CULLINAN HOLDINGS LIMITED
(Registration number 1902/001808/06)
(CUL ISIN: ZAE000013710)
(CULP ISIN: ZAE000001947)

TOURISM, LEISURE AND FINANCIAL SERVICES

CONDENSED AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

GROUP FINANCIAL HIGHLIGHTS

Profit for the period up 29% to R92m
Cash balances increased to R247m at year-end
R112m invested in capital expenditure in the year

Group condensed statement of profit or loss and other comprehensive income

	Audited Year end 30 September 2017 R'000	Audited Year end 30 September 2016 R'000
Revenue	1 014 435	1 040 674
Turnover	1 005 518	1 033 738
Cost of sales	(306 904)	(400 602)
Gross profit	698 614	633 136
Other operating gains	30 560	35 798
Other operating expenses	(612 224)	(569 328)
Trading profit	116 950	99 606
Investment revenue	8 917	6 936
Finance expenses	(4 283)	(5 991)
Fair value adjustments	-	710
Income from equity accounted investments	6 205	2 129
Profit before taxation	127 789	103 390
Tax expense	(35 840)	(32 267)
Profit for the period	91 949	71 123
Other comprehensive income net of taxation:		
Gains and losses on property revaluation	-	(244)
Exchange differences on translating foreign operations	(494)	2 455
Effects of cash flow hedges	-	7 856
Total comprehensive income for the period	91 455	81 190
Profit attributable to:		
- owners of the parent	92 383	70 318
- non-controlling interest	(434)	805
Total comprehensive income attributable to:		
- owners of the parent	91 889	80 385
- non-controlling interest	(434)	805
Basic earnings per share (cents)	11.52	8.79
Diluted earnings per share (cents)	11.37	8.64

Group condensed statement of financial position

	Audited Year end 30 September 2017 R'000	Audited Year end 30 September 2016 R'000
ASSETS		
Non-current assets	480 385	409 239
Property, plant and equipment	320 498	255 428
Investment properties	13 350	13 350
Goodwill	97 402	100 030
Intangible assets	21 043	20 595

Investment in joint venture	17 997	11 981
Investment in associate companies	3 124	3 152
Deferred tax asset	6 971	4 703
Current assets	821 665	728 833
Other current assets	574 688	499 139
Cash and cash equivalents	246 977	229 694
Total assets	1 302 050	1 138 072
EQUITY AND LIABILITIES		
Equity attributable to equity holders of parent		
Share capital	185 288	157 634
Reserves	15 927	38 411
Retained income	366 852	290 812
	568 067	486 857
Non-controlling interest	972	3 291
Total shareholders' equity	569 039	490 148
Non-current liabilities	73 360	66 796
Loans from shareholders	45 000	45 000
Other financial liabilities	500	500
Operating lease liability	10 888	9 073
Deferred tax liability	16 972	12 223
Current liabilities	659 651	581 128
Other current liabilities	659 651	581 128
Total equity and liabilities	1 302 050	1 138 072

Group condensed statement of changes in equity

	Audited Year end 30 September 2017 R'000	Audited Year end 30 September 2016 R'000
Share capital		
Balance at beginning of period	8 548	8 548
- Share options exercised	35	-
Balance at end of period	8 583	8 548
Share premium		
Balance at beginning of period	149 086	149 086
- Share options exercised	6 739	-
- Transfer from reserves	20 880	-
Balance at end of period	176 705	149 086
Share capital reduction reserve fund		
Balance at beginning of period	20 876	20 876
- Transfer to share premium	(20 876)	-
Balance at end of period	-	20 876
Capital redemption reserve fund		
Balance at beginning and end of period	4	4
- Transfer to share premium	(4)	-
Balance at end of period	-	4
Foreign currency translation reserve		
Balance at beginning of period	881	(1 574)
- Reserve on translation of foreign subsidiary	(494)	2 455
Balance at end of period	387	881
Revaluation reserve		
Balance at beginning of period	626	870
- Movement for the period	-	(244)
Balance at end of period	626	626
Share-based payment reserve		
Balance at beginning of period	16 024	10 685
- Expense for the period	5 307	5 339
- Share options exercised	(6 417)	-
Balance at end of period	14 914	16 024
Hedging reserve		
Balance at beginning of period	-	(7 856)

- Movement for the period	-	7 856
Balance at end of period	-	-
Retained income		
Balance at beginning of period	290 812	236 497
- Attributable profit for period	92 383	70 318
- Ordinary dividend paid	(16 035)	(16 003)
- Changes in ownership interest	(308)	-
Balance at end of period	366 852	290 812
Non-controlling interest		
Balance at beginning of period	3 291	3 218
- Profit attributable to non-controlling interest	(434)	805
- Dividend paid to non-controlling interest	(577)	(732)
- Changes in ownership interest	(1 308)	-
Balance at end of period	972	3 291

Group condensed statement of cash flows

	Audited Year end 30 September 2017 R'000	Audited Year end 30 September 2016 R'000
Trading profit	116 950	99 606
Depreciation and amortisation	41 624	41 955
Other non-cash items	27 211	11 753
Cash generated before working capital changes	185 785	153 314
(Increase)/decrease in inventories	7 568	17 251
(Increase)/decrease in receivables	(102 025)	16 433
Increase/(decrease) in payables	74 528	49 825
Cash generated by operations	165 856	236 823
Dividends paid	(16 035)	(24 005)
Net finance charges	4 634	945
Taxation paid	(27 993)	(29 887)
Net cash inflow from operating activities	126 462	183 876
Additions to property, plant and equipment and software	(112 067)	(41 714)
Other investing activities	4 378	4 320
Net cash outflow from investing activities	(107 689)	(37 394)
Repayment of shareholders' loan	-	(25 000)
Other financing activities	(1 836)	(732)
Net cash (outflow) from financing activities	(1 836)	(25 732)
Net increase in cash and cash equivalents	16 937	120 750
Effect of exchange rate changes on cash and cash equivalents	294	222
Cash and cash equivalents at beginning of the period	229 341	108 369
Cash and cash equivalents at end of the period	246 572	229 341

Notes

1. Basis of preparation

The condensed group financial statement extracts have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee. The results contain the information required by IAS 34 Interim Financial Reporting and are in compliance with the South African Companies Act (2008). The accounting policies and methods of computation used in the preparation of the results are consistent with those used in the annual financial statements for the year ended 30 September 2016 and in terms of International Financial Reporting Standards.

2. Notes to the statement of profit or loss and other comprehensive income

	Audited Year end 30 September 2017 R'000	Audited Year end 30 September 2016 R'000

Ordinary shares ('000)		
- In issue	803 738	800 173
- Weighted average	802 046	800 173
- Diluted weighted average	812 738	814 245
Determination of headline earnings		
Earnings attributable to ordinary shareholders	92 383	70 318
Losses on disposal of property, plant and equipment	194	573
Tax effect	(54)	(160)
Revaluations of investment property	-	(710)
Tax effect	-	159
Change in capital gains tax rate	-	331
Goodwill impairment	2 599	-
Headline earnings	95 122	70 511
Headline earnings per share (cents)	11.86	8.81
Diluted headline earnings per share (cents)	11.70	8.66
Dividends per share (cents)	2.00	2.00

3. Segmental reporting

	Travel and Tourism R'000	Marine and Boating R'000	Financial Services R'000	Corporate Services R'000	Total R'000
30 September 2017					
Revenue	879 015	76 752	53 914	4 754	1 014 435
Profit before taxation	166 574	5 730	19 681	(64 196)	127 789
30 September 2016					
Revenue	852 893	69 663	115 481	2 637	1 040 674
Profit before taxation	132 044	5 424	14 470	(48 548)	103 390

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. either directly or indirectly.

Annual financial statements

These group condensed financial statement extracts should be read in conjunction with the audited 2017 annual financial statements issued on 15 December 2017. The group financial statements were prepared by D Standage, the Financial Director of the Group.

The directors take full responsibility for the preparation of this abridged report which has been extracted from audited financial information and has been correctly extracted from the underlying annual financial statements.

Approval of annual financial statements

The annual financial statements were approved by the Board of Directors on 14 December 2017.

Audit opinion

These abridged consolidated group financial statements have been extracted from the issuer's audited annual financial statements upon which Mazars have issued an unqualified report but has not itself been audited. The auditor's report does not necessarily report on all of the information contained in this announcement/ financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

Annual general meeting

The annual general meeting of Shareholders will be held in the boardroom, 2nd floor, Travel House, 6 Hood Avenue, Rosebank at 11:00 on 2 February 2018 to transact the business as stated in the annual general meeting notice forming part of the integrated annual report.

OVERVIEW

We are pleased to report a strong year of growth. This is particularly pleasing as it follows a year of significant growth in 2016. Profit before tax increased by 24% to R128m (2016: R103m) and the group ended the year with R247m in cash resources (2016: R229m) after capital expenditure of R112m.

2017 saw a particularly strong performance in our inbound tourism and transport businesses. These divisions grew substantially during the year and we were particularly pleased with their overall performance. With a year of substantial growth, these businesses performed well within our service benchmarks. Our focus on service and quality of our transport fleet continues from the substantial investment in our fleet and coach facilities over the past four years.

We are also very pleased to confirm an improved performance from our local leisure and corporate travel agencies and outbound tourism businesses in 2017, despite a weakened local South African economy. The Marine business units and Trade Finance business units also operated in a challenging economic environment and have shown improved year on year results in 2017.

Whilst revenue increased in most business units, our sporting division saw a revenue decline in 2017 as there were no major sporting events in the period. The sporting events division acts as principal with respect to recognition of revenue. The travel businesses recognise revenue based upon commission or fees earned and increased revenue by 20% when compared to 2016. The result of the above was a small decrease in overall group revenue to R1.014b (2016: R1.040b). This has also had an effect on working capital, which shows an increase in both trade receivables and payables.

The group gearing position remains low, which provides an opportunity to access debt should the group require. The R100m loan facility concluded with The Travel Corporation in 2014 remains in place. The group currently utilises R45m of the facility (2016: R45m) . This facility was established to provide back-up funding for the Financial Services Division and the Travel Corporation have expressed their committment to increase this facility as required. Cullinan have also allocated a substantial portion of the group's cash resources to increase the trade and other finance loan book.The Financial Services division is also actively looking for acquisitions as a bolt on to the current business units.

Looking at non-financial measures of performance, we are pleased to report that we continue to run our internal mentorship programme with a further 21 staff going through the programme in 2017 (148 graduates have graduated since the programme was started). The mentorship programme is aimed at up skilling and developing employees in our group and has significantly contributed towards their personal growth and advancement. We are planning further outsourced up skilling and training in 2018 in addition to our mentorship programme.

On the 22nd November 2017, the board received notification that its holding company, Alpine Asset Management, had made an offer to acquire 100% of the issued share capital not already held by it. Should the offer be accepted, Cullinan would become a wholly-owned subsidiary of the offeror and the Listing on the JSE would be terminated. Details of this offer can be found on SENS, with the notice released on 24 November 2017 and published in the press on 27 November 2017.

REVIEW OF OPERATIONS MARINE AND BOATING SEGMENT

The businesses have traded profitably, with the gradual improvement in boat demand worldwide and weakened Rand making South African boatbuilding globally more competitive.

TRAVEL AND TOURISM SEGMENT

Retail Travel

In general, although consumer spending remains under pressure in South Africa in 2016, our retail businesses have performed satisfactorily, particularly in the second half of the year. The travel industry has also faced challenges in recruiting and retaining good staff. In 2017, we focused on this area and we are very pleased to see that the steps taken are showing tangible results through a combination of energised recruitment and further increased investment in training.

Our Corporate Travel business had another successful year, and although operating in a very competitive space, the relentless focus on the customer service continues to allow us to increase our market share.

Outbound Tour Operators

The various divisions within the outbound business showed strong performance during the year considering the tough trading environment and the impact of the devaluation in buying power of the Rand.

Inbound Tour Operators

The 2016 year saw a recovery in Inbound Tourism as reported last year and this rebound has continued through 2017. The weaker Rand and uncertainty in many competing tourism destinations around the world for reasons related to terrorism or political uncertainty assisted the recovery. The result of this has been substantial real growth in inbound tourism numbers and sales.

Coaching and Touring

The Cullinan coach business is primarily leisure tourism focused so the improvement in inbound tourism volumes has had a very positive effect on the business. Our investment in this business over the past 4 years has meant that our modern coach fleet, excellent coach depots and professional team of management and staff enabled us to take advantage of this upturn and provide good results. Our intention is to continue to develop this segment of our business and hence the board has approved a robust capital expenditure programme for 2018 with a further R80m capital expenditure approved. Our objective is to ensure we continue to retain the leading and newest fleet in the country while continuing growing the fleet in strategic areas of opportunity.

CULLINAN FINANCIAL SERVICES SEGMENT

Our Financial services businesses typically provide trade finance to fund growth. Consequently, the economic climate has proven challenging in 2017, with the result being that many clients have reduced their utilisation. However, what is pleasing to note is that actions taken during the year to increase our client base have more than offset these challenges, and overall our lending book has increased without relaxing our credit criteria. The decrease in revenue in the segment reflects the change in our business model within one business unit to a traditional trade finance model and which is consistent with the other businesses in the segment.

TECHNOLOGY

Our technology systems support and digital divisions have seen significant advancements and improvements during 2017. We are satisfied with the strong performance of these support divisions.

INTEGRATED REPORTING

This is the first year of implementation of King IV and we are pleased to announce that we believe we have applied all the requirements as set out in the code. Our integrated report has been amended to reflect this and in addition, the King IV application register can be found on our website.

In addition, and aside from the excellent results posted by the Group, I am also pleased to announce that we have been successful in meeting a number of the strategic objectives and these include:

- We've continued the very successful mentorship scheme started in 2013. This year's program focused on developing leadership skills for junior management. 21 staff successfully completed the 6-month course and graduated in November, bringing to 148 the total number of staff who have been through this mentorship programme and which will continue in 2017.
- The Group agreed to continue to look for opportunities to assist local communities and travel-related emerging businesses as it has done in the past year. In terms of social responsibility, the various business units have invested a significant amount of time in supporting various charitable causes. The list of these engagements is substantial and can be found on the Cullinan website.
- In keeping with Cullinan Holdings commitment to conservation and the various conservation projects in Africa, the Group is a member of and supports The Treadright Foundation, a non- profit foundation established by the Tollman family to encourage sustainable tourism. One of its many programmes is focused on preventing the destruction of endangered species, including rhino, sharks and lions. The foundation also supports a number of community projects amongst its various other projects.

PROSPECTS FOR 2018

Our overall view for 2018 is mixed. We are concerned by the potential risks in the year ahead, especially in relation to the South African economy and inflation. Conversely, a weaker Rand is expected to have a positive effect on our inbound tourism, coach transport and marine and boating businesses.

Our domestic travel businesses are well managed and while they continue to face challenges in the local economy as mentioned above, we are confident these businesses are well run and will respond positively to these challenges.

Looking ahead to 2018, significant capital expenditure is planned for our coach fleet to ensure that the brand leadership position of our coach fleet is maintained. We will continue to focus on being the leaders in our various businesses, providing excellent and exceptional service and value to our customers whilst maintaining excellent relationships with our suppliers and providing sustainable and rewarding employment for our staff.

We will continue to look for acquisitions in the tourism, leisure and financial services sectors while maintaining our focus on delivering exceptional service and value to our customers.

Finally, I would like to take this opportunity to thank our Chairman, directors, executives, our staff and our partners for their support, dedication and professionalism during the 2017 year.

On Behalf of the Board

M Tollman
Chief Executive Officer

D Standage
Financial Director

14 December 2017

Auditors
Mazars were re-elected as auditors in 2017.

Company secretary
B ALLISON

Sponsor
Arbor Capital Sponsors (Pty) Limited

Registered office

(Registration number 2006/033725/07) 6 Hood Avenue, Rosebank, 2196

Directors
Executive: M TOLLMAN, LA PAMPALLIS, DK STANDAGE, L TOLLMAN
Non-Executive: GB TOLLMAN (Chairman) #, DD HOSKING #, R ARENDSE, M BURTON, A MENDIRATTA #
Non-Resident

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
(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