CULLINAN HOLDINGS LIMITED
TOURISM AND LEISURE

REGISTRATION NUMBER 1902/001808/06

UNREVIEWED CONDENSED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2013

GROUP FINANCIAL HIGHLIGHTS

Attributable earnings – up 25,2%

Headline earnings – up 25,2%

Profit before taxation – up 24% to R36,9 million

Cash resources – increased by R5,7 million

GROUP CONDENSED STATEMENT OF FINANCIAL POSITION

	Unreviewed six months 31 March 2013 R'000	Unreviewed six months 31 March 2012 R'000	Reviewed year ended 30 September 2012 R'000
ASSETS			
Non-current assets	**159 945**	134 135	150 618
Property, plant and equipment	**77 097**	71 578	75 305
Goodwill	**35 289**	33 837	34 030
Intangible assets	**28 148**	15 644	22 112
Investment properties	**7 900**	5 700	7 900
Investment in associate companies	**3 748**	2 968	3 748
Investment in joint venture	**4 346**	3 097	4 346
Deferred tax asset	**3 417**	1 311	3 177
Current assets	**322 663**	259 991	329 370
Inventories	**27 185**	16 569	14 482
Accounts receivable	**133 788**	86 998	122 203
Other financial asset	**–**	–	2 217
Taxation	**291**	711	1 869
Cash resources	**161 399**	155 713	188 599
Non-current assets held for sale	**–**	2 200	–
Total assets	**482 608**	396 326	479 988
EQUITY AND LIABILITIES			
Ordinary shareholders' equity	**209 541**	175 605	189 431
Preference shareholders' equity	**546**	546	546
Non-controlling interest	**102**	19	102
Total shareholders' equity	**210 189**	176 170	190 079
Non-current liabilities	**16 497**	17 571	17 175
Deferred tax liability	**5 601**	5 709	5 601
Operating lease accrual	**10 396**	11 362	11 074
Preference shares	**500**	500	500
Current liabilities	**255 922**	202 585	272 734
Operating lease accrual	**9**	55	4
Accounts payable	**249 727**	197 862	270 802
Bank overdrafts	**232**	238	222
Taxation	**2 055**	2 840	537
Preference dividends	**15**	15	15
Provisions	**3 884**	1 575	1 154
Total equity and liabilities	**482 608**	396 326	479 988

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Unreviewed six months 31 March 2013 R'000	Unreviewed six months 31 March 2012 R'000	Reviewed year ended 30 September 2012 R'000
Revenue	**284 565**	236 608	454 848
Turnover	**280 362**	233 770	448 845
Cost of sales	**(87 061)**	(57 458)	(99 225)
Gross profit	**193 301**	176 312	349 620
Net operating expenses	**(160 556)**	(149 740)	(307 833)
Operating profit	**32 745**	26 572	41 787
Finance income	**4 203**	2 838	6 003
Finance expenses	**–**	–	(13)
Preference dividends paid	**(27)**	(24)	(55)
Share of profit of associates	**–**	16	796
Share of profit of joint venture	**–**	334	1 582
Profit before taxation	**36 921**	29 736	50 100
Tax expense	**(9 721)**	(8 017)	(14 425)
Profit for the period	**27 200**	21 719	35 675
Other comprehensive income:			
Exchange differences on translating foreign operations	**94**	(69)	(116)
Revaluation of land and buildings	**–**	–	–
Total comprehensive income for the period	**27 294**	21 650	35 559
Profit attributable to:			
equity holders	**27 200**	21 719	35 592
non-controlling interest	**–**	–	83
Total comprehensive income attributable to:			
equity holders	**27 294**	21 650	35 476
non-controlling interest	**–**	–	83
Basic earnings per share (cents)	**3,79**	3,02	4,95
Diluted earnings per share (cents)	**3,79**	3,02	4,95

GROUP CONDENSED STATEMENT OF CHANGES IN EQUITY

	Unreviewed six months 31 March 2013 R'000	Unreviewed six months 31 March 2012 R'000	Reviewed year ended 30 September 2012 R'000
Ordinary share capital			
Balance at beginning of period	**7 184**	7 184	7 184
Balance at end of period	**7 184**	7 184	7 184
Share premium			
Balance at beginning of period	**59 905**	59 905	59 905
Balance at end of period	**59 905**	59 905	59 905
Share capital reduction reserve fund			
Balance at beginning of period	**20 876**	20 876	20 876
Balance at end of period	**20 876**	20 876	20 876
Capital redemption reserve fund			
Balance at beginning of period	**4**	4	4
Balance at end of period	**4**	4	4
Foreign currency translation reserve			
Balance at beginning of period	**(1 927)**	(1 811)	(1 811)
Reserve on translation of foreign subsidiary	**94**	(69)	(116)
Balance at end of period	**(1 833)**	(1 880)	(1 927)
Revaluation reserve			
Balance at beginning of period	**870**	870	870
Balance at end of period	**870**	870	870
Accumulated profit/(loss)			
Balance at beginning of period	**102 519**	74 111	74 111
Attributable income for period	**27 200**	21 719	35 592
Ordinary dividend paid	**(7 184)**	(7 184)	(7 184)
Balance at end of period	**122 535**	88 646	102 519
Ordinary shareholders' equity	**209 541**	175 605	189 431
Preference shareholders' equity			
Balance at beginning of period	**500**	500	500
Balance at end of period	**500**	500	500
Non-controlling interest			
Balance at beginning of period	**102**	19	19
Profit attributable to non-controlling interest	**–**	–	83
Balance at end of period	**102**	19	102
Total comprehensive income			
Profit for period	**27 200**	21 719	35 675
– Attributable to equity shareholders	**27 200**	21 719	35 592
– Attributable to non-controlling interest	**–**	–	83
Translation of foreign subsidiary	**94**	(69)	(116)
	27 294	21 650	35 559

GROUP CONDENSED STATEMENT OF CASH FLOWS

	Unreviewed six months 31 March 2013 R'000	Unreviewed six months 31 March 2012 R'000	Reviewed year ended 30 September 2012 R'000
Net cash (outflow)/inflow from operating activities	**13 885**	2 430	55 396
Net cash outflow from investing activities	**(33 911)**	(19 357)	(39 421)
Net cash outflow from financing activities	**(7 184)**	(7 184)	(7 184)
Net (decrease)/increase in cash and cash equivalents	**(27 210)**	(24 111)	8 791
Cash and cash equivalents at beginning of period	**188 377**	179 586	179 586
Cash and cash equivalents at end of period	**161 167**	155 475	188 377

NOTES

1. Basis of preparation

The unreviewed condensed consolidated results for the six months ended 31 March 2013 have been prepared in accordance with and contain information required by International Accounting Standard (IAS) 34: Interim Financial Reporting, as well as the AC 500 series as issued by the Accounting Practices Board, the Listings Requirements of the Johannesburg Stock Exchange Limited and the South African Companies Act, 71 of 2008, as amended. The accounting policies as well as the methods of computation used in the preparation of the unreviewed results for the six months ended 31 March 2013 are in terms of the International Financial Reporting Standards (IFRS) and are consistent with those applied in the audited annual financial statements for the year ended 30 September 2012. The unreviewed results are presented in Rand, which is Cullinan Holdings Limited's presentation currency.

The unreviewed condensed consolidated interim results for the six months ended 31 March 2013 have been prepared under the supervision of D Standage CA(SA), the financial director of the group.

2. Notes to the statement of comprehensive income

	Unreviewed six months 31 March 2013	Unreviewed six months 31 March 2012	Reviewed year ended 30 September 2012
Ordinary shares ('000)			
– In issue	**718 355**	718 355	718 355
– Weighted average	**718 355**	718 355	718 355
	R'000	R'000	R'000
Determination of headline earnings:			
Earnings attributable to ordinary shareholders	**27 200**	21 719	35 592
Loss on disposal of property, plant and equipment	**–**	–	313
Tax effect	**–**	–	(88)
Adjustment to tax rate change on investment property	**–**	–	(272)
Headline earnings	**27 200**	21 719	35 545
Headline earnings per share (cents)	**3,79**	3,02	4,95
Diluted headline earnings per share (cents)	**3,79**	3,02	4,95
Dividends per share (cents)	**1,00**	1,00	1,00
Net asset value per share (cents)	**29,26**	24,52	26,46

3. JSE Limited ("JSE")

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

4. Business combinations

On 1 October 2012, 90% of the shares in Glacier Enterprises (Pty) Limited were purchased for a consideration of R18,961 million. Glacier is an import facilitator, contracting with various agencies to contract with, design, import and supply various goods to chain stores and other retailers.

The primary reason for the acquisition was to diversify the group's risk away from its dependency on travel and tourism, while allowing for synergies with the Marine division in warehouse management and procurement.

The acquisition was funded out of cash reserves.

In terms of IFRS 3, the initial accounting for the acquisition has only been determined provisionally as the purchase price allocation, including the final purchase consideration, has not yet been finalised.

The carrying value of the assets and liabilities as noted below is based upon unaudited amounts and is expected to approximate the fair value of assets and liabilities before the acquisition. Qualitative factors making up the goodwill include the excellent agencies and blue-chip retailers with which the business contracts, and the skill and expertise of the management.

The assets and liabilities of Glacier Enterprises (Pty) Limited as at 1 October 2012 arising from acquisition are as follows:

	Acquiree's carrying amount R'000	Value R'000
Property, plant and equipment	51	51
Current assets	27 526	20 678
Accounts receivable	7 276	6 944
Inventories	13 180	8 000
Other	7 070	5 734
Current liabilities	32 437	2 938
Net asset value acquired	(4 860)	17 791
Purchase consideration	25 838	18 961
Goodwill	30 698	1 170

The difference between the fair value and the acquiree's carrying amount relates to provisions agreed against stock values and against accounts receivable. These amount will be paid to the acquiree as the stock is sold or accounts receivable recovered.

The acquiree's carrying amount of the accounts receivable of R7,276 million reflects the gross contractual amount receivable and represents the best estimate of the expected contractual cash flows expected to be collected. The fair value represents the value of accounts receivable payable in cash on acquisition.

The acquiree's carrying amount for net current liabilities includes an amount of R29,528 million. In terms of the purchase agreement, this amount will be borne by the acquiree's shareholders.

Since the acquisition date, the following amounts have been included in the statement of comprehensive income for the period:

	R'000
Revenue	**23 023**
Operating profit	**1 487**

5. Segmental reporting

	Tour Operators Outbound R'000	Tour Operators Inbound R'000	Coaching and Touring R'000	Retail Travel R'000	Marine and Boating R'000	Head Office R'000
31 March 2013						
Revenue	**41 865**	**49 396**	**83 600**	**62 216**	**22 544**	**24 944**
Operating profit	**3 175**	**15 056**	**13 018**	**9 946**	**(148)**	**(8 302)**
31 March 2012						
Revenue	39 767	52 902	68 993	51 797	23 154	(5)
Operating profit	3 044	17 411	8 614	7 451	(197)	(9 751)
30 September 2012						
Revenue	82 650	96 262	123 008	110 348	42 145	435
Operating profit	6 283	26 570	11 025	17 838	(1 030)	(18 899)

OVERVIEW

We are pleased to announce the results for the Cullinan group for the six-month period ended 31 March 2013. During the period, sales increased by 20% while headline earnings increased by 25% to R27,2 million (2012: R21,7 million). These results are particulary pleasing as they come on top of a strong set of results presented in the prior year. The business continues to generate strong cash flows and, despite incurring quite significant capital expenditure, has seen a modest growth in cash resources to R161 million (2012: R155 million). The company also acquired a 90% share in Glacier Enterprises (Pty) Limited for R18,9 million, which was also funded out of cash resources. The company also declared and paid an addiitonal dividend of 1 cent per share in the period.

The six-month period has been characterised by strong growth in the domestically-dependent travel and outbound tourism units despite the unpredictability in the local economy. The Inbound divisions have seen positive results with some signs of a mild recovery out of Europe and the UK, and good growth out of the USA and Asian markets. The Coaching divisions which are primarily dependent upon the inbound tourism sector have benefited from the growth and posted particularly pleasing results. The overall group results were also particularly pleasing as the prior period to 31 March 2012 was boosted by material profits on the COP17 Conference. Profit growth for the period resulted from a general growth in all of the group's travel businesses as against any one event or one business in particular.

The period has also been an active and successful one for finalising a number of changes that have helped to secure a strong operational base for the group for the future. These include moving the Coaching divisions into their new state-of-the-art depot in Salt River in Cape Town in November 2012, moving the various Cape Town-based travel businesses into one office in Chiappini Square in Cape Town in March 2013 and completing the first phase of the implementation of the Inbound Reservation system, which brings the group major opportunities to transact electronically with suppliers and customers alike. The next phase of this implementation will be to bring the Outbound tour operators onto the same system. This is anticipated to happen in the second half of the year. The business has also invested heavily in the fleet, expanding where appropriate and replacing ageing assets with new fleet to meet customers' needs and remain the market leader in terms of quality and service. The group has also begun a programme to upgrade its Johannesburg Coach depot to an equivalent standard to its Cape Town depot. This upgrade is due to be completed by November 2013.

In addition to these operational changes, a number of successive periods of improvement in the business have placed the group in a good position to look for new opportunities, both through organic growth and through acquisition. Growth initiatives include the launch of the Chinese Inbound department with staff based in Cape Town and a sales office in Shanghai, while the Planet Africa division also opened a branch in Tokyo in February 2013 to secure its dominant share of the Japanese tourism business into Southern Africa. On the local front, we believe the time is now right for Pentravel to expand its travel agency network with the rollout of an additional six branches in key shopping malls. The first of these will open in June 2013.

We are pleased to advise that, following the acquisition of the Ikapa coaching and Ikapa touring businesses in September 2011, a number of key changes were made to the business model. The changes have now been successfully implemented, and the result has seen a material turnaround and improvement to both Ikapa businesses over the past six months. It is expected that these improvements are sustainable and that we will see further improvement in these businesses in the year ahead,

On the acquisition front, Cullinan acquired a controlling share of Glacier Enterprises (Pty) Limited in October 2012. This business acts primarily as an import facilitator and presents opportunity for the group to maximise the return on cash resources as well as presenting options to diversify. The group has also established a new division, Cullinan Financial Services, which will provide financial services to the travel, marine and property sectors. We will also continue to look for appropriate opportunities in the tourism and travel segments.

REVIEW OF OPERATIONS

Cullinan Tour Operators

The Outbound divisions consist of business units which supply travel-related products and holidays to the South African market through their customer, the retail travel agent. Over the last two years, the group has expanded this segment of the business by establishing a number of different Outbound operators, of which Thompsons Holidays is the largest. While the business remains competitive with relatively small barriers to entry, the Outbound divisions have been innovative in providing new products and focusing on customer service with excellent results. One point in which these businesses can differentiate themselves from the smaller competition is in technology and we expect the implementation of the new Reservation system to make a major difference going forward.

The Inbound divisions consist of business units which act as tour wholesalers and destination marketing organisations that sell South and Southern African travel packages to international travel wholesalers, who in turn sell these on to international tourists. Sales continue to feel the effects of an uncertain economy in traditional markets such as the UK and Europe, while there has been a noticeable upturn out of Asia and the USA. Thompsons Africa, Planet Africa and Ikapa Inbound are the major brands within this segment. Despite a tough sales environment, the businesses continue to produce good results through efficient systems, good cost management and retaining market share.

Cullinan Retail Travel

The Cullinan Retail Travel agency segment comprises Thompsons Corporate Travel, Thompsons Leisure Travel, Visions Incentive Travel and Pentravel. Combined, these three brands have over 30 travel agencies in most major centres in South Africa.

The Corporate division has seen very good growth in the period. 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 while the performance of the Thompsons Leisure division has also been positive. Pentravel has continued its run of excellent results over the past two years while refining its business model. This has created the structure to continue to increase sales through the existing network while providing the business with the capacity to expand its branch network.

Cullinan Transport and Touring

This segment comprises Hylton Ross Tours and Ikapa Coach Charter within South Africa and, through a partnership with Wilderness Safaris, includes operations in Zimbabwe, Zambia and Botswana. Through the various brands, the group owns and operates a fleet of over 150 vehicles, comprising coaches, mini-buses, safari vehicles and sedans. These vehicles are chartered to the Inbound and Domestic tourism markets. In addition, the various brands also provide day tours and excursions in the eight centres in Southern Africa in which they operate.

The coaching segment has been affected over the past few years by reduced demand from inbound tour operators, as this coaching business was traditionally dependent on Europe and the UK. However, this period has seen a change with some improvement out of these traditional markets and strong growth out of the USA and Asia as mentioned above. The business still faces challenges, particularly on the cost side where major increases in fuel price impact the business. Notwithstanding this, the higher utilisation has provided the group with very good results in this area and this business continues to offer very good returns on investment as a result of high service standards and good management.

Cullinan Marine and Boating

The Marine segment comprises Manex Marine and Central Boating, both suppliers to the boat-building industry. Manex also acts as an agency for marine and leisure brands such as Aqualung diving equipment. As mentioned in prior reports, the global demand for boat-building dropped dramatically in 2008 and has yet to recover. This has been compounded by the relatively strong Rand during the period under review, which has made South African boat-building struggle for advantage. The segment has improved slightly over the prior period and there are some signs of improvement in the sector going forward.

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 the group 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, supporting enterprise development and commencing a learnership and mentorship programme. These programmes have been expanded over the past two years and are expected to expand further in the year ahead.

Prospects

Whilst the general economic environment continues to look unpredictable, the group has performed very well over the prior year and over the past six months and indications are that this will continue although there are potential risks ahead. Risks include the effect of the exchange rate on outbound travel in particular, higher input costs such as fuel and the general uncertainty around the retail sector in South Africa. Conversely, the exchange rate presents opportunity for inbound tourism while the operational changes detailed above provide a solid base to grow. Obviously the sound financial position and strong cash reserves provide the group with the necessary options to grow.

Looking forward, the Board has identified a number of opportunities to ensure the group remains a market leader in Southern Africa. These include:

- The continued investment in technology to provide the tourism and travel businesses with a leading edge ERP system, providing seamless integration between the service provider, tour operator and the customer.
- The continued re-investment in fleet, including expansion in the Gauteng region, as well as ensuring that the standards of fleet, its services and its coach depots are of a world-class standard, and has the best standards in the industry.
- The continued focus on China as a growth area for inbound tourism.

The company will continue to look for meaningful acquisition opportunities.

On behalf of the Board

M Tollman
Executive Chairman

DK Standage
Financial Director

9 May 2013

Directors:
M Tollman, MA Ness*†
DD Hosking*†, LA Pampallis
G Tollman*†, DK Standage
R Arendse†, S Nhlumayo†
A Azoulay†
**Non-resident*
†Non-executive

Company secretary:
B Allison

Registered office:
6 Hood Avenue, Rosebank, 2196

Auditors:
Mazars were re-elected as auditors in 2013.

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

Transfer secretaries:
Computershare Investor Services Proprietary Limited
Ground Floor, 70 Marshall Street, Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

For further information on group activities, please write to:
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PO Box 41032, Craighall, 2024
Registration number 1902/001808/06
(Share code: CUL ISIN: ZAE000013710)
("Cullinan" or "the company" or "the group")

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