



# TRELLIDOR HOLDINGS LIMITED

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## UNAUDITED INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

## HIGHLIGHTS

 **5%**

Headline earnings per share of 35.2 cents

 **5%**

Interim dividend declared of 11.0 cents per share

# COMMENTARY

## Introduction

Trellidor Holdings Limited ("Group") comprises of the Trellidor and Taylor businesses.

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 distributor of imported corning and skirting mouldings. Taylor has a strong market presence in the Western and Southern Cape.

## Overview

Group revenue for the six months grew by 5% despite difficult trading conditions. Gross profit margin of 46.1% (2017:48.1%) was down primarily due to sales mix and input price pressures with steel and aluminium input prices increasing 13% and 9% respectively. Operating expenses were well managed and have increased by 1% over prior year. The once off acquisition related expenses in the prior year (c.R3.9 million) were not repeated in the current year and once adjusted for, the operating expenses increased in line with inflation. Profit after tax and earnings per share grew by 5% and cash generated from operating activities is in line with the prior year.

With the Taylor business having achieved its earn out targets for the 12 months ended 30 April 2017, the Group paid the R30 million second tranche of the acquisition purchase price from cash reserves in July 2017.

In line with shareholder special resolutions passed at the 2016 and 2017 AGM's, the Group repurchased 446 535 Trellidor shares on the open market during the period. The shares were purchased out of available cash resources at an aggregate value of R2.6 million. These shares are currently being held as treasury shares.

## Segments

### Trellidor

Revenue grew by 7%. In line with the product diversification strategy, new product sales grew by 34%. International sales grew by 7% in subdued economic conditions in Africa. Gross margin reduced to 47.9% (2017: 49.3%) due primarily to higher raw material prices and a change in product mix. Recurring overheads remain well managed to below inflationary increases. Operating profit before interest increased by 6.9%.

### Taylor

Revenue grew by 2%. Strong shutter sales were offset by weaker blinds sales and poor performance from the mouldings business which was impacted by the slowdown in the completion of building projects. Gross margin reduced to 43.7% (2017: 46.3%) due to higher input costs. Operating profit before interest decreased by 3.7%.

### Prospects

Following the ANC elections in December 2017, there has been an improvement in consumer confidence which may lead to improved economic activity. It is also expected that a stronger rand will assist in reducing input price pressures.

In the Africa market, improving commodity prices and better availability of foreign exchange should lead to improved economic conditions which we expect will culminate in stronger demand for our products. We are anticipating strong sales from the UK in the second half of the year due to demand from key clients.

The acquisition of Taylor and in particular the roll-out of the Taylor product set has been successful, with the majority of Trellidor franchises now in a position to sell Taylor products. The full benefit of this strategy will be realised in future years.

The Trellidor business unit has embarked on an efficiency enhancement project which requires capital expenditure of c. R12 million with a calculated payback period of less than two years. Capital expenditure will include extra building space and new machinery.

The Group remains focused on its core growth strategies of brand leadership; diversifying its product range; distribution growth in South Africa and Africa; and acquisitions, which will position it well to benefit from improving economic conditions.

### Dividend

The board of directors approved an interim gross dividend of 11.0 cents (2017: 10.5 cents) per ordinary share in respect of the six months ended 31 December 2017.

#### **TM Dennison**

*Chief Executive Officer*

19 March 2018

# CASH DIVIDEND DECLARATION

Notice is hereby given that the Directors have declared an interim gross dividend of 11.0 cents per ordinary share for the six months ended 31 December 2017.

The dividend has been declared from income reserves. A South African dividend withholding tax of 20% will be applicable to all shareholders who are not exempt or entitled to a reduced rate in terms of the applicable double-tax agreement. The interim net ordinary dividend is 8.8 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, 10 April 2018
Shares commence trading "ex" dividend	Wednesday, 11 April 2018
Record date	Friday, 13 April 2018
Payment date	Monday, 16 April 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 April 2018 and Friday, 13 April 2018, both days inclusive.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2017

	Unaudited at 31 December 2017 R'000	Restated Unaudited at 31 December 2016 R'000	Audited at 30 June 2017 R'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	54 558	50 742	51 500
Goodwill	74 401	73 536	74 401
Intangible assets	44 359	49 302	46 741
Other financial assets	945	500	287
Deferred tax assets	2 816	2 069	3 687
	<b>177 079</b>	<b>176 149</b>	<b>176 616</b>
<b>Current assets</b>			
Inventories	95 706	74 618	94 724
Trade and other receivables	60 764	60 433	61 779
Other financial assets	1 173	1 274	794
Current tax receivable	27	–	–
Cash and cash equivalents	10 394	41 029	55 103
	<b>168 064</b>	<b>177 354</b>	<b>212 400</b>
<b>Total assets</b>	<b>345 143</b>	<b>353 503</b>	<b>389 016</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	45 759	45 759	45 759
Treasury shares	(2 570)	–	–
Other reserves	2 931	1 207	2 031
Retained earnings	156 309	122 681	139 273
<b>Equity attributable to owners of the company</b>	<b>202 429</b>	<b>169 647</b>	<b>187 063</b>
<b>Non-controlling interests</b>	<b>5 816</b>	<b>4 236</b>	<b>4 827</b>
<b>Total equity</b>	<b>208 245</b>	<b>173 883</b>	<b>191 890</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Other financial liabilities	77 694	97 391	86 090
Deferred tax liabilities	4 142	7 652	4 439
	<b>81 836</b>	<b>105 043</b>	<b>90 529</b>
<b>Current liabilities</b>			
Trade and other payables	33 728	26 945	52 617
Other financial liabilities	20 852	46 375	49 886
Current tax payables	–	783	3 647
Provisions	482	474	447
	<b>55 062</b>	<b>74 577</b>	<b>106 597</b>
<b>Total liabilities</b>	<b>136 898</b>	<b>179 620</b>	<b>197 126</b>
<b>Total equity and liabilities</b>	<b>345 143</b>	<b>353 503</b>	<b>389 016</b>

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 31 December 2017

	Note	Unaudited six months ended 31 December 2017 R'000	Unaudited six months ended 31 December 2016 R'000	Audited year ended 30 June 2017 R'000
Revenue		297 358	282 811	525 384
Cost of sales		(160 187)	(146 768)	(274 878)
<b>Gross profit</b>		<b>137 171</b>	<b>136 043</b>	<b>250 506</b>
Other income		3 475	2 380	6 711
Operating expenses		(81 801)	(81 071)	(154 917)
<b>Operating profit</b>		<b>58 845</b>	<b>57 352</b>	<b>102 300</b>
Investment revenue		879	1 486	3 107
Finance costs		(5 034)	(6 515)	(12 183)
<b>Profit before tax</b>		<b>54 690</b>	<b>52 323</b>	<b>93 224</b>
Taxation	3	(15 580)	(14 948)	(27 234)
<b>Profit for the period</b>		<b>39 110</b>	<b>37 375</b>	<b>65 990</b>
Other comprehensive income:				
<b>Items that will not be reclassified to profit or loss</b>				
Exchange differences on translating foreign operations		(165)	(329)	(710)
Unwinding of cash flow hedge		-	496	662
Income tax related to items that may be reclassified		-	-	-
<b>Other comprehensive income for the period net of taxation</b>		<b>(165)</b>	<b>167</b>	<b>(48)</b>
<b>Total comprehensive income for the period</b>		<b>38 945</b>	<b>37 542</b>	<b>65 942</b>
<b>Profit attributable to:</b>				
Owners of the company		38 096	36 298	64 265
Non-controlling interests		1 013	1 077	1 725
		39 110	37 375	65 990
<b>Total comprehensive income attributable to:</b>				
Owners of the company		37 956	36 514	64 323
Non-controlling interests		989	1 028	1 619
		38 945	37 542	65 942
<b>Earnings per share for profit for the period attributable to the owners of the company during the period</b>				
Earnings per share (cents)	4	35.2	33.5	59.3
Diluted earnings per share (cents)	4	35.2	32.0	59.3

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2017

	Attributable to equity holders of the company					Non-controlling interests R'000	Total equity R'000
	Share capital R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000			
<b>Balance at 1 July 2016</b>	45 759	–	582	103 501	(846)	148 996	
Total comprehensive income for the period	–	–	216	36 298	1 028	37 542	
Employee share option	–	–	409	–	–	409	
Dividends	–	–	–	(17 118)	–	(17 118)	
Sale of shares in subsidiary to non-controlling interest	–	–	–	–	4 054	4 054	
<b>Balance at 31 December 2016</b>	45 759	–	1 207	122 681	4 236	173 883	
Total comprehensive income for the period	–	–	(158)	27 967	591	28 400	
Employee share option	–	–	982	–	–	982	
Dividends	–	–	–	(11 375)	–	(11 375)	
<b>Balance at 30 June 2017</b>	45 759	–	2 031	139 273	4 827	191 890	
Total comprehensive income for the period	–	–	(140)	38 096	989	38 945	
Treasury shares acquired	–	(2 570)	–	–	–	(2 570)	
Employee share option	–	–	1 040	–	–	1 040	
Dividends	–	–	–	(21 060)	–	(21 060)	
<b>Balance at 31 December 2017</b>	45 759	(2 570)	2 931	156 309	5 816	208 245	



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 December 2017

	Unaudited six months ended 31 December 2017 R'000	Unaudited six months ended 31 December 2016 R'000	Audited year ended 30 June 2017 R'000
Cash generated from operations	47 108	45 376	104 626
Interest revenue	879	1 486	3 107
Finance costs	(5 034)	(6 515)	(12 183)
Tax paid	(18 679)	(16 050)	(33 230)
<b>Net cash from operating activities</b>	<b>24 274</b>	<b>24 297</b>	<b>62 320</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(6 654)	(5 835)	(9 071)
Business combinations	(30 000)	(123 140)	(124 005)
Other investing activities	(1 207)	178	1 041
<b>Net cash used in investing activities</b>	<b>(37 861)</b>	<b>(128 797)</b>	<b>(132 035)</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities	(9 680)	(26 518)	(35 891)
Advance of other financial liabilities	2 250	95 756	95 756
Dividends paid	(21 060)	(17 118)	(28 493)
Purchase of Treasury shares	(2 570)	-	-
Minority investment	-	4 054	4 054
<b>Net cash from financing activities</b>	<b>(31 060)</b>	<b>56 174</b>	<b>35 426</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(44 647)</b>	<b>(48 326)</b>	<b>(34 289)</b>
Cash and cash equivalents at the beginning of the period	55 103	89 388	89 388
Exchange (loss)/gains on cash and cash equivalents	(62)	(33)	4
<b>Cash and cash equivalents at the end of the period</b>	<b>10 394</b>	<b>41 029</b>	<b>55 103</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

for the six months ended 31 December 2017

## 1. Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 31 December 2017 has been prepared and presented in accordance with the SAICA Financial Reporting Guideline as issued by the Accounting Practices Committee, 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 and methods of computation used in preparation of the condensed consolidated interim financial information are in terms of IFRS and consistent with those applied in the annual financial statements for the year ended 30 June 2017.

The results have not been reviewed or audited by the Group's Auditors. The results were approved by the Board of Directors on 15 March 2018.

## 2. Segmental information

	<b>Unaudited six months ended 31 December 2017 R'000</b>	Unaudited six months ended 31 December 2016 R'000	Audited year ended 30 June 2017 R'000
<b>Revenue</b>			
Trellidor	174 999	163 026	315 903
Taylor	122 359	119 785	209 481
	<b>297 358</b>	<b>282 811</b>	<b>525 384</b>
<b>Operating profit before interest</b>			
Trellidor	36 253	33 901	66 086
Taylor	22 592	23 451	36 214
	<b>58 845</b>	<b>57 352</b>	<b>102 300</b>
<b>Reconciling items</b>			
Net finance costs	(4 155)	(5 029)	(9 076)
	<b>54 690</b>	<b>52 323</b>	<b>93 224</b>
The one-off costs, refer note 4, have been included in the relevant segments above.			
<b>Total assets</b>			
Trellidor	126 810	123 565	125 725
Taylor	205 096	186 840	204 501
	<b>331 906</b>	<b>310 405</b>	<b>330 226</b>
<b>Reconciling items</b>			
Cash and cash equivalents	10 394	41 029	55 103
Current tax receivable and deferred tax	2 843	2 069	3 687
	<b>345 143</b>	<b>353 503</b>	<b>389 016</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

for the six months ended 31 December 2017

## 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 2017 was 28.5% (31 December 2016: 28.6%; 30 June 2017: 29.2%).

## 4. Earnings per share

	<b>Unaudited Six months ended 31 December 2017 R'000</b>	Restated Unaudited Six months ended 31 December 2016 R'000	Audited Year ended 30 June 2017 R'000
Profit attributable to ordinary shareholders	38 096	36 298	64 265
Adjusted for:			
Profit on disposal of property, plant and equipment	(12)	–	(86)
Gross amount	(17)	–	(120)
Tax effect	5	–	34
<b>Headline earnings</b>	<b>38 084</b>	<b>36 298</b>	<b>64 179</b>
Adjusted for:			
Amortisation of client database – Taylor	2 445	2 445	4 891
Acquisition costs – Taylor	–	2 474	2 474
Fair value adjustment on contingent consideration – Taylor	–	1 463	2 728
Tax effect thereon	(685)	(1 094)	(2 134)
Non-controlling interests	(132)	(397)	(597)
<b>Core headline earnings</b>	<b>39 712</b>	<b>41 189*</b>	<b>71 541</b>
<i>* Refer to note 5.</i>			
	<b>Number '000</b>	Number '000	Number '000
<b>Number of shares issued</b>	<b>108 340</b>	108 340	108 340
Weighted average number of ordinary shares in issue during the period	108 146	108 340	108 340
Contingent consideration – Taylor acquisition	–	5 000	–
<b>Diluted weighted average number of shares</b>	<b>108 146</b>	<b>113 340</b>	<b>108 340</b>
Earnings per share (cents)	<b>35.2</b>	33.5	59.3
Diluted earnings per share (cents)	<b>35.2</b>	32.0	59.3
Headline earnings per share (cents)	<b>35.2</b>	33.5	59.2
Diluted headline earnings per share (cents)	<b>35.2</b>	32.0	59.2
Core headline earnings per share (cents)	<b>36.7</b>	38.0	66.0
Diluted core headline earnings per share (cents)	<b>36.7</b>	36.3	66.0

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

for the six months ended 31 December 2017

## 5. Finalisation of business combination

As disclosed in the 2017 Annual Report, Trellidor Innovations Proprietary Limited, a 92.5% held subsidiary of Trellidor Holdings Limited, acquired the Taylor business (effective 7 July 2016) from Odyssey House Proprietary Limited. As noted in the business combination note in the annual report as at 31 December 2016 the accounting for the business combination was provisional. Subsequent to 31 December 2016 the accounting of the business combination was finalised and is reported below. In addition, the 31 December 2016 core headline earnings has been updated for the tax effect of the finalisation of the business combination.

	31 December 2016 as previously stated R'000	31 December 2016 Restated R'000
<b>Fair value of assets acquired and liabilities assumed</b>		
Property, plant and equipment	6 002	6 002
Intangible assets	51 971	50 175
Inventories	39 922	40 844
Trade and other receivables	22 142	20 736
Cash and cash equivalents	7 466	7 466
Other financial liabilities	(19 773)	(19 773)
Deferred tax liability	–	(7 612)
Trade and other payables	(9 197)	(8 182)
Current tax payable	–	(2 927)
Total identifiable net assets	98 533	86 730
Goodwill	59 345	71 148
	157 878	157 878
<b>Acquisition date fair value of consideration paid</b>		
Cash	(130 606)	(130 606)
Deferred consideration	(27 272)	(27 272)
	(157 878)	(157 878)

## 6. Events after reporting date

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

## 7. 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  
(PO Box 20173, Durban North, 4016)

**Share code:** TRL

**ISIN:** ZAE000209342

("Trellidor", "the Company" or "Group")

## Directors

MC Olivier (*Chairman*)\*#

TM Dennison (*Chief Executive Officer*)

CG Cunningham (*Chief Financial Officer*)

RB Patmore\*#

JB Winship\*#

\* *Non-executive*

# *Independent*

## 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

## Website

[www.trellidor.co.za](http://www.trellidor.co.za)

## 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

2<sup>nd</sup> 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)

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