CULLINAN HOLDINGS LIMITED
TOURISM AND LEISURE
UNREVIEWED CONDENSED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2016
GROUP FINANCIAL HIGHLIGHTS
Revenue - up 8%
Trading profit - up 19%
Cash and cash equivalents - increased to R167m

Group condensed statement of financial position

	Unreviewed six months 31 March 2016 R'000	Audited Year end 30 September 2015 R'000
ASSETS		
Non-current assets	416 697	408 202
Property, plant and equipment	267 877	258 813
Investment properties	10 900	10 900
Goodwill	100 290	99 948
Intangible assets	22 579	24 321
Investment in joint venture	7 014	7 054
Investment in associate companies	3 752	3 732
Deferred tax asset	4 285	3 434
Current assets	619 013	636 802
Inventories	55 378	60 426
Trade and other receivables	393 964	457 647
Current tax receivable	2 317	10 098
Cash and cash equivalents	167 354	108 631
Total assets	1 035 710	1 045 004
EQUITY AND LIABILITIES		
Share capital	157 634	157 634
Reserves	24 206	23 005
Retained income	274 942	236 497
Non-controlling interest	2 834	3 218
Total shareholders' equity	459 616	420 354
Non-current liabilities	83 090	84 701
Loans from shareholders	70 000	70 000
Other financial liabilities	500	500
Operating lease liability	3 730	5 320
Deferred tax liability	8 860	8 881
Current liabilities	493 004	539 949
Trade and other payables	467 570	525 682
Other financial liabilities	11 756	2 336
Operating lease liability	2 048	1 729
Current tax payable	1 821	365
Provisions	1 556	1 556
Dividend payable	8 020	8 019
Bank overdraft	233	262
Total equity and liabilities	1 035 710	1 045 004
	-	-

Group condensed statement of comprehensive income

	Unreviewed six months 31 March 2016	Unreviewed six months 31 March 2015

	R'000	R'000
Revenue	491 775	454 536
Turnover	484 885	448 314
Cost of sales	(169 461)	(156 982)
Gross profit	315 424	291 332
Operating expenses	(254 427)	(240 185)
Trading profit	60 997	51 147
Investment revenue	6 890	6 222
Finance expenses	(3 055)	(2 129)
Income from equity accounted investment	117	(21)
Profit before taxation	64 949	55 219
Tax expense	(18 154)	(16 019)
Profit for the period	46 795	39 200
Other comprehensive income:		
Exchange differences on translating foreign operations	(421)	88
Effects of cash flow hedges	(1 416)	-
Total comprehensive income for the period	44 958	39 288
Profit attributable to:		
equity holders	46 447	40 194
non-controlling interest	348	(994)
Total comprehensive income attributable to:		
equity holders	44 610	40 282
non-controlling interest	348	(994)
Basic earnings per share (cents)	5.80	5.02
Diluted earnings per share (cents)	5.70	4.92

Group condensed statements of changes in equity

	Unreviewed six months 31 March 2016 R'000	Unreviewed six months 31 March 2015 R'000
Ordinary share capital		
Balance at beginning and end of period	8 002	8 002
Share premium		
Balance at beginning and end of period	149 086	149 086
Share capital reduction reserve fund		
Balance at beginning and end of period	20 876	20 876
Capital redemption reserve fund		
Balance at beginning and end of period	4	4
Foreign currency translation reserve		
Balance at beginning of period	(1 574)	(1 359)
- Reserve on translation of foreign subsidiary	(421)	88
Balance at end of period	(1 995)	(1 271)
Revaluation reserve		
Balance at beginning and end of period	870	870
Share-based payment reserve		
Balance at beginning of period	10 685	6 626
- Expense for the period	3 038	2 628
Balance at end of period	13 723	9 254
Hedging reserve		
Balance at beginning of period	(7 856)	-
- Expense for the period	(1 416)	-
Balance at end of period	(9 272)	-
Retained income		

Balance at beginning of period	236 497	196 179
Attributable profit for period	46 447	40 194
Ordinary dividend paid	(8 002)	(8 002)
Balance at end of period	274 942	228 371
Non-controlling interest		
Balance at beginning of period	3 218	4 180
- Profit attributable to non-controlling interest	348	(994)
- Dividend paid to non-controlling interest	(732)	(558)
Balance at end of period	2 834	3 186

Group condensed statement of cash flows

	Unreviewed six months 31 March 2016 R'000	Unreviewed six months 31 March 2015 R'000
Net cash inflow / (outflow) from operating activities	88 867	(77 510)
Net cash outflow from investing activities	(28 306)	(61 775)
Net cash (outflow) / inflow from financing activities	(732)	49 442
Net (decrease) / increase in cash and cash equivalents	59 829	(89 843)
Effect of exchange rate changes on cash and cash equivalents	(1 077)	604
Cash and cash equivalents at beginning of the period	108 369	185 723
Cash and cash equivalents at end of the period	167 121	96 484

Notes

1. Basis of preparation

The unreviewed condensed consolidated results for the six months ended 31 March 2016 have been prepared in accordance with and contain 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 ("JSE") 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 2016, 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 2015. The unreviewed results are presented in Rands, which is Cullinan Holdings Limited's presentation currency.

The unreviewed condensed consolidated interim results for the six months ended 31 March 2016 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 2016	Unreviewed six months 31 March 2015
Ordinary shares ('000)		
- In issue	800 173	800 173

	2016	2015
- Weighted average	800 173	800 173
- Diluted weighted average	815 221	816 293
	R'000	R'000
Determination of headline earnings		
Earnings attributable to ordinary shareholders	46 447	40 194
Adjustments	-	-
Headline earnings	46 447	40 194
Headline earnings per share (cents)	5.80	5.02
Diluted headline earnings per share (cents)	5.70	4.92
Dividends per share (cents)	1.00	1.00
Net asset value per share (cents)	57.44	52.53

3. JSE

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

4. 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 2016					
Revenue	383 016	35 021	65 915	7 823	491 775
Trading profit	74 092	2 720	2 834	(18 649)	60 997
31 March 2015					
Revenue	354 379	31 555	64 111	4 491	454 536
Trading profit	59 578	2 500	6 304	(17 235)	51 147

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.

5. Fair value information

	Level 1 R'000	Level 2 R'000	Level 3 R'000
31 March 2016			
Investment property			10 900
Foreign exchange contracts		(11 756)	
31 March 2015			
Investment property			10 900

Fair value hierarchy

Level 1 - Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date

Level 2 - Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly

Level 3 - Unobservable inputs for the asset or liability

There have been no transfers between the levels.

Details of valuation

Investment property

The effective date of the revaluations was 30 September 2013 and 30 September 2014. Revaluations were performed by independent valuers, Penny Brothers Brokers & Valuers (Pty) Limited, Holthuizen and Chengiah Property Valuers and H Tryhou Property Consultants. None of these independent valuers are connected to the group and have recent experience in location and category of the investment properties being valued.

In determining the valuation, the valuator referred to current market comparable sales of similar properties in similar locations. No further valuations are deemed necessary during the year as the property values in the areas have remained relatively stable.

The valuations were based on open market value for existing use.

Foreign exchange contracts
Forward foreign exchange contracts included in financial liabilities at fair value through profit and loss are measured to fair value using quoted market prices (mark to market) provided by the Standard Bank of South Africa Limited.

INTRODUCTION
Cullinan Holdings has pleasure in presenting the group's results for the six months ended 31 March 2016.

The end of 2015 saw a number of positive changes for inbound tourism to South Africa. These include the following:

- The end of the Ebola epidemic which had severely affected perceptions about the destination;
- Positive changes implemented to the SA Visa regulations for Chinese visitors to South Africa (the result has seen a substantial turnaround in this market in 2016);
- The positive impact for inbound tourists of a weaker rand;
- South Africa is seen as a safe destination to visit whilst security issues in Europe and competitor destinations such as Egypt, Tunisia and to an extent Turkey, continue to be affected;
- Lastly, we have recently been informed by the department of Home Affairs that changes to regulations are under way and as a result, it is expected that unabridged birth certificates should not be required for foreign visitors from approximately September 2016. We expect that clarity regarding this issue will greatly assist to increase family tourism to South Africa.

As a result of the abovementioned changes since late 2015, we have seen a significant recovery in inbound tourism. This has boosted the Travel and Tourism segment of the business while the rest of the group delivered solid performances.

Consequently the group trading profit before share option expenses increased by 19% to R64m (prior period R53.8m) while profit before tax increased by 17% to R65m (prior period R55m).

Cash on hand increased to R167m (R96m at March 2015).

An interim dividend of 1c per share has been declared.

We remain optimistic about results for the second half of the year.

OVERVIEW
We are very pleased with the performance of the group. All segments contributed to what has been a very good result for the six months to March 2016. While the period has been boosted by the recovery of the inbound and coach and touring business units, what is also pleasing is that the various outbound travel businesses and the financial services segment have remained resilient. This despite challenges faced in the local economy from inflation, increased interest rates, lack of growth in the economy and the devaluation of the Rand which makes outbound travel less affordable.

The statement of financial position continues to look healthy. The three-year capital program, started in 2013 to renew, expand and improve our fleet, ended in 2015. Although the group still incurred R28m in outflows from investing activities (primarily capital expenditure on the coach fleet) this was still well down on prior periods. This reflects our view that the coach fleet is one of the most modern and well equipped in South Africa and the bulk of this capital expenditure was incurred to maintain this position.

This reduced capital expenditure, together with the upturn in the cash generative travel businesses, has resulted in a large increase in cash balances at the end of the period. The growth in our loan book in the financial services segment has been steady and we will continue to look to grow this organically. Lastly, there were some material decreases in working capital in both accounts receivable and accounts payable. This reflects the unusually high deposits received and paid at 30 September 2015 for the Rugby World Cup 2015, which ended in October 2015.

Notwithstanding there are some significant challenges in the local economy, the fundamentals of the group look positive. The investment in fleet, coach depots, the on-going focus on improvement in service and quality over the past few years has the group well placed to perform well if external circumstances remain stable.

KEY ACHIEVEMENTS OVER THE PAST 6 MONTHS

- The combined coach depot in Salt River, Cape Town has been expanded by a further 10 000m(2) and now measures 23 000m(2). This now means that the combined fleet comprising 149 coaches and vehicles from Springbok Atlas, Hylton Ross and Ikapa are now housed together, bringing marked efficiencies to the business.
- The 12,000m(2) new coach depot in Pomona, Johannesburg is complete and as above, this means that the combined fleet in that region is now housed in one depot.
- With the most recent capital expenditure, the coach fleet has an average age of less than four years.
- Pentravel continue to expand and recently launched three new shops in the last 12 months.

REVIEW OF OPERATIONS

Marine and Boating

The Marine and Boating segment improved 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. The leisure side of the business, primarily within Manex Marine, has also seen an improvement with the Aqualung diving brand performing well.

Tourism and Travel

As mentioned in the overview, the inbound tourism market has recovered from the effects of Ebola. There has also been an easing in the visa challenges for China and India, although these have not been fully resolved.

The effect of the above, together with the rapid devaluation in the Rand and security issues in Europe, North Africa and Turkey have contributed to making Southern Africa an increasingly attractive option for international tourists with the resultant improved performance from the inbound operators (Thompsons Africa, Springbok Atlas Touring and Planet Africa Tours).

The effect of increased inbound passenger volumes on the coach operations is significant, with the result the coach businesses have performed extremely well. As mentioned in the overview, we have invested a large amount in these businesses over the past three years so we are very pleased to see that we are seeing the returns we expect.

The same weakening of the Rand that is beneficial to inbound tourism has an opposite effect on the travel businesses selling outbound travel. This, together with the challenges in the local economy, has meant that these businesses have traded in a tough environment. Notwithstanding that, they have maintained their performance and continue to work at providing excellent service and quality.

Cullinan Financial Services

The same negative economic factors mentioned above have also impacted on the Financial Services segment. Economic growth in South Africa is desultory and this provides a tough environment for a business that is focused on assisting businesses to grow.

What is pleasing however is that the loan book for Chester Finance, which was acquired in October 2014 has grown steadily and, after 18 months, the business is now well integrated into the Cullinan group and provides a good base to expand.

PROSPECTS FOR 2016

It is likely that the economic situation in South Africa will remain constrained for the short to medium term. This means that businesses which are dependent upon the local economy will face challenges. Conversely, there are a large number of positives when looking at the inbound tourism and coach businesses and even the marine businesses which benefit from a weaker Rand.

However, notwithstanding the mixed outlook as mentioned above, we are confident about the long-term growth prospects for the travel and tourism segment. This segment has a unique scale of operation in Southern Africa, with some of the most prominent travel and tourism brands domestically and in the international travel industry.

The marine and outbound travel businesses remain solid and well run and we expect them to continue to contribute nicely to the group.

The intention is to grow the Financial Services segment organically through investment in business development. In addition, we continue to look for acquisitions in this area that will meet our investment criteria and fit within the Cullinan group.

In conclusion, we believe that the group is diverse enough to manage the challenges in the economy in the long-term. In the shorter term, the next six months look positive.

On Behalf of the Board
M Tollman
Chief Executive Officer
6 June 2016

D Standage
Financial Director

Auditors
Mazars were re-elected as auditors in 2016.

Company Secretary
B Allison

Sponsor
Arbor Capital Sponsors (Pty) Limited
(Registration number 2006/033725/07)

Registered Office
6 Hood Avenue, Rosebank, 2196

Directors
M Tollman, DD Hosking *‡, LA Pampallis, G Tollman*‡, DK Standage, R Arendse §, L Tollman
* Non-resident, ‡ Non-Executive, § Independent Non-Executive

Transfer Secretaries
Computershare Investor Services (Pty) Limited,
Ground Floor, 70 Marshall Street, Johannesburg, 2001
(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
(Registration number 1902/001808/06)
(CUL ISIN: ZAE000013710)
(CULP ISIN: ZAE000001947)