TRADEHOLD LIMITED

("Tradehold" or "the company" or "the group")
(Registration number 1970/009054/06)
JSE share code: TDH
ISIN: ZAE000152658

INTERIM CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS TO 31 AUGUST 2014

Although listed on the JSE Limited ("JSE"), the bulk of the operating assets of Tradehold Limited, an investment holding company, are located in the UK. These assets consist primarily of a holding in the property-owning Moorgarth group of companies and an indirect holding, through Reward Investments Limited, in the two operating Reward LLP's, Reward Capital and Reward Commercial Finance. The latter two entities focus on short-term, asset-backed loans to small and medium-sized businesses and on invoice-discounting facilities to similar businesses, respectively. By far the largest investment is in Moorgarth which manages a £91.9 million portfolio of retail, commercial and industrial buildings. In March 2014 Tradehold acquired the total issued share capital of the South African financial services business Mettle, which will continue as a separate business within the Group.

Tradehold has emerged from the six-month reporting period to August 2014 as a different company from what it was at the end of its previous financial year. Under a restructured board it embarked on a number of initiatives of which the most significant were the expansion of its property interests to Africa through a memorandum of understanding ("MOU") reached with the long-established Collins Group of KwaZulu-Natal to acquire the bulk of its property holdings outside the Republic, and the resultant formation of Tradehold Africa.

Marked by improving trading conditions in the UK, Tradehold increased comparative half-year revenue 73.5% to £10.1 million in the six months to August 2014. Trading profit for the same period grew 117.5% from £2.9 million to £6.3 million. A fair value loss of £1 million on a non-core investment in Swiss banking group, UBS AG, as against a fair value gain of £1.3 million on the same investment in the corresponding period, reduced the operating profit to £5.3 million. As a result, the operating profit rose by 26.4% on the £4.2 million achieved last year. Net profit for the period increased by 20% from £4 million to £4.8 million.

Business environment

During the period under review, growth in the British economy continued to gain momentum with GDP in the second quarter 3.2% higher than a year ago, according to the UK's Office for National Statistics. Unemployment dropped to 2008 levels while CPI inflation reduced to 1.5% from 2.7% a year ago. However, the positive outlook in the UK can easily be reversed by economic instability among its EU partners and a worsening political situation in the Ukraine. Still, should the present momentum be maintained, the Bank of England forecasts that the UK economy will grow by 3.5% in 2014, without any inflationary setbacks. The property market across the spectrum is expected to benefit from such growth. There are already signs of a lift in tenant demand which is spreading from London across the UK with a particular focus on office accommodation in the cheaper areas of central London and the country's other major cities.

Property

Moorgarth

In the past 12 months, the value of Moorgarth's property portfolio increased from £51.5 million in August 2013, to £91.9 million. Moorgarth reported a trading profit of £4.6 million, an increase of 212% over the £1.5 million for the corresponding prior year period. Trading profit was boosted by a £1.7 million increase in the valuation of its property portfolio. Moorgarth's net profit came to £2.6 million.

Its present acquisition focus is on shopping centres and central London office accommodation. During the reporting period it acquired three office buildings in central London at a combined cost of £18 million. The refurbishment of one of these buildings was completed in August and eleven tenants have taken up occupation. Continued strong rental growth is predicted for the City of London due to the existing lack of suitable rental accommodation.

Work has also started on the refurbishment of the regional shopping centre in Greater Manchester. This property was acquired in the previous financial year. Although greater consumer confidence is leading to improved retail sales and a consequent increased demand for retail space, rentals remain under pressure.

Tradehold Africa

As part of the expansion of its property investments in Africa, Tradehold signed an MOU with the Collins Group of KwaZulu-Natal to acquire the bulk of its commercial property holdings outside South Africa. This fourth-generation family-owned property development business has built an excellent track record for the development and management of commercial properties across Southern Africa and beyond. About 50% of the portfolio is in the UK and the rest in Africa, in countries such as Namibia, Zambia, Botswana and Mozambique.

Tradehold Africa has also identified opportunities to either develop or acquire commercial properties in various African countries. These initiatives have the potential to deliver US dollar-denominated yields to the Group. Work has started on a residential development in Maputo in Mozambique. This will represent the first "greenfield" property to be developed for Tradehold's Africa portfolio. Anadarko Petroleum Corporation of Texas in the US has signed an eight-year lease for about 50% of the 70 units, while negotiations with another blue-chip tenant for the remaining units have reached an advanced stage. These units will also be leased on a long-term basis.

Financial services

Reward

The two operating units of Reward Investments Limited – Reward Capital and Reward Commercial Finance – continued to benefit from the lack of available funding from banks in the UK for small to medium-sized businesses. Of the two, Reward Capital, which specialises in short-term, asset-backed loans, is the dominant player.

On a turnover of £2.4 million, the two units produced a combined operating profit of £1.6 million, as against £1.5 million in the corresponding period. Reward Investments posted a net profit of £0.7 million which was marginally above the net profit achieved in the corresponding period. At the end of August, the net loan book stood at £16.4 million.

Mettle

The South African company Mettle was acquired by Tradehold in March 2014 as an extension of its financial services portfolio. Mettle's products and services include debtor and SME finance; incremental housing finance; corporate finance advisory services; treasury services; and outsourced credit administration in the asset finance industry. Mettle performed in line with expectations and generated operating profit of £0.4 million and net profit after tax and non-controlling interests of £0.3 million.

Comments on the results

Fair value adjustments on non-core assets are:

(£'million)	Unaudited to 6 months 31/08/14	Unaudited to 6 months 31/08/13	Audited to 12 months 28/02/14
Fair value adjustment of UBS AG shares	(1)	1.3	1.7

Dividend

The board has decided not to declare an interim dividend.

Share issue

On 15 April 2014 Tradehold issued 2,666,666 shares to five key management personnel on full recourse loan accounts, for a total consideration of R31 999 992.

On 14 July 2014 Tradehold issued 14,366,844 shares to five investors for cash, in terms of a special placement, for a total consideration of R207 263 192.

Developments after year

On 1 September 2014, Mettle, a wholly owned subsidiary of Tradehold, acquired the total issued share capital of an established Cape Town based corporate finance advisory business, which will expand the existing advisory services offered by Mettle.

In September 2014 Tradehold concluded a share purchase agreement for an additional 10% shareholding in each of Moorgarth and Reward Investments. Once implemented, its effective shareholding in Moorgarth and Reward will be 95% and 70% respectively.

Outlook

Tradehold has embarked on a growth path, to be continued in the second half of the year. Should the transaction with the Collins Group be concluded, we will be in a position to start to capitalise on the potential of property development on the African continent. However, this will not in any way detract from our focus on the growth and development of our existing property portfolio in the UK where we are showing growth in our niche markets. We are confident that we will be able to build further on the encouraging results achieved in the first half of the year.

We also remain convinced of the potential of the two Reward businesses, while the acquisition of Mettle not only extends the range of financial services we offer but also gives us access to a pool of management skills and entrepreneurial flair.

This general forecast has not been reviewed nor reported on by the group's auditors.

Accounting policy

The consolidated interim financial information is prepared in accordance with the requirements of the JSE Listings Requirements for interim reports, and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require interim reports to be prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and must also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting excluding para 16A(j) of IAS34 as per the JSE listing requirements.
The accounting policies adopted are consistent with those of the previous financial year except as described below.

The following new IFRSs and/or IFRICs were effective for the first time for this interim period from 1 January 2014:

- Amendments to IFRS 10, IFRS 12 and IAS 27 , Investment entities
- Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36, Recoverable amount disclosures for non-financial assets
- Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting

There was no material impact on the consolidated interim financial information based on management's assessment of these standards.
Taxes on income in the interim period are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

Preparation of financial results

The preparation of the financial results was supervised by the group financial director, Karen Nordier, BAcc, BCompt Hons, CA(SA).
These results have not been audited nor have they been reviewed by the group's auditors, PricewaterhouseCoopers Inc.

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	**K L Nordier**
Chairman	*Director*

Madrid
9 October 2014

Statement of comprehensive income

(£'000)	Unaudited 6 months to 31/08/14	Unaudited 6 months to 31/08/13	Audited 12 months to 28/02/14
Revenue	10 052	5 795	12 559
Trading profit	6 291	2 892	6 143
Fair value (loss)/gain through profit or loss	(1 008)	1 288	1 741
Operating profit	5 283	4 180	7 884
Finance income	87	51	157
Finance cost	(377)	(34)	(245)
Profit from associated companies	72	—	—
Profit before taxation	5 065	4 197	7 796
Taxation	277	221	514
Profit for the period	4 788	3 976	7 282
Other comprehensive income			
Currency translation differences	(76)	—	61
Total comprehensive income for the period	4 712	3 976	7 343
Profit attributable to:			
Owners of the parent	3 955	3 666	6 392
Non-controlling interest	833	310	890
	4 788	3 976	7 282
Total comprehensive income attributable to:			
Owners of the parent	3 879	3 666	6 453
Non-controlling interest	833	310	890
	4 712	3 976	7 343
Earnings per share (pence): basic			
– before fair value (loss)/gain through profit or loss	3.4	1.7	3.4
– basic	2.7	2.6	4.6
– headline earnings	1.2	2.6	4.5
Number of shares for calculation of earnings per share ('000)	144 315	138 567	138 567
Earnings per share (pence): diluted			
– before fair value (loss)/gain through profit or loss	3.3	1.7	3.4
– diluted	2.6	2.6	4.6
– headline earnings	1.2	2.6	4.5
Number of shares for calculation of earnings per share ('000)	149 518	138 567	138 567

Statement of financial position

(£'000)	Unaudited 31/08/14	Unaudited 31/08/13	Audited 28/02/14
Non-current assets	105 833	52 616	77 873
Investment properties	92 640	46 506	72 536
Goodwill	3 996	—	—
Property, plant and equipment	5 476	5 449	5 337
Investments in associates	99	—	—
Deferred taxation	164	27	—
Trade and other receivables	1 604	—	—
Loans receivable	1 854	634	—
Current assets	58 848	54 396	50 274
Financial assets	6 883	7 946	8 130
Loans receivable	58	2 400	—
Trade and other receivables	26 162	14 477	16 952
Taxation	351	—	—
Cash and cash equivalents	25 394	29 573	25 192
Total assets	164 681	107 012	128 147
Equity	117 076	97 039	99 939
Ordinary shareholders' equity	115 956	96 631	99 327
Non-controlling interest	1 120	408	612
Non-current liabilities	28 038	51	17 627
Preference share capital	51	51	51
Long-term borrowings	20 554	—	17 444
Deferred revenue	5 158	—	—
Deferred consideration	2 143	—	—
Deferred taxation	132	—	132
Current liabilities	19 567	9 922	10 581
Short-term borrowings	10 983	6 587	6 537
Deferred consideration	2 473	—	—
Taxation	653	—	—
Other current liabilities	5 458	3 335	4 044
Total equity and liabilities	164 681	107 012	128 147

Statement of changes in equity

(£'000)	Unaudited 6 months to 31/08/14	Unaudited 6 months to 31/08/13	Audited 12 months to 28/02/14
Balance at beginning of the period	99 939	93 793	93 793
Proceeds from ordinary share issue	13 177	—	—
Drawings	(470)	(230)	(700)
Non-controlling interest on acquisition of subsidiaries	145	—	—
Other	—	—	3
Total comprehensive income for the period	4 712	3 976	7 343
Distributions to equity holders	(427)	(500)	(500)
Balance at end of the period	117 076	97 039	99 939

Statement of cash flows

(£'000)	Unaudited 6 months to 31/08/14	Unaudited 6 months to 31/08/13	Audited 12 months to 28/02/14
Cash flows from operating activities	3 848	2 698	5 678
Cash flows utilised by investing activities	(15 700)	(2 959)	(27 394)
Acquisition of investment properties	(20 612)	(208)	(25 973)
Acquisition of property, plant and equipment	(213)	(37)	(109)
Acquisition of subsidiaries	579	—	—
Proceeds on disposal of investment property and property, plant and equipment	8 668	—	17
Proceeds on disposal of financial asset	—	—	1 780
Borrowings repaid	82	—	—
Reward loans issued	(21 574)	(19 562)	(35 812)
Reward loans repaid	17 370	16 282	32 703
Other investment activities	—	566	—
Net cash flow	(11 852)	(261)	(21 716)
Cash flows from/(utilised by) financing activities	12 049	(350)	16 663
Proceeds from ordinary share issue	11 323	—	—
Redemption of preference shares	(216)	—	—
Proceeds from/(repayment of) borrowings	1 412	(120)	17 363
Drawings	(470)	(230)	(700)
Net increase/(decrease) in cash and cash equivalents	197	(611)	(5 053)
Effects of exchange rate	5	—	61
Cash and cash equivalents at beginning of the period	25 192	30 184	30 184
Cash and cash equivalents at end of the period	25 394	29 573	25 192

Non cash transaction

During the period under review the following non cash transactions took place:

- Purchase of the subsidiary Mettle Investments Proprietary Limited
  Refer to 8.1 for detail of the transaction
- Tradehold Limited share issues
  On 15 April 2014 2,666,666 Tradehold Limited shares were issued to five key management personnel on full recourse loan accounts.

Supplementary information

(£'000)	**Unaudited 6 months to 31/08/14**	Unaudited 6 months to 31/08/13	Audited 12 months to 28/02/14
1. Depreciation for the period	**193**	154	297
2. Capital expenditure for the period	**20 612**	245	26 082
3. Calculation of headline earnings			
Profit attributable to owners of parent	**3 955**	3 666	6 392
Gain on revaluation of investment properties	**(1 685)**	—	(222)
Profit on disposal and scrapping of property, plant and equipment and investment properties	**(905)**	—	(17)
Non-controlling interest	**389**	—	33
	1 754	3 666	6 186
4. Number of shares in issue (net of treasury shares) ('000)	**155 600**	138 567	138 567
5. Net asset value per share (pence)	**74.5**	69.7	71.7
6. Financial assets			
Listed investments at fair value	**6 883**	7 946	8 130
7. Contingent liabilities	**480**	—	480

8. Business combinations

8.1. Mettle Investments Proprietary Limited

On 3 March 2014, the group acquired 100% of the share capital of Mettle Investments Proprietary Limited ("Mettle"), a South African financial services business. The total consideration was £4 533 936. The goodwill of £3 719 291 arises from a number of factors including expected synergies from combining a skilled and entrepreneurial management team, as well as the operations of Reward Capital and Reward Commercial Finance. Goodwill acquired has not yet been allocated to a cash-generating unit at the end of the period as accounting for the business combination is still provisional. The following table summarises the provisional purchase price allocation for the Mettle acquisition, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	£
Total consideration	4 533 936
Initial consideration	2 428 736
Additional contingent consideration	2 105 200
Recognised amounts of identifiable assets acquired and liabilities assumed at provisional fair value:	
Total assets	5 157 304
Total liabilities	(4 148 508)
Total identifiable net assets	**1 008 796**
Non-controlling interest	(194 151)
Goodwill	3 719 291
Total consideration	**4 533 936**

Acquisition-related cost of Mettle were charged to administrative expenses in the consolidated income statement for the year ending 28 February 2014. The initial and contingent consideration arrangement requires the group to pay the former owners of Mettle in full through the issue of new Tradehold Limited shares in two separate tranches. The initial consideration is 3,200,000 shares valued at £2.4 million on the transaction date. The additional contingent consideration, limited to £2.1 million, is dependent on Mettle's profit after tax for the year ending 28 February 2015 and 29 February 2016, and its net asset value at 28 February 2015. The potential discounted amount of all future payments that the group could be required to make under this arrangement is £4.5 million. The fair value of the contingent consideration arrangement of £2.1 million was estimated based on assumed profit after tax in Mettle of R11.7 million for the year ending 29 February 2016. This profit is based on management's forecast at the date of acquisition and to date there has been no change in this forecast. Every R2.50 of profit after tax below R8 million, and every R10 of net asset value below R24 million for 28 February 2015, will decrease the liability by 1 share, with a similar credit to the income statement for the year ending 28 February 2015. Every R1 of profit after tax below R11.67 million for 29 February 2016, will decrease the liability by R6, with a similar credit to the income statement for the year ending 29 February 2016. The fair value of loan receivables included in total assets is R72 705 891. The gross contractual amount for trade receivables due is R80 735 335, of which R8 029 444 is expected to be uncollectable. The non-controlling interest has been recognised as a proportion of net assets acquired. The revenue included in the consolidated income statement from 1 March 2014 to 31 August 2014 contributed by Mettle was R30 469 178. Mettle also contributed profit after tax and controlling interest of R5 055 776 over the same period.

8. Business combinations (continued)

8.2. Cognis 1, Limitada

On 29 August 2014, the group acquired 90% of the share capital of Cognis 1, Limitada ("Cognis"), a Mozambique registered property holding company. The total consideration was 1,350,000 Meticais. The group's effective shareholding in Cognis is 63.54%. Cognis owns land in Maputo, Mozambique with development rights for a large residential development comprising 18 buildings with 78 residential units, adjoining the American, French and Portuguese private schools.

The following table summarises the provisional purchase price allocation for the Cognis acquisition, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	£
Total consideration	26 843
Recognised amounts of identifiable assets acquired and liabilities assumed at provisional fair value:	
Total assets	7 302 163
Total liabilities	(7 434 981)
Total identifiable net liabilities	**(132 818)**
Non-controlling interest	48 426
Goodwill	111 235
Total consideration	**26 843**

Acquisition-related cost of Cognis were charged to administrative expenses in the consolidated income statement for the period ending 31 August 2014. The fair value of loan receivables included in total assets is £1 367 115. The non-controlling interest has been recognised as a proportion of net assets acquired.

8.3 Acquisition of other subsidiaries

Mettle Investments (Pty) Ltd acquired two former associates Mettle Administrative Services and Mettle Vehicle Finance for £83 698, resulting in a goodwill of £163 837.

Segmental analysis

(£'000)		Revenue	Trading profit/(loss)	Total assets
Six months to 31 August 2014 (unaudited)				
Property	– retail	3 569	3 825	59 971
	– commercial	304	108	7 588
	– offices	399	572	24 112
	– leisure	1 553	139	6 367
	– other	—	(46)	14 844
Short-term lending		4 227	1 997	24 477
Treasury		—	(304)	27 322
		10 052	6 291	164 681
Six months to 31 August 2013 (unaudited)				
Property	– retail	1 860	1 378	38 722
	– commercial	245	138	5 850
	– offices	137	(5)	4 128
	– leisure	1 388	158	6 719
	– other	—	(4)	1 027
Short-term lending		2 165	1 484	13 798
Treasury		—	(257)	36 768
		5 795	2 892	107 012
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

Directors and administration

Executive directors: TA Vaughan, FH Esterhuyse, DA Harrop, KL Nordier
Non-executive directors: CH Wiese (alternate JD Wiese), HRW Troskie, JM Wragge, MJ Roberts
Independent non-executive directors: HRW Troskie, JM Wragge, MJ Roberts
Company secretary: FM ver Loren van Themaat
Transfer secretary: Computershare Investor Services (Pty) Ltd
Sponsor: Bravura Capital (Pty) Ltd