

# Unaudited results

for the six months ended 31 December 2009  
and further cautionary announcement



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

## HIGHLIGHTS

- Revenue growth of 9% over the comparative period
- Profit before tax growth of 8% for continuing operations over the comparative period

- Cash generated from operations of R5,3 million
- Trading - Distribution segment delivers a significant improvement in operational profitability

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 31 December 2009 R'000	Unaudited 6 months ended 31 December 2008 R'000	Audited 12 months ended 30 June 2009 R'000
<b>Continuing operations</b>			
Revenue	370 065	340 754	654 998
Gross profit	109 439	102 983	210 928
Profit before net finance costs and taxation	30 538	29 325	50 953
Net finance costs	(2 080)	(2 881)	(8 317)
Profit before taxation	28 458	26 444	42 636
Taxation	(8 888)	(7 938)	(12 036)
<b>Profit and total comprehensive income for the period from continuing operations</b>	<b>19 570</b>	<b>18 506</b>	<b>30 600</b>
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	(3 718)	(740)	(1 791)
<b>Profit and total comprehensive income for the period</b>	<b>15 852</b>	<b>17 766</b>	<b>28 809</b>
<b>Profit attributable to:</b>			
Equity holders of the parent	16 130	17 968	28 607
Non-controlling interest	(278)	(202)	202
	15 852	17 766	28 809
Shares in issue (000's)	217 864	219 329	217 329
Weighted average number of shares in issue (000's)	217 436	219 137	219 211
Fully diluted weighted average number of shares in issue (000's)	220 744	224 121	223 846
<b>Total operations</b>			
Earnings per share (cents)	7,4	8,2	13,0
Headline earnings per share (cents)	7,4	8,2	11,9
Diluted earnings per share (cents)	7,3	8,0	12,8
Diluted headline earnings per share (cents)	7,3	8,0	11,7
<b>Continuing operations</b>			
Earnings per share (cents)	9,1	8,5	13,8
Headline earnings per share (cents)	9,1	8,5	12,8
Diluted earnings per share (cents)	9,0	8,3	13,6
Diluted headline earnings per share (cents)	9,0	8,3	12,5
<b>Discontinued operations</b>			
Earnings per share (cents)	(1,7)	(0,3)	(0,8)
Headline earnings per share (cents)	(1,7)	(0,3)	(0,9)
Diluted earnings per share (cents)	(1,7)	(0,3)	(0,8)
Diluted headline earnings per share (cents)	(1,7)	(0,3)	(0,8)
<b>Reconciliation between income attributable to equity holders of the parent and the headline earnings attributable to the equity holders of the parent:</b>			
Attributable to ordinary shareholders	16 130	17 968	28 607
- negative goodwill	-	-	(2 498)
- net (gain)/loss on sale of property, plant and equipment	(28)	27	113
- taxation effect of the adjustments	8	(8)	(32)
<b>Headline earnings</b>	<b>16 110</b>	<b>17 987</b>	<b>26 190</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 31 December 2009 R'000	Unaudited 31 December 2008 R'000	Audited 30 June 2009 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>184 673</b>	<b>171 429</b>	<b>188 732</b>
Property, plant and equipment	68 912	69 359	71 506
Intangible assets	103 938	91 128	106 147
Investment in associate	5 645	-	-
Interest bearing receivables	103	757	560
Amounts owing by joint venture partners	-	-	306
Deferred tax asset	6 075	10 185	10 213
<b>Current assets</b>	<b>313 332</b>	<b>316 736</b>	<b>279 034</b>
Inventories	81 719	107 511	95 025
Trade and other receivables	173 738	179 955	139 022
Interest bearing receivables	4 297	408	1 238
Amounts owing by joint venture partners	18 670	10 095	13 449
Taxation receivable	8 697	3 982	8 455
Other financial assets	642	-	-
Cash and cash equivalents	25 569	14 785	21 845
<b>Total assets</b>	<b>498 005</b>	<b>488 165</b>	<b>467 766</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity and reserves</b>	<b>212 094</b>	<b>193 939</b>	<b>203 507</b>
Equity attributable to equity holders of the parent	211 387	193 358	202 522
Non-controlling interest	707	581	985
<b>Non-current liabilities</b>	<b>32 240</b>	<b>27 393</b>	<b>25 765</b>
Interest bearing debt	25 130	21 335	18 788
Deferred tax liability	7 110	6 058	6 977
<b>Current liabilities</b>	<b>253 671</b>	<b>266 833</b>	<b>238 494</b>
Trade and other payables	177 393	210 227	184 286
Amounts owing to joint venture partners	15 114	8 779	12 473
Taxation payable	13 506	12 858	14 427
Interest bearing debt	7 419	5 980	13 342
Other financial liabilities	50	80	909
Shareholders for dividend	6	-	79
Bank overdrafts	27 205	11 077	-
Vendors for acquisitions	12 978	17 832	12 978
<b>Total equity and liabilities</b>	<b>498 005</b>	<b>488 165</b>	<b>467 766</b>
Net asset value per share (cents)	97,0	88,2	93,2
Net tangible asset value per share (cents)	50,7	46,6	44,3

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months ended 31 December 2009 R'000	Unaudited 6 months ended 31 December 2008 R'000	Audited 12 months ended 30 June 2009 R'000
<b>Cash flows from operating activities</b>	<b>(10 779)</b>	<b>1 547</b>	<b>44 039</b>
Cash generated from operations	5 308	11 586	64 813
Net finance costs	(1 972)	(1 344)	(5 594)
Dividends paid	(7 594)	(6 797)	(6 718)
Taxation paid	(6 521)	(1 898)	(8 462)
<b>Cash flows from investing activities</b>	<b>(6 769)</b>	<b>(39 839)</b>	<b>(66 874)</b>
Net additions to property, plant and equipment	(6 583)	(7 725)	(18 202)
Additions to intangible assets	(186)	-	(2 301)
Net acquisition in businesses and joint ventures	-	(32 114)	(46 371)
<b>Cash flows from financing activities</b>	<b>(5 933)</b>	<b>(7 988)</b>	<b>(5 309)</b>
Net interest bearing debt raised/(repaid)	419	(5 130)	(690)
Net increase in amounts owing by joint venture partners	(4 007)	(3 224)	(3 184)
Shares repurchased	(10)	(173)	(1 908)
Employee share options exercised	267	240	-
Sale of treasury shares	-	-	500
Decrease in interest bearing receivables	(2 602)	299	(27)
<b>Net decrease in cash and cash equivalents</b>	<b>(23 481)</b>	<b>(46 280)</b>	<b>(28 144)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>21 845</b>	<b>49 989</b>	<b>49 989</b>
<b>Cash and cash equivalents at end of period</b>	<b>(1 636)</b>	<b>3 709</b>	<b>21 845</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Share-based payment reserve R'000	Retained earnings R'000	Attributable to equity holders of parent R'000	Non-controlling interest R'000	Total R'000
<b>Balance at 30 June 2008</b>	2 190	66 078	1 830	112 022	182 120	783	182 903
<b>Total comprehensive income for the period</b>							
Profit for the period				17 968	17 968	(202)	17 766
<b>Transactions with owners, recorded directly into equity</b>							
Dividends declared				(6 797)	(6 797)		(6 797)
Arising on acquisition of joint ventures		13 570			13 570		13 570
Re-assessment of share premium		(13 570)			(13 570)		(13 570)
Repurchase of shares	(2)	(171)			(173)		(173)
Sale of treasury shares	5	235			240		240
<b>Balance at 31 December 2008</b>	2 193	66 142	1 830	123 193	193 358	581	193 939
<b>Total comprehensive income for the period</b>							
Profit for the period				10 639	10 639	404	11 043
<b>Transactions with owners, recorded directly into equity</b>							
Repurchase of shares	(20)	(1 715)			(1 735)		(1 735)
Sale of treasury shares	-	260			260		260
Movement in share-based payment reserve			(97)	97	-		-
<b>Balance at 30 June 2009</b>	2 173	64 687	1 733	133 939	202 522	985	203 507
<b>Total comprehensive income for the period</b>							
Profit for the period				16 130	16 130	(278)	15 852
<b>Transactions with owners, recorded directly into equity</b>							
Dividends declared				(7 521)	(7 521)		(7 521)
Movement in share-based payment reserve			(138)	138	-		-
Repurchase of shares	-	(10)			(10)		(10)
Sale of treasury shares	6	260			266		266
<b>Balance at 31 December 2009</b>	2 179	64 937	1 595	142 676	211 387	707	212 094

**DIRECTORS**

Gordon Hulley Chief executive officer  
Harold Bloch Executive director  
Peter Kramer Executive director  
Alan Lipchin Executive director  
Athal Stewart Executive director  
James Wellsted Executive director  
Rudi Stumpf Non-executive director  
Clive Howell Non-executive director (alternate to Graham Davel)

Graham Davel Non-executive director  
Michael Mohohlo Non-executive director, Independent  
Arnold Meyer Non-executive director, Independent

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**CORPORATE ADVISORS**

Barnard Jacobs Mellet  
Corporate Finance (Pty) Limited

## CONDENSED SEGMENTAL REPORT

	Services R'000	Trading distribution R'000	Corporate R'000	Total R'000
<b>2009</b>				
Revenue (external)	170 953	198 226	1 392	370 571
Less: Revenue from discontinued operation	-	(506)	-	(506)
Revenue (internal)	170 953	197 720	1 392	370 065
	21 770	5 790	4 380	31 940
	192 723	203 510	5 772	402 005
Trading profit	16 880	16 018	(2 360)	30 538
Discontinued operation (Profit before taxation)	-	(4 905)	-	(4 905)
<b>2008</b>				
Revenue (external)	154 224	197 662	-	351 886
Less: Revenue from discontinued operation	-	(11 132)	-	(11 132)
Revenue (internal)	154 224	186 530	-	340 754
	5 317	5 437	4 486	15 240
	159 541	191 967	4 486	355 994
Trading profit	19 449	12 367	(2 491)	29 325
Discontinued operation (Profit before taxation)	-	(1 023)	-	(1 023)

## COMMENTARY

### GENERAL OVERVIEW

In the context of a continued harsh economic environment, the Excellerate Board is pleased to report a sound performance by the Group, with increased revenue and operating profitability supported by prudent cash flow management.

The trading period to December proved challenging for the Group as the general economy continued to struggle through the recessionary environment. This impact was more significant in business units directly exposed to the retail sector, with the result that some of these business units have not generated the required returns appropriate for the level of funds invested, and have therefore impacted the overall returns generated by the Group. Returns were also impacted by the effect of one off costs resulting from the closure and disposal of the remaining operations of the Sunskit business.

The first quarter in the period under review proved particularly slow, however an improvement in year on year volumes was experienced in the subsequent quarter which is traditionally the Group's strongest trading period. In general however, the improvement in the business environment remains relatively slow, and management will continue to focus on those areas which it believes it can influence, namely the addition of quality revenue, the responsible reduction of operating costs, and the containment of working capital investment in order to drive cash generation.

The Group remains both operationally and financially sound, and given the low levels of gearing, is well placed to take advantage of improving economic conditions.

### FINANCIAL OVERVIEW

Results for the six months have been affected by the prevailing market conditions, particularly where the Group has exposure to the retail sector. Results were also affected by losses of R3,7 million (2008: R0,7 million) associated with the closure and disposal of the remaining operations of the Sunskit business. However, despite the impact thereof, revenues and operating profits have increased, and have been supported by positive cash generation from operations.

Revenue for the six months rose by R29,3 million or 8,6%, to R370,1 million (2008: R340,7 million). Profit for continuing operations increased to R28,5 million (2008: R26,4 million), an increase of 7,6%. After taking into account losses incurred by discontinued operations of R3,7 million, net profit attributable to shareholders decreased by 10,8% to R15,9 million (2008: R17,7 million).

Diluted earnings per share and diluted headline earnings per share decreased by 8,8% to 7,3 cents per share (2008: 8,0 cents) from the comparative period. However, diluted earnings per share and diluted headline earnings per share for continuing operations increased by 8,4% to 9,0 cents per share (2008: 8,3 cents) from the comparative period.

Positive cash flows generated from operations amounted to R5,3 million compared to cash generated from operations of R11,6 million in the comparative period. This decrease is attributable to cash losses incurred in the winding down of Sunskit of R3,2 million, additional working capital required to grow the Nu-Africa Comm Trading business of R0,6 million, and a moderate increase in normal operating working capital levels. Interest paid increased by R3,6 million to R2,0 million, taxes paid increased by R4,6 million to R6,5 million, and dividend payments in respect of the June 2009 year-end amounting to R7,6 million, resulting in an overall cash consumption from operating activities of R10,8 million for the period under review.

Cash flows used in investing activities amounted to R6,8 million (2008: R39,9 million). The majority of this investment related to additions to property, plant and equipment for the period of R6,6 million (2008: R7,7 million). After cash flows utilised in financing activities of R5,9 million, net cash utilised for the period was R23,5 million resulting in a negative closing cash balance of R1,6 million.

Total group gearing remains low at R32,6 million, or 13,3% of net assets employed in the company compared to R27,3 million, or 12,3% in the comparative period. Net investment in current assets and liabilities represents R59,7 million compared to R49,9 million in the comparative period.

### REVIEW OF OPERATIONS

#### Trading - Distribution

Revenue in the Trading - Distribution segment increased 6,0% to R203,5 million (2008: R192,0 million), with profit before interest and tax from continuing operations increasing 29,5% to R16,0 million (2008: R12,4 million).

The performance in this segment was achieved through improved performances of Goldenmarc, and Ferengi, coupled with a positive albeit relatively small contribution from Nu-Africa Comm Trading. Foodserv maintained a solid contribution and carries forward a strong order book for the second half of the year. Goldenmarc has enjoyed an improved six months, whereby notwithstanding reduced revenue, the company has enjoyed a return to profitability as a result of improving margins and aggressive cost cutting. However, the business is still far from achieving its target returns, and in an environment that remains challenging on the turnover front, management have identified and are implementing further structural and operational changes in order to further improve forecast profitability.

Ferengi has also enjoyed a significantly improved six months, primarily as a result of tight cost management and a focus on revenue growth through aggressive targeting of new customers and revised product offerings.

#### Services

Revenue in the Services segment increased 20,8% to R192,7 million (2008: R159,5 million), with profit before interest and tax decreasing 13,2% to R16,9 million (2008: R19,4 million).

The significant growth in revenues for the segment is largely attributable to the inclusion of Vital Distribution, Vital Fleet and Staffing Logistics for a full six months, whereas in the comparative period their results were only included from 1 October 2008. Similarly, Delawood was included for a full six months, whereas in the comparative period their results were only included from 1 November 2008.

For the six months under review, solid performances were delivered by Interpark, Sterilken, Vital Fleet and Chottels. However, these positive results were offset by reduced performances of Vital Distribution, Staffing Logistics, Levings and Delawood.

Performances of Vital Distribution and Staffing Logistics were impacted during the current period by a reduction in retail trading volumes which affected their operating margins. In addition, the comparative results include only the peak trading period of these companies. Consequently, Vital Distribution and Staffing Logistics contributed less profit to the Group for the period despite their inclusion for the full six months. These business units which are both fully exposed to warehousing and distribution logistics for the retail sector (non-food), both experienced lower throughput volumes and margin pressure from clients during the period. Whilst volumes did improve over the Christmas build-up, the increased activity was not nearly as significant as is normally experienced. The business units however remain profitable, and management growth plans together with a general improvement in the retail sector should see these companies reverting to their previous profitability levels.

Levings struggled to maintain retail volumes particularly through its stores targeted at the lower end of the market. In addition, despite focusing on operational cost management, retail rents have not fallen off proportionately. Consequently, Levings only achieved break even profitability before interest and tax for the period. Levings is in the process of a significant re-structuring exercise to restore profitability.

Delawood continues to suffer from less than anticipated volumes as the market for luxury residential cabinetry remains depressed. This is despite success achieved in generating significant turnover from export to other African countries. The low volumes together with a high fixed cost base, has resulted in a loss for the six months. Management have embarked upon a significant cost cutting exercise to restore profitability whilst they continue to focus on enhanced revenue generation.