

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 six months 31 March 2011 R'000	Unreviewed six months 31 March 2010 R'000	Audited year ended 30 September 2010 R'000
ASSETS			
Non-current assets	124 694	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
Current assets	212 190	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
Non-current assets held for sale	4 000	4 193	4 000
Total assets	340 884	303 404	389 961
EQUITY AND LIABILITIES			
Ordinary shareholders' equity	151 154	123 012	138 704
Preference shareholders' equity	546	546	546
Non-controlling interest	1	5	1
Total shareholders' equity	151 701	123 563	139 251
Non-current liabilities	16 105	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
Current liabilities	173 078	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
Total equity and liabilities	340 884	303 404	389 961

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Unreviewed six months 31 March 2011 R'000	Unreviewed six months 31 March 2010 R'000	Audited year ended 30 September 2010 R'000
Revenue	197 961	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:	12 450	11 492	27 184
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 six months 31 March 2011 R'000	Unreviewed six months 31 March 2010 R'000	Audited year ended 30 September 2010 R'000
Ordinary shares ('000)	718 355	718 355	718 355
– In issue	718 355	718 355	718 355
– Weighted average	–	–	–
Total ordinary shares	718 355	718 355	718 355
Preference shares ('000)	546	546	546
– Issued	546	546	546
– Redeemed	–	–	–
Total preference shares	546	546	546
Non-controlling interest	1	5	1
– Issued	1	5	1
– Redeemed	–	–	–
Total non-controlling interest	1	5	1
Total equity	151 701	123 563	139 251

GROUP CONDENSED STATEMENT OF CASH FLOWS

	Unreviewed six months 31 March 2011 R'000	Unreviewed six months 31 March 2010 R'000	Audited year ended 30 September 2010 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
Cash and cash equivalents at end of the period	118 057	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 six months 31 March 2011 R'000	Unreviewed six months 31 March 2010 R'000	Audited year ended 30 September 2010 R'000
Ordinary shares ('000)			
– In issue	718 355	718 355	718 355
– Weighted average	718 355	718 355	718 355
Total ordinary shares	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 Operators R'000	Coaching & Touring R'000	Retail Travel R'000	Marine & Boating R'000	Head Office R'000	Total R'000
31 March 2011						
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
31 March 2010						
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
30 September 2010						
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 2011 R'000	31 March 2010 R'000	30 September 2010 R'000
Ordinary share capital			
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
Share premium			
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
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	(1 583)	(1 573)	(1 573)
Reserve on translation of foreign subsidiary	3	13	(10)
Balance at end of period	(1 580)	(1 560)	(1 583)
Revaluation reserve			
Balance at beginning of period	264	864	864
Reserve on translation of foreign subsidiary	-	-	(600)
Balance at end of period	264	864	264
Accumulated profit/(loss)			
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
Equity portion of preference share capital			
Balance at beginning of period	546	546	546
Balance at end of period	546	546	546
Non-controlling interest			
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
Total comprehensive income			
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 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.

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

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Transfer secretaries

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For further information on group activities, please write to:

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("the company" or "the group")

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