excellerate

EXCELLERATE HOLDINGS LIMITED

Registration number 1997/009884/06 Share code: EXL ISIN: ZAE000026092 EXLD ISIN: ZAE000044145
(Incorporated in the Republic of South Africa)

Unaudited results for the six months ended 31 December 2003

FINANCIAL OVERVIEW

On 30 January 2004, Excellerate issued a trading update and cautionary announcement indicating that the group's results for the six months ended 31 December 2003 would be materially lower than that of the prior comparative period. During this period to 31 December 2003, the group continued to generate good trading margins, despite the impact of the strong rand and the consequent deflationary effects on prices coupled with difficult trading conditions. The results for this period have been affected by once-off costs relating to the restructuring of the organisation, seeing the departure of the former executive chairman, the moving of the two former divisional chairmen into operational roles heading up the Soft Services and Parking Environment Management divisions and various other efforts in streamlining the business.

Revenue for the six months ended 31 December 2003 increased by 5,4% to R201,3 million. Operating income before a gratuity payment of R1,7 million to the former executive chairman and before amortisation and impairment of goodwill of R2,6 million was fairly constant with a small increase of 0,1% to R11,9 million. Headline earnings per share decreased by 8,2% to 3,2 cents per share, mainly due to the gratuity payment.

Cash generated by operations improved by R8,3 million to a positive cash flow of R3,9 million, mainly due to better overall management of working capital. Net interest paid reduced by 13,5% to R2,3 million from R2,7 million, largely due to the decrease in interest rates. Cash generated by operations was mainly utilised to pay for the balance of R5,1 million owing on the acquisition of Ferrengi in the previous financial year, as well as the acquisition of the Greenmachine office plant and landscaping business during the current reporting period, and to reduce financial liabilities.

Operational overview

Services

The Services segment of the business produced a steady revenue of R57,9 million, representing a modest increase of 1,4% on the previous period and a decrease in operating profit from R4,2 million to R2,1 million. This decrease in operating profit was mainly due to the need to provide for additional expenses in restructuring the business and resolving several operational inefficiencies in the Parking Environment Management (PEM) division.

In the PEM division, the focus has been on right-sizing the business and rationalising where appropriate, as well as ensuring there is a good team of key management in place. The inefficiencies have mostly been resolved and the business is now on track to achieve a much-improved operational efficiency.

The Soft Services division, comprising Sterikleen and Autoclenz, has achieved steady results in its cleaning, hygiene and pest control businesses and the office plant and landscaping business acquired during this reporting period has performed well. Since the early part of this reporting period, the focus has been on improving operational efficiencies in this division, and the results of these ongoing efforts are likely to be realised in the months ahead.

The Consumer Services division, comprising the Levingers Dry Cleaning business, has performed well as in the past, contributing a dependable margin to the group results. Additional stores are being opened in key areas in line with the business' growth strategy.

Trading – Distribution

The Trading – Distribution segment of the business improved its revenue by 7,1% to R143,3 million and its operating profit by 6,5% to R8,2 million. Foodserv, the catering equipment trading and manufacturing business, has performed well in this reporting period, with exports into Africa. Despite the stronger rand, the business remained relatively well hedged with no significant impact on the manufacturing margins.

The Food trading division had a difficult trading period with Alpine Importers generating operational losses, due mainly to pressure on prices resulting from the stronger rand coupled with a high fixed overhead structure and sub-scale volumes. Management are in the process of evaluating various alternative solutions to redress this situation. The initiatives to turn the Alpine business into a profitable entity represents the final phase of restructuring of the group which began with the appointment of the current new management team. The board is hopeful that the alternatives will allow the group to begin to generate returns on its investment in Alpine Importers that are expected by shareholders. The board is of the opinion that food trading and distribution represents a significant opportunity to the group and it therefore has a preference for following an expansion strategy at Alpine Importers. The Fruti Flow business is undergoing various operational enhancements to take advantage of the high demand for its products.

The Housewares division comprising the businesses of Goldenmarc, Hypertrade, Louis Smiedt and Ferrengi produced exceptional results with continued growth on previous periods.

Empowerment

As part of its commitment to the imperatives of Black Economic Empowerment ("BEE"), on the 20th February 2004 Excellerate announced the signature of a contract with a community-based non-profit organisation Ikamva Labantu, which focuses on social development projects. Ikamva Labantu has thereby taken up a 51% shareholding in the Katanga group of companies that operates as Excellerate's BEE partner, with Excellerate holding the remaining 49%. Management considers this to be a major step towards implementing a meaningful broad-based BEE program, opening the way to job opportunities for Ikamva Labantu's historically disadvantaged individuals and providing Excellerate with a distinct advantage in addition to new business opportunities through this partnership.

Excellerate is exploring the possibilities of a further BEE transaction at the level of the holding company, where a suitable BEE partner may fulfil a more active role in the ongoing business of the Excellerate group.

Prospects

The prospects for the second half of the financial year are expected to be better than the first half, with much effort having been put in by the various teams in sorting out operational inefficiencies, particularly in the services segment. Although it is expected to take some time before the Alpine trading difficulties are fully resolved, the other trading divisions are expected to produce good results in the second half of the year to 30 June 2004. Beyond 2004, while the businesses are implementing strategies to grow organically, attention will also be given to seeking out appropriate acquisitions and business opportunities that meet the criteria determined by the board.

Changes to the Board

It is with regret that we see the retirement from the board of one of our esteemed non-executive directors, Mr SA Lewis, effective 28 January 2004. The board of directors thanks Mr Lewis for his valuable contribution in the past.

Accounting Policies

The financial information contained in this announcement for the half year ended 31 December 2003 has been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The accounting policies used are consistent with those used in the financial statements for the year ended 30 June 2003.

Dividend

With the available opportunities to grow organically, pursue potential acquisitions and reduce interest-bearing borrowings, the directors have decided not to declare a dividend at this time.

For and on behalf of the Board

C Hall
Acting Chief Executive Officer

Sandton

23 March 2004

Condensed Group Income Statements

	Unaudited 6 months ended 31 December 2003 R'000	Reviewed 6 months ended 31 December 2002 R'000	Audited 12 months ended 30 June 2003 R'000
Revenue	**201 321**	191 022	371 778
Operating profit	**10 288**	11 892	25 042
Operating profit before gratuity payment	**11 955**	11 892	25 042
Gratuity payment to former executive chairman	**(1 667)**	–	–
Capital items – profit on disposal of fixed assets	**182**	4	92
Capital write off – impairment of goodwill	**(493)**	–	(305)
Amortisation of trademarks	**(53)**	(54)	(106)
Amortisation of goodwill	**(2 068)**	(1 757)	(4 105)
Net interest expense	**(1 721)**	(2 696)	(6 402)
Net income before taxation	**6 135**	7 389	14 216
Taxation	**(2 815)**	(2 819)	(5 774)
Net income after taxation	**3 320**	4 570	8 442
Attributable to minority shareholders	**(71)**	(89)	(162)
Income attributable to ordinary shareholders	**3 249**	4 481	8 280
Reconciliation of headline earnings:			
Income attributable to ordinary shareholders adjusted for:	**3 249**	4 481	8 280
– Amortisation of goodwill	**2 068**	1 757	4 105
– Capital write off – impairment of goodwill	**493**	–	305
– Profit on disposal of fixed assets	**(182)**	(4)	(92)
– Tax thereon	**55**	1	28
Headline earnings	**5 683**	6 235	12 626

Condensed Statement of Changes in Equity

	Ordinary share capital R000's	Share premium R000's	Non-distributable reserve R000's	Retained earnings R000's	Compulsory convertible debentures R000's	Total R000's
Balance at 30 June 2002	1 811	55 050	16 877	31 042	–	104 780
Repurchase of shares	(25)	(735)				(760)
Compulsory convertible debentures issued					15 017	15 017
Compulsory convertible debentures issue expenses		(710)				(710)
Net profit for the year				8 280		8 280
Balance at 30 June 2003	1 786	53 605	16 877	39 322	15 017	126 607
Net profit for the period				3 249		3 249
Balance at 31 December 2003	1 786	53 605	16 877	42 571	15 017	129 856

Condensed Group Balance Sheets

	Unaudited 31 December 2003 R'000	Reviewed 31 December 2002 R'000	Audited 30 June 2003 R'000
ASSETS			
Non current assets	**101 560**	95 717	103 080
Fixed assets	**16 571**	15 054	16 719
Investments	**1 131**	247	762
Intangibles	**73 472**	68 613	75 056
Deferred taxation	**10 386**	11 803	10 543
Current assets	**113 281**	133 275	118 991
Bank balances and cash	**1 449**	6 112	8 811
Other current assets	**111 832**	127 163	110 180
Total assets	**214 841**	228 992	222 071
EQUITY AND LIABILITIES			
Equity and reserves	**130 343**	123 397	127 096
Ordinary shareholders' interest	**129 856**	122 981	126 607
Outside shareholders' interest	**487**	416	489
Non current liabilities	**11 466**	11 259	11 477
Long term loans	**2 735**	2 293	2 511
Compulsory convertible debenture liability	**8 731**	8 966	8 966
Current liabilities	**73 032**	94 336	83 498
Other current liabilities	**62 557**	82 924	73 356
Bank overdrafts	**8 697**	–	3 007
Compulsory convertible debenture liability	**1 778**	2 017	2 017
Amounts due to vendors	**–**	9 395	5 118
Total equity and liabilities	**214 841**	228 992	222 071

Condensed Segmental Report

	Unaudited 6 months ended 31 December 2003 R'000	Reviewed 6 months ended 31 December 2002 R'000	Audited 12 months ended 30 June 2003 R'000
Revenue	**201 321**	191 022	371 778
Services	**57 982**	57 197	126 710
Trading – Distribution	**143 339**	133 825	245 068
Operating Profit	**10 288**	11 892	25 042
Services	**2 087**	4 196	11 934
Trading – Distribution	**8 201**	7 696	13 108

Condensed Group Cash Flow Statements

	Unaudited 6 months ended 31 December 2003 R'000	Reviewed 6 months ended 31 December 2002 R'000	Audited 12 months ended 30 June 2003 R'000
Cash generated/(utilised) by operations	**3 910**	(4 425)	20 244
Cash generated/(utilised) by trading operations	**5 577**	(4 425)	20 244
Gratuity payment to former executive chairman	**(1 667)**	–	–
Net interest paid	**(2 333)**	(2 696)	(6 402)
Taxation paid	**(3 951)**	(2 387)	(4 887)
Cash flows from operating activities	**(2 374)**	(9 508)	8 955
Cash flows from investing activities	**(9 463)**	(14 305)	(33 142)
Cash flows from financing activities	**(1 215)**	26 911	26 977
Net (decrease)/increase in cash and cash equivalents	**(13 052)**	3 098	2 790
Cash and cash equivalents at beginning of period	**5 804**	3 014	3 014
Cash and cash equivalents at end of period	**(7 248)**	6 112	5 804

Statistics

	Unaudited 6 months ended 31 December 2003 '000	Reviewed 6 months ended 31 December 2002 '000	Audited 12 months ended 30 June 2003 '000
Weighted average number of ordinary shares	**178 642**	179 992	179 300
Share options	–	18 788	–
Compulsory convertible debentures	**54 167**	3 742	25 377
Fully diluted weighted average number of shares in issue	**232 809**	202 522	204 677
Earnings per share (cents)	**1,8**	2,5	4,6
Headline earnings per share (cents)	**3,2**	3,5	7,0
Earnings per share before gratuity payment to former executive chairman (cents)	**2,5**	2,5	4,6
Headline earnings per share before gratuity payment to former executive chairman (cents)	**3,8**	3,5	6,9
Fully diluted headline earnings per share (cents)	**2,6**	3,3	6,6
Net asset value per share (cents)	**72,7**	68,9	71,1
Net tangible asset value per share (cents)	**31,6**	30,4	29,1

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