

Tradehold Limited - audited results for the 12 months to 28 February 2014

TRADEHOLD LIMITED

(Registration number: 1970/009054/06)

("Tradehold" or "the Group")

Incorporated in the Republic of South Africa

JSE Share code: TDH ISIN: ZAE000152658

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Tradehold Limited is an investment holding company listed on the main board of the JSE. At its financial year-end, it had no operating assets in South Africa. Its business interests then consisted of an 85% holding in the property-owning Moorgarth group of companies and an indirect holding, through Reward Investments Limited, of 63% in the two operating Reward LLP's, an asset-backed, short-term lending business. All these businesses are UK-based. By far the largest investment is in Moorgarth which manages a £77,4 million portfolio of retail, commercial and industrial buildings.

FINANCIAL PERFORMANCE

In the improving economic climate of the United Kingdom, Tradehold in the year to February 2014 built on the already much improved financial results of the previous year by growing revenue by 24,4% to £12,6 million (2013: £10,1 million) and trading profit by 72,5% to £6,1 million (2013: £3,6 million). Exceptional items contributed £1,7 million (2013: £2,8 million) to a net profit for the year of £7,3 million (2013: £6,5 million).

Moorgarth achieved an operating profit of £3,2 million compared to £2,4 million in the corresponding 12 months and, after two years of losses, reported a net profit of £0,4 million (2013: a net loss of £2,6 million). Where the net loss in 2013 was caused mainly by a downward adjustment of £2,8 million in the value of its property portfolio, it was buoyed this time by a valuation increase of £0,2 million which also reflects the steady improvement in the UK property market.

Reward in its third full year of operation continued to build on the success of the previous two years by increasing turnover by 43,3% to £4,3 million (2013: £3 million) and net profit by 44,4% to £1,3 million (2013: £0,9 million).

Tradehold's auditors, PriceWaterhouseCoopers Inc., audited the results and their unqualified report is available at Tradehold's registered office.

BUSINESS ENVIRONMENT

The UK economy has been improving steadily throughout 2013 to the extent where it is expected to grow by 2,9% in 2014 which, according to the World Monetary Fund, would make it the fastest growing economy of the G7 nations. Inflation, which has dropped to a four-year low of 1,7% has been well under control throughout the reporting period while interest rates were held at a record low of 0,5%. All these positive indicators have led to a growing confidence in the economy which is reported to be now at its highest peak since August 2007. Consumer spending is increasing, with retail sales up 2,4% in the month of February. All sectors of the property market have also benefited from the economic recovery. However, money for development has remained tight, with short-term funding in particular becoming increasingly difficult to obtain from High Street banks.

Moorgarth

Moorgarth continued during the year to dispose of non-core assets to allow it to focus on larger, more centrally located investments, particularly regionally dominant shopping centres. In line with this new acquisition strategy, the Group in November 2013 bought the 37 000 m² Market Place shopping centre in Greater Manchester for £23,5 million thereby increasing the value of its portfolio by 46%. The centre, which cost £105 million to build, has suffered a decline in recent years and Moorgarth will be extending its facilities substantially.

Moorgarth has sufficient own resources and arranged facilities to support growth projections.

Moorgarth, whose properties are located mainly in Northern England and Scotland, during the year made its first foray into Central London when it agreed terms to acquire two smaller office buildings. Both these transactions were completed after year-end, giving it a presence in the City, an objective pursued by management for some time. Rental growth in the office sector in Central London is expected to grow by 5,6% until 2017 reflecting the shortage of supply.

Moorgarth also made excellent progress during the year in filling void space in some of its properties by refurbishing these to an acceptable standard.

Reward

During the year to February 2014, the operating units of Reward Investments Limited - Reward Capital and Reward Commercial Finance - continued to build on the solid foundation established during the previous 12 months. The two businesses focus in the one instance on short-term, asset-backed loans to small and medium-sized companies and, in the other, on invoice-discounting facilities to similar-sized businesses.

Market conditions continued to favour Reward, especially in the case of the short-term loan facilities offered by Reward Capital - which has little direct competition - as such funding remains difficult to obtain from High Street banks. At the same time Reward Commercial Finance operates in an industry which is also on a substantial growth curve.

To drive new business, Reward, which operates primarily in West Yorkshire, intends extending its geographic reach to Greater Manchester, one of the largest regional markets outside London.

Despite its aggressive growth during the year, no bad debt was incurred due mainly to the very prudent lending policies management adhered to.

COMMENTS ON THE RESULTS

Exceptional items

Exceptional items are made up as follows:	2014	2013
(£million)		
Fair value adjustment of UBS AG shares	1,7	1,0
Fair value adjustment of Instore limited shares	-	1,8
Total	1,7	2,8

DIVIDEND DISTRIBUTION

On 27 May 2014, the board approved and declared a final gross dividend of 5.5 cents per ordinary share. The payment will reduce the company's share premium. The dividend will be paid in cash.

The salient dates in respect of the dividend are as follows:

Declaration date 2014	Tuesday, 27 May
Last date to trade cum dividend 2014	Thursday, 12 June
Date trading commences ex dividend 2014	Friday, 13 June
Record date 2014	Friday, 20 June
Date of payment to shareholders 2014	Monday, 23 June

Share certificates may not be dematerialised or rematerialised between Friday, 13 June 2014 and Friday, 20 June 2014, both days inclusive.

Additional Information

Although the distribution reduces the share premium of the company, the distribution constitutes a foreign dividend as defined in section 1 of the Income Tax Act ("ITA") and is a dividend for purposes of Dividends Tax ("DT"), since the shares are listed on the JSE Limited. In determining the DT of 15% to be withheld in terms of the ITA for those shareholders who are not exempt from the DT, no Secondary Tax on Companies ("STC") credits have been utilised. Shareholders who are not exempt from the DT will therefore receive a dividend of 4.675 cents net of DT. The company has 138 566 911 ordinary shares in issue and its income tax reference number is 9725126719. Shareholders that may qualify for an exemption from the DT should declare their status to their regulated intermediary.

An exemption from DT is provided for in the ITA in respect of foreign dividends paid to a South African company and to a non-resident to the extent that it is paid in respect of listed shares, provided certain administrative procedures are complied with. The ITA further provides for an exemption from income tax in respect of foreign dividends received or accrued in respect of listed shares. We recommend that shareholders consult their own tax advisors on the tax consequences of the foreign dividend.

DEVELOPMENTS AFTER YEAR-END

On 3 March 2014 ("Acquisition Date"), Tradehold acquired the total issued share capital as well as all shareholders' loans in Mettle Investments Proprietary Limited ("Mettle"). Mettle is an established financial services business with considerable synergies between its operations and those of Reward Capital and Reward Commercial Finance. The initial purchase consideration, limited to R32 million, is dependent on Mettle's profit after tax for the year ending 28 February 2015 and its net asset value at 28 February 2015. The additional purchase consideration, limited to R38 million, is dependent on Mettle's profit after tax for the year ending 29 February 2016.

The purchase consideration will be settled in full through the issue of new Tradehold shares. The excess of the purchase consideration over the net assets acquired will be recognised as goodwill at the Acquisition Date.

The results of operations for Mettle will be included in Tradehold's consolidated financial statements from the Acquisition Date.

The net asset value of Mettle as on the Acquisition Date is R35 million.

OUTLOOK

With the turnaround in the British economy and the growing confidence in

both the business community and among ordinary consumers, we believe Tradehold and its subsidiaries are well-placed to benefit from the improving market sentiment. Moorgarth's new acquisition strategy and the proven asset-management capabilities of its senior team indicate a potentially strong performance by Tradehold's largest investment in the new financial year.

The board is equally convinced of the growth potential of Reward's two LLPs.

The activities of these two businesses complement each other well, with Reward Commercial Finance providing the needed consistent cash flow. With the appointment of several key executives to bolster Reward's expansion plans in the new financial year we expect the business to further build on its excellent performance in the 2014 reporting period.

We also believe the acquisition of Mettle will further enrich the fabric of Tradehold through the entrepreneurial flair of its management and the development potential it offers.

This outlook has not been reviewed nor reported on by the company's auditors.

ACCOUNTING POLICY

The summary consolidated financial statements for the 12 months to 28 February 2014, are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act, 2008 (Act No 71 of 2008) applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement

and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the

Financial Reporting Standards Council and to also, as a minimum, contain the

information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements

for the year ended 28 February 2014 from which the summary consolidated financial statements for the 12 months to 28 February 2014 were derived, are

in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

PREPARATION OF FINANCIAL RESULTS

The preparation of the financial results was supervised by the Group financial director, Cornus Moore, BCom.

REPORTING CURRENCY

As the operations of Tradehold's subsidiaries are conducted in pound sterling and because of the distortion caused by the fluctuating value of the rand, the company reports its results in the former currency.

C H Wiese
Chairman

Malta
27 May 2014

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

(€'000) 28/02/13	Audited 12 months to 28/02/14	Audited 12 months to
Revenue	12 559	10 095
Trading profit	6 143	3 561
Exceptional items	1 741	2 823
Operating profit	7 884	6 384
Finance income	157	257
Finance cost	(245)	
(63)		
Profit before taxation	7 796	6 578
Taxation	514	84
Profit for the year	7 282	6 494
Other comprehensive income		
Currency translation differences	61	
(47)		
Total comprehensive income for the year	7 343	6 447
Profit attributable to:		
Owners of the parent	6 392	6 527
Non-controlling interest	890	
(33)		
	7 282	6 494
Total comprehensive income attributable to:		
Owners of the parent	6 453	6 480
Non-controlling interest	890	
(33)		
	7 343	6 447
Earnings per share (pence): basic and diluted		
- before exceptional items	3,4	2,7
- basic	4,6	4,7
- headline earnings	4,5	6,4
Number of shares for calculation of earnings per share ('000)	138 567	138 476

STATEMENT OF FINANCIAL POSITION

(€'000) 28/02/13	Audited 28/02/14	Audited
Non-current assets	77 873	51 900
Property, plant and equipment	5 337	5 524
Investment properties	72 536	46 341
Deferred taxation	-	35
Current assets	50 274	51 136
Financial assets	8 130	10 238
Trade and other receivables	16 952	10 714
Cash and cash equivalents	25 192	30 184
Total assets	128 147	103 036
Equity	99 939	93 793
Ordinary shareholders' equity	99 327	93 465
Non-controlling interest	612	328
Non-current liabilities	17 627	88
Preference share capital	51	51
Long-term borrowings	17 444	-

Deferred taxation	132	37
Current liabilities	10 581	9 155
Short-term borrowings	6 537	6 706
Other current liabilities	4 044	2 449
Total equity and liabilities	128 147	103 036

STATEMENT OF CASH FLOWS

	Audited 12 months to 28/02/14	Audited 12 months to
(€'000)		
28/02/13		
Cash flows from operating activities	5 678	3 716
Cash flows utilised by investing activities 720)	(27 394)	(12
Acquisition of investment properties 093)	(25 973)	(8
Acquisition of property, plant and equipment (120)	(109)	
Proceeds on disposal of investment properties	-	494
Proceeds on disposal of property, plant and equipment	17	-
Proceeds on disposal of financial asset	1 780	-
Reward loans issued 633)	(35 812)	(20
Reward loans repaid	32 703	15 632
Net cash flow 004)	(21 716)	(9
Cash flows from financing activities	16 663	238
Proceeds from borrowings	17 363	105
Proceeds from ordinary share issue	-	133
Drawings	(700)	-
Net decrease in cash and cash equivalents 766)	(5 053)	(8
Effect of changes in exchange rate (47)	61	
Cash and cash equivalents at beginning of the year	30 184	38 997
Cash and cash equivalents at end of the year	25 192	30 184

STATEMENT OF CHANGES IN EQUITY

	Audited 12 months to 28/02/14	Audited 12 months to
(€'000)		
28/02/13		
Balance at beginning of the year	93 793	87 213
Proceeds from ordinary share issue	-	133
Drawings	(700)	-
Other	3	-
Dividends distributed to shareholders	(500)	-
Total comprehensive income for the year	7 343	6 447
Balance at end of the year	99 939	93 793

SUPPLEMENTARY INFORMATION

	Audited 12 months to 28/02/14	Audited 12 months to
(€'000)		
28/02/13		
1. Depreciation for the year	297	333
2. Capital expenditure for the year	26 082	8 213

3. Calculation of headline earnings		
Net profit	6 392	6 527
(Gain)/shortfall on revaluation of investment properties	(222)	2 800
Profit on sale and scrapping of property, plant and equipment and investment properties	(17)	
(44)		
Non-controlling interest	33	
(413)		
	6 186	8 870
	Audited	Audited
(£'000)	28/02/14	
28/02/13		
4. Number of shares in issue (net of treasury shares) ('000)	138 567	138 567
5. Net asset value per share (pence)	71,7	67,5
6. Financial assets		
Listed investments at fair value	8 130	6 657
Unlisted investments at fair value	-	3 581
	8 130	10 238
7. Contingent liabilities	480	-

SEGMENTAL ANALYSIS

(£'000)	Revenue	Trading profit/(loss)	Total
assets			
Twelve months to 28 February 2014 (audited)			
Property - retail	4 559	3 274	64 324
- commercial	610	167	6 929
- offices	290	(12)	4 225
- leisure	2 839	35	6 541
- other	-	122	1 101
Short-term lending	4 261	3 137	15 096
Treasury	-	(580)	29 931
	12 559	6 143	128 147
Twelve months to 28 February 2013 (audited)			
Property - retail	3 288	11	36 732
- commercial	522	(514)	6 817
- offices	441	(973)	4 000
- leisure	2 833	1 119	6 750
- other	-	(61)	197
Short-term lending	3 011	2 036	11 820
Treasury	-	1 943	36 720
	10 095	3 561	103 036

There was no intersegment revenue, resulting in all revenue being received from external customers.