



TRELLIDOR HOLDINGS LIMITED

SUMMARISED PROVISIONAL AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED 30 JUNE 2017

HIGHLIGHTS

▲ **17%**

Earnings per share
of 59.3 cents

▲ **27%**

Diluted core headline earnings
per share of 66.0 cents

▲ **23%**

Final dividend declared of 19.5 cents per share
(resulting in a dividend of 30 cents per share for the year –
20% growth)

Basis of preparation

The provisional audited summarised consolidated financial results for the year ended 30 June 2017 has been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Listings Requirements of the JSE Limited, contains the information as required by IAS 34 – *Interim Financial Reporting* and the Companies Act, No 71 of 2008, under the supervision of the Chief Financial Officer, Mr CG Cunningham CA(SA). The accounting policies applied and methods of computation used in preparation of the summarised consolidated financial information are in terms of IFRS and consistent with those applied in the financial statements for the year ended 30 June 2016, except for the change in inventory measurement from first-in first-out to weighted average cost. The impact of the change is not material.

Introduction

In accordance with its growth strategy Trellidor Holdings Limited ("Group") acquired the Taylor Blinds and NMC businesses ("Taylor"), effective 7 July 2016. The Group now comprises Trellidor and Taylor and the Group's results include Taylor for the full year for the first time.

Trellidor is the market leading manufacturer of custom-made barrier security products, distributed via a dedicated and skilled franchise network situated throughout South Africa, Africa and the UK.

Taylor is a major manufacturer and distributor of custom-made blinds, decorative and security shutters and cornicing/skirting products. Taylor has a strong presence in the Western and Southern Cape.

Overview

Following the Taylor acquisition, Group revenue for the year grew 67.6% to R525 million in difficult trading conditions. The Group's gross profit margin of 47.7% was in line with expectations and consistent with the interim results. Operating expenses as a ratio to revenue have increased to 29.5% (June 2016: 28.1%) mainly due to acquisition related expenses of R10.1 million. These acquisition related expenses have been added back in the calculation of core headline earnings per share, refer note 3. In addition, foreign exchange losses of R3.0 million (June 2016: R2.3 million gain), also negatively impacted the operating margin.

Profit after tax for the year grew by 22% to R66 million and earnings per share by 17% to 59.3 cents per share. Diluted core headline earnings per share (see note 3), which is headline earnings per share after adjusting for certain IFRS charges and once-off expenses grew by 27% to 66.0 cents per share.

Cash generated from operating activities has grown 20.5% to R62.3 million.

The Taylor business achieved the earn out targets as defined in the purchase agreement and the deferred consideration of R30 million was settled from internally generated cash reserves in July 2017. The initial purchase price of R130.6 million was funded by the issue of shares on listing and debt of R95.8 million.

COMMENTARY (continued)

Following the acquisition of Taylor and as at 30 June 2017, the Group has interest bearing liabilities of R106.0 million which incurred R9.1 million of net interest for the year ended 30 June 2017. The Group's financial risk is well managed – interest cover is 8.4 times and debt repayments are covered 2.2 times by net cash from operating activities.

Segments

Trellidor

During the period, consumer spending throughout South Africa and Africa continued to be negatively impacted as a result of the tough economic conditions. Revenue recovered slightly from half year to grow by 1% for the full year. Mainly due to low revenue growth and higher steel costs, gross margin reduced from 50.2% to 49.0%. Recurring overhead costs were well managed to below inflationary increases. These factors together with foreign exchange losses of R2.1 million (June 2016: R2.3 million foreign exchange gain) resulted in the operating profit before interest declining 14.3%.

Taylor

It was encouraging that despite the tough economic conditions, the business achieved the agreed earn out targets. Revenue of R209.5 million was achieved with gross margins of 45.7% meeting expectation. Operating expenses were inflated by the acquisition related expenses and IFRS accounting charges (see notes 1 and 3).

Dividend

The Board of Directors has declared a final gross dividend of 19.5 cents (2016: 15.8 cents) per ordinary share. This brings the total gross dividend for the year ended 30 June 2017 to 30.0 cents (2016: 25.0 cents).

Prospects

The new security shutter, launched during the year, was well received by the market. Continued product range growth is expected. Africa growth remains a key strategy through opening new distributorships and by extending the number of Group products being sold into Africa.

The acquisition of Taylor has provided a platform for growth into a new market segment and a diversification of the Group's revenue streams. Key growth strategies which incorporate distribution synergies with Trellidor, particularly in Africa and outside the Western and Southern Cape and a broadening of the Taylor product range are being pursued.

The Group is mindful that the economic environment remains fragile and in addition to its revenue growth strategies it will continue to focus on efficiencies, improved utilisation of materials, overhead control and pricing strategies in order to mitigate these challenges.

Auditor's review

The summarised consolidated financial results have been extracted from audited consolidated annual financial statements but is itself not audited. The consolidated annual financial statements from which this report is extracted have been audited by Mazars on which they expressed an unmodified opinion. A copy of the consolidated financial statements for the year ended 30 June 2017 together with the audit report is available for inspection at the company's

registered office. The directors take full responsibility for the preparation of the summarised report and that the financial information has been correctly extracted from the underlying consolidated annual financial statements. The consolidated annual financial statements were approved by the board on 7 September 2017.

Information included under the heading "Prospects" and any reference to future financial information included in the audited summarised consolidated financial results have not been audited or reviewed. 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 their report with the accompanying financial results from the company's registered office.

TM Dennison

Chief Executive Officer

12 September 2017

CASH DIVIDEND DECLARATION

Notice is hereby given that the directors have declared a final gross dividend of 19.5 cents per share for the year ended 30 June 2017.

The dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt. The final net ordinary dividend is 15.6 cents per share for ordinary shareholders.

The issued share capital at the declaration date is 108 340 118 shares.

The income tax number of the Company is 9419378840.

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Tuesday, 3 October 2017
Shares commence trading “ex” dividend	Wednesday, 4 October 2017
Record date	Friday, 6 October 2017
Payment date	Monday, 9 October 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 4 October 2017 and Friday, 6 October 2017, both days inclusive.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2017

	Note	Audited 30 June 2017 R'000	Audited 30 June 2016 R'000
ASSETS			
Non-current assets			
Property, plant and equipment		51 500	42 553
Goodwill		74 401	2 389
Intangible assets		46 741	1 630
Other financial assets		287	450
Deferred tax assets		3 687	3 707
		176 616	50 729
Current assets			
Inventories	4	94 724	30 796
Trade and other receivables		61 779	44 435
Other financial assets		794	1 546
Cash and cash equivalents		55 103	89 388
		212 400	166 165
Total assets		389 016	216 894
EQUITY AND LIABILITIES			
Equity			
Stated capital		45 759	45 759
Reserves		2 031	582
Retained income		139 273	103 501
Equity attributable to owners of the company		187 063	149 842
Non-controlling interests		4 827	(846)
Total equity		191 890	148 996
LIABILITIES			
Non-current liabilities			
Other financial liabilities		86 090	23 367
Deferred tax liabilities		4 439	–
		90 529	23 367
Current liabilities			
Trade and other payables		52 617	37 516
Other financial liabilities		49 886	2 978
Current tax payables		3 647	3 563
Provisions		447	474
		106 597	44 531
Total liabilities		197 126	67 898
Total equity and liabilities		389 016	216 894

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2017

	Note	Audited 30 June 2017 R'000	Audited 30 June 2016 R'000
Revenue		525 384	313 442
Cost of sales		(274 878)	(156 188)
Gross profit		250 506	157 254
Other income		6 711	6 391
Operating expenses		(154 917)	(88 227)
Operating profit before interest	2	102 300	75 418
Investment revenue		3 107	2 749
Finance costs		(12 183)	(2 291)
Profit before tax		93 224	75 876
Taxation		(27 234)	(21 685)
Profit for the year		65 990	54 191
Other comprehensive income:			
Items that will be reclassified to profit or loss			
Exchange differences on translating foreign operations		(710)	(246)
Reclassification of hedging reserves to profit and loss		662	993
Income tax related to items that may be reclassified		–	–
Other comprehensive income for the year net of taxation		(48)	747
Total comprehensive income for the year		65 942	54 938
Profit attributable to:			
Owners of the company		64 265	53 706
Non-controlling interests		1 725	485
		65 990	54 191
Total comprehensive income attributable to:			
Owners of the company		64 323	54 489
Non-controlling interests		1 619	449
		65 942	54 938
Earnings per share for the year attributable to the owners of the company during the period			
Earnings and diluted earnings per share (cents)	3	59.3	50.8

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

	Stated capital R'000	Total reserves R'000	Retained income R'000	Total attributable to owners of the company R'000	Non- controlling interests R'000	Total equity R'000
Balance at 1 July 2015	–	(201)	69 762	69 561	(1 295)	68 266
Total comprehensive income for the year	–	783	53 706	54 489	449	54 938
Issue of shares	45 759	–	–	45 759	–	45 759
Dividends	–	–	(19 967)	(19 967)	–	(19 967)
Balance at 30 June 2016	45 759	582	103 501	149 842	(846)	148 996
Total comprehensive income for the year	–	58	64 265	64 323	1 619	65 942
Employees share option	–	1 391	–	1 391	–	1 391
Dividends	–	–	(28 493)	(28 493)	–	(28 493)
Sale of shares in subsidiary to non-controlling interest	–	–	–	–	4 054	4 054
Balance at 30 June 2017	45 759	2 031	139 273	187 063	4 827	191 890

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

	Note	Audited 30 June 2017 R'000	Audited 30 June 2016 R'000
Cash flows from operating activities			
Cash generated from operations		104 626	72 413
Interest income		3 107	2 748
Finance costs		(12 183)	(2 291)
Tax paid		(33 230)	(21 134)
Net cash from operating activities		62 320	51 736
Cash flows used in investing activities			
Business combinations	5	(124 005)	–
Purchase of property, plant and equipment		(9 071)	(7 246)
Other		1 041	(1 018)
Net cash used in investing activities		(132 035)	(8 264)
Cash flows from financing activities			
Proceeds on share issue		–	45 759
Net proceeds from other financial liabilities		59 865	4 835
Dividends paid		(28 493)	(19 967)
Proceeds on sale of shares to non-controlling interest		4 054	–
Net cash from financing activities		35 426	30 627
Total cash movement for the year		(34 289)	74 099
Cash at the beginning of the year		89 388	15 424
Effect of exchange rate movement on cash balances		4	(135)
Cash and cash equivalents at the end of the period		55 103	89 388

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS

for the year ended 30 June 2017

1. Segmental information

	Audited Year ended 30 June 2017 R'000	Audited Year ended 30 June 2016 R'000
Revenue		
Trellidor	315 903	313 442
Taylor	209 481	–
	525 384	313 442
Operating profit before interest and tax		
Trellidor	66 086	77 096
Taylor	46 307	–
	112 393	77 096
Reconciling items		
Net finance (costs)/income	(9 076)	457
Acquisition costs/listing costs	(2 474)	(1 677)
Amortisation of the client database	(4 891)	–
Fair value adjustment on deferred consideration	(2 728)	–
Operating profit before tax	93 224	75 876
Total assets		
Trellidor	125 725	123 799
Taylor	204 501	–
	330 226	123 799
Reconciling items		
Cash and cash equivalents	55 103	89 388
Deferred tax	3 687	3 707
Total as per statement of financial position	389 016	216 894
Revenue by location of customer – geographical information		
South Africa	470 019	261 271
Foreign	55 365	52 171
	525 384	313 442

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS (continued)

for the year ended 30 June 2017

2. Operating profit

Operating profit before interest for the year is stated after accounting for the following, amongst others:

	Audited Year ended 30 June 2017 R'000	Audited Year ended 30 June 2016 R'000
Operating lease charge – premises	7 270	1 009
Depreciation	6 448	5 992
Amortisation of intangible assets	5 108	108
Salaries and wages	116 886	75 363
Advertising	23 429	14 979

3. Earnings per share

Profit attributable to ordinary shareholders		
Adjusted for:		
Profit on disposal of property, plant and equipment	64 265 (86)	53 706 (542)
Gross amount	(120)	(666)
Tax effect	34	124

Headline earnings	64 179	53 164
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Adjusted for:		
Amortisation of client database	4 891	–
Acquisition costs – Taylor	2 474	–
Listing costs	–	1 677
Fair value adjustment on contingent consideration	2 728	–
Tax effect	(2 134)	–
Non-controlling interest	(597)	–

Core headline earnings	71 541	54 841
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	Number '000s	Number '000s
Number of shares issued	108 340	108 340
Weighted average number of ordinary shares in issue during the period	108 340	105 631
Diluted weighted average number of shares	108 340	105 631
Earnings and diluted earnings per share (cents)	59.3	50.8
Headline and diluted headline earnings per share (cents)	59.2	50.3
Core headline and diluted core headline earnings per share (cents)	66.0	51.9

4. Inventories

	Audited Year ended 30 June 2017 R'000	Audited Year ended 30 June 2016 R'000
Raw materials, components	80 544	25 326
Work in progress	3 222	1 184
Finished goods	1 772	759
Goods in transit	9 650	3 962
	95 188	31 231
Provision for obsolescence	(464)	(435)
	94 724	30 796

5. Business combination

As disclosed in the 2016 Annual Report, Trellidor Innovations Proprietary Limited, a 92.5% held subsidiary of Trellidor Holdings Limited, acquired the Taylor Group with effect from 7 July 2016 from Odyssey House Proprietary Limited. Integral to the deal was the purchase of a minority stake of 7.5% by the Managing Director of this business, this investment was achieved through Novaspectacular Proprietary Limited and is proportional to the investment by Trellidor Holdings Limited.

As part of the purchase agreement, a deferred consideration of R30 000 000, contingent on Taylor achieving an earnings target, was agreed, this was achieved and was paid in July 2017. The fair value of this deferred and contingent consideration is included in other financial liabilities and at date of purchase was R27 272 000. The fair value is based on a discount rate of 10.5% and the earnings target being achieved. The acquisition of the business provides the Trellidor Group with strong brands, management team and distribution network for the development of the home improvements market, distinct from the Trellidor business. The accounting for the business combination has been finalised and is reported below. The goodwill has increased due to the recognition of a deferred tax liability.

Full details of the Group's business combinations, additions and disposals of property, plant and equipment as well as commitments and contingent liabilities are included in the audited consolidated annual financial statements that are available to be reviewed at the company's registered office.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS (continued)

for the year ended 30 June 2017

5. Business combination (continued)

Fair value of assets acquired and liabilities assumed

	Audited Year ended 30 June 2017 R'000
Property, plant and equipment	6 002
Intangible assets	50 175
Inventories	40 845
Trade and other receivables	20 736
Cash and cash equivalents	7 466
Other financial liabilities	(19 773)
Deferred tax	(7 612)
Trade and other payables	(8 182)
Current tax payable	(2 927)
Total identifiable net assets	86 730
Goodwill	71 148
	157 878

Acquisition date fair value of consideration paid

Cash	(130 606)
Deferred consideration	(27 272)
	(157 878)

Net cash outflow on acquisition

Acquisition of Taylor Group	
Cash consideration paid	(130 606)
Cash acquired	7 466
	(123 140)
Other acquisitions during the year	(865)
	(124 005)

CORPORATE INFORMATION

TRELLIDOR HOLDINGS LIMITED

(Registration number 1970/015401/06)

Share code: TRL

ISIN: ZAE000209342

(“Trellidor”, “the Company” or “the Group”)

DIRECTORS OF TRELLIDOR

Executive

TM Dennison (*Chief Executive Officer*)

CG Cunningham (*Chief Financial Officer*)

Independent non-executive

MC Olivier (*Chairman*)

JB Winship

RB Patmore

COMPANY SECRETARY

P Nel

(BComm FCIS)

71 Cotswold Drive

Westville, 3629

REGISTERED OFFICE

20 Aberdare Drive

Phoenix Industrial Park

Durban, 4001

(PO Box 20173, Durban North, 4016)

DATE OF INCORPORATION

23 November 1970

PLACE OF INCORPORATION

South Africa

AUDITORS AND INDEPENDENT REPORTING ACCOUNTANTS

Mazars

Mazars House

197 Peter Mokaba Road

Morningside

Durban, 4001

(PO Box 70584, Overport, 4067)

CORPORATE SPONSOR

PSG Capital Proprietary Limited

(Registration number 2006/015817/07)

1st Floor, Ou Kollege

35 Kerk Street

Stellenbosch, 7600

(PO Box 7403, Stellenbosch, 7599)

and

2nd Floor, Building 3

11 Alice Lane

Sandhurst

Sandton, 2196

(PO Box 650957, Benmore, 2010)

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited

(Registration number 2004/003647/07)

Rosebank Towers

15 Biermann Avenue

Rosebank, 2196

(PO Box 61051, Marshalltown, 2107)

