



Cash generated by operations **R22,2 m**  
 Net tangible assets per share **+13,2%**

**EXCELLERATE HOLDINGS LIMITED**  
 Registration number 1997/009884/06 JSE code: EXL ISIN: ZAE000026092  
 EXLD ISIN: ZAE000044145 (Incorporated in the Republic of South Africa)

## Audited results for the year ended 30 June 2006 and further cautionary announcement

### OVERVIEW

The overall results for the year under review are disappointing compared to the normal potential of the group. All but one of the group's business units have performed satisfactorily and continue to grow organically into new products and markets. The food trading division which saw a change of management in July 2005 incurred a R27,5 million loss before tax largely due to poor trading decisions which had an effect through to the latter half of the current 2006 financial year and also due to costs incurred in rationalising the business and moving it into a single location. A tremendous amount of energy has been put into turning the food trading division around with the result that the business has been significantly rationalised to a much smaller operation that is near break-even point. As a result, the group expects its results for 2007 to improve significantly.

### REVIEW OF OPERATING RESULTS

Aside from the food trading division, revenue in the group increased by 9,8% to R391,9 million and operating profits increased by 11,4% to R36,2 million compared to R32,4 million in 2005. The food trading division's revenue declined by 34,8% to R116,8 million and its operating losses before interest and capital losses climbed from R4,1 million in 2005 to R24,0 million in 2006, leaving the group with an overall reduction in revenue of 5,1% to R508,7 million and a decline in group profits by 37,2% to R9,3 million.

The Housewares trading division comprising Goldenmarc, Hypertrade, Louis Smiedt and Ferengi, showed continued growth for the year. The Goldenmarc management also took on the responsibility of managing the groceries business of Sunkist Distributors since March 2006, which started to contribute positively by the end of the year and shows good promise for the year ahead.

Foodserv achieved excellent organic growth with revenue increasing by 26,2% and operating results increasing by 46,9% compared to 2005.

Interpark has shown very good results, increasing revenue by 18,3%, excluding Securipark which was disposed of at the beginning of the financial year. Operating profits, including the results of associate Katanga, increased by 24,3%.

Levingers had a very good year increasing its operating profits by 82,4%. Levingers was awarded the best dry cleaner award recently and continues to seek to open new stores to grow operations and provide new customer services.

Sterikleen, including Autoclenz, together with the Katanga cleaning division, has done well over the past year with operating profits increasing by an overall 21,8%.

Sunkist Distributors has received the full attention of the group in an effort to reverse its poor performance. During the past year a large team effort was made to install strict discipline over trading and the company has managed to eliminate most of the fixed costs that were excessive to the business' needs. A large retrenchment exercise was carried out and new reporting systems implemented to manage the individual profit centres in the business. Orders that were placed as far back as early 2005 for the purchase of nut stock in advance had to be traded out at much lower commodity prices, resulting in insufficient margin to sustain the high level of fixed costs. These are now fully cleared through the system and the business is slowly starting to make a recovery in the market place. Cash flow consumed in operations for the year amounted to R14,5 million. The performance of this business is under constant review to ensure the losses of the past are not repeated. In order to focus attention on ongoing business, the group has recently settled the matter relating to the claim against the former management of the business.

### OTHER FACTORS AFFECTING RESULTS

The profit on disposal of the Securipark business of R1,2 million is included in earnings before tax. The full adoption of International Financial Reporting Standards ("IFRS") for the first time has led to a restatement of prior year figures, with property, plant and equipment being the main item that was affected. The net result of the adoption of IFRS and prior year adjustments was to increase 2005 results by R0,7 million and to increase prior years' retained income by R1,2 million. Property, plant and equipment scrapped and disposed of, mainly in Sunkist, resulted in a loss on disposal of R1,0 million.

During the year, the group disposed of 1 000 000 treasury shares held in its subsidiary company for the purpose of meeting share option obligations. The shares were sold at an average price of 69 cents each and the group received an average of 40 cents per share in terms of the share options that were issued.

### BLACK ECONOMIC EMPOWERMENT

On 19 May 2006 the group announced the conclusion of an agreement with Akenton Services as a BEE partner to take up a 25% shareholding in the operating subsidiaries of the group. The deal had been valued on information available to the directors at the time. Subsequent to that date, the group concluded its budgets and forecasts for 2007 and beyond and decided to revise significantly upwards the terms and conditions of the deal it had signed with Akenton Services. On 11 August 2006 the group published a cautionary announcement in this regard and all indications are that revised contracts will be signed in early October 2006. Akenton Services represents an important step for the group in securing its markets, particularly in the Services segment in the immediate future but also in the Trading-Distribution segment in the years ahead. The board is of the view that Akenton Services will add significant value, not only as a BEE partner but also for their innovative and dynamic outlook on business.

### FUTURE PROSPECTS

Notwithstanding a more challenging economic outlook for 2007, the group is well placed to continue its organic growth into new products and markets, and to selectively identify acquisitions to enhance group earnings. This, along with the stemming of losses in the food trading division, creates a positive outlook for the group in 2007.

In addition, the group is pursuing various projects to improve its operational efficiencies including introducing new internal reporting formats and the possible merger of various legal entities to reduce costs.

### CHANGES TO SENIOR MANAGEMENT

In November 2005 the group appointed Rob Owens as the group's Chief Financial Officer. Rob is a Chartered Accountant with many years' experience in financial management and has added significantly to strengthening the team at head office. On 23 February 2006, the board appointed Gordon Hulley as Chief Operating Officer of the group. Gordon has, in the short span of time he has been with the group, made a valuable contribution in stemming the losses at the food trading division as well as introducing various new initiatives. He will utilise his extensive experience to improve the overall efficiency of the group's operations. On 21 July 2006, Chris Hall announced his resignation as Chief Executive Officer of the group in order to pursue personal interests. His resignation is to take effect

on 31 December 2006. A replacement for the Chief Executive Officer has not yet been identified by the board and an announcement in that regard will follow in due course.

### DIVIDENDS

The board has decided not to declare any dividend at this time as the group continues to plan expansion by acquisition to the overall economic benefit of shareholders and will utilise its cash resources for that purpose and for meeting the working capital requirements of the group.

For and on behalf of the board

C Hall  
Chief Executive Officer

Sandton  
5 October 2006

### BASIS OF PREPARATION OF RESULTS

The financial information contained in this announcement has been audited by Grant Thornton. A copy of their unqualified audit opinion is available for inspection at Excellerate's registered office.

This profit announcement has been prepared in compliance with the listings requirements of the JSE Limited ("the JSE"). The accounting policies of the Excellerate group comply with International Financial Reporting Standards ("IFRS"). This is the first time the group has fully adopted IFRS. Results have been restated to give effect to the changeover to IFRS. Property, Plant and Equipment was the primary area impacted by this changeover in the current reporting period and is now accounted for under IAS16: Property, Plant and Equipment. The main change was the restatement of property, plant and equipment at the date of transition (1 July 2004) and the adjustment of the depreciation methodology used. All other accounting policies have remained consistent with those applied in the audited financial statements for the year ended 30 June 2005. The financial effects are set out in the reconciliation of net profit and of equity for applying the measurement criteria of IAS16 together with other minor adjustments in line with IFRS and a correction of a prior year error in the results of Interpark where owned assets that had been rented out had been classified as fixed assets. The adoption of IFRS represented an accounting change only and had no effect on cash flows. The comparative information for 30 June 2005 has been restated accordingly.

### FURTHER CAUTIONARY ANNOUNCEMENT REGARDING THE INTRODUCTION OF AKENTON SERVICES (PROPRIETARY) LIMITED ("AKENTON") AS A BLACK ECONOMIC EMPOWERMENT ("BEE") SHAREHOLDER IN EXCELLERATE

Shareholders are referred to the cautionary announcement dated 11 August 2006 in which they were advised that the terms and conditions of the two transactions entered into with Akenton, in terms of which Akenton would be introduced as a 25% BEE shareholder in the Excellerate group ("the transactions"), were to be re-negotiated with Akenton.

The terms and conditions of the transactions are still being re-negotiated with Akenton and accordingly, shareholders are advised to continue to exercise caution when dealing in the company's securities until a further announcement is made.

### Group income statement

	Audited (as previously reported)	Audited (restated)	Audited (as previously reported)
	year ended 30 June 2006	year ended 30 June 2005	year ended 30 June 2005
R'000			
Revenue	508 714	535 396	535 923
Cost of sales	295 722	314 522	314 616
Direct expenses	64 885	61 529	61 529
Gross profit	148 107	159 345	159 778
Operating expenditure	137 037	129 982	131 346
Selling and distribution costs	39 871	34 277	34 277
Administrative expenses	74 830	58 825	60 160
Other Expenses	22 336	36 880	36 909
Operating profit	11 070	29 363	28 432
Gain on disposal of subsidiary	1 245	-	-
Fair value adjustments on loan accounts	(173)	(3 271)	(3 271)
Share of undistributed profits of associates	4 316	1 323	1 323
Impairment of goodwill	(150)	(445)	(445)
Profit before interest and taxation	16 308	26 970	26 039
Finance revenue	5 301	4 274	4 165
Finance costs	(9 396)	(8 285)	(8 285)
Profit before taxation	12 213	22 959	21 919
Taxation - current	(8 688)	(4 143)	(4 143)
- deferred	5 725	(3 394)	(3 048)
Profit for the year	9 250	15 422	14 728
Attributable to:			
Equity holders of the parent	9 147	15 361	14 667
Minority interest	103	61	61
	9 250	15 422	14 728
Earnings per share (cents)	5.3	8.7	8.3
Fully diluted basic earnings per share (cents)	4.2	7.0	6.7

### Calculations of earnings per share

	Audited (as previously reported)	Audited (restated)	Audited (as previously reported)
	year ended 30 June 2006	year ended 30 June 2005	year ended 30 June 2005
R'000			
Weighted average shares in issue for the year	173 563 611	175 868 512	175 868 512
Fully diluted weighted average shares in issue	224 990 010	227 394 485	227 394 485
Earnings per share (cents)	5.3	8.7	8.3
Fully diluted basic earnings per share (cents)	4.2	7.0	6.7
Headline earnings per share (cents)	5.1	8.7	8.3
Fully diluted headline earnings per share (cents)	4.1	7.0	6.6

The following adjustments to income attributable to shareholders were taken into account in the calculation of headline earnings:

	Audited (as previously reported)	Audited (restated)	Audited (as previously reported)
	year ended 30 June 2006	year ended 30 June 2005	year ended 30 June 2005
R'000			
Attributable to ordinary shareholders	9 147	15 361	14 667
- Impairment of goodwill/investments	323	444	444
- Gain on disposal of subsidiary	(1 245)	-	-
- net loss/(profit) on sale of property, plant and equipment	976	(728)	(728)
- Taxation effect of adjustments	(326)	168	168
Headline earnings	8 875	15 245	14 551

### Group statement of changes in equity

R000's	Issued capital	Share premium	Compulsory convertible debentures	Non-distributable reserves	Retained earnings	Attributable to equity holders of parent	Minority interest	Total
Balance at 1 July 2004	1 786	53 605	16 435	18 015	27 330	117 171	604	117 775
Effect of adopting IFRS	-	-	-	-	1 475	1 475	-	1 475
Restatement of leased assets	-	-	-	-	(237)	(237)	-	(237)
As restated	1 786	53 605	16 435	18 015	28 568	118 409	604	119 013
Profit for the year	-	-	-	-	15 361	15 361	61	15 422
Derivative portion of compulsory convertible debentures	-	-	2 206	-	-	2 206	-	2 206
Share based payment transactions	-	-	-	772	-	772	-	772
Repurchase of shares	(55)	(3 853)	-	-	-	(3 908)	-	(3 908)
Balance at 1 July 2005	1 731	49 752	18 641	18 787	43 929	132 840	665	133 505
As previously reported	1 731	49 752	18 641	18 787	41 997	130 908	665	131 573
Effect of adopting IFRS	-	-	-	-	2 041	2 041	-	2 041
Restatement of leased assets	-	-	-	-	(109)	(109)	-	(109)
As restated	1 731	49 752	18 641	18 787	43 929	132 840	665	133 505
Profit for the year	-	-	-	-	9 147	9 147	103	9 250
Share based payment transactions	-	-	-	165	-	165	-	165
Sale of treasury shares	10	472	-	-	-	482	-	492
Balance at 30 June 2006	1 741	50 224	18 641	18 952	53 076	142 634	768	143 402

### Group balance sheet

	Audited (as previously reported)	Audited (restated)	Audited (as previously reported)
	as at 30 June 2006	as at 30 June 2005	as at 30 June 2005
R'000			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	24 664	24 412	22 529
Intangible assets	54 898	54 299	53 358
Investments in associates	2 466	3 234	3 234
Other financial assets	681	173	173
Deferred tax assets	17 469	10 197	11 050
	100 178	92 315	90 344
<b>Current assets</b>	179 260	179 360	179 781
Inventories	83 224	84 780	84 780
Trade and other receivables	87 443	89 071	89 492
Taxation	4 734	3 994	3 994
Derivative financial instruments	1 344	-	-
Cash and cash equivalents	2 515	1 515	1 515
<b>Total assets</b>	279 438	271 675	270 125
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	1 741	1 731	1 731
Share premium	50 224	49 752	49 752
Compulsory convertible debentures - equity portion	18 641	18 641	18 641
Non-distributable reserves	18 952	18 787	18 787
Retained earnings	53 076	43 929	41 997
	142 634	132 840	130 908
Minority interests	768	665	665
Total equity	143 402	133 505	131 573
<b>Non-current liabilities</b>			
Compulsory convertible debenture liability	-	2 563	2 563
Deferred tax liabilities	1 001	-	-
Interest bearing debt	5 268	6 704	6 704
	6 269	9 267	9 267
<b>Current liabilities</b>			
Trade and other payables	110 531	108 442	108 824
Compulsory convertible debenture liability	2 462	2 249	2 249
Taxation	5 874	3 024	3 024
Current portion of interest bearing long term liabilities	3 143	4 896	4 896
Derivative financial instruments	23	-	-
Bank overdrafts	7 734	10 292	10 292
	129 767	128 903	129 285
<b>Total equity and liabilities</b>	279 438	271 675	270 125

### Group cash flow statement

	Audited (as previously reported)	Audited**	Year ended 30 June 2005
	year ended 30 June 2006	year ended 30 June 2005	30 June 2005
R'000			
<b>Cash flows from operating activities</b>	9 282	10 994	
Cash generated by operations	22 168	21 420	
Net interest paid	(6 308)	(6 183)	
Taxation paid	(6 578)	(4 243)	
<b>Cash flow from investing activities</b>	(8 177)	(26 759)	
Additions to property plant and equipment	(9 734)	(12 654)	
Additions to goodwill	(1 155)	-	
Proceeds on disposal of property, plant and equipment	1 972	1 469	
Proceeds on disposal of intangible assets	-	517	
Proceeds on disposal/(acquisition) of businesses in subsidiaries	740	(16 091)	
<b>Cash flow from financing activities</b>	2 454	(286)	
Long term liabilities repaid	(3 113)	(553)	
Long term loan granted	-	(682)	
Shares repurchased	-	(3 908)	
Employee share options exercised	482	-	
Loans repaid by associate companies	5 085	2 128	
Short term loans raised	-	2 729	
<b>Net increase/(decrease) in cash equivalents</b>	3 559	(16 051)	
<b>Cash and cash equivalents at beginning of year</b>	(8 777)	7 274	
<b>Cash and cash equivalents at end of year</b>	(5 218)	(8 777)	

\*\* There has been no effect on cash flows for the prior year adjustments

### Summarised group segmental report

	Audited (as previously reported)	Audited (restated)	Audited (as previously reported)
	year ended 30 June 2006	year ended 30 June 2005	year ended 30 June 2005
R'000			
<b>Revenue</b>	508 714	535 396	535 923
Services	121 967	117 543	117 543
Trading-distribution	386 747	417 853	418 380
<b>Operating profit</b>	11 070	29 363	28 432
Services	25 467	14 883	14 202
Trading-distribution	(3 799)	14 482	14 230
Corporate	(10 598)	(2)	-
<b>Depreciation</b>	6 433	9 534	7 790
Services	3 319	4 957	3 896
Trading-distribution	2 958	4 579	3 894
Corporate	156	(2)	-
<b>Capital expenditure</b>	9 734	15 078	15 078
Services	3 520	5 717	5 717
Trading-distribution	5 483	9 361	9 361
Corporate	731	-	-
<b>Segment assets</b>	279 438	271 675	270 125
Services	78 518	74 217	72 707
Trading-d			