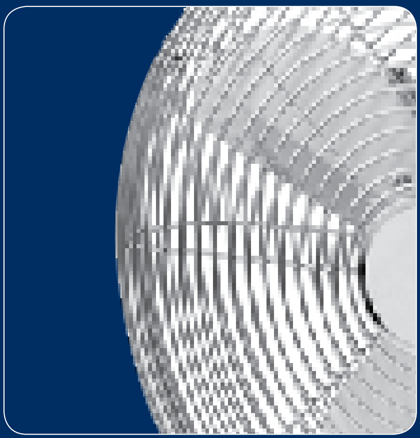
AMALGAMATED APPLIANCE HOLDINGS LIMITED

ANNUAL REPORT 2008






Russell Hobbs

Market leader in small domestic appliances.

TEDELEX

A South African stalwart trusted for over 60 years.

SANSUI

A leading global electronic brand offering value for money products.

salton®

Prestigious international brand which enjoys strong consumer and trade support and confidence.

Pineware

A truly South African brand, offering value for money products for nearly 60 years.

Who we are

Amalgamated Appliance Holdings Limited (Amap) is a focused group specialising in the sales and marketing of branded household durables.

Our vision

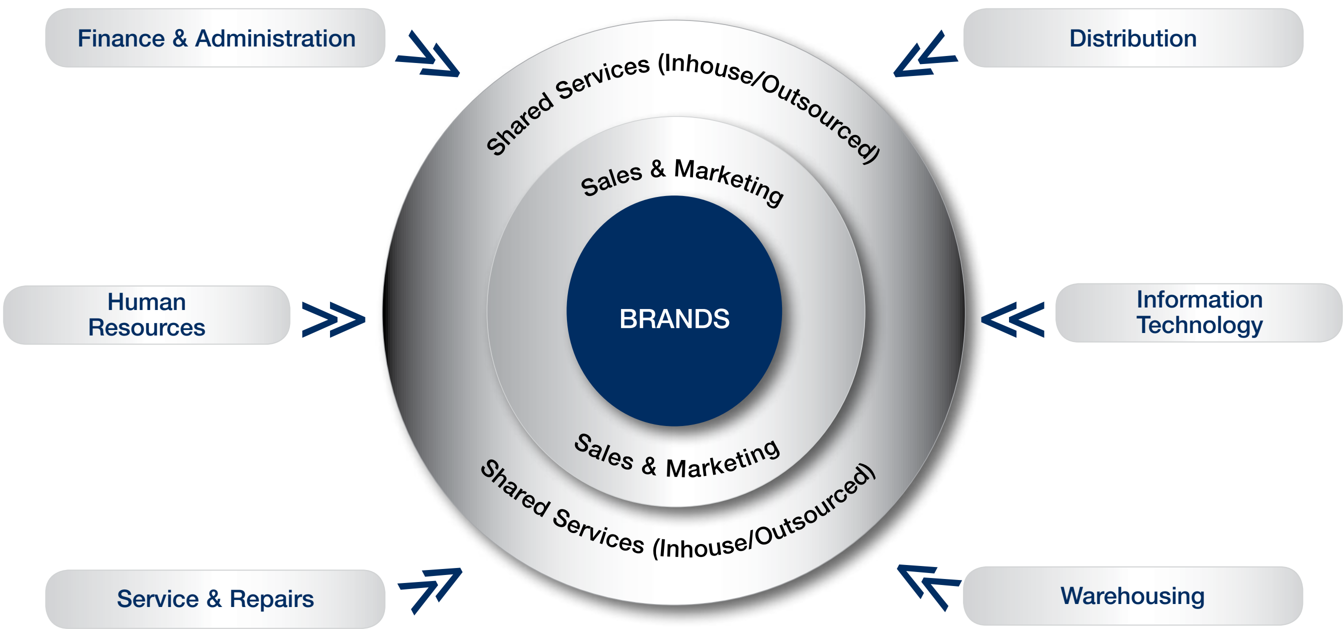
>> We are a single business

>> We are a sales and marketing company

>> We invest in and support our brands

>> We have world class, lowest cost shared services

Our business model



Our brands and their positioning

Premium

Gold

Silver

Current directorate

Leon Campher (60)°‡†
Independent non-executive chairman
BEcon

Appointed to the Board in November 2007

Appointed chairman in February 2008

Alan Coward (53)^†
Executive director
Chief executive officer
CA(SA)

Appointed to the Board in February 2008

Rian du Plessis (47)#
Independent non-executive director
CA(SA)

Appointed to the Board in November 2007

Steven Levitt (53)°#†‡
Independent non-executive director
CA(SA)

Appointed to the Board in 2001

Steve Müller (47)#†
Independent non-executive director
CA(SA)

Appointed to the Board in November 2007

Byron Nichles (37)^†
Executive director
Chief financial officer
CA(SA)
ACMA

Appointed to the Board in February 2008

Des Oliver (56)^†
Executive director
Managing director
Brown Goods

Appointed to the Board in July 2008

Spyros Scafidas (43)†
Non-executive director
GrDip Mkt (MM)

Appointed to the Board in 1997 (executive director)

Status changed to non-executive director in August 2007

Directorate during the year

Jack Cohen (76)
Non-executive chairman
BCom

Appointed to the Board in 1997

Retired from the Board in January 2008

George Bernhardt (73)
Executive director
CEO – Manufacturing Division

Appointed to the Board in 1999

Retired from the Board in June 2008

Myron Berzack (59)
Independent non-executive director
Appointed to the Board in 1998

Resigned from the Board in February 2008

Stanley Green
Alternate independent non-executive director
BA, LLB

Appointed to the Board in 1998

Resigned from the Board in February 2008

Sheldon Cohen (48)
Executive director
Group CEO
BA, MBA

Appointed to the Board in 1997 as non-executive director

Appointed to the Board in August 2007 as Group CEO

Resigned from the Board in November 2007

Markus Jooste (47)
Non-executive director
CA(SA)

Appointed to the Board in 2005

Resigned from the Board in August 2007

Meyer Kahn (69)
Independent non-executive director
BA(Law), MBA, DCom(hc), SOE

Appointed to the Board in 2002

Resigned from the Board in November 2007

Joe Kieser (53)
Independent non-executive director
PMD (1979)

Appointed to the Board in 2002

Resigned from the Board in June 2008

Rob Marais (40)
Executive director
CEO – Appliance Division

Appointed to the Board in 2006

Resigned from the Board in July 2008

Allan Nossel (49)
Executive director
CEO – Electronics Division
CA(SA)

Appointed to the Board in 1999

Resigned from the Board in December 2007

Daniël van der Merwe (50)
Non-executive director
BCom, LLB

Appointed to the Board in 2005

Resigned from the Board in August 2007

°Share Trust
#Audit Committee
‡Remnom
†Risk Committee
^Executive Committee

Chairman's review

It is often said that the only constant is change and this adage has certainly held true for Amap over the past 12 months

Some of the more significant changes experienced by the Group over this period have included:

- >> An adverse change in the general economic environment;
- >> A complete change to the entire senior management team at Amap;
- >> An almost entirely new Board of non-executive directors; and
- >> Significant restructuring initiatives across the entire Group.

The combination of higher interest rates, the introduction of the National Credit Act and rampant food and fuel prices have placed consumers under significant pressure. This in turn has seen business and consumer confidence plummet to their lowest levels in many a year.

As previously reported, the Group's trading results were further compromised by excessive inventory levels and exported inflation out of China which could not be fully recovered as well as the costs of the restructuring initiatives implemented during the year.

As a consequence of these and other factors, the Group experienced its toughest trading environment and poorest operating results since its listing over 11 years ago.

Whilst the year under review has undoubtedly been an annus horribilis for Amap, I am confident that great strides have been made in restructuring and refocusing the business in order to deliver sustainable value creation for its shareholders. Underpinning this belief is the Group's formidable stable of leading brands across all key market segments and income groups and its strong balance sheet.

During the year under review, the following changes to the non-executive component of the Board occurred:

Resigned
- >> Markus Jooste
- >> Daniël van der Merwe
- >> Meyer Kahn
- >> Myron Berzack
- >> Stanley Green (alternate to Myron Berzack)
- >> Joe Kieser

Leon Campher – **Non-executive chairman**

Retired >> Jack Cohen
Appointed >> Spyros Scafidas (status changed from executive to non-executive)
>> Rian du Plessis
>> Steve Müller
>> Leon Campher

I would like to extend my personal thanks to each of the former non-executives listed above for their contribution during their respective tenures and would like to extend a warm welcome to my fellow "new" directors and look forward to the value that each of them will undoubtedly contribute in the coming months and years.

Whilst I would not normally single out any particular individual for specific praise it would be remiss of me not to pay tribute to Jack Cohen.

During the year, Jack, long-serving Chairman and industry doyen, decided to retire from the Group after 47 years of loyal, committed and passionate service. On behalf of the entire Board and all the management and staff at Amap, I would like to acknowledge and thank Jack for the enormous role that he fulfilled not only in growing Amap into one of the industry leaders but also for his service to the industry as a whole.

On a sadder note, I would also like to acknowledge Sheldon Cohen, former Group chief executive officer, whose tragic murder in January 2008 is still felt by all at Amap.

Similarly, an entirely new executive management team has been assembled, with the following changes occurring during the year under review:

Resigned >> Allan Nossel
>> Sheldon Cohen
>> Rob Marais
Retired >> George Bernhardt
Appointed >> Alan Coward
>> Byron Nichles
>> Des Oliver
>> Murray Crow

Once again I would like to thank each of the former executives for their efforts and contributions and to welcome the new management team and wish them every success during their time at Amap.

I would like to express my and the Board's deep gratitude to our management, staff, customers, suppliers and shareholders for their unwavering commitment and support during these challenging times.

Finally, although trading conditions are not expected to show any improvement in the short term, with the corrective action that has been taken and under the leadership of Alan Coward and his new management team, I look forward with a sense of optimism and confidence.

Leon Campher
Non-executive chairman

Johannesburg
29 September 2008

Operational review

The South African market underwent a major slowdown in consumer spending. The challenges posed by this slowdown meant that the Group had to restructure its business model to face the future.

Economic and trading environment

The combination of higher interest rates, new and stricter credit legislation and rampant inflation on the back of surges in food and fuel prices have placed the South African consumer under significant pressure. A decline in house prices and the outbreak of xenophobic violence and continued political uncertainty in Zimbabwe have further contributed to a very fragile economic climate. This in turn has seen business and consumer confidence plummet to their lowest levels in many a year. According to the Bureau for Economic Research consumer confidence experienced its largest quarter-on-quarter decrease in 24 years during the second quarter of 2008 and as a result "growth is expected to slow notably in the non-durable and semi-durable goods retail categories and *contract significantly in the durable goods category*." (own emphasis).

Operations

The Group distributes consumer brown goods and professional sound equipment under the key brands of Sansui, Tedelex, Behringer and Stanton.

The basic principals of quality and value entrenched over 60 years ago in audio products continues to underpin the strategy associated with our range of consumer electronic products.

The Group's sales of brown goods were compromised by the late deliveries of inventory which precluded us from capitalising on the end of year peak trading period. A further consequence of the late deliveries was the resultant build-up of inventory levels. The introduction of the National Credit Act has seen a shift in spending patterns from the credit-driven furniture chains – where the Group has traditionally dominated – to the mass discounters and independent specialists. The result of the above factors was a dramatic slowdown in consumer spend which in turn gave rise to the following:

>> Gross margins came under severe pressure as competitors fought for a shrinking market;

Alan Coward – **CEO**

- Under-recoveries at the Atlantis TV factory which worked short-time for a five month period during the year; and
- A build-up of excessive inventory.

Significant restructuring initiatives in the brown goods division have already been implemented with more to follow. These are discussed below in greater detail. Furthermore, and in line with our vision of being a sales and marketing organisation, the Group will continue to invest in and support its key brands in this area and an improved performance is expected in the new financial year.

The well publicised power supply and pricing issues opened new and exciting opportunities for the Group from which much was expected. This resulted in the launch of the power inverter range of products. However, the unexpected stabilisation of power supply and resultant suspension of load shedding slowed sales dramatically and has resulted in the Group holding excessive stock in this category. The Group is actively seeking alternate distribution channels and markets for these products.

The Group also distributes small domestic appliances, sewing and embroidery equipment and electrical accessories under the key brands of Russell Hobbs, Salton, Salton Elite, Pineware, Hoover, Haz, George Foreman, Remington, Brother and Empisal.

The Group continues to dominate this market segment and outperform its competition with the country's top two brands, by both value and volume, in Russell Hobbs and Salton.

Sales of small domestic appliances, including sewing machines and electrical accessories, were pleasing with growth in virtually all major product categories and across all brands, notwithstanding disappointing sales of seasonal products due to uncharacteristic weather patterns which resulted in a build-up of seasonal stock. Whilst several new product categories were successfully entered, a highlight was the launch of the Russell Hobbs floorcare range which secured meaningful market share in a very short period. The continued range extension and consumer acceptance of Russell Hobbs at the premium end of the market saw it overtake Salton as the country's top appliance brand by value. Further range extensions (including homewares and personal care) are either planned or already underway. Whilst the trading environment is expected to remain challenging for the duration of the new financial year, the Group's brands enjoy very strong retail support and consumer demand. Consequently, continued growth in this area is expected in the new financial year as the appliance business is expected to continue to dominate the small domestic appliance market.

The Group operates two manufacturing facilities, a TV factory in Atlantis, Western Cape and an appliance factory in Pinetown, KwaZulu-Natal.

The Group is encouraged by the dialogue it has had with the Government and relevant regulators around the need to more actively police and enforce duty protection for local production of TV however, the timing of any remedial action is uncertain. In this regard, a number of diversification strategies are being actively pursued including the potential sale of a significant interest in the Atlantis factory to Black Economic Empowerment and/or technology partners.

Shared services

The Group is focused on the sales and marketing activities surrounding its key brands. This requires the support of world class, lowest cost shared services. These services include finance and treasury, shipping, credit control and management, information technology, human resources, warehousing and logistics and service and spares. During the past year, it was decided to centralize all support services across the Group in order to leverage the operational efficiencies and lower the costs of such services.

Financial performance

Against a backdrop of tough trading and economic conditions, the Group's results for the year were disappointing. Sales of brown goods were compromised by supply chain challenges which resulted in late deliveries and lost sales over the key festive season trading period. As a result, total sales of brown goods were significantly lower than in the prior year. Notwithstanding an increase in sales of small appliances when compared to the prior year, the Group's overall revenue at R1,66 billion was 16% lower than in the prior year.

As a result of an extremely competitive marketplace, especially for brown goods, and exported inflation out of China, gross margins were under pressure. The Group's gross margin declined from 21,7% in the prior year to 17,5% in the current year although the Group's gross margin did improve by 3,6% to 19,6% in the second half of the financial year. Despite this improved second half performance, the Group's gross margins were still below desired levels.

Total overheads, including restructuring costs of R12,5 million incurred during the year under review, increased marginally. The benefits of the restructuring efforts, as discussed below, will only materialise in the new financial year.

The combination of these factors resulted in the Group reporting an after-tax loss of R17,9 million for the year.

In spite of the unsatisfactory performance, the Group's balance sheet remains strong with a very low level of gearing. From a working capital perspective:

- The Group's inventory remained at very similar levels to those in the prior year despite the build-up of power inverter inventory in the current year. Notwithstanding this build-up, the Group's total inventory decreased by over R50 million from 31 December 2007 reflecting the concerted efforts to normalize the Group's inventory levels. Further improvements in this regard are expected;
- The Group's debtor's book continues to be well managed. The non-utilisation of discounting facilities in the current year skews a direct year-on-year comparison. Reversing the impact of the prior year's discounting, the Group's debtors days improved marginally from 70 days in the prior year to 67 days in the current year;
- Due to the Group's excessive inventory levels, a reduced level of inventory orders at year-end resulted in a reduction in accounts payable when compared to the prior year.

As at 30 June 2008, the Group had a net overdraft of R17,5 million compared to net cash on hand of R15,5 million as at 31 December 2007 although the non utilisation of discounting facilities, as mentioned above, skews the direct comparability of these balances.

Group restructuring

The Group's poor interim results highlighted several weaknesses and imbalances in the underlying business model. To this end, swift and decisive remedial action was required. Actions taken by management during the year under review included:

- A reduction in the fixed overheads of the Group through a reduction in headcount from 1 220 in the prior year to 765 currently, integration of the back office functions across the Group and the termination of various fixed retainer based contracts amongst others;
- A refocusing of the brown goods business through, inter alia, the restructuring of management and sales representatives' incentives and a product range consolidation;
- The discontinuance of distribution of the Pioneer and Toshiba brands;
- The winding down of the Group's mobile phones business; and
- The conversion of fixed overheads into variable costs through the outsourcing of the Group's brown goods service function.

Although significant progress has been made in restructuring and refocusing the Group, several initiatives are planned for the balance of the 2008 calendar year. These include:

- The consolidation of the Group's supply chain activities, most notably shipping, in order to maximise scale and volume benefits;
- Outsourcing the warehousing of the Group's brown goods products;
- Restructuring of certain of the Group's licensing arrangements;

>> The rationalisation of the Group's statutory structure;

>> Rejuvenating the Tedelex brand; and

>> Finalisation of the strategy for the Atlantis TV factory.

Prospects

The first half of the new financial year will see a continuation of the restructuring initiatives and a focus on normalising the Group's inventory levels. The combination of a reduction in inventory and the benefits of the restructuring initiatives already implemented are expected to result in the Group generating cash in the new financial year. As was highlighted in the commentary to our reviewed results announcement published on 29 August 2008, a return to profitability is dependant upon the sale of the significant build-up of the power inverter range of products.

Acknowledgement

On behalf of the entire executive team, I would like to extend our sincere thanks to our non-executive directors for their sage advice and counsel, each and every staff member for their dedication and commitment and to our suppliers, customers and shareholders for their support over the past year.

Alan Coward

Chief executive officer

Johannesburg

29 September 2008

Executive management

Johan Deetlefs (61)†^
BCom (Hons)
Human Resources

Bruce Drummond (51)†^
BCom, FCIS
Finance
Company Secretary

Herman Ellis (51)†^
Logistics and Repair Services

Steve Karele (51)^
CA(SA)
Manufacturing

Ian Molyneux (45)^
Information Technology

Neville Oborn (53)^
Sales

Theo Theodorou (48)^
Trade Marketing

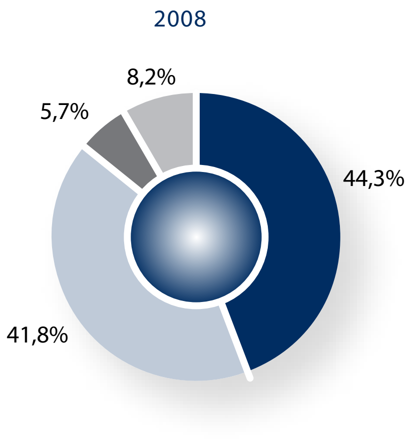
Joao Araujo (42)^
Key Accounts

Murray Crow (40)†^
MBA – Henley (UK)
Managing director – Appliances

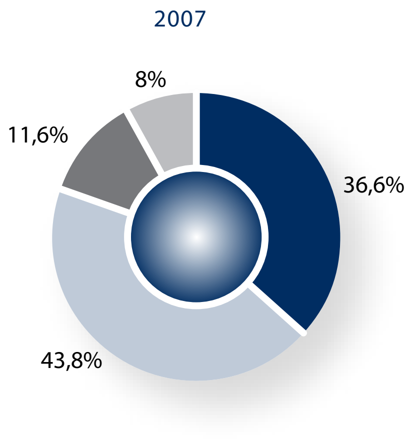
† Risk Committee
^ Executive Committee

Value added statement
for the year ended 30 June 2008

	30 June 2008 R'000	%	30 June 2007 R'000	%
REVENUE	**1 662 931**		1 979 662	
Investment revenue	**3 913**		4 443	
Cost of materials, services and expenses	**(1 372 522)**		(1 620 925)	
VALUE ADDED	**294 322**	**100**	363 180	100
Distribution as follows:				
Employees				
– salaries and wages, commission and other benefits	**130 141**	**44,3**	132 995	36,6
Government				
– taxation current	**20 112**	**6,8**	37 439	10,3
– PAYE	**19 356**	**6,6**	23 320	6,4
– customs duty, excise duty, VAT and import surcharge	**54 190**	**18,4**	53 574	14,8
– ad valorem	**29 534**	**10,0**	44 523	12,3
Providers of capital				
– distribution	**—**	**0,0**	25 462	7,0
– finance costs	**16 884**	**5,7**	16 732	4,6
Reinvestment in the Group				
– depreciation, amortisation and impairment	**14 274**	**4,9**	9 856	2,7
– reinvestment for expansion	**9 831**	**3,3**	19 279	5,3
Employee headcount	**765**		1 220	



● Employees
● Government
● Providers of capital
● Reinvestment in the group



Corporate governance

Introduction

The corporate governance statement documented below sets out the key governance principles and practices of Amap. Our aim is to fairly and honestly inform our internal and external stakeholders through reasonable and understandable disclosure.

Endorsement of King II

The directors, management and staff of Amap subscribe to the values of good corporate governance as set out in the King Report on Corporate Governance 2002 (King II) and the JSE Limited Listings Requirements. In all dealings, Amap strives to ensure that the interests of stakeholders are foremost in decisions taken and that they are fully and appropriately informed of all relevant developments in the Group.

By supporting the key principles contained in the code, directors and management accept the need to conduct the enterprise with integrity, accountability, transparency and equal opportunity. Specifically, the directors report the following:

Board of directors

Chairman of the Board of directors

The Chairman, Leon Campher, an independent non-executive director was appointed by the Board on 1 February 2008, replacing Jack Cohen who retired as chairman which position he held since the listing of Amap in May 1997. The Chairman is responsible for ensuring the effectiveness of governance practices within the Group.

Particular areas of responsibility

Particular areas of responsibility for the Chairman include guidance regarding strategic planning, relationships with principals, government and customers, group economic empowerment, corporate relations, top-level contact with regulatory bodies, and advice on acquisitions.

The Chairman's duties are governed by a formal Board-approved mandate regulating the terms of reference of his office, and this is reviewed from time to time when appropriate.

Composition of the Board

Amap has a fully functional Board that leads and controls the Group. The Board of directors comprises three executive directors and five non-executive directors chosen for their achievements, business acumen and skills.

The Board considers Leon Campher, Steven Levitt, Steve Müller and Rian du Plessis as independent non-executive directors as defined in King II and the Companies Act Amendment 2006 note on page 4.

All directors bring independent judgment to the issues of performance, strategy and resources including key appointments of directors and staff and standards of conduct within the Group. Details of the executive and non-executive directors of the Board are listed on page 4 and 5.

The non-executive directors have no fixed term of appointment and no service contracts with Amap except for Spyros Scafidas who has a consultancy agreement with Amalgamated Appliances (Pty) Limited relating to sourcing of product, price and market penetration. This agreement terminates on 31 December 2008, unless otherwise negotiated by the parties (refer to note 2 on page 39). Letters of appointment confirm the terms of their service. Their fees are independent of the Group's financial performance and they receive no share options or bonuses.

The Board meets regularly (refer tables of attendance on page 16). In addition, the articles of association of the company provide for material decisions taken between meetings to be confirmed by way of directors' resolutions.

Role and responsibilities of the Board

The Board is responsible for the strategic direction, performance, affairs and risk of Amap. In directing the Group, the Board exercises leadership, integrity and judgment based on fairness, accountability, responsibility and transparency directed to achieve the continued prosperity of the Group.

The Board approves operational and investment plans and strategies and empowers executive management to implement these plans and strategies. There is a clear division between the responsibilities of the Board and management.

Structured management succession planning, for purposes of identifying, developing and advancing future leaders in the Group, is an important element in the management process.

The Board remains accountable for the overall success of the approved strategies, based on values, objectives and stakeholder requirements, and for the process and policy to ensure the integrity of risk management and internal controls. The Board is the focal point of the Group's corporate governance structure and is also responsible for ensuring that it complies with all relevant laws, regulations and codes of best business practice.

Duties of directors

The Companies Act places certain duties on directors and stipulates that they should apply the necessary care and skill in fulfilling their duties. To ensure that this is achieved, best practice principles, as contained in the King II Report on Corporate Governance for South Africa, are applied.

The Board is responsible for formulating the Company's communication policy and ensuring that spokespersons adhere to it. This responsibility includes clear, transparent, balanced, truthful and timeous communications to shareholders and relevant stakeholders.

In terms of the respective directors' charters, the directors are of the opinion that the Board and the sub-committees have discharged all their responsibilities.

The Board meets at least four times annually and more frequently if circumstances or decisions require. Directors declare their interests in contracts and other appointments at all Board meetings. Meetings are conducted in accordance with formal agendas, ensuring that all substantive matters are properly addressed. Standing sub-committees of Amap have been appointed while ad hoc sub-committees are created as and when required. The Chairman of the sub-committee sets the agenda for each meeting in consultation with the Group Chairman and Company Secretary. Any director may request that additional matters be added to the agenda. Board packs are circulated to the directors in advance of the meetings. The non-executive directors take responsibility for ensuring that the Chairman reviews all matters requiring the Board's attention. The Board ensures that there is an appropriate balance of power and authority in its make-up, so that no one individual or block of individuals can dominate its decision-making process. All directors are entitled to seek independent professional advice concerning the affairs of the Group, at the Company's expense.

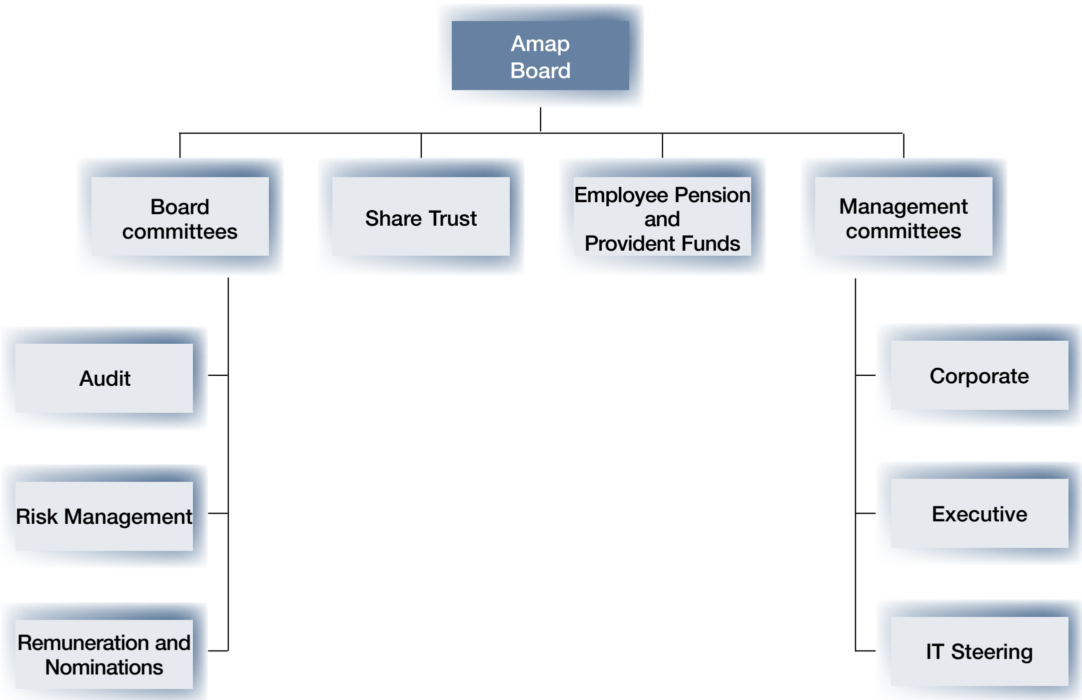
Financial statements

The financial statements as set out in this report have been prepared by management in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of South Africa. They are based on appropriate accounting policies which are supported by reasonable and prudent judgments and estimates. The directors are responsible for ensuring that Group companies maintain adequate accounting records, and for reporting on the financial position of the Group at all levels to meet this responsibility. The external auditors are responsible for independently auditing and reporting on these financial statements in conformity with IFRS. The Group's auditors have confirmed that the financial information is in accordance with the underlying audited financial records of the Company and its subsidiaries.

Board Committees

Defined terms of reference delegate specific responsibilities to each individual Board committee to assist it in discharging its duties and responsibilities.

A diagrammatic outline of the committees to which delegation has been made is set out below.



Corporate governance continued

Attendance at Board meetings for the period 24 August 2007 – 27 August 2008

	Attended	Eligible to attend
PL Campher	3	3
SG Bernhardt[1]	3	3
MC Berzack*	1	1
J Cohen[1]	1	1
S Cohen*	1	1
AS Coward	3	3
WA du Plessis	3	3
JM Kahn*	1	1
JP Kieser*	1	3
SA Levitt	4	4
RD Marais*	3	3
SH Müller	3	3
B Nichles	3	3
A Nossel*	1	1
DB Oliver[§]	2	2
S Scafidas	4	4
BG Drummond (secretary)	4	4
MG Crow (by invitation)	1	1
CR Kaplan (by invitation)*	1	1
S Karele (by invitation)	1	1

**resigned during the year under review*
[1]retired during the year
[§]appointed July 2008

Audit Committee

The Audit Committee currently consists of three non-executive directors, Steven Levitt (Chairman), Steve Müller and Rian du Plessis. Alan Coward, Byron Nichles, Murray Crow, Des Oliver and Bruce Drummond attend meetings by invitation.

The Audit Committee monitors proposed changes in accounting policy and all published financial information, reviews the internal audit function and discusses the accounting implications of major transactions prior to Board approval.

The Audit Committee meets quarterly with the Group's external and internal auditors to review accounting controls, disclosure requirements, corporate governance practices, as well as auditing and financial matters and reports to the Board of directors on its findings. The external auditors are appointed each year, based on the recommendations of the Audit Committee. The independence of the external auditors is assessed annually. The committee was satisfied with its assessment. The internal and external auditors have unrestricted access to the Audit Committee. The committee receives and deals with all and any complaints relating to either accounting practices and internal audit or the auditing of its financial statements or any related matters.

The Audit Committee is responsible for approving the principles for recommending the use of the external auditors for non-audit services.

Attendance at Audit Committee meetings for the period 24 August 2007 – 27 August 2008

	Attended	Eligible to attend
MC Berzack*	1	1
WA du Plessis	2	2
JM Kahn*	1	1
SA Levitt	4	4
SH Müller	3	3
J Cohen (by invitation)[§]	1	1
S Cohen (by invitation)*	1	1
AS Coward (by invitation)	3	3
CR Kaplan (by invitation)*	1	1
RD Marais (by invitation)*	3	3
B Nichles (by invitation)	3	3
DB Oliver (by invitation)	2	2
S Scafidas (by invitation)	1	1
BG Drummond (secretary)	4	4
MG Crow (by invitation)	1	1

**resigned during the year under review*
[§]retired during the year

Risk Management Committee

The focus of the Risk Management Committee is on identifying, assessing, managing and monitoring material forms of risk encompassing strategic performance, trading, investment and operational risks. The Committee currently consists of three non-executive directors, Steve Müller (Chairman), Steven Levitt and Leon Campher, with executive directors attending each meeting, being Alan Coward, Des Oliver and Byron Nichles, as well as executive managers, namely Murray Crow, Bruce Drummond, Johan Deetlefs and Herman Ellis. The Committee meets regularly and is responsible for monitoring key risk areas for which a comprehensive Group risk matrix has been developed, addressing the general business risks, trading conditions, succession planning, credit risk, exchange rate exposure, insurable losses and interest rate and liquidity risks.

Attendance at Risk Management Committee meetings for the period 24 August 2007 – 27 August 2008

	Attended	Eligible to attend
PL Campher	2	2
S Cohen*	1	1
AS Coward	3	3
JH Deetlefs	3	4
HD Ellis	4	4
CR Kaplan*	1	1
JP Kieser*	1	2
SA Levitt	4	4
RD Marais*	3	3
SH Müller	2	2
B Nichles	3	3
A Nossel*	0	2
DB Oliver	2	2
S Scafidas	2	2
MG Crow	1	1
BG Drummond (secretary)	4	4

**resigned during the year under review*

The Remuneration and Nomination Committee (Remnom)

The Remnom currently comprises two non-executive directors namely Leon Campher (chairman) and Steven Levitt. The Committee meets whenever necessary (but a least twice a year), and advises the Board on the remuneration philosophies and terms of employment of all directors and members of executive management. The Committee is also responsible for nominating both non-executive and executive directors for appointment to senior positions and to the Main Board. The chairman of the Board is the chairman of the Committee, and the CEO and the HR Director attend these meetings by invitation. The Committee annually participates in the evaluation and review of the directors and senior management performances, with a view to establishing their annual salary adjustments.

The remuneration philosophy of Amap is to attract, retain and motivate employees, while considering applicable market levels of remuneration. The Company's primary executive remuneration objective is to appropriately reward executive directors, to ensure that their interests, as far as possible, are aligned with the interests of shareholders.

Annual incentive bonus arrangements have been structured so that stretch targets are based on Group business units and individual performance.

Fees for non-executive directors are recommended by the Remnom Committee, and reviewed annually. Non-executive directors receive a bi-annual fee for their services. The fee comprises a base retainer fee, and where applicable, a Committee membership fee.

Attendance at Remnom meetings for the period 24 August 2007 – 27 August 2008

	Attended	Eligible to attend
PL Campher	2	2
SA Levitt	4	4
JM Kahn*	1	1
MC Berzack*	1	1
JP Kieser*	1	1
AS Coward (by invitation)	2	2
JH Deetlefs (secretary)	4	4

**resigned during the year under review*

Management Committees

Corporate Committee

The Corporate Committee comprising Alan Coward (CEO), Byron Nichles (CFO), Des Oliver (MD Brown goods), Murray Crow (MD Appliances), Johan Deetlefs (HR) and Herman Ellis (Service and Logistics) is an informal grouping of executive management responsible for making key operational and strategic decisions within parameters defined by the Board and Executive Committee. The Committee meets weekly.

Executive Committee

The Executive Committee currently comprises the executive directors, namely, Alan Coward (Chairman), Byron Nichles, and Des Oliver and executive managers, namely, Murray Crow, Joao Araujo, Bruce Drummond, Johan Deetlefs, Herman Ellis, Steve Karele, Ian Molyneux, Neville Oborn, and Theo Theodorou. The Committee monitors the operations of the Group's divisions and controls policies and decision making in accordance with the approvals framework ratified by the Board. The Committee meets regularly.

Corporate governance continued

Attendance at Executive Committee meetings for the period 24 August 2007 – 27 August 2008

	Attended	Eligible to attend
JPDB Araujo	5	5
SG Bernhardt*	3	3
S Cohen*	2	2
J Cohen*	2	2
AS Coward	5	5
MG Crow	1	1
JH Deetlefs	7	7
HD Ellis	6	7
CR Kaplan*	4	4
S Karele	7	7
RD Marais*	6	6
I Molyneux	7	7
B Nichles	5	5
A Nossel*	2	2
NV Oborn	6	7
DB Oliver	4	4
TS Theodorou	7	7
BG Drummond (secretary)	7	7

** resigned during the year under review*
[1] retired during the year under review

Information Technology Steering Committee

The Information Technology Steering Committee comprises Bruce Drummond (Chairman), Theo Theodorou (Appliances), Michele Snyders (Brown Goods), Herman Ellis (Service & Logistics), Byron Nichles (CFO), Ian Molyneux (IT) and supported by senior management as and when required. The Committee meets regularly (at least quarterly). In addition, the Committee is tasked to keep up with ongoing technological changes in order to provide management with accurate and meaningful data to run the company effectively. A group IT disaster recovery plan is in place and is tested every six months, insuring business continuity at all times.

Attendance at Information Technology Steering Committee meetings for the period 15 May 2008 – 27 August 2008

	Attended	Eligible to attend
AS Coward (by invitation)	1	1
BG Drummond	2	2
HD Ellis	2	2
RD Marais*	1	1
I Molyneux (secretary)	2	2
B Nichles	2	2
S Parsath (by invitation)	2	2
M Snyders	2	2
TS Theodorou	2	2
R van Tricht*	1	1

**resigned during the year under review*

Internal audit

The internal audit function was outsourced to the Steinhoff Internal Audit department. In June 2008 Grant Thornton was appointed to replace Steinhoff Internal Audit in order to keep independence from one of our major shareholders. The Internal auditors, Grant Thornton report directly to the Audit Committee and the chief financial officer. Annually, the internal auditors execute a proposed audit plan jointly with management that ensures sufficient evidence will be obtained to evaluate the effectiveness of the internal control procedures prioritised by the relevant degree of inherent risk in each activity. The activities and output of this function are reviewed and approved by the Audit Committee. It should be noted that Steinhoff internal audit completed their F2007 review during the year but no internal audit work was specifically completed during F2008 as a consequence of the significant restructuring initiatives. In the normal course of day-to-day operations, management assess all internal controls in order to mitigate risk on an ongoing basis. The next review has been planned for the second quarter of the new financial year.

Internal control

The directors and management maintain effective systems of internal control. These systems are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the financial statements, to safeguard, verify and maintain accountability of the Group's assets and to detect and minimise significant fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations.

Close day-to-day control of operations and procedures is maintained by senior management, producing monthly performance reports and management accounts for review by the Board of directors, management and the Corporate and Executive Committee. No significant internal control problems have come to the attention of the directors to indicate that a material breakdown in the controls within the Group has occurred during the year save for a fraud which occurred in the Amap Service department and which has been fully investigated and areas of weakness will be addressed. As a result of the current restructuring of the Group, revised internal controls will be re-implemented during the first half of the new financial year.

Company, secretarial and professional advice

The appointment and removal of the company secretary is a matter for the Board as a whole. The company secretary is Bruce Drummond, who is required to ensure that the minutes of all shareholders' meetings, directors' meetings and minutes of any committee of the directors are properly recorded (excludes the Remnon).

The directors have unlimited access to the services of the company secretary who is responsible to the Board for ensuring that proper corporate governance principles are adhered to. Board orientation and training are done when appropriate.

Dealing in securities

In accordance with the Listings Requirements of the JSE, Amap has adopted a code of conduct for insider trading. During the closed period, directors and designated senior employees are prohibited from dealing in the Company's securities. Directors may only deal in the Company's securities outside the closed period, with the authorisation of the chairman and the CEO. The closed period lasts from the end of the financial reporting period until the publication of financial results for that period. Additional closed periods may be declared from time to time if circumstances warrant.

Stakeholder communication

Amap is committed to transparent, timeous and consistent communications with stakeholders and aims to present in all its communications, a balanced and logical assessment of the Group's position. The Group encourages stakeholder attendance at general meetings and, where appropriate, provides full and comprehensive explanations of the effect of resolutions to be proposed at these meetings.

Company announcements are released on SENS and posted on the Company's website. Further results announcements are posted to shareholders. The Chairman and Board are available to answer queries from stakeholders at all times and wherever possible, the CEO and/or CFO will engage with the financial media to ensure accurate reporting.

Communications with institutional shareholders and investment analysts is maintained through semi-annual presentations of financial results, one-on-one visits, trading statements and press announcements of interim and annual results.

Fraud and illegal acts

Amap does not engage in or accept or condone the engaging in of any illegal acts in the conduct of its business. The directors' policy is to actively pursue and prosecute the perpetrators of fraudulent or other illegal activities, should they become aware of any such acts.

Going concern

The directors confirm, giving due cognisance to the Group's current financial position and cash flows, that the Group is a going concern. The external auditors have concurred with the directors' statement to adopt the going-concern basis in preparing the annual financial statements.

Group sustainability

Labour relations

The Company subscribes fully to the principle of freedom of association, and in consequence hereof, a number of Trade Unions are recognised by the organisation as representative of the majority of our employees. Labour harmony is key to our employee relations, and cultivates the necessary employee climate allowing employee participation in achieving Company goals.

Regrettably, during the past six months, the restructuring of operations required the retrenchment of many employees. This difficult task was dealt with in conjunction with the relevant employee representatives, and with the assistance of the Trade Unions concerned, the process was successfully managed.

BEE

- >> Amap is committed to Black Economic Empowerment (BEE) transformation as a value, not simply as a statutory or commercial imperative. The Company sees itself as a truly South African corporate citizen, with a deep commitment to contributing to the development of the nation and its people.
- >> BEE is recognised as a systematic process, not a short-term event.
- >> Amap will proceed with BEE activities as and when appropriate, to ensure that the changes made and initiatives undertaken are sustainable and ingrained in our corporate fabric.
- >> The overall strategy is driven by the CEO and the Board.
- >> Because of our listed status, the conclusion of a sustainable equity ownership deal will take some time. This goal will be pursued continuously to secure opportunities which will benefit all stakeholders.

Employment equity

- >> Amap subscribes to all equity-related legislation and our documentation is submitted annually to the Department of Labour.
- >> The equity processes cascade through the organisational structure, and is driven by the directors and their managers and the constituted Equity Committees.

Skills development

- >> The Company subscribes to the skills-related legislation, and the establishment of Skills Committees, where necessary, to ensure proper interactions with the specified Setas.
- >> Skills development ensures proper succession for the Company, and provides the relevant skills needed for the sustained growth of the Company into the future. To this end, skills plans are developed to meet these goals.

Preferential procurement

- >> Most of the Company's procurement spend is in product and components from international suppliers, and therefore our local spend is comparatively small. Nevertheless, we seek to place our local spend with black empowered and/or black owned companies wherever possible.
- >> We also encourage the development of black-owned SMEs by, inter alia, procuring services from them.
- >> In addition, assistance will be given whenever possible to key local suppliers to transform their businesses to achieve BEE status.

Ethical behaviour

The Company conducts its business in a proper and professional manner. To this end, a Code of Ethics is in place, which requires all employees to maintain high ethical standards in dealing with shareholders, customers, suppliers and the community.

In support of the Code of Ethics, a Fraud Hotline was established with an outside independent company to protect the confidentiality of whistle-blowers. The Hotline also assists with the protection of shareholder interests and Corporate Governance requirements by dealing with any criminal irregularities reported to them in conjunction with the South African Police Services.

Annual financial statements 2008

Directors' responsibility statement and approval

The Company's and Group's directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements included in the annual report.

The Company's and Group's annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the South African Companies Act and the JSE Listings Requirements, on the going concern basis and incorporate full and responsible disclosure. The annual financial statements are based upon appropriate accounting policies and supported by reasonable and prudent judgements and estimates.

The directors are satisfied that the information contained in the financial statements fairly represents the results of operations for the year and the financial position of the Company and Group at year-end. The accuracy of the other information included in the annual report was considered by the directors and they are satisfied that it accords with the financial statements.

The directors and management are also responsible for the Company's and Group's system of internal financial controls. The system was developed to provide reasonable, but not absolute, assurance regarding the reliability of the financial statements, the safeguarding of assets and to prevent and detect misrepresentation and losses.

The directors are of the opinion that the Company and Group will continue as a going concern in the future.

The financial statements were audited by independent auditors, Deloitte & Touche, to whom unrestricted access was given to all financial records and related information. The directors are further of the opinion that all statements that were made to the auditors during the course of the audit were valid and relevant. The auditors' report is presented on page 24.

The annual financial statements which appear on pages 25 to 54 were approved by the board of directors on 29 September 2008 and are signed on its behalf by:

PL Campher
Chairman

AS Coward
CEO

B Nichles
CFO

Johannesburg

Certification by company secretary

In my capacity as Company Secretary, I hereby confirm in terms of section 268G (d) of the Companies Act of South Africa, 1973, as amended, that for the year ended 30 June 2008, to the best of my knowledge and belief, the Company has lodged with the Registrar all such returns as are required by a public company in terms of the Companies Act, and that all such returns are true, correct and up to date.

BG Drummond
BCom, FCIS
Company Secretary

29 September 2008

Report of the independent auditors

Report on the financial statements

We have audited the Company annual financial statements and Group annual financial statements of Amalgamated Appliance Holdings Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet at 30 June 2008, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statements of changes in equity and cash flow statement and the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 25 to 54.

Directors' responsibility for the financial statements

The Company's and Group's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. The responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment including the assessment of the risks of material misstated on the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and of the Group as at 30 June 2008, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Deloitte & Touche
Per M Ajoodha
Partner

29 September 2008

Building 1 and 2
Deloitte Place
The Woodlands
Woodlands Drive
Woodmead Sandton

Directors' report

for the year ended 30 June 2008

Your directors have pleasure in submitting their report on the affairs of the Company and Group for the year ended 30 June 2008.

Nature of business

The main business of the Group is in manufacturing, importing, exporting and distributing small domestic appliances, sewing and embroidery equipment, television sets, audio and video products, electrical accessories, cellphones, and power inverter products.

Group results

The Company and Group financial statements for the year under review are set out on pages 28 to 54.

Financial objectives

The Group's objectives are to maintain consistent long-term real growth in profit.

Share capital

	June 2008 R'000	June 2007 R'000
Authorised		
800 000 000 ordinary shares of 1 cent each	**8 000**	8 000
Issued		
212 189 689 ordinary shares of 1 cent each	**2 122**	2 122

Review of operations

The Group reported a loss for the year as a whole, various factors affecting the results were:

>> Aggressive competitor price cutting in the brown goods market;

>> Higher inventory levels;

>> Higher interest rates;

>> A dramatic slowdown in consumer spending particularly in the durables segment; and

>> Restructuring and consolidating operational activities.

Directorate and secretary

Details of the non-executive and executive directors are stated on pages 4 and 5 and details of the secretary are stated on page 12.

Directors' report continued

for the year ended 30 June 2008

Interest of directors

The directors' interests, directly or indirectly, in the issued share capital of the Company as at 30 June 2008 were:

	Direct beneficial		Indirect beneficial	
	30 June 2008	30 June 2007	**30 June 2008**	30 June 2007
SG Bernhardt[1]	**146 080**	126 080	**—**	—
MC Berzack*	**—**	38 589	**—**	—
J Cohen[1]	**—**	—	**—**	2 825 476
S Green*	**—**	1 079	**—**	—
SA Levitt	**92 416**	92 416	**—**	—
A Nossel*	**—**	110 000	**—**	464 705

**Resigned during the year (refer directorate details on page 5)*

[1]Retired during the year (refer directorate details on page 5)

No change in the interest of directors since 30 June 2008 and the date of this report except for SG Bernhardt who retired at the end of June 2008.

Capital distribution award

As a result of the disappointing results and cash performance, the board has resolved not to declare a capital distribution/dividend for the year (2007: 12 cents per share).

Date of incorporation

The Company was incorporated on 20 March 1997.

Subsidiaries

The interest of the Company in the aggregate net (loss)/profit after taxation of the subsidiaries is (R17 900 000) (2007: R75 882 000). Details of subsidiaries are set out in note 28 on page 54 of the annual financial statements.

	2008 R'000	2007 R'000
Net profit	**49 365**	76 372
Net loss – Tedelex Mobile (Pty) Ltd	**(598)**	(348)
– Tedelex Manufacturing (Pty) Ltd	**(1 217)**	(142)
– Tedelex Trading (Pty) Ltd*	**(65 450)**	—
(Loss)/profit attributable to ordinary shareholders	**(17 900)**	75 882

**Tedelex Trading (Pty) Ltd reported a profit for the year ended June 2007.*

Employees share scheme

An employee share scheme, which has been in existence from the listing date, allows for broad participation in the equity of the Company at all levels.

Share options granted	Allocation price cents	Number	Number unexercised 30 June 2008
Allocation January 2000	75	3 457 600	—
Allocation October 2001	45	2 240 000	—
Allocation July 2002	75	2 684 400	—
Allocation September 2003	100	1 427 500	224 500
Allocation March 2004	252	2 000 000	286 000
Allocation March 2005	536	150 000	—
Allocation August 2006	500	1 306 000	397 000
Allocation February 2008	210	780 000	780 000
Allocation June 2008	185	4 900 000	4 900 000
Total options granted		18 945 500	6 587 500

Shares available	2008	2007
Opening balance	**3 182 792**	4 890 172
Exercise of options granted	**(428 500)**	(1 704 204)
Shares sold by the trust	**—**	(3 176)
Closing balance including options	**2 754 292**	3 182 792
The average share price of the exercise of options granted was 188 cents per share (2007: 556 cents per share)		
Share options reconciliation		
Opening balance	**3 119 000**	3 576 765
Exercise of options granted – prior 2002	**—**	(1 007 265)
– after 2002	**(428 500)**	(696 939)
Shares lapsed	**(1 783 000)**	(59 561)
New options granted in February and June 2008	**5 680 000**	1 306 000
Closing balance	**6 587 500**	3 119 000
Number of participants	**44**	58

The fair value of shares held at year-end amounted to R4 792 468 (2007: R14 596 920). The loan account between the Amalgamated Appliances Share Trust and Amalgamated Appliances (Pty) Ltd was impaired at year end. This had no Income Statement effect after consolidation except for taxation on the impairment.

Number of employees

	2008	2007
Employee headcount	**765**	1 220

Directors' remuneration

The details of the directors' remuneration and share options are tabled on pages 39 and 40.

Segment reporting

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

Income statements

for the year ended 30 June 2008

	Notes	GROUP 2008 R'000	GROUP 2007 R'000	COMPANY 2008 R'000	COMPANY 2007 R'000
Revenue		**1 662 931**	1 979 662	**—**	—
Investment revenue	3	**3 913**	4 443	**—**	3
Raw materials and consumables used		**(1 371 293)**	(1 550 928)	**—**	—
Depreciation and amortisation expense		**(14 274)**	(9 856)	**—**	—
Employee benefits expense		**(89 354)**	(90 798)	**—**	—
Finance costs	3	**(16 884)**	(16 732)	**—**	—
Consulting expense		**(7 456)**	(3 344)	**—**	—
Fair value adjustments on financial instruments		**(2 823)**	(8 887)	**—**	—
Other expenses		**(189 784)**	(194 472)	**(3 008)**	(25)
(Loss)/profit before tax	2	**(25 024)**	109 088	**(3 008)**	(22)
Income tax credit/(expense)	4	**7 124**	(33 206)	**—**	96
Net (loss)/profit for the year		**(17 900)**	75 882	**(3 008)**	74
Basic (loss)/earnings per share – (cents)	6	**(8,6)**	36,4	**—**	—
Diluted (loss)/earnings per share – (cents)	6	**(8,5)**	36,2	**—**	—
Capital distribution – (cents)	5	**—**	12,0	**—**	—

Balance sheets

as at 30 June 2008

	Notes	GROUP 2008 R'000	GROUP 2007 R'000	COMPANY 2008 R'000	COMPANY 2007 R'000
ASSETS					
Non-current assets		83 725	64 681	89 967	118 424
Property, plant and equipment	7	40 861	46 140	—	—
Trademarks	8	4 596	4 596	—	—
Goodwill	8	1 170	1 170	—	—
Interest in subsidiaries	9	—	—	89 967	118 424
Other financial assets	10	—	2 319	—	—
Deferred tax assets	11	37 098	10 456	—	—
Current assets		729 817	824 250	—	—
Inventories	12	365 188	366 422	—	—
Trade and other receivables	13	307 304	293 463	—	—
Current tax asset		3 521	3 518	—	—
Bank and cash on hand		53 804	160 847	—	—
Total assets		813 542	888 931	89 967	118 424
EQUITY AND LIABILITIES					
Total equity		506 337	551 163	89 808	118 278
Share capital	14	2 122	2 122	2 122	2 122
Share premium	15	94 841	120 303	94 841	120 303
Treasury shares		(9 507)	(7 123)	—	—
Accumulated profit/(loss)		415 330	433 230	(7 155)	(4 147)
Share-based compensation reserve		3 551	2 631	—	—
Non-current liabilities		8 988	10 242	—	—
Long-term borrowings	16	6 826	7 116	—	—
Deferred tax liabilities	11	2 162	3 126	—	—
Current liabilities		298 217	327 526	159	146
Trade and other payables	17	207 749	291 227	—	—
Derivative financial liability		1 704	139	—	—
Capital distribution and dividends payable		159	146	159	146
Current tax liability		1 090	17 989	—	—
Borrowings	20	71 254	—	—	—
Short-term portion of long-term borrowings	16	5 065	3 818	—	—
Provisions	18	11 196	14 207	—	—
Total equity and liabilities		813 542	888 931	89 967	118 424

Statements of changes in equity

for the year ended 30 June 2008

	Share capital R'000	Share premium R'000	Treasury shares R'000	Accumu-lated profits/(loss) R'000	Share-based compen-sation reserve R'000	Attributable to equity holders of the parent R'000
GROUP						
Balance at 30 June 2006	2 122	162 741	(9 945)	360 356	1 728	517 002
Acquisition of minority interest	—	—	—	(3 008)	—	(3 008)
Net profit for the year	—	—	—	75 882	—	75 882
Capital distribution	—	(42 438)	—	—	—	(42 438)
Net treasury movement	—	—	2 822	—	—	2 822
Share-based payment	—	—	—	—	903	903
Balance at 30 June 2007	2 122	120 303	(7 123)	433 230	2 631	551 163
Net loss for the year	—		—	(17 900)	—	(17 900)
Capital distribution	—	(25 462)	—	—	—	(25 462)
Net treasury movement	—	—	(2 384)	—	—	(2 384)
Share-based payment	—	—	—	—	920	920
Balance at 30 June 2008	**2 122**	**94 841**	**(9 507)**	**415 330**	**3 551**	**506 337**
COMPANY						
Balance at 30 June 2006	2 122	162 741	—	(4 221)	—	160 642
Net profit for the year	—	—	—	74	—	74
Dividends settled	—	(42 438)	—	—	—	(42 438)
Balance at 30 June 2007	2 122	120 303	—	(4 147)	—	118 278
Net loss for the year	—	—	—	(3 008)	—	(3 008)
Capital distribution	—	(25 462)	—	—	—	(25 462)
Balance at 30 June 2008	**2 122**	**94 841**	**—**	**(7 155)**	**—**	**89 808**

Cash flow statements

for the year ended 30 June 2008

	Notes	GROUP 2008 R'000	GROUP 2007 R'000	COMPANY 2008 R'000	COMPANY 2007 R'000
Cash flow from operating activities					
Cash receipts from customers		**1 910 235**	2 244 006	**—**	—
Cash payments to suppliers and employees		**(2 002 122)**	(2 186 992)	**(3 008)**	(25)
Cash (utilised in)/generated by operations	A	**(91 887)**	57 014	**(3 008)**	(25)
Capital distribution and dividends paid	B	**(25 449)**	(42 369)	**(25 449)**	(42 369)
Income tax (paid)/received	C	**(37 384)**	(70 473)	**—**	96
Investment income		**3 913**	4 443	**—**	3
Finance costs		**(16 884)**	(16 732)	**—**	—
Net cash flows from operating activities		**(167 691)**	(68 117)	**(28 457)**	(42 295)
Investing activities					
Proceeds on disposal of property, plant and equipment		**652**	189	**—**	—
Purchases of property, plant and equipment to maintain operations		**(9 831)**	(19 279)	**—**	—
Decrease in other financial assets		**—**	566	**—**	—
Net cash flows from investing activities		**(9 179)**	(18 524)	**—**	—
Financial activities					
Increase in amounts due from subsidiaries		**—**	—	**28 457**	42 295
Repayments of obligations under finance leases		**957**	399	**—**	
Net movement in treasury shares		**(2 384)**	2 822	**—**	—
Net cash flow from financing activities		**(1 427)**	3 221	**28 457**	42 295
Net decrease in cash and cash equivalents		**(178 297)**	(83 420)	**—**	—
Cash and cash equivalents at the beginning of the year		**160 847**	244 267	**—**	—
Cash and cash equivalents at the end of the year	D	**(17 450)**	160 847	**—**	—

Notes to the cash flow statements

for the year ended 30 June 2008

	GROUP		COMPANY	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
A. CASH (UTILISED IN)/GENERATED BY OPERATIONS				
(Loss)/profit before taxation for the year	**(25 024)**	109 088	**(3 008)**	(22)
Adjusted for:				
Loss on disposal of property, plant and equipment	**182**	87	**—**	—
Acquisition of minority interest	**—**	(3 008)	**—**	—
Depreciation, impairment and amortisation	**14 274**	9 856	**—**	—
Investment revenue	**(3 913)**	(4 443)	**—**	(3)
Pension fund contribution	**2 350**	7 749	**—**	—
Unrealised translation gains	**(429)**	16 838	**—**	—
Share-based payments	**920**	903	**—**	—
Fair value adjustment on hold for trading investment				
– Pension fund surplus	**(31)**	(423)	**—**	—
Finance costs	**16 884**	16 732	**—**	—
Operating profit before working capital changes	**5 213**	153 379	**(3 008)**	(25)
Working capital changes				
Decrease/(increase) in inventories	**4 486**	(7 482)	**—**	—
Increase in trade and other receivables	**(13 841)**	(43 733)	**—**	—
Decrease in trade and other payables and provisions	**(87 745)**	(45 150)	**—**	—
Cash (utilised in)/generated by operations	**(91 887)**	57 014	**(3 008)**	(25)
B. CAPITAL DISTRIBUTION AND DIVIDENDS PAID				
Opening balance – June 2007	**146**	77	**146**	77
Capital distribution for the year	**25 462**	42 438	**25 462**	42 438
Closing balance (including dividends payable)	**(159)**	(146)	**(159)**	(146)
Capital distribution and dividends paid	**25 449**	42 369	**25 449**	42 369
C. INCOME TAX PAID/(RECEIVED)				
Opening balance	**14 471**	47 591	**—**	—
Income tax (credit)/expense per the income statement	**(7 124)**	33 206	**—**	(96)
Reversal of deferred tax movement	**27 606**	4 147	**—**	—
Closing balance	**2 431**	(14 471)	**—**	—
Income tax paid/(received)	**37 384**	70 473	**—**	(96)
D. CASH AND CASH EQUIVALENTS				
Bank and cash on hand	**53 804**	160 847	**—**	—
Borrowings	**(71 254)**	—	**—**	—
Cash and cash equivalent at the end of the year	**(17 450)**	160 847	**—**	—

Notes to the annual financial statements

for the year ended 30 June 2008

1. ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the South African Companies Act of 1973 as amended. The annual financial statements are prepared on the historical cost basis and fair value basis of accounting. In preparation of the consolidated annual financial statements uniform account policies have been applied throughout the Group. The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below and are consistent in all material respects with those applied in the previous year, except for IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendment to IAS 1 Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital (see note 22).

The functional currency of the holding company is Rand.

1.1 Basis of consolidation

The Group's annual financial statements incorporate the annual financial statements of the Company and its subsidiaries. The results of the subsidiaries are included from the effective dates of acquisition and up to the effective dates of disposal. Intragroup balances, all significant intragroup and resulting unrealised profits are eliminated in full. Differences between the consideration paid for subsidiaries acquired and the net tangible asset values at the dates of acquisition are treated as goodwill as explained in note 1.5. Minority interests in the net asset of consolidation subsidiaries are identified separately from the Group's equity thereon. However, in this instance no loss can be allocated to the minority in line with the agreement, therefore the full balance sheet and income statement is consolidated.

1.2 Revenue recognition

Revenue comprises the invoiced value of goods supplied to customers excluding customer rebates, settlement discount and value added tax, on date of delivery.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

1.3 Property, plant and equipment

Property, plant and equipment are stated at cost to the Group less accumulated depreciation and any impairment losses.

Depreciation is provided on the straight-line basis at rates which will reduce the book value of the assets to estimated residual values at the end of their useful lives. The estimated useful lives and residual values are reviewed annually. Major improvements to buildings, plant and equipment are capitalised when economic value is added. Maintenance and repairs are expensed when incurred. The gain or loss on the disposal or retirement of an asset is determined as the difference between sales proceeds and the carrying amount of the assets and is recognised in income. Land is not depreciated.

1.4 Borrowing costs

Borrowing costs directly attributable to any acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of these assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the annual financial statements continued

for the year ended 30 June 2008

1.5 Trademarks and goodwill

Purchased trademarks are recognised as assets at their historical cost and were originally amortised over the shorter of their useful lives unless such lives are indefinite. Goodwill represents the excess of the purchase consideration over the net tangible asset values of subsidiaries or businesses acquired and are carried at cost less any impairment losses. All trademarks and intangibles are assessed for impairment. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Goodwill is tested for impairment at the end of each year or sooner if applicable. The Group does not recognise the reversal of impairment losses for goodwill. Gains and losses on the disposal of any entity include the carrying value of goodwill relating to the entity sold.

1.6 Amortisation

Amortisation of intangible assets is recognised in the income statement on a straight-line basis over the assets' estimated useful lives, unless such lives are indefinite. Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortised but are tested for impairment annually. Other intangible assets are amortised from the date they are available for use. The amortisation methods, estimated useful lives and residual values are reassessed annually.

1.7 Impairment of tangible and intangible assets (excluding goodwill)

The carrying amount of the Group's assets are reviewed at each balance sheet date to determine if there is any indication of impairment, in which case their recoverable amounts are estimated. Where the assets do not generate cash flows are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which asset it belongs.

Where the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Any excess of the impairment loss over the revaluation surplus is charged to profit and loss. A previously recognised impairment loss will be reversed if the recoverable amount increases as a result of the change in the estimates previously used to determine the recoverable amount, to an amount not higher than the carrying amount that would have resulted had no impairment loss being recognised. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount; in which case the reversal of the impairment loss is treated as a revaluation increase.

The recoverable amount is the higher of the fair value less cost to sell and the value-in-use. Fair value is determined by ascertaining the current market value of an asset and deducting any costs relating to the realisation of the asset. In assessing the value-in-use, the expected future cash flows from the asset are discounted to their net present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that is largely dependent on those of the other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

1.8 Reversal of impairment losses

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in previous years.

1.9 Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale. The value is determined using the first-in, first-out method. The value of work in progress and finished goods include direct material, labour and appropriate overhead costs. These costs are based on rates applicable to normal production capacity. Adequate provision is made for obsolete and slow-moving stock.

1.10 Foreign currency transactions and balances

It is the Group's policy to take forward cover in respect of all foreign liabilities.

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit for the period.

1.11 Taxation

The charge for taxation is based on the results for the period as adjusted for items which are non-assessable or disallowable. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the calculation of assessable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt in equity.

1.12 Retirement benefits

The policy of the Group is to provide retirement benefits for its employees. The Group expense in respect of contributions to pension and provident funds is based on the current service cost and is charged against income in the period that they become payable. The Group has a defined contribution plan. The Company provides post-retirement medical benefits to certain employees on retirement. The fund is valued annually and the actuarial loss or gain is taken to the income statement.

1.13 Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a part of the contractual provisions of the instrument.

Foreign currency forward contracts protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled. Any increase or decrease in the amount required to settle the asset or liability is off set by a corresponding movement in the value of the forward exchange rate.

1.13 Financial instruments *(continued)*

Financial assets

The principal financial assets are bank balances and cash, equity investments and trade receivables. Trade receivables are initially stated at their nominal value. Subsequently stated at fair value after reducing the debt by any appropriate allowance for estimated irrecoverable amounts.

Investments are initially recognised at cost and classified as either held-for-trading or available-for-sale, and are subsequently measured at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in the net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Long-term investments, where the Company is not in a position to exercise significant influence or joint control, are stated at cost less impairment loss, where the investment's carrying value exceeds its estimated recoverable amount.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Financial liabilities include finance lease obligations, interest-bearing bank loans and overdrafts, and trade and other payables. The accounting policy adopted for finance lease obligations is outlined in note 1.15.

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables are stated initially and subsequently at their nominal value.

Equity instruments are recorded at the proceeds received, net of direct issue costs.

Derecognition of financial liabilities

The Group derecognises financial liabilities, when and only when, the Group's obligations are discharged, cancelled or they expire.

1.14 Derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments are recognised in the income statement as they arise. It is the policy of the Group not to trade in derivative financial instruments for speculative purposes.

1.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a financial lease obligation. Finance costs, which represent the difference between the total lease commitments of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term in line with the requirements of IAS 17.

1.16 Provisions

Provisions are recognised when the Group has a present constructive, business or legal obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions for warranty costs are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's liability.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring and the Group has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. Restructuring provisions only include those direct expenditure which are necessarily entailed by the restructuring and not associated with the ongoing activities of the enterprise.

1.17 Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investment banks, net of bank overdrafts. In the balance sheet and cash flow statement, bank overdrafts are included in borrowings.

1.18 Research and development

Research and development costs are charged as an expense in the period in which they are incurred.

1.19 Treasury shares

Treasury shares represent shares in Amalgamated Appliance Holdings Limited that are held by subsidiary companies. These shares are held at cost and treated as a deduction against Group reserves. Dividends relating to treasury shares are eliminated on consolidation.

1.20 Equity compensation benefits

The Company grants share options to certain directors and employees under a share incentive trust.

1.21 Share-based payments

The Group issues equity settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's estimates for the effects of non-transferability, exercise restrictions and behavioural considerations.

1.22 Investments in subsidiaries

Investments in subsidiaries are recorded at cost. All investments are reviewed at each balance sheet date to determine if there is any indication of impairment.

Notes to the annual financial statements continued

for the year ended 30 June 2008

	GROUP 2008 R'000	GROUP 2007 R'000	COMPANY 2008 R'000	COMPANY 2007 R'000
2. (LOSS)/PROFIT BEFORE TAX				
(Loss)/profit is stated after the following:				
Auditors' remuneration				
– Audit fees	3 200	2 587	—	—
– (Over)/under provision in prior period	(170)	700	—	—
– Fees for other services	527	650	—	—
	3 557	3 937	—	—
Depreciation, amortisation and impairment				
– Office furniture and equipment	3 454	3 140	—	—
– Motor vehicles	2 110	1 168	—	—
– Plant	5 709	5 285	—	—
– Leasehold improvements	470	692	—	—
– Property	70	65	—	—
– Trademarks	—	684	—	—
– Impairments of trademarks	—	259	—	—
– Impairment/(reversal) of plant	2 461	(1 437)	—	—
	14 274	9 856	—	—
Loss/(profit) on disposal of property, plant and equipment				
– Plant	(36)	51	—	—
– Motor vehicles	108	(43)	—	—
– Office furniture and equipment	110	79	—	—
	182	87	—	—
Operating lease payments				
– Land and buildings	20 628	14 877	—	—
– Plant, machinery and motor vehicles	147	989	—	—
	20 775	15 866	—	—
Fair value adjustment on held for trading investment				
– Pension fund surplus	(31)	(423)	—	—
Consultants' fees				
– Technical	48	39	—	—
– Managerial	7 408	3 305	—	—
	7 456	3 344	—	—
Employee benefits expense				
Post-employment benefits expense (pension and provident fund)				
Defined contribution plan	7 975	10 634	—	—
Share-based payments	920	903	—	—
	8 895	11 537	—	—
Research and development	90	555	—	—
Occupancy	14 907	14 877	—	—
Distribution	93 184	93 453	—	—
Net write down/(write up) of inventory	23 419	(11 988)	—	—
Foreign exchange translations gains/(loss)	2 049	(23 661)	—	—

2. (LOSS)/PROFIT BEFORE TAX *(continued)*

Directors' emoluments 2008

Individual directors' emoluments (R'000)

	Fees for services R'000	Con-sultants fees R'000	Basic salary R'000	2008 bonuses R'000	Expense allowance R'000	Other benefits R'000	Pension contri-butions R'000	Total 2008 R'000	Total 2007 R'000
Executive									
AS Coward[2]	—	—	607	1 054[1]	63	37	49	**1 810**	—
SG Bernhardt[2]	—	—	1 406	—	156	315	—	**1 877**	1 518
J Cohen[2]	—	—	377	—	39	165	—	**581**	1 900
S Cohen[2]	—	4 000[3]	934	—	104	327	89	**5 454**	1 635
RD Marais	—	—	1 344	—	180	52	142	**1 718**	1 677
B Nichles[2]	—	—	593	500[1]	65	14	47	**1 219**	—
A Nossel[2]	—	1 000[4]	668	—	78	157	86	**1 989**	1 630
S Scafidas[2]	432	—	—	—	—	—	—	**432**	1 696
Total	432	5 000	5 929	1 554	685	1 067	413	**15 080**	10 056
Non-executive									
M Berzack	17,5	—	—	—	—	—	—	**17,5**	34,8
PL Campher	90,0	—	—	—	—	—	—	**90,0**	—
J Cohen	385,0	—	—	—	—	—	—	**385,0**	—
WA du Plessis	45,0	—	—	—	—	—	—	**45,0**	—
MJ Jooste[5]	3,8	—	—	—	—	—	—	**3,8**	18,8
M Kahn	17,5	—	—	—	—	—	—	**17,5**	34,8
JP Kieser	9,5	—	—	—	—	—	—	**9,5**	26,8
SH Müller	55,0	—	—	—	—	—	—	**55,0**	—
S Scafidas[6]	50,0	2 021	—	—	—	—	—	**2 071,0**	—
SA Levitt	65,0	—	—	—	—	—	—	**65,0**	42,8
D van der Merwe	—	—	—	—	—	—	—	**—**	18,8
Total	738,3	2 021	—	—	—	—	—	**2 759,3**	176,8

[1]*The bonus relates to joining fee payments*
[2]*Refer to directorate on page 5 for appointment & resignation & retirement details*
[3]*Paid to SMC Capital (Pty) Ltd*
[4]*Paid to Circuit City (Pty) Ltd*
[5]*Fees paid to Steinhoff International Holdings Limited*
[6]*Changed status in August 2007 from Executive to Non-Executive director*

Directors' emoluments 2007

Individual directors' emoluments (R'000)

	Fees for services R'000	Basic salary R'000	2007 bonuses R'000	Expense allowance R'000	Other benefits R'000	Pension contri-butions R'000	Total 2007 R'000
Executive							
J Cohen	—	1 744	—	155	1	—	1 900
SG Bernhardt	—	1 323	—	155	40	—	1 518
S Cohen	—	1 206	—	155	51	223	1 635
A Nossel	—	1 210	—	155	43	222	1 630
S Scafidas	1 475	—	—	—	—	221	1 696
RD Marais	—	1 258	—	180	47	192	1 677
Total	1 475	6 741	—	800	182	858	10 056
Non-executive							
M Berzack	34,8	—	—	—	—	—	34,8
M Jooste[1]	18,8	—	—	—	—	—	18,8
M Kahn	34,8	—	—	—	—	—	34,8
J Kieser	26,8	—	—	—	—	—	26,8
S Levitt	42,8	—	—	—	—	—	42,8
D van der Merwe[1]	18,8	—	—	—	—	—	18,8
Total	176,8	—	—	—	—	—	176,8

[1]*Fees paid to Steinhoff International Holdings Limited*

Notes to the annual financial statements continued

for the year ended 30 June 2008

2. (LOSS)/PROFIT BEFORE TAX *(continued)*

Share options Executive	Total options granted	Strike price R	Issue date	Balance at 30 June 2007 R	Options (exercised)/ granted	Lapsed	Balance at 30 June 2008 R
J Cohen[2]	100 000	1,00	July 03	40 000	—	(40 000)	—
	350 000	2,52	Mar 04	210 000	—	(210 000)	—
SG Bernhardt[2]	600 000	0,75	Jan 00	124 920	—	(124 920)	—
	100 000	1,00	July 03	60 000	(20 000)	–	40 000
	350 000	2,52	Mar 04	210 000	—	(210 000)	—
S Scafidas[1]	100 000	1,00	July 03	40 000	—	(40 000)	—
	350 000	2,52	Mar 04	210 000	—	(210 000)	—
RD Marais[1]	350 000	5,00	Aug 06	350 000	—	(350 000)	—
A Nossel[1]	100 000	1,00	July 03	40 000	—	(40 000)	—
	350 000	2,52	Mar 04	210 000	—	(210 000)	—
	180 000	5,00	Aug 06	180 000	—	(180 000)	—
S Cohen[1]	150 000	5,36	Mar 05	120 000	—	(120 000)	—
	280 000	5,00	Aug 06	280 000	—	(280 000)	—
B Nichles	780 000	2,10	Feb 08	—	780 000	—	780 000
	1 000 000	1,85	June 08	—	1 000 000	—	1 000 000
AS Coward	2 000 000	1,85	June 08	—	2 000 000	—	2 000 000
DB Oliver*	1 000 000	1,85	June 08	—	1 000 000	—	1 000 000

** Appointed executive director on 1 July 2008*
[1] Resigned during the year
[2] Retired during the year

	GROUP 2008 R'000	GROUP 2007 R'000	COMPANY 2008 R'000	COMPANY 2007 R'000
3. NET FINANCE COSTS				
3.1 Investment revenue				
Bank deposit	**3 717**	4 112	**—**	—
Other	**196**	331	**—**	3
	3 913	4 443	**—**	3
3.2 Finance costs				
Interest paid on borrowings	**(16 053)**	(14 981)	**—**	—
Other	**(831)**	(1 751)	**—**	—
	(16 884)	(16 732)	**—**	—
4. INCOME TAX (CREDIT)/EXPENSE				
South African normal taxation – current	**20 112**	37 439	**—**	—
South African normal taxation – prior	**370**	(86)	**—**	(96)
Deferred tax – current	**(28 053)**	(3 626)	**—**	—
Deferred tax – prior period	**201**	(521)	**—**	—
Deferred tax – rate change	**246**	—	**—**	—
	(7 124)	33 206	**—**	(96)
4.1 Taxation reconciliation				
Standard normal rate of taxation (%)	**28**	29	**—**	29
Taxation at standard rate	**(9 292)**	31 635	**—**	—
Adjusted for				
– deferred tax rate change	**246**	—	**—**	—
– permanent differences	**1 351**	2 178	**—**	—
– prior period adjustment	**571**	(607)	**—**	(96)
– Income tax (credit)/expense	**(7 124)**	33 206	**—**	(96)
– Effective rate of taxation (%)	**28,5**	30,4	**—**	—
Estimated taxation losses available to offset against future Taxation income:				
Opening balance	**4 270**	2 188	**—**	—
Raised	**108 163**	2 813	**—**	—
Utilised	**(2 384)**	(731)	**—**	—
Closing balance	**110 049**	4 270	**—**	—
Tax effect at standard normal rate of taxation	**30 814**	1 238	**—**	—

	GROUP 2008 R'000	GROUP 2007 R'000	COMPANY 2008 R'000	COMPANY 2007 R'000
5. CAPITAL DISTRIBUTION				
Current year	—	25 462	25 462	42 438
Treasury shares	—	(382)	(382)	(984)
	—	25 080	25 080	41 454

Distribution to shareholders

The directors have resolved not to declare a capital distribution for the current year (2007: 12 cents per share).

6. (LOSS)/EARNINGS PER SHARE

6.1 (Loss)/earnings per share

The calculation of the (loss)/earnings per share is based on the net loss attributable to ordinary shareholders of (R17 900 000) (2007: profit of R75 882 000) and the weighted average number of 208 645 922 (2007: 208 193 620) ordinary shares in issue during the respective years.

6.2 Headline (loss)/earnings per share

The calculation of (loss)/earnings per share is based on the net (loss) or earnings attributable to ordinary shareholders of (R17 900 000) (2007: profit of R75 882 000) adjusted by R131 000 (2007: R62 000) after taxation in respect of losses on disposal of property, plant and equipment and net impairment of R1 772 000 (2007: (R837 000 reversal)) totaling (R15 997 000) (2007: R75 107 000) and divided by the weighted average of ordinary shares in issue during the respective years.

6.3 Diluted (loss)/earnings per share – weighted

The calculation of weighted diluted loss/earnings per share are based on the net loss attributable to ordinary shareholders and headline (loss)/earnings as defined below, divided by the diluted number of 210 435 409 (2007: 209 452 716) ordinary shares. The dilutive effect is as a result of the share options in issue.

30 June 2008	Loss before tax R'000	Taxation R'000	Net loss June 2008 R'000
Reconciliation between earnings and headline earnings			
Per the financial statements	(25 024)	7 124	(17 900)
Adjustments:			
Loss on disposal of property, plant and equipment	182	(51)	131
Impairment of property, plant and equipment	2 461	(689)	1 772
Headline (loss)	(22 381)	6 384	(15 997)
Headline (loss) per share (cents)			(7,7)
Diluted headline (loss) per share (cents)			(7,6)

30 June 2007	Profit before tax R'000	Taxation R'000	Net profit June 2007 R'000
Reconciliation between earnings and headline earnings			
Per the financial statements	109 088	(33 206)	75 882
Adjustments:			
Loss on disposal of property, plant and equipment	87	(25)	62
Impairment reversal of property, plant and equipment	(1 437)	417	(1 020)
Impairment of trademarks	259	(76)	183
Headline earnings	107 997	32 890	75 107
Headline earnings per share (cents)			36,1
Diluted headline earnings per share (cents)			35,9

	Office furniture and equipment R'000	Motor vehicles R'000	Plant R'000	Leasehold improve-ments R'000	Property R'000	Total R'000
7. PROPERTY, PLANT AND EQUIPMENT						
7.1 30 June 2008						
Cost						
Opening balance	**24 981**	**8 706**	**54 534**	**6 738**	**12 004**	**106 963**
Additions	**2 084**	**2 630**	**5 097**	**20**	**—**	**9 831**
Disposals	**(249)**	**(1 220)**	**(1 445)**	**(95)**	**—**	**(3 009)**
Closing balance	**26 816**	**10 116**	**58 186**	**6 663**	**12 004**	**113 785**
Accumulated depreciation and impairment						
Opening balance	**16 900**	**2 749**	**36 110**	**4 872**	**192**	**60 823**
Disposals	**(139)**	**(529)**	**(1 410)**	**(95)**	**—**	**(2 173)**
Impairment	**—**	**—**	**2 461**	**—**	**—**	**2 461**
Depreciation for the year	**3 454**	**2 110**	**5 709**	**470**	**70**	**11 813**
Closing balance	**20 215**	**4 330**	**42 870**	**5 247**	**262**	**72 924**
Net book value	**6 601**	**5 786**	**15 316**	**1 416**	**11 742**	**40 861**
Depreciation rates (%)	**20 – 33**	**20**	**10**	**10 – 50**	**2**	**—**
7.2 30 June 2007						
Cost						
Opening balance	21 658	7 167	44 821	6 654	11 678	91 978
Additions	5 424	1 415	11 992	123	325	19 279
Reclassifications	2	294	25	(28)	1	294
Disposals	(2 103)	(170)	(2 304)	(11)	—	(4 588)
Closing balance	24 981	8 706	54 534	6 738	12 004	106 963
Accumulated depreciation and impairment						
Opening balance	15 771	1 324	34 516	4 190	127	55 928
Reclassifications	1	293	(1)	1	—	294
Disposals	(2 012)	(36)	(2 253)	(11)	—	(4 312)
Impairment reversal	—	—	(1 437)	—	—	(1 437)
Depreciation for the year	3 140	1 168	5 285	692	65	10 350
Closing balance	16 900	2 749	36 110	4 872	192	60 823
Net book value	8 081	5 957	18 424	1 866	11 812	46 140
Depreciation rates (%)	20 – 33	20	10	10 – 50	2	—

	Office furniture and equipment R'000	Motor vehicles R'000	Plant R'000	Total R'000
7. PROPERTY, PLANT AND EQUIPMENT *(continued)*				
Leased assets (including in the property, plant and equipment note: 7.1 and 7.2)				
7.3 30 June 2008				
Cost				
Opening balance	408	3 147	10 328	13 883
Additions	—	2 399	2 936	5 335
Disposals	—	(194)	—	(194)
Closing balance	408	5 352	13 264	19 024
Accumulated depreciation				
Opening balance	370	1 571	3 884	5 825
Depreciation for the year	38	812	2 196	3 046
Disposals	—	(140)	—	(140)
Closing balance	408	2 243	6 080	8 731
Net book value	—	3 109	7 184	10 293
Depreciation rates (%)	20	20	10	—
Leased assets (including in the property, plant and equipment note: 7.1 and 7.2)				
7.4 30 June 2007				
Cost				
Opening balance	408	2 600	10 222	13 230
Additions	—	547	106	653
Closing balance	408	3 147	10 328	13 883
Accumulated depreciation				
Opening balance	352	976	2 554	3 882
Depreciation for the year	18	595	1 330	1 943
Closing balance	370	1 571	3 884	5 825
Net book value	38	1 576	6 444	8 058
Depreciation rates (%)	20	20	10	—

7.5 Property

Property consists of:

– Buildings and land on portion 64 (a portion of portion 420 of the farm Melkpost No. 4, Atlantis), Industrial area, Local area, Cape Division. The property was acquired in December 1977 for R212 744.

	GROUP		COMPANY	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
8. TRADEMARKS AND GOODWILL				
8.1 Trademarks				
Cost	13 675	13 675	—	—
Accumulated amortisation and impairment	(9 079)	(9 079)	—	—
Opening balance	(9 079)	(8 136)	—	—
Amortisation during the year	—	(684)	—	—
Impairment	—	(259)	—	—
Closing balance	4 596	4 596	—	—

The Group does not amortise trademarks. The trademarks are reviewed annually, for impairment taking into account their useful lives and economic values. Having considered the projected future cash flows for the remaining trademark, no impairment adjustment was made (2007: R259 000 impairment). Trademarks comprise Pace, Novex and Saisho brand names.

	GROUP		COMPANY	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
8. TRADEMARKS AND GOODWILL *(continued)*				
8.2 Goodwill				
Carrying amount at the beginning and end of the year.	**1 170**	1 170	**—**	—
The goodwill relates to the cash-generating unit Tedelex in Tedelex Trading (Proprietary) Limited. The recoverable amount of this cash-generating unit is determined based on a value-in-use calculation which uses cash flow projections based on financial forecasts over the remaining life of nine years and a discount rate of 17,5% per annum (2007: 12%). This discount rate approximates the Group's cost of capital. The cash flow projections are based on the sales for the cash-generating unit as per the board approved budget for the ensuing financial year escalated at 10% per annum over the remaining life. The forecast gross margin has been kept constant over the forecast period. Based on this assessment, no indication of impairment exists. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying value to exceed the recoverable amount of the cash-generating unit.				
9. INTEREST IN SUBSIDIARIES				
Cost – unlisted	**—**	—	**91 321**	94 329
Amalgamated Appliances (Proprietary) Limited	**—**	—	**33 421**	33 421
Tedelex Trading (Proprietary) Limited	**—**	—	**57 900**	57 900
Tedelex Mobile (Proprietary) Limited	**—**	—	**—**	3 008
An impairment of R3 008 000 was provided during the year on the investment in Tedelex Mobile (Proprietary) Ltd as the company is in the process of winding down operations. This investment will be reviewed in the next financial year once all the debtors' collections have been received.				
Loans (from)/to subsidiaries	**—**	—	**(1 354)**	24 095
Amalgamated Appliances (Proprietary Limited)*	**—**	—	**(5 703)**	19 746
Haz Products (Proprietary) Limited*	**—**	—	**3 719**	3 719
Tedelex Trading (Proprietary) Limited*	**—**	—	**630**	630
Loans to subsidiaries are interest free and are not repayable within the next 12 months. The directors value the interest in subsidiaries at R89 967 000 (2007: R118 424 000). Refer to page 54 for details of interest in subsidiaries.				
**Various contingent assets regarding equity loans to subsidiary companies have not been raised.*				
Interest in subsidiaries	**—**	—	**89 967**	118 424
10. OTHER FINANCIAL ASSETS				
10.1 Pension fund surplus				
Opening balance	**2 319**	9 645	**—**	—
Contribution deductions	**(2 350)**	(7 749)	**—**	—
Fair value adjustment	**31**	423	**—**	—
	—	2 319	**—**	—
10.2 Furas Manufacturing SA (Proprietary) Limited				
Opening balance	**—**	566	**—**	—
Repayments	**—**	(566)	**—**	—
Closing balance	**—**	—	**—**	—
Total other financial assets	**—**	2 319	**—**	—

Notes to the annual financial statements continued

for the year ended 30 June 2008

	GROUP 2008 R'000	GROUP 2007 R'000	COMPANY 2008 R'000	COMPANY 2007 R'000
11. DEFERRED TAX				
Opening balance	7 330	3 183	—	—
Utilisation of deferred tax asset				
– current	28 053	3 626	—	—
– prior	(201)	521	—	—
– rate	(246)	—	—	—
Closing net deferred tax	34 936	7 330	—	—
Deferred tax asset	37 098	10 456	—	—
Deferred tax liability	(2 162)	(3 126)	—	—
Represented by:				
– provision disallowed	8 029	10 170	—	—
– revised unutilised tax loss	30 814	1 238	—	—
– property, plant and equipment, trademarks and intangibles	(3 714)	(3 578)	—	—
– prepayments	(193)	(500)	—	—
	34 936	7 330	—	—
Deferred tax asset and liabilities have not been offset as they relate to different statutory entities.				
12. INVENTORIES				
Raw materials	55 355	42 409	—	—
Consumable stores	195	292	—	—
Finished goods	309 638	323 721	—	—
Inventories	365 188	366 422	—	—
– at net realisable value	97 807	34 650	—	—
– at cost	267 381	331 772	—	—
13. TRADE AND OTHER RECEIVABLES				
Trade receivables	298 650	264 203	—	—
Allowances for doubtful debts	(1 934)	(831)	—	—
	296 716	263 372	—	—
Other receivables	10 588	30 091	—	—
Trade and other receivables	307 304	293 463	—	—
The directors consider the carrying amount of trade and other receivables to approximate their fair value. The credit terms of trade receivables ranges between 30 and 90 days.				
14. SHARE CAPITAL				
Authorised				
800 000 000 ordinary shares of 1 cent each at the beginning of the year	8 000	3 000	8 000	3 000
500 000 000 ordinary shares of 1 cent each increase (2007)	—	5 000	—	5 000
800 000 000 ordinary shares of 1 cent each at year-end	8 000	8 000	8 000	8 000
Issued				
212 189 689 ordinary shares of 1 cent each	2 122	2 122	2 122	2 122
15. SHARE PREMIUM				
Premium on shares issued at the beginning of the year.	120 303	162 741	120 303	162 741
Capital distribution	(25 462)	(42 438)	(25 462)	(42 438)
	94 841	120 303	94 841	120 303

No capital distribution declared for the year (2007: 12 cents per share) out of share premium.

	GROUP		COMPANY	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
16. LONG-TERM BORROWINGS				
Amounts payable under finance leases	**11 891**	10 934	**—**	—
Amounts payable within one year	**(5 065)**	(3 818)	**—**	—
Long-term borrowings (2 – 5 years)	**6 826**	7 116	**—**	—

It is the Group's policy to lease certain of its office furniture and equipment, motor vehicles and plant under finance leases. The average lease term is five years with an average monthly installment of approximately R422 000 (2007: R318 000). For the period ended June 2008 the average effective borrowing rate was12,5% (2007: 10,1%) per annum. These are secured over leased assets disclosed in note 7. Interest rates are linked to the prime overdraft rate. In terms of the articles of association of the Company and all its subsidiaries, borrowing powers are unlimited.

16.1 Obligations under finance leases

Finance leases relate to equipment with finance terms of two to five years. The Company's obligations under finance leases are secured by the financed assets.

	GROUP Minimum lease payments		GROUP Present value of minimum lease payments	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
Amounts payable within one year	**6 002**	4 364	**5 065**	3 818
Amounts payable two years and not later than five years	**8 324**	8 542	**6 826**	7 116
	14 326	12 906	**11 891**	10 934
Less future finance charges	**(2 435)**	(1 972)	**—**	—
Present value of minimum lease payments	**11 891**	10 934	**11 891**	10 934
Included in the financial statements as:				
Non-current liabilities			**6 826**	7 116
Current liabilities			**5 065**	3 818
			11 891	10 934

	GROUP		COMPANY	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
17. TRADE AND OTHER PAYABLES				
Trade payables	**120 011**	216 464	**—**	—
Accruals	**87 738**	74 763	**—**	—
Accounts payable	**207 749**	291 227	**—**	—

The directors consider the carrying amount of trade and other payables to approximate their fair value. The credit terms of trade payables ranges between 30 and 90 days.

	Warranty provisions R'000	**Post-employment medical benefits R'000**	**June 2008 Total R'000**	June 2007 Total R'000
18. PROVISIONS				
GROUP				
Opening balance	**11 370**	**2 837**	**14 207**	8 476
Additional provision for the year	**12 932**	**252**	**13 184**	25 284
Utilisation of provision	**(15 967)**	**(228)**	**(16 195)**	(19 553)
Closing balance	**8 335**	**2 861**	**11 196**	14 207

The warranty provision represents management's best estimate of the Group's liability under warranties granted on electrical products and based on prior experience and industry averages for defective products.

Post-employment medical benefits

An actuarial valuation of Tedelex Trading (Proprietary) Limited's post-employment medical benefits has been performed in accordance with IAS 19 by using the Projected Unit Credit Method taking the following actuarial assumptions into account: discount rate 10,25% p.a. (2007: 7,75% p.a.), post-retirement mortality PA(90) (2007: PA(90)), and husband-wife age difference of four years (2007: four years).

	GROUP 2008 R'000	GROUP 2007 R'000	COMPANY 2008 R'000	COMPANY 2007 R'000
18. PROVISIONS *(continued)*				
18.1 Reconciliation of accrued liability				
The liability has been reconciled as follows:				
Accrued liability at beginning of the year	**2 837**	2 063	**—**	—
Interest cost	**220**	169	**—**	—
Employer disbursements	**(373)**	(377)	**—**	—
Actuarial loss	**177**	982	**—**	—
Total accrued liability at year-end	**2 861**	2 837	**—**	—

18.2 Projection of valuation results

	R'000
Accrued liability as at 30 June 2008	**2 861**
Interest cost (at 10,25 p.a.)	**290**
Employer benefit payments	**(382)**
Projected accrued liability as at 30 June 2009	**2 769**

18.3 Sensitivity results

The recalculation of the liability to show the following effects

- A one percentage point decrease or increase in the discount rate
- A change in the post-employment mortality tables used

	Central assumption	Discount rate (1%)	Discount rate 1%
Accrued liability as at 30 June 2008 R'000	2 861	3 044	2 698
% Change	—	+ 6,8%	(5,7%)

	GROUP 2008 R'000	GROUP 2007 R'000	COMPANY 2008 R'000	COMPANY 2007 R'000
19. COMMITMENTS				
19.1 Capital expenditure				
Authorised but not contracted	**1 098**	1 637	**—**	—
This capital expenditure is to be financed from existing facilities.				
	1 098	1 637	**—**	—
19.2 Lease commitments – operating				
The future operating lease commitments for the Group are R28 062 000 (2007: R31 999 000) for property and R nil (2007: R2 538 000) for plant, equipment and vehicles.				
Due as follows:				
– Within one year	**8 791**	8 761	**—**	—
– Two to five years	**19 271**	24 048	**—**	—
– Greater than five years	**—**	1 728	**—**	—
	28 062	34 537	**—**	—
20. BANK FACILITIES				
The facilities with the various banks which include bank overdrafts, call loans, short-term loans, foreign exchange finance guarantees and letters of credit as at 30 June were as follows:				
Absa Bank Limited	**126 674**	126 674	**—**	—
Citibank*	**—**	137 837	**—**	—
First National Bank Limited	**100 000**	110 000	**—**	—
HSBC	**140 000**	267 880	**—**	—
Investec	**30 000**	30 000	**—**	—
Nedbank Limited	**65 000**	85 000	**—**	—
Standard Bank of South Africa Limited	**75 000**	200 000	**—**	—
Standard Chartered Bank*	**—**	62 000	**—**	—
Total banking facilities	**536 674**	1 019 391	**—**	—

**Facilities closed during the financial period*

Interest on borrowings is incurred at prime less the risk factor attached. Prime rate varies between 1% – 1,5% below prime. All borrowings are unsecured.

21. RETIREMENT BENEFITS

The Group has made provision for pension and provident schemes covering substantially all employees. All eligible employees are members of defined contribution schemes administered by the Company. The assets of these schemes are held in administered trust funds separate from the Group's assets. Scheme assets primarily consist of listed shares and fixed income securities. The funds are governed by the Pension Funds Act of 1956.

The total expense recognised in the Group Income Statement of R7 975 003 (2007: R10 634 000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

22. FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, trade receivable and payable and loans to subsidiaries, leases and hire-purchase agreements.

In respect of all financial instruments mentioned above, carrying value approximates fair value.

Derivative instruments are used by the Group for hedging purposes. Such instruments used by the Group are forward exchange contracts. The Group does not speculate in the trading of derivative instruments.

22.1 Interest rate risk

The Group may be exposed to interest rate risk as it borrows funds at floating interest rates.

To minimise a portion of the interest rate risk attached to the leasing of motor vehicles for the Group, use is made of a vehicle access finance (VAF) facility with a major bank.

Interest rate sensitivity analysis

The Group is exposed to interest rate risk as it borrows at rates linked to the prime lending rate.

The Group's exposure to interest rates relates to the Group's borrowings and finance leases, all of which attract interest at rates linked to the prime lending rate.

An assessment of the Group's sensitivity to interest rate exposure shows that if interest rates had been 100 basis points higher and all other variables remained constant, the Group's loss after tax for the year ended 30 June 2008 would increase by R598 644 (2007: profit after tax would decrease by R77 631). The assessment assumes that the amount of the outstanding liability at the balance sheet date was outstanding for the whole year. A 100 basis point increase represents management's assessment of the reasonably possible change in interest rates.

22.2 Foreign currency risk

The Group's policy is to hedge/cover, by use of derivative instruments, all foreign denominated trade commitments, within an agreed treasury policy which has been approved by the Board of Directors.

In this regard, the Group establishes forward cover to meet its foreign commitments not yet due and in the future and for proceeds not received in respect of exports.

The majority of forward cover is established to mature within a period of 90 days from the date cover is taken and the commitment is firm and ascertainable.

22.3 Financial risks for the Group

(a) *Capital Risk Management*

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern

• Gearing ratio

The gearing ratio at year end was as follows:	**2008 R'000**	2007 R'000
Debt	**(83 145)**	(10 934)
Less: Bank and cash on hand	**53 804**	160 847
Net debt	**(29 341)**	Nil
Equity	**(506 337)**	(551 163)
% Net debt to equity ratio	**5,8**	Nil

• Debt defined as long- and short-term interest bearing borrowings;

• Equity includes all capital and reserves of the Group.

(b) *Market Risk*

Market Risk is continuously monitored by senior management of the respective entities within the Group and Board of Directors.

The Group also exposes itself to the financial risks of changes in the interest rates and liquidity.

(c) *Liquidity Risk*

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. It is further managed by ensuring adequate banking facilities are available at all times to meet cash requirements.

Notes to the annual financial statements continued

for the year ended 30 June 2008

22. FINANCIAL RISK MANAGEMENT *(continued)*

22.4 Foreign currency management

Trade exposure

The Group's policy is to cover all foreign trade commitments, in accordance with the agreed treasury policy which has been approved by the Board of directors. Each division manages its own trade exposure. In this regard, the Group has entered into certain forward exchange contracts to cover foreign commitments not yet due and proceeds not yet received.

The contracts will be utilised during the next 12 months. Details of these contracts are:

	Foreign exchange contracts		Foreign currency		Market value		Fair value adjustment	
Currency	**30 June 2008 R'000**	30 June 2007 R'000	**30 June 2008 '000**	30 June 2007 '000	**30 June 2008 R'000**	30 June 2007 R'000	**30 June 2008 R'000**	30 June 2007 R'000
British Sterling	**414**	1 413	**27**	99	**427**	1 422	**13**	9
Euro	**2 543**	6 049	**203**	624	**2 526**	6 054	**(17)**	5
Hong Kong Dollar	**37**	66	**36**	72	**37**	66	**—**	—
US Dollar	**180 765**	322 791	**22 422**	45 098	**179 068**	322 638	**(1 697)**	(153)
Total	**183 759**	330 319			**182 058**	330 180	**(1 701)**	(139)

**88% of total forward cover matures during the 3 months ended 30 September 2008, and the balance of 12% in the period October to December 2008. No forward cover was taken beyond 6 months from year-end.*

Foreign exchange sensitivity analysis

The Group is primarily exposed to the exchange rate fluctuations in relation to the US dollar. An assessment of the Group's sensitivity to the rand:dollar exchange rate shows that should the rand strengthen by 10% against the dollar, the Group's loss after tax for the year ended 30 June 2008 would increase by R13 015 000 (2007: profit after tax would decrease by R22 918 161). A 10% weakening of the rand versus the dollar would result in a profit of the same amount. The assessment includes all foreign currency denominated monetary items and adjusts their translation at the end of the year.

22.5 Credit risk

Potential areas of credit risk consist of trade receivables and short-term cash investments. Trade receivables consist mainly of large corporate customers and the Group monitors the financial position of its customers on an ongoing basis.

Where appropriate, the use of Credit Guarantee Insurance is made to cover unlisted customers.

Provision is made for specific bad debts at year end and management did not consider there to be any material credit risk that was not covered by Credit Guarantee Insurance or a bad debt provision.

It remains group policy to deposit short-term cash investments with the major banks.

The table below sets out the credit limit and carrying amount of the five major customers at year end.

	2008		2007	
	Credit limit R'000	**Carrying value R'000**	Credit limit R'000	Carrying value R'000
Customer 1	**114 000**	**112 540**	114 000	92 120
Customer 2	**259 920**	**49 530**	259 920	74 510
Customer 3	**51 300**	**47 130**	51 300	33 580
Customer 4	**155 950**	**33 470**	155 950	75 910
Customer 5	**34 200**	**26 590**	34 200	16 780

Trade receivables are shown net of provisions for amounts which are considered doubtful. This provision has been determined based on knowledge of current market conditions and specific risks pertaining to individual customers, as well as past default experience. Included in the trade receivable balance are debtors with a carrying amount of R42 594 000 (2007: R38 436 000) which are past due at the reporting date.

Ageing of past due but not impaired	**2008 R'000**	2007 R'000
60 – 90 days	**40 417**	35 357
90 – 120 days	**884**	2 571
+120 days	**1 293**	508
Total past due	**42 594**	38 436

In line with the Group's accounting policies (which are consistent with the prior year), total accruals in addition to those set out in note 13 amounting to R32 916 930 (2007: R27 548 224) are held in respect of the Group's total trade receivables. These accruals relate to, *inter alia*, customer returns and claims.

23. RELATED PARTY TRANSACTIONS AND DIRECTORS' INTERESTS

23.1 Related party transactions – Company and subsidiaries

	Loans to/(from)		Sales		Purchases		Interest/other (received)/paid	
	30 June 2008 R'000	30 June 2007 R'000	30 June 2008 R'000	30 June 2007 R'000	30 June 2008 R'000	30 June 2007 R'000	30 June 2008 R'000	30 June 2007 R'000
Related party								
Tedelex Trading (Pty) Ltd	**(52 601)**	(42 973)	**1 941**	17 453	**1 257**	—	**—**	—
Tedelex Mobile (Pty) Ltd	**(9 525)**	(25 006)	**—**	—	**—**	—	**—**	—
Haz Products (Pty) Ltd	**2 653**	2 040	**—**	—	**—**	—	**(330)**	(207)
Amalgamated Appliances (Pty) Ltd	**50 949**	63 716	**1 145**	—	**2 137**	—	**330**	207
SMC Sales Logistics (Pty) Ltd	**(9 645)**	(14 089)	**308**	—	**—**	17 453	**—**	—
Tedelex Manufacturing (Pty) Ltd	**(2 709)**	(65)	**—**	—	**—**	—	**—**	—
Tedelex Properties (Pty) Ltd	**2 324**	1 453	**—**	—	**—**	—	**—**	—
Tedelex Properties (Atlantis) (Pty) Ltd	**4 087**	2 879	**—**	—	**—**	—	**—**	—
Empisal (Pty) Ltd	**12 045**	12 045	**—**	—	**—**	—	**—**	—

23.2 Directors' interests

The following transactions took place with divisional directors (excluding executive directors) during the year under review.

	Loans to		Sales		Emoluments		Share option gains	
	30 June 2008 R'000	30 June 2007 R'000	30 June 2008 R'000	30 June 2007 R'000	30 June 2008 R'000	30 June 2007 R'000	30 June 2008 R'000	30 June 2007 R'000
Directors' interests	**—**	9	**175**	259	**12 070**	15 379	**26**	1 098
Al-pack Packaging Solutions (Pty) Ltd*	**49**	—	**553**	—	**—**	—	**—**	—

**Interest held by SA Levitt*

	30 June 2008 R'000	30 June 2007 R'000
23.3 Call Mobility directors		
Restraint of trade reversal	**—**	(3 000)

24. SUBSEQUENT EVENTS

Save for a legal dispute relating to the cancellation by the Group of certain orders placed amounting to approximately R40 million, no events material to the understanding of this report have occurred during the period between 30 June 2008 and the date of this report.

25. CONTINGENT LIABILITY

As disclosed in the Group's annual report for the year ended 30 June 2007 and its interim results 31 December 2007, SARS issued a letter of intent in February 2007 to levy customs and excise duty on a wholly owned subsidiary for R28,3 million. The subsidiary has raised a formal objection, in line with the professional advice of its external legal advisers, and remains confident that its objection will be upheld.

26. JUDGMENTS AND ESTIMATES

Property, plant and equipment

The Group makes judgments based on estimates and assumptions concerning the future of property, plant and equipment and trade-marks. The estimated useful lives and residual value are reviewed annually, taking account of the forecast economic and commercial factors and through benchmarking of accounting treatments in the electric and appliance industries where these assets are used.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in the future against which these can be utilised. Future taxable profits are estimates based on plans which include estimates and assumptions regarding economic growth, interest, inflation, taxation rates and competitive forces.

Provision for stock obsolence

The directors use their judgement in selecting an appropriate obsolete stock policy based on the saleability of stock, taking into account the ageing of current stock holding and current market trends.

Provision for doubtful debts

The provision for doubtful debts is continually assessed by the directors as set out in note 22.5 (credit risk).

Employee share option plan

The Group has an ownership-based compensation scheme for executives and senior employees of the Group. In accordance with the provisions of the plan which provides for the Performance Share Plan and a share option scheme as approved by shareholders at a previous annual general meeting.

The valuation is based on the following share option scheme in existence at the end of the current reporting year 30 June 2008.

Share options granted	Number	Allocation price (cents)	Expiry date	Exercise price (cents)	Fair value at grant date
June 2008					
Allocation September 2003	224 500	100	Sept 2009	100	100
Allocation March 2004	286 000	252	Jun 2010	252	252
Allocation August 2006	397 000	500	Nov 2012	500	500
Allocation February 2008	780 000	210	May 2014	210	210
Allocation June 2008	4 900 000	185	Oct 2012	185	185
June 2007					
Allocation September 2003		100	Sept 2009	100	100
Allocation March 2004		252	Jun 2010	252	252
Allocation March 2005		536	Jun 2011	536	536
Allocation August 2006		500	Nov 2012	500	500

The share option scheme was priced using the "Actuarial Beneficial Model".

Grant date share price	100	252	536	210	185
Exercise price	100	252	536	210	185
Expected volatility	42,33	37,60	36,24	34,96	38,34
Options life	2	3	4	4	5
Dividend yield (two years)	4,3%	4,3%	4,3%	3,62	4,3%
Risk-free interest rate	11,43	11,13	10,73	8,75	10,45

Average over five year period

The following reconciles the outstanding share options granted under the share option scheme of the beginning and end of the financial year (refer to the directors' report).

The performance share plan was priced as follows:

	Grant date 01/07/2007	Grant date 01/02/2008	Grant date 01/04/2008
Grant date strike price (R)	0,0001	0,0001	0,0001
Risk-free interest rate	8,89%	8,84%	9,15%
Expected volatility	28,46%	31,09%	33,23%
Dividend yield (two years)	3,21%	3,62%	3,91%
Option life (years)	3	3	3

Warranty

The provision for warranty is continually assessed by the directors as set out in note 18.

27. NEW ACCOUNTING PRONOUNCEMENTS

At the date of authorisation of these financial statements, the following standards were in use but not yet effective:

IFRS 1	First-time Adoption of International Reporting Standards – *Amendments relating to cost of an investment on first-time adoptions. Effective 1 January 2009*
IFRS 2	Share-Based Payments – *Amendments relating to vesting conditions and cancellations. Effective 1 January 2009*
IFRS 3	Business Combination – *Comprehensive revision to accounting for business combinations. Effective 1 July 2009*
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations – *Amendments resulting from May 2008 Annual Improvements to IFRS relating to plan to sell the controlling interest in a subsidiary. Effective 1 July 2009*
IFRS 7	Financial Instruments: Disclosures – *Presentation of finance costs. Effective 1 January 2009*
IFRS 8	Operating Segments – *New standard on segment reporting (replaces IAS 14). Effective 1 January 2009*
IAS 1	Presentation of Financial Statements – *Comprehensive revision including requiring a statement of comprehensive income. Effective 1 January 2009*
IAS 1	Presentation of Financial Statements – *Amendments relating to disclosure of puttable instruments and obligations arising on liquidation. Effective 1 January 2009*
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors – *Status of implementation guidance*. *Effective 1 January 2009*
IAS 10	Events after the Balance Sheet Date – *Dividends declared after the end of the reporting period*. *Effective 1 January 2009*
IAS 16	Property, Plant and Equipment – *Amendments resulting from May 2008 Annual Improvements to IFRS relating to Recoverable amount and sale of assets held for rental. Effective 1 January 2009*
IAS 18	Revenue – *Costs of originating a loan. Effective 1 January 2009*
IAS 19	Employee Benefits – *Amendments resulting from May 2008 Annual Improvements to IFRS relating to curtailments and negative past service cost, plan administration costs, replacement of term 'fall due' and guidance on contingent liabilities. Effective 1 January 2009*
IAS 20	Government Grants and Disclosure of Government Assistance – *Amendments resulting from May 2008 Annual Improvements to IFRS relating to government loans with a below-market rate of interest and consistency of terminology with other IFRS. Effective 1 January 2009*
IAS 23 (revised)	Borrowing Costs – *Amendments requiring capitalisation only model and defining components of borrowing costs. Effective 1 January 2009*
IAS 27	Consolidated and Separate Financial Statements – *Consequential amendments arising from amendments to IFRS 3. Effective 1 January 2009*
IAS 27	Consolidated and Separate Financial Statements – *Amendment relating to cost of an investment on first-time adoption. Effective 1 January 2009*
IAS 28	Investment in Associates – *Consequential amendments arising from amendments to IFRS 3. Effective 1 January 2009*
IAS 28	Investment in Associates – *Amendments resulting from May 2008 Annual Improvements to IFRS relating to required disclosures when investments in associates are accounted for at fair value through profit or loss and impairment of investment in associate. Effective 1 January 2009*
IAS 29	Financial reporting in Hyperinflationary Economies – *Amendments resulting from May 2008 Annual Improvement to IFRS relating to description of measurement basis in financial statements and Consistency of terminology with other IFRS. Effective 1 January 2009*
IAS 31	Interest in Joint Ventures – *Consequential amendments arising from amendments to IFRS 3. Effective 1 January 2009*
IAS 31	Interest in Joint Ventures – *Amendments resulting from May 2008 Annual Improvements to IFRS relating to required disclosures when interest in jointly controlled entities are accounted for at fair value through profit or loss. Effective 1 January 2009*
IAS 32	Financial Instruments: Presentation – *Amendments relating to puttable instruments and obligations arising on liquidation. Effective 1 January 2009*
IAS 34	Interim Financial Reporting – *Earnings per share disclosures in interim financial reports. Effective 1 January 2009*
IAS 36	Impairment of Assets – *Amendments resulting from May 2008 Annual Improvements to IFRS relating to disclosure of estimates used to determine recoverable amount. Effective 1 January 2009*
IAS 38	Intangible Assets – *Amendments resulting from May 2008 Annual Improvements to IFRS relating to advertising and promotional activities and unit of production method of amortisation. Effective 1 January 2009*
IAS 39	Financial Instruments: Recognition and Measurement – *Amendments resulting from May 2008 Annual Improvement to IFRS relating to amendment to eligible hedged item, reclassification of derivatives into or out of the classification of at fair value through profit or loss, designating and documenting hedges at the segment level, applicable effective interest rate on cessation of fair value hedge accounting. Effective 1 January 2009*
IAS 40	Investment Property – *Amendments resulting from May 2008 Annual Improvement to IFRS relating to property under construction or development for future use as investment property, consistency of terminology with IAS 8 and investment property held under lease. Effective 1 January 2009*
IAS 41	Agriculture – *Amendments resulting from May 2008 Annual Improvements to IFRS relating to discount rate for fair value calculations, additional biological transformation, examples of agricultural produce and products and Point-of-sale costs. Effective 1 January 2009*
IFRIC 12	Service Concession Arrangements. *Effective 1 January 2008*
IFRIC 13	Customer Loyalty Programmes. *Effective 1 July 2008*
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. *Effective 1 January 2008*
IFRIC 15	Agreements for the Construction of Real Estate. *Effective 1 January 2009*
IFRIC 16	Hedges of a Net Investment in a Foreign Operation. *Effective 1 October 2008*

The Group will adopt the above standards, interpretations and amendments on the effective date to the extent applicable. Management expects that the adoption of the standards listed above will have no material impact on the financial statements in the period of initial application.

28. INTEREST IN SUBSIDIARIES

	Name of subsidiary company	Date and place of incorporation	Issued ordinary shares	Holding (%)	Effective date of becoming a subsidiary	Principal business
28.1	**Direct**					
	Amalgamated Appliances (Proprietary) Limited (Reg no 1991/004931/07)	6 September 1991 Pretoria	3	100	March 1997	Manufacturer and distributor
	Haz Products (Proprietary) Limited (Reg no 1980/006458/07)	24 July 1980 Pretoria	300	100	March 1997	Investment company
	Tedelex Trading (Proprietary) Limited (Reg no 1996/014667/07)	25 October 1996 Pretoria	1	100	July 1999	Manufacturer and distributor
	Tedelex Mobile (Proprietary) Limited (Reg no 2005/009388/07)	29 March 2005 Pretoria	100	100	July 2005	Cell phone Distribution
28.2	**Indirect**					
	Africatek (Proprietary) Limited (Reg no 1998/025128/07)	15 December 1998 Pretoria	100	100	July 1999	Dormant
	Appliances on Line (Proprietary) Limited (Reg no 1998/016078/07)	17 August 1998 Pretoria	1	100	August 1998	Dormant
	Cape Cabinets (Proprietary) Limited (Reg no 1975/000672/07)	5 March 1975 Pretoria	“A” shares 3 040 “B” shares 960	100	July 1999	Dormant
	Empisal (Proprietary) Limited (Reg no 1950/036126/07)	20 February 1950 Pretoria	20 000	100	July 1999	Dormant
	SMC Sales Logistics (Proprietary) Limited (Reg no 1996/002096/07)	21 February 1996 Pretoria	1	100	December 2002	Distributor
	Tedelex (Proprietary) Limited (Reg no 89/237)	15 August 1989 Lesotho	1 000	100	July 1999	Dormant
	Tedelex (Botswana) (Proprietary) Limited (Reg no 94/642)	22 April 1994 Botswana	2	100	July 1999	Dormant
	Tedelex Manufacturing (Proprietary) Limited (Reg no 1969/000612/07)	14 January 1969 Pretoria	100	100	July 1999	Manufacturing and distribution
	Tedelex Properties (Atlantis) (Proprietary) Limited (Reg no 1971/002455/07)	1 March 1971 Pretoria	2	100	July 1999	Property owning and letting
	Tedelex Properties (Proprietary) Limited (Reg no 1968/007860/07)	15 July 1968 Pretoria	200	100	Dec 2002	Property letting

Analysis of shareholders

as at 30 June 2008

	Number of shareholders	Percentage	Number of shares	Percentage
HOLDINGS				
1 to 1 000	870	43,11	292 681	0,14
1 001 to 10 000	720	35,68	2 740 218	1,29
10 001 to 100 000	261	12,93	8 801 387	4,15
100 001 to 1000 000	124	6,14	37 563 680	17,70
1 000 001 shares and over	43	2,13	162 791 723	76,72
TOTAL	2 018	100	212 189 689	100,00
CATEGORY OF SHAREHOLDERS				
Banks	22	1,09	9 937 994	4,68
Close Corporations	25	1,24	3 151 889	1,50
Endowment Funds	15	0,74	1 933 405	0,91
Individuals	1 568	77,70	8 421 294	3,97
Insurance Companies	9	0,45	1 585 679	0,74
Investment Company	12	0,59	18 562 152	8,75
Medical Aid Schemes	2	0,10	393 040	0,19
Mutual Funds	79	3,91	55 851 908	26,32
Nominees and Trusts	85	4,21	2 419 962	1,14
Other Corporations	50	2,48	811 773	0,38
Own holdings	1	0,05	1 000 000	0,47
Pension Funds	85	4,21	38 059 970	17,94
Private Companies	57	2,82	8 327 940	3,92
Public Companies	6	0,30	385 091	0,18
Share Trust	1	0,05	2 803 292	1,32
Strategic Investor	1	0,05	58 544 300	27,59
	2 018	100	212 189 689	100,00
NON-PUBLIC/PUBLIC SHAREHOLDERS				
Non-public shareholders	11	0,55	62 958 226	29,67
Directors	2	0,10	385 091	0,18
Strategic holdings (more than 10%)	1	0,05	58 544 300	27,59
Associates of the Company	6	0,30	225 543	0,11
Share Trust	1	0,05	2 803 292	1,32
Own holdings	1	0,05	1 000 000	0,47
Public shareholders	2 007	99,45	149 231 463	70,33
	2 018	100,00	212 189 689	100,00

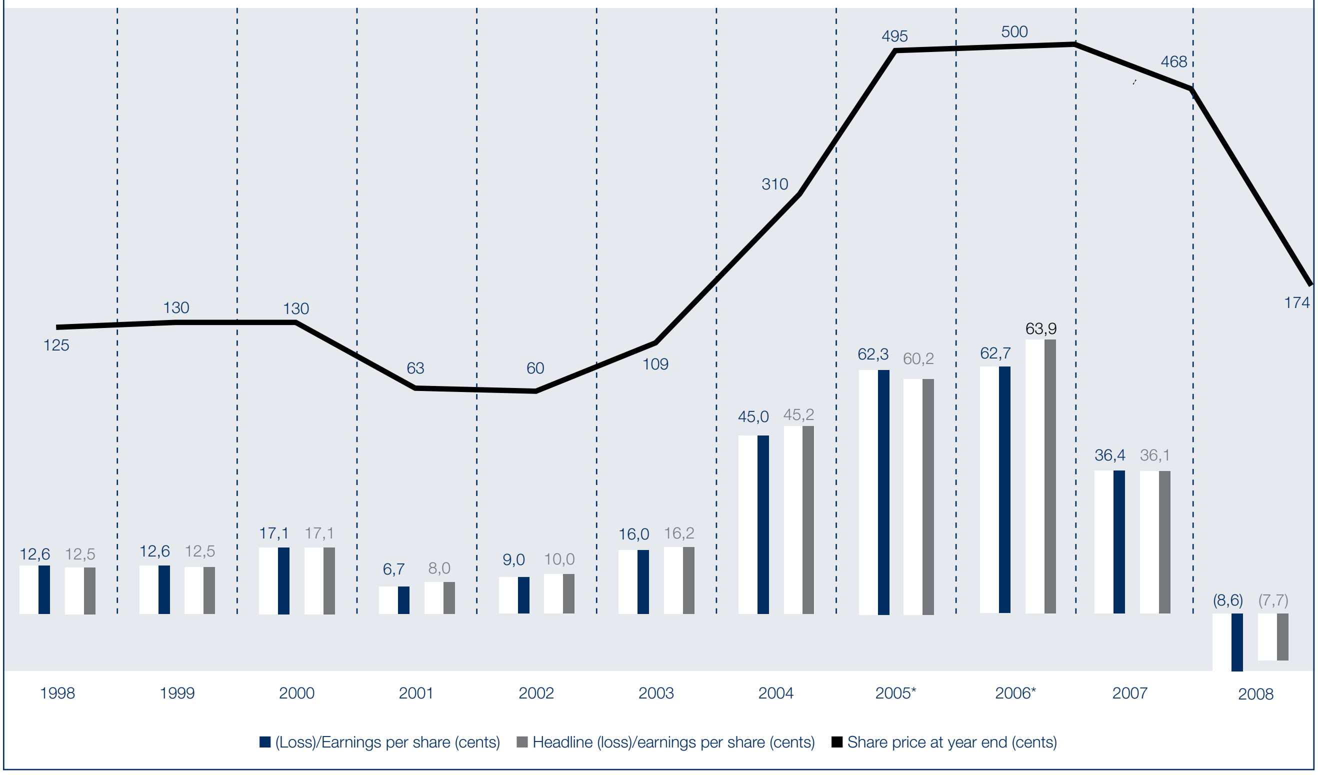
BENEFICIAL HOLDINGS OF 3% OR MORE	Number of shares	Percentage
Steinhoff Africa Holdings (Pty) Limited	58 544 300	27,59
Corolife Special Oppotun Portfolio	8 060 329	3,80
SIS Equity Fund	6 566 284	3,09
Investec Securities (Broker Proprietary)	6 546 997	3,09

JSE performance

for the year ended 30 June 2008

	2008	2007
STOCK EXCHANGE PERFORMANCE		
– at year-end (cents)	**174**	468
– highest (cents)	**450**	667
– lowest (cents)	**155**	438
Number of shares traded (000)	**74 127**	152 118
Value of shares traded (R'000)	**210 627**	86 145
Number of shares in issue (000)	**212 190**	212 190
Volume traded as a percentage of total shares in issue (%)	**35,1**	71,7

Share price, (loss)/earnings per share and headline (loss)/earnings per share (cents)



Shareholders' diary

Financial year end	30 June 2008
Annual general meeting	30 October 2008
Preliminary profit announcement	Published August 2008
Annual report	Published October 2008
Interim profit announcement	February 2009

Notice of the annual general meeting

Notice is hereby given that the eleventh annual general meeting of the Company will be held in the boardroom, Amalgamated Appliance Holdings Limited, Tedelex House, 29 Heronmere Road, Reuven, Johannesburg at 09:30 on 30 October 2008 for the following purposes:

1. **APPROVAL OF ANNUAL FINANCIAL STATEMENTS**

   Ordinary resolution 1

   To receive and consider the annual financial statements for the year ended 30 June 2008.

2. **ELECTION OF DIRECTORS**

   Ordinary resolution 2

   To elect the following directors who retire by rotation in terms of the Company's articles of association and being eligible offers himself for re-election (an abbreviated CV of each director appears on page 62 of the annual report):

   2.1 PL Campher
   2.2 AS Coward
   2.3 WA du Plessis
   2.4 SH Müller
   2.5 B Nichles
   2.6 DB Oliver
   2.7 S Scafidas

3. **ELECTION OF AUDITORS**

   Ordinary resolution 3

   To re-elect Deloitte & Touche as auditors of the Company for the ensuing period and approve the auditors' remuneration.

4. **APPROVAL OF DIRECTORS' REMUNERATION**

   Ordinary resolution 4

   To approve the remuneration of the directors.

5. **GENERAL AUTHORITY TO MAKE GENERAL PAYMENTS**

   Ordinary resolution 5

   To resolve that, in terms of the Articles 25 and 25.3 of the Company's Articles of Association and subject to the Company obtaining a statement by the directors that after considering the effect of such maximum payment the:

   >> Company and the Group will be able in the ordinary course of business to pay its debts for the period of 12 months after the date of the notice of the annual general meeting;

   >> assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 months after the date of the notice of the annual general meeting, for this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited annual Group financial statements;

   >> share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting; and

   >> working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting.

   The directors of the Company shall be entitled, from time to time to pay by way of a reduction of share premium, a capital distribution to shareholders of the Company in lieu of a dividend. Such distributions shall be amounts equal to the amounts which the directors would have declared and paid out of profits of the Company as dividends in respect of the most recent financial period. This authority shall not extend beyond the date of the annual general meeting following the date of the annual general meeting at which this resolution is being proposed or for 15 months from the date of the resolution, which ever period is shorter.

   In terms of the JSE Listings Requirements any general payment(s) must be made pro rata to all shareholders any may not exceed 20% of the Company's issued share capital, including reserves but excluding minority interests, and revaluations of assets and intangibles assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months, in any one financial year.

General payments from time to time to pay by way of a reduction of share premium, capital distributions to shareholders of the Company in lieu of a dividend, shall not be effected before the JSE has received written confirmation from the Company's Sponsor to the effect that the directors have considered the solvency and liquidity of the Company and the Group as required in terms of section 90 (2) of the Companies Act, 1973 (Act 61 of 1973), as amended.

6. AUTHORITY TO REPURCHASE SHARES

Special resolution 1

To consider and, if deemed fit, pass the following special resolution with or without modification:

"RESOLVED THAT the Company hereby approves, as a general approval as contemplated in sections 85(2) and 85(3) of the Companies Act, 61 of 1973, as amended ("the Companies Act"), the acquisition from time to time, by the Company and/or any of its subsidiary companies, of issued shares of the Company upon such terms and conditions and in such amounts as the directors of the Company may from time to time decide:

- Any such repurchase of shares is effected through the order book operating by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);
- The Company is authorised thereto by its articles of association;
- The general authority shall only be valid until the Company's next annual general meeting provided that it shall not extend beyond 15 months from the date of passing of this special resolution;
- The acquisition may not be made at a price greater than 10% (ten percent) above the weighted average of the market value for the issued shares for the 5 (five) business days immediately proceeding the date on which any acquisition by the Company and/or any of its subsidiary companies is effected;
- At any point in time the Company may only appoint one agent to effect any repurchase(s) on the Company's behalf;
- After such repurchase the Company still complies with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholders spread requirements;
- The Company or its subsidiaries may not repurchase shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- Acquisitions of shares in any one financial year may not exceed 20% of the Company's issued share capital pursuant to this general authority;
- Subsidiaries of the Company shall not acquire, in aggregate, more than 10% of the Company's issued share capital; and
- An announcement will be made to shareholders on each and every occasion on which the Company repurchases 3% or more of the issued share capital of the Company from time to time."

Reason and effect

The reason for and effect of the passing of the aforesaid special resolution is so as to enable the Company and/or any of its subsidiary companies to acquire issued shares of the Company from time to time upon the terms and conditions and in the amounts as the directors of the Company may from time to time decide, subject to the requirements of the Companies Act and the JSE Limited at any time while the general authority exists.

Explanatory notes to ordinary resolution 5 and special resolution 1

Information required in terms of the JSE Listings Requirements with regard to the general authority for the Company to make general payments to shareholders and the general authority for the Company or any of its subsidiaries to repurchase the Company's securities appears in the annual financial statements, to which this notice of annual general meeting ("notice") is annexed as indicated below:

- Directors and management: pages 4, 5, 12, and 62 of the annual report;
- Major shareholders: page 55
- Directors' interest in securities: page 26 of the annual financial statements;
- Share capital of the Company: page 46 of the annual financial statements; and
- Litigation: There are no legal or arbitration proceedings save for information as disclosed in notes 24 and 25, including any proceedings that are pending or threatened of which the Company is aware, that may have had in the recent past, a material effect on the Group's financial position.

The directors whose names are given on page 4 of the annual report in which this notice was included collectively and individually accept full responsibility for the accuracy of the information given in this notice and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that the annual report and notice contains all information required by law and the Listings Requirements of the JSE Limited.

There has been no material change in the financial or trading position of the Company and its subsidiaries that has occurred since 30 June 2008.

Pursuant to and in terms of the Listings Requirements of the JSE, the directors of the Company hereby state:

1. That the intention of the Company and/or any of its subsidiaries is to utilise the general authority to repurchase securities and/or general authority to make a general payment to shareholders, if at some future date the cash resources of the Company are in excess of its requirements. In this regard the directors will take account of, inter alia, appropriate capitalisation structures for the Company, the long-term cash needs of the Company, and will ensure that any such repurchases and/or payments are in the interests of shareholders;
2. That the method by which the Company and/or any of its subsidiaries intends to repurchase its securities and the date on which such repurchases will take place, has not yet been determined;
3. That the method by which the Company intends to make general payments to shareholders in terms of a general authority and the date on which such payments will take place has not yet been determined; and
4. That after considering the effect of a maximum permitted general repurchase of securities or general payments, the Company and its subsidiaries are, as at the date of this notice convening the annual general meeting of the Company, able to fully comply with the JSE Listings Requirements. Nevertheless, at the time that the contemplated general repurchases or general payment is to take place, the directors of the Company will ensure that:

>> The Company and the Group will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of the notice of the annual general meeting;

>> The assets of the Company and the Group will be in excess of the liabilities of the Company and Group for a period of 12 months after the date of the notice of the annual general meeting. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in these annual Group financial statements.

>> The share capital and reserves of the Company and Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting;

>> The working capital of the Company and Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of annual general meeting; and

>> The Company will provide its sponsors and the JSE with all documentation as required in Schedule 25 of the JSE Listings Requirements, and will not commence a repurchase programme or general payment until the sponsor has signed off on the adequacy of its working capital, advised the JSE accordingly and the JSE has approved this documentation.

7. AUTHORITY TO AMEND THE CONTENTS OF THE TRUST DEED FOR THE AMALGAMATED APPLIANCE HOLDINGS LIMITED SHARE TRUST

Special resolution 2

To confirm the amendment to the Trust Deed as follows:

"Resolved that the Trust Deed constituting the Amalgamated Appliance Holdings Limited Share Trust adopted by the company on 3 April 1997 and as amended since that date shall be amended in the following respect"

Clause 1.2.22.1 shall be deleted and replaced with the following clause:

"1.2.22.1 the average volume weighted closing price of the shares on the JSE (with the "closing price" determined by the official price list published by the JSE) over the 30-day period ending on the last business day prior to the offer date of the option date, as the case may be;"

Reason and effect

The reason for and effect of the passing of the aforesaid special resolution is to provide a fairer reflection of the share price of Amap shares given stock market volatility and the relatively limited trading in Amap shares on the JSE.

8. TO TRANSACT SUCH OTHER BUSINESS AS MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING

Certificated shareholders and own-name dematerialised shareholders who are unable to attend the annual general meeting but wish to be represented thereat must complete and return the attached form of proxy in accordance with the instructions contained therein so as to be received at the registered office of the Company at least 48 hours, excluding Saturdays, Sundays and public holidays, before the annual general meeting.

Dematerialised shareholders, other than own name dematerialised shareholders who wish to attend the annual general meeting must request their Central Securities Depository Participant (CSDP) or broker to provide them with a Letter of Representation or must instruct their CSDP or broker to vote by proxy on their behalf in terms of the agreement entered into between the shareholder and the CSDP or broker.

By order of the Board

BG Drummond
Company Secretary

Johannesburg

Directory

AMALGAMATED APPLIANCES (PTY) LTD

Head Office
29 Heronmere Road
Reuven 2091
Tel: (011) 490 9000
Fax: (011) 490 9115
email: marketing@amap.co.za
email: hdoffice@amap.co.za
email: finance@amap.co.za

Cape Town sales and service
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Epping 2 7460
Tel: (021) 535 0600
Fax: (021) 535 0610
email: marina@amap.co.za

Durban sales, service and manufacture
30 Hillclimb Road
Westmead
Pinetown 3610
Tel: (031) 792 6000
Fax: (031) 792 6110
email: johnnyv@amapdbn.co.za
email: williamu@amapdbn.co.za

Bloemfontein sales
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131 Zastron Street
Bloemfontein
Tel: (051) 448 5572
Fax: (051) 448 2450
email: Lvanderwesthuizen@mweb.co.za

TEDELEX TRADING (PTY) LTD

Head Office
29 Heronmere Road
Reuven 2091
Tel: (011) 490 9000
Fax: (011) 434 4022
email: dcooper@amap.co.za

Cape Town manufacture
Christopher Starke Street
Atlantis 7349
Sales Tel: (021) 577 3672
Fax: (021) 577 3677
Factory Tel: (021) 573 9300
Fax: (021) 577 3380
email: skarele@tedelex.com

Durban sales and service
13 Henwood Road
Pinetown 3610
Tel: (031) 702 1311
Fax: (031) 702 8443
email: michelle@sansui.co.za

Cape Town sales and service
24 Losack Avenue
Epping 2, 7460
Tel: (021) 535 0600
Fax: (021) 535 0610
email: apretorius@amap.co.za

Bloemfontein sales
5 Windemere
Atlantis Crescent
Pentagon Park
Bloemfontein
Tel: (051) 436 8832
Fax: (051) 436 8832
email: klone@telkomsa.net

Contact details

AMALGAMATED APPLIANCE HOLDINGS LIMITED

Registration number 1997/004130/06
ISIN number: ZAE000012647
Share code: AMA

SECRETARY

Bruce Drummond BCom FCIS

REGISTERED OFFICE AND POSTAL ADDRESSES

Physical
29 Heronmere Road
Reuven 2091

Postal
PO Box 39186
Booysens 2016

EXTERNAL AUDITORS

Deloitte & Touche
Buildings 1 and 2
Deloitte Place
The Woodlands
Woodlands Drive
Woodmead Sandton 2052

INTERNAL AUDITORS

Grant Thornton

TRANSFER SECRETARIES

Computershare Investor
Services 2004 (Pty) Ltd
70 Marshall Street
Johannesburg 2001

ATTORNEYS

Edward Nathan Sonnenbergs
150 West Street
Sandton 2196

Knowles Hussain Lindsay Inc
4th Floor, The Forum
2 Maude Street
Sandown, Sandton 2196

Cranko Karp & Associates
Oakhurst Office Park
2nd Floor
West Wing
11 – 13th St Andrews Road
Parktown 2193

Routledge Modise Attorneys
22 Fredman Drive
Sandton 2196

BANKERS

Absa Bank Limited
Absa Towers North
180 Commissioner Street
Johannesburg 2001

First National Bank of Southern Africa Limited
6th Floor
4 First Place Bank City
Cnr Pritchard and Simmonds Streets
Johannesburg 2001

HSBC Bank plc
2 Exchange Square
85 Maude Street
Sandown
Sandton 2196

Investec Bank Limited
100 Grayston Drive
Sandown
Sandton 2196

Nedbank Limited
1st Floor Finance Place
Nedcor Sandton
135 Rivonia Road
Sandown 2196

The Standard Bank of South Africa
Standard Bank Centre
9th Floor
5 Simmons Street
Johannesburg 2001

SPONSORS

Bridge Capital Advisors (Pty) Limited
Second floor
27 Fricker Road
Illovo Boulevard
Illovo 2196

MAIN BOARD

Leon Campher (Chairman)
Alan Coward
Bruce Drummond (Secretary)
Rian du Plessis
Steven Levitt
Steve Müller
Byron Nichles
Des Oliver
Spyros Scafidas

AUDIT COMMITTEE

Steven Levitt (Chairman)
Rian du Plessis
Steve Müller

REMUNERATION AND NOMINATIONS COMMITTEE

Leon Campher (Chairman)
Steven Levitt

RISK MANAGEMENT COMMITTEE

Steve Müller (Chairman)
Leon Campher
Steven Levitt

CORPCO

Alan Coward
Murray Crow
Johan Deetlefs
Herman Ellis
Byron Nichles
Des Oliver

EXECUTIVE COMMITTEE

Alan Coward (Chairman)
Joao Araujo
Murray Crow
Johan Deetlefs
Bruce Drummond
Herman Ellis
Steve Karele
Ian Molyneux
Byron Nichles
Neville Oborn
Des Oliver
Theo Theodorou

IT STEERING COMMITTEE

Bruce Drummond (Chairman)
Herman Ellis
Ian Molyneux
Byron Nichles
Michele Snyders
Theo Theodorou

Executive and non-executive directors' CVs

ANNEXURE 2

1. **Leon Campher**
   Independent non-executive chairman

   Appointed to the Board in November 2007

   Appointed chairman in February 2008

   Chairman of Remnom and a member of the Risk Committee

   CEO of Investment Management Association of SA

   A director of Sun International Limited, Strate Limited, Financial Sector Charter Council Board, Directorate of Market Abuse. Deputy Chairman of Bond Exchange of SA – Stakeholder Forum. Ex Officio member of Financial Markets Advisory Board.

2. **Alan Coward**
   Chief executive officer and executive director

   Appointed to the Board in February 2008

   A qualified chartered accountant, has extensive industry experience including having spent nine years as managing director of Panasonic SA. Thereafter held managerial positions in IBM and Budget.

3. **Rian du Plessis**
   Independent non-executive director

   Appointed to the Board in November 2007

   Member of the Audit Committee

   After a successful career in investment banking, Rian joined the Comparex Group on 1 February 1997. He was involved in numerous mergers and acquisitions including leading a team of European managers in a management buyout of the Group's European businesses. Having successfully spearheaded the turnaround of Comparex in Europe within 19 months and with effect from 1 June 2008, Rian handed over his executive responsibilities and became non-executive chairman of the Comparex Group. Recently appointed as Group CEO of Phumelela Gaming and Leisure Limited and CEO of their international arm, Phumelela Gold Enterprises (PGE).

4. **Steven Levitt**
   Independent non-executive director

   Appointed to the Board in 2001

   Chairman of Audit Committee, and a member of Remnom, Risk Committee and Share Trust. Directorships: Executive director of Western Areas Limited. Currently a private equity investor through 02 Capital (Pty) Ltd and a director of various other companies.

5. **Steve Müller**
   Independent non-executive director

   Appointed to the Board in November 2007

   Chairman of the Risk Committee and member of the Audit Committee

   Held the position as executive director of Gensec Bank and Head of Investment Banking from January 2000 to August 2003. Currently a general manager of structured equities at Sanlam Capital Markets Limited.

6. **Byron Nichles**
   Chief financial officer and executive director

   Appointed to the Board in February 2008

   A qualified chartered accountant, has over 14 years financial services and advisory experience and, as a former director of Bridge Capital, advised Amap on a variety of corporate actions over the past nine years.

7. **Des Oliver**
   Managing director of brown goods and executive director

   Appointed to the Board on 1July 2008

   Des Oliver has over 25 years experience in the consumer electronics industry including as sales and marketing director of Frank & Hirsch and sales director of Panasonic Consumer Company. Des joined Amap from Saco Systems, a subsidiary of Reunert Limited, where he fulfilled a general management role.

8. **Spyros Scafidas**
   Non-executive director

   Appointed to the Board in 1997 as executive director. Appointed as CEO of the appliance division in 2002. Status change to non-executive director in August 2007. Served in various group roles in marketing, sales and general management. 21 years experience in the small appliance industry.

Form of proxy

Amalgamated Appliance Holdings Limited

(Registration No. 1997/004130/06) SHARE CODE: AMA ISIN: ZAE000012647

(“Amap” or the “Company”)

FOR USE BY CERTIFICATED AND OWN-NAME DEMATERIALISED SHAREHOLDERS

I/We ______________________________

(Name/s in block letters)

of ______________________________

(Address)

being a member of Amap holding ______________ shares in the Company and entitled to vote, hereby appoint:

1. ______________________________ or failing him/her

2. ______________________________ or failing him/her

the chairman of the annual general meeting as my/our proxy to attend and speak and vote for me/us on my/our behalf at the annual general meeting of Amap to be held in the boardroom at Tedelex House, 29 Heronmere Road, Reuven, Johannesburg on 30 October 2008 at 09:30 and at any adjournment/s thereof.

		In favour of	Against	Abstain
1.	Ordinary resolution 1: Approval of annual financial statements			
2.	Ordinary resolution 2: Re-election of directors			
	2.1 PL Campher 2.2 AS Coward 2.3 WA du Plessis 2.4 SH Müller 2.5 B Nichles 2.6 DB Oliver 2.7 S Scafidas			
3.	Ordinary resolution 3: Re-election of auditors and approval of remuneration			
4.	Ordinary resolution 4: Approval of directors’ remuneration			
5.	Ordinary resolution 5: General authority to make general payments			
6.	Special resolution 1: Authority to repurchase shares			
7.	Special resolution 2: Authority to amend contents of Trust Deed for the Amalgamated Appliance Holdings Limited Share Trust			

(Indicate instructions to proxy by way of a cross in the spaces provided above). Unless otherwise instructed, my proxy may vote as he/she thinks fit.

Signed this ______________ day of ______________ 2008

Signature ______________________________

Instructions for signing and lodging the form of proxy

1. A member entitled to attend and vote at the abovementioned meeting is entitled to appoint a proxy to attend, speak and vote (on a poll) in his/her stead. The proxy need not be a member of the Company.

2. A shareholder may insert the name(s) of two alternative proxies (neither of whom need be a shareholder of the Company) in the space provided, with or without deleting the words “chairman of the annual general meeting”. The person whose name stands first on the form of proxy and has not been deleted and who is present at the annual general meeting, will be entitled to act as proxy, to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairman of the annual general meeting.

3. A shareholder’s instruction to the proxy must be indicated by the insertion of an “X” or the relevant number of votes exercisable by that shareholder in the appropriate box/boxes provided. If a proxy form, fully signed, is lodged without specific directions as to which way the proxy is to vote, the chairman of the annual general meeting will be deemed to have been authorised to vote as he/she thinks fit. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy.

4. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialed. Any alteration or correction must be initialed by the authorised signatory/ies.

5. When there are joint holders of shares, all joint shareholders must sign the form of proxy.

6. The completion and lodging of this form of proxy will not preclude the shareholder, who grants this proxy, from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

7. Documentary evidence establishing the authority of the person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the transfer secretaries.

8. Where this form is signed under power of attorney, such power of attorney must accompany this form unless it has been registered previously with the Company or the transfer secretaries.

9. A minor must be assisted by his/her parent or guardian unless the relevant document establishing his/her legal capacity has been produced or registered by the transfer secretaries.

10. Completed forms of proxy must be forwarded to the registered office of the Company so as to be received at least 48 hours, excluding Saturdays, Sundays and public holidays, before the annual general meeting.

Transfer secretaries office
Computershare Investor Services 2004 (Pty) Limited
70 Marshall Street
Johannesburg 2001
(PO Box 61051, Marshalltown 2107)

BASTION GRAPHICS

www.amapholdings.co.za