

# CULLINAN HOLDINGS LIMITED

## REVIEWED RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2008

Cullinan is a holding company that invests in travel and travel related businesses. Most of its current investments are in Southern Africa where it has interests in inbound and outbound tour operating, destination management activities, retail travel agencies, coach charter, escorted tours, open vehicle game drives and sightseeing as well as leisure marine equipment.

### Consolidated balance sheet

		Reviewed as at 30 September 2008 R'000	Restated as at 30 September 2007 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		118 205	117 711
- Investment properties	2	60 544	63 876
- Goodwill		-	331
- Intangible assets		24 070	23 721
- Investment in associate companies		27 705	25 529
- Investment in joint venture	3	1 220	876
- Deferred taxation		1 058	348
		3 608	3 030
<b>Current assets</b>			
- Inventories		283 953	288 532
- Accounts receivable	4,5	9 925	10 008
- Taxation		142 969	155 825
- Cash resources		890	531
		130 169	122 168
Non-current assets held for sale	2	7 757	-
<b>Total assets</b>		<b>409 915</b>	<b>406 243</b>
<b>EQUITY AND LIABILITIES</b>			
Ordinary shareholders' equity		92 855	83 785
Preference shareholders' equity	6	546	546
Outside shareholders' interest		5	5
Total shareholders' equity		93 406	84 336
Non-current liability		45 928	50 885
- Deferred tax liability		2 386	1 729
- Long-term loans		34 705	43 061
- Operating lease provision		8 337	5 595
- Preference shares	6	500	500
<b>Current liabilities</b>		<b>270 581</b>	<b>271 022</b>
- Short-term portion of long-term loans		4 351	1 954
- Operating lease provision		68	204
- Accounts payable	4,5	257 527	253 305
- Taxation		741	8 267
- Preference dividends		14	14
- Provisions	7	7 880	7 278
<b>Total equity and liabilities</b>		<b>409 915</b>	<b>406 243</b>

### Consolidated income statement

		Reviewed year ended 30 September 2008 R'000	Restated year ended 30 September 2007 R'000
Revenue	8	389 939	352 751
<b>Net operating expenses</b>		<b>(373 229)</b>	<b>(325 368)</b>
Operating income	8	16 710	27 383
Finance income	9	7 664	6 965
Finance expenses	9	(4 637)	(3 024)
Preference dividends paid		(55)	(55)
Share of profit of associates	8	342	676
Share of profit of joint venture	3	710	348
Profit before taxation		20 734	32 293
Tax expense		(4 423)	(10 026)
Profit for year		16 310	22 267
Profit attributable to equity holders of the company		16 310	22 265
Profit attributable to outside shareholders' interest		-	2
Attributable earnings per share (cents)		2,27	3,10
Diluted earnings per share (cents)		2,27	3,10
Headline earnings per share (cents)		0,69	3,10
Diluted headline earnings per share (cents)		0,69	3,10
<b>Ordinary shares ('000)</b>			
- In issue		718 355	718 355
- Weighted average		718 355	718 355
<b>Determination of headline earnings</b>			
Reconciliation between attributable earnings and headline earnings:			
Earnings attributable to ordinary shareholders		16 310	22 267
Share of profit of associate and joint venture		(1 052)	(1 024)
Adjustment to fair value on investment properties		(7 426)	-
(Profits)/Losses on disposal of property, plant and equipment		(4 247)	1 406
Total tax effect of the adjustments		1 387	(408)
Total minority interest of the adjustments		-	-
Headline earnings		4 972	22 243

### Consolidated statement of changes in equity

		Reviewed year ended 30 September 2008 R'000	Restated year ended 30 September 2007 R'000
<b>Ordinary share capital</b>			
Balance at beginning of year		7 184	7 183
Issued during year		-	1
Balance at end of year		7 184	7 184
<b>Share premium</b>			
Balance at beginning of year		59 905	59 902
Premium on issue of shares		-	3
Balance at end of year		59 905	59 905
<b>Share capital reduction reserve fund</b>			
Balance at beginning of year		20 876	20 876
Balance at end of year		20 876	20 876
<b>Capital redemption reserve fund</b>			
Balance at beginning of year		4	4

### RESULTS

- Attributable earnings per share down 27%
- Headline earnings per share down 77%

### Summarised consolidated cash flow statement

		Reviewed year ended 30 September 2008 R'000	Restated year ended 30 September 2007 R'000
Net cash inflow from operating activities	8	26 755	19 711
Net cash outflow from investing activities	8	(12 794)	(31 074)
Net cash inflow/(outflow) from financing activities		(5 960)	8 705
Net (decrease)/increase in cash and cash equivalents		8 001	(2 658)

### Notes

- Basis of preparation**  
The reviewed condensed consolidated financial statements 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 reviewed condensed consolidated financial statements are prepared on the historical cost basis, with the exception of certain financial instruments which are measured at fair value.
- Investment properties were not revalued in the prior year due to unresolved suspensive conditions. During the current year these conditions have been met or are expected to be met subsequent to the year end and investment properties have been remeasured to fair market value. Management's intention is to sell all investment properties and therefore they have been transferred to non-current assets held for sale at year-end.
- An investment in a joint venture has been recognised, effectively increasing 2007 earnings and investments in joint ventures by R348 000.
- Accounts receivable were restated for 2007 for debit balances amounting to R33 million previously included in accounts payable and accounts payable have been restated for the equivalent amount in 2007.
- Accounts receivable amounting to R500 000 have been written off in years prior to 2007 as they could not be substantiated. A debit balance in accounts payable amounting to R2,244 million (2007) has been written off as the amount could not be substantiated. The effect of these two adjustments was to increase the opening accumulated loss in 2007 by R2,744 million.
- The financial liability portion of preference shares amounting to R500 000 has been reclassified out of equity and into non-current liabilities in the prior year.
- Provisions amounting to R7,278 million (2007) were previously included in accounts payable and have now been separately disclosed.
- Income from associates has been separately disclosed on the face of the income statement, effectively reducing revenue and operating income by R676 000 (2007). Profit from associates is a "non-cash" item and has been removed from the cash flow statement for 2007.
- Finance income and expenses have been restated to correct offsetting in the prior year.
- JSE Limited ("JSE")**  
The directors of the company ensured compliance with the JSE Listings Requirements during the year under review.
- Segmental reporting**

	30 September 2008		
	Travel and Tourism R'000	Yachting and Diving R'000	Total R'000
Revenue	366 117	29 321	395 438
Operating profit	15 072	1 238	16 310
30 September 2007			
Revenue	329 571	27 812	357 383
Operating profit	26 985	398	27 383

### CHIEF EXECUTIVE OFFICER AND CHAIRMAN'S REPORT

#### OVERVIEW

This year saw a decline in the profits of the Outbound and Inbound divisions of the company due to adverse trading conditions. The volatile fluctuation of currencies, as well as the challenging local and global market economic conditions, resulted in a decline in both Outbound and Inbound business. The newly constituted Board of Directors of Cullinan, appointed in July 2008, addressed these conditions by implementing a cost reduction programme, an efficiency drive and a number of new sales incentive initiatives.

#### REVIEW OF OPERATIONS

##### Thompsons Tours (the Outbound division)

The Outbound division is a wholesale supplier of travel-related products and holidays to the South African market. The domestic travel market has continued to be affected by the volatile Rand, high interest rates, high inflation and the change in buying patterns. This resulted in a slow down of sales in the second six months of the year. This has been addressed by way of a number of new sales initiatives, the implementation of cost reduction measures and an efficiency drive.

##### Thompsons Africa (the Inbound division)

The Inbound division is a tour wholesaler and destination marketing organisation that sells Africa to the world. The xenophobic attacks and negative international publicity resulted in many cancellations by tourists affecting sales which have been further aggravated by the global slow down in travel. Steps have been implemented to reduce costs.

##### Thompsons Africa Touring and Safaris

The Touring division provides tourism products for the Incoming division. These include escorted tours, general sightseeing and open vehicle game drives in the National Parks which are offered throughout Southern Africa. Turnover and profits have declined slightly this year.

##### Thompsons Travel

Thompsons Travel is a retail travel agency with offices in Johannesburg, Cape Town and Durban. The Corporate division showed a satisfactory improvement in profitability this year.

##### Pentravel

Pentravel is a chain of 23 retail travel outlets located in the major shopping malls throughout South Africa. It has also experienced a reduction in sales and profitability this year in line with the general slow down in travel by South Africans.

##### Hylton Ross Tours

Hylton Ross Tours operates coaches and vehicles for hire and charter in the domestic travel market and also provides day tours in and around the Western Cape and the Garden Route. It is a well-known brand in the travel market and enjoys a substantial market share in the Western Cape. The company continued to grow turnover and profitability throughout the year.

##### Thompsons Gateway

Gateway, a sales office in Singapore, had a reasonable year showing improved turnover, although profits were down due to a decrease in margins. Costs were well controlled.

##### Planet Africa

Planet Africa is a joint venture operation formed to sell and market Southern Africa to Far East tourists. It has had a record year in turnover and profits.

	2008	2007
Balance at beginning of year	20 876	20 876
<b>Capital redemption reserve fund</b>		
Balance at beginning of year	4	4
Balance at end of year	4	4
<b>Foreign currency translation reserve</b>		
Balance at beginning of year	(1 063)	(1 318)
Reserve on translation of foreign subsidiary	(360)	255
Balance at end of year	(1 423)	(1 063)
<b>Accumulated loss</b>		
Balance at beginning of year as previously stated	(3 121)	(15 459)
Prior year adjustment	4	(2 744)
Restated opening balance	(3 121)	(18 203)
Gain realised on additional interest acquired on subsidiary	304	-
Attributable income for year	16 310	22 267
Ordinary dividend paid	(7 184)	(7 184)
Balance at end of year	6 309	(3 121)
Ordinary shareholders' equity	92 855	83 785
<b>Equity portion of preference share capital</b>		
Balance at beginning of year	546	546
Balance at end of year	546	546
<b>Outside shareholders' interest</b>		
Balance at beginning of year	5	3
Profit attributable to outside shareholders	-	2
Balance at end of year	5	5
<b>Total income and expense for the year</b>		
Profit for year	16 310	22 267
- Attributable to equity shareholders	16 310	22 265
- Attributable to outside shareholders	-	2
Reserve on translation of foreign subsidiary	(360)	255
	15 950	22 174

**Auditors**

Mazars Moores Rowland were elected as auditors during the year and will continue to act as auditors to the company.

An unmodified review opinion is available for inspection at the registered office of the company.

**Sponsor**

Arcay Moela Sponsors (Proprietary) Limited  
(Registration number 2006/033725/07)

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**Manex**

Manex is a supplier to the yacht building industry. The management was replaced during the latter part of the year and steps taken to improve profitability.

**Acquisition of Central Boating**

The company purchased Central Boating with effect from 1 October 2008 which is a marine leader in the importation and distribution of leisure marine equipment to both the yachting and power boat sectors of the market in South Africa. This acquisition will strengthen the company's presence in the marine industry and will add additional profits to the group in the future.

Details of net assets and goodwill as follows:

Purchase consideration	R17,44million
Fair value of net assets acquired	R7,44million
<b>Goodwill</b>	<b>R10,00 million</b>

Goodwill is attributable to significant synergies expected to arise between Manex and Central Boating.

**Prospects**

Difficult market conditions remain an ongoing challenge for management. To address these conditions, the company embarked upon a cost reduction and efficiency improvement drive during the year. The company will remain focused on increasing sales next year. The company will also continue to take advantage of market opportunities as they arise during 2009.

On behalf of the Board

**AN Viljoen**

Chief Executive Officer

**M Tollman**

Chairman

19 December 2008

**Directors**

M Tollman (Chairman) ‡, MA Ness \*‡,  
VET O'Hana ‡, DD Hosking \*\*‡, AN Viljoen,  
LA Pampallis, G Tollman\*\*\*‡

\* British, \*\* New Zealand, \*\*\* USA  
‡ Non-Executive

**Company secretary**

DK Standage

**Registered office**

6 Hood Avenue, Rosebank, 2196

**Transfer secretaries**

Computershare Investor Services (Pty) Limited,  
Ground Floor, 70 Marshall Street, Johannesburg, 2001  
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**For further information on group activities, please write to:**

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(Registration number 1902/001808/06)  
(Share code: CUL ISIN: ZAE000013710)  
("the company" or "the group")

