



TRELLIDOR HOLDINGS LIMITED

UNAUDITED INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

HIGHLIGHTS

▲ **24%**

Headline earnings per share
of 33.5 cents

▲ **31%**

Diluted Core Headline earnings
per share of 37.7 cents

▲ **14%**

Interim dividend declared
of 10.5 cents per share

COMMENTARY

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.

Trellidor is the market leading manufacturer of custom-made barrier security products, distributed via a dedicated and skilled franchise network situated throughout South Africa. In addition, franchisees in Africa, the UK and Australia support, design and install the products.

Taylor is a major manufacturer and distributor of custom-made blinds, decorative and security shutters and corning/skirting products. Taylor has a strong presence in the Western and Southern Cape with limited distribution in other areas of South Africa and Africa.

Overview

Following the Taylor acquisition, Group revenue for the six months grew 71% to R283 million albeit in difficult trading conditions. The Group's gross profit margin of 48% was in line with expectations. Operating expenses as a ratio to revenue have increased marginally to 28.7% (December 2015: 28.3%) due to acquisition related expenses of R2.5 million, amortisation of intangibles in line with IFRS of R2.5 million and foreign exchange losses of R2.2 million (December 2015: R2.2 million gain) during the period.

The Taylor acquisition was funded by cash of R51 million which was raised by a new issue of shares on listing and new and acquired debt of R90 million. The increase in gearing has resulted in net interest incurred of R5 million (9 times interest cover) for the period compared to R0.6 million in the previous period.

Profit after tax for the six months grew by 30% and earnings per share by 21% to 33.5 cents per share. Diluted core headline earnings per share (see note 4), which is headline earnings per share after adjusting for certain IFRS charges and once-off expenses grew by 31% to 37.7 cents per share.

Cash generated from operating activities has grown 71% to R24.3 million.

Segments

Trellidor

The tough economic conditions continued during the period and negatively impacted consumer spending throughout South Africa and its neighbouring states. Revenue declined by 1% notwithstanding 17% growth in international sales. Gross margin reduced from 50.5% to 49.3% due in part to lower revenues and higher raw material prices. Recurring overheads were well managed to below inflationary increases. However operating profit before interest declined 17% as a result of operational gearing and foreign exchange losses of R1.4 million (December 2015: R2.2 million foreign exchange gain).

Taylor

The business is included in the Group's results for the first time. Taylor has performed in line with expectations formulated on acquisition, which is pleasing given the tough economic conditions.

Dividend

The Board of Directors is pleased to announce an interim gross dividend of 10.5 cents (2015: 9.2 cents) per ordinary share in respect of the six months ended 31 December 2016.

Prospects

Trellidor added the new security shutter to its range of products early in the financial year. The roll out of this strategy has progressed well and is in line with expectations. Expansion of the franchise distribution network in Africa including the implementation of assembly shops in existing territories continues. International sales now account for over 16% of Trellidor sales.

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

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

T M Dennison

Chief Executive Officer

13 March 2017

CASH DIVIDEND DECLARATION

Notice is hereby given that the Directors have declared an interim gross dividend of 10.5 cents per ordinary share for the six months ended 31 December 2016.

The dividend has been declared from income reserves. A dividend withholding tax of 20% (rate increased from 15% for any dividend paid on or after 22 February 2017) will be applicable to all shareholders who are not exempt. The interim net ordinary dividend is 8.4 cents per share for ordinary shareholders.

The issued share capital at the declaration date is 108 340 118 ordinary 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, 28 March 2017
Shares commence trading "ex" dividend	Wednesday, 29 March 2017
Record date	Friday, 31 March 2017
Payment date	Monday, 3 April 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 29 March 2017 and Friday, 31 March 2017, both days inclusive.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2016

	Note	Unaudited at 31 December 2016 R	Unaudited at 31 December 2015 R	Audited at 30 June 2016 R
Assets				
Non-current assets				
Property, plant and equipment		50 742 436	42 142 165	42 553 391
Goodwill		61 733 507	2 388 498	2 388 498
Intangible assets		51 097 317	643 430	1 629 879
Other financial assets		500 000	302 293	450 000
Deferred tax assets		2 028 679	2 872 580	3 707 122
		166 101 939	48 348 966	50 728 890
Current assets				
Inventories		74 618 452	28 360 079	30 796 398
Trade and other receivables		61 268 749	40 324 899	44 434 785
Other financial assets		1 274 168	821 430	1 546 327
Cash and cash equivalents		41 028 590	62 259 513	89 387 613
		178 189 959	131 765 921	166 165 123
Total assets		344 291 898	180 114 887	216 894 013
Equity and liabilities				
Equity				
Share capital		45 759 072	45 759 072	45 759 072
Other reserves		1 207 082	138 191	581 777
Retained earnings		122 681 055	88 161 057	103 500 885
Equity attributable to owners of the company		169 647 209	134 058 320	149 841 734
Non-controlling interests		4 235 667	(1 063 384)	(845 811)
Total equity		173 882 876	132 994 936	148 995 923
Liabilities				
Non-current liabilities				
Other financial liabilities	6	97 391 483	17 458 948	23 366 519
Provisions		–	1 216 563	–
		97 391 483	18 675 511	23 366 519
Current liabilities				
Trade and other payables		25 385 867	22 540 993	37 515 819
Other financial liabilities	6	46 374 870	3 696 556	2 978 150
Current tax payables		782 524	1 966 668	3 563 324
Provisions		474 278	240 223	474 278
		73 017 539	28 444 440	44 531 571
Total liabilities		170 409 022	47 119 951	67 898 090
Total equity and liabilities		344 291 898	180 114 887	216 894 013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 31 December 2016

	Note	Unaudited Six months ended 31 December 2016 R	Unaudited Six months ended 31 December 2015 R	Audited Year ended 30 June 2016 R
Revenue		282 810 915	165 269 129	313 442 272
Cost of sales		(146 768 128)	(81 753 325)	(156 187 883)
Gross profit		136 042 787	83 515 804	157 254 389
Other income		2 379 773	4 049 029	6 391 171
Operating expenses		(81 070 877)	(46 716 910)	(88 227 231)
Operating profit		57 351 683	40 847 923	75 418 329
Investment revenue		1 486 593	778 669	2 748 580
Finance costs		(6 515 468)	(1 333 177)	(2 291 358)
Profit before tax		52 322 808	40 293 415	75 875 551
Taxation	3	(14 948 056)	(11 636 361)	(21 684 512)
Profit for the period		37 374 752	28 657 054	54 191 039
Other comprehensive income:				
Items that may be reclassified to profit or loss				
Exchange differences on translating foreign operations		(329 461)	(183 834)	(245 789)
Unwinding of cash flow hedge		496 248	496 248	992 496
Income tax related to items that may be reclassified		-	-	-
Other comprehensive income for the period, net of taxation		166 787	312 414	746 707
Total comprehensive income for the period		37 541 539	28 969 468	54 937 746
Profit attributable to:				
Owners of the company		36 297 909	28 398 462	53 705 581
Non-controlling interests		1 076 843	258 592	485 458
		37 374 752	28 657 054	54 191 039
Total comprehensive income attributable to:				
Owners of the company		36 514 115	28 738 451	54 489 156
Non-controlling interests		1 027 424	231 017	448 590
		37 541 539	28 969 468	54 937 746
Earnings per share for profit for the period attributable to the owners of the company during the period				
Basic earnings per share (cents)	4	33.5	27.6	50.8
Diluted earnings per share (cents)	4	32.0	27.6	50.8

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2016

	Share capital R	Other reserves R	Retained earnings R	Attributable to owners of the group R	Non- controlling interests R	Total equity R
Balance at 1 July 2015	92	(201 798)	69 762 595	69 560 889	(1 294 401)	68 266 488
Issue of new shares	45 758 980	–	–	45 758 980	–	45 758 980
Profit for the period	–	–	28 398 462	28 398 462	258 592	28 657 054
Other comprehensive income	–	339 989	–	339 989	(27 575)	312 414
Total comprehensive income for the period	–	339 989	28 398 462	28 738 451	231 017	28 969 468
Dividends	–	–	(10 000 000)	(10 000 000)	–	(10 000 000)
Balance at 31 December 2015	45 759 072	138 191	88 161 057	134 058 320	(1 063 384)	132 994 936
Profit for the period	–	–	25 307 119	25 307 119	226 866	25 533 985
Other comprehensive income	–	443 586	–	443 586	(9 293)	434 293
Total comprehensive income for the period	–	443 586	25 307 119	25 750 705	217 573	25 968 278
Dividends	–	–	(9 967 291)	(9 967 291)	–	(9 967 291)
Balance at 30 June 2016	45 759 072	581 777	103 500 885	149 841 734	(845 811)	148 995 923
Profit for the period	–	–	36 297 909	36 297 909	1 076 843	37 374 752
Other comprehensive income	–	216 206	–	216 206	(49 419)	166 787
Total comprehensive income for the period	–	216 206	36 297 909	36 514 115	1 027 424	37 541 539
Capital contribution by non- controlling interest	–	–	–	–	4 054 054	4 054 054
Share-based payment cost	–	409 099	–	409 099	–	409 099
Dividends	–	–	(17 117 739)	(17 117 739)	–	(17 117 739)
Balance at 31 December 2016	45 759 072	1 207 082	122 681 055	169 647 209	4 235 667	173 882 876

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 December 2016

Note	Unaudited Six months ended 31 December 2016 R	Unaudited Six months ended 31 December 2015 R	Audited Year ended 30 June 2016 R
Cash flows from operating activities			
Cash receipts from customers	268 356 724	169 712 483	309 591 086
Cash paid to suppliers and employees	(222 980 093)	(143 109 291)	(237 177 945)
Cash generated from operations	45 376 631	26 603 192	72 413 141
Interest revenue	1 486 593	778 669	2 748 580
Finance costs	(6 515 468)	(1 333 177)	(2 291 358)
Tax paid	(16 050 414)	(11 848 343)	(21 134 381)
Net cash from operating activities	24 297 342	14 200 341	51 735 982
Cash flows from investing activities			
Purchase of property, plant and equipment	(5 834 997)	(3 909 302)	(7 245 822)
Proceeds from sale of property, plant and equipment	–	797 299	807 301
Purchase of intangible assets	(44 456)	(21 767)	(1 062 958)
Net proceeds from/(advance of) other financial assets	222 159	412 099	(762 798)
Acquisition of subsidiary	(123 139 579)	–	–
Net cash used in investing activities	(128 796 873)	(2 721 671)	(8 264 277)
Cash flows from financing activities			
Repayment of other financial liabilities	(26 358 665)	(549 213)	(971 834)
Advance of other financial liabilities	90 000 000	–	5 806 896
Dividends paid	(17 117 739)	(10 000 000)	(19 967 291)
Net loan from minority	5 596 060	–	–
Minority investment	4 054 054	–	–
Proceeds on share issue	–	45 758 980	45 758 980
Net cash from financing activities	56 173 710	35 209 767	30 626 751
Net (decrease)/increase in cash and cash equivalents	(48 325 821)	46 688 437	74 098 456
Cash and cash equivalents at the beginning of the period	89 387 613	15 424 293	15 424 293
Exchange (loss)/gains on cash and cash equivalents	(33 202)	146 783	(135 136)
Cash and cash equivalents at the end of the period	41 028 590	62 259 513	89 387 613

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

for the six months ended 31 December 2016

1. Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 31 December 2016 have 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 Guideline as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited, 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 in preparation of the condensed consolidated interim financial information are consistent with those applied in the financial statements for the year ended 30 June 2016.

These results have not been reviewed or reported on by the Group's Auditors. The results were approved by the Board of Directors on 9 March 2017.

2. Segmental information

	Unaudited Six months ended 31 December 2016 R	Unaudited Six months ended 31 December 2015 R	Audited Year ended 30 June 2016 R
Revenue			
Trellidor	163 025 763	165 269 129	313 442 272
Taylor	119 785 152	-	-
	282 810 915	165 269 129	313 442 272
Operating profit before interest			
Trellidor	33 900 541	40 847 923	75 418 329
Taylor	23 451 142	-	-
	57 351 683	40 847 923	75 418 329
Total assets			
Trellidor	125 633 688	117 855 374	127 506 400
Taylor	177 629 620	-	-
	303 263 308	117 855 374	127 506 400

Reconciliation of total assets per statement of financial position to total assets per segmental analysis

	Unaudited Six months ended 31 December 2016 R	Unaudited Six months ended 31 December 2015 R	Audited Year ended 30 June 2016 R
Total assets per statement of financial position	344 291 898	180 114 887	216 894 013
Less: Cash and cash equivalents	(41 028 590)	(62 259 513)	(89 387 613)
Total assets per segmental analysis	303 263 308	117 855 374	127 506 400

3. Taxation

Income tax expense is recognised based on Management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Group's consolidated effective tax rate for the six months ended 31 December 2016 was 28.6% (31 December 2015: 28.9%; 30 June 2016: 28.6%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)

for the six months ended 31 December 2016

4. Earnings per share

	Unaudited Six months ended 31 December 2016 R	Unaudited Six months ended 31 December 2015 R	Audited Year ended 30 June 2016 R
Profit attributable to ordinary shareholders	36 297 909	28 398 462	53 705 581
Adjusted for:			
Profit on disposal of property, plant and equipment	–	(475 097)	(541 609)
Gross amount	–	(659 857)	(666 495)
Tax effect	–	184 760	124 886
Headline earnings	36 297 909	27 923 365	53 163 972
Adjusted for:			
Amortisation of client database – Taylor	2 445 600	–	–
Acquisition costs – Taylor	2 473 564	–	–
Listing costs	–	1 676 690	1 676 690
Fair value adjustment on contingent consideration – Taylor	1 463 468	–	–
Core headline earnings	42 680 541	29 600 055	54 840 662
	Number	Number	Number
Number of shares issued	108 340 118	108 340 118	108 340 118
Weighted average number of ordinary shares in issue during the period	108 340 118	102 950 625	105 630 646
Contingent consideration – Taylor acquisition	5 000 000	–	–
Diluted weighted average number of shares	113 340 118	102 950 625	105 630 646
Basic earnings per share (cents)	33.5	27.6	50.8
Diluted earnings per share (cents)	32.0	27.6	50.8
Headline earnings per share (cents)	33.5	27.1	50.3
Diluted headline earnings per share (cents)	32.0	27.1	50.3
Core headline earnings per share (cents)	39.4	28.8	51.9
Diluted core headline earnings per share (cents)	37.7	28.8	51.9

5. Business combination

As disclosed in the 2016 Annual Report, Trellidor Innovations Proprietary Limited, a 92.5% held subsidiary of Trellidor Holdings Limited, acquired Taylor (effective 7 July 2016) from Odyssey House Proprietary Limited. As part of the purchase agreement, a contingent consideration was agreed. This Second Tranche of consideration involves a cash payment of up to R30 million, alternatively the seller may require the Second Tranche to be settled through the issue of 5 million Trellidor Group shares at an issue price of R6.00 per share.

The fair value of the contingent consideration at date of purchase was R27 272 000, whilst the estimated fair value at reporting date is R28 735 468. For purposes of determining this fair value a discount rate of 10.5% was applied and it has been assumed that the target of R33 million after-tax profit (before interest) for the 12-month period ending 30 April 2017 will be achieved.

Total identifiable net assets (excluding goodwill) of R98.5 million was acquired (plant and equipment R6 million; intangible assets R52 million; inventories R39.9 million; trade and other receivables R22.1 million; cash and cash equivalents R7.5 million; other financial liabilities R19.8 million and trade and other payables R9.2 million) for a cash consideration of R130.6 million and deferred consideration of R27.3 million (as discussed above). The accounting for the business combination remains provisional. The non-controlling interest has not been accounted for as part of the acquisition, due to the minority being invested in Trellidor Innovations Proprietary Limited, the acquirer of Taylor.

6. Other financial liabilities

	Unaudited Six months ended 31 December 2016 R	Unaudited Six months ended 31 December 2015 R	Audited Year ended 30 June 2016 R
At fair value through profit or loss			
Absa Bank Limited – interest rate swap	116 603	636 285	441 175
Odyssey House – Contingent consideration	28 735 468	–	–
Held at amortised cost			
BOE Private Bank	23 132 450	18 437 692	23 915 935
Wesbank Corporate – First National Bank Limited	1 521 592	2 081 527	1 987 559
First National Bank Limited	84 664 180	–	–
Novaspectacular Proprietary Limited	5 596 060	–	–
	143 766 353	21 155 504	26 344 669
Non-current liabilities	97 391 483	17 458 948	23 366 519
Current liabilities	46 374 870	3 696 556	2 978 150
	143 766 353	21 155 504	26 344 669

During the year the Group obtained term loans from First National Bank Limited with a 60 month term at an interest rate of prime less 0.5% and a term loan from Novaspectacular Proprietary Limited with a 60 month term at an interest rate of prime plus 0.5%. Novaspectacular Proprietary Limited has a minority interest in Trellidor Innovations Proprietary Limited.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)

for the six months ended 31 December 2016

7. Events after balance sheet date

There have been no material reportable events between the end of the period and the date of this report.

8. Changes to the Board

There were no changes to the Board of Directors during the period under review.

CORPORATE INFORMATION

TRELLIDOR HOLDINGS LIMITED

(Registration Number 1970/015401/06)
20 Aberdare Drive, Phoenix Industrial Park
Durban, 4001
(P.O. Box 20173, Durban North 4016)
Share Code: TRL
ISIN: ZAE000209342
("Trellidor Group" or "Group")

DIRECTORS OF TRELLIDOR

MC Olivier (Chairman)*#
TM Dennison (Chief Executive Officer)
CG Cunningham (Chief Financial Officer)
JB Winship *#
RB Patmore *#

* Non-executive

Independent

COMPANY SECRETARY

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REGISTERED OFFICE

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DATE OF INCORPORATION

23 November 1970

PLACE OF INCORPORATION

South Africa

AUDITORS AND INDEPENDENT REPORTING ACCOUNTANTS

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CORPORATE SPONSOR

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and

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TRANSFER SECRETARIES

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