

# excellerate

## EXCELLERATE HOLDINGS LIMITED

Registration number 1997/009884/06 Share code: EXL ISIN: ZAE00026092 EXLD ISIN: ZAE00044145  
(Incorporated in the Republic of South Africa)

## Unaudited results for the six months ended 31 December 2004



### FINANCIAL OVERVIEW

On 25 January 2005, Excellerate issued a trading update indicating that the group's net profit and headline earnings for the six months ended 31 December 2004 would be between 131% to 151% higher and 67% to 87% higher respectively than that of the prior comparative period. During this period to 31 December 2004, the group generated good results despite the continued impact of the strong rand and its effect on prices.

Revenue for the six months ended 31 December 2004 increased by 47,4% to R296,7 million. Operating profit increased by 49,9% to R15,5 million. Headline earnings per share increased by 92,9% to 5,4 cents per share.

The cash flow requirement for operating activities increased by a further R3,2 million resulting in R5,6 million utilised to expand the working capital requirement. Cash flows utilised in investing activities were mainly used for the acquisition of the HS Nuts business to the extent of R14,6 million, additions to fixed assets of R4,3 million and other sundry investments of R0,8 million. The overall effect of these items along with R5,3 million absorbed by financing activities, was a decrease in cash and cash equivalents amounting to R30,5 million since 30 June 2004.

The acquisition of the business of HS Nuts has had a favourable impact on the revenue and profits of the Trading-Distribution segment results exceeding expectations. The business of Alpine Importers has not yet achieved the desired level of performance. The liabilities resulting from the acquisition of the HS Nuts business as well as a greater working capital requirement to meet the higher level of trade, impacted on the borrowing position of the group.

At 31 December 2004, Excellerate acquired 5 547 300 of its ordinary shares, being equivalent to 3% of the total issued share capital of Excellerate, for a total consideration of R3 883 110 plus brokerage. Each of the 5 547 300 ordinary shares were acquired at 70 cents.

### OPERATIONAL OVERVIEW Trading – Distribution

The Trading-Distribution segment of the business increased its revenue by 64,9% to R236,4 million and its operating profit by 36,9% to R11,2 million.

Foodserv, the catering equipment trading and manufacturing business, has performed exceptionally well in this reporting period. Despite the stronger rand and price deflation in the retail market, the Housewares division comprising the businesses of Goldenmarc, Hypertrade, Louis Smiedt and Ferrengi continued to achieve growth and excellent results due to highly effective trading.

The acquisition of the HS Nuts business, comprising Sweetland, Safrade, Hovennuts and Trojan Foods, in the Food trading division, has curbed the losses previously experienced in that division. The new management have focused on turning around the Alpine Importers and Fruti Flow businesses while significantly improving the turnover of the businesses acquired from HS Nuts. It will take some time before the Alpine business is fully rationalised with the HS Nuts business and the combined business achieves its full potential.

### Services

Revenue in the services segment of the business increased by 4,0% to R60,3 million in line with inflation. Operating profits increased by 100,5% to R4,2 million due mainly to the improved cost controls and other operational efficiencies in the Interpark business.

The efforts of right-sizing and rationalising the Interpark business have been successful and the business is experiencing steady growth.

The Soft Services division, comprising Sterikleen, Autoclenz and Greenmachine, continues to face the challenges of increased competition and declining margins in its cleaning, hygiene, pest control and office plant rental businesses. During this reporting period the new specialised service, REACT, for trauma and crime-scene cleaning, was started.

The Consumer Services division, comprising the Levingers Dry Clean and Shoe Clinic business, has achieved good results for the period. Additional stores have recently been opened in the Pretoria area.

### EMPOWERMENT

The group's 49% investment in the Katanga group of companies has proven to be beneficial to all concerned. Several new contracts have been secured in Katanga particularly in the Services segment. The group

enjoys strong relations with Ikamva Labantu, the majority shareholder which has added value to Katanga in facilitating several business opportunities. It creates employment opportunities for historically disadvantaged individuals and benefits social development projects.

Excellerate continues to explore the possibilities of a further BEE transaction at the level of the holding company. It is hoped that an appropriate transaction that meets the new criteria laid out by the Department of Trade and Industry ('DTI') could be achieved in the near future. The new guidelines of good practice proposed by the DTI impose challenging requirements in their current form and it is hoped the recommendations will be achievable once the process of public comment is finalised.

### PROSPECTS

In considering the prospects for the second half of the financial year cognisance must be taken of the seasonality of the Trading-Distribution segment with its peak trading period in the first half of the financial year. Nevertheless, its trading results for the second half of the year are expected to be good. The Services segment is less seasonal and is expected to provide a steady performance over the second half of the financial year. The food trading division is only expected to achieve its full potential once the business has been fully integrated into one location which is not expected to occur before the end of 2005. The group will continue to focus its acquisitive growth in the Trading-Distribution segment at a prudent pace within the group's financial capability while the Services segment will pursue all opportunities to grow organically.

### CONTINGENT LIABILITY

As disclosed in the 2004 annual financial statements, during the 2004 financial year the South African Revenue Service ('SARS') issued revised assessments to two subsidiaries disallowing the deduction of certain trademarks against taxable income in the two subsidiaries. Deductions in the amount of R26 061 000 have been made over the periods 1999 to 31 December 2004, of which the SARS has disputed the deduction in

respect of the periods 1999 to 2001 amounting to R12 160 770 representing taxation of R3 648 231. While the subsidiaries have paid the revised assessments (R2 106 000 was paid during the current reporting period), they have objected to the SARS and now await a response to their objection. Based on the opinion of Senior Counsel the directors believe that the deductions will ultimately be allowed. A deferred tax asset of R2 920 000 is carried in respect of these allowances.

The outcome of this query is uncertain. However, in the opinion of the group's tax advisors, the amounts have been correctly deducted.

### ACCOUNTING POLICIES

The financial information contained in this announcement for the half year ended 31 December 2004 has been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The accounting policies are consistent with those applied in the financial statements for the year ended 30 June 2004. In order to be consistent with the restatement of amounts in the 2004 annual financial statements, the comparative information for 31 December 2003 has been restated from that previously reported, primarily due to an adjustment to the fair value of goodwill in prior years and at that date, and for the effect of adopting AC139 Share Based Payment transactions in the 2004 annual financial statements.

### 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**  
Chief Executive Officer

Sandton

17 February 2005

### CONDENSED GROUP INCOME STATEMENTS

	Unaudited 6 months ended 31 December 2004 R'000	Unaudited 6 months ended 31 December 2003 R'000	Audited 12 months ended 30 June 2004 R'000
<b>Revenue</b>	<b>296 706</b>	201 321	393 370
<b>Operating profit</b>	<b>15 458</b>	10 312	21 509
Impairment of goodwill	(258)	(2 270)	(3 436)
Amortisation of intangible assets	(1 786)	(2 121)	(3 182)
Net interest expense	(1 812)	(1 721)	(4 357)
<b>Net income before taxation</b>	<b>11 602</b>	4 200	10 534
Taxation	(3 873)	(3 353)	(2 411)
<b>Net income after taxation</b>	<b>7 729</b>	847	8 123
Attributable to minority shareholders	(43)	(71)	(105)
<b>Income attributable to ordinary shareholders</b>	<b>7 686</b>	776	8 018
<b>Reconciliation of headline earnings:</b>			
Income attributable to ordinary shareholders adjusted for:			
– Amortisation of goodwill	1 733	2 068	3 073
– Impairment of goodwill	258	2 270	3 436
– Loss/(profit) on disposal of fixed assets	29	(182)	20
– Tax thereon	(9)	55	(6)
<b>Headline earnings</b>	<b>9 697</b>	4 987	14 541

### CONDENSED GROUP CASH FLOW STATEMENTS

	Unaudited 6 months ended 31 December 2004 R'000	Unaudited 6 months ended 31 December 2003 R'000	Audited 12 months ended 30 June 2004 R'000
<b>Cash flows from operating activities</b>	<b>(5 577)</b>	(2 374)	14 917
<b>Cash flows from investing activities</b>	<b>(19 684)</b>	(9 463)	(12 505)
<b>Cash flows from financing activities</b>	<b>(5 273)</b>	(1 215)	(942)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(30 534)</b>	(13 052)	1 470
<b>Cash and cash equivalents at beginning of period</b>	<b>7 274</b>	5 804	5 804
<b>Cash and cash equivalents at end of period</b>	<b>(23 260)</b>	(7 248)	7 274

### CONDENSED GROUP BALANCE SHEET

	Unaudited 31 December 2004 R'000	Unaudited 31 December 2003 R'000	Audited 30 June 2004 R'000
<b>ASSETS</b>			
<b>Non current assets</b>	<b>96 180</b>	84 274	85 235
Fixed assets	18 888	16 571	16 292
Investments	5 083	1 131	4 034
Intangible assets	58 189	53 147	51 066
Deferred taxation	14 020	13 425	13 843
<b>Current assets</b>	<b>206 094</b>	113 281	133 403
Bank balances and cash	1 415	1 449	8 125
Other current assets	204 679	111 832	125 278
<b>Total assets</b>	<b>302 274</b>	197 555	218 638
<b>EQUITY AND LIABILITIES</b>			
<b>Equity and reserves</b>	<b>124 829</b>	113 104	118 414
Ordinary shareholders' interest	124 182	112 617	117 810
Outside shareholders' interest	647	487	604
<b>Non current liabilities</b>	<b>17 191</b>	11 466	9 478
Long term loans	13 131	2 735	2 289
Compulsory convertible debenture liability	4 060	8 731	7 189
<b>Current liabilities</b>	<b>160 254</b>	72 985	90 746
Other current liabilities	133 309	62 510	87 880
Bank overdrafts	24 675	8 697	851
Compulsory convertible debenture liability	2 270	1 778	2 015
<b>Total equity and liabilities</b>	<b>302 274</b>	197 555	218 638

### CONDENSED SEGMENTAL REPORT

	Unaudited 6 months ended 31 December 2004 R'000	Unaudited 6 months ended 31 December 2003 R'000	Audited 12 months ended 30 June 2004 R'000
<b>Turnover</b>	<b>296 706</b>	201 321	393 370
Trading – Distribution Services	236 389	143 339	268 476
	60 317	57 982	124 894
<b>Operating Profit</b>	<b>15 458</b>	10 312	21 509
Trading – Distribution Services	11 231	8 204	12 179
	4 227	2 108	9 330

### CONDENSED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital R000's	Share premium R000's	Compulsory convertible debentures R000's	Non-distributable reserve R000's	Retained earnings R000's	Total R000's
<b>Balance at 30 June 2003</b>	<b>1 786</b>	<b>53 605</b>	<b>18 641</b>	<b>17 700</b>	<b>19 951</b>	<b>111 683</b>
Share based payment transactions				158		158
Net profit for the period					776	776
<b>Balance at 31 December 2003</b>	<b>1 786</b>	<b>53 605</b>	<b>18 641</b>	<b>17 858</b>	<b>20 727</b>	<b>112 617</b>
<b>Balance at 30 June 2004</b>	<b>1 786</b>	<b>53 605</b>	<b>16 435</b>	<b>18 015</b>	<b>27 969</b>	<b>117 810</b>
Repurchase of shares (55)		(3 853)				(3 908)
Derivative portion of compulsory convertible debenture no longer required			2 206			2 206
Share based payment transactions				388		388
Net profit for the period					7 686	7 686
<b>Balance at 31 December 2004</b>	<b>1 731</b>	<b>49 752</b>	<b>18 641</b>	<b>18 403</b>	<b>35 655</b>	<b>124 182</b>

### STATISTICS

	Unaudited 6 months ended 31 December 2004 R'000	Unaudited 6 months ended 31 December 2003 R'000	Audited 12 months ended 30 June 2004 R'000
Ordinary shares in issue	173 095	178 642	178 642
Weighted average number of ordinary shares	178 642	178 642	179 300
Share options	3 516	–	–
Compulsory convertible debentures	47 273	54 167	53 509
Fully diluted weighted average number of shares in issue	229 431	232 809	232 809
Earnings per share (cents)	4,3	0,4	4,5
Fully diluted basic earnings per share (cents)	3,7	0,7	3,1
Headline earnings per share (cents)	5,4	2,8	8,1
Fully diluted headline earnings per share (cents)	4,6	2,5	5,9
Net asset value per share (cents)	72,1	63,3	66,3
Net tangible asset value per share (cents)	38,5	33,6	37,7

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