

HIGHLIGHTS

- Networks turnover up 28.8% to R19.6 million
- Interim dividend of 6.5 cents per share
- Group turnover up 10.7% to R117 million
- Normalised continuing EPS up 6% to 15.8 cents per share
- Gross profit margins increased from 41.8% to 43.3%
- Cash generated from operations increased 188% to R21 million

CONDENSED CONSOLIDATED UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014 AND DIVIDEND DECLARATION

COMMENTARY

Amecor's market-leading security telecommunications operations are focused on making it safe to live and do business by providing security and data network products and services to the security industry in South Africa and with increasing penetration into southern Africa.

Overview

The Group's core operations enjoyed a solid performance with networks turnover increasing by 28.8% and normalised continuing earnings increasing 6%. The Group continues to refine its strategic focus and is cautiously optimistic about a continued positive performance for the second six months.

Amecor's activities

Review of Amecor's core activities during the period:

- **Networks.** Sabre Radio Networks ("Sabre") is the largest security network provider within southern Africa. Its radio and GSM infrastructure offers a data network comprising base stations and advanced repeater technology. Sabre has a national network footprint of cutting-edge transmission equipment enabling users, such as security companies, to route signals and data to their control centres. Sabre is implementing various strategies to develop its technology and customer service into the rest of Africa.
- **Transmission technology.** FSK Electronics SA ("FSK") is one of the leading designers and manufacturers of sophisticated transmission technology which is used primarily in the security industry, to send alarm signals to security company control rooms across the country. The Company's expert panel of engineers specialise in the design of radio and GSM transmitters, 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, together with 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. The current and future power supply challenges in South Africa bode well for the business, including product sales and related service offerings.

Strategic review

Amecor remains focused on the following key strategic objectives:

- **Networks.** Amecor continues to focus and develop its growing annuity income from this business unit. The business has experienced strong revenue growth in GSM services as the focus of supplying a reliable and technologically superior product yields results, evidenced by the strong revenue and profit growth.
- **Africa.** FSK continues distributing a broad range of security products into the African continent. Margins have come under pressure as a result of the weakening rand, however, remedial action has been taken to ensure gross margins recover and partnerships are being developed with existing distributors in Africa. Expansion into Africa presents an exciting opportunity to cater for a largely untapped market.
- **Innovation through technology.** Crime is a prevailing reality in Africa necessitating the demand for improved security measures, requiring attention to enhanced personal and corporate safety and security solutions. 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 has seen an increase in costs over the past several months and, notwithstanding prior intentions to reduce costs, are in the process of rigorously assessing and evaluating potential cost-saving opportunities within the Group.
- **Acquisitions.** Amecor continues to evaluate potential acquisitions. During the period a number of acquisitions were reviewed, but no transactions were concluded during the period.

Financial review

The continuing operations of Amecor have produced acceptable results for the six months ended 30 September 2014. Effective 1 April 2014 Amecor concluded the disposal of its 79% interest in Secequip, allowing the Group to continue to focus on its core operations.

- **Continuing operations: Statement of profit and loss and other comprehensive income.** The Group achieved earnings per share of 14.2 cents per share (F2014: 14.9 cents), after processing a once-off, non-recurring fair value adjustment of R1.6 million (1.6 cents per share after tax) on an interest-free loan of R48.6 million provided to Secequip as part of the disposal. This adjustment will reverse and be included in profits during the repayment period of the loan over the next 36 months. Normalised continuing earnings per share (excluding the fair value adjustment) was 15.8 cents per share (F2014: 14.9 cents). Profit before interest and tax increased by 6.3% from R19.5 million to R20.7 million. Net interest paid increased by R946 000, resulting in a 1.6% increase in profit before tax to R18.3 million from R18.0 million for the corresponding prior period. The board is reviewing the efficiency of the Group's working capital management. The impact on profits will be assessed at year-end.
- **Statement of financial position.** Non-current assets increased to R149.6 million (F2014: R103.3 million) largely as a result of the loan to Secequip detailed above. A further R5.1 million was invested in the new building which is anticipated to be completed by the 2015 financial year-end.
- **Statement of cash flows.** Cash generated from operations increased 188% from R7.3 million in the six months to September 2013 to R21 million for the six months ended 30 September 2014. Cash and cash equivalents from continuing operations reduced from R36.9 million at 31 March 2014 to R32.6 million at 30 September 2014, which was largely impacted by R5.1 million capital expenditure in respect of the new building.
- **Discontinued operations.** Subsequent to the general meeting held on 29 September 2014 shareholders voted to dispose of its 79% shareholding in Secequip, with effect from 1 April 2014.

Restatement of financial results for the year ended 31 March 2014

During the preparation of these interim results the board was made aware of an error in the results for the year ended 31 March 2014. Accordingly, to take account of this, the Company has restated the 31 March 2014 results and detailed them in this announcement.

The error arose as a result of the disposal of 100% in Amecor Integrated Solutions ("AIS") (effective 31 March 2014). The error relates to an inter-company loan of R5.3 million owing by AIS to Amecor which was erroneously not accounted for as per the terms of the sale agreement, and should have resulted in the write-down of the inter-company loan account in Amecor's financial records at 31 March 2014.

As a result, the profit on disposal of subsidiary of R2.7 million recorded in the financials at 31 March 2014 have been restated to a R2.6 million loss on disposal of subsidiary.

Operational review

- **Networks.** The past six months has seen a very healthy increase in annuity earnings, resulting from additional users subscribing to Amecor's security data network. Further developments in GSM software have enhanced the Group's network coverage beyond national borders.
- **Transmission technology.** The Group's research and development team is focusing on completing a number of new products which are to be launched in the short term.
- **Alternative power supplies.** The PDS Group continues to maintain its robust reputation as the preferred supplier in the alternative power market space. The Group has experienced improved margins and is confident that robust top line growth can also be achieved, however, the industry remains highly competitive and the weakening rand is expected to put pressure on margins. Further endeavours to gain market share include diversified product offerings and enhanced marketing initiatives. Notwithstanding the positive contribution the PDS Group made in the six-month period to September 2014, the board is considering its strategic fit within the Group.

Change in directors

In order to bolster Amecor's compliance and financial departments a restructure to its executive board and related departments was effected on 1 October 2014. Kerry Anne Colley has stepped down from the position of Chief Financial Officer in order to take up the appointment as Group Company Secretary. Amecor welcomes the appointment of Dean Colley (CA(SA)) as Chief Financial Officer.

Outlook

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

- **Networks.** 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 to growth. Robust growth in annuity earnings is further expected on the current network base. Additional growth in the medium term is expected with the roll-out of Sabre's Capex, a partnering initiative between FSK and Sabre, offering clients bundled products and ongoing network services. Sabre is also expected to continue its exceptional free cash flow generation.
- **Transmission technology.** FSK has experienced margin deterioration due to rand weakness, although corrective action has been taken to restore margins which should reflect in the second half of the year. The ongoing growth of FSK further underpins the success of Sabre.
- **Alternative power supplies.** The power division experienced both stronger top line growth and improved margins resulting from a healthier order book, however, margins are expected to come under pressure due to the weakening rand. Top line growth is expected to continue for the full year due to the ongoing power disruptions in the country.
- **Cash flow.** Solid trading results have underpinned strong cash flow generation. The completion of the new premises is expected by the 2015 financial year-end, which should further augment the cash flow of the Group.
- **Acquisitions.** Amecor continues to evaluate potential acquisitions.

Any reference to the Group's financial performance in this announcement has not been reviewed or reported on by the Group's auditors.

Appointment of new auditors

At Amecor's annual general meeting held on Thursday, 30 October 2014, Grant Thornton was appointed as Amecor's auditors who will conduct the audit for the year ending 31 March 2015.

Dividend declaration

The directors have elected to pay a biannual dividend in the amount of 6.5 cents per ordinary share in respect of the six months to 30 September 2014. 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 per share, while it is 6.5 cents per share to those who are exempt from DWT.

The 77 985 337 ordinary shares in issue at the date of this announcement will result in a total dividend amount payable of R5.1 million.

The Company's tax number is 9381483/84/2.

	F2015 – Interim	F2014 – Final	F2014 – Interim
Distributable dividend (R'000)	5 069	4 679	5 069
Total number of shares in issue ('000)	77 986	77 986	77 986
Dividend payable per share (cents)	6.5	6.0	6.5
Declaration date		Friday, 19 December 2014	
Last day to trade cum dividend		Friday, 9 January 2015	
Trading ex-dividend commences		Monday, 12 January 2015	
Record date		Friday, 16 January 2015	
Payment date		Monday, 19 January 2015	

Share certificates may not be dematerialised or rematerialised between Monday, 12 January 2015 and Friday, 16 January 2015, both dates inclusive. The certificated register will be closed for this period.

On behalf of the board

DH Alexander Chief Executive Officer
D Colley Chief Financial Officer
 Johannesburg 18 December 2014

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")

Registered Office: Amecor House, 14 Richard Road, Industria North, 1709 (PO Box 720, Florida Hills, 1716)
Company Secretary: KA Colley (appointed 1 October 2014)
Auditors: Grant Thornton, 42 Wierda Road West, Wierda Valley, 2196 (Private Bag X10046, Sandton, 2146)

Directors: DH Alexander, D Colley (appointed 1 October 2014), KA Vieira, CH Boulle (Chairman)*, JF Evans**, W Kirsh*, SD Shane*, PFC Ying** (* Non-executive, * Independent)
Transfer Secretaries: Link Market Services Proprietary Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000)

Sponsor: Sasfin Capital (A division of Sasfin Bank Limited), 29 Scott Street, Waverly, 2090 (PO Box 95104, Grant Park, 2051)
Corporate Adviser: Integrax Capital Management Proprietary Limited, Unit 2, 3 Melrose Boulevard, Melrose Arch, 2196 (PO Box 333, Melrose Arch, 2076)

GROUP PROVISIONAL STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	% change	6 months ended 30 Sep 2014 (Unaudited) R'000	6 months ended 30 Sep 2013* (Unaudited) R'000	Year ended 31 Mar 2014 (Audited) R'000	Year ended 31 Mar 2014 (Restated) R'000
Revenue		118 015	107 001	219 371	219 371
Turnover	10.7	117 141	105 796	217 089	217 089
Cost of sales		(66 446)	(61 564)	(140 183)	(140 183)
Gross profit	14.6	50 695	44 232	76 906	76 906
Other income		36	8	12	12
Operating expenses		(30 013)	(24 756)	(43 654)	(43 654)
EBIT	6.3	20 718	19 484	33 264	33 264
Finance income		874	1 205	2 282	2 282
Finance costs		(3 261)	(2 645)	(5 752)	(5 752)
Profit/(loss) before taxation	1.6	18 331	18 044	29 794	29 794
Taxation		(5 131)	(5 059)	(8 895)	(8 895)
Profit from continuing operations	1.6	13 200	12 985	20 899	20 899
Profit from discontinued operations		–	3 656	3 504	(1 795)
Profit on disposal of subsidiary		–	–	2 734	(2 565)
Profit from discontinued operations		–	–	3 656	770
Total comprehensive income		13 200	16 641	24 403	19 104
Profit and total comprehensive income attributable to:					
Equity holders of Amecor at the end of the period		10 539	14 738	23 641	18 342
Non-controlling interest		2 661	1 903	762	762
		13 200	16 641	24 403	19 104
Earnings per share (cents)	(28.3)	14.2	19.8	31.8	24.7
Continuing operations (cents)	(4.6)	14.2	14.9	27.1	27.1
Discontinued operations (cents)		–	4.9	4.7	(2.4)

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

GROUP PROVISIONAL STATEMENT OF CASH FLOWS

	6 months ended 30 Sep 2014 (Unaudited) R'000	6 months ended 30 Sep 2013 (Unaudited) R'000	Year ended 31 Mar 2014 (Audited) R'000	Year ended 31 Mar 2014 (Restated) R'000
Net inflow from operating activities	6 123	(7 601)	(12 122)	(12 122)
Cash generated from operations	20 990	7 269	17 098	17 098
Net finance cost	(2 386)	(1 329)	(3 618)	(3 618)
Taxation paid	(7 862)	(5 386)	(12 108)	(12 108)
Dividends paid	(4 619)	(8 092)	(13 494)	(13 494)
Net inflow from investing activities	(10 554)	(7 561)	(15 402)	(15 402)
Net outflow from financing activities	165	(403)	533	533
Movement in cash balances	(4 265)	(15 565)	(26 991)	(26 991)
Cash and cash equivalents at the beginning of the period	36 888	66 880	66 880	66 880
Cash and cash equivalents at the end of the period	32 623	51 315	39 889	39 889
Cash included in continuing operations	32 623	45 414	36 888	36 888
Cash included in discontinued operations	–	5 901	3 001	3 001

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. 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 2014 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 17 December 2014. The unaudited condensed consolidated financial statements for the six months ended 30 September 2014 have been prepared by the Financial Director, Mr D Colley, and have not been reviewed or audited by the Company's auditors, Grant Thornton.

Basis of preparation

These condensed consolidated results for the period ended 30 September 2014 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 2014, are in terms of IFRS and are consistent with those applied in the Group audited annual financial statements for the year ended 31 March 2014. 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 2014. 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.

	6 months ended 30 Sep 2014 (Unaudited) R'000	6 months ended 30 Sep 2013 (Unaudited) R'000	Year ended 31 Mar 2014 (Audited) R'000	Year ended 31 Mar 2014 (Restated) R'000
2. Earnings per share ("EPS")				
Earnings per share				
Continuing operations				
Earnings:				
Profit attributable to Amecor shareholders	10 539	11 082	20 137	20 137
Shares in issue:				
Weighted average number of shares in issue ('000)	74 306	74 517	74 306	74 306
Basic earnings per share (cents)	14.2	14.9	27.1	27.1
Diluted earnings per share (cents)	14.2	14.9	27.1	27.1
Discontinued operations				
Earnings:				
Profit attributable to Amecor shareholders	–	3 656	3 504	(1 795)
Shares in issue:				
Weighted average number of shares in issue ('000)	74 306	74 517	74 306	74 306
Basic earnings per share (cents)	–	4.9	4.7	(2.4)
Diluted earnings per share (cents)	–	4.9	4.7	(2.4)
Total earnings per share				
Earnings:				
Profit attributable to Amecor shareholders	10 539	14 738	23 641	18 342
Shares in issue:				
Weighted average number of shares in issue ('000)	74 306	74 517	74 306	74 306
Basic earnings per share (cents)	14.2	19.8	31.8	24.7
Diluted earnings per share (cents)	14.2	19.8	31.8	24.7
Headline earnings per share ("HEPS")				
Continuing headline earnings per share	10 513	11 063	19 992	19 992
Basic earnings	10 539	11 082	20 137	20 137
Less: Profit on sale of fixed assets	(36)	(27)	(202)	(202)
Add: Taxation on above (28%)	10	8	57	57
Shares in issue:				
Weighted average number of shares in issue ('000)	74 306	74 517	74 306	74 306
Headline earnings per share (cents)	14.1	14.8	26.9	26.9
Diluted headline earnings per share (cents)	14.1	14.8	26.9	26.9
Discontinued headline earnings per share	–	3 656	770	770
Basic earnings	–	3 656	3 504	(1 795)
Less: Profit on sale of subsidiary	–	–	(2 734)	2 565
Add: Taxation on above (28%)	–	–	–	–
Shares in issue:				
Weighted average number of shares in issue ('000)	74 306	74 517	74 306	74 306
Headline earnings per share (cents)	–	4.9	1.0	1.0
Diluted headline earnings per share (cents)	–	4.9	1.0	1.0
Total headline earnings per share	10 513	14 719	20 762	20 762
Basic earnings	10 539	14 738	23 641	18 342
Less: Profit on sale of subsidiary	–	–	(2 734)	2 565
Less: Profit on sale of fixed assets	(36)	(27)	(202)	(202)
Add: Taxation on above (28%)	10	8	57	57

GROUP PROVISIONAL STATEMENT OF FINANCIAL POSITION

	30 Sep 2014 (Unaudited) R'000	30 Sep 2013* (Unaudited) R'000	31 Mar 2014 (Audited) R'000	31 Mar 2014 (Restated) R'000
ASSETS				
Non-current assets	149 570	103 314	107 323	107 323
Property, plant and equipment	33 008	24 430	28 549	28 549
Intangible assets	26 568	23 707	24 154	24 154
Goodwill	54 034	54 034	54 034	54 034
Other financial assets	33 684	–	–	–
Deferred tax asset	2 276	1 143	586	586
Current assets	138 330	118 921	132 785	127 486
Invent				