

# Nu-World Holdings Limited

## Unaudited Interim Report

for the the half year ended 28 February 2011



### CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 Months 28 February 2011 R'000	Unaudited 6 Months 28 February 2010 R'000	% Change	Audited 12 Months 31 August 2010 R'000
<b>Revenue</b>	<b>954 547</b>	926 805	3.0	1 821 931
Net operating income (EBITDA)	59 946	60 499		113 297
Depreciation	3 007	3 155		6 629
Interest paid	4 999	2 899		4 811
Fair value adjustment on financial instruments				1 189
Income before taxation	51 940	54 445		100 668
Taxation	13 683	14 969		26 596
Income after taxation	38 257	39 476		74 072
Share of associate company profit/(loss)	30			(183)
Net profit for the period/year	38 287	39 476	(3.0)	73 889
Other comprehensive income:				
Exchange differences on translating foreign operations	6 078	61		2 152
Cash flow hedges		3 935		3 935
Total comprehensive income for the period/year	44 365	43 472	2.1	79 976
Net profit attributable to:				
Non-controlling interest	5 633	3 815		5 289
Equity holders of the company	32 654	35 661		68 600
	38 287	39 476		73 889

Total comprehensive income attributable to:				
Non-controlling interest	9 168	6 885		6 003
Equity holders of the company	35 197	36 587		73 973
	44 365	43 472		79 976

Headline earnings reconciliation				
Determination of attributable earnings and headline earnings:				
Net profit attributable to ordinary shareholders	32 654	35 661	(8.4)	68 600
Headline earnings	32 654	35 661	(8.4)	68 600

### OTHER GROUP INFORMATION

Capital distribution				22 867
Earnings per share (cents)	152,4	168,7	(9.7)	322,7
Headline earnings per share (cents)	152,4	168,7	(9.7)	322,7
Capital distribution per share (cents)				101,0
Capital distribution cover				3,0
Interest cover	11,4	19,8		22,2
Shares in issue	21 421 371	21 134 329		21 260 618
Shares in issue - weighted	21 421 465	21 143 650		21 143 650
Shares in issue - diluted	21 421 371	21 795 329		21 591 118

Operating income as percentage of turnover (%)	6,3	6,5		6,2
Net negative debt to equity ratio (%)	(18,9)	(28,7)		(9,4)
Effective taxation rate (%)	26,3	27,5		26,4
Net asset value per share (cents)	2 929,0	2 771,3	5,7	2 916,7

<b>Intangible assets</b>				
<b>Goodwill</b>				
At beginning of period/year	37 991	37 991		37 991
Net acquisition/translation of subsidiaries	4 572			
At end of period/year	42 563	37 991		37 991
<b>Intellectual property</b>				
Net acquisition of subsidiaries	12 627	14 322		14 322
Amortisation/translation of intellectual property	328	(1 303)		(1 695)
At end of period/year	12 955	13 019		12 627
Total intangible assets	55 518	51 010		50 618

### SEGMENTAL INFORMATION

<b>Geographical revenue</b>				
South Africa	540 219	538 969		1 126 051
Offshore subsidiaries	414 328	387 836		695 880
	954 547	926 805	3.0	1 821 931
<b>Geographical income</b>				
South Africa	27 223	31 730		63 148
Offshore subsidiaries	5 431	3 931		5 452
	32 654	35 661	(8.4)	68 600

### CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited 6 Months 28 February 2011 R'000	Unaudited 6 Months 28 February 2010 R'000	Audited 12 Months 31 August 2010 R'000
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets	30 488	31 284	30 942
Intangible assets	55 518	51 010	50 618
Financial assets and other investments	54 670	51 735	54 640
Deferred taxation	6 830	9 847	11 582
<b>Current assets</b>			
Inventory	403 409	268 868	391 569
Trade and other receivables	147 086	206 712	283 636
Cash equivalents	118 739	168 153	58 520
<b>Total assets</b>	<b>816 740</b>	787 609	881 507
<b>Equity and liabilities</b>			
Ordinary shareholders' funds	627 430	585 700	620 102
Minority interests	38 303	30 019	29 135
<b>Total shareholders' funds</b>	<b>665 733</b>	615 719	649 237
<b>Non-current liabilities</b>			
Long term liabilities	20 000	20 000	20 000
<b>Current liabilities</b>			
Trade and other payables	131 007	151 890	212 270
<b>Total equity and liabilities</b>	<b>816 740</b>	787 609	881 507

### CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Unaudited 6 Months 28 February 2011 R'000	Unaudited 6 Months 28 February 2010 R'000	Audited 12 Months 31 August 2010 R'000
<b>Balance as at 1 September</b>	<b>620 102</b>	554 452	554 452
Total attributable income for the period	32 654	35 661	68 600
Dividend (paid)/reversed	(1 771)	600	(361)
IFRS adjustments: share based payments			277
Loss on cash flow hedges		3 934	3 934
Capital distribution from share premium	(22 873)	(7 677)	(7 677)
Fair value movement	2 543	926	1 439
Net treasury share movement	(3 225)		1 634
Shares repurchased		(2 196)	(2 196)
<b>Balance at end of period/year</b>	<b>627 430</b>	585 700	620 102

### CONDENSED GROUP STATEMENT OF CASH FLOWS

	Unaudited 6 Months 28 February 2011 R'000	Unaudited 6 Months 28 February 2010 R'000	Audited 12 Months 31 August 2010 R'000
<b>Cash generated/(utilised) by operating activities</b>	<b>62 772</b>	20 926	(82 280)
Cash generated by/(absorbed by) operations	103 997	42 443	(45 093)
Interest paid	(4 999)	(2 900)	(4 811)
Capital distributions/dividends paid	(24 644)	(9 273)	(8 038)
Normal tax on companies	(11 582)	(9 344)	(24 338)
<b>Cash flows from investing activities</b>	<b>(2 553)</b>	(1 904)	(9 964)
Purchase of tangible fixed assets	(2 553)	(1 875)	(5 298)
Proceeds on disposal of fixed assets			464
Investment in associate		(29)	(2 934)
Increase in investment in treasury shares			(2 196)
<b>Cash flows from financing activities</b>	<b>–</b>	–	1 633
Proceeds on issue of treasury shares			1 633
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>60 219</b>	19 022	(90 611)
<b>Cash and cash equivalents at the beginning of the period/year</b>	<b>58 520</b>	149 131	149 131
<b>Cash and cash equivalents at end of the period/year</b>	<b>118 739</b>	168 153	58 520

### COMMENTS

#### FINANCIAL OVERVIEW

Directors of Nu-World Holdings Limited ("Nu-World" or "the Group" or "the Company") are pleased to report a reasonable set of interim results, for a period which has proved to be particularly challenging. The beginning of calendar 2011 has been the most demanding. Many of our retail customers are still holding large stocks of consumer durables as a consequence of lower than anticipated sales during the festive season. Consumer confidence has declined during 2011 Q1 and consistent with this, retailers have reported lower business confidence for the period. Consumers have come under increasing pressure with rising food, fuel and electricity costs. It is evident that because of the increasing cost of essentials, consumers have a lesser portion of their discretionary expenditure to spend on consumer durables. This slowdown presents a challenging trading environment for the remainder of the financial year.

Group Revenue for operations increased by 3.0% to R954,5 million (February 2010: R926,8 million).

Net operating income – EBITDA, decreased by 0.9% to R59,9 million (February 2010: R60,5 million). This decrease is off a high base after an increase of 119.1% in February 2010. Operating margins came under pressure in an increasingly competitive market. Both South African and Australian group companies faced intensified competition during the festive season and into the first months of calendar 2011.

Total comprehensive income for the period increased by 2.1% to R44,4 million (February 2010: R43,4 million).

Headline earnings per share - H.E.P.S. decreased by 9.7% to 152.4 cents (February 2010: 168.7 cents) following an increase of 161.6% for the same period last year.

The balance sheet remains solid, with negative gearing and cash equivalents of R118,7 million. All companies in the Group are focused on working capital management, reducing stock levels and improving debtors' collection days. The current high level of inventories at R403,4 million is due to the Company stocking up of our new product categories as well as an increased winter appliance range, for sale during the second half of the financial year. It is anticipated that stock levels will decline substantially by the financial year end.

Cash generated by operations of R104,0 million has improved substantially as compared to the same period for the previous year.

The net asset value per share is up 5.7% to 2 929.0 cents (February 2010: 2 771.3 cents). The share is trading at an approximate discount to net asset value of 18% with the share currently trading in the region of 2 400 cents.

#### OPERATIONAL REVIEW

The Group's line-up of international and in-house value brands encompass an ever increasing spread of consumer durables within six key market categories which include:- consumer electronics, hi-tech, small electrical appliances, white goods, liquor and furniture. Our recent diversification into two new product categories, hi-tech and liquor, has opened up new opportunities for growth across a wider spectrum of retail customers. The extensive liquor market, estimated at approximately R40 billion, offers above average growth opportunities. The hi-tech product category has proved to be competitive and challenging. Within the hi-tech category, the mobile phone market segment which is the single largest retail market category in South Africa, is anticipated to become an important growth driver. Nu-World's leading-edge range of mobile phones offers exciting features including:- multiple sims, free-to-air TV, music and a number of other impressive features, at affordable prices. Other hi-tech products currently being introduced include, mobile internet devices and netbooks. During the next few months we will be launching a comprehensive range of JVC flat panel televisions, including LCD's, LED's, and Plasmas.

Offshore subsidiaries accounted for 43% of revenues, much in line with the same period during 2010, but the percentage of income generated from offshore subsidiaries increased from 11% for the interim period to February 2010 to 17% for the period under review. Our Australian subsidiaries managed to improve their income contribution, despite intensely competitive market conditions by diversifying their product offering and winning market share.

In China, our associate company has launched a range of small appliances. It is rewarding to see our trademarked "Palsonic" branded products on the shelves of leading Chinese retailers.

#### PROSPECTS

South African retail sales growth slowed during the first quarter of calendar 2011. Consumer confidence has declined as a result of increasing inflationary pressures, including higher costs for food, fuel and electricity. It is apparent that the pace of growth in the South African economy remains volatile. This slowdown presents a challenging trading environment for the remainder of the financial year. Market conditions have become all the more competitive and profit margins have come under further pressure.

The Group's line-up of key international and local brands, across an increasingly broad range of product categories and income groups, has produced ongoing growth over many challenging years. Directors continue to focus on diligent working capital management, lower inventory target levels, higher stock turns and other cost-cutting initiatives.

#### REPORTING ENTITY

Nu-World Holdings Limited is a group of companies domiciled in both South Africa and Australia. The condensed consolidated interim financial statements as at and for the period ended 28 February 2011 comprise the Company, its subsidiaries and interest in associates.

#### BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 28 February 2011 have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the AC 500 standards as issued by the Accounting Practices Board of its successors, the Companies Act, No 71 of 2008 (as amended) and comply with the disclosure requirements of IAS 34: Interim Financial Reporting. The condensed consolidated financial statements have been prepared under the historical cost convention.

The accounting policies used in the preparation of these results are in accordance with IFRS and consistent in all material respects with those used in the audited annual financial statements for the year ended, 31 August 2010.

The condensed consolidated interim financial statements are presented in Rand rounded to the nearest thousand ('000).

The condensed consolidated statement of financial position at 28 February 2011 and the related condensed statements of comprehensive income, statement of changes in equity and cash flows for the six months then ended have not been reviewed or reported on by the Group's auditors.

#### SUBSEQUENT EVENTS

No events material to the understanding of the report have occurred during the period between 28 February 2011 and the date of this report.

On behalf of the board of directors

**J.A. Goldberg**  
Chief Executive Officer  
11 May 2011

**B.H. Haikney**  
Company Secretary

**Administration**  
Registration number 1968/002490/06  
(Incorporated in the Republic of South Africa)  
JSE share code: NWL  
ISIN code: ZAE000005070

**Registered office**  
35 3<sup>rd</sup> Street, Wynberg, Sandton 2199  
Republic of South Africa  
Tel +27 (11) 321 2111  
Fax +27 (11) 440 9920

**Transfer secretaries**  
Computershare Investor Services (Pty) Ltd  
70 Marshall Street, Johannesburg 2001

**Company secretary**  
B.H. Haikney

**Auditors**  
Tuffias Sandberg KSI

**Sponsor**  
Sasfin Capital,  
a division of Sasfin Bank Limited

**Directors**  
M.S. Goldberg (Executive Chairman)  
J.A. Goldberg (Chief Executive)  
G.R. Hindle (Financial Director)

**Non-executive directors**  
J.M. Judin (Lead)  
D. Piaray  
R. Kinross

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