

Trellidor Holdings Limited
(Registration number 1970/015401/06)
Share code: TRL
ISIN: ZAE000209342
("Trellidor", "the Company" or "Group")

UNAUDITED INTERIM FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

HIGHLIGHTS

5% Up
Headline earnings per share of 35.2 cents

5% Up
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 cornicing 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
Assets			
Non-current assets			
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
	177 079	176 149	176 616
Current assets			
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
	168 064	177 354	212 400
Total assets	345 143	353 503	389 016
Equity and liabilities			
Equity			
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
Equity attributable to owners of the company	202 429	169 647	187 063
Non-controlling interests	5 816	4 236	4 827
Total equity	208 245	173 883	191 890
Liabilities			
Non-current liabilities			
Other financial liabilities	77 694	97 391	86 090
Deferred tax liabilities	4 142	7 652	4 439
	81 836	105 043	90 529
Current liabilities			
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
	55 062	74 577	106 597
Total liabilities	136 898	179 620	197 126
Total equity and liabilities	345 143	353 503	389 016

CONDENSED CONSOLIDATED STATEMENT
OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six months ended 31 December 2017

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

CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY
for the six months ended 31 December 2017

	Attributable to equity holders of the company					
	Share capital R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Non- controlling interests R'000	Total equity R'000
Balance at 1 July 2016	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
Balance at 31 December 2016	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)
Balance at 30 June 2017	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)
Balance at 31 December 2017	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	Unaudited six months	Audited year
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	ended 31 December 2017 R'000	ended 31 December 2016 R'000	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)
Net cash from operating activities	24 274	24 297	62 320
Cash flows from investing activities			
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
Net cash used in investing activities	(37 861)	(128 797)	(132 035)
Cash flows from financing activities			
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
Net cash from financing activities	(31 060)	56 174	35 426
Net (decrease)/increase in cash and cash equivalents	(44 647)	(48 326)	(34 289)
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
Cash and cash equivalents at the end of the period	10 394	41 029	55 103

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

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

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

	Unaudited Six months ended 31 December 2017 R'000	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
Headline earnings	38 084	36 298	64 179
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)
Core headline earnings	39 712	41 189*	71 541
* Refer to note 5.			
	Number '000	Number '000	Number '000
Number of shares issued	108 340	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	-
Diluted weighted average number of shares	108 146	113 340	108 340
Earnings per share	(cents) 35.2	33.5	59.3
Diluted earnings per share	(cents) 35.2	32.0	59.3
Headline earnings per share	(cents) 35.2	33.5	59.2
Diluted headline earnings per share	(cents) 35.2	32.0	59.2
Core headline earnings per share	(cents) 36.7	38.0	66.0
Diluted core headline earnings per share	(cents) 36.7	36.3	66.0

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
Fair value of assets acquired and liabilities assumed	6 002	6 002
Property, plant and equipment	51 971	50 175
Intangible assets	39 922	40 844
Inventories	22 142	20 736
Trade and other receivables	7 466	7 466
Cash and cash equivalents	(19 773)	(19 773)
Other financial liabilities	-	(7 612)
Deferred tax liability	(9 197)	(8 182)
Trade and other payables	-	(2 927)
Current tax payable	98 533	86 730
Total identifiable net assets	59 345	71 148
Goodwill	157 878	157 878
Acquisition date fair value of consideration paid		
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.

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

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
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and

2nd Floor, Building 3
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Transfer Secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue
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