL CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Significant accounting policies

Amecor is a company domiciled in South Africa. These provisional consolidated reviewed annual financial statements of the Amecor Group for the year ended 31 March 2014 comprise provisional consolidated reviewed annual financial statements of Amecor and its subsidiaries.

These provisional consolidated annual financial statements were authorised for issue by the board of directors on 30 June 2014. The reviewed provisional consolidated financial statements for the year ended 31 March 2014 were prepared by the financial director, Mrs Kerry Colley, and have been reviewed by the Company's auditors, Mazars Inc.

### Basis of preparation

The reviewed provisional consolidated results for the year ended 31 March 2014 have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), and containing information required by International Accounting Standard (IAS) 34: *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and in compliance with the Listings Requirements of the JSE Limited. The review of the provisional consolidated financial statements has been performed in terms of the requirements of the South African Companies Act, 71 of 2008, as amended. The accounting policies as well as the methods of computation used in the preparation of the results for the year ended 31 March 2014 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 31 March 2013, except for the standards and amendments to standards that became effective on 1 January 2013: IFRS 10: *Consolidated Financial Statements*, IFRS 13: *Fair Value Measurement*, IAS 19: *Employee Benefits*, IAS 27: *Separate Financial Statements*. The impact of the other Standards have been assessed and are not considered significant. The results are presented in Rand, which is Amecor's presentation currency.

The accounting policies and methods of computation have been applied consistently by group companies and have been applied consistently to all periods presented in these provisional consolidated reviewed financial statements. The new IFRS and interpretations that became effective for the year under review, have not had a significant effect on the Group's accounting policies. The comparative figures referred to in the commentary relate to the prior year equivalent period.

#### 2. Review of results

Mazars Inc. has issued an unqualified review opinion on these provisional consolidated financial statements, as required by the JSE Limited. Their review was conducted in accordance with ISRE 2410, "Review of interim financial information performed by the independent auditor of the entity". These financial statements have been approved by the board and condensed for the purposes of this report. The auditors' review opinion is available for inspection at Amecor's registered office.

The auditors' report does not necessarily report on all the information contained in this report. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors' engagement they should obtain a copy of the auditors' report together with the accompanying financial information from the registered office.

#### 3. Earnings per share ("EPS")

EPS is based on the Group's profit for the year ended 31 March 2014, divided by the weighted average number of shares in issue during the year. There were no remeasurements of assets and liabilities held for sale to fair value less costs to sell.