

F A S T F O C U S E D E X C E L L E N C E

FINANCIAL OVERVIEW

Excellerate has delivered satisfactory results in its second year under a new executive team and against a backdrop of international developments that affected domestic financial stability in South Africa.

The events of September 11 posed an enormous systemic risk to financial economic systems worldwide. The contagion effects of these attacks, adverse developments in Zimbabwe and the volatility and vulnerability of the Rand particularly affected our ExcellTrade Division.

Strong organic growth, and the execution of sound business practices, based on controlling and improving the return on funds employed, resulted in an increase in operating profit of 28%, an improvement in turnover of 14% and an increase in headline earnings of 12%. Cash resources were put to good use in the second half of the financial year when certain strategic acquisitions were made.

Headline earnings per share have been affected by funding and capital costs attributable to acquisitions that could not be deducted for tax purposes. The acquisitions have not contributed significantly to these results, but we expect their contribution to be emphatically felt in the year ahead.

Excellerate owns cash generative businesses, remains financially strong, relatively ungeared, and stands poised for positive growth even under current market conditions.

We are currently in both a building and consolidation phase. We will build through acquisitions and by growing the group's existing base. We will consolidate by strengthening management and the trading and service foundations already laid. This focus will maximise organic growth and optimise the benefits of acquisitions already made and of those to be made.

OPERATIONAL REVIEW

Excellerate invests in businesses that focus on services, trading and distribution, with the emphasis on customer-centricity and specialised markets. We are focused into two groupings, Services and Trading-Distribution. Our unique business recipe focuses on operational excellence and the extraction of maximum value from our business operations. This is amply demonstrated by the impressive growth in the operating profit of the group.

The **ExcellTrade Division**, which houses the Trading – Distribution grouping, performed satisfactorily in light of the volatile exchange rate and a general slow-down

in the sector. The international housewares business, Louis Smiedt, did not meet the group's earnings growth expectations and a decision was taken at the end of the first quarter to merge Louis Smiedt with the Hypertrade housewares business. The merger commenced in January 2002 to prevent interference in the trading of the businesses over the Christmas season. The merger and the concomitant costs of relocation, rationalisation and the overall performance of Louis Smiedt have adversely affected the results of the group. The merged business, Hypertrade-Louis Smiedt, is expected to contribute positively to earnings in the year ahead.

Notwithstanding the merger process, turnover grew 18% from R135 million to R160 million and operating profit increased by 26% from R5,8 million to R7,4 million, with the Goldenmarc housewares and textile business performing exceptionally well.

The **ExcellServ Division** continued to perform well due to ongoing efficiencies and the introduction of new product offerings within the services businesses. Turnover grew 6% from R84 million to R89 million and operating profit increased by 31% from R8 million to R10,5 million.

Interpark performed in line with expectations despite incurring substantial costs in its tender for the parking at Johannesburg and Durban International Airports. The Airports Company terminated the tender process, following its decision to handle the parking in-house. Interpark continues to have very good prospects.

ACQUISITIONS

In the second half of the year the group acquired:

- the business of Levingers Dry Clean and Shoe Clinic and other associated dry-cleaning, shoe repair and tailoring businesses ("Levingers"). The motivation for the acquisition was to expand the service offering of the ExcellServ Division beyond the normal commercial and industrial markets to include individual consumers and to take advantage of the synergies within the Parking Environment Management ("PEM") Division and other group companies.
- certain assets, employees and contracts of the Cleancare Group to be absorbed into Sterikleen, the group's cleaning, washroom, hygiene, hospitality services and pest control business.
- certain assets of the Alpine food importing and distribution business and the Fruti Flow frozen confectionary business, which traded within the Afribrand Group (in liquidation). This acquisition

RESULTS FOR THE YEAR ENDED 30 JUNE 2002

- ▲ OPERATING PROFIT ↑ 28%
- ▲ TURNOVER ↑ 14%
- ▲ HEADLINE EARNINGS ↑ 12%
- ▲ IMPORTANT ACQUISITIONS MADE
- ▲ SUCCESSFUL MOVE TO JSE BUSINESS SUPPORT SERVICES

was aimed at expanding the trading offering of the ExcellTrade Division by entering into the manufacture and distribution of fast moving consumable food products, alongside the distribution of branded international and local non-food products.

- a 70% interest in Creative Tension (Proprietary) Limited, a software company which specialises in the design and production of parking software and associated technology, to expand and enhance the product offering of Interpark.

PROSPECTS

The effect and contribution of the new acquisitions will be felt in the year ahead. They have yet to be bedded down and integrated properly into the group in general and the ExcellServ and ExcellTrade Divisions in particular. Their contribution to the group as at 30 June 2002 was not significant.

Since 30 June 2002 Levingers has opened additional stores at Eastgate and Dainfern with other Gauteng based stores being planned for the year ahead. This expansion includes a national roll-out programme, which will, over time, give Levingers a national footprint. Levingers has also provided Excellerate with an opportunity to introduce convenient dry-cleaning, shoe repair and tailoring services within the PEM Division of ExcellServ. This will be achieved by locating new depots with separate branding in selected parking facilities managed by PEM's Interpark operation.

The Alpine business is a nationwide marketer and distributor of local and imported premium food products under the Sunkist, Debras, Goldbees and Fruti Flow house brand names, as well as other leading international and local brands. The Alpine business had to be resurrected from liquidation and has to be rebuilt into a fully operational national business. It is expected to contribute significantly to the earnings of the group in the year ahead as most of its agency lines and listings at all national mass merchant retailers have been secured.

The Fruti Flow business is a manufacturing operation which produces trademarked patented and packaged frozen confectionary. Distribution into mass-merchant retailers takes place primarily through the Alpine business. Fruti Flow is enhancing its manufacturing capabilities and product lines, which will help to grow the Alpine business. Excellerate is exploring other opportunities within the food manufacturing industry as part of its philosophy of controlling the source and the distribution channels of its products.

Export opportunities, which certain businesses in the group have been working on, notably FoodServ, Goldenmarc and Fruti Flow, are expected to yield positive results in the year ahead and will offset the negative earning implications of the weaker Rand.

The group will continue to focus on organic and acquisitive growth, and certain other new and exciting initiatives will provide material earnings growth in the year to come.

DIRECTORATE AND OTHER APPOINTMENTS

During the year under review Charel Viljoen resigned as an executive director for personal reasons. Dennis Jacobson, the managing director of Louis Smiedt, resigned in order to immigrate to Australia.

At ExcellCorp, the group's headquarters, a further investment has been made in strengthening management and infrastructure to ensure that divisional performance is optimised. Peter Kramer has been appointed as Divisional Chairman of ExcellServ and Alan Lipchin as Divisional Chairman of ExcellTrade.

NEW JSE SECTOR

Excellerate has been transferred to the Cyclical Services Sector of the JSE under sub-sector: Business Support Services, which most appropriately describes the nature of the group's business.

DIVIDEND

Congruent with the group's current policy, no dividend has been declared in light of the group's desire to utilise its resources to finance selective acquisitions and further growth within the existing divisions.

INDEPENDENT REVIEW

The financial information contained in this announcement has been prepared in accordance with policies which are consistent with Statements of South African Generally Accepted Accounting Practice and those of the previous year.

The group's auditors KPMG Inc have reviewed the financial information for the year ended 30 June 2002. Their report is available for inspection at the registered office of the company.

For and on behalf of the Board

L Rottanburg Executive Chairman
B Bernstein Financial Director
Sandton, 12 September 2002

INCOME STATEMENT

	Reviewed year ended 30 June 2002 R'000	Audited year ended 30 June 2001 R'000
Turnover	249 097	219 352
Operating profit	17 812	13 910
Capital items – disposal of fixed assets	140	1 242
Amortisation of trademarks	(106)	(88)
Amortisation of goodwill	(3 308)	(2 010)
Net income before interest and taxation	14 538	13 054
Net interest (paid)/received	(1 332)	827
Net Income before taxation	13 206	13 881
Taxation	(4 872)	(4 580)
Net income after taxation	8 334	9 301
Attributable to minority shareholders	(168)	(96)
Attributable to ordinary shareholders	8 166	9 205
Shares in issue (000's)	181 068	184 762
Weighted average number of shares in issue (000's)	181 942	171 436
Fully diluted weighted average number of shares in issue (000's)	200 730	180 436
Earnings per share (cents)	4,5	5,4
Headline earnings per share (cents)	6,3	6,0
Fully diluted headline earnings per share (cents)	6,0	5,8
Reconciliation of headline earnings:		
Attributable to ordinary shareholders	8 166	9 205
Adjusted for:		
– Amortisation of goodwill	3 308	2 010
– Net profit on sale of fixed assets	(140)	(1 242)
– Taxation thereon	42	237
Headline earnings	11 376	10 210

CASH FLOW STATEMENT

	Reviewed year ended 30 June 2002 R'000	Audited year ended 30 June 2001 R'000
Cash generated by operations	13 604	30 696
Net interest (paid)/received	(1 332)	827
Taxation paid	(2 101)	(31)
Cash flow from operating activities	10 171	31 492
Cash flow from investing activities	(28 909)	(37 262)
Cash flow from financing activities	(3 723)	27 700
Net cash resources (utilised)/retained for the year	(22 461)	21 930
Foreign exchange gain	(290)	216
Net cash resources at beginning of year	25 765	3 619
Net cash resources at end of year	3 014	25 765

STATEMENT OF CHANGES IN ORDINARY SHAREHOLDERS' INTEREST

	Ordinary share capital R000's	Share premium R000's	Non-distributable reserve R000's	Retained earnings R000's	Total R000's
Balance at 30 June 2000	1 381	29 798	18 734	13 671	63 584
Shares issued	467	27 408			27 875
Foreign currency translation			216		216
Net profit for the year				9 205	9 205
Retribution for breach of warranty			(1 783)		(1 783)
Balance at 30 June 2001	1 848	57 206	17 167	22 876	99 097
Treasury shares held	(37)	(2 156)			(2 193)
Foreign currency translation reversal for the year			(290)		(290)
Net profit for the year				8 166	8 166
Balance at 30 June 2002	1 811	55 050	16 877	31 042	104 780

BALANCE SHEET

	Reviewed 30 June 2002 R'000	Audited 30 June 2001 R'000
ASSETS		
Non current assets	89 637	66 874
Fixed assets	12 264	7 842
Investments	1 526	270
Intangibles	64 935	48 717
Deferred taxation	10 912	10 045
Current assets	101 426	87 932
Liquid funds	3 014	25 765
Other current assets	98 412	62 167
Total assets	191 063	154 806
EQUITY AND LIABILITIES		
Equity and reserves	105 107	99 256
Ordinary shareholders' interest	104 780	99 097
Outside shareholders' interest	327	159
Non current liabilities		
Long term loans	1 455	1 601
Current liabilities	84 501	53 949
Other current liabilities	70 577	48 767
Amounts due to vendors	13 924	5 182
Total equity and liabilities	191 063	154 806
Shares in issue (000's)	181 068	184 762
Net asset value per share (cents)	58,0	53,7
Net tangible asset value per share (cents)	22,2	27,4

SEGMENTAL REPORT

	Reviewed year ended 30 June 2002 R'000	Audited year ended 30 June 2001 R'000
Turnover	249 097	219 352
Service	89 492	84 243
Trading – Distribution	159 605	135 109
Operating profit	17 812	13 822
Service	10 444	7 993
Trading – Distribution	7 368	5 829

Transactions between segments are conducted on an arm's length market-related basis

ADDITIONAL INFORMATION

	Reviewed year ended 30 June 2002 R'000	Audited year ended 30 June 2001 R'000
1. Capital expenditure	4 296	8 075
2. Depreciation	3 519	2 440
3. Net interest (paid)/received	(1 332)	827
Interest received	658	1 828
Interest paid	(1 990)	(1 001)
4. There are no material capital expenditure commitments or contingent liabilities		