

# CULLINAN HOLDINGS LIMITED

## TOURISM AND LEISURE

UNREVIEWED CONDENSED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2011

### GROUP FINANCIAL HIGHLIGHTS

Operating profit – up 13,8%  
Attributable earnings – up 8,1%

Headline earnings – up 8,1%  
Cash generated by operating activities – R20,5 million

#### GROUP CONDENSED STATEMENT OF FINANCIAL POSITION

|                                         | Unreviewed<br>six months<br>31 March<br>2011<br>R'000 | Unreviewed<br>six months<br>31 March<br>2010<br>R'000 | Audited<br>year ended<br>30 September<br>2010<br>R'000 |
|-----------------------------------------|-------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------|
| <b>ASSETS</b>                           |                                                       |                                                       |                                                        |
| <b>Non-current assets</b>               | <b>124 694</b>                                        | 126 583                                               | 132 359                                                |
| Property, plant and equipment           | 61 163                                                | 57 846                                                | 65 710                                                 |
| Goodwill                                | 33 618                                                | 33 581                                                | 33 601                                                 |
| Intangible assets                       | 19 615                                                | 24 973                                                | 22 720                                                 |
| Investment properties                   | 3 900                                                 | 5 000                                                 | 3 900                                                  |
| Investment in associate companies       | 3 023                                                 | 2 827                                                 | 3 166                                                  |
| Investment in joint venture             | 2 096                                                 | 1 171                                                 | 1 983                                                  |
| Deferred tax asset                      | 1 279                                                 | 1 185                                                 | 1 279                                                  |
| <b>Current assets</b>                   | <b>212 190</b>                                        | 172 628                                               | 253 602                                                |
| Inventories                             | 16 197                                                | 16 210                                                | 17 033                                                 |
| Accounts receivable                     | 76 720                                                | 77 246                                                | 136 144                                                |
| Other financial asset                   | –                                                     | –                                                     | –                                                      |
| Taxation                                | 1 216                                                 | 1 212                                                 | 2 156                                                  |
| Cash resources                          | 118 057                                               | 77 960                                                | 98 269                                                 |
| <b>Non-current assets held for sale</b> | <b>4 000</b>                                          | 4 193                                                 | 4 000                                                  |
| <b>Total assets</b>                     | <b>340 884</b>                                        | 303 404                                               | 389 961                                                |
| <b>EQUITY AND LIABILITIES</b>           |                                                       |                                                       |                                                        |
| Ordinary shareholders' equity           | 151 154                                               | 123 012                                               | 138 704                                                |
| Preference shareholders' equity         | 546                                                   | 546                                                   | 546                                                    |
| Non-controlling interest                | 1                                                     | 5                                                     | 1                                                      |
| <b>Total shareholders' equity</b>       | <b>151 701</b>                                        | 123 563                                               | 139 251                                                |
| <b>Non-current liabilities</b>          | <b>16 105</b>                                         | 14 695                                                | 15 538                                                 |
| Deferred tax liability                  | 3 969                                                 | 3 341                                                 | 3 603                                                  |
| Operating lease accrual                 | 11 636                                                | 10 854                                                | 11 435                                                 |
| Preference shares                       | 500                                                   | 500                                                   | 500                                                    |
| <b>Current liabilities</b>              | <b>173 078</b>                                        | 165 146                                               | 235 172                                                |
| Operating lease accrual                 | 50                                                    | 78                                                    | 23                                                     |
| Accounts payable                        | 162 205                                               | 153 327                                               | 225 817                                                |
| Other financial liabilities             | –                                                     | –                                                     | 1 801                                                  |
| Taxation                                | 2 705                                                 | 2 433                                                 | 1 055                                                  |
| Preference dividends                    | 15                                                    | 42                                                    | 14                                                     |
| Provisions                              | 8 103                                                 | 9 266                                                 | 6 462                                                  |
| <b>Total equity and liabilities</b>     | <b>340 884</b>                                        | 303 404                                               | 389 961                                                |

#### GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME

|                                                        | Unreviewed<br>six months<br>31 March<br>2011<br>R'000 | Unreviewed<br>six months<br>31 March<br>2010<br>R'000 | Audited<br>year ended<br>30 September<br>2010<br>R'000 |
|--------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------|
| <b>Revenue</b>                                         | <b>197 961</b>                                        | 200 351                                               | 405 069                                                |
| Turnover                                               | 196 439                                               | 198 185                                               | 401 069                                                |
| Net operating expenses                                 | (180 252)                                             | (183 956)                                             | (367 729)                                              |
| Operating profit                                       | 16 187                                                | 14 229                                                | 33 340                                                 |
| Finance income                                         | 1 522                                                 | 2 166                                                 | 4 000                                                  |
| Finance expenses                                       | (136)                                                 | –                                                     | (56)                                                   |
| Preference dividends paid                              | (24)                                                  | (24)                                                  | (55)                                                   |
| Share of (loss)/profit of associates                   | (197)                                                 | (226)                                                 | 330                                                    |
| Share of profit of joint venture                       | 167                                                   | (71)                                                  | 742                                                    |
| Profit before taxation                                 | 17 519                                                | 16 074                                                | 38 301                                                 |
| Tax expense                                            | (5 072)                                               | (4 595)                                               | (10 445)                                               |
| Profit for the period                                  | 12 447                                                | 11 479                                                | 27 856                                                 |
| Other comprehensive income:                            |                                                       |                                                       |                                                        |
| Exchange differences on translating foreign operations | 3                                                     | 13                                                    | (10)                                                   |
| Revaluation of land and buildings                      | –                                                     | –                                                     | (600)                                                  |
| Total comprehensive income for the period              | 12 450                                                | 11 492                                                | 27 246                                                 |
| Profit attributable to:                                |                                                       |                                                       |                                                        |
| equity holders                                         | 12 447                                                | 11 479                                                | 27 794                                                 |
| non-controlling interest                               | –                                                     | –                                                     | 62                                                     |
| Total comprehensive income attributable to:            |                                                       |                                                       |                                                        |
| equity holders                                         | 12 450                                                | 11 492                                                | 27 184                                                 |
| non-controlling interest                               | –                                                     | –                                                     | 62                                                     |
| Basic earnings per share (cents)                       | 1,73                                                  | 1,60                                                  | 3,87                                                   |
| Diluted earnings per share (cents)                     | 1,73                                                  | 1,60                                                  | 3,87                                                   |

#### GROUP CONDENSED STATEMENTS OF CHANGES IN EQUITY

|                                                               | Unreviewed<br>six months<br>31 March<br>2011<br>R'000 | Unreviewed<br>six months<br>31 March<br>2010<br>R'000 | Audited<br>year ended<br>30 September<br>2010<br>R'000 |
|---------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------|
| Ordinary shares ('000)                                        | 718 355                                               | 718 355                                               | 718 355                                                |
| – In issue                                                    | 718 355                                               | 718 355                                               | 718 355                                                |
| – Weighted average                                            | –                                                     | –                                                     | –                                                      |
| Determination of headline earnings                            | –                                                     | –                                                     | –                                                      |
| Earnings attributable to ordinary shareholders                | 12 447                                                | 11 479                                                | 27 794                                                 |
| Adjustment to fair value on investment properties             | –                                                     | –                                                     | (560)                                                  |
| (Profits)/losses on disposal of property, plant and equipment | –                                                     | –                                                     | (535)                                                  |
| Total tax effect of the adjustments                           | –                                                     | –                                                     | 209                                                    |
| Headline earnings                                             | 12 447                                                | 11 479                                                | 26 908                                                 |
| Headline earnings per share (cents)                           | 1,73                                                  | 1,60                                                  | 3,75                                                   |
| Diluted headline earnings per share (cents)                   | 1,73                                                  | 1,60                                                  | 3,75                                                   |
| Net asset value per share (cents)                             | 21,12                                                 | 17,20                                                 | 19,38                                                  |

#### GROUP CONDENSED STATEMENT OF CASH FLOWS

|                                                       | Unreviewed<br>six months<br>31 March<br>2011<br>R'000 | Unreviewed<br>six months<br>31 March<br>2010<br>R'000 | Audited<br>year ended<br>30 September<br>2010<br>R'000 |
|-------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------|
| Net cash inflow/(outflow) from operating activities   | 20 529                                                | 29 134                                                | 62 529                                                 |
| Net cash outflow from investing activities            | (741)                                                 | (10 554)                                              | (23 618)                                               |
| Net cash outflow from financing activities            | –                                                     | (37 150)                                              | (37 172)                                               |
| Net (decrease)/increase in cash and cash equivalents  | 19 788                                                | (18 570)                                              | 1 739                                                  |
| Cash and cash equivalents at beginning of the period  | 98 269                                                | 96 530                                                | 96 530                                                 |
| <b>Cash and cash equivalents at end of the period</b> | <b>118 057</b>                                        | 77 960                                                | 98 269                                                 |

#### NOTES

- Basis of preparation**  
The unreviewed condensed consolidated interim results for the six months ended 31 March 2011 have been prepared in accordance with IAS 34 Interim Financial Reporting and in compliance with the South African Companies Act, No 61 of 1973, as amended. The condensed consolidated interim results for the six months are prepared on the historical cost basis, with the exception of certain financial instruments and properties which are measured at fair value. The policies are consistent with those of the previous annual financial statements.

#### 2. Notes to the income statement

|                                                               | Unreviewed<br>six months<br>31 March<br>2011<br>R'000 | Unreviewed<br>six months<br>31 March<br>2010<br>R'000 | Audited<br>year ended<br>30 September<br>2010<br>R'000 |
|---------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------|
| Ordinary shares ('000)                                        |                                                       |                                                       |                                                        |
| – In issue                                                    | 718 355                                               | 718 355                                               | 718 355                                                |
| – Weighted average                                            | 718 355                                               | 718 355                                               | 718 355                                                |
| Determination of headline earnings                            |                                                       |                                                       |                                                        |
| Earnings attributable to ordinary shareholders                | 12 447                                                | 11 479                                                | 27 794                                                 |
| Adjustment to fair value on investment properties             | –                                                     | –                                                     | (560)                                                  |
| (Profits)/losses on disposal of property, plant and equipment | –                                                     | –                                                     | (535)                                                  |
| Total tax effect of the adjustments                           | –                                                     | –                                                     | 209                                                    |
| Headline earnings                                             | 12 447                                                | 11 479                                                | 26 908                                                 |
| Headline earnings per share (cents)                           | 1,73                                                  | 1,60                                                  | 3,75                                                   |
| Diluted headline earnings per share (cents)                   | 1,73                                                  | 1,60                                                  | 3,75                                                   |
| Net asset value per share (cents)                             | 21,12                                                 | 17,20                                                 | 19,38                                                  |

#### 3. JSE Limited ("JSE")

The directors of the company ensured compliance with the JSE Listings Requirements during the period under review.

#### 4. Segmental reporting

|                          | Tour<br>Operators<br>R'000 | Coaching &<br>Touring<br>R'000 | Retail<br>Travel<br>R'000 | Marine &<br>Boating<br>R'000 | Head<br>Office<br>R'000 | Total<br>R'000 |
|--------------------------|----------------------------|--------------------------------|---------------------------|------------------------------|-------------------------|----------------|
| <b>31 March 2011</b>     |                            |                                |                           |                              |                         |                |
| Revenue                  | 71 883                     | 52 018                         | 48 910                    | 25 040                       | 110                     | 197 961        |
| Operating profit         | 13 688                     | 7 316                          | 7 821                     | 920                          | (13 558)                | 16 187         |
| <b>31 March 2010</b>     |                            |                                |                           |                              |                         |                |
| Revenue                  | 71 015                     | 58 179                         | 43 641                    | 27 725                       | (209)                   | 200 351        |
| Operating profit         | 9 582                      | 10 616                         | 2 375                     | 2 282                        | (10 626)                | 14 229         |
| <b>30 September 2010</b> |                            |                                |                           |                              |                         |                |
| Revenue                  | 143 759                    | 125 121                        | 88 875                    | 49 837                       | (2 523)                 | 405 069        |
| Operating profit         | 20 982                     | 20 820                         | 4 289                     | 2 298                        | (15 049)                | 33 340         |

#### OVERVIEW

The group presents positive results for the six month period ended 31 March 2011 with operating profit increasing by 14% and earnings increasing by 8% over the same period last year. This was achieved despite tough trading conditions.

The general worldwide economic malaise, strength of the Rand and the aftermath of the 2010 World Cup impacted detrimentally on sales in the export dependent businesses such as inbound tourism, coaching and boat building. The outbound travel & tourism divisions benefited from steps taken over the past 24 months to improve product and efficiency resulting in increased sales in these retail and wholesale businesses.

The group has been active in securing new opportunities over the period. Thompsons Africa secured a major contract to be the sole accommodation booking provider for the COP17 World Climate Change summit to be held in Durban in November 2011. Hylton Ross opened a branch in Johannesburg in October 2010. During the period Hylton Ross also expanded nationally in South Africa as well as to Chobe in Botswana.

The effect of the above improved the cash position of the business from a net cash position of R78 million at 31 March 2010 to R118 million at 31 March 2011. In the six month period ending March 2011, cash generated from operating activities amounted to R20,5 million.

#### REVIEW OF OPERATIONS

##### Thompson's Holidays (the Outbound division)

The Outbound division is a wholesale supplier of travel-related products and holidays to the South African market through retail travel agents. Steps taken over the past 12 months to improve efficiencies have resulted in a marked improvement in the business.

##### Thompson's Africa (the Inbound division)

The Inbound division is a tour wholesaler and destination marketing organisation that sells South & Southern African travel packages to International Travel wholesalers, who in turn sell this on to international tourists. Sales were affected by the slowdown in worldwide tourism, a strong Rand and a hangover from the 2010 World Cup. Despite a slowdown the business continued to deliver good results through efficient systems and good cost management.

##### Thompson's Travel

Thompson's Travel is a Corporate and Retail travel agency with offices in Johannesburg, Cape Town and Durban. The Corporate division has seen good growth in the period in both sales and profitability. This has been achieved through a combination of increased spend as Corporates have resumed travel and through the business securing a number of new accounts. The performance of the Leisure division has improved over 2010 as a result of concentration on improved value and service and better cost management.

Continued

|                                                   | 31 March<br>2011<br>R'000 | 31 March<br>2010<br>R'000 | 30 September<br>2010<br>R'000 |
|---------------------------------------------------|---------------------------|---------------------------|-------------------------------|
| <b>Ordinary share capital</b>                     |                           |                           |                               |
| Balance at beginning of period                    | 7 184                     | 7 184                     | 7 184                         |
| Issued during period                              | -                         | -                         | -                             |
| Balance at end of period                          | 7 184                     | 7 184                     | 7 184                         |
| <b>Share premium</b>                              |                           |                           |                               |
| Balance at beginning of period                    | 59 905                    | 59 905                    | 59 905                        |
| Premium on issue of shares                        | -                         | -                         | -                             |
| Balance at end of period                          | 59 905                    | 59 905                    | 59 905                        |
| <b>Share capital reduction reserve fund</b>       |                           |                           |                               |
| Balance at beginning of period                    | 20 876                    | 20 876                    | 20 876                        |
| Balance at end of period                          | 20 876                    | 20 876                    | 20 876                        |
| <b>Capital redemption reserve fund</b>            |                           |                           |                               |
| Balance at beginning of period                    | 4                         | 4                         | 4                             |
| Balance at end of period                          | 4                         | 4                         | 4                             |
| <b>Foreign currency translation reserve</b>       |                           |                           |                               |
| Balance at beginning of period                    | (1 583)                   | (1 573)                   | (1 573)                       |
| Reserve on translation of foreign subsidiary      | 3                         | 13                        | (10)                          |
| Balance at end of period                          | (1 580)                   | (1 560)                   | (1 583)                       |
| <b>Revaluation reserve</b>                        |                           |                           |                               |
| Balance at beginning of period                    | 264                       | 864                       | 864                           |
| Reserve on translation of foreign subsidiary      | -                         | -                         | (600)                         |
| Balance at end of period                          | 264                       | 864                       | 264                           |
| <b>Accumulated profit/(loss)</b>                  |                           |                           |                               |
| Balance at beginning of period                    | 52 054                    | 24 260                    | 24 260                        |
| Attributable income for period                    | 12 447                    | 11 479                    | 27 794                        |
| Balance at end of period                          | 64 501                    | 35 739                    | 52 054                        |
| Ordinary shareholders' equity                     | 151 154                   | 123 012                   | 138 704                       |
| <b>Equity portion of preference share capital</b> |                           |                           |                               |
| Balance at beginning of period                    | 546                       | 546                       | 546                           |
| Balance at end of period                          | 546                       | 546                       | 546                           |
| <b>Non-controlling interest</b>                   |                           |                           |                               |
| Balance at beginning of period                    | 1                         | 5                         | 5                             |
| Profit attributable to non-controlling interest   | -                         | -                         | 62                            |
| Dividend paid to non-controlling interest         | -                         | -                         | (66)                          |
| Balance at end of period                          | 1                         | 5                         | 1                             |
| <b>Total comprehensive income</b>                 |                           |                           |                               |
| Profit for period                                 | 12 447                    | 11 479                    | 27 856                        |
| - Attributable to equity shareholders             | 12 447                    | 11 479                    | 27 794                        |
| - Attributable to non-controlling interest        | -                         | -                         | 62                            |
| Translation of foreign subsidiary                 | 3                         | 13                        | (10)                          |
| Revaluation of land and buildings                 | -                         | -                         | (600)                         |
|                                                   | 12 450                    | 11 492                    | 27 246                        |

a continuation of increased spend as corporates have resumed travel and through the business securing a number of new accounts. The performance of the Leisure division has improved over 2010 as a result of concentration on improved value and service and better cost management.

#### Pentavel

Pentavel is a chain of retail travel outlets located in the major shopping malls throughout South Africa. The Division has delivered good sales growth as a result of management's continued improvement in quality and service to its customer. Overall the business has improved performance over the same period last year.

#### Hylton Ross Tours

Hylton Ross Tours operates coaches and vehicles for charter to the Inbound and Domestic tourism market. It also provides day tours and excursions. This respected brand has operated for 30 years in the Western Cape and on 1 October 2010, opened a branch in Johannesburg and thereafter expanded its business nationally in South Africa and into Botswana.

#### Thompsons Gateway

Gateway, a sales office in Singapore, saw a decline in sales out of its markets in South East Asia with the market being affected by the strong Rand during the period.

#### Planet Africa

Planet Africa is a joint venture operation formed to sell and market Southern Africa to Japanese and Korean tourists. The strong Rand affected levels of business, while the slowdown has been exacerbated by recent events in Japan. The business continues to trade profitably but well down on last year.

#### Manex

Manex is a supplier to the yacht building industry as well as a distributor of a number of leading brands in the Scuba Diving and Leisure sector. The reduction in local boat building due to a combination of the weak global economy and exchange rate, resulted in pressure on sales. As this was anticipated, steps were taken last year to reduce overheads and the business continues to look for further brands by which to expand.

#### Central Boating

Central Boating is a market leader in the importation and distribution of leisure marine equipment to both the yachting and power boat sectors of the market in South Africa. Like Manex, the business has been affected by the global economy and has seen pressure on sales.

#### Cullinan Business Development

This division was established in 2010 to focus on corporate social responsibility for the group. This includes enterprise development, corporate social investment and other aspects that allow Cullinan to contribute to social development in South Africa. To date it has been active in a number of areas such as development of emerging travel agencies and supporting enterprise development.

#### Prospects

Whilst the general economic environment continues to be challenging, Cullinan has performed well over the past six months and is well-placed to continue expansion. Improvement in the group's balance sheet and cash position allow for further acquisitions as opportunities arise.

On behalf of the Board

**M Tollman**  
Executive Chairman  
5 May 2011

**DK Standage**  
Financial Director

#### Auditors

Mazars were re-elected as auditors in 2011.

#### Sponsor

Arcay Moela Sponsors (Proprietary) Limited  
(Registration number 2006/033725/07)

#### Directors

M Tollman, MA Ness\*†, DD Hosking\*†, LA Pampallis, G Tollman\*†  
DK Standage, DT Madlala\*, R Arendse\*, S Nhlumayo\*

\* Non-resident † Non-Executive \* Independent Non-Executive

#### Company secretary

DK Standage

#### Registered office

6 Hood Avenue, Rosebank, 2196

#### Transfer secretaries

Computershare Investor Services (Pty) Limited  
Ground Floor, 70 Marshall Street, Johannesburg, 2001  
(PO Box 61051, Marshalltown, 2107)

#### For further information on group activities, please write to:

The Company Secretary, Cullinan Holdings Limited  
PO Box 41032, Craighall, 2024  
(Registration number 1902/001808/06)  
(CUL ISIN: ZAE000013710) (CULP ISIN: ZAE000001947)  
("the company" or "the group")

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