Reviewed consolidated results

for the year ended 30 June 2009

excellerate

EXCELLERATE HOLDINGS LIMITED Registration number 1997/009884/06 JSE code: EXL ISIN: ZAE000026092 (Incorporated in the Republic of South Africa) ("Excellerate" or "the Group")

HIGHLIGHTS

- Revenue growth of 15.4% over prior year
- Operating cash flow up 12.1% to R44.0 million
- Earnings per share stable for the year
- Major acquisitions implemented, with positive contribution to the Group

PROVISIONAL CONDENSED INCOME STATEMENT

for the year ended 30 June

	Reviewed 2009 R'000	Audited 2008 R'000
Revenue	**678 054**	587 406
Cost of sales	**(465 302)**	(385 714)
Gross profit	**212 752**	201 692
Operating expenditure	**(167 576)**	(157 675)
Selling and distribution expenses	**(33 068)**	(30 745)
Administrative expenses	**(86 446)**	(81 454)
Other expenses	**(48 062)**	(45 476)
Profit before interest and taxation	**45 176**	44 017
Finance income	**5 378**	6 149
Finance costs	**(10 404)**	(7 803)
Profit before taxation	**40 150**	42 363
Taxation – current	**(7 525)**	(8 330)
– deferred	**(3 120)**	(4 623)
Taxation on dividend paid – STC	**(696)**	(50)
Profit for the year	**28 809**	29 360
Attributable to:		
Equity holders of the parent	**28 607**	28 925
Minority interest	**202**	435
	28 809	29 360
Earnings per share (cents)	**13.0**	13.2
Diluted earnings per share (cents)	**12.8**	12.9
Headline earnings per share (cents)	**11.9**	13.2
Diluted headline earnings per share (cents)	**11.7**	12.9

PROVISIONAL CONDENSED BALANCE SHEET

at 30 June

	Reviewed 2009 R'000	Audited 2008 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	**71 506**	35 981
Intangible assets	**106 147**	74 017
Amount owing by joint venture partner	**306**	5 169
Long term receivable	**-**	307
Finance lease receivables	**560**	880
Deferred taxation	**10 213**	12 307
	188 732	128 661
Current assets		
Inventories	**95 025**	103 354
Trade and other receivables	**139 022**	118 097
Current portion of finance lease receivables	**1 238**	584
Amounts owing by joint venture partners	**13 449**	2 423
Taxation receivable	**8 455**	4 583
Other financial instruments	**-**	51
Cash and cash equivalents	**21 845**	49 989
	279 034	279 081
Total assets	**467 766**	407 742
EQUITY AND LIABILITIES		
Share capital	**2 173**	2 190
Share premium	**64 687**	66 078
Share-based payment reserve	**1 733**	1 830
Retained earnings	**133 929**	112 022
Equity attributable to equity holders of the parent	**202 522**	182 120
Minority interest	**985**	783
Total equity	**203 507**	182 903
Non-current liabilities		
Deferred taxation	**6 977**	1 747
Interest bearing debt	**18 788**	20 039
	25 765	21 786
Current liabilities		
Trade and other payables	**184 286**	172 057
Amounts owing to joint venture partners	**12 473**	9 494
Vendors for acquisitions	**12 978**	6 754
Taxation payable	**14 427**	9 790
Current portion of interest bearing debt	**13 342**	4 873
Other financial instruments	**909**	85
Shareholders for dividends	**79**	–
	238 494	203 053
Total equity and liabilities	**467 766**	407 742
Net asset value per share (cents)	**93.2**	83.1
Net tangible asset value per share (cents)	**44.3**	49.4
Calculation of earnings per share		
Shares in issue (number of shares)	**217 329**	219 045
Weighted average shares in issue (number of shares)	**219 211**	219 004
Diluted weighted average shares in issue (number of shares)	**223 846**	224 174
Earnings per share (cents)	**13.0**	13.2
Diluted earnings per share (cents)	**12.8**	12.9
Headline earnings per share (cents)	**11.9**	13.2
Diluted headline earnings per share (cents)	**11.7**	12.9
The following adjustments to profit attributable to shareholders were taken into account in the calculation of headline earnings:		
Attributable to equity holders of the parent	**28 607**	28 925
– negative goodwill realised	**(2 498)**	–
– impairment of assets	**-**	5
– gain on disposal of business	**-**	(62)
– loss/(profit) on sale of property, plant and equipment	**113**	(38)
– taxation effects of adjustments	**(32)**	27
Headline earnings	**26 190**	28 857

PROVISIONAL CONDENSED CASH FLOW STATEMENT

for the year ended 30 June

	Reviewed 2009 R'000	Audited 2008 R'000
Cash flows from operating activities	**44 039**	39 296
Cash generated by operations	**65 313**	56 200
Finance income	**3 919**	2 606
Finance costs	**(10 013)**	(7 181)
Dividend paid	**(6 718)**	(498)
Taxation paid	**(8 462)**	(11 831)
Cash flows from investing activities	**(66 874)**	(13 957)
Additions to property, plant and equipment		
– to expand	**(10 826)**	(5 576)
– to maintain	**(7 537)**	(8 122)
Additions to intangible assets	**(2 301)**	(820)
Proceeds on disposal of property, plant and equipment	**161**	1 114
Acquisition of businesses	**(46 371)**	(3 426)
Proceeds on disposal of business	**-**	2 873
Cash flows from financing activities	**(5 309)**	1 161
Interest bearing debt raised	**4 183**	6 057
Interest bearing debt repaid	**(4 873)**	(3 998)
Receipt of long term receivable	**307**	492
(Increase)/decrease in amounts owing by joint venture partners	**(6 163)**	4 177
Increase/(decrease) in amounts owing to joint venture partners	**2 979**	(6 078)
Shares repurchased	**(1 908)**	–
(Decrease)/increase in finance lease receivables	**(334)**	321
Sale of treasury shares	**500**	–
Employee share options exercised	**-**	190
(Decrease)/increase in cash and cash equivalents	**(28 144)**	26 500
Cash and cash equivalents at beginning of year	**49 989**	23 489
Cash and cash equivalents at end of year	**21 845**	49 989

PROVISIONAL CONDENSED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

	Share capital R'000	Share premium R'000	Non-distributable reserves R'000	Share-based payment reserve R'000	Retained earnings R'000	Attributable to equity holders of the parent R'000	Minority interest R'000	Total R'000
Balance at 30 June 2007	2 189	65 889	18 612	–	66 220	152 910	846	153 756
Profit for the year					28 925	28 925	435	29 360
Transfer to share-based payment reserve			(1 735)	1 735		–		–
Transfer to retained earnings			(16 877)		16 877	–		–
Dividend to minority shareholders						–	(498)	(498)
Share-based payment transactions				95		95		95
Sale of treasury shares	1	189				190		190
Balance at 30 June 2008	**2 190**	**66 078**	**-**	**1 830**	**112 022**	**182 120**	**783**	**182 903**
Profit for the year					**28 607**	**28 607**	**202**	**28 809**
Share-based payment transactions				**(97)**	**97**	**-**		**-**
Sale of treasury shares	**5**	**495**				**500**		**500**
Repurchase of shares	**(22)**	**(1 886)**				**(1 908)**		**(1 908)**
Dividend paid					**(6 797)**	**(6 797)**		**(6 797)**
Balance at 30 June 2009	**2 173**	**64 687**	**-**	**1 733**	**133 929**	**202 522**	**985**	**203 507**

PROVISIONAL CONDENSED SEGMENTAL REPORT

for the year ended 30 June

	Services R'000	Trading-distribution R'000	Corporate R'000	Total R'000
2009				
Revenue (external)	**318 284**	**356 057**	**-**	**674 341** [2]
Revenue (internal)	**30 424**	**638**	**8 938**	**40 000**
	348 708	**356 695**	**8 938**	**714 341**
Profit/(loss) before interest and taxation	**38 249**	**10 182**	**(3 255)**	**45 176**
Depreciation expense	**(11 256)**	**(3 482)**	**(225)**	**(14 963)**
Amortisation of intangibles	**-**	**-**	**(1 421)**	**(1 421)**
Negative goodwill realised	**-**	**-**	**2 498**	**2 498**
Finance income	**5 411**	**5 909**	**5 249**	**16 569** [3]
Finance costs	**(3 016)**	**(3 716)**	**(14 863)**	**(21 595)** [4]
	2 395	**2 193**	**(9 614)**	**(5 026)**
Profit/(loss) before taxation	**40 645**	**12 374**	**(12 869)**	**40 150**
Taxation	**(11 766)**	**(3 465)**	**3 888**	**(11 341)**
Additions to property, plant and equipment	**15 644**	**2 522**	**197**	**18 363**
Segment assets	**262 997**	**223 891**	**(19 122)**	**467 766**
Segment liabilities	**(178 721)**	**(79 051)**	**(6 487)**	**(264 259)**
Segment equity	**(84 276)**	**(144 840)**	**25 609**	**(203 507)**
Cash flow from operating activities	**42 096**	**15 973**	**(14 030)**	**44 039**
Cash flow from investing activities	**(62 903)**	**(2 507)**	**(1 464)**	**(66 874)**
Cash flow from financing activities	**3 084**	**1 230**	**(9 623)**	**(5 309)**
2008				
Revenue (external)	196 488	390 918	–	587 406 [2]
Revenue (internal)	477	8 681	7 999	17 157
	196 965	**399 599**	**7 999**	**604 563**
Profit/(loss) before interest and taxation	26 102	23 735	(5 820)	44 017
Depreciation expense	(5 539)	(3 820)	(266)	(9 625)
Amortisation expense	(127)	–	–	(127)
Finance income	4 052	6 170	2 015	12 237 [3]
Finance costs	(1 530)	(5 244)	(7 117)	(13 891) [4]
	2 522	**926**	**(5 102)**	**(1 654)**
Profit/(loss) before taxation	28 624	24 661	(10 922)	42 363
Taxation	(8 064)	(6 906)	1 967	(13 003)
Additions to property, plant and equipment	9 843	3 794	61	13 698
Segment assets	199 331	240 821	23 796	463 948 [5]
Segment liabilities	(118 501)	(99 034)	(7 304)	(224 839)
Segment equity	(80 830)	(141 787)	(16 492)	(239 109)
Cash flow from operating activities	25 540	22 893	(9 137)	39 296
Cash flow from investing activities	(13 334)	(583)	(40)	(13 957)
Cash flow from financing activities	(8 943)	10 543	(439)	1 161
1. **Reconciliations of prior year assets and equity**				
1.1 **Segmental assets**				
Per prior year segmental	187 764	224 285	(4 307)	407 742
Notional dividends	11 567	16 536	28 103	56 206
	199 331	240 821	23 796	463 948
1.2 **Segmental equity**				
Per prior year segmental	(69 263)	(125 251)	11 611	(182 903)
Notional dividends	(11 567)	(16 536)	(28 103)	(56 206)
	(80 830)	(141 787)	(16 492)	(239 109)

Notional dividends, appearing on the management accounts, are considered to be adjustments against the equity of group companies, and not against short term subsidiary loans, as they were previously classified.

Reconciliations	2009 R'000	2008 R'000
2. **Revenue**		
Total revenue per reportable segments	**714 341**	604 563
Elimination of inter-segment revenue	**(40 000)**	(17 157)
Joint venture management fee not included for financial reporting purposes	**3 713**	–
Consolidated revenue	**678 054**	587 406
3. **Finance income**		
Total finance income per reportable segments	**16 569**	12 237
Elimination of inter-segment finance income	**(11 191)**	(6 088)
Consolidated finance income	**5 378**	6 149
4. **Finance costs**		
Total finance cost per reportable segments	**(21 595)**	(13 891)
Elimination of inter-segment finance cost	**11 191**	6 088
Consolidated finance cost	**(10 404)**	(7 803)

5. For the purpose of internal performance management, certain related party loans and cash have been treated as segmental equity.

COMMENTARY

REVIEW OF THE YEAR

In the context of a difficult prevailing economic environment, the Excellerate Board is pleased to report a sound performance by the Group, with stable profitability supported by a strong operating cash flow performance.

The 2009 financial year has been both challenging and rewarding for the Group. Whilst the current economic environment has had an impact on the Group's operations, management has focused on the integration of recent acquisitions into the Group and on the streamlining and rationalisation of existing operations. As in the past, the Group has continued to aggressively drive working capital management and target healthy operating cash flow generation.

In this environment, we have adopted an appropriately prudent approach to business valuations, and, consequently, acquisition activity has been limited.

Maintaining profit margins within our trading division has been a significant challenge due to its heavy reliance on the retail environment. This has been most evident for Goldenmarc which primarily trades in the general merchandise category within the retail division which has experienced significant volume decreases within the year. The situation has however afforded opportunity for our trading businesses to critically analyse their operations, rationalise fixed costs, and improve procurement and sales processes. In this regard, significant progress has been made in ensuring that these business units are adequately equipped to deal with either a protracted slow down or rapid market rebound.

In terms of size, the most material acquisition that has been implemented during the year has been that of an interest in Vital Distribution Solutions and related businesses consisting of Vital Fleet and Staffing Logistics. These businesses have been consolidated into the Group results with effect from 1 October 2008. The integration process has gone well, and the underlying financial performance of these businesses has made a significant positive impact for the Group.

The Group remains both operationally and financially sound and is well placed to improve performance in the year ahead.

FINANCIAL OVERVIEW

Results for the year ended 30 June 2009 are stable, but have been significantly affected by the prevailing market conditions which have had particular impact on the trading division within the Group. However, notwithstanding pressure on operating margins and net profits, the Group achieved exceptional cash generation from operations.

Group revenue for the year increased by 15.4% to R678 million (2008: R587 million), despite the impact of lower volumes experienced within the trading division. Gross and operating profit margins have come under pressure, a consequence of the more challenging trading environment, resulting in a nominal increase in profit before interest and taxation of 2.6% to R45.2 million (2008: R44.0 million). Net finance costs increased by R3.4 million to R5.0 million as a result of higher average interest rates, finance costs within businesses acquired and non-cash interest on acquisitions and working capital, calculated in accordance with IFRS. Net cash finance costs increased by only R1.5 million, this increase being primarily related to asset-based finance. Profit before taxation declined by 5.2% to R40.2 million (2008: R42.4 million).

Profit after taxation for the year showed a decline of R0.6 million to R28.8 million (2008: R29.4 million), a decrease of 1.9% over the comparative period.

Earnings per share and diluted earnings per share remained practically unchanged at 13.0 cents (2008: 13.2 cents), and 12.8 cents (2008: 12.9 cents), respectively.

Once again, cash generation has been a highlight of the Group's results, with cash generated by operations increasing by 16.2% to R65.3 million (2008: R56.2 million).

Cash flows from operating activities after net finance costs and taxation paid but before dividend paid rose by 27.5% to R50.8 million (2008: R39.8 million), representing 176.2% of profit after taxation.

After paying dividends of R6.7 million, cash flows from investing activities of R66.9 million, and financing activities of R5.3 million, the Group still retained cash and cash equivalents at the end of the year amounting to R21.8 million (2008: R50.0 million).

Excellerate's balance sheet remains strong, with limited gearing. Total assets have increased by 14.7% to R467.8 million (2008: R407.7 million), whilst interest bearing debt rose by R7.2 million to R32.1 million (2008: R24.9 million). Consequently the Group is well-placed to access any funding required to fulfil further growth ambitions.

REVIEW OF OPERATIONS

Trading division, including Goldenmarc, Foodserv, Ferrengi, Nu-Africa Comm Trading and Sunkist

Divisional revenue for the period declined by R42.9 million to R356.7 million for the year.

Particularly hard hit was Goldenmarc, a significant contributor to this division, whose revenues reduced by R14.4 million to R153.4 million for the year, whilst Foodserv and Ferrengi remained relatively flat on the prior year. Operations and product lines at Sunkist were further rationalised with a view to a disposal or part disposal in the new financial year. Revenue at Sunkist consequently declined by R21.1 million to R23.6 million.

In addition to the reduction in revenues, the trading division also experienced margin pressures, primarily at Goldenmarc, which negatively affected operating profits for the year. Net profit before taxation for the division reduced from R24.7 million to R12.4 million, a disappointing drop of 50%. Goldenmarc suffered a reduction in profitability for the period amounting to R11.4 million in comparison to 2008.

The management of Goldenmarc have been extremely pro-active in addressing the current challenges. A number of significant cost saving measures have been undertaken, including outsourcing of the primary distribution and merchandising functions, as well as rationalisation of stock levels and staffing overheads. This, in conjunction with emphasis on increasing volumes and an improving retail environment, should result in an improved performance in 2010. It is also pleasing to note that management's aggressive attention to working capital levels has resulted in the company generating positive cash flows during this period.

Foodserv and Ferrengi have maintained profitability levels despite a difficult trading environment, and with the anticipated improvement in performance at Goldenmarc, results should be restored in the coming year.

Cash generated from operating activities within the trading division amounted to R16.0 million (2008: R22.9 million), a pleasing result in light of the reduced profitability.

Nu-Africa Comm Trading is a new joint venture initiative established with a view to taking advantage of trading with neighbouring countries. This JV was only established shortly before year end, and consequently the results thereof whilst profitable, are not material to the current year's results.

Services division, including Interpark, Sterikleen, Levingers, Chattels, Vital Distribution, Vital Fleet, Staffing Logistics and Delawood

The divisional revenue for the year increased by 77.0% to R348.7 million (2008: R196.7 million). Although the increase was largely as a result of the new acquisitions, the existing companies all performed positively.

Profit before taxation for the division increased by 42% to R40.6 million (2008: R28.6 million). New acquisitions contributed R14.5 million.

Interpark and Sterikleen once again turned in robust performances, growing in revenue and in so demonstrating their ability to withstand varied market conditions. Notwithstanding this performance, both companies continue to explore ways to expand into new markets, to improve operating efficiencies and to be acquisitive.

Levingers experienced a difficult year as volumes and operating profits came under considerable pressure in the current price sensitive dry-cleaning market. Management are however focused on closing non-performing stores and rationalising factory and head office costs, which should restore results in the coming year.

Looking ahead, the division will benefit from the inclusion of the full year results for the acquisitions, and Chattels, an event infrastructure management company, is expected to benefit from the 2010 FIFA World Cup.

Cash generated from operating activities within the services division amounted to R42.1 million, an increase of 64.9% (2008: R25.5 million).

PROSPECTS

While it is anticipated that the prevailing economic environment will continue to have an impact on the Group's trading division, rationalisation measures implemented during the year under review are expected to have a positive effect in the year ahead, and consequently an improved performance is expected from this division. An improved economic environment would further enhance this effect.

The services division of the Group has proved to be more robust, and consequently the impact of the prevailing economic environment, while meaningful, is less dramatic when compared with the trading division. We expect continued growth in this division in the year ahead.

Of additional prospective interest is the potential trading opportunities that have opened up due to the dollarisation of the Zimbabwean economy. Excellerate's newly formed joint venture, Nu-Africa Comm Trading, is well-positioned to explore these opportunities.

The Group will continue to drive a culture of cash generation from existing businesses, and will seek value enhancing opportunities to exploit synergies and growth. To this end, it is expected that business vendors having experienced the impact of the current environment will be more realistic with value expectations, and that consequently acquisition activity may be more likely going forward.

Excellerate is well placed to deliver value for shareholders in the year ahead in terms of earnings growth and cash generation.

DIVIDEND

The Board is pleased to declare a final dividend of 3 cents per share.

Last day for trading and to qualify for and participate in the final dividend (*cum* dividend)	Friday, 23 October 2009
Trading *ex* dividend commences	Monday, 26 October 2009
Record date	Friday, 30 October 2009
Dividend payment date	Monday, 2 November 2009

Share certificates may not be dematerialised or rematerialised between Friday, 23 October 2009 and Friday, 30 October 2009, both days included.

BASIS OF PREPARATION OF RESULTS

The provisional condensed consolidated financial results for the year ended 30 June 2009 have been prepared in accordance with the recognition and measurement criteria of IFRS, its interpretations adopted by the International Accounting Standards Board (IASB), the presentation as well as the disclosure requirements of IAS 34 – Interim Financial Reporting, the Listings Requirements of the JSE Limited and in the manner required by the South African Companies Act.

The accounting policies applied in the presentation of the provisional condensed consolidated financial results are consistent with those applied for the year ended 30 June 2008.

RELATED PARTY TRANSACTIONS

The Group, in the ordinary course of business and similar to last year, entered into various sale and purchase transactions on an arms length basis at market rates with related parties.

INDEPENDENT REVIEW

The provisional condensed consolidated balance sheet at 30 June 2009 and the related provisional condensed consolidated income statement, statement of changes in equity and cash flow statement for the year then ended have been reviewed by our auditors, KPMG Inc. Their unmodified review report is available for inspection at the registered office of Excellerate.

On behalf of the Board

Gordon Hulley *(CEO)*

Sandton
29 September 2009

Administration

Registered office
1st Floor
Atholl Square
Corner Katherine Street and Wierda Road East
Sandown, 2196
PO Box 785448, Sandton, 2146
Tel: (+27 11) 523 2980, Fax: (+27 11) 523 2990
E-mail: info@excellerate.co.za

Share transfer secretary
Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg, 2001
PO Box 61051, Marshalltown, 2107
Tel: (+27 11) 370 5000
Fax: (+27 11) 688 7721

Company secretary
ER Goodman Secretarial Services CC
(represented by E Goodman)
2nd Floor, Palm Grove, Grove City
196 Louis Botha Avenue
Houghton, 2198
Tel: (+27 11) 728 0742, Fax: (+27 11) 728 4226
email: ergoodmn@netactive.co.za

Directors
Gordon Hulley *(Chief executive officer)*, Harold Bloch *(Executive director)*, Peter Kramer *(Executive director)*, Alan Lipchin *(Executive director)*, Athol Stewart *(Executive director)*, James Wellsted *(Executive director)*, Rudi Stumpf *(Non-executive director)*, Graham Davel *(Non-executive director)*, Clive Howell *(Non-executive director) (alternate to Graham Davel)*, Michael Mohohlo *(Non-executive director)*