81,3% :: Increase in profit attributable to equity holders of the parent

62,3% :: Increase in earnings per share

R28,2 million :: Increase in cash and cash equivalents

excellerate

EXCELLERATE HOLDINGS LIMITED

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

Audited results for the year ended 30 June 2007

Review of the year:

The board is pleased to announce a significant improvement in the results for the year. The primary focus has been on restoring base levels of profitability in the group, mainly by resolving the problems at the food-trading division and through streamlining operations and activities into a more cost-effective and efficient decentralised management structure. The board is confident that the foundation has been laid both from a structural and cultural perspective to support the group's ambitions for strong growth and cash generation.

Financial performance

Results for the year to 30 June 2007 were much improved on the previous twelve months.

Rationalisation of the food-trading division (Sunkist) resulted in a significant reduction of turnover in this unit. Consequently group revenue for the year decreased by 2,8% to R495,0 million. However, excluding Sunkist, revenue rose by 13,2% from R382,6 million to R433,0 million, giving a more accurate reflection of the overall performance of the rest of the group.

Net profit attributable to shareholders showed an improvement to R16,6 million for the twelve months, an increase of 81,3% over the comparative period. This improvement was despite earnings being impacted by the cost of implementing shareholder transactions, the restructuring of Sunkist and the costs associated with reducing the centralised management structure.

Earnings per share (on a fully diluted basis) went up by 79% to 7,5 cents per share, while fully diluted headline earnings per share increased by 80% to 7,4 cents per share.

A highlight of these results has been the strong cash generation by the business units, of R28,2 million (2006: R3,6 million), achieved through profitable trading and good working capital management. Cash flows generated by operations amounted to R42,5 million (2006: R22,2 million). After investing and financing activities, cash and cash equivalents increased to R23,0 million from a negative R5,2 million at the prior year end.

As stated in the annual report at 30 June 2006, a contingent liability has been noted for several years in respect of amounts claimed by SARS as owing by Excellerate in respect of SARS disallowing the claiming of certain trademark allowances against taxable income. Due to the continued likelihood of a prolonged legal process and the expected high legal costs involved to resolve this matter, Excellerate has made a proposal to SARS for reaching a financial settlement. The company has provided for an amount which it believes appropriate under the circumstances. The remainder of the disputed amount will continue to be reflected as a contingency.

Were it not for this abnormal tax provision, net profit attributable to shareholders would have shown an improvement to R21,6 million for the twelve months, an increase of 136,3% over the comparative period. Similarly the fully diluted earnings per share would have increased by 131,0% to 9,7 cents per share and fully diluted headline earnings per share would have increased by 134,2% to 9,6 cents per share.

Excellerate's balance sheet remains strong with minimal gearing and the group is well-placed to access any funding we need to fulfill our growth ambitions.

As the group intends to pursue opportunities to grow by acquisition, the board has decided not to declare a dividend at this time. However during the year, the group undertook a share buy-back exercise whereby R3,8 million was utilised to acquire shares. This has in effect given an additional return to shareholders.

Review of operations

Overall, it has been a good year for Excellerate from an operational point of view with each of the main operational segments experiencing growth.

Trading

Goldenmarc

Growth of existing Goldenmarc lines as well as new lines resulted in revenue growth of 11,4%. However, within Ferrengi, the manufacturing unit managed by Goldenmarc, turnover came under pressure in the face of strong competition. Coupled with wage cost pressures in this unit, the overall performance of the unit was affected. These factors coupled with adequate cost management resulted in earnings before interest and taxes (EBIT) growth of 6,2%.

Although rising transport costs, and hence higher distribution costs, combined with increased employment costs will place pressure on margins, Goldenmarc management believes that this business unit has a good platform for growth in the coming financial year.

Foodserv

Growth within the hospitality and catering industry in general, as well as new agencies acquired by Foodserv, resulted in strong revenue growth of 23,7%. Favourable exchange and interest rates, which have made products more affordable to local customers, have also had a positive impact. These factors, together with satisfactory cost management, resulted in EBIT growth of 52,4%.

While the interest rate outlook is a cause for concern, Foodserv is well positioned for continued growth.

Sunkist

Revenue at Sunkist decreased by R64,2 million from R126,0 million to R61,8 million as a result of the restructuring process. The unprofitable Trojan Food business was disposed of in February 2007, while Sunkist incurred some significant costs in winding up historically non-profitable areas of the business. Nonetheless, the ongoing operations achieved a break even position. The focus for the coming year will be on consolidating this division's position in its market segments, and building stronger revenues off a more controlled overhead base.

Services

Interpark

A strong emphasis on the maintenance of contracts and relationships in the face of opportunistic competition resulted in a growth in turnover of 11,1%. These difficulties, combined with temporary disruption at a major contract, resulting in EBIT improving by 16,4%.

However, cost management remained well controlled and Interpark expects a stronger growth performance in the year ahead, based on better contract maintenance and the achievement of new site contracts

Sterikleen

Again, the maintenance of contracts and relationships, together with new contracts, resulted in modest turnover growth. EBIT improved by 9,5%.

Sterikleen expects a stronger growth performance in 2008 based on contract maintenance and the addition of new contracts.

Levingers

Levingers had a good performance the past year, and together with rolling out new stores, managed to increase revenue by 11,9% and EBIT by 51,9%.

Another solid performance is expected in 2008 through the opening of new stores.

Light manufacturing

This area covers two business units, Ferrengi, which is managed by Goldenmarc, and Fruti Flow managed by Sunkist. These units are relatively small in the context of the group, and as such have not been separately analysed here. However, this segment has the potential to form a meaningful part of the core growth strategy in future should suitable acquisition opportunities arise.

Black economic empowerment

The board has been very pleased to welcome Akenton Services as partners in the group, and believe that the company will add significant value, not only as a BEE partner, but also through its innovative and dynamic outlook on business. Subsequent to the final implementation of the transaction in February 2007, management in each business unit has started to create their own relationships with Akenton, and we anticipate that these relationships will start to bear fruit in the next financial year.

Excellerate also has a 49% investment in the Katanga group, which continues to yield good results. Katanga is a BEE group, 51% owned by the Ikamva Labantu group, which provides a range of outsourced services and supplies trade products. Several new contracts have been secured in the services segment during the year.

Thanks

Chris Hall, previously CEO of the group, left Excellerate with effect from December 2006. The board and management extend their thanks for his contribution to the group. Thanks are also extended to our board, our management, our partners, and our employees for their contribution to our success this year.

Prospects

The group is now in a strong financial position and intends to pursue value-enhancing acquisitions in order to further drive growth in earnings and profitability during the year ahead. Now that the restructuring of the group has been completed and as the group's more decentralised system of operating takes effect, the group expects to gain financial and operating benefits both at the head office and at the business unit level. The group is also highly focused on developing a culture of strong growth and cash generation, and it is expected that this too will have a positive impact in the coming period.

Gordon Hulley
CEO
Sandton
19 September 2007

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.

The profit announcement has been prepared in compliance with the listing requirements of the JSE Limited ("the JSE"). The accounting policies of the Excellerate group comply with International Financial Reporting Standards ("IFRS"). All the accounting policies have remained consistent with those applied in the audited financial statements for the year ended 30 June 2006.

The deferred taxation asset relating to trademarks had been misstated in prior years by R1 577 000. The comparative amounts have been adjusted. This correction of the prior period error had no effect on the income statement for 2006, but the opening retained earnings at 1 July 2005 have been adjusted.

Group income statement

	Audited year ended 30 June 2007 R'000	Audited year ended 30 June 2006 R'000
Revenue	494 802	508 714
Cost of sales	331 392	360 607
Gross profit	163 410	148 107
Operating expenditure	134 086	137 037
Selling and distribution costs	39 550	39 871
Administrative expenses	74 746	74 830
Other expenses	19 790	22 336
Operating profit	29 324	11 070
Gain on disposal of business/subsidiary	205	1 245
Fair value adjustments on loan accounts	–	(173)
Share of undistributed profits of associates	3 548	4 316
Impairment of goodwill	–	(150)
Profit before interest and taxation	33 077	16 308
Finance revenue	4 957	5 301
Finance costs	(7 440)	(9 396)
Profit before taxation	30 594	12 213
Taxation – current	(15 683)	(8 688)
– deferred	1 749	5 725
Profit for the year	16 660	9 250
Attributable to:		
Equity holders of the parent	16 582	9 147
Minority interest	78	103
	16 660	9 250
Earnings per share (cents)	8.6	5.3
Fully diluted basic earnings per share (cents)	7.5	4.2

Group cash flow statement

	Audited year ended 30 June 2007 R'000	Audited year ended 30 June 2006 R'000
Cash flows from operating activities	27 680	9 288
Cash generated by operations	42 503	22 168
Net finance costs	(5 104)	(6 308)
Taxation paid	(9 719)	(6 578)
Cash flows from investing activities	(8 538)	(8 177)
Additions to property, plant and equipment	(10 226)	(9 734)
Additions to goodwill	(300)	(1 155)
Proceeds on disposal of property, plant and equipment	458	1 972
Proceeds on disposal of businesses/subsidiaries	1 530	740
Cash flows from financing activities	9 068	2 454
Long term liabilities raised/(repaid)	5 307	(3 113)
Short term loan paid	(118)	–
Short term loan received	855	–
Shares repurchased	(3 781)	–
Employee share options exercised	1 253	482
Loans repaid by associate companies	5 552	5 085
Net increase in cash equivalents	28 210	3 559
Cash and cash equivalents at beginning of year	(5 218)	(8 777)
Cash and cash equivalents at end of year	22 992	(5 218)

Group balance sheet

	Audited as at 30 June 2007 R'000	Audited (restated) as at 30 June 2006 R'000	Audited (as previously reported) as at 30 June 2006 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	27 440	24 664	24 664
Intangible assets	55 198	54 898	54 898
Investment in associates	462	2 466	2 466
Other financial assets	799	681	681
Deferred tax assets	17 471	15 892	17 469
	101 370	98 601	100 178
Current assets			
Inventories	90 419	83 224	83 224
Trade and other receivables	93 170	87 443	87 443
Taxation	5 664	4 734	4 734
Derivative financial instruments	–	1 344	1 344
Cash and cash equivalents	22 992	2 515	2 515
	212 245	179 260	179 260
Total assets	313 615	277 861	279 438
EQUITY AND LIABILITIES			
Issued capital	2 189	1 741	1 741
Share premium	65 889	50 224	50 224
Compulsory convertible debentures	–	18 641	18 641
Non-distributable reserves	18 612	18 952	18 952
Retained earnings	68 081	51 499	53 076
Equity attributable to equity holders of the parent	154 771	141 057	142 634
Minority interests	846	768	768
Total equity	155 617	141 825	143 402
Non-current liabilities			
Deferred tax liabilities	835	1 001	1 001
Interest bearing debt	10 575	5 268	5 268
	11 410	6 269	6 269
Current liabilities			
Trade and other payables	129 622	110 531	110 531
Compulsory convertible debenture liability	–	2 462	2 462
Taxation	12 768	5 874	5 874
Current portion of interest bearing long term liabilities	3 998	3 143	3 143
Derivative financial instruments	200	23	23
Bank overdrafts	–	7 734	7 734
	146 588	129 767	129 767
Total equity and liabilities	313 615	277 861	279 438

Group statement of changes in equity

	Issued capital R'000	Share premium R'000	Compulsory convertible debentures R'000	Non-distributable reserves R'000	Retained earnings R'000	Attributable to equity holders of parent R'000	Minority interest R'000	Total R'000
Balance at 1 July 2005 as previously reported	1 731	49 752	18 641	18 787	43 929	132 840	665	133 505
Restatement of deferred taxation asset					(1 577)	(1 577)		(1 577)
Balance at 1 July 2005 as restated	1 731	49 752	18 641	18 787	42 352	131 263	665	131 928
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		482
Balance at 30 June 2006 as restated	1 741	50 224	18 641	18 952	51 499	141 057	768	141 825
Balance at 30 June 2006 as previously reported	1 741	50 224	18 641	18 952	53 076	142 634	768	143 402
Restatement of deferred taxation asset					(1 577)	(1 577)		(1 577)
Profit for the year					16 582	16 582	78	16 660
Share-based payment transactions				(340)		(340)		(340)
Sale of treasury shares	26	1 227				1 253		1 253
Repurchase of shares	(51)	(3 730)				(3 781)		(3 781)
Conversion of compulsory convertible debentures into ordinary shares	473	18 168	(18 641)			–		–
Balance at 30 June 2007	2 189	65 889	–	18 612	68 081	154 771	846	155 617

Calculations of earnings per share

	Audited year ended 30 June 2007	Audited year ended 30 June 2006
Weighted average number of shares in issue	192 598 296	173 563 611
Fully diluted weighted average number of shares in issue	226 053 665	224 990 010
Basic earnings per share (cents)	8.6	5.3
Fully diluted basic earnings per share (cents)	7.5	4.2
Headline earnings per share (cents)	8.6	5.1
Fully diluted headline earnings per share (cents)	7.4	4.1
The following adjustments to income attributable to shareholders were taken into account in the calculation of headline earnings:		
	R'000	R'000
Attributable to ordinary shareholders	16 582	9 147
– impairment of goodwill/investments	–	323
– gain on disposal of business/subsidiary	(205)	(1 245)
– net loss on sale of property, plant and equipment	129	976
– taxation effect of adjustments	(37)	(326)
Headline earnings	16 469	8 875

Group segmental report

	Trading-distribution R'000	Services R'000	Corporate R'000	Eliminations R'000	Total R'000
Audited year ended 30 June 2007					
Revenue	364 010	130 792	–		494 802
Operating profit	24 387	21 332	(16 395)(3)		29 324
Depreciation	3 017	3 475	249		6 741
Capital expenditure	4 028	5 906	292		10 226
Segment assets	217 379	83 175	197 051	(183 990)	313 615
Segment liabilities	218 845	61 631	(63 862)	(58 616)	157 998
Cash flows from operating activities	17 651	27 519	(17 490)		27 680
Cash flows from investing activities	(2 398)	(5 848)	(292)		(8 538)
Cash flows from financing activities	124	8 526	418		9 068
Audited (restated) year ended 30 June 2006					
Revenue	386 747	121 967	–		508 714
Operating profit (2)	2 228	19 440	(10 598)(1)		11 070
Depreciation	2 958	3 319	156		6 433
Capital expenditure	5 483	3 520	731		9 734
Segment assets	195 847	78 514	152 198	(147 121)	279 438
Segment liabilities	199 490	60 952	22 715	(147 121)	136 036
Cash flows from operating activities	(2 043)	26 555	(15 230)		9 282
Cash flows from investing activities	(6 194)	(3 368)	1 385		(8 177)
Cash flows from financing activities	(2 508)	(605)	5 567		2 454
(1) Net of profit on disposal of property of R976 000					
(2) Prior year error in operating profits per segment					
– as previously stated	(3 799)	25 467	(10 598)		11 070
– as restated	2 228	19 440	(10 598)		11 070
(3) Corporate expenditure					
– expenses for the year			16 395		
– once off restructuring costs			(5 769)		
– continuing costs			10 626		

STUDIO 5

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