CULLINAN HOLDINGS LIMITED
TOURISM AND LEISURE

REGISTRATION NUMBER 1902/001808/06

UNREVIEWED CONDENSED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2015

GROUP FINANCIAL HIGHLIGHTS

Attributable earnings — R40,1 million

Profit before taxation – R55,2 million

GROUP CONDENSED STATEMENT OF FINANCIAL POSITION

	Unreviewed six months 31 March 2015 R'000	Audited year ended 30 September 2014 R'000
ASSETS		
Non-current assets	**374 247**	329 788
Property, plant and equipment	**217 251**	200 939
Investment properties	**10 900**	10 900
Goodwill	**99 864**	69 981
Intangible assets	**25 807**	27 513
Investment in associate companies	**3 697**	3 697
Investment in joint venture	**7 925**	7 946
Deferred tax asset	**8 803**	8 812
Current assets	**479 767**	524 091
Inventories	**52 601**	38 684
Accounts receivable	**330 166**	296 767
Other financial asset	**–**	1 461
Taxation	**364**	1 122
Cash resources	**96 636**	186 057
Total assets	**854 014**	853 879
EQUITY AND LIABILITIES		
Ordinary shareholders' equity	**415 192**	380 284
Preference shareholders' equity	**546**	546
Non-controlling interest	**3 186**	4 180
Total shareholders' equity	**418 924**	385 010
Non-current liabilities	**61 976**	14 647
Preference shares	**500**	500
Loans from shareholders	**50 000**	–
Deferred tax liability	**6 269**	6 288
Operating lease accrual	**5 207**	7 859
Current liabilities	**373 114**	454 222
Operating lease accrual	**3 464**	3 078
Accounts payable	**368 833**	446 492
Provisions	**622**	1 213
Bank overdrafts	**152**	334
Taxation	**–**	3 089
Preference dividends	**43**	16
Total equity and liabilities	**854 014**	853 879

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Unreviewed six months 31 March 2015 R'000	Unreviewed six months 31 March 2014 R'000
Revenue	**454 536**	441 435
Turnover	**448 314**	435 895
Cost of sales	**(156 982)**	(158 421)
Gross profit	**291 332**	277 474
Net operating expenses	**(240 185)**	(222 892)
Operating profit	**51 147**	54 582
Finance income	**6 222**	5 540
Finance expenses	**(2 104)**	–
Preference dividends paid	**(25)**	(26)
Share of (loss)/profit of joint venture	**(21)**	272
Profit before taxation	**55 219**	60 368
Tax expense	**(16 019)**	(16 972)
Profit for the period	**39 200**	43 396
Other comprehensive income:		
Exchange differences on translating foreign operations	**88**	149
Total comprehensive income for the period	**39 288**	43 545
Profit attributable to:		
– equity holders	**40 194**	43 698
– non-controlling interest	**(994)**	(302)
Total comprehensive income attributable to:		
– equity holders	**40 282**	43 545
– non-controlling interest	**(994)**	(302)
Basic earnings per share (cents)	**5,02**	5,46
Diluted earnings per share (cents)	**4,92**	5,39

GROUP CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Unreviewed six months 31 March 2015 R'000	Unreviewed six months 31 March 2014 R'000
Ordinary share capital		
Balance at beginning of period	**8 002**	7 927
– Issued for business combination	**–**	75
Balance at end of period	**8 002**	8 002
Share premium		
Balance at beginning of period	**149 086**	140 942
– Arising from issue for business combination	**–**	8 144
Balance at end of period	**149 086**	149 086
Share capital reduction reserve fund		
Balance at beginning of period	**20 876**	20 876
Balance at end of period	**20 876**	20 876
Capital redemption reserve fund		
Balance at beginning of period	**4**	4
Balance at end of period	**4**	4
Foreign currency translation reserve		
Balance at beginning of period	**(1 359)**	(1 665)
– Reserve on translation of foreign subsidiary	**88**	149
Balance at end of period	**(1 271)**	(1 516)
Revaluation reserve		
Balance at beginning of period	**870**	870
Balance at end of period	**870**	870
Share-based payment reserve		
Balance at beginning of period	**6 626**	2 225
– Expense for the year	**2 628**	–
Balance at end of period	**9 254**	2 225
Accumulated profit/(loss)		
Balance at beginning of period	**196 179**	152 194
Attributable income for period	**40 194**	43 698
Ordinary dividend paid	**(8 002)**	(16 078)
Balance at end of period	**228 371**	179 814
Ordinary shareholders' equity	**415 192**	359 361
Non-controlling interest		
Balance at beginning of period	**4 180**	1 804
– Profit attributable to non-controlling interest	**(994)**	(302)
– Dividend paid to non-controlling interest	**(558)**	–
Balance at end of period	**3 186**	1 502
Preference shareholders' equity		
Balance at beginning of period	**500**	500
Balance at end of period	**500**	500
Total comprehensive income		
Profit for period	**39 200**	43 396
– Attributable to equity shareholders	**40 194**	43 698
– Attributable to non-controlling interest	**(994)**	(302)
Translation of foreign subsidiary	**88**	149
	39 288	43 545

GROUP CONDENSED STATEMENT OF CASH FLOWS

	Unreviewed six months 31 March 2015 R'000	Unreviewed six months 31 March 2014 R'000
Net cash inflow/(outflow) from operating activities	**(77 510)**	2 811
Net cash outflow from investing activities	**(61 775)**	(26 521)
Net cash outflow from financing activities	**49 442**	–
Net (decrease)/increase in cash and cash equivalents	**(89 843)**	(23 710)
Effect of exchange rate changes on cash and cash equivalents	**604**	543
Cash and cash equivalents at beginning of the period	**185 723**	205 737
Cash and cash equivalents at end of the period	**96 484**	182 570

NOTES

1. Basis of preparation

The unreviewed condensed consolidated results for the six months ended 31 March 2015 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 2015, 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 2014. 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 2015 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 2015	Unreviewed six months 31 March 2014
Ordinary shares ('000)		
– In issue	**800 173**	800 173
– Weighted average	**800 173**	800 173
– Diluted weighted average	**816 293**	810 714
	R'000	R'000
Determination of headline earnings:		
Earnings attributable to ordinary shareholders	**40 194**	43 698
Headline earnings	**40 194**	43 698
Headline earnings per share (cents)	**5,02**	5,46
Diluted headline earnings per share (cents)	**4,92**	5,39
Dividends per share (cents)	**1,00**	2,00
Net asset value per share (cents)	**52,35**	45,17

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 2014, Cullinan Holdings Limited acquired the trade finance business of Chester Financial Services (Pty) Ltd.

As stated in prior results, Cullinan have taken a strategic decision to de-risk the business from its dependence on Travel and Tourism by diversifying into niche financial services, while at the same time increasing the yield on the cash balances held by the group. The acquisition of Chester fits with this strategy.

The acquisition included the trade name, business, client base and facilities with related securities, the staff and intellectual capital and the local book debt. The business will trade under the name Chester Finance – A Division of Cullinan Holdings Limited.

Goodwill consists of the staff and related intellectual capital, together with the established client facilities and related security over these facilities. These facilities confer no rights or contracts on the company but rather, provide the framework within which the company can transact with clients.

The acquisition was funded out of cash reserves.

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

The assets acquired as at 1 October 2014 arising from acquisitions are as follows:

	Estimated fair value R'000
Property, plant and equipment	280
Trade receivables	45 761
Trade and other payables	(280)
Net asset value acquired	45 761
Purchase consideration payable out of cash reserves	75 761
Goodwill	30 000

The property, plant and equipment consists of vehicles, fixtures and fittings and computer software and equipment. The gross amount due under trade receivables is R45,761 million of which all is expected to be collectible.

	R'000
Acquisition costs	2 792

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

	R'000
Revenue	11 965
Operating profit	2 007

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 2015					
Revenue	**354 379**	**31 555**	**64 111**	**4 491**	**454 536**
Operating profit	**59 578**	**2 500**	**6 304**	**(17 235)**	**51 147**
31 March 2014					
Revenue	386 322	24 681	28 496	1 936	441 435
Operating profit	66 495	504	910	(13 327)	54 582

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.

INTRODUCTION

Cullinan Holdings has pleasure in presenting the group's results for the six months ended 31 March 2015. Despite the material impact from the announcement of new South African visa regulations, the negative sentiments to visiting Africa as a result of Ebola and the latest impact on tourism from xenophobia, the group operating profit (before share options) was R53,8 million for the six-month period (R54,6 million in the prior year six-month period), this equates to a decline of 1,5% year on year. An excellent result in the light of the challenges faced by the inbound tourism divisions over the past six months.

OVERVIEW

Notwithstanding the significant challenges to our inbound and coach transportation divisions, the fundamentals of the group continue to look good and the rest of the business has performed very well over the six-month period. Outbound Leisure Travel continues to produce excellent results, while the Marine businesses continue to improve.

The group continues to focus on the strategy of improving service, product and efficiency whilst also looking to diversify into financial services to mitigate the dependency on Travel and Tourism. This strategy appears to have paid dividends with the Financial Services segment contributing 12% of the operating income of the group (up from 1,6% last year).

In October 2014, Cullinan acquired a niche trade finance business, Chester Finance. This business has settled well within the group and together with Glacier Finance has started to have a material positive effect on the contribution of Financial Services to the group results.

Cash balances decreased in the period as a result of the development of the Financial Services business which saw our loan book increase substantially. This is in line with our intention to maximise the return on cash resources. Additionally, the growth in the Glacier Enterprises business as a result the addition of a material new client meant an increase in stock holdings, while the balance of the decrease in cash resulted from the acquisition of Chester Finance and R33 million in capital expenditure incurred in ensuring our coach fleet remains a market leader.

The period under review also saw Cullinan concluding a long-term loan with our major shareholder in order to finance the increase in working capital. R50 million of the R100 million facility was drawn down in the period, which is reflected under shareholders' loans in these results. The interest relating to this loan is reflected in the statement of comprehensive income and explains the increase in finance expenses in the period.

KEY ACHIEVEMENTS OVER THE PAST SIX MONTHS:

- The group continued with its fleet upgrade programme with a further R33 million invested in expanding and upgrading the coach fleet.
- The coach depot in Salt River has been expanded by a further 10 000 m^2 to allow the Springbok Atlas fleet to be housed together with the rest of our fleet in Cape Town, which is expected to bring notable benefits in due course.
- The 12 000 m^2 new coach depot in Pomona, Johannesburg is near completion and is also expected to improve efficiencies and bring significant benefits in due course.
- The tour operators acquired in 2013 have recently moved into the Cullinan offices in Cape Town which is expected to improve efficiencies.
- Chester Finance was acquired effective 1 October 2014 as part of the strategy to diversify into the financial services sector.
- Pentravel continue to expand and recently launched the first of its flagship "Shops of the future".

REVIEW OF OPERATIONS

Marine and Boating

The Marine and Boating segment improved markedly over the same period last year. The businesses are well run and with the weaker Rand, we have seen an upturn in local boat building which has benefited these businesses.

Tourism and Travel

As mentioned above, outbound leisure travel (both retail and wholesale) has remained strong despite the weaker Rand. Our Corporate travel business remains healthy although the corporate, meetings, incentives and conferences business remains a demanding sector.

Inbound Tourism and consequently our coach transport division has suffered in the period as covered above. The perception of Ebola does seem to have mostly disappeared but the impact lingers on as this disease was at its peak over the key booking season. Unfortunately, the self-inflicted consequences of the visa regulations and birth certificates will remain and the effects remain to be seen. However, despite this, these businesses remain well run and we are confident we will see an improvement in the latter half of the year.

Cullinan Financial Services

The Financial Services segment grew markedly in the period, with good growth from Glacier Enterprises in particular. The loan book increased materially and we have spent significant amounts of time in improving the business to cater for this expansion. Chester started more slowly than expected but we expect this also to improve as the business beds down within Cullinan. This segment contributed 12% of the group operating profit (last year 1,7%).

PROSPECTS FOR 2015

We are confident about the long-term growth prospects for the group and the ability to leverage its unique scale of operation within the tourism industry in Southern Africa, and to continue to build our financial services division. The marine and outbound travel businesses remains solid and with growth in Financial Services, we believe the group is well placed for future growth.

From an Inbound tourism perspective, in the short term we expect to continue to feel the impact of the Ebola scare which has had a more severe impact on profitability and endured for longer than anticipated. We are also additionally extremely concerned about the negative impact on South African tourism from the new South African visa regulations, both on arrivals from China and India and from the requirements for unabridged birth certificates for all minors, entering or leaving South Africa, which came into effect from June 2015.

On behalf of the board

M Tollman
Chief Executive Officer

D Standage
Financial Director

June 2015

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

B Allison

Registered office

6 Hood Avenue, Rosebank, 2196

Auditors

Mazars were re-elected as auditors in 2015.

Sponsor

Arbor Capital 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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