

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

Unaudited results
 for the six months ended 31 December 2008

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
Revenue	351 886	298 438	587 406
Gross profit	108 127	98 022	201 692
Profit before net finance costs and taxation	27 241	23 679	44 017
Net finance costs	(1 820)	(1 608)	(1 654)
Profit before taxation	25 421	22 071	42 363
Taxation	(7 655)	(6 418)	(13 003)
Profit after taxation	17 766	15 653	29 360
Attributable to:			
Equity holders of the parent	17 968	15 595	28 925
Minority interest	(202)	58	435
	17 766	15 653	29 360
Shares in issue (000's)	219 329	219 045	219 045
Weighted average number of shares in issue (000's)	219 137	218 929	219 004
Fully diluted weighted average number of shares in issue (000's)	224 121	223 659	224 174
Earnings per share (cents)	8,2	7,1	13,2
Headline earnings per share (cents)	8,2	7,1	13,2
Diluted basic earnings per share (cents)	8,0	6,9	12,9
Diluted headline earnings	8,0	6,9	12,9

per share (cents)

Reconciliation between
income attributable to
ordinary shareholders and
the headline earnings
attributable to ordinary
shareholders:

Attributable to ordinary shareholders	17 968	15 595	28 925
- impairment of assets	-	-	5
- gain on disposal of business	-	-	(62)
- net loss/(gain) on sale of property, plant and equipment	27	(39)	(38)
- tax thereon	(8)	11	27
Headline earnings	17 987	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
ASSETS			
Non-current assets	197 261	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
Current assets	302 251	248 415	279 081
Cash and cash equivalents	14 785	15 585	49 989
Other current assets	287 466	232 830	229 092
Total assets	499 512	349 129	407 742
EQUITY AND LIABILITIES			
Equity and reserves	207 509	169 694	182 903
Equity attributable to equity holders of the parent	206 928	168 790	182 120
Minority interests	581	904	783
Non-current liabilities	35 490	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	-	-
Current liabilities	256 513	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
Total equity and	499 512	349 129	407 742

liabilities			
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
Cash flows from operating activities	8 344	(21 215)	39 794
Cash	11 586	(14 563)	56 200
generated/(utilised) by operations			
Net finance costs	(1 344)	(1 608)	(4 575)
Taxation paid	(1 898)	(5 044)	(11 831)
Cash flows from investing activities	(39 839)	(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)
Cash flows from financing activities	(14 786)	6 559	663
Dividends paid	(6 797)	-	(498)
Other financing activities	(7 989)	6 559	1 161
Net (decrease)/increase in cash and cash equivalents	(46 281)	(24 174)	26 500
Cash and cash equivalents at beginning of period	49 989	23 486	23 489
Cash and cash equivalents at end of period	3 708	(688)	49 989

CONDENSED GROUP SEGMENTAL REPORT

	Services	Trading	Corporate	Total
	R'000	distribution	R'000	R'000
		R'000	R'000	R'000
2008				
Revenue (external)	154 224	197 662	-	351 886
Revenue (internal)	5 317	5 437	4 486	15 240
	159 541	203 099	4 486	367 126
Profit before tax	19 627	11 666	(5 872)	25 421
Segment assets	302 028	245 703	8 593	556 324
2007				
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

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share	Share	Non-	Share
	capital	premium	distributable	based
	R'000	R'000	reserve	payment
			R'000	reserve
				R'000
Balance at 30	2 189	65 889	18 612	
June 2007				
Share based			95	
payment				
transactions				
Sale of treasury	1	189		
shares				
Profit for the				
period				
Balance at 31	2 190	66 078	18 707	
December 2007				
Transfer to share			(1 830)	1 830
based payment				
reserve				
Transfer to			(16 877)	
retained earnings				
Profit for the				
period				
Dividends to				
minority				
shareholders				
Balance at 30	2 190	66 078	-	1 830
June 2008				
Dividends				
declared				
Arising on		13 570		
acquisition of				
joint ventures				
Repurchase of	(2)	(171)		

shares				
Sale of treasury shares	5	235		
Profit for the period				
Balance at 31 December 2008	2 193	79 712	-	1 830

	Retained earnings R'000	Attributable to equity holders of parent R'000	Minority interest R'000	Total R'000
Balance at 30 June 2007	66 220	152 910	846	153 756
Share based payment transactions		95		95
Sale of treasury shares		190		190
Profit for the period	15 595	15 595	58	15 653
Balance at 31 December 2007	81 815	168 790	904	169 694
Transfer to share based payment reserve		-		-
Transfer to retained earnings	16 877	-		-
Profit for the period	13 330	13 330	377	13 707
Dividends to minority shareholders		-	(498)	(498)
Balance at 30 June 2008	112 022	182 120	783	182 903
Dividends declared	(6 797)	(6 797)		(6 797)
Arising on acquisition of joint ventures		13 570		13 570
Repurchase of shares		(173)		(173)
Sale of treasury shares		240		240
Profit for the period	17 968	17 968	(202)	17 766
Balance at 31 December 2008	123 193	206 928	581	207 509

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 Ferrengi.

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.

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

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 Mohohlo Non-executive director

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