



Amalgamated Electronic Corporation Limited
Registration number 1997/001036/06

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ANNUAL REPORT | 2010



AMALGAMATED ELECTRONIC CORPORATION LIMITED

ANNUAL REPORT 2010

AMALGAMATED ELECTRONIC CORPORATION LTD

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Glossary of terms

APN	Access point name	R&D	Research and development
F2009	Financial year ended 31 March 2009	RF	Radio frequency
F2010	Financial year ending 31 March 2010	SABRE	South African band re-planning exercise (20MHz -3GHz)
F2011	Financial year ending 31 March 2011	SMT	Surface mount technology
GPRS	General packet radio service	UPS	Uninterrupted power supply
GSM	Global system for mobile communications	VPN	Virtual private network
ICASA	Independent communications authority of South Africa	CCTV	Closed Circuit Television
		SENS	Securities exchange news services

AMECOR | CORPORATE PROFILE

Amalgamated Electronic Corporation Limited (Amecor) was listed on the JSE in 2005, and has proudly enjoyed sustained growth since then.

Amecor specialises in:

- the design, development and manufacturing of RF and GSM electronic security systems;
- network data communication;
- power generating; and
- voltage optimising equipment.

The core focus of the Group is to identify and meet the evolving demand for radio and GSM communication equipment, electronic security based products, as well as power generating and voltage optimising equipment for both local and international markets. Amecor is devoted to keeping abreast of the latest technological advances, and proudly upholding its philosophy of Innovation through Technology.

Amecor's principal products and services include:

- design and manufacture of electronic security based products;
- subscription offering to licensed radio and GSM networks – radio transmitters linked to our licensed frequencies (annuity income);
- alternative power solutions including generators and UPS systems; and
- power optimisation products, used to stabilise voltage consumption and reduce unnecessarily high electricity costs.

Amecor also invests in ongoing research and development into new product offerings, existing upgrades and product procurement.



"Innovation through technology"

STRATEGIC OBJECTIVES

Objectives

F2010 performance

Future Plans

Our customers

Amecor has benefitted from the close working relationship shared with its customers over the past year. This has allowed the Group to develop new innovative solutions to meet our customers' needs.

Amecor will continue to increase its customer base, by keeping abreast of evolving market demands and maintaining value-added service. We will continually explore new product offerings to new market segments.

Our people

Amecor boasts a high level of skills development and loyal service upheld by our people. Share incentives have been allocated accordingly in the past year, rewarding staff for their ongoing devotion and commitment to the Group's initiative.

Amecor will develop further skills development and training programmes for our staff and implement reward and incentive offering for staff.

Quality

Amecor's products have set industry standards throughout the electronics and security sectors, characterised by impeccable product quality and reliability.

Amecor will strive to sustain a reputation of robust and dependable products by maintaining consistent quality control departments.

Value added services

The Group released a total of six new security products, complementing its existing product range, and advancing network services offered by Sabre Radio Networks to our clients.

The Group will put synergistic strategies in place to simultaneously expand products and services across the Group and create multi layered solutions for customers.

Annuity income

Amecor has experienced an increase in annuity income over the past years.

The Group will seek ways to increase annuity income by expanding network services and embarking on new initiatives.

Strategic investment

In F2009 Amecor acquired property, on which we erected a purpose built factory, housing subsidiary companies FSK Electronics, Sabre Radio Networks, Amecor Powerstar, and allowing for further expansion in the future. Construction was completed in June 2010.

In addition to exploiting market opportunities, and income earning initiatives, Amecor will strive to further improve its financial position with appreciating assets.

Cost management

Amecor maintained its aggressive cost management system.

Amecor will tightly control all functions of cost management, and aim to maximise profitability to deliver the best possible return to its valued stakeholders.

Working capital management

Efficient cash management afforded the Group acquisitive and organic growth primarily from internally generated cash flow, and to the lesser extent, borrowings.

The Group will aim to achieve sustainable growth through continued control and stringent allocation of working capital.

HIGHLIGHTS OF F2010

Profit before tax

R37.1 million (F2009: R40.4 million)

Cash and cash equivalents

R26.9 million (F2009: R16.7 million)

Dividend declared

8 cents per share (F2010: 8 cents per share)

Amecor House

Expansion of operations over recent years and an environment which encouraged collaboration across all business units necessitated larger premises. In 2009 the Group acquired property in a central location where a building, specifically designed to suit market and operational requirements, was constructed.

F2010 has seen the development of the property into a modern factory, boasting operational efficiency and easy access to our staff and clients. The building houses Amecor subsidiaries: FSK Electronics, Sabre Radio Networks, Amecor Powerstar, whilst allowing for future expansion. The flagship building has been proudly named 'Amecor House' and is already proving to be of great value to the Group's overall manufacturing operations. Occupation of Amecor House took place in February 2010.

The acquisition of land and development of Amecor House was primarily funded by Amecor's own cash flow and will be a successful long term investment from which the Group has already benefitted, through:

- operational efficiency;
- easy accessibility;
- improved working conditions;
- encouraging business synergies between operating subsidiaries;
- enhanced group management; and
- improved group solidarity and cohesion.

Procurement of Powerstar distribution agreement

South Africa has undergone many changes regarding electricity supply and demand, through:

- South Africa's continually expanding infrastructure, demanding further electricity;
- Eskom's power outages and load shedding policy; and
- the electricity price hikes, which have affected the country as a whole.

During the current year Amecor has focused on investigating effective ways to manage and control electricity supply, and are pleased to report the success of this pursuit.



In early 2010 Amecor entered into a distribution agreement with British Engineering company, EMSc, securing Group subsidiary, Amecor Powerstar, as the sole distributing agent for PowerStar® products in South Africa. Powerstar® is a technologically advanced voltage optimisation system, offering a saving of consumed electricity. The product serves to actively reduce a considerable portion of its user's monthly electricity costs.

PowerStar® stabilises fluctuating voltage supplied by the national power grid to consumers, through its triple wound voltage optimisation system. The PowerStar® system ensures that voltage throughput is processed at a consistent level, eliminating the effects of power surges or dips that may arise as a result of load shedding or common voltage fluctuation. In addition to electricity savings and a reduction of monthly electricity bills, the PowerStar® product prolongs the life of manufacturing equipment, motors and machinery powered by electricity.

The Group looks forward to watching this initiative grow, and succeed in its plight to cut down overall electricity costs, save on energy, and reduce South Africa's collective carbon footprint.

Financial performance

It is to the credit of Amecor's solid organisational structure and synergies that sound financial results can once again be delivered to shareholders. Amecor has proved to be resilient and progressive in the past financial year. In spite of rigid economic conditions, the Group has managed to achieve sound profitability, and exploit newly discovered opportunities successfully.

Noteworthy achievements may be attributed to Amecor's well managed cash flow and cost management systems. Despite the amount of funding required for the establishment of Amecor House, the Group was still able to realise a remarkable R10.1m (F2009: R0.7m) increase in cash flow.

Amecor's solid performance during such volatile market conditions has given the Group confidence for the near future. Amecor considers itself to be well placed and ready to capitalise on further opportunities when the much anticipated economic upturn occurs.

GROUP STRUCTURE

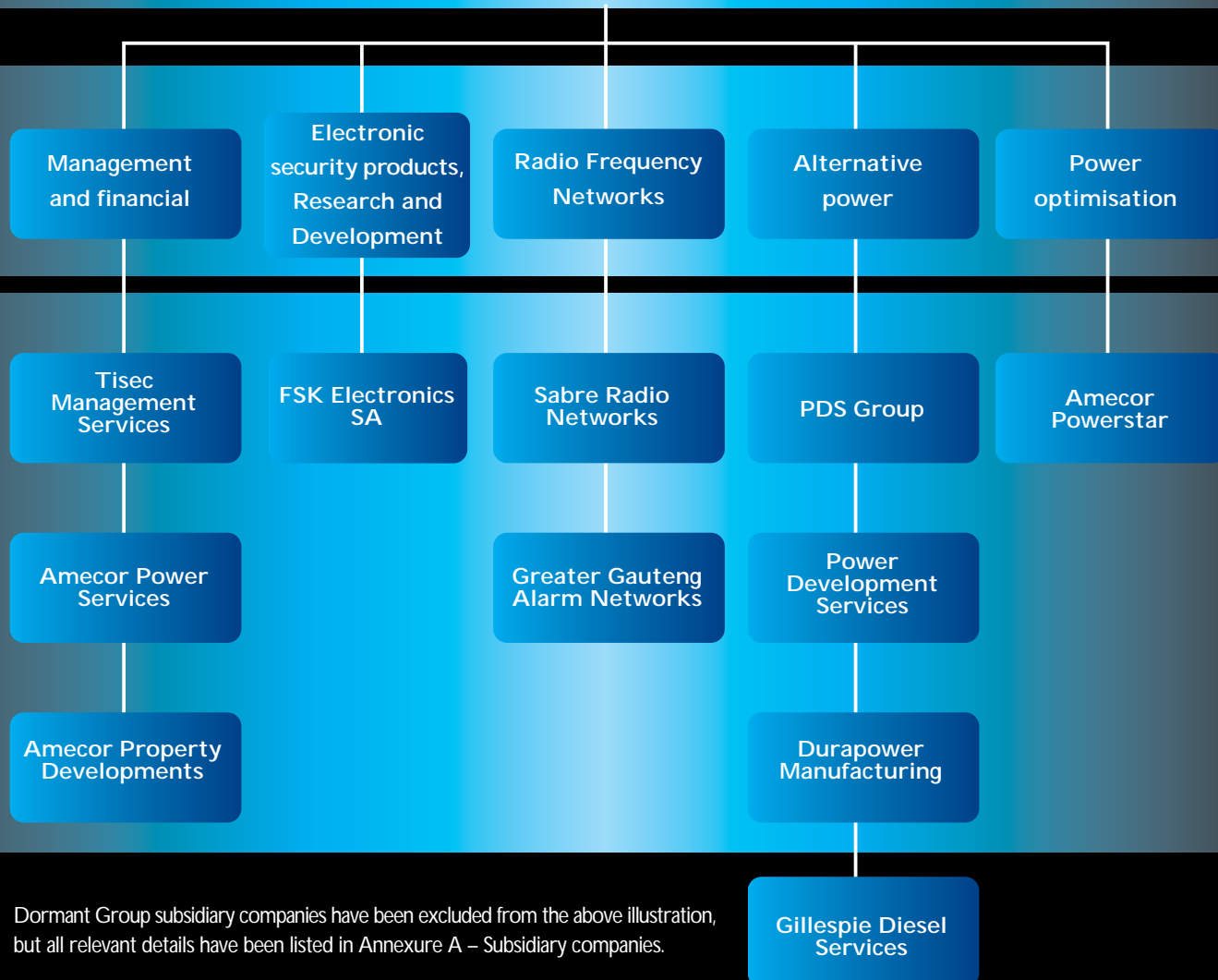
GROUP OVERVIEW

JSE Listed Holding Company



Operational Groups

Subsidiary Companies



Dormant Group subsidiary companies have been excluded from the above illustration, but all relevant details have been listed in Annexure A – Subsidiary companies.

All subsidiary companies are 100% held by Amecor, with the exception of the following:

- Power Development Services – 50,2%
- Durapower Manufacturing – 50,3%
- Gillespie Diesel Services – 50,1%



Amecor is the holding company of ten operating business entities, offering a broad range of products and services, which include:

- electronic security equipment;
- network data communication;
- alternative power supplies;
- power generating; and
- voltage optimising equipment.

The Group's customer base spans from South Africa's national market place to the broader international markets, which continue to grow. Amecor's global reach is furthered through our soundly integrated business solutions, value-added service, and impeccable product quality.

Amecor's pursuit for future expansion is elevated through its consistent organic growth, and strategic initiatives to activate complimentary acquisitions. Amecor's primary aim is to provide an optimal return to its shareholders, and enhance the well being of our employees.

FSK Electronics SA (Proprietary) Limited ("FSK")

FSK Electronics comprises Amecor's electronic security division, specialising in the research, development and manufacture of electronic security equipment. Security companies throughout Africa use FSK technology to enable their various alarm systems functionality, in addition to acquiring exclusive security equipment from FSK's broad product range. FSK products are primarily used to relay alarm signals from a monitored site to a security control centre where a response team is then notified and dispatched. In addition, FSK manufactures and distributes products essential for monitoring security guards and response vehicles.

FSK's advanced transmission technology consists of reliable communication systems which are used for signal transfer. Data signals are transmitted simultaneously via multiple mediums including GSM, RF, and internet protocols. The dual transmission of GSM and RF ensures signal integrity, affording security companies and alarm users complete peace of mind. FSK's long history of expertise and professionalism has enabled the Group to stay ahead of market demands, and exceed client expectations in the security industry, such as Powerstar electricity savings and generator operational reports.



GROUP OVERVIEW (continued)

FSK Products Include:

- radio transmitters (TX55X, TX75X, TX65X, and TX85X);
- radio and GSM base station (RG-Net decoder);
- radio and GSM repeaters (multi-router);
- GSM two-way alarm communication units (TX cellular);
- secured GSM networks (private APNs' and routing servers);
- guard monitoring units;
- alarm control panels; and
- short range remote controls and receivers.

New Additions to FSK

In early 2010 FSK took occupation of the Group's newly acquired building Amecor House. During the course of construction, a definitively designed control and call centre was established, offering additional services to Sabre Radio Network's and Powerstar's clients. The newly built control centre will allow companies and their clients to receive detailed reports on monitored applications.

Services of the FSK control & call centre include:

- real time control of guard patrols, issuing automatic emailed reports;
- identification and reporting of the exact position of an individual or vehicle via FSK's SOS locator;
- equipment monitoring and status reports;
- network monitoring, ensuring efficient operation of Sabre Radio Networks and other network providers;
- backup for all control centres making use of Sabre Radio Networks; and
- technical support on electronic security related matters via an online call centre.

Sabre Radio Networks (Proprietary) Limited ("Sabre")

Sabre is a radio frequency, GSM and internet based network. Sabre networks utilise GPRS, SMS and radio signals to enable the transmission/communication of data between monitored sites, control centres, and individual network users. Sabre Radio Networks relays a broad range of wireless signals to transfer data. Data includes various alarm indicators, equipment status reports and environmental monitoring. These signals range from panic alarm call outs, to low fuel warnings on generators, or power savings achieved from PowerStar optimising units.

All services offered by Sabre are tailored to meet each customer's individual requirements, allocating a specific amount of network bandwidth, for which a subscription fee is charged. Sabre makes a valued contribution to Amecor's growing pool of annuity income, and is expanding with a number of additional service offerings and enhancements.

Sabre's services include:

- allocation and rental of bandwidth depending on the weight of data carried through the network to a required destination; and
- data transmission/communication from a monitored site to mobile phones, security/supervising control centres, reaction vehicles, and response team members to facilitate:
 - ~ data transferred may take the form of SMS, computed data reports, faxes and e-mails; and
 - ~ data reports are guaranteed to arrive at the designated end user, through dual signal transmission sent via RF, GPRS, SMS or internet protocol formats.

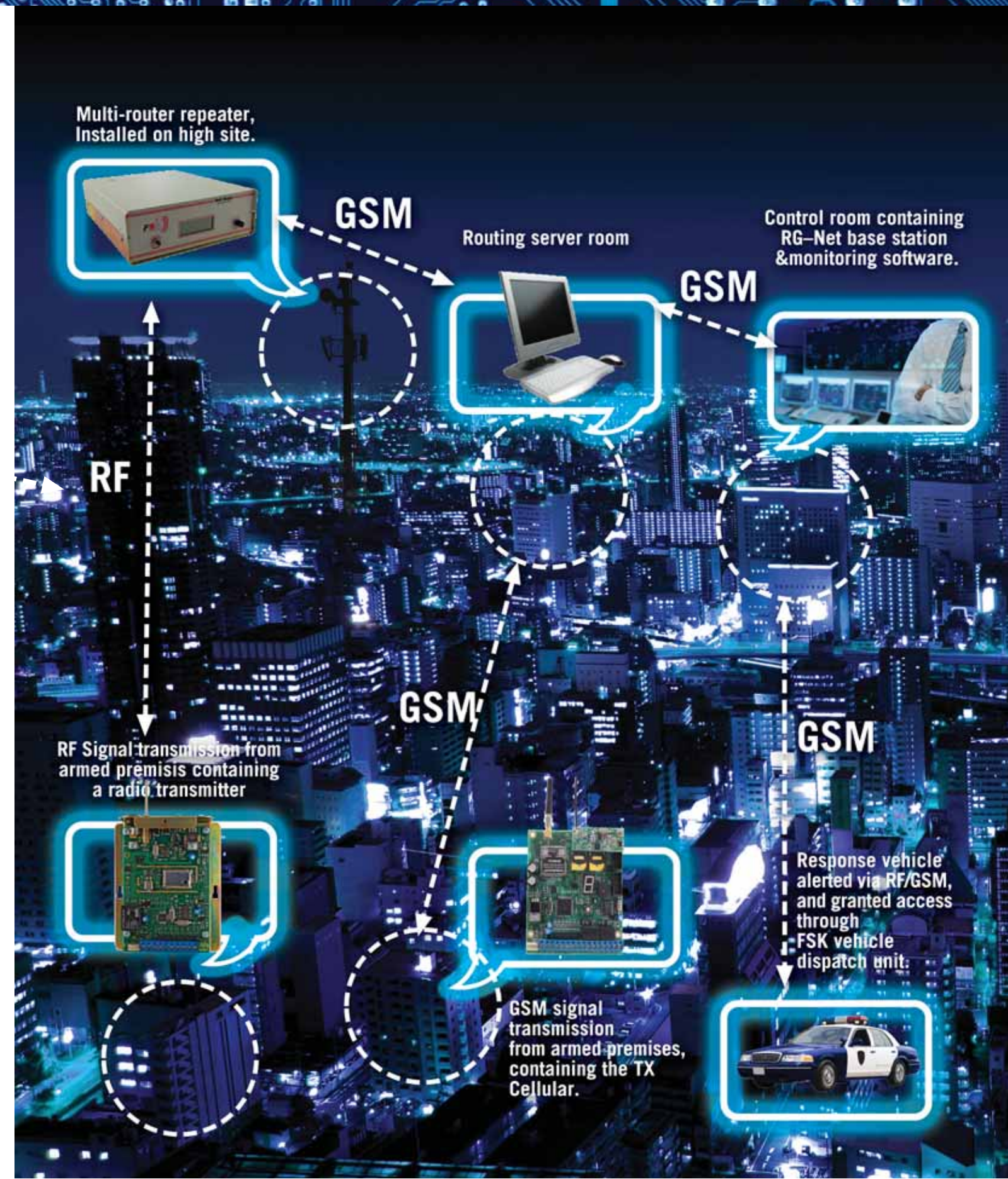
Power Development Services Group ("PDS Group")

The PDS Group specialises in power generating machinery and equipment, covering a range of market sectors including commercial, corporate, industrial and mining. PDS is a long established group within the power generating industry, and proudly upholds an industry reputation of professional product quality, impeccable service and after sales support, supported by qualified engineers.

The PDS Group is made up of three distinctive divisions:

- Power Development Services (Pty) Ltd, whose primary function entails the supply, and installation of all UPS, generator, and associated stand-by power equipment. PDS also offers its clients after sales maintenance contracts;
- Durapower Manufacturing (Pty) Ltd specialise in the manufacture, design, assembly, distribution and sale of UPS systems; and
- Gillespie Diesel Services (Pty) Ltd is dedicated to the assembly, distribution and sale of diesel generators.

The PDS Group offers the full range of essential services required for alternative power supply, including electrical reticulation, installation, diesel refueling, civil work and servicing on existing generators already in client possession. The Group's ongoing professionalism for alternative energy, has left them well positioned in the industry.



GROUP OVERVIEW (continued)

Amecor Powerstar

PowerStar® results in optimal energy efficiency and equipment preservation, used to enhance our customers' profitability by saving on electricity costs and conserving power. The PowerStar® product operates by stabilising fluctuating voltage supplied by the national power grid to its customers, through its unique triple wound voltage optimisation system. PowerStar's® optimisation system ensures that voltage throughput is processed at a consistent level, eliminating the effects of power surges or dips that may arise as a result of load shedding or common voltage variation. As a result of its technologically advanced design, PowerStar® is the optimisation system offering a saving of up to 26.1% of consumed electricity.

Amecor PowerStar attests to the Group's on-going initiative to penetrate synergistic markets and meet evolving market demand.

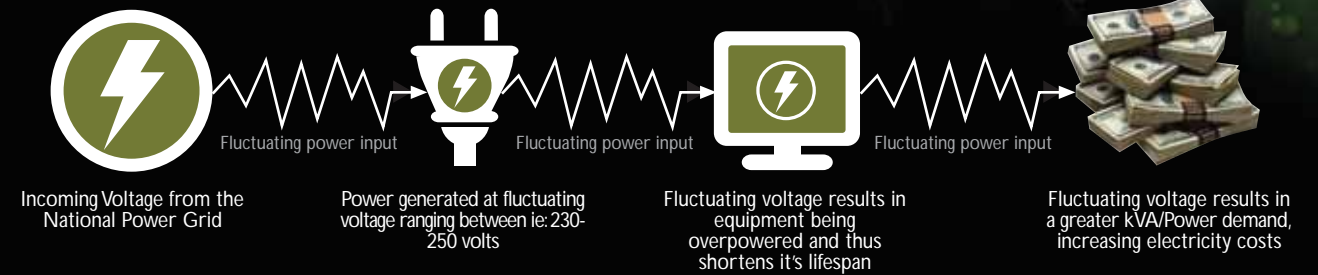
Below is a summary of the benefits of PowerStar®:

- guarantees a sustainable reduction on monthly electricity bills;
- can save up to 26.1% of consumed electricity by reducing maximum load demand;
- improves the life expectancy of electricity powered equipment;
- suppresses harmful harmonics (THD's) that damage sensitive electronic equipment;
- protects equipment from sudden power surges;
- improves power factor;
- provides voltage phase balancing; and
- offers a 15 year warranty on the product.

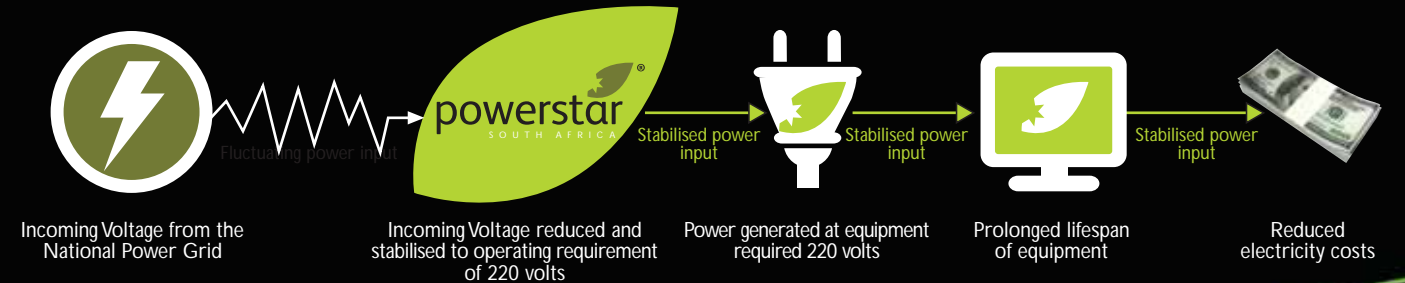


HOW POWERSTAR WORKS

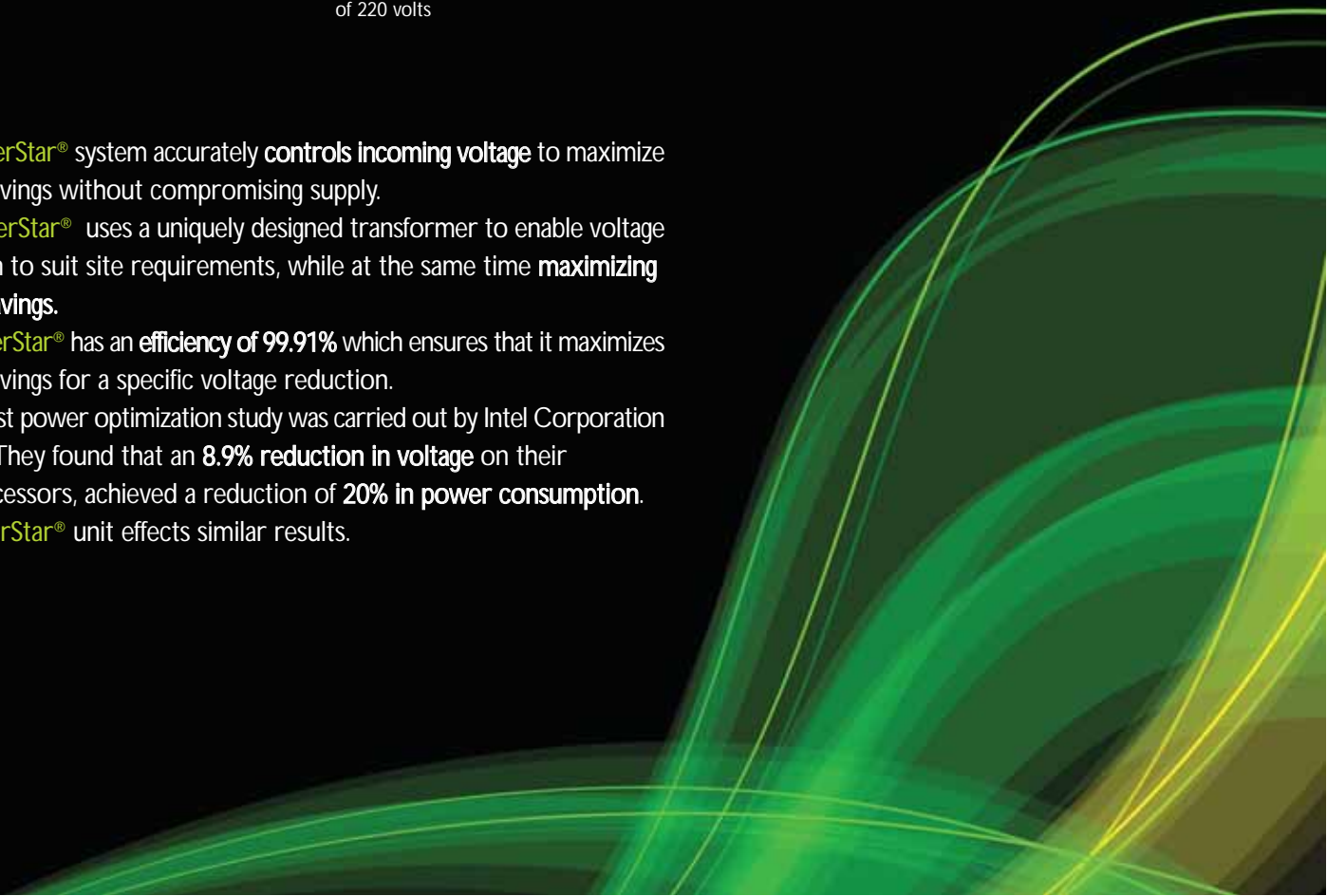
Normal Electricity Consumption



Powerstar Controlled Electricity Consumption



- The PowerStar® system accurately **controls incoming voltage** to maximize energy savings without compromising supply.
- The PowerStar® uses a uniquely designed transformer to enable voltage reduction to suit site requirements, while at the same time **maximizing Power Savings**.
- The PowerStar® has an **efficiency of 99.91%** which ensures that it maximizes energy savings for a specific voltage reduction.
- The biggest power optimization study was carried out by Intel Corporation in 1997. They found that an **8.9% reduction in voltage** on their microprocessors, achieved a reduction of **20% in power consumption**. The PowerStar® unit effects similar results.



CHAIRMAN'S STATEMENT

" Amecor is well financed, with healthy operating cash flows and a strong financial position."

Stephen Courtney



It is a testament to the strength of Amecor's management, strategy and the success of its operational model that, despite the global economic meltdown, the Group delivered a profitable set of financial results for the year ended 31 March 2010, proving its position in the market place.

The effects of the international recession have arguably become prevalent in many developed and developing countries worldwide. This economic downturn is viewed to have affected businesses of many different market sectors, both within and out of South Africa.

In F2009 the Group presented its best results, which were partially attributed to uptake of Government tenders awarded to the Group's power development division. With the absence of such tenders F2010 has presented similar results, proving testament to Amecor's ongoing development and innovation within the market. The Group subsidiaries contributed a combined operational profit before tax of R37.1 million (F2009: R40.4 million). Although a slight decline in profit was realised, Amecor's cash flow experienced an increase of R10.1 million, from R16.7 million to R26.8 million.

Corporate Governance

Corporate governance best practices continue to enjoy high priority and commitment. The board of directors, which consists of both executive and non-executive directors, ensures that management pursue the best interests of all stakeholders.

Dividends

Amecor is well financed, with healthy operating cash flows and a strong financial position. Accordingly, the Board recommended a final dividend of 8 cents per share (F2010: 8 cents per share), payable on 26 July 2010 to shareholders on the register as at 16 July 2010.

Board changes

Kerry Colley was promoted to financial director effective 1 July 2009. She has been an executive director and company secretary of Amecor since inception of the Group.

Dispute resolution

Amecor lodged an application in the South High Court, Johannesburg under case no. 2019/8607 against Mr. Rabie van der Merwe ("RVDM") and others to have the arbitration proceedings, initially commenced with by RVDM, set aside. The matter came before the High Court on 9 June 2010 and an order was granted in the following terms:

1. It was declared that reference to arbitration of a dispute between RVDM (First Respondent) and the Acquired Finance (Proprietary) Limited, which dispute was pending is of no force and effect in terms of Section 3 (2) (c) of the Arbitration Act 42 of 1965;
2. RVDM is interdicted and restrained from proceeding with, or taking any steps to give effect to the referral; and
3. RVDM was ordered to pay the costs of this application.

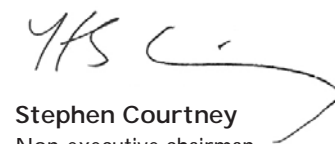
The effect of the order is that the arbitration proceedings are at an end and RVDM cannot proceed therewith and must pay the cost of the application.

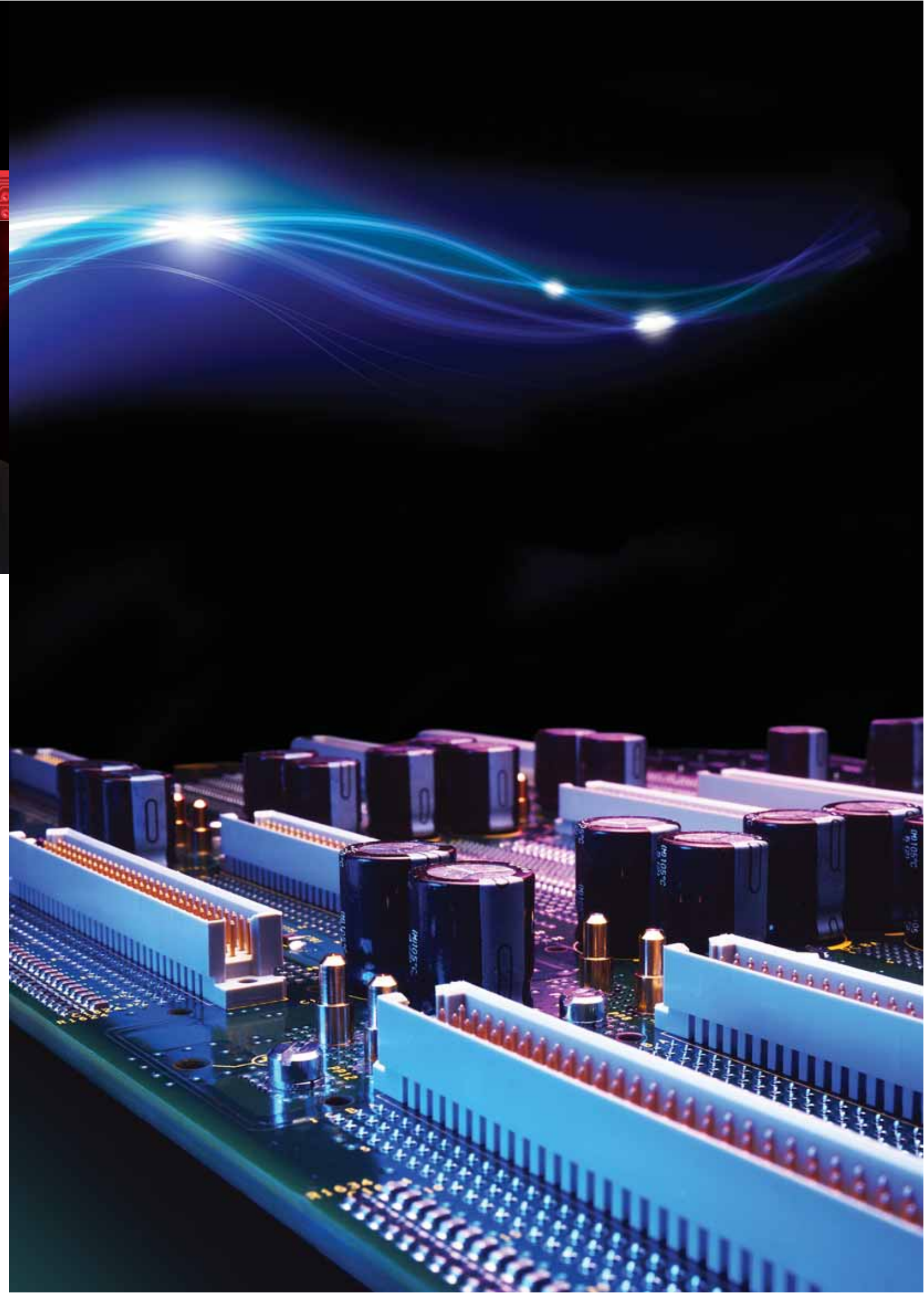
Strategy and outlook

Economists predict a challenging year ahead, but we remain confident that our focused strategy and operational efficiency will enable us to deliver positive return for our shareholders going forward.

We believe that the Group's leading market positions, low cost, high quality asset base, and commitment to operational improvement will ensure our success.

I would like to take this opportunity to thank our management team and the Amecor board for their support during F2010, as well as our staff, stakeholders, customers and suppliers, who all contribute to Amecor's ongoing success.


Stephen Courtney
 Non-executive chairman



CHIEF EXECUTIVE'S REPORT

" Amecor's achievements in the past year have been gratifying."

Dereck Alexander



Amecor's achievements in the past year have been gratifying. Amecor's persistence in the market place has been well received, despite the global economic downturn. Although results are marginally lower than that of last year, the Group's overall operations and market penetration has improved.

Results

Despite the tough trading conditions experienced throughout the period under review, headline earnings achieved for the year ended 31 March 2010 was 30.8 cents per share (2009: 33.7 cents). Turnover and profit before tax for the period under review was reported as:

- R138.1 million (F2009: R138.1 million); and
- R37.1 million (F2009: R40.4 million) respectively.

The analysis of turnover and total comprehensive income on a segmental basis is detailed on page 67 of the financial statements.

Cash and cash equivalents generated by operating activities contributed R 25.1 million (F2009: R11.6 million) to total cash and cash equivalents recorded at R26.8 million (F2009: R16.7 million) after capital and development expenditure of R13.0 million (F2009: R7.6 million) was incurred in the period under review, being for the following:

- new product development – R4.6 million;
- FSK new building completion costs – R7.5 million; and
- equipment, computers and furniture – R0.9 million.

Net asset value per share increased by 11.5% to 179.0 cents (F2009: 160.6 cents) and tangible net asset value per share increased by 23.6% to 92.3 cents (F2009: 74.7 cents).

Operational review

FSK Electronics ("FSK")

The FSK Group has performed well in the past year. New and exciting product developments have been absorbed with much enthusiasm by the market. FSK has experienced increased volumes in sales orders, and has benefitted from expanded operations enabled through the establishment of Amecor House. The Group is enthusiastic about the newly designed FSK control centre, which will enable a number of new features to existing products, as well as creating further opportunity for new additions. FSK anticipates a productive year ahead, which will benefit from the newly expanded operations.

Sabre Radio Networks ("Sabre")

Sabre Radio Networks has contributed substantially to the Group's ever increasing annuity income, making up a significant portion of the Group's total revenue. Data transmissions include various alarm indicators, equipment status reports and environmental monitoring.

Over the current year, services offered by Sabre have been expanded by new additions and developments inherent in the FSK product range. In addition, 2010 has seen Sabre's networking activities widened through the purpose built control centre at Amecor House. The control centre has enabled an extended range of services, offering security and monitoring companies a variety of options including, the means by which signals are transmitted /received, the type of data required, and the format in which data is received (e-mail, fax, sms etc). Sabre's growing range of networking activities and expanding client base has positioned the Group well, and has left room for much anticipated future growth.

PDS Group

The acquisition of 50.1% of the PDS group into Amecor has enabled the group to branch out into diversified markets and exploit complementary Group synergies. The PDS Group of companies operates as a cohesive unit providing alternative power solutions to the industrial and commercial markets.

Although F2010 resulted in a slowdown of generator sales, the PDS Group saw an increase in sales in early calendar 2010 year, and have secured further orders going forward. The current awareness surrounding power and electricity challenges in South Africa has positioned PDS advantageously.

Product development

As client demand grows and technology evolves, the Group continues to invest in research and development resulting in further high quality products being launched into local and international markets.

Capital commitment

The Group has a dedicated resource focused on identifying and seeking profit enhancing opportunities through the application of new technologies. The research and development team aim to provide continuous improvements to the quality and range of products.

Future prospects

Our strategies are fundamentally sound, our products and services are sought after, our financial position is strong and the Group is well positioned to take advantage of growth opportunities as they arise.

Amecor's philosophy of "Innovation through Technology" affords us the opportunity to continuously grow and develop in the world of cutting edge technology. Consequently the rapid escalation of globalisation has fostered a demand for new and improved technology worldwide, allowing Amecor to stretch beyond the boundaries of South Africa into the international market, especially Africa.

Amecor's research and development division has enabled the continuous introduction of new products and services to market. This broadening product range has opened up opportunities in alternative avenues of the market, and has allowed for complementary business synergies amongst the Group's subsidiary companies.

Amecor will continue to pursue future growth and development through:

- close monitoring of the existing market and its needs;
- identification of key business opportunities which may compliment the Amecor Group;
- product innovation and improvement;
- continued research and development; and
- commitment to service and customer excellence.

Appreciation

I would like to thank the management and each and every staff member for their sterling input into bringing our new products to market. My sincere appreciation to all of our shareholders and the board of directors for the contribution that they have made to the affairs of the Group.

Dereck Alexander
Chief executive officer

DIRECTORATE AND EXECUTIVE MANAGEMENT



Teamwork is the ability to direct individual accomplishments to organizational objectives.



The Amecor board of directors consists of two non-executive directors and three executives. The board skills are varied offering complimentary collective experience and track records in the areas of operational, commercial and financial management in the listed company environment.

Executive directors

Dereck Harry Alexander (58)

Amecor House
14 Richard Road
Industria North, 2194
Chief executive officer

Kerry Anne Colley (42)

Amecor House
14 Richard Road
Industria North, 2194
Financial director and Company secretary

Keith Vieira (54) (B.Tech Electronics)

Amecor House
14 Richard Road
Industria North, 2194
Technical director

Non-executive directors

Hugh Stephen Courtney (57) FCA, CA(SA)

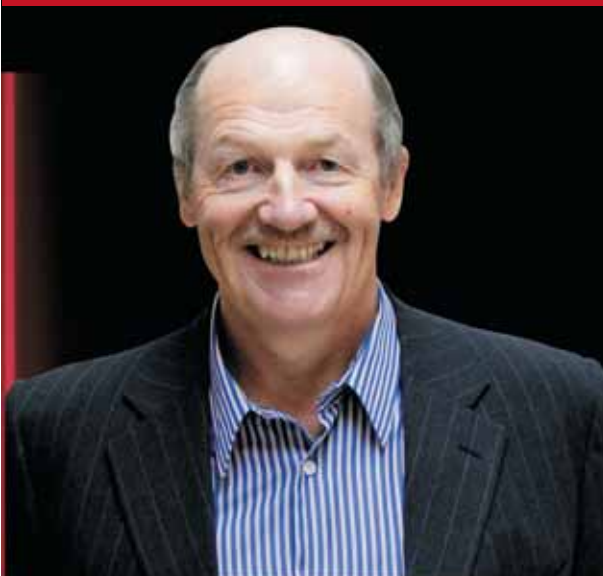
Resource House
7 Spring Street
Rivonia, 2196
Non-executive chairman

Mochele Noge (36) B.Com, Hons (Acc), H.Dip (Corp Law), CA(SA)

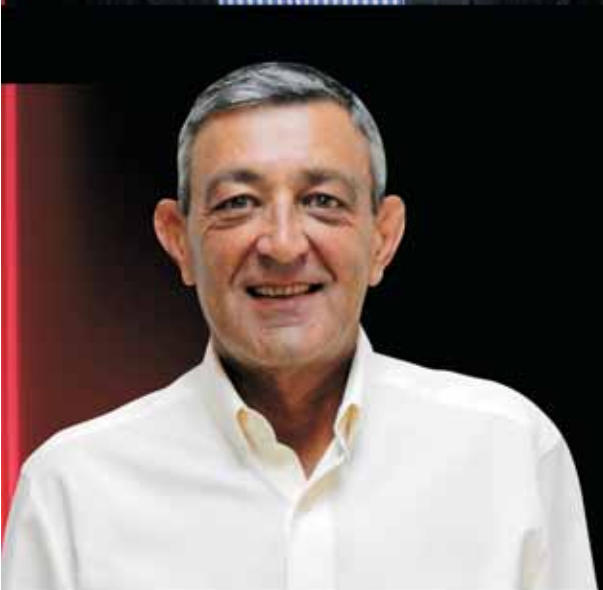
Resource House
7 Spring Street
Rivonia, 2196
Independent non-executive director



DIRECTORATE AND EXECUTIVE MANAGEMENT

**Stephen Courtney****Non-executive chairman**

Stephen qualified as a registered Chartered Accountant in Ireland (1977) and South Africa (1986), having completed his articles at PriceWaterhouseCoopers. He has more than 25 years specific experience in corporate finance and has been involved in numerous listings, mergers, acquisitions, disposals and other corporate transactions. He is also the commercial director of Infrasons Holdings Limited

**Dereck Alexander****Chief executive director**

Dereck started his career in banking and has been involved in sales and marketing for the past 30 years. Dereck was previously CEO of a listed security company and has served on the boards of numerous JSE listed companies as both executive and non-executive director.

**Kerry Colley****Financial director and company secretary**

Kerry has considerable experience in company statutory matters, financial reporting, budget preparations, human resources functions, compliance and administration.

**Keith Vieira****Executive director - Amecor and FSK Group**

Keith has over 32 years of experience in the development and manufacture of products in the electronic security sector. Keith's responsibilities within Amecor include strategic input into new product design and development, as well as overall operations within the Group.

**Mochele Noge****Non-executive director**

Mochele is a Chartered Accountant having completed his Accounting Traineeship Programme with the First Rand Banking Group. His experience is primarily in finance/banking having been exposed to retail, investment and corporate banking. He sits on the board of directors of numerous companies as a non-executive director.

SENIOR MANAGEMENT

Directors of the subsidiary companies

FSK GROUP

Guy Richard Williamson (42) (B.Sc)
Executive director: Research and development

Amecor House
14 Richard Road
Industria North, 2194

Terence Kearns (60)
Financial director - FSK and PDS Group

Amecor House
14 Richard Road
Industria North, 2194

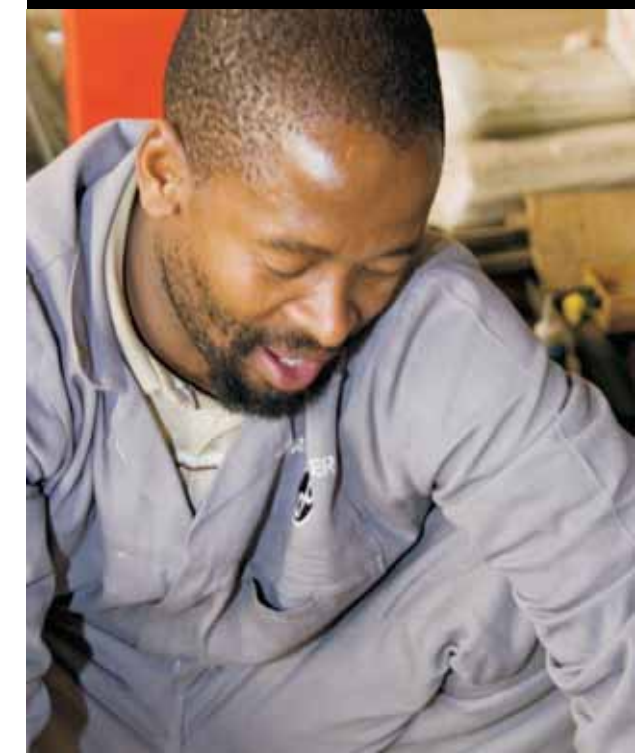
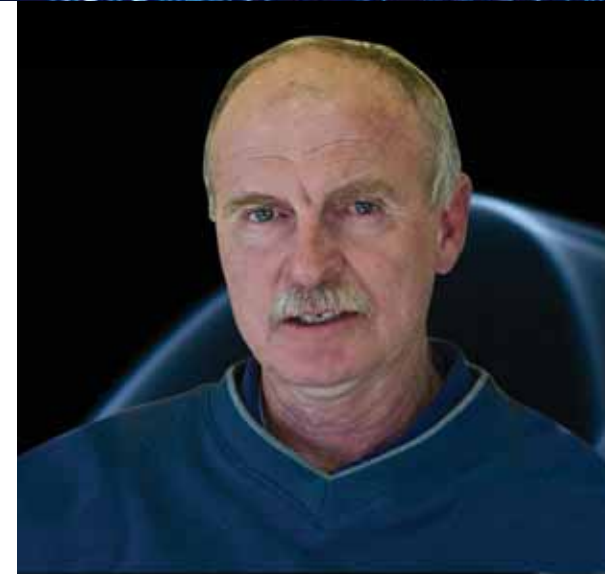
PDS GROUP

Ronald Harverson (57)
Executive director

275 Granville Avenue
Robertville
2194

Adam King (44)
Executive director

275 Granville Avenue
Robertville
2194



CORPORATE GOVERNANCE

The board of directors (“the Board”) are committed to conducting the business of the Group with integrity and fairness and in accordance with good governance practice and the Code of Corporate Practices and Conduct, as set out in the King Report on Corporate Governance for South Africa, 2002 (King II). In anticipation of the introduction of King III in 2010, the Board conducted a high level review during the year of the Group’s corporate governance in relation to the proposed new requirements. There is a commitment, going forward, to applying the provisions of the King Code of Governance for South Africa (King III). While the Board is of the opinion that the Group complies in all material respects with the principles embodied in King II, it notes the following:

- the Company does not, as recommended by King III, have an independent non-executive chairman. It has operated for a number of years with a non-executive chairman. The Board believes that this situation can be supported because there is an independent non-executive director who provides guidance on governance issues at board level; and
- executive directors within the Group currently outnumber the non-executive directors.

Disclosure in the annual report demonstrates the Group’s commitment to comply with the principles of King II, as well as the compliance achieved. The Board is equally committed to apply the principles of King III, which came into effect on 1 March 2010. The Directors have accordingly established mechanisms and policies which are appropriate to the business and risks of the Group and will ensure continuous reassessment of the quality of the Group’s corporate governance practices.

Composition of the board of directors

The board is currently made up of three executive and two non-executive directors. The non-executive directors provide independent judgement on issues of strategy, performance, resources and standards of conduct. The board retains full and effective control over Amecor, is responsible for strategic and fiscal policy and is involved in all decisions affecting it, which are considered to be material. The board sits at least four times per annum and more frequently if necessary. No one director has unfettered powers of decision making in the Group.



The board of directors

There is a policy detailing the procedures for appointments to the board. Such appointments are formal and transparent and a matter of the board as a whole.

The directors, as already appointed, bring a wide range of experience, diversity, insight and independence of judgment on issues of strategy, performance, resources and standards of conduct to the board. The directors all have unfettered access to the company secretary who, inter alia, is responsible for ensuring that proper procedures are followed regarding board matters. Directors’ information packs are prepared before each board meeting so as to fully inform the directors of the issues at hand. Directors are furthermore entitled to ask questions of any personnel and have unrestricted access to all Group related information and property. The divisional performance of Amecor is monitored by monthly executive management meetings, which have board representatives present. This is supported by management reporting disciplines, which include preparation of annual budgets and monthly variance reporting. Working capital and borrowing levels are monitored on an ongoing basis. The board’s main responsibilities include: strategy, acquisition, disinvestment policy, risk management, financing and corporate governance. In addition, the board is accountable for relations with stakeholders and is responsible for creating, protecting and enhancing the Group’s wealth and resources, timely and transparent reporting and for acting at all times in the best interests of the Group and its shareholders.

Independence of the board

The board’s independence from the team responsible for the daily management of Amecor will be maintained by:

- keeping separate the roles of the chairperson and the chief executive officer;
- functioning board committees comprised mainly of non-executive directors;
- the non-executive directors not holding fixed-term service contracts;
- all directors, with prior permission of the board, being entitled to seek independent professional advice on the affairs of Amecor at the Company’s expense;
- all directors having access to the advice and services of the company secretary; and
- the appointment or dismissal of the company secretary being decided by the board as a whole and not by one individual director.

Board of directors

Board meetings (four meetings)	
HS Courtney (Chairman)	4
D Alexander	4
M Noge	4
K Colley	4
K Vieira	4

The responsibilities delegated to the committees are formally documented in terms of reference for that committee, which have been approved by the board and are reviewed annually. It is intended that the effectiveness of the committees be reviewed annually by the board, based on a self evaluation done by each committee of the degree to which they have fulfilled their terms of reference.

Committee members have unrestricted access to information and management of Amecor and, where appropriate, may seek the advice of independent professionals on matters concerning the affairs of Amecor, at the expense of Amecor.

Audit committee

Members	Audit committee (four meetings)
M Noge (Chairman)	4
HS Courtney	4

It is intended that the committee will meet at least four times a year and is responsible for assisting the Board in fulfilling its duties in respect of financial reporting issues, internal and external audit management, ensuring compliance with laws and regulations, risk management and development/maintenance of an effective internal control system.

The audit committee sets the principles for recommending the use of external auditors for non-audit purposes, which include:

- tax services, including advice on tax planning and transfer pricing issues;
- corporate structures;
- merger and acquisition advice; and
- training.

CORPORATE GOVERNANCE (continued)

Remuneration committee**Members Remuneration committee (one meeting)**

M Noge (Chairman)	1
HS Courtney	1

The remuneration committee is a formal committee of the board. The primary purposes of the committee are set out in its terms of reference and are:

- to make recommendations to the board of the Group's framework of executive remuneration;
- to determine individual remuneration packages within that framework for the executive directors and senior management; and
- to oversee the operation of the Group's share scheme.

The remuneration of the non-executive chairman is determined by the committee and executive directors, and the remuneration of the other non-executive directors is determined by the chairman and executive directors.

The Group CEO, Dereck Alexander, provides advice on remuneration policies and practices and is usually invited to attend the meetings of the committee.

Remuneration policy

The Group's remuneration policy has been set with the objectives of attracting, motivating and retaining high caliber directors and senior management in a manner that is consistent with best practice and aligned with the interests of the Group's shareholders.

Salary

Salaries are reviewed annually, normally with effect from 1 April, and are targeted broadly at the median position of the relevant market. The committee also takes into consideration business performance, salary practices prevailing for other employees in the Group and, when setting individual salaries, the individual's performance and experience in the role.

Bonus share plan

The Amecor Group operates a bonus share plan, usually payable in December of each year. Bonuses are awarded against achievement of corporate and individual targets.

Risk committee**Members Risk committee (one meeting)**

M Noge (Chairman)	1
HS Courtney	1

The Amecor risk committee operates on a group wide basis. The committee is responsible for assisting the board of directors in the discharge of their duties relating to corporate accountability, and the associated risk in terms of management, assurance and reporting. The committee's risk management policy encompasses all significant, financial, operational, and compliance related risks which could undermine the Group's ability to achieve its objectives.

Risk management and internal control

Amecor's executive directors manage the risk and internal control on individual subsidiary Group levels, headed by Dereck Alexander. They are responsible for the day-to-day management of the Amecor Group and its business operations within the limits set by the board, together with policy implementation in line with the Group's strategy agreed by the board. The board's risk management policy encompasses all significant financial, operational and compliance related risks which could undermine the Group's ability to achieve its objectives.

Company secretary

Kerry Colley, in her capacity as the company secretary, is required to provide the members of the board with guidance and advice regarding their responsibilities, duties and powers and to ensure that the board is aware of all the legislation relevant to, or affecting the affairs of the Company. The company secretary ensures that the Company complies with all applicable legislation regarding the affairs of the Company, including the necessary recording of meetings of the board, board committees and shareholders of the Company.

Whistleblowing measures

In accordance with the provisions of the Protected Disclosures Act Number 26 of 2000, management has ensured that no employee who has made a protected disclosure shall be subject to any occupational detriment. Such employees will be protected against any victimisation or other adverse treatment in terms of the aforementioned legislation.

Communication with stakeholders

A policy of effective communication and engagement with all stakeholders in the affairs of the Group is adhered to and the Group provides a secure, healthy and participative social and working environment for its staff and associates. The board is committed to improving communication with employees and encourages employees to participate at all levels in the decision-making processes of Amecor. The board is committed to providing equal opportunities for all employees.

Share dealing policy

Amecor implemented a code for dealing in Amecor shares. The document has been distributed to all directors and senior management who have in turn relayed the share dealing process to all employees.

The Company enforces a restricted period for dealing in shares, in terms of which any dealings in shares by all directors and employees are disallowed by the board from the time that the reporting period has elapsed to the time that results are released and at any time that the Company is trading under a cautionary announcement. A procedure for directors and employees to deal in shares has been introduced and the Company's sponsor will give guidance on the matter from time to time.

Employment equity

Amecor has a clearly defined employment equity strategy aimed at realising the potential of previously disadvantaged people in South Africa. The Group continues to implement strategies to be compliant with all aspects of the South African legislative requirements on employment equity and has implemented employment equity plans.

Annual general meeting

The annual general meeting of Amecor will be held on Friday, 19 November 2010 in Johannesburg and will provide an opportunity for shareholders to ask the directors and chairman questions about Amecor's activities and prospects. All directors, and in particular the chairman are expected to be present.

Separate resolutions will be proposed for each separate item of business for consideration at the annual general meeting. All resolutions at the annual general meeting will be voted on by a show of hands, with the verified results announced on SENS and in the press as soon as practicable following the close of the meeting.

The notice of the annual general meeting, which includes explanations of all resolutions, is contained in the annual report, which is sent to all shareholders in advance of the meeting, in accordance with the corporate governance code of South Africa.