

CULLINAN HOLDINGS LIMITED TOURISM AND LEISURE

REGISTRATION NUMBER 1902/001808/06

UNREVIEWED CONDENSED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2014

GROUP FINANCIAL HIGHLIGHTS

Attributable earnings – up 60,6% to R43,847 million
Headline earnings – up by 60,7% to R43,698 million

Profit before taxation – up by 63,5% to R60,4 million
Cash resources – increased by R21,4 million

GROUP CONDENSED STATEMENT OF FINANCIAL POSITION

	Unreviewed six months 31 March 2014 R'000	Unreviewed six months 31 March 2013 R'000	Audited year ended 30 September 2013 R'000
ASSETS			
Non-current assets	284 855	159 945	267 141
Property, plant and equipment	153 508	77 097	140 018
Goodwill	66 858	35 289	66 758
Intangible assets	34 893	28 148	31 041
Investment properties	10 900	7 900	10 900
Investment in associate companies	4 243	3 748	4 243
Investment in joint venture	5 613	4 346	5 341
Deferred tax asset	8 840	3 417	8 840
Current assets	488 863	322 663	502 373
Inventories	36 426	27 185	29 127
Accounts receivable	261 946	133 788	266 109
Other financial asset	–	–	234
Taxation	7 670	291	964
Cash resources	182 821	161 399	205 939
Total assets	773 718	482 608	769 514
EQUITY AND LIABILITIES			
Ordinary shareholders' equity	359 361	209 541	323 373
Preference shareholders' equity	546	546	546
Non-controlling interest	1 502	102	1 804
Total shareholders' equity	361 409	210 189	325 723
Non-current liabilities	14 289	16 497	15 356
Deferred tax liability	5 688	5 001	5 688
Operating lease accrual	8 101	10 396	9 168
Preference shares	500	500	500
Current liabilities	398 020	255 922	428 435
Operating lease accrual	1 937	9	1 467
Accounts payable	371 740	249 727	421 514
Bank overdrafts	251	232	202
Taxation	12 221	2 055	3 801
Preference dividends	16	15	15
Provisions	11 855	3 884	1 436
Total equity and liabilities	773 718	482 608	769 514

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Unreviewed six months 31 March 2014 R'000	Unreviewed six months 31 March 2013 R'000	Audited year ended 30 September 2013 R'000
Revenue	441 435	284 565	600 553
Turnover	435 895	280 362	592 689
Cost of sales	(158 421)	(87 061)	(171 114)
Gross profit	277 474	193 301	421 575
Net operating expenses	(222 892)	(160 556)	(355 370)
Operating profit	54 582	32 745	66 205
Finance income	5 540	4 203	7 864
Finance expenses	–	–	(192)
Preference dividends paid	(26)	(27)	(55)
Share of (loss)/profit of associates	–	–	495
Share of profit of joint venture	272	–	995
Profit before taxation	60 368	36 921	75 312
Tax expense	(16 972)	(9 721)	(18 314)
Profit for the period	43 396	27 200	56 998
Other comprehensive income:			
Exchange differences on translating foreign operations	149	94	262
Total comprehensive income for the period	43 545	27 294	57 260
Profit attributable to:			
equity holders	43 698	27 200	56 859
non-controlling interest	(302)	–	139
Total comprehensive income attributable to:			
equity holders	43 847	27 294	57 121
non-controlling interest	(302)	–	139
Basic earnings per share (cents)	5,46	3,79	7,85
Diluted earnings per share (cents)	5,39	3,79	7,73

GROUP CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Unreviewed six months 31 March 2014 R'000	Unreviewed six months 31 March 2013 R'000	Audited year ended 30 September 2013 R'000
Ordinary share capital			
Balance at beginning of period	7 927	7 184	7 184
– Issued for business combination	75	–	743
Balance at end of period	8 002	7 184	7 927
Share premium			
Balance at beginning of period	140 942	59 905	59 905
– Arising from issue for business combination	8 144	–	81 037
Balance at end of period	149 086	59 905	140 942
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	(1 665)	(1 927)	(1 927)
– Reserve on translation of foreign subsidiary	149	94	262
Balance at end of period	(1 516)	(1 833)	(1 665)
Revaluation reserve			
Balance at beginning of period	870	870	870
Balance at end of period	870	870	870
Share-based payment reserve			
Balance at beginning of period	2 225	–	–
– Expense for the year	–	–	2 225
Balance at end of period	2 225	–	2 225
Accumulated profit/(loss)			
Balance at beginning of period	152 194	102 519	102 519
Attributable income for period	43 698	27 200	56 859
Ordinary dividend paid	(16 078)	(7 184)	(7 184)
Balance at end of period	179 814	122 535	152 194
Ordinary shareholders' equity	359 361	209 541	323 373
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	1 804	102	102
– Arising from business combination	–	–	1 645
– Profit attributable to non-controlling interest	(302)	–	139
– Dividend paid to non-controlling interest	–	–	(82)
Balance at end of period	1 502	102	1 804
Total comprehensive income			
Profit for period	43 396	27 200	56 998
– Attributable to equity shareholders	43 698	27 200	56 859
– Attributable to non-controlling interest	(302)	–	139
Translation of foreign subsidiary	149	94	262
	43 545	27 294	57 260

GROUP CONDENSED STATEMENT OF CASH FLOWS

	Unreviewed six months 31 March 2014 R'000	Unreviewed six months 31 March 2013 R'000	Audited year ended 30 September 2013 R'000
Net cash inflow/(outflow) from operating activities	3 354	6 701	38 751
Net cash outflow from investing activities	(26 521)	(33 911)	(45 247)
Net cash outflow from financing activities	–	–	(82)
Net (decrease)/increase in cash and cash equivalents	(23 167)	(27 210)	(6 578)
Cash acquired on acquisition	–	–	23 938
Cash and cash equivalents at beginning of period	205 737	188 377	188 377
Cash and cash equivalents at end of period	182 570	161 167	205 737

NOTES

1. Basis of preparation

The unreviewed condensed consolidated results for the six months ended 31 March 2014 have been prepared in accordance with and contains information required by International Accounting Standard (IAS) 34: Interim Financial Reporting, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, 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 reviewed results for the six months ended 31 March 2014, 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 2013. 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 2014 have been prepared under the supervision of D Standage CA(SA), the financial director of the group.

2. Notes to the income statement

	Unreviewed six months 31 March 2014 R'000	Unreviewed six months 31 March 2013 R'000	Audited year ended 30 September 2013 R'000
Ordinary shares ('000)			
– In issue	800 173	718 355	792 701
– Weighted average	800 173	718 355	724 551
– Diluted weighted average	810 714	718 355	735 092
Determination of headline earnings:			
Earnings attributable to ordinary shareholders	43 698	27 200	56 859
(Profits)/Losses on disposal of property, plant and equipment	–	–	211
Tax effect	–	–	(59)
Adjustment to fair value of investment property	–	–	(3 000)
Tax effect	–	–	622
Headline earnings	43 698	27 200	54 633
Headline earnings per share (cents)	5,46	3,79	7,54
Diluted headline earnings per share (cents)	5,39	3,79	7,43
Dividends per share (cents)	2,00	1,00	1,00
Net asset value per share (cents)	45,17	29,26	44,96

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 2013, on fulfilment of the final suspensive condition being the approval by the Competitions Board of Namibia, the company acquired the assets and business of Springbok Atlas Namibia (Pty) Limited. This business owns and operates coaches, primarily for tourists.

This was acquired as part of the larger transaction being the acquisition of the tourism interests of Imperial Holdings Limited. Goodwill of R500 000 arising from the acquisition consists largely of the synergies expected through owning a coaching company in Namibia, which will be utilised to service other Cullinan companies requirements.

The acquisition was funded by an issue of ordinary shares.

The carrying value of the assets as noted below are based upon unaudited amounts and are expected to approximate fair value of assets before the acquisition.

The assets acquired from Springbok Atlas Namibia (Pty) Limited as at 30 September 2013 arising from acquisition are as follows:

	Estimated fair value R'000
Property, plant and equipment	7 719
Purchase consideration (7 471 976 shares at R1,10 per share)	8 219
Goodwill	500

The property, plant and equipment consists of coaches of varying sizes. No trade receivables were acquired from the acquisition.

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

	R'000
Revenue	8 996
Operating loss	(1 059)

5. Segmental reporting

	Travel and Tourism R'000	Marine and Boating R'000	Financial Services R'000	Corporate Services R'000	Total R'000
31 March 2014					
Revenue	386 322	24 681	28 496	1 936	441 435
Operating profit	66 495	504	910	(13 327)	54 582
31 March 2013					
Revenue	237 077	22 544	23 023	1 921	284 565
Operating profit	41 195	(148)	1 487	(9 789)	32 745
30 September 2013					
Revenue	494 389	46 011	59 114	1 039	600 553
Operating profit	91 975	1 002	5 725	(32 497)	66 205

Segmental reporting is aligned with the information that the chief operating decision maker reviews in order to make decisions about the allocation of resources across the business.

GROUP OVERVIEW

We are pleased to report an excellent group performance for the six months ended 31 March 2014 with headline earnings increasing by 60,7%. This follows strong annual growth in headline earnings of 56% for the full year to September 2013 and 65% for the September 2012 year.

All divisions have performed well during the past six months and the fundamentals of our business continue to look positive for the balance of the year. The investment in the travel services division post the 2010 world cup (new depots, new offices, a state of the art travel reservation systems, significant capital expenditure in coaches and fleet, as well as the acquisition of travel related companies) has significantly increased the scale of the travel services within the group. As a result the group is well placed to benefit from the upturn in tourism into South Africa being experienced in 2014. It is also pleasing to see that the outbound travel business is also performing well.

Overall, we have achieved our goal for the period of continued growth whilst bedding down the various businesses acquired from Imperial Holdings in September and October 2013.

The 55% growth in revenue in the period was realised through a combination of strong growth in the historic tourism and travel interests and the inclusion of sales for the newly acquired businesses referred to above. Likewise, net operating costs have been effectively managed with the increase in these costs primarily due to these same acquisitions.

The balance sheet shows a significant increase in both current assets and current liabilities when compared against the same period last year, again, a reflection of the increased revenue as explained above. Cash from operations remains positive, if slightly lower than for the comparative period, primarily due to the doubling of dividend paid. While cash on hand increased by R21,4 million when compared to March 2013, the comparison against cash on hand at 30 September 2013 showed a decline. This as a result of a combination of the normal seasonality of the business and a greater mix of credit customers assumed in the acquisitions commented on previously.

SUMMARY OF KEY ACHIEVEMENTS OVER THE SIX-MONTH PERIOD:

- All divisions performed well during the period;
- The acquisition of Peak Incentives, a company specialising in meetings and incentives, was completed in the period;
- The establishment of African Diamond Tours, a niche operator focused on inbound tourism to South Africa from Turkey. This partnership is performing well and benefiting from the scale of the Cullinan Group;
- Key changes were made to the operations of the companies acquired from Imperial Holdings to bring them in line with operational disciplines within Cullinan Holdings. These changes have seen a significant improvement in the performance of the companies acquired and it is anticipated that operational improvements to be implemented over the following 12 months, including the continued upgrade of their coach fleet, will see further progress made in improving the quality and results of these businesses;
- State of the art technology systems have been successfully implemented throughout the group and are in the process of being fine tuned. It is expected that these technology upgrades will produce significant benefits to efficiencies and service levels over the next 12 months in both the inbound and outbound travel businesses;
- The Thompsons Africa – China Inbound Division has continued to grow during the period, benefiting from the overall unique scale of the group's travel services infrastructure; and
- The Cullinan Financial Services Division appointed a new Chief Executive Officer in the period. Michael Barr, the Regional Head of Investec in the Cape from 1998 to 2008, joined Cullinan in March 2014. His appointment is expected to drive growth in this division, both organically and through acquisition during the balance of the 2014 year.

REVIEW OF OPERATIONS

Marine and Boating

The Marine and Boating segment improved markedly over the same period last year although results are still modest. The weaker Rand has already resulted in an upturn in boatbuilding so the segment should be well placed for the remainder of the year.

Tourism and Travel

Retail Travel grew significantly in 2013 and despite starting off this high base; it is pleasing that this segment continues to show healthy growth in revenue and profit. The effect of the weaker Rand would normally have a dampening effect on retail and outbound travel, but the effect so far has been muted. As mentioned previously, the inbound businesses have benefited from the upturn in international visitors while Coach Utilisation has been very strong. Altogether we are pleased with the results generated from the Tourism, Travel and Coach Charter businesses.

Cullinan Financial Services

Growth in the Financial Services segment has been slower than hoped for. However, effective March 2014, we have appointed a new Chief Executive for Cullinan Financial Services and we expect to see an improvement in this business. In addition, we are currently investigating a number of acquisition opportunities in this segment and we are confident that we will see the results in due course.

PROSPECTS FOR THE BALANCE OF 2014

We are confident about the future long-term growth prospects for the group and the ability to leverage its unique scale of operation within the tourism industry in Southern Africa. The anticipated growth in the tourism market to Southern Africa, both from Asia and other traditional markets is looking very strong and to some extent positively impacted by a weaker Rand and disruptions in other parts of the world, such as Egypt. The fundamentals of our core businesses are strong and the new acquisitions in the tourism and travel segments are well placed to take advantage of this upward trend. Outbound Travel remains solid, and with the diversification into Financial Services, we believe the group is well placed for continued growth.

On behalf of the board

M Tollman

Chief Executive Officer

9 May 2014

D Standage

Financial Director

Directors:

M Tollman

MA Ness**

DD Hosking**

LA Pampallis

G Tollman**

DK Standage

R Arendse†

S Nhlumayo†

A Azoulay†

*Non-resident

**Non-executive

†Independent non-executive

Company secretary: