

# Unaudited results

for the six months ended 31 December 2008



**EXCELLERATE HOLDINGS LIMITED** Registration number 1997/009884/06 JSE code: EXL ISIN: ZAE000026092 (Incorporated in the Republic of South Africa) ("Excellerate" or "the Group")

## HIGHLIGHTS

- Revenue growth of 17,9% over the prior period
- Attributable profit for the six months up 15,2% over the prior period
- Operating cash flow generation up 139,3% over the prior period
- Announced acquisitions bedded down

## CONDENSED GROUP INCOME STATEMENT

	Unaudited 6 months ended 31 December 2008 R'000	Restated unaudited 6 months ended 31 December 2007 R'000	Audited 12 months ended 30 June 2008 R'000
<b>Revenue</b>	<b>351 886</b>	298 438	587 406
<b>Gross profit</b>	<b>108 127</b>	98 022	201 692
<b>Profit before net finance costs and taxation</b>	<b>27 241</b>	23 679	44 017
Net finance costs	(1 820)	(1 608)	(1 654)
<b>Profit before taxation</b>	<b>25 421</b>	22 071	42 363
Taxation	(7 655)	(6 418)	(13 003)
<b>Profit after taxation</b>	<b>17 766</b>	15 653	29 360
<b>Attributable to:</b>			
Equity holders of the parent	<b>17 968</b>	15 595	28 925
Minority interest	(202)	58	435
	<b>17 766</b>	15 653	29 360
Shares in issue (000's)	<b>219 329</b>	219 045	219 045
Weighted average number of shares in issue (000's)	<b>219 137</b>	218 929	219 004
Fully diluted weighted average number of shares in issue (000's)	<b>224 121</b>	223 659	224 174
Earnings per share (cents)	<b>8,2</b>	7,1	13,2
Headline earnings per share (cents)	<b>8,2</b>	7,1	13,2
Diluted basic earnings per share (cents)	<b>8,0</b>	6,9	12,9
Diluted headline earnings per share (cents)	<b>8,0</b>	6,9	12,9
<b>Reconciliation between income attributable to ordinary shareholders and the headline earnings attributable to ordinary shareholders:</b>			
Attributable to ordinary shareholders	<b>17 968</b>	15 595	28 925
- impairment of assets	-	-	5
- gain on disposal of business	-	-	(62)
- net loss/(gain) on sale of property, plant and equipment	<b>27</b>	(39)	(38)
- tax thereon	(8)	11	27
<b>Headline earnings</b>	<b>17 987</b>	15 567	28 857

## CONDENSED GROUP BALANCE SHEET

	Unaudited 31 December 2008 R'000	Restated unaudited 31 December 2007 R'000	Audited 30 June 2008 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>197 261</b>	100 714	128 661

## CONDENSED GROUP SEGMENTAL REPORT

	Services R'000	Trading distribution R'000	Corporate R'000	Total R'000
<b>2008</b>				
Revenue (external)	<b>154 224</b>	<b>197 662</b>	-	<b>351 886</b>
Revenue (internal)	<b>5 317</b>	<b>5 437</b>	<b>4 486</b>	<b>15 240</b>
	<b>159 541</b>	<b>203 099</b>	<b>4 486</b>	<b>367 126</b>
Profit before tax	<b>19 627</b>	<b>11 666</b>	<b>(5 872)</b>	<b>25 421</b>
Segment assets	<b>302 028</b>	<b>245 703</b>	<b>8 593</b>	<b>556 324</b>
<b>2007</b>				
Revenue (external)	81 328	217 110	-	298 438
Revenue (internal)	1 424	4 656	4 060	10 140
	82 752	221 766	4 060	308 578
Profit before tax	12 368	14 779	(5 076)	22 071
Segment assets	128 478	245 886	5 868	380 231

## COMMENTARY

### GENERAL OVERVIEW

The past six months has been both exciting and challenging as the Group continued to focus on organic growth, integrating the recent acquisitions and cautiously considering new opportunities. Continued focus on sound cash management and quality revenue has resulted in positive performance in both of these areas. This has been achieved despite the current depressed consumer and corporate spending environment which affected the economy during the latter stages of the reporting period. The diverse nature of the Group has the benefit of cushioning some of the pressures being experienced by the trading and distribution divisions through the consistent performance of the service orientated companies. The economic and commercial climate is likely to remain negative for the foreseeable future, but the Board is confident that the Group is well placed to manage through this period given the anticipated performance of group companies, low current debt levels and continued positive cash generation. The Group will continue to seek value enhancing acquisitions, but will apply stringent valuation methodologies appropriate to the current economic environment in assessing new opportunities.

### FINANCIAL RESULTS

The Board is pleased to report to shareholders an improved performance for the six month period from July to December 2008, in comparison with both the previous six months and the comparative period for the prior year.

Revenue for the six months rose by R53,5 million or 17,9%, to R351,9 million. Net profit attributable to shareholders increased to R18,0 million, an increase of 15,2% over the comparative period.

Diluted basic earnings and diluted headline earnings per share increased by 15,9% to 8,0 cents per share.

Positive cash flows generated from operating activities amounted to R8,3 million compared to a cash utilisation of R21,2 million in the prior period. This has been achieved, in part, through focused management of inventory and debtors levels. The cyclical nature of the trading businesses should precipitate a further reduction in the Group's investment in working capital to June 2009. Cash flows utilised in investing activities amounted to R39,9 million (prior period R9,5 million). The majority (R32,1 million) of this cash flow related to the acquisition of the Vital group of companies and Delawood Designs. No external funding was required for these investments. Additions to property, plant and equipment for the period was R7,7 million (prior period R6,1 million). The overall effect of these items, along with R8,0 million utilised in financing activities and R6,8 million in dividends declared in respect of the year ended June 2008, was a decrease in cash and cash equivalents amounting to R46,2 million resulting in a closing balance of R3,7 million.

### REVIEW OF OPERATIONS

#### Trading - Distribution

The Trading and Distribution division comprises Goldenmarc, Foodserv, Sunkist and Ferengi.

Revenue in the Trading and Distribution division decreased by R18,7 million (8,4%) from R221,8 million to R203,1 million. Profit before tax decreased by R3,1 million (21,1%) to R11,7 million.

Foodserv continued to show strong revenue and profit growth and the outlook for Foodserv remains very positive. Goldenmarc has experienced both volume and margin pressure indicative of the current weak retail environment. This has resulted in material reductions in their revenue and profitability for the period. Management continues to focus on achieving improved volumes and margins but these are largely dependent on the improvement in trading conditions. In addition, Goldenmarc's management is implementing measures to significantly reduce fixed overheads.

The restructuring of Sunkist is largely completed with a few sales categories still to be eliminated or disposed off. As a result of this process, Sunkist's revenue decreased by 61,4% or R17,7 million for the period. Sunkist is now relatively small within the trading and distribution division and management continues to explore ways of optimising shareholder value in this business.

	2007 R'000	2008 R'000	2009 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>197 261</b>	100 714	128 661
Property, plant and equipment	69 359	30 400	35 981
Intangible assets	105 105	53 651	74 017
Other financial assets	12 612	901	6 356
Deferred taxation	10 185	15 762	12 307
<b>Current assets</b>	<b>302 251</b>	248 415	279 081
Cash and cash equivalents	14 785	15 585	49 989
Other current assets	287 466	232 830	229 092
<b>Total assets</b>	<b>499 512</b>	349 129	407 742
<b>EQUITY AND LIABILITIES</b>			
<b>Equity and reserves</b>	<b>207 509</b>	169 694	182 903
Equity attributable to equity holders of the parent	206 928	168 790	182 120
Minority interests	581	904	783
<b>Non-current liabilities</b>	<b>35 490</b>	11 877	21 786
Interest bearing debt	21 335	10 584	20 039
Deferred taxation	6 058	1 293	1 747
Vendors for acquisitions	8 097	-	-
<b>Current liabilities</b>	<b>256 513</b>	167 558	203 053
Other current liabilities	235 294	151 285	196 299
Bank overdrafts	11 077	16 273	-
Vendors for acquisitions	10 142	-	6 754
<b>Total equity and liabilities</b>	<b>499 512</b>	349 129	407 742
Net asset value per share (cents)	94,3	77,1	83,1
Net tangible asset value per share (cents)	46,4	52,6	49,4

**CONDENSED GROUP CASH FLOW STATEMENT**

	Unaudited 6 months ended 31 December 2008 R'000	Restated unaudited 6 months ended 31 December 2007 R'000	Audited 12 months ended 30 June 2008 R'000
<b>Cash flows from operating activities</b>	<b>8 344</b>	(21 215)	39 794
Cash generated/(utilised) by operations	11 586	(14 563)	56 200
Net finance costs	(1 344)	(1 608)	(4 575)
Taxation paid	(1 898)	(5 044)	(11 831)
<b>Cash flows from investing activities</b>	<b>(39 839)</b>	(9 518)	(13 957)
Net additions to property, plant and equipment and software	(7 725)	(6 066)	(13 404)
Net acquisition in businesses and joint ventures	(32 114)	(3 452)	(553)
<b>Cash flows from financing activities</b>	<b>(14 786)</b>	6 559	663
Dividends paid	(6 797)	-	(498)
Other financing activities	(7 989)	6 559	1 161
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(46 281)</b>	(24 174)	26 500
<b>Cash and cash equivalents at beginning of period</b>	<b>49 989</b>	23 486	23 489
<b>Cash and cash equivalents at end of period</b>	<b>3 708</b>	(688)	49 989

**CONDENSED STATEMENT OF CHANGES IN EQUITY**

	Share capital R'000	Share premium R'000	Non- distributable reserve R'000	Share based payment reserve R'000	Retained earnings R'000	Attributable to equity holders of parent R'000	Minority interest R'000	Total R'000
<b>Balance at 30 June 2007</b>	2 189	65 889	18 612		66 220	152 910	846	153 756
Share based payment transactions			95			95		95
Sale of treasury shares	1	189				190		190
Profit for the period					15 595	15 595	58	15 653

margins but these are largely dependent on the improvement in trading conditions. In addition, Goldenmarc's management is implementing measures to significantly reduce fixed overheads.

The restructuring of Sunkist is largely completed with a few sales categories still to be eliminated or disposed off. As a result of this process, Sunkist's revenue decreased by 61,4% or R17,7 million for the period. Sunkist is now relatively small within the trading and distribution division and management continues to explore ways of optimising shareholder value in this business.

**Services**

The Services division comprises Interpark, Sterikleen, Vital Distribution, Vital Fleet, Staffing Logistics, Chattels, Delawood and Levingers.

Revenue in the Services division increased by R76,8 million (92,8%) to R159,5 million and profit before tax improved by R7,3 million (59,3%) to R19,6 million.

The significant growth in revenues and profitability is due to the introduction of the new acquisitions as well as solid performances of the existing business units in the current period. Vital is only included in these results from 1 October 2008, whilst Delawood Designs is included from 1 November 2008. Initial results indicate that these companies are performing as anticipated and should continue to do so for the coming six months to June 2009.

Due to lower than expected industry activity, Chattels did not achieve anticipated revenues to December. However the cyclical nature of the business and the strong order book to June 2009 should result in a solid annual performance. In addition, Chattels is currently pursuing significant growth opportunities which if successful will have a meaningful positive impact on future performance.

Interpark and Sterikleen continue to achieve positive sustainable results. The continued focus of management in these companies is on cost and margin maintenance, which is even more relevant in the current economic environment. Both Interpark and Sterikleen have been actively developing innovative revenue opportunities within the core businesses, which are now beginning to deliver results. This will be a continued focus of management to maximise revenue growth.

Levingers is highly geared on an operating level, which combined with lower volumes due to a weaker retail environment has resulted in Levingers performing below growth expectations for the reporting period. However, aggressive cost management has resulted in continuing profitability, and any improvement in the retail environment will see significant improvements in results. In addition, management are currently pursuing opportunities to reduce the operational gearing within the company.

**ACQUISITIONS**

During the period under review, two previously announced transactions were implemented as follows:

- Effective 1 October 2008, Excellerate acquired 37,4% of Vital Distribution Solutions (Pty) Limited, 50% of Staffing Logistics (Pty) Limited and 50% of Vital Fleet (Pty) Limited, collectively ("the Vital Transaction"); and
- Effective 1 November 2008, Excellerate acquired 50% of an entity which has acquired the business of DLJ Interiors CC, carried on under the name Delawood Designs ("the Delawood Transaction").

The total cost of the Vital Transaction was R34,9 million of which R25,8 million was attributable to tangible net assets acquired, with the balance of R9,1 million attributed to goodwill and other intangible assets. From 1 October 2008 to 31 December 2008, the Vital Transaction contributed R4,4 million to the Group's profit after tax, after taking into account R1,0 million of pre-taxation financing costs related to the transaction.

The total cost of the Delawood Transaction was R9,4 million of which R3,4 million was attributable to tangible net assets, and the balance of R6,0 million attributed to goodwill and other intangible assets. From 1 November 2008 to 31 December 2008, the Delawood Transaction contributed R0,8 million to the Group's profit after tax, after taking into account R0,1 million of pre-taxation financing costs related to the transaction.

**PROSPECTS**

The Group continues to look for investment opportunities, but is adopting a more conservative approach to valuations consistent with the current economic environment. It is the view of the Board that recent opportunities considered have not yet fully discounted the inherent risks associated with local and global markets, and consequently it has been difficult to agree value with sellers during the current reporting period. More recently, however, the expectation gap appears to be narrowing, and the Group is well positioned to make acquisitions as appropriate opportunities arise.

There has also been a major effort to source innovative and material growth opportunities for the Group's current operating businesses, and this effort is expected to start yielding positive results going forward.

**BASIS OF PREPARATION OF RESULTS**

The condensed consolidated financial results for the six months ended 31 December 2008 have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards, its interpretations adopted by the International Accounting Standards Board, the presentation as well as the disclosure requirements of International Accounting Standards 34 - *Interim Financial Reporting*, the Listing Requirements of the JSE Limited and in the manner required by the South African Companies Act, No 61 of 1973.

The accounting policies applied in the presentation of the financial results are consistent with those applied for the year ended 30 June 2008.

The results for 31 December 2007 have been restated in accordance with the restatement of the results for the year ended 30 June 2008. The Group has adopted the policy to proportionately consolidate joint ventures. This policy was also applied to those joint ventures classified previously as associates.

The condensed consolidated balance sheet at 31 December 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow for the six months then ended have not been reviewed or reported on by the Group's auditors.

**DIVIDEND**

As is consistent with the Group's policies regarding the payment of interim dividends, the directors have decided not to declare a dividend at this time.

For and on behalf of the Board

**G Hulley** *Chief Executive Officer*  
Sandton

23 March 2009

Share based payment transactions			95		95		95
Sale of treasury shares	1	189			190		190
Profit for the period				15 595	15 595	58	15 653
<b>Balance at 31 December 2007</b>	<b>2 190</b>	<b>66 078</b>	<b>18 707</b>	<b>81 815</b>	<b>168 790</b>	<b>904</b>	<b>169 694</b>
Transfer to share based payment reserve			(1 830)	1 830	-		-
Transfer to retained earnings			(16 877)		16 877		-
Profit for the period				13 330	13 330	377	13 707
Dividends to minority shareholders					-	(498)	(498)
<b>Balance at 30 June 2008</b>	<b>2 190</b>	<b>66 078</b>	<b>-</b>	<b>1 830</b>	<b>112 022</b>	<b>783</b>	<b>182 903</b>
Dividends declared					(6 797)		(6 797)
Arising on acquisition of joint ventures		13 570			13 570		13 570
Repurchase of shares	(2)	(171)			(173)		(173)
Sale of treasury shares	5	235			240		240
Profit for the period				17 968	17 968	(202)	17 766
<b>Balance at 31 December 2008</b>	<b>2 193</b>	<b>79 712</b>	<b>-</b>	<b>1 830</b>	<b>123 193</b>	<b>581</b>	<b>207 509</b>

**DIRECTORS**

Gordon Hulley *Chief executive officer*  
 Harold Bloch *Executive director*  
 Peter Kramer *Executive director*  
 Alan Lipchin *Executive director*  
 Athol Stewart *Executive director*  
 Rob Owens *Executive director*  
 Rudi Stumpf *Non-executive director*  
 Graham Davel *Non-executive director*  
 Clive Howell *Non-executive director (alternate to Graham Davel)*  
 Michael Mohoho *Non-executive director*

**SHARE TRANSFER SECRETARY**

Computershare Investor Services (Pty) Limited  
 70 Marshall Street  
 Johannesburg 2001  
 PO Box 61051  
 Marshalltown 2107  
 Tel: (+27 11) 370 5000  
 Fax: (+27 11) 688 7721

**COMPANY SECRETARY**

ER Goodman Secretarial Services CC  
 (represented by E Goodman)  
 2nd Floor, Palm Grove, Grove City  
 196 Louis Botha Avenue  
 Houghton  
 Tel: (+27 11) 728 0742  
 Fax: (+27 11) 728 4226  
 email: ergoodmn@netactive.co.za

**REGISTERED OFFICE**

1st Floor  
 Atholl Square  
 Corner Katherine Street and Wierda Road East  
 Sandown 2196  
 PO Box 785448, Sandton 2146  
 Tel: (+27 11) 523 2980  
 Fax: (+27 11) 523 2990  
 email: info@excellerate.co.za

