

- Maiden interim dividend of 6.5 cents per share
- Turnover up 15.0% to R177.1 million
- Network and annuity PBIT up 24.7% to R12.1 million
- Under geared balance sheet with net debt of R6.9 million
- Cash on hand R51.3 million

AMALGAMATED ELECTRONIC CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
 (Registration number 1997/010036/06)
 Share code: AER ISIN: ZAE00070587
 ("Amecor" or "the Company")

CONDENSED CONSOLIDATED UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013 AND DIVIDEND DECLARATION

AMECOR'S MARKET LEADING OPERATIONS ARE FOCUSED ON MAKING IT SAFE TO LIVE AND DO BUSINESS IN SOUTH AFRICA AND AFRICA

OVERVIEW

Amecor ("the Group") and its subsidiaries comprise four complementary businesses providing products and services to the security industry in South Africa and increasingly into Africa. Though the Group increased turnover by 15.0% to R177.1 million, earnings per share remained constant in the first half; testimony to the challenging trading conditions experienced in the distribution businesses. Sabre Radio Networks ("Sabre"), Amecor's annuity income business continues to perform exceptionally well and now comprises 50% of the Group's operating profit ("PBIT"). The Group continues to refine its strategic focus and is optimistic about the financial performance for the second six months.

AMECOR ACTIVITIES

Amecor operates the following business units:

Network

Sabre is the largest security network operator within southern Africa. Its Radio and GSM infrastructure offers a secure data network comprising base stations and hi-level repeater technology. Sabre has a national network footprint enabling security companies and other users to route signals and data to their respective control centres.

Transmission technology

FSK Electronics SA ("FSK") is the leading manufacturer of sophisticated transmission technology and equipment monitoring security applications. The Company's expert team of engineers also specialise in the design of radio and GSM transmitters, receivers and transceivers, which underpins the growth in annuity earnings for Sabre.

Distribution

Secequip is one of the leading wholesale distributors of security technologies within southern Africa. The Group specialises in the import and distribution of premium security products, which boast uncontested industry reputations. Secequip products may be applied to a broad range of market sectors, with equipment ranging from basic alarm units, to sophisticated detection and intrusion prevention technologies. Eleven easily accessible Secequip branches are based in all major centres of South Africa. National distribution outlets support Group synergies through shared product lines and a complementary customer base.

Alternative power supplies

Alternative power supplies include generators, inverters and uninterrupted power supply (UPS) systems. Power Development Services, alongside sister companies Gillespie Diesel Services ("GDS") and Durapower Manufacturing ("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. In the event of power outages, the PDS Group ensure ongoing operation of Amecor's electronic security services (such as Sabre networks) and products.

STRATEGIC REVIEW

Amecor has prioritised the following key strategic objectives:

- **Network.** Amecor is focused on growing its annuity income from this business unit. Good organic growth will augment new innovations such as various "man to machine" applications where GSM technology is applied to offsite monitoring of sites, equipment and other processes such as temperature fluctuations. This facilitates early warning notifications without being on site. The Group will continue to seek growth opportunities for this flagship division.
- **Africa.** FSK is currently distributing a broad range of security products and network services to eleven 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. Gross margins in these markets are higher than in South Africa.
- **New products, research and development ("R&D").** Security awareness is a prevalent reality in South Africa with businesses and households looking to expand security measures. Amecor is consistently seeking new products to meet this requirement. Secequip has added to its closed circuit television ("CCTV") division various sophisticated visual recognition software and end user control applications. The Group continues to invest in R&D, resulting in further high quality products being launched into selective growth markets.
- **Cost savings.** Amecor continues to assess and evaluate potential cost-saving structures within the Group in anticipation of creating greater stakeholder value. A number of opportunities have been identified and the results of these initiatives will materialise in the next fiscal period.
- **Acquisitions.** Amecor intends to pursue potential acquisitions complementary to the Group's network division. Alternative sectors within the security, commercial, and new industrial markets are continuously under review.

FINANCIAL REVIEW

The consolidated Group turnover increased by 15% from R154.3 million to R177.1 million. The Group's network division was a substantial contributor growing its revenue by 29.6%. Notwithstanding exceptional gross margins in Amecor's Network division, overall Group margins came under pressure as a result of adverse exchange rates and discounted pricing to remain competitive in the industry. The resulting gross profit increased by 7% to R64.3 million (F2013: R59.9 million), a testament to the tough trading conditions experienced by the distribution units of the Group. Group EBITDA ("earnings before interest, tax, depreciation and amortisation") of R26.0 million remained constant (F2013: R25.9 million), due to reduced gross margins. EBITDA margins declined from 16.7% in the comparable prior period to 14.6%. PBIT of R23.1 million was achieved (PBIT margin of 13.5%) versus R23.3 million in the prior corresponding period (PBIT margin of 15.1%). Operational expenses increased by 12% primarily due to inflationary expenses, such as fuel and electricity costs, as well as an increase in salaries resulting from Amecor's expanding workforce.

Net finance expense was R1.4 million (F2013: R1.7 million). Interest cover improved to a very healthy 16.5 times (F2013: 13.6 times). Profit after tax amounted to R16.6 million (F2013: R16.5 million) and profits attributable to Amecor shareholders of R14.7 million, was in line with the prior corresponding period.

Headline earnings per share amounted to 19.8 cents (F2013: 19.7 cents), mainly attributable to the decline in Group's gross margins.

Cash flow was negatively impacted by a R17.8 million increase in inventory. This increase included the first time stocking of CCTV equipment amounting to R4 million, and a R3 million increase in stock due to an abnormal shipping problems that required a double ordering of requisite stock, within Secequip. These inventory levels should be liquidated in the second half of the financial year. GDS also contributed to the increase in inventory by R3.8 million to ensure timeous execution of their current healthy order book.

During the six months, Amecor invested R5.0 million into its new state-of-the-art automated production facility. To date the total amount invested in this facility is R9.0 million, with a further R8.5 million to be invested in the next six months. The balance sheet remains strong with net debt of R6.9 million (F2013: Net cash of R8.6 million).

OPERATIONAL REVIEW

Network

Sabre experienced a significant 29.6% growth in turnover in the past six months. Increasing demand for cellular-based alarm transmissions has added a substantial number of users to the network. GSM product lines distributed into the rest of Africa, through sister company FSK Electronics, have boosted the demand for private networks throughout the continent, specific to each country/customers' requirements.

Transmission technology

Amecor's research and development team have produced a number of new technologies which are currently being field tested. New product ranges target untapped markets, and facilitate the growing demand for improved user friendly interface. Upgrades to factory facilities alongside the Group's added surface mount technology machines which increase operational efficiency through a computer driven PC-Board population process. New products are due to be launched into market within the coming six months.

Distribution

The Group's national distribution arm, Secequip, has added a number of new products and accessories to its line of branches. Secequip's recently established CCTV division has broadened the Group's spectrum of merchandise, offering product and support for both baseline and high-end technology. Secequip is often faced with competitive pricing challenges without their own intellectual property and the increasing product imports from the East. As a result Secequip faces the challenge, in the short term, of compromising margins to remain competitive in the security industry. They are also exposed to foreign exchange fluctuations as their primary suppliers are based in Britain. Plans are underway to address the issues.

Alternative power supplies

Isolated power outages have called for the effective installation of back-up power at a number of commercial and government institutions. Amecor's power development division has benefitted from sustained demand in its current market, and continues to boast its unchallenged reputation with large blue chip firms. Alternative power products are not priority purchases thus price sensitive. In addition, cheaper fully assembled Eastern imports are flooding the South African market through retail outlets and creating pressure in this division. Alternative marketing initiatives are underway which are due to be rolled out prior to the next fiscal period.

CHANGE IN DIRECTORS

Amecor welcomes the appointments of William Kirsh and Stanley Shane to the board as non-executive directors, with immediate effect.

This follows the resignation of non-executive directors Stephen Courtney and Mochele Noge, and the substantial restructuring of the Amecor's shareholding on 11 October 2013.

OUTLOOK

The prospects for Amecor are promising for the following reasons:

- **Network.** Efforts to create enhanced monitoring technology provide a gateway for future expansion by attracting more customers to the division. Continued good growth in annuity income is expected.
- **Transmission technology and distribution.** Continuous research and development of new and improved products create for an opportunity playing in the broad market spectrum, ranging from entry level security to the highly developed, more demanding markets.
- **Alternative power supplies.** Cross-border marketing into Africa has broadened the client base for this division.
- **New factory.** The expansion of the factory facilities at Amecor House is expected to enhance Group operating synergies and further improve productivity within the next fiscal.

DIVIDEND DECLARATION

The Directors have elected to pay an interim dividend in the amount of 6.5 cents per ordinary share in respect of the six months ended 30 September 2013. This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves. The South African Dividend Withholding Tax ("DWT") rate is 15% and no credits in terms of secondary tax on companies have been utilised. The net amount payable to shareholders who are not exempt from DWT is 5.525 cents gross per share, while it is 6.5 cents per share to those who are exempt from DWT.

There are 77 985 337 ordinary shares in issue; thus the total dividend amount payable is R5.1 million.

	Six-month period to 30 September 2013	12-month period to 31 March 2013
Tax reference number 9236/070/64/6		
Distributable dividend (R'000)	5 069	7 799
Total number of shares in issue ('000)	77 985	77 986
Dividend payable per share (cents)	6.5	10.0
Declaration date	Monday, 2 December 2013	
Last day to trade cum dividend	Wednesday, 18 December 2013	
Trading ex dividend commences	Thursday, 19 December 2013	
Record date	Friday, 27 December 2013	
Payment date	Monday, 30 December 2013	
Share certificates may not be dematerialised or rematerialised between Thursday, 19 December 2013 and Friday, 27 December 2013, both dates inclusive. The certificated register will be closed for this period.		

FINANCIAL INFORMATION

STATEMENT OF COMPREHENSIVE INCOME			
	Unaudited Six months ended 30 September 2013	Unaudited Six months ended 30 September 2012	Audited 12 months ended 31 March 2013
	R'000	R'000	R'000
Revenue	178 383	155 647	319 463
Turnover	177 112	154 307	317 012
Cost of sales	(112 766)	(94 370)	(201 426)
Gross profit	64 346	59 937	115 586
Operating cost excluding depreciation and amortisation	(38 285)	(34 083)	(74 506)
EBITDA	26 061	25 854	41 080
Depreciation and amortisation	(2 951)	(2 473)	(3 237)
PBIT	23 110	23 381	37 843
Finance income	1 261	1 217	2 451
Finance expenses	(2 654)	(2 913)	(6 212)
Profit before taxation	21 717	21 685	34 082
Taxation	(5 078)	(5 186)	(8 822)
Profit for the period	16 639	16 499	25 260
Other comprehensive income	-	-	-
Total comprehensive income for the year	16 639	16 499	25 260
Profit and total comprehensive income attributable to:			
Ordinary shareholders of Amecor	14 736	14 650	23 234
Non-controlling interest	1 903	1 849	2 026
Total comprehensive income for the year	16 639	16 499	25 260
Earnings per share (cents)	19.8	19.7	31.3
Diluted earnings per share (cents)	19.8	19.7	31.3

STATEMENT OF FINANCIAL POSITION		
	Unaudited 30 September 2013	Audited 31 March 2013
	R'000	R'000
ASSETS		
Non-current assets	112 220	107 356
Property, plant and equipment	26 418	23 719
Intangible assets	23 706	21 769
Goodwill	59 661	59 661
Deferred tax asset	2 435	2 207
Current assets	188 910	181 503
Inventories	67 222	49 384
Receivables and other current assets	66 576	60 682
Taxation	3 797	4 557
Cash and cash equivalents	51 315	66 880
Total assets	301 130	288 859
EQUITY AND LIABILITIES		
Share capital	70 633	70 693
Retained earnings	100 053	92 750
Non-controlling interest	20 882	19 638
Total equity and reserves	191 568	183 081
Non-current liabilities	64 191	64 194
Borrowings	58 266	58 221
Deferred tax liabilities	5 925	5 973
Current liabilities	45 371	41 584
Trade and other payables	44 677	39 708
Taxation	-	794
Borrowings	694	1 082
Total equity and liabilities	301 130	288 859

STATEMENT OF CASH FLOWS		
	Unaudited Six months ended 30 September 2013	Unaudited Six months ended 30 September 2012
	R'000	R'000
Cash generated by operations	7 269	15 387
Net finance expense	(1 392)	(1 696)
Taxation paid	(5 386)	(2 234)
Dividends paid	(8 092)	(6 292)
Net (outflow)/inflow from operating activities	(7 601)	5 165
Net outflow from investing activities	(7 561)	(5 342)
Net outflow from financing activities	(403)	(368)
Net movement in cash balances	(15 565)	(545)
Cash and cash equivalents at beginning of the year	66 880	59 632
Cash and cash equivalents at the end of the period	51 315	59 087

STATEMENT OF CHANGES IN EQUITY				
	Share capital	Accumulated profit	Non-controlling interest	Total equity
	R'000	R'000	R'000	R'000
Balance at 1 April 2012	70 843	75 506	18 222	164 571
Dividends paid	-	(5 978)	(314)	(6 292)
Total comprehensive income	-	14 650	1 849	16 499
Treasury share purchase	(63)	-	-	(63)
Total changes	(63)	8 672	1 535	10 144
Balance at 30 September 2012	70 780	84 178	19 757	174 715
Balance at 1 April 2013	70 693	92 750	19 638	183 081
Dividends paid	-	(7 433)	(659)	(8 092)
Total comprehensive income	-	14 736	1 903	16 639
Treasury share purchase	(60)	-	-	(60)
Total changes	(60)	7 303	1 244	8 487
Balance at 30 September 2013	70 633	100 053	20 882	191 568

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- Significant accounting policies**
Amecor is a company domiciled in South Africa. These condensed consolidated financial statements of Amecor for the six months ended 30 September 2013 comprise the Company and its subsidiaries (together referred to as the "Group"). These condensed consolidated interim results were authorised for issue by the board of directors on 26 November 2013. The unaudited condensed consolidated financial statements for the six months ended 30 September 2013 have been prepared by the financial director, Mrs K Colley and have not been reviewed or audited by the Company's auditors, Mazars.
Basis of preparation
These condensed consolidated results for the period ended 30 September 2013 have been prepared in accordance with and contain information required by International Accounting Standards 34 - Interim Financial Reporting ("IAS 34"), as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Listings Requirements of the JSE Limited and the South African Companies Act, 71 of 2008, as amended.
The accounting policies and methods of computation used in the preparation of the results for the period ended 30 September 2013, are in terms of IFRS and are consistent with those applied in the Group audited annual financial statements for the year ended 31 March 2013. The comparative figures referred to in the commentary relate to the prior year equivalent interim period.
These condensed consolidated financial statements do not include all of the information required for full financial statements and should be read in conjunction with the consolidated annual financial statements for the year ended 31 March 2013. The estimates and underlying assumptions are on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

	Unaudited Six months ended 30 September 2013	Unaudited Six months ended 30 September 2012
Earnings per share ("EPS")		
Earnings:		
Profit attributable to equity holders of Amecor (R'000)	14 736	14 650
Shares in issue	74 307	74 332
Weighted average number of ordinary shares in issue ('000)	74 307	74 517
Earnings and diluted earnings per share (cents)	19.8	19.7
Headline earnings per share		
Profit attributable to equity holders of Amecor (R'000)	14 736	14 650
Less: Profit on sale of property, plant and equipment	(27)	-
Tax effect of adjustment	8	-
Headline earnings (R'000)	14 717	14 650
Weighted average number of ordinary shares in issue ('000)	74 307	74 517
Headline and diluted headline earnings per share (cents)	19.8	19.7
3. Net asset value ("NAV") per share		
	Unaudited 30 September 2013	Audited 31 March 2013
Ordinary share capital and reserves (R'000)	191 568	183 081
Total number of shares in issue ('000) (net of treasury shares)	74 307	74 332
NAV per share (cents)	257.8	246.3
Ordinary share capital and reserves (R'000)	191 568	183 081
Intangible assets including goodwill (R'000)	(83 367)	(81 430)
Tangible NAV	108 201	101 651
Total number of shares in issue ('000) (net of treasury shares)	74 307	74 332
Tangible NAV per share (cents)	145.6	136.8

The Group's operating segments and segmental information presented in the condensed consolidated results for the six months ended 30 September 2013 represents the basis for segmental reporting. The business segment reporting format reflects the Group's management and internal reporting structure. Inter-segment transactions are concluded at arm's length terms and conditions.

	Network	Technology transmission and distribution	Supply and maintenance of alternative power	Head office and management subsidiary companies	Inter-company consolidation	Elimination and consolidation	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Six months to 30 September 2013							
Revenue	16 118	103 564	69 871	17 368	(28 538)	-	178 383
Segment turnover	15 333	103 416	69 540	7 052	-	-	193 342
Inter-company turnover	(70)	(5 340)	(5 629)	(7 190)	-	-	(18 228)
Sales to external customers	15 263	98 076	63 911	(138)	-	-	177 112
Gross profit	12 184	34 742	16 888	6 213	(5 681)	-	64 346
EBITDA	11 467	10 095	3 807	8 665	(7 973)	-	26 061
Depreciation	(120)	(999)	(340)	(442)	-	-	(1 901)
Amortisation	-	(720)	(60)	(270)	-	-	(1 050)
PBIT	11 347	8 376	3 407	7 953	(7 973)	-	23 110
Finance income	784	146	143	2 152	(1 965)	-	1 261
Finance expense	-	(1 974)	(2)	(2 643)	1 965	-	(2 654)
Profit before taxation	12 131	6 548	3 548	7 463	(7 973)	-	21 717
Taxation	(3 329)	(1 697)	-	(52)	-	-	(5 078)
Profit for the period	8 802	4 851	3 548	7 411	(7 973)	-	16 639
<i>Profit attributable to:</i>							
Amecor shareholders	8 802	4 718	1 778	7 411	-	-	