

***Bidvest***



**THE BIDVEST GROUP LIMITED**

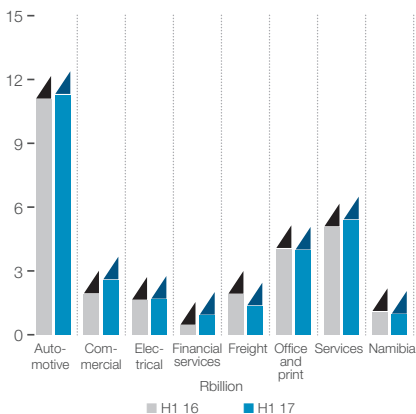
Unaudited results for the half-year ended  
31 December 2016

## Salient features

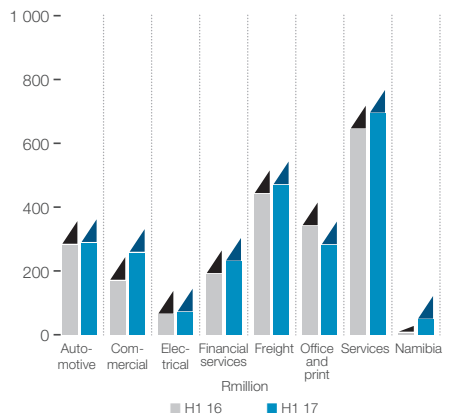
- A robust trading result before investment income, up 7,5%
- Bidvest South Africa recorded commendable increases in trading profits despite challenging economic conditions
- Basic earnings per share up 39,6% to 587,4 cents
- Headline earnings increased by 5,6% to R1,7 billion HEPS increased by 4,4% to 510,3 cents
- Strong balance sheet maintained and solid operating cash generation, up 30,1%
- Interim dividend declared of 227 cents per share

Bidvest is a leading trading, distribution and services group, operating through seven divisions: Services, Freight, Automotive, Office and Print, Commercial Products, Financial Services and Electrical. The Group owns 52% of Bidvest Namibia and a significant Bidvest occupied property portfolio. Bidvest continues to hold investments in Adcock Ingram (38,4%), Comair (27,2%), Cullinan Holdings (19,5%) and Mumbai Airport (6,75%), as well as other listed and unlisted investments.

### Revenue



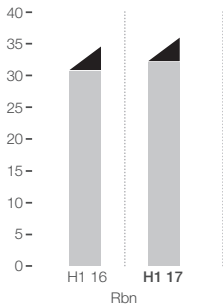
### Trading profit



+4,1%

**Revenue**

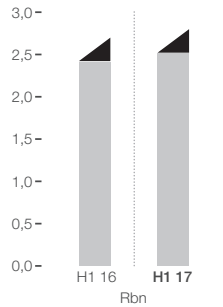
up to R36,0 billion  
(H1 2016: R34,6 billion)



+3,2%

**Trading profit**

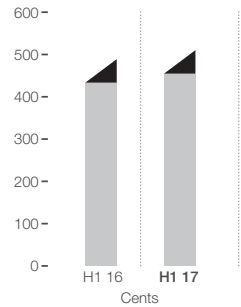
up to R2,8 billion  
(H1 2016: R2,7 billion)



+4,4%

**Headline earnings per share**

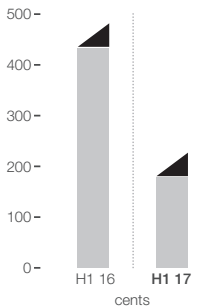
up to 510,3 cents  
(H1 2016: R489,0 cents)



-52,9%\*

**Distribution per share**

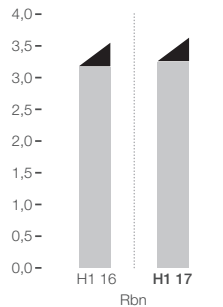
down to 227 cents  
(H1 2016: 482 cents)



+2,3%

**EBITDA**

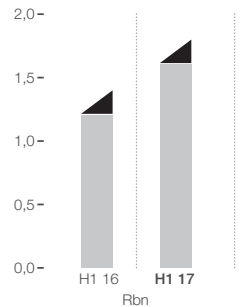
up to R3,63 billion  
(H1 2016: R3,55 billion)



+30,1%

**Cash generated by operations**

up to R1,8 billion  
(H1 2016: R1,4 billion)



\* Dividend paid pre-unbundling of foodservice businesses.

## Financial statistics

for the

		Six months ended 31 December 2016 Unaudited	Six months ended 31 December 2015 Unaudited	Change %
Turnover	R billion	<b>47,2</b>	46,3	2,0
Revenue	R billion	<b>36,0</b>	34,6	4,1
Gross profit margin <sup>1</sup>	%	<b>28,0</b>	28,1	↓
Operating Expense ratio <sup>1</sup>	%	<b>20,1</b>	20,5	↓
EBITDA	R billion	<b>3,63</b>	3,55	2,3
Trading result (excluding investment income)	R billion	<b>2,9</b>	2,7	7,5
Trading profit	R billion	<b>2,8</b>	2,7	3,2
Trading profit margin <sup>1</sup>	%	<b>7,8</b>	7,9	↓
Effective tax rate	%	<b>29,0</b>	28,3	↑
Basic earnings	R billion	<b>2,0</b>	1,4	41,2
Headline earnings	R billion	<b>1,7</b>	1,6	5,6
EPS	cents	<b>587,4</b>	420,9	39,6
HEPS	cents	<b>510,3</b>	489,0	4,4
DPS	cents	<b>227,0</b>	482,0	(52,9)
EBITDA interest cover	times	<b>7,0</b>	7,9	↓
Net debt/equity ratio	%	<b>42,7</b>	41,3	↑
Fixed debt ratio	%	<b>33,3</b>	39,6	↓
Average funds employed	R billion	<b>28,3</b>	26,2	7,7
Average return on funds employed (ROFE)	%	<b>21,4</b>	21,5	↓
Weighted number of shares	million	<b>332,9</b>	329,0	1,2

<sup>1</sup> As % of revenue

## Condensed consolidated income statement for the

R'000

	Half-year ended 31 December			Year ended 30 June
	2016	2015	%	2016
	Unaudited	Unaudited Re-presented <sup>#</sup>	change	Audited
<b>Turnover</b>	<b>47 198 870</b>	46 277 924	2,0	91 755 042
<b>Revenue</b>	<b>36 035 871</b>	34 610 933	4,1	68 241 101
Cost of revenue	<b>(25 955 901)</b>	(24 892 996)	4,3	(48 342 240)
Gross income	<b>10 079 970</b>	9 717 937	3,7	19 898 861
Operating expenses	<b>(7 252 262)</b>	(7 101 665)	2,1	(14 602 043)
Sales and distribution expenses	<b>(4 574 668)</b>	(4 557 257)		(9 361 693)
Administration expenses	<b>(1 726 309)</b>	(1 704 102)		(3 683 769)
Other expenses	<b>(951 285)</b>	(840 306)		(1 556 581)
Other income	<b>77 350</b>	85 089		299 967
Trading result	<b>2 905 058</b>	2 701 361	7,5	5 596 785
Income from investments	<b>(98 247)</b>	17 708		156 694
<b>Trading profit</b>	<b>2 806 811</b>	2 719 069	3,2	5 753 479
Share-based payment expense	<b>(69 659)</b>	(60 861)		(139 698)
Acquisition costs	<b>(14 546)</b>	(5 051)		(8 416)
Net capital items	<b>229 306</b>	(227 874)		(1 175 240)
<b>Operating profit</b>	<b>2 951 912</b>	2 425 283	21,7	4 430 125
Net finance charges	<b>(521 289)</b>	(451 784)	15,4	(922 114)
Finance income	<b>23 355</b>	16 874		194 617
Finance charges	<b>(544 644)</b>	(468 658)		(1 116 731)
Share of profit of associates	<b>200 883</b>	93 823	114,1	149 983
Profit before taxation	<b>2 631 506</b>	2 067 322	27,3	3 657 994
Taxation	<b>(638 248)</b>	(619 135)	3,1	(1 215 487)
Profit for the period from continuing operations	<b>1 993 258</b>	1 448 187	37,6	2 442 507
Profit after tax from discontinued operations	–	1 661 576		79 253 352
<b>Profit for the period</b>	<b>1 993 258</b>	3 109 763		81 695 859
Attributable to:				
Shareholders of the Company – continuing operations	<b>1 955 364</b>	1 384 934	41,2	2 285 850
Shareholders of the Company – discontinued operations	–	1 644 170		79 215 705
Non-controlling interest – continuing operations	<b>37 894</b>	63 253	(40,1)	156 657
Non-controlling interest – discontinued operations	–	17 406		37 647
	<b>1 993 258</b>	3 109 763	(35,9)	81 695 859
Shares in issue				
Total <sup>#</sup>	<b>333 603</b>	330 451		332 672
Weighted ('000) <sup>#</sup>	<b>332 897</b>	329 013		330 036
Diluted weighted ('000) <sup>#</sup>	<b>333 208</b>	330 797		331 210
Basic earnings per share (cents) – continuing operations	<b>587,4</b>	420,9	39,6	692,6
Diluted basic earnings per share (cents) – continuing operations	<b>586,8</b>	418,7	40,1	690,2
Headline earnings per share (cents) – continuing operations	<b>510,3</b>	489,0	4,4	1 054,1
Diluted headline earnings per share (cents) – continuing operations	<b>509,8</b>	486,4	4,8	1 050,4
Basic earnings per share (cents) – discontinued operations		499,7		24 002,2
Diluted basic earnings per share (cents) – discontinued operations		497,0		23 917,0
Dividends per share (cents)*	<b>227,0</b>	482,0	(52,9)	714,0
Interim	<b>227,0</b>	482,0	(52,9)	482,0
Final	–	–		232,0
Dividend in specie per share (cents)				27 818,0

<sup>#</sup> Refer to re-presentation of comparative information in basis of presentation of condensed consolidated financial statements on page 15.

\* H1 2016 dividend paid pre-unbundling of foodservice businesses.

## R'000

	Half-year ended 31 December		%	Year ended 30 June
	2016 Unaudited	2015 Unaudited Re-presented <sup>#</sup>		2016 Audited
<b>Headline earnings</b>				
The following adjustments to profit attributable to shareholders were taken into account in the calculation of headline earnings:				
Profit attributable to shareholders of the Company (from continuing operations)	<b>1 955 364</b>	1 384 934	41,2	2 285 850
Impairment (reversal) of property, plant and equipment; goodwill and intangible assets	<b>(190)</b>	146		153 475
Property, plant and equipment	<b>(264)</b>	203		34 995
Goodwill	<b>–</b>	–		52 111
Intangible assets	<b>–</b>	–		102 021
Tax charge (relief)	<b>74</b>	(57)		(35 652)
Net loss (profit) on disposal of interests in subsidiaries and disposal and closure of businesses	<b>6 338</b>	–		139 001
Loss on disposal and closure	<b>11 782</b>	–		178 176
Tax relief	<b>(5 444)</b>	–		(39 175)
Net loss (profit) on disposal, impairment and reversal of impairment of investments in associates	<b>(220 646)</b>	230 080		810 759
Impairment of investments in associates	<b>103 267</b>	216 916		760 764
Reversal of impairment of investments in associates	<b>(319 830)</b>	–		–
Net loss (profit) on change in shareholding in associates	<b>(4 083)</b>	13 164		49 995
Net loss (profit) on disposal of property, plant and equipment and intangible assets	<b>(5 335)</b>	(4 807)		2 265
Property, plant and equipment	<b>57</b>	(2 409)		5 601
Intangible assets	<b>(9 000)</b>	–		887
Tax relief	<b>(18)</b>	(4 231)		(2 843)
Non-controlling interest	<b>3 626</b>	1 833		(1 380)
Gain on bargain purchase	<b>(11 235)</b>	–		(9 310)
Non-headline items included in equity accounted earnings of associate companies	<b>(25 659)</b>	(1 478)		96 961
<b>Headline earnings</b>	<b>1 698 637</b>	1 608 875	5,6	3 479 001

<sup>#</sup> Refer to re-presentation of comparative information in basis of presentation of condensed consolidated financial statements on page 15.

## Condensed consolidated statement of other comprehensive income for the

R'000

	Half-year ended 31 December <b>2016</b> <b>Unaudited</b>	2015 Unaudited	Year ended 30 June 2016 Audited
<b>Profit for the period</b>	<b>1 993 258</b>	3 109 763	81 695 859
<b>Other comprehensive income (expense)</b>	<b>(56 917)</b>	4 064 909	4 179 959
<i>Items that may be reclassified subsequently to profit or loss</i>	<b>(56 917)</b>	4 064 909	4 170 310
<i>Foreign currency translation reserve</i>			
Exchange differences arising during the period	<b>(46 676)</b>	4 050 223	4 170 535
Available-for-sale financial assets			
Net fair value loss on available-for-sale financial assets	<b>(130)</b>	(6 334)	(2 244)
Cash flow hedges			
Fair value profit (loss) arising during the period	<b>(14 043)</b>	28 992	2 257
Tax relief (charge) for the period	<b>3 932</b>	(7 972)	(238)
<i>Items that will not be reclassified subsequently to profit or loss</i>	<b>–</b>	–	9 649
Defined benefit obligations			
Net remeasurement of defined benefit obligations during the period	<b>–</b>	–	14 796
Taxation effects			
Tax charge for the period	<b>–</b>	–	(5 147)
<b>Total comprehensive income for the period</b>	<b>1 936 341</b>	7 174 672	85 875 818
<b>Attributable to</b>			
Shareholders of the Company	<b>1 903 201</b>	7 061 997	85 658 410
Non-controlling interest	<b>33 140</b>	112 675	217 408
	<b>1 936 341</b>	7 174 672	85 875 818

## Condensed consolidated statement of cash flows for the

R'000

	Half-year ended 31 December		Year ended 30 June
	2016 Unaudited	2015 Unaudited Re-presented <sup>#</sup>	2016 Audited
<b>Cash flows from operating activities</b>	<b>(83 799)</b>	(520 339)	3 148 537
Operating profit	2 951 912	2 425 283	4 430 125
Dividends from associates	57 359	73 314	138 689
Acquisition costs	14 546	5 051	8 416
Depreciation and amortisation	828 482	833 862	1 586 940
Other cash and non-cash items	(170 083)	72 599	573 022
Cash generated by operations before changes in working capital	3 682 216	3 410 109	6 737 192
Changes in working capital	(1 873 884)	(2 019 865)	296 577
Cash generated by operations	1 808 332	1 390 244	7 033 769
Net finance charges paid	(513 759)	(442 713)	(851 371)
Taxation paid	(527 575)	(569 978)	(1 191 426)
Dividends paid by – Company	(772 306)	(1 572 605)	(3 149 552)
– subsidiaries	(78 491)	(91 635)	(128 194)
Net operating cash flows from discontinued operations	–	766 348	1 435 311
<b>Cash effects of investment activities</b>	<b>(1 367 341)</b>	(3 400 178)	(5 646 310)
Net disposals/(additions) to vehicle rental fleet	(139 179)	28 212	(77 995)
Net additions to property, plant and equipment	(988 037)	(1 827 705)	(2 404 062)
Net additions to intangible assets	(27 564)	(64 796)	(113 525)
Net acquisition of subsidiaries, businesses, associates and investments	(212 561)	(476 187)	(786 872)
Net investing cash flows from discontinued operations	–	(1 059 702)	(2 263 856)
<b>Cash effects of financing activities</b>	<b>(870 934)</b>	1 548 593	1 577 560
Proceeds from shares issued – Company	–	82 506	82 506
Disposal of treasury shares	112 771	418 970	1 265 277
Net borrowings raised (repaid)	(983 705)	1 280 067	(941 399)
Net financing cash flows from discontinued operations	–	(232 950)	1 171 176
Net decrease in cash and cash equivalents	(2 322 074)	(2 371 924)	(920 213)
Net cash and cash equivalents at the beginning of the period	2 706 226	5 818 512	5 818 512
Exchange rate adjustment from continuing operations	8 126	2 324	9 686
Exchange rate adjustment from discontinued operations	–	695 909	814 703
Cash disposed from unbundled operations	–	–	(3 016 462)
Net cash and cash equivalents at end of the period	392 278	4 144 821	2 706 226
Net cash and cash equivalents comprise:			
Cash and cash equivalents	3 566 407	6 298 693	3 911 927
Bank overdrafts shown as short-term portion of interest-bearing borrowings	(3 174 129)	(2 153 872)	(1 205 701)
	392 278	4 144 821	2 706 226

<sup>#</sup> Refer to re-presentation of comparative information in basis of presentation of condensed consolidated financial statements on page 15.



## Condensed consolidated statement of financial position

as at

R'000

	31 December 2016 Unaudited	2015 Unaudited	30 June 2016 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>23 980 597</b>	49 152 075	21 846 083
Property, plant and equipment	10 247 335	21 053 008	9 700 907
Intangible assets	972 036	2 248 624	929 960
Goodwill	3 527 268	16 546 020	2 537 036
Deferred taxation assets	585 094	922 814	618 192
Defined benefit pension surplus	180 035	146 954	180 035
Interest in associates	4 687 124	4 822 142	4 190 496
Investments	2 827 975	2 524 116	2 869 822
Banking and other advances	953 730	888 397	819 635
<b>Current assets</b>	<b>24 124 871</b>	52 656 498	23 215 161
Vehicle rental fleet	1 331 662	1 262 758	1 318 581
Inventories	8 989 473	18 045 879	7 996 103
Short-term portion of banking and other advances	729 610	705 957	878 627
Trade and other receivables	9 507 719	26 343 211	9 098 345
Taxation	—	—	11 578
Cash and cash equivalents	3 566 407	6 298 693	3 911 927
<b>Total assets</b>	<b>48 105 468</b>	101 808 573	45 061 244
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>	<b>20 975 140</b>	43 446 557	19 746 080
Attributable to shareholders of the Company	19 641 236	42 153 184	18 459 474
Non-controlling interest	1 333 904	1 293 373	1 286 606
<b>Non-current liabilities</b>	<b>7 333 237</b>	12 559 806	7 459 037
Deferred taxation liabilities	751 293	1 071 514	882 847
Life assurance fund	23 971	25 861	24 761
Long-term portion of borrowings	6 133 248	9 086 978	6 138 900
Post-retirement obligations	78 880	298 149	79 128
Puttable non-controlling interest liabilities	50 741	1 084 404	49 167
Long-term portion of provisions	140 167	830 058	163 887
Long-term portion of operating lease liabilities	154 937	162 842	120 347
<b>Current liabilities</b>	<b>19 797 091</b>	45 802 210	17 856 127
Trade and other payables	9 536 312	31 305 906	11 016 386
Short-term portion of provisions	401 179	998 197	278 830
Vendors for acquisition	52 691	650 035	28 534
Taxation	78 711	480 696	—
Amounts owed to bank depositors	3 902 707	3 096 947	3 689 161
Short-term portion of borrowings	5 825 491	9 270 429	2 843 216
<b>Total equity and liabilities</b>	<b>48 105 468</b>	101 808 573	45 061 244
Net tangible asset value per share (cents)*	4 539	7 069	4 507
Net asset value per share (cents)*	5 888	12 756	5 549

\* Refer to re-presentation of comparative information in basis of presentation of condensed consolidated financial statements on page 15.

## Condensed consolidated statement of changes in equity for the

R'000

	Half-year ended 31 December	2015	Year ended 30 June
	2016 Unaudited	Unaudited	2016 Audited
<b>Shareholders' interest</b>			
Issued share capital	16 770	16 770	16 770
Balance at beginning of the period	16 770	16 758	16 758
Shares issued during the period	–	12	12
Share premium arising on shares issued	379 792	379 792	379 792
Balance at beginning of the period	379 792	297 298	297 298
Shares issued during the period	–	82 580	82 580
Share issue costs	–	(86)	(86)
Foreign currency translation reserve	350 967	9 167 601	393 429
Balance at beginning of the period	393 429	5 149 394	5 149 394
Arising during the period	(41 922)	4 018 207	4 147 359
Realisation of reserve on disposal and or unbundling of subsidiaries and or associates	(540)	–	(8 903 324)
Hedging reserve	15 415	46 403	25 526
Balance at beginning of the period	25 526	25 383	25 383
Fair value gains (losses) arising during the period	(14 043)	28 992	2 257
Deferred tax recognised directly in reserve	3 932	(7 972)	(238)
Realisation of reserve on disposal and or unbundling of subsidiaries and or associates	–	–	(1 876)
Equity-settled share-based payment reserve	50 644	117 734	67 002
Balance at beginning of the period	67 002	310 416	310 416
Arising during the period	69 346	112 433	259 226
Deferred tax recognised directly in reserve	27 598	39 891	146 745
Utilisation during the period	(113 302)	(345 006)	(762 053)
Realisation of reserve on disposal and or unbundling of subsidiaries and or associates	–	–	3 205
Transfer from retained earnings	–	–	109 463
Retained earnings	18 245 954	32 991 139	17 108 032
Balance at the beginning of the period	17 108 032	31 558 166	31 558 166
Attributable profit	1 955 364	3 029 104	81 501 555
Change in fair value of available-for-sale financial assets	(130)	(6 334)	(2 244)
Net remeasurement of defined benefit obligations during the period	–	–	9 721
Transfer of reserves as a result of changes in shareholding of, and other transactions with subsidiaries	(94 060)	(17 192)	(45 592)
Deferred tax direct in equity arising from transactions with subsidiaries	49 054	–	–
Remeasurement of put option liability	–	–	(787)
Dividends paid	(772 306)	(1 572 605)	(3 149 552)
Dividend in specie on unbundling of subsidiaries	–	–	(92 533 240)
Deferred tax direct in equity arising from dividend in specie	–	–	(120 532)
Transfer from equity-settled share-based payment reserve	–	–	(109 463)
Treasury shares	581 694	(566 255)	468 923
Balance at the beginning of the period	468 923	(985 225)	(985 225)
Shares disposed of with the unbundling of subsidiaries	–	–	420 288
Reduction in the value of treasury shares arising on receipt of unbundled shares	–	–	(231 417)
Shares disposed of in terms of share incentive scheme	112 771	418 970	1 265 277
	<b>19 641 236</b>	<b>42 153 184</b>	<b>18 459 474</b>
<b>Equity attributable to non-controlling interest</b>			
Balance at beginning of the period	1 286 606	1 338 044	1 338 044
Other comprehensive income	33 140	112 675	217 408
Attributable profit	37 894	80 659	194 304
Movement in foreign currency translation reserve	(4 754)	32 016	23 176
Net remeasurement of defined benefit obligations during the period	–	–	(72)
Dividends paid	(78 491)	(100 862)	(141 302)
Movement in equity-settled share-based payment reserve	313	235	562
Changes in shareholding	(1 724)	(73 911)	(6 686)
Grant of put options to non-controlling interests	–	–	(68 944)
Transfer of reserves as a result of changes in shareholding of, and other transactions with subsidiaries	94 060	17 192	45 592
Non-controlling interest of unbundled subsidiaries	–	–	(98 068)
	<b>1 333 904</b>	<b>1 293 373</b>	<b>1 286 606</b>
<b>Total equity</b>	<b>20 975 140</b>	<b>43 446 557</b>	<b>19 746 080</b>

## Condensed segmental analysis for the

R'000

	Half-year ended 31 December			Year ended 30 June
	2016 Unaudited	2015 Unaudited Re-presented <sup>a</sup>	% change	2016 Audited
<b>REVENUE</b>				
<b>Bidvest South Africa</b>	<b>34 845 560</b>	33 646 687	3,6	67 298 077
Automotive	12 371 585	12 149 439	1,8	24 062 557
Commercial Products	3 735 196	2 992 545	24,8	6 013 106
Electrical	2 733 679	2 682 768	1,9	5 375 014
Financial Services	2 003 082	1 509 218	32,7	3 336 302
Freight	2 447 272	3 006 686	(18,6)	6 013 814
Office and Print	5 080 027	5 151 281	(1,4)	10 076 465
Services	6 474 719	6 154 750	5,2	12 420 819
<b>Bidvest Namibia</b>	<b>2 172 638</b>	2 045 915	6,2	3 858 949
<b>Bidvest Corporate</b>	<b>803 347</b>	837 298	(4,1)	1 726 387
Properties	239 040	207 672	15,1	411 938
Corporate and Investments	564 307	629 626	(10,4)	1 314 449
	<b>37 821 545</b>	36 529 900	3,5	72 883 413
Inter Group eliminations	(1 785 674)	(1 918 967)		(4 642 312)
	<b>36 035 871</b>	34 610 933	4,1	68 241 101
<b>TRADING PROFIT</b>				
<b>Bidvest South Africa</b>	<b>2 811 730</b>	2 648 796	6,2	5 295 391
Automotive	364 496	357 814	1,9	674 709
Commercial Products	332 117	242 507	37,0	463 654
Electrical	146 078	138 965	5,1	317 440
Financial Services	301 956	264 671	14,1	582 204
Freight	543 851	512 397	6,1	1 019 816
Office and Print	357 470	415 325	(13,9)	706 295
Services	765 762	717 117	6,8	1 531 273
<b>Bidvest Namibia</b>	<b>23 416</b>	120 662	(80,6)	296 662
<b>Bidvest Corporate</b>	<b>(28 335)</b>	(50 389)	(43,8)	161 426
Properties	207 394	184 038	12,7	366 583
Corporate and Investments	(235 729)	(234 427)	0,6	(205 157)
	<b>2 806 811</b>	2 719 069	3,2	5 753 479

## Message to shareholders

### Highlights

Bidvest has delivered a pleasing result against the backdrop of significant and continuing market challenges. The quality of earnings is evident in the performance of the South African trading operations, which delivered solid results. Despite the competitive and difficult operating environment, five of the divisions managed to maintain or increase margins through enhanced efficiencies and cost control.

South African operations delivered a good trading profit, increasing by 6,2% notwithstanding revenue only increasing 3,6%. Bidvest Namibia continued to be impacted by declining fish quotas and tough economic conditions in that country. Numerous options are being considered to improve the current situation and return these assets to profitability.

Basic earnings per share increased by 39,6% to 587,4 cents (H1 2016: 420,9 cents) and headline earnings per share by 4,4% to 510,3 cents (H1 2016: 489,0 cents). The difference in the increase between basic earnings and headline earnings per share is primarily due to the reversal of impairments arising from an increase in the market values of associate companies, Adcock Ingram Holdings Limited (Adcock Ingram) and Comair Limited (Comair), due to strong profitability gains.

### Financial overview

Group revenue increased 4,1% to R36,0 billion (H1 2016: R34,6 billion).

Gross profit margin was stable. Portfolio mix benefits were achieved by replacing low profit margin companies, with Brandcorp, which is a better margin business. Bidvest Namibia's margin continued to diminish as a result of increased fishing quota costs. Operating expenses were well controlled, increasing by a modest 2,1%. The operating expense ratio reduced to 20,1% (H1 2016: 20,5%).

All the divisions apart from Office and Print and Bidvest Namibia contributed positively to the 7,5% growth in the trading result and stable trading profit margin. Mark-to-market adjustments on our investments reduced the growth in trading profit to 3,2% or R2,8 billion (H1 2016: R2,7 billion).

The investments in Adcock Ingram, Comair and Cullinan benefited from positive mark-to-market adjustments of R319,8 million, relative to negative adjustments of R216,9 million in the corresponding period and R760,8 million for the full 2016 financial year.

Net finance charges were 15,4% higher at R521,3 million (H1 2016: R451,8 million), driven by a 1% increase in the prime interest rate and an increase in net debt due to the Brandcorp acquisition.

Income from associates more than doubled to R200,9 million (H1 2016: R93,8 million), due to significant improvements in the financial results of Adcock Ingram and Comair.

Bidvest's headline earnings increased by 5,6% to R1,7 billion (H1 2016: R1,6 billion).

Cash generated by operations at R1,8 billion was, on a like-for-like basis, 30,1% higher than the R1,4 billion generated in the prior year. The Group absorbed R1,9 billion of working capital in the current period compared to R2,0 billion in the prior period.

The balance sheet remains robust and net debt levels are acceptable at R8,4 billion given Brandcorp's recent inclusion. Net debt to equity at 42,7% (H1 2016: 41,3%) and EBITDA interest cover of 7,0 times (H1 2016: 7,9 times), are comfortably above the Group's conservative self-imposed targets, providing ample capacity for further expansion.

Moody's Investors Service affirmed the Bidvest Group's local currency global and national scale long-term issuer ratings of Baa2/Aa1.za and short-term ratings of P-2/P-1.za, with a negative outlook, in December 2016. The negative outlook relates to the challenging and low growth economic environment in South Africa.

## Acquisitions

The Brandcorp acquisition was finalised with effect from 1 October 2016 and the focus is currently on the integration of this business into the Commercial Products fold. Several small bolt-on acquisitions have been bedded down.

## Prospects

It is anticipated that current trading conditions will continue for the remainder of the year, although a gradual improvement is anticipated, supported by drought relief and improved business confidence.

Expense control and asset management remain essential pillars of our high-performance philosophy and will continue to be closely monitored.

The Group is continuously assessing and implementing plans for real growth and pursuing selective local and international opportunities to complement existing product and service offerings. This growth drive is supported by Bidvest's sound financial position and strong cash generation, which provides adequate headroom to accommodate expansion opportunities.

## DIVISIONAL REVIEW

### Services

This is a large and diverse division operating in numerous areas of service. The Services division continues to perform well, with a 6,8% increase in trading profit for the period. Expense control and good asset management remain features of the division. Excellent results were achieved by Facilities Management Services, Security Services and Allied Services. Industrial Services produced steady results, while the Travel Services business remains a concern. The division has a positive outlook for the remainder of 2017, and will benefit from the inclusion of some bolt-on acquisitions and the start up of several new contracts.

### Freight

The Freight division reported a commendable trading profit increase of 6,1%, despite a decrease in revenue following the sale of the Manica business. Results in the second quarter were particularly good. The increased profits were supported by maize import volumes resulting from the drought in southern Africa. Commodity export volumes continued to be below expectations, although manganese and chrome exports have started to improve. Good cost control has contributed to the improved performance.

### Automotive

The Motor Retail and Car Rental division reported a pleasing increase of 1,9% in trading profit, against a new vehicle market that has contracted by 13,0% in the six months to December 2016. Used vehicles performed well, increasing revenue by more than 9%. The focus on used vehicles has been critical to offset double-digit volume declines and margin pressures in the new vehicle market. The luxury new vehicle component continued to contract at a faster rate than the overall market. Bidvest Car Rental

## Message to shareholders *continued*

experienced a strong price recovery, despite increased competition in the market. This was achieved through changes in the mix towards higher margin business, leading to a good increase in trading profit.

### **Office and Print**

Revenue declined by 1,4%, mainly due to the non-recurrence of the Tanzanian voter registration project and the disposal of Kolok Mozambique. The division's trading profit result was negatively impacted by currency movements in Konica Minolta and Kolok, which masked solid performances by the other operations. Margins and expenses were generally well controlled.

### **Commercial Products**

The division produced another set of excellent results, delivering a 37% increase in trading profit. The results include the Brandcorp acquisition effective 1 October 2016. Excluding Brandcorp, trading profit increased by a solid 7,5%, despite tough trading conditions. The Industrial segment (excluding Brandcorp) achieved a pleasing performance, growing trading profit by 18%, on revenue growth of 9%. G Fox and Plumblink recorded exceptional performances. The Consumer division experienced some headwinds, with Yamaha bearing the brunt of tough trading conditions and volumes under pressure. Brandcorp's performance was in line with expectation. Cash generation in this division was particularly strong.

### **Financial Services**

Bidvest Bank and the Insurance cluster reported a pleasing set of results. Trading profit increased by 14,1%, with strong contributions from Bidvest Bank, as well as an improved return on the investment portfolio in the insurance business. Bidvest Bank's performance was driven mainly by increased profits in the Fleet and Asset Finance businesses, as well as an enhanced customer programme and product offering. Bidvest Bank corporate advances increased by 12,9% and deposits grew by 23,7%. The Insurance Group showed good premium growth in the Commercial and Travel Insurance channels, while Compendium produced outstanding results.

### **Electrical**

The division has performed well given the infrastructure development, mining and construction sectors in South Africa remain constrained. The 5,1% increase in operating profit on revenue growth of 1,9% is commendable. Solid State Power generated an excellent set of results, while Voltex managed to improve margins in a tough trading environment. Asset management and a reduction in expenses remain focus areas.

## **Other investments**

### **Bidvest Namibia (52% share)**

Difficult macro-economic factors in Namibia contributed to a disappointing overall performance, with trading profit declining by 80,6%. All operations apart from Properties, reported a decline in profitability, with Bidfish and Food and Distribution generating losses for the six months. The extremely difficult trading conditions are expected to continue in the short term. Various initiatives have been implemented to improve the operating performance. The size of the vessel fleet is being reduced and cost reduction programmes have been put in place.

### **Bidvest Corporate**

Bidvest Properties performed well with a 12,7% increase in trading profit. Mark-to-market adjustments negatively impacted the performance of investments. Ontime Automotive and the DH Mansfield Group, reduced their losses and robust action plans are in place to further improve performance.

### **Directorate**

There were no changes to the board during the period.

For and on behalf of the board

**CWL Phalatse**

*Chairman*

**LP Ralphs**

*Chief executive*

Johannesburg

27 February 2017

## Dividend declaration

In line with the Group dividend policy, the directors have declared an interim gross cash dividend of 227 cents (181,6000 cents net of dividend withholding tax, where applicable) per ordinary share for the six months ended 31 December 2016. The interim dividend is not comparable to the prior year interim dividend, which was declared as part of the larger Bidvest Group, prior to the unbundling of the foodservice businesses.

The dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

Share code	BVT
ISIN	ZAE000117321
Company registration number	1946/021180/06
Company tax reference number	9550162714
Gross cash dividend amount per share	227
Net dividend amount per share	181,6000
Issued shares at declaration date	335 404 212
Declaration date	Monday, 27 February 2017
Last day to trade cum dividend	Tuesday, 14 March 2017
First day to trade ex dividend	Wednesday, 15 March 2017
Record date	Friday, 17 March 2017
Payment date	Monday, 20 March 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 15 March 2017, and Friday, 17 March 2017, both days inclusive.

For and on behalf of the board

### CA Brighten

*Company secretary*

Johannesburg

27 February 2017



## Basis of presentation of condensed consolidated financial statements

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. They do not include all the information required for a complete set of International Financial Reporting Standards (IFRS) financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding to the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2016.

In preparing these interim condensed consolidated financial statements, management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2016.

### Significant accounting policies

The accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2016.

### #Re-presentation of December 2015 comparative information

Following the unbundling and separate listing of the Group's foodservice businesses as Bid Corporation Limited, the Group's condensed consolidated income statement, condensed consolidated statement of cash flows and condensed segmental analysis have been re-presented to take into account of the effects of the application of IFRS 5 Non-current Assets Held For Sale and discontinued operations. The Group's condensed consolidated statement of other comprehensive income, condensed consolidated statement of financial position and condensed consolidated statement of changes in equity are not required to be re-presented.

Included in the net assets unbundled were 3 614 487 Bidvest shares (treasury shares) held by Bid Corporation Limited. These shares have been treated as shares issued without a corresponding change in resources, in terms of IAS 33 Earnings per Share, and the comparative total, weighted average and diluted weighted average number of shares in issue have been restated to include these shares for the basic, diluted basic, headline and diluted headline earnings per share calculations; and net asset and net tangible asset value per share calculations.

In addition, during the period certain operations were reclassified between segments. The comparative periods' segmental information have been restated to reflect these insignificant changes.

## Net acquisition of businesses, subsidiaries, associates and investments

During the period the Group acquired 100% of the share capital of Brandcorp Holdings Proprietary Limited (Brandcorp) with effect from 1 October 2016. Brandcorp is a value-added distributor of niche industrial and consumer products trading under the industrial brands, Matus, Rentech, Burncrete, Moto/Leisure Quip and consumer brands, Cellini and MIC Prestige. The acquisition forms part of the Bidvest Commercial Products segment and will enable the Group to expand its range of complementary products and services provided by Bidvest Commercial Products. Although the acquisition has been funded in the interim with a combination of short-term borrowings and existing cash resources the intention is to secure long-term funding before the financial year end.

The Group also made a number of less significant acquisitions and disposals during the year. Certain of these acquisitions resulted in insignificant bargain purchase gains. These acquisitions were funded from existing cash resources.

The final accounting for all the acquisitions had not been completed at the time that these condensed consolidated interim financial statements were issued. However the following table summarises the provisional amounts of assets acquired and liabilities assumed which have been included in these results from the respective dates.

### R'000

	Brandcorp	Other	Total
Property, plant and equipment	219 513	56 262	275 775
Deferred taxation	24 786	(1 808)	22 978
Interest in associates	36 457	97 308	133 765
Investments and advances	–	71 602	71 602
Inventories	588 961	24 094	613 055
Trade and other receivables	450 488	19 262	469 750
Cash and cash equivalents	120 865	48 264	169 129
Borrowings	(1 980 171)	(20 307)	(2 000 478)
Trade and other payables and provisions	(361 217)	(49 005)	(410 222)
Taxation	21 607	(6 052)	15 555
Intangible assets	15 108	33 731	48 839
	(863 603)	273 351	(590 252)
Non-controlling interest	–	1 724	1 724
Realisation of foreign currency translation reserve	–	540	540
Gain on bargain purchase	–	(11 235)	(11 235)
Goodwill	863 603	126 875	990 478
<b>Net assets acquired</b>	–	391 255	391 255
Settled as follows:			
Cash and cash equivalents acquired			(169 129)
Acquisition costs			14 546
Net loss on disposal of operations			2 254
Net change in vendors for acquisition			(26 365)
<b>Net acquisition of businesses, subsidiaries, associates and investments</b>			212 561

The acquisition of Brandcorp contributed R535 million to revenue and R71 million to operating profit. Had the Brandcorp acquisition taken place 1 July 2016 the contribution to revenue would have been R1 082 million and R97 million to operating profit.

## Subsequent event

The directors are not aware of any other matters or circumstances arising after the reporting period up to the date of this report not otherwise dealt with in this report that require an adjustment to the financial results at reporting date.

## Fair value of financial instruments

The Group's investments of R2 828 million (H1 2016: R2 524 million) include R84 million (H1 2016: R497 million) recorded at cost, R1 908 million (H1 2016: R1 040 million) recorded and measured at fair values using quoted prices (level 1) and R835 million (H1 2016: R987 million) recorded and measured at fair value using factors not based on observable data (level 3). Level 3 investments are valued using discounted cash flows with a discount rate of 15,3% (H1 2016: 15,3%). Fair value losses on level 3 investments recognised in the income statement total R26 million (H1 2016: R60 million gain) and other reductions of R73 million relate to net sales and net foreign exchange losses of R1 million recognised in the currency translation reserve.

The carrying values all financial assets and liabilities approximate their fair values, with the exception of borrowings of R11 939 million whose carrying value is R11 959 million.

## Unaudited results

These results have not been audited or reviewed by the Group's auditors. The interim condensed consolidated financial statements have been prepared under the supervision of the Group financial officer, HP Meijer (BCompt, MBL) and were approved by the board of directors on 27 February 2017.

## Pro forma comparative balance sheet

The pro forma 31 December 2015 balance sheet is presented for illustrative purposes only and has been reproduced, without alteration, from the Circular to Bidvest shareholders dated 14 April 2016. The aforementioned Circular provides a full and detailed reconciliation from the previously reported unaudited balance sheet of 31 December 2015 to the pro forma balance sheet presented below.

**R'000**

	<b>2016</b>	2015
	<b>Unaudited</b>	Unaudited Pro forma
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>23 980 597</b>	22 333 478
Property, plant and equipment	<b>10 247 335</b>	9 890 267
Intangible assets	<b>972 036</b>	852 025
Goodwill	<b>3 527 268</b>	2 730 002
Deferred taxation assets	<b>585 094</b>	339 109
Defined benefit pension surplus	<b>180 035</b>	146 954
Interest in associates	<b>4 687 124</b>	4 682 809
Investments	<b>2 827 975</b>	2 803 916
Banking and other advances	<b>953 730</b>	888 397
<b>Current assets</b>	<b>24 124 871</b>	21 695 216
Vehicle rental fleet	<b>1 331 662</b>	1 262 758
Inventories	<b>8 989 473</b>	8 595 083
Short-term portion of banking and other advances	<b>729 610</b>	705 957
Trade and other receivables	<b>9 507 719</b>	9 002 287
Cash and cash equivalents	<b>3 566 407</b>	2 129 131
<b>Total assets</b>	<b>48 105 468</b>	44 028 694
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>	<b>20 975 140</b>	20 018 581
Attributable to shareholders of the Company	<b>19 641 236</b>	18 810 640
Non-controlling interest	<b>1 333 904</b>	1 207 941
<b>Non-current liabilities</b>	<b>7 333 237</b>	7 591 648
Deferred taxation liability	<b>751 293</b>	570 563
Life assurance fund	<b>23 971</b>	25 861
Long-term portion of borrowings	<b>6 133 248</b>	6 534 140
Post-retirement obligations	<b>78 880</b>	95 104
Puttable non-controlling interest liabilities	<b>50 741</b>	25 793
Long-term portion of provisions	<b>140 167</b>	180 524
Long-term portion of operating lease liabilities	<b>154 937</b>	159 663
<b>Current liabilities</b>	<b>19 797 091</b>	16 418 465
Trade and other payables	<b>9 536 312</b>	9 488 055
Short-term portion of provisions	<b>401 179</b>	412 860
Vendors for acquisition	<b>52 691</b>	18 389
Taxation	<b>78 711</b>	45 598
Amounts owed to bank depositors	<b>3 902 707</b>	3 096 947
Short-term portion of borrowings	<b>5 825 491</b>	3 356 616
<b>Total equity and liabilities</b>	<b>48 105 468</b>	44 028 694
Net tangible asset value per share (cents)	<b>4 539</b>	4 608
Net asset value per share (cents)	<b>5 888</b>	5 692

# Administration

## The Bidvest Group Limited

("Bidvest" or "the Group" or "the Company")

Incorporated in the Republic of South Africa

### Directors

**Independent non-executive chairman:** *CWL Phalatse*

**Independent non-executive directors:** *DDB Band, EK Diack, AK Maditsi, S Masinga, NG Payne, T Slabbert*

**Non-executive director:** *B Joffe*

**Executive directors:** *LP Ralphs (Chief executive), AW Dawe, NT Madisa, GC McMahon, HP Meijer\* (Group financial officer)*

*(\*Netherlands)*

### Company secretary

CA Brighten

### Transfer secretaries

Computershare Investor Services Proprietary Limited

Registration number 2004/003647/07

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### Sponsor

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#### Registered office

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PO Box 87274, Houghton, Johannesburg, 2041, South Africa

### Registration number: 1946/021180/06

Share code: BVT

ISIN: ZAE000117321

Further information regarding our Group can be found on the Bidvest website:

[www.bidvest.com](http://www.bidvest.com)



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