Bidvest

Going Beyond

THE BIDVEST GROUP LIMITED

Unaudited results for the half-year ended 31 December 2017

Investment case

29 years of consistent trading profit **outperformance**

Highly **entrepreneurial** and **decentralised** management teams supported by lean corporate office

Positioned for **international expansion** in chosen niche areas

Proven ability to quickly execute and assimilate **acquisitions**

Aim for **market leadership** in operating spheres

Strong track record of efficient **capital allocation**

Cash generative businesses that are relatively capital light

Highly regarded **brands**

Blended portfolio of defensive, cyclical and **growth assets**

Embracing change through **innovation**

Bidvest is a leading business-to-business 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 (38,5%), Comair (27,2%) and Mumbai Airport (6,75%), as well as other listed and unlisted investments.

Salient features

Pleasing trading profit growth up 12,0% to

R3,1 billion

R1,4 billion

more cash generated by operations

Headline earnings increased by 13,4% to

R1,9 billion

HEPS up 12,5% to

574,0 cents

per share

Interim dividend

255,0 cents

per share, up 12,3%

R4,9 billion

invested in net acquisitions, capex and SA infrastructure projects

Financial statistics

for the

		Half-year ended 31 December 2017 Unaudited	2016 Unaudited	Change %
Revenue	R billion	**39,9**	36,0	10,7
Gross profit margin[1]	%	**28,1**	28,0	↑
Operating Expense ratio[1]	%	**20,6**	20,1	↑
EBITDA	R billion	**4,0**	3,6	10,3
Trading result (excluding investment income)	R billion	**3,1**	2,9	7,3
Trading profit	R billion	**3,1**	2,8	12,0
Trading profit margin[1]	%	**7,9**	7,8	↑
Effective tax rate	%	**29,1**	29,0	↑
Basic earnings	R billion	**1,9**	2,0	(3,8)
Headline earnings	R billion	**1,9**	1,7	13,4
EPS	cents	**560,6**	587,4	(4,6)
HEPS	cents	**574,0**	510,3	12,5
DPS	cents	**255,0**	227,0	12,3
Rolling EBITDA interest cover	times	**7,6**	7,5	↑
Net debt/rolling EBITDA	times	**1,1**	1,1	–
Fixed rate net debt ratio	%	**16,6**	34,9	↓
Long-term portion of gross debt	%	**60,5**	51,3	↑
Average funds employed	R billion	**29,6**	28,3	4,8
Average return on funds employed (ROFE)	%	**22,8**	21,4	↑
Cash conversion[2]	%	**50,9**	20,7	↑
Weighted number of shares	million	**335,5**	332,9	0,8

[1] *As % of revenue*

[2] *As % of trading profit*

Condensed consolidated income statement

for the

R'000	Half-year ended 31 December 2017 Unaudited	2016 Unaudited	% change	Year ended 30 June 2017 Audited
Revenue	**39 908 810**	36 035 871	10,7	70 998 001
Cost of revenue	**(28 691 135)**	(25 955 901)	10,5	(50 342 325)
Gross profit	**11 217 675**	10 079 970	11,3	20 655 676
Operating expenses	**(8 207 847)**	(7 252 262)	13,2	(15 131 637)
Other income	**107 794**	77 350		282 122
Trading result	**3 117 622**	2 905 058	7,3	5 806 161
Income (loss) from investments	**24 907**	(98 247)		210 776
Trading profit	**3 142 529**	2 806 811	12,0	6 016 937
Share-based payment expense	**(84 082)**	(69 659)		(143 145)
Acquisition costs and intangible amortisation	**(61 028)**	(14 546)		(24 230)
Net capital items	**(1 949)**	229 306		1 027 588
Operating profit	**2 995 470**	2 951 912	1,5	6 877 150
Net finance charges	**(523 510)**	(521 289)	0,4	(1 059 560)
Finance income	**67 737**	23 355		232 069
Finance charges	**(591 247)**	(544 644)		(1 291 629)
Share of profit of associates	**214 352**	200 883	6,7	379 231
Current period earnings	**221 424**	175 224	26,4	354 966
Net capital items	**(7 072)**	25 659		24 265
Profit before taxation	**2 686 312**	2 631 506	2,1	6 196 821
Taxation	**(736 093)**	(638 248)	15,3	(1 328 232)
Profit for the period	**1 950 219**	1 993 258		4 868 589
Attributable to:				
Shareholders of the Company	**1 880 957**	1 955 364	(3,8)	4 769 940
Non-controlling interest	**69 262**	37 894	82,8	98 649
	1 950 219	1 993 258	(2,2)	4 868 589
Basic earnings per share (cents)	**560,6**	587,4	(4,6)	1 430,3
Diluted basic earnings per share (cents)	**557,1**	586,8	(5,1)	1 423,4
Headline earnings per share (cents)	**574,0**	510,3	12,5	1 108,2
Diluted headline earnings per share (cents)	**570,5**	509,8	11,9	1 102,9
Shares in issue				
Total ('000)	**336 296**	333 603		335 094
Weighted ('000)	**335 546**	332 897		333 497
Diluted weighted ('000)	**337 630**	333 208		335 098
Dividends per share (cents)	**255,0**	227,0	12,3	491,0
Interim	**255,0**	227,0	12,3	227,0
Final	**–**	–		264,0

R'000	Half-year ended 31 December 2017 Unaudited	2016 Unaudited	% change	Year ended 30 June 2017 Audited
Headline earnings				
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	**1 880 957**	1 955 364	(3,8)	4 769 940
Impairment reversal of property, plant and equipment; goodwill and intangible assets	**–**	(190)		(1 403)
Property, plant and equipment #	**–**	(264)		(1 147)
Taxation effect	**–**	74		158
Non-controlling interest	**–**	–		(414)
Net loss disposal of interests in subsidiaries and disposal and closure of businesses	**13 500**	6 338		50 874
Loss on disposal and closure #	**13 500**	11 782		65 311
Taxation effect	**–**	(5 444)		(14 437)
Net loss (profit) on disposal and remeasurement to recoverable fair value of associates	**59 687**	(220 646)		(1 080 926)
Remeasurement to recoverable fair value of associate #	**59 144**	(216 563)		(1 144 633)
Net loss (profit) on change in shareholding in associates #	**543**	(4 083)		82 072
Taxation effect	**–**	–		(18 365)
Net profit on disposal of property, plant and equipment and intangible assets	**(35 200)**	(5 335)		(7 114)
Property, plant and equipment #	**(48 551)**	57		(8 446)
Intangible assets #	**(22 687)**	(9 000)		(9 371)
Taxation effect	**1 539**	(18)		2 909
Non-controlling interest	**34 499**	3 626		7 794
Gain on bargain purchase #	**–**	(11 235)		(11 374)
Non-headline items included in equity accounted earnings of associated companies	**7 072**	(25 659)		(24 265)
Headline earnings	**1 926 016**	1 698 637	13,4	3 695 732

Items above included as capital items on condensed consolidated income statement.

Condensed consolidated statement of other comprehensive income

for the

R'000	Half-year ended 31 December 2017 Unaudited	Half-year ended 31 December 2016 Unaudited	Year ended 30 June 2017 Audited
Profit for the period	**1 950 219**	1 993 258	4 868 589
Other comprehensive expense	**(44 807)**	(56 917)	(126 903)
Items that may be reclassified subsequently to profit or loss	**(44 807)**	(56 917)	(134 297)
Foreign currency translation reserve			
Exchange differences arising during the period	**(37 623)**	(46 676)	(117 787)
Available-for-sale financial assets			
Net fair value gain (loss) on available-for-sale financial assets	**1 118**	(130)	2 527
Cash flow hedges			
Fair value loss arising during the period	**(11 531)**	(14 043)	(26 440)
Taxation effect for the period	**3 229**	3 932	7 403
Items that will not be reclassified subsequently to profit or loss	**–**	–	7 394
Defined benefit obligations			
Net remeasurement of defined benefit obligations during the period	**–**	–	10 278
Taxation effects			
Taxation charge for the period	**–**	–	(2 884)
Total comprehensive income for the period	**1 905 412**	1 936 341	4 741 686
Attributable to			
Shareholders of the Company	**1 840 213**	1 903 201	4 654 904
Non-controlling interest	**65 199**	33 140	86 782
	1 905 412	1 936 341	4 741 686

Condensed consolidated statement of cash flows

for the

R'000	Half-year ended 31 December 2017 Unaudited	Half-year ended 31 December 2016 Unaudited	Year ended 30 June 2017 Audited
Cash flows from operating activities	**1 139 588**	(83 799)	2 816 458
Operating profit	**2 995 470**	2 951 912	6 877 150
Dividends from associates	**103 149**	57 359	114 494
Acquisition costs	**48 715**	14 546	24 230
Depreciation and amortisation	**883 335**	828 482	1 641 568
Remeasurement to recoverable fair value of associates	**59 144**	(216 563)	(1 144 633)
Other cash and non-cash items	**(205 664)**	46 480	(265 154)
Cash generated by operations before changes in working capital	**3 884 149**	3 682 216	7 247 655
Changes in working capital	**(631 281)**	(1 873 884)	(367 886)
Cash generated by operations	**3 252 868**	1 808 332	6 879 769
Net finance charges paid	**(517 315)**	(513 759)	(1 030 415)
Taxation paid	**(555 444)**	(527 575)	(1 373 927)
Dividends paid by – Company	**(884 649)**	(772 306)	(1 529 585)
– subsidiaries	**(155 872)**	(78 491)	(129 384)
Cash effects of investment activities	**(4 913 559)**	(1 367 341)	(1 621 011)
Net (additions) disposals to vehicle rental fleet	**(427 843)**	(139 179)	107 399
Net additions to property, plant and equipment	**(1 033 230)**	(988 037)	(1 895 257)
Net additions to intangible assets	**(27 167)**	(27 564)	(141 066)
Net (acquisitions) disposals of subsidiaries, businesses, associates and investments	**(3 425 319)**	(212 561)	307 913
Cash effects of financing activities	**717 447**	(870 934)	(21 223)
Proceeds from shares issued – Company	**218 339**	–	–
Disposal of treasury shares	**–**	112 771	274 229
Net borrowings raised (repaid)	**499 108**	(983 705)	(295 452)
Net (decrease) increase in cash and cash equivalents	**(3 056 524)**	(2 322 074)	1 174 224
Net cash and cash equivalents at the beginning of the period	**3 886 417**	2 706 226	2 706 226
Exchange rate adjustment	**(22 695)**	8 126	5 967
Net cash and cash equivalents at end of the period	**807 198**	392 278	3 886 417
Net cash and cash equivalents comprise:			
Cash and cash equivalents	**4 710 829**	3 566 407	5 132 550
Bank overdrafts shown as short-term portion of interest-bearing borrowings	**(3 903 631)**	(3 174 129)	(1 246 133)
	807 198	392 278	3 886 417

Condensed consolidated statement of financial position
as at

R'000	31 December 2017 Unaudited	31 December 2016 Unaudited	30 June 2017 Audited
ASSETS			
Non-current assets	**29 495 039**	23 980 597	25 323 700
Property, plant and equipment	**10 952 087**	10 247 335	10 474 205
Intangible assets	**3 240 955**	972 036	1 667 710
Goodwill	**4 432 465**	3 527 268	3 167 700
Deferred taxation assets	**679 003**	585 094	728 913
Defined benefit pension surplus	**202 886**	180 035	202 886
Interest in associates	**5 422 643**	4 687 124	5 375 328
Investments	**3 441 503**	2 827 975	2 843 132
Banking and other advances	**1 123 497**	953 730	863 826
Current assets	**27 353 676**	24 124 871	26 067 498
Vehicle rental fleet	**1 302 094**	1 331 662	992 942
Inventories	**8 948 644**	8 989 473	8 595 692
Short-term portion of banking and other advances	**831 335**	729 610	1 026 974
Trade and other receivables	**11 362 836**	9 507 719	10 136 307
Taxation	**197 938**	–	183 033
Cash and cash equivalents	**4 710 829**	3 566 407	5 132 550
Total assets	**56 848 715**	48 105 468	51 391 198
EQUITY AND LIABILITIES			
Capital and reserves	**24 099 449**	20 975 140	23 044 323
Attributable to shareholders of the Company	**22 828 089**	19 641 236	21 697 305
Non-controlling interest	**1 271 360**	1 333 904	1 347 018
Non-current liabilities	**10 452 242**	7 333 237	7 165 102
Deferred taxation liabilities	**1 077 226**	751 293	1 014 705
Life assurance fund	**631 058**	23 971	311 355
Long-term portion of borrowings	**8 324 551**	6 133 248	5 408 072
Post-retirement obligations	**76 266**	78 880	77 197
Puttable non-controlling interest liabilities	**60 990**	50 741	60 990
Long-term portion of provisions	**176 017**	140 167	149 907
Long-term portion of operating lease liabilities	**106 134**	154 937	142 876
Current liabilities	**22 297 024**	19 797 091	21 181 773
Trade and other payables	**10 921 805**	9 536 312	11 033 424
Short-term portion of provisions	**453 230**	401 179	278 582
Vendors for acquisition	**56 471**	52 691	39 523
Taxation	**298 688**	78 711	109 771
Amounts owed to bank depositors	**5 132 068**	3 902 707	4 412 104
Short-term portion of borrowings	**5 434 762**	5 825 491	5 308 369
Total equity and liabilities	**56 848 715**	48 105 468	51 391 198
Net tangible asset value per share (cents)	**4 506**	4 539	5 032
Net asset value per share (cents)	**6 788**	5 888	6 475

Condensed consolidated statement of changes in equity

for the

R'000	Half-year ended 31 December 2017 Unaudited	Half-year ended 31 December 2016 Unaudited	Year ended 30 June 2017 Audited
Shareholders' interest			
Issued share capital	**16 830**	16 770	16 770
Balance at beginning of the period	**16 770**	16 770	16 770
Shares issued during the period	**60**	–	–
Share premium arising on shares issued	**598 071**	379 792	379 792
Balance at beginning of the period	**379 792**	379 792	379 792
Shares issued during the period	**218 613**	–	–
Share issue costs	**(334)**	–	–
Foreign currency translation reserve	**253 216**	350 967	286 628
Balance at beginning of the period	**286 628**	393 429	393 429
Movement during the period	**(33 560)**	(41 922)	(105 885)
Realisation of reserve on disposal of subsidiaries and or associates	**148**	(540)	(916)
Hedging reserve	**(1 813)**	15 415	6 489
Balance at beginning of the period	**6 489**	25 526	25 526
Fair value losses arising during the period	**(11 531)**	(14 043)	(26 440)
Deferred tax recognised directly in reserve	**3 229**	3 932	7 403
Equity-settled share-based payment reserve	**(49 459)**	50 644	(14 787)
Balance at beginning of the period	**(14 787)**	67 002	67 002
Arising during the period	**83 945**	69 346	143 712
Deferred tax recognised directly in reserve	**100 056**	27 598	81 779
Utilisation during the period	**(218 673)**	(113 302)	(307 280)
Retained earnings	**21 268 092**	18 245 954	20 279 261
Balance at the beginning of the period	**20 279 261**	17 108 032	17 108 032
Attributable profit	**1 880 957**	1 955 364	4 769 940
Change in fair value of available-for-sale financial assets	**1 118**	(130)	2 527
Net remeasurement of defined benefit obligations during the period	**–**	–	7 359
Transfer of reserves as a result of changes in shareholding of, and other transactions with subsidiaries	**(8 595)**	(94 060)	(118 000)
Taxation direct in equity arising from transactions with subsidiaries	**–**	49 054	47 664
Remeasurement of put option liability	**–**	–	(8 676)
Dividends paid	**(884 649)**	(772 306)	(1 529 585)
Treasury shares	**743 152**	581 694	743 152
Balance at the beginning of the period	**743 152**	468 923	468 923
Shares disposed of in terms of share incentive scheme	**–**	112 771	274 229
	22 828 089	19 641 236	21 697 305
Equity attributable to non-controlling interest			
Balance at beginning of the period	**1 347 018**	1 286 606	1 286 606
Other comprehensive income	**65 199**	33 140	86 782
Attributable profit	**69 262**	37 894	98 649
Movement in foreign currency translation reserve	**(4 063)**	(4 754)	(11 902)
Net remeasurement of defined benefit obligations during the period	**–**	–	35
Dividends paid	**(155 872)**	(78 491)	(129 384)
Movement in equity-settled share-based payment reserve	**137**	313	(567)
Changes in shareholding	**6 283**	(1 724)	(14 419)
Transfer of reserves as a result of changes in shareholding of, and other transactions with subsidiaries	**8 595**	94 060	118 000
	1 271 360	1 333 904	1 347 018
Total equity	**24 099 449**	20 975 140	23 044 323

Condensed segmental analysis

for the

R'000	Half-year ended 31 December 2017 Unaudited	2016 Unaudited	% change	Year ended 30 June 2017 Audited
REVENUE				
Bidvest South Africa	**38 670 257**	34 845 560	11,0	69 679 523
Automotive	**12 695 722**	12 371 585	2,6	24 182 054
Commercial Products	**4 429 244**	3 735 196	18,6	8 025 202
Electrical	**2 900 602**	2 733 679	6,1	5 667 087
Financial Services	**1 786 523**	2 003 082	(10,8)	4 009 127
Freight	**2 919 455**	2 447 272	19,3	4 986 641
Office and Print	**4 939 676**	5 080 027	(2,8)	9 670 916
Services	**8 999 035**	6 474 719	39,0	13 138 496
Bidvest Namibia	**2 040 070**	2 172 638	(6,1)	3 794 668
Bidvest Corporate	**793 973**	803 347	(1,2)	1 592 071
Properties	**260 748**	239 040	9,1	489 124
Corporate and Investments	**533 225**	564 307	(5,5)	1 102 947
	41 504 300	37 821 545	9,7	75 066 262
Inter Group eliminations	**(1 595 490)**	(1 785 674)		(4 068 261)
	39 908 810	36 035 871	10,7	70 998 001
TRADING PROFIT				
Bidvest South Africa	**3 158 613**	2 811 730	12,3	5 632 476
Automotive	**342 748**	364 496	(6,0)	663 395
Commercial Products	**353 780**	332 117	6,5	688 571
Electrical	**147 466**	146 078	1,0	350 173
Financial Services	**318 831**	301 956	5,6	625 303
Freight	**641 589**	543 851	18,0	1 070 257
Office and Print	**402 717**	357 470	12,7	657 692
Services	**951 482**	765 762	24,3	1 577 085
Bidvest Namibia	**7 517**	23 416	(67,9)	86 470
Bidvest Corporate	**(23 601)**	(28 335)	(16,7)	297 991
Properties	**233 046**	207 394	12,4	428 566
Corporate and Investments	**(256 647)**	(235 729)	8,9	(130 575)
	3 142 529	2 806 811	12,0	6 016 937

Condensed segmental analysis continued
as at

R'000	31 December 2017 Unaudited	31 December 2016 Unaudited	% change	30 June 2017 Audited
OPERATING ASSETS				
Bidvest South Africa	**32 179 152**	28 415 218	13,2	29 122 500
Automotive	**5 896 136**	5 659 114	4,2	5 339 287
Commercial Products	**3 665 770**	3 636 021	0,8	3 551 648
Electrical	**2 460 571**	2 187 495	12,5	2 667 671
Financial Services	**6 385 319**	4 948 254	29,0	5 563 759
Freight	**5 261 707**	4 294 514	22,5	4 645 695
Office and Print	**3 467 080**	3 807 043	(8,9)	3 323 661
Services	**5 042 569**	3 882 777	29,9	4 030 779
Bidvest Namibia	**2 058 503**	2 248 775	(8,5)	2 015 270
Bidvest Corporate	**10 010 546**	9 428 496	6,2	10 125 882
Properties	**2 685 696**	2 355 135	14,0	2 476 202
Corporate and Investments	**7 324 850**	7 073 361	3,6	7 649 680
	44 248 201	40 092 489	10,4	41 263 652
Inter Group eliminations	**(660 676)**	(637 826)		(752 360)
	43 587 525	39 454 663	10,5	40 511 292
OPERATING LIABILITIES				
Bidvest South Africa	**17 294 441**	14 126 261	22,4	16 308 453
Automotive	**2 105 392**	2 148 734	(2,0)	2 022 061
Commercial Products	**1 213 379**	1 230 351	(1,4)	1 250 266
Electrical	**618 511**	551 585	12,1	1 026 649
Financial Services	**6 974 156**	4 978 718	40,1	5 798 434
Freight	**2 441 601**	2 110 093	15,7	2 556 096
Office and Print	**1 287 373**	1 357 895	(5,2)	1 472 161
Services	**2 654 029**	1 748 885	51,8	2 182 786
Bidvest Namibia	**556 407**	492 973	12,9	448 478
Bidvest Corporate	**306 406**	256 745	19,3	400 874
Properties	**16 765**	25 209	(33,5)	8 900
Corporate and Investments	**289 641**	231 536	25,1	391 974
	18 157 254	14 875 979	22,1	17 157 805
Inter Group eliminations	**(660 676)**	(637 826)		(752 360)
	17 496 578	14 238 153	22,9	16 405 445

Message to shareholders

Introduction

Bidvest is a leading business-to-business 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 (38,5%), Comair (27,2%) and Mumbai Airport (6,75%), as well as other listed and unlisted investments.

Highlights

Bidvest has produced a very commendable trading result despite a pedestrian economic backdrop, subdued consumer spending and an evolving political environment. Trading profit rose 12,0% to R3,1 billion from R2,8 billion for the comparable period last year. This again demonstrates the benefits of Bidvest's robust and diverse operating units, which collectively serve many key sectors of the South African economy. All the South African trading operations apart from Automotive grew profits, while Bidvest Namibia delivered a disappointing performance. Bidvest South Africa's performance was augmented by our strategically important offshore acquisition, Noonan (effective 1 September 2017) and an additional three-month contribution from Brandcorp (effective 1 October 2016).

The Services, Freight and Office and Print divisions were the stand-out performers over the six-month period with increases in trading profit of 24,3%, 18,0% and 12,7%, respectively. The Services division's organic growth in trading profit of 10,4%, is considered good in the current economic circumstances. Freight recorded several record months as bulk commodities, agricultural and liquid volumes increased markedly.

Bidvest's share of profits from associated companies, before capital items, increased by 26,4%.

The net result of these positive trading performances was an increase in headline earnings to R1,9 billion (H1 2017: R1,7 billion). Headline earnings per share (HEPS) increased by 12,5% to 574,0 cents (H1 2017: 510,3 cents). Organic HEPS growth was 11,9%. Basic earnings per share decreased by 4,6% to 560,6 cents (H1 2017: 587,4 cents) mainly due to limited share price movements in our associates compared to material share price increases in the prior period.

Cash generated by operations increased significantly from R1,8 billion to R3,3 billion. Non-financial services had strong cash conversion and Bidvest Bank was successful in raising deposits. The Group absorbed R0,6 billion (H1 2017: R1,9 billion) of working capital.

Message to shareholders continued

Financial overview

Group revenue increased by 10,7% to R39,9 billion (H1 2017: R36,0 billion). Organic revenue growth was 3,3%.

Gross profit margin was stable at 28,1% (H1 2017: 28,0%), largely due to changes in the mix and acquisitions. Some margin pressure was evident in certain industries, particularly in consumer and construction, which affected the Automotive and Electrical divisions. Delayed industrial project work also negatively impacted the Services and Commercial Products divisions.

Operating expenses increased by 13,2%. Like-for-like expense growth was 8,5%. This increase was exacerbated by the variable costs increases in Freight associated with the higher activity levels.

Income from investments improved to R24,9 million (H1 2017: R98,2 million loss), and is predominantly attributable to the insurance portfolio. The latter performed exceptionally well in relation to the prior year but this was somewhat negated by a negative mark-to-market on our Mumbai Airport's investment due to the strengthening of the Rand.

Trading profit grew by 12,0% to R3,1 billion (H1 2017: R2,8 billion), with a trading margin of 7,9% (H1 2017: 7,8%).

Net capital items resulted from a loss on disposal and closure of Botswana operations, a profit on sale of a shipping vessel in the Bidvest Namibia operations and a net negative adjustment to the investments in Adcock Ingram and Comair.

Flat net finance charges of R523,5 million (H1 2017: R521,3 million), was assisted by good cash generation despite additional borrowing to fund acquisitions. In addition, the year-on-year increase was partially offset by a 25-basis points reduction in the South African prime lending rate to 10,25% on 21 July 2017.

The balance sheet remains robust with net debt only R0,7 billion higher at R9,0 billion, despite a net R3,4 billion spent on recent acquisitions. Net debt to rolling EBITDA of 1,1 times (H1 2017: 1,1 times) and rolling EBITDA interest cover of 7,6 times (H1 2017: 7,5 times) are both comfortably above the Group's conservative self-imposed targets, providing ample capacity for further expansion.

Return on funds employed improved from 21,4% to 22,8% on a 4,8% higher average asset base.

Management remains committed to the disposal of non-core assets, but only at fair value.

Prospects

Bidvest's prediction at year end of a slight economic recovery has materialised to a degree. While consumer spending remains tight, there are some signs of confidence emerging, specifically driven by rising commodity prices and retail statistics that are showing signs of potential growth. The local equity markets have continued to perform well, despite credit rating downgrades and accounting issues impacting certain stocks.

The Bidvest Group remains committed to, and has advanced, its various infrastructural development projects, specifically in multi-purpose and liquid gas storage.

Bidvest is encouraged by recent political changes in South Africa and believes that the country is on the cusp of a much-needed confidence boost. Most divisions within Bidvest are ideally positioned to take advantage of a revival in economic growth and investment.

Government overspending, substantially reduced infrastructural and other investments as well as corruption has led to South Africa experiencing significant economic damage, which will take many years to remedy. It is expected that any real benefits will take some time to fully flow through into the broader economy.

The Group reaffirms its commitment to ethical business practices, job creation and economic growth through expansion of its operations.

Rand strength will result in further pricing pressure in our trading businesses in the coming months, but ultimately a stronger currency will be beneficial to the South African economy as a whole.

The Noonan acquisition is delivering as expected and it is already providing the anticipated platform for potential acquisitions, specifically in Europe. Possibilities, mainly bolt-on acquisitions, are being assessed that could add value to the existing portfolio. Local acquisitions will always remain a feature for Bidvest and the Group continues to actively explore selective opportunities within the existing divisions.

Recent developments in the South African market have again raised the spotlight on corporate management practices. At Bidvest, governance is in our DNA, it is the way we do business and our accounting and governance practices have been developed with long-term sustainable value creation in mind. Our structures are well-established and effective. We are acutely aware of our responsibilities toward all stakeholders. Each of our divisions have quarterly audit committee meetings, chaired by an independent chairman, risk-, social & ethics meetings as well as an operational board meeting. Senior internal audit and external audit representatives attend these. Feedback from these meetings is tabled and discussed at the relevant Bidvest Group committee meetings.

The Group's financial position is strong and a robust balance sheet with adequate headroom is ideally positioned to support our growth ambitions.

Divisional review

Services

The Services division's trading profit rose by 24,3% to R951,5 million. The South African businesses delivered an increase of 10,4% in trading profit. Noonan performed in line with our expectations. Generally, all businesses within this division performed well except for TMS and the Travel cluster. The annuity-income businesses performed well, securing some volume growth. Contracts out to tender are very price sensitive. Margin pressure in guarding was more than offset by niche services. BidAir performed well. Remedial action is ongoing in TMS and Travel is revamping its systems. Cash generation was particularly pleasing in these six months.

Keen contract pricing, margin management as well as the broadening of the services basket will remain focus areas for the division. The contract pipeline in both South Africa and Noonan are actively managed.

Freight

The Freight division's trading profit of R641,6 million increased by 18,0% on the prior period. Higher bulk commodities, agricultural and liquid volumes drove increased activity levels. Bulk Connections experienced capacity constraints caused by a storm and ship collision damage to the berth. The benefits of the division's capital spend, specifically in Bidvest Tank Terminals, commenced.

Global demand for commodities is expected to remain healthy, supporting export volumes. The maize market is globally in over supply, keeping prices relatively low. The stronger Rand is also limiting export pricing for local farmers and volatile weather patterns make forecasting of the crop challenging. With surplus product available, any export movement will be opportunistically price-driven. The wheat crop has been poor in South Africa, resulting in an increased need to import. Rice imports have been very healthy and should continue. R240 million was spent on multi-purpose tanks in Richards Bay. These are currently being commissioned.

Office and Print

This division delivered an excellent result, the fruits of initiatives to simplify the business and improve efficiencies. Stock management was excellent which assisted the improvement in returns. While overall revenue was slightly down, this was mainly in the office products sector, due to the non-recurrence of project-based voter registration business, and lower print cartridge volumes. The division's strategy of actively managing margin delivered a 1,9% gain in gross profit margin. Operating expenses were exceptionally well controlled. Trading profit was 12,7% higher at R402,7 million.

The Technology division benefited from improved margins at Konica Minolta which was assisted by a significant contract with the eThekwini municipality. Furniture delivered an outstanding result and Cecil Nurse ended the period with a good order book. Lithotech increased profits in challenging trading conditions. Packaging felt the impact of pricing pressure in the fast food market. The national contract for the monitoring of limited pay-out machines, held by Zonke since 2003, was handed over to a new operator in December. This will have an impact on the second half results. Remedial work underway in certain businesses is showing benefits.

Commercial Products

The Commercial Products division produced a good result with 11 out of the 17 companies reporting improved profitability. The division's trading profit increased by 6,5% to R353,8 million. The organic performance was negatively impacted by limited consumer spend and margin pressure. Berzacks, Bidvest Materials Handling, Plumblink and Academy Brushware all achieved double digit trading profit growth. Delayed industrial projects and margin pressure contributed to a disappointing Brandcorp performance in Q2. Structural changes to the business will be beneficial.

Some signs pointing to higher activity and demand are evident. Product and margin management will remain key focus areas. The strengthening Rand is expected to result in pricing pressure in the near-term.

Automotive

This division experienced a disappointing first six-month period with a trading profit of R342,7 million, down 6,0%. New vehicle sales increased by 7,7% compared to last year, increasing McCarthy's share of the new vehicle market slightly. Motor retail activities were a tale of two segments. The volume brand dealerships performed well while the luxury brand dealerships struggled with a further decline in volumes and significant margin pressure. Benefits from the rationalisation of our footprint are also taking a bit longer than expected to materialise. Used car sales continue to perform reasonably well in terms of contribution. Bidvest Car Rental results were disappointing.

Expenses and the asset base across the division are receiving management attention. NAAMSA is expecting a modest increase in new vehicle sales in 2018. Bidvest Automotive has good exposure to recently launched volume brand products.

Electrical

The Electrical division has delivered another year of increased trading profit, which is up 1,0% to R147,5 million. Considering the challenging conditions in the building and construction industry and the severe challenges that the larger construction companies are experiencing, these results are admirable. The aforementioned industry remains in particularly dire straits and Government and State Owned Enterprises' infrastructure spending remains poor. The division's focus on increasing value-added products and solutions in its business mix continues to yield benefits. Changed competitive dynamics in the cable industry and volatile product pricing were well managed.

The industry outlook remains uncertain with financial strain evident at some customers. Price, working capital and expense management will remain key focus areas.

Financial Services

The Financial Services division delivered 5,6% trading profit growth. Revenue declined mainly due to the termination of a major short-term rental contract. Despite some new contract wins, the expected big fleet contract tenders have been delayed. Leased assets and fleet finance advances grew off the prior year base. Net interest income and gross written premiums increased as the business base continues to widen. FMI grew strongly and the build-up of the embedded value caused a drag on profitability, as was expected. The insurance investment portfolio performed strongly, yielding R61,3 million more compared to the prior year.

Management will focus on driving Business Banking and acquiring services while further niche insurance product development will also be pursued.

Other investments

Bidvest Namibia (52% share)

Bidvest Namibia's trading profit of R7,5 million was 67,9% lower than the prior period. The Namibian economy, as well as the fishing industry and operational challenges continued to weigh on results. The former is not expected to improve in the immediate future. A capital profit of R48,6 million was made on the sale of a fishing vessel. Bidvest Namibia continues to trade under a cautionary announcement relating to the sale of its fishing interests.

Bidvest Corporate

Bidvest Properties performed well with a 12,4% increase in trading profit to R233,0 million. The stronger Rand resulted in a negative mark-to-market adjustment on the Mumbai International Airport investment. The United Kingdom businesses of Mansfield and Ontime both showed improvements over the prior year.

Directorate

As announced in November 2017, Peter Meijer, CFO, will be retiring on 28 February 2018. The board has approved the appointment of Mark Steyn to this position, effective 1 March 2018. Prior to this appointment Mark was the financial director of Bidvest Freight and has 20 years' service with the Group.

Bongi Masinga resigned as a member of the Group audit committee and was appointed as a member of the Group risk and Group social and ethics committees.

Ilze Roux was appointed Company secretary following the resignation of Craig Brighten.

For and on behalf of the board

CWL Phalatse
Chairman

LP Ralphs
Chief executive

Johannesburg
26 February 2018

Dividend declaration

In line with the Group dividend policy, the directors have declared an interim gross cash dividend of 255 cents (204,0000 cents net of dividend withholding tax, where applicable) per ordinary share for the six months ended 31 December 2017 to those members registered on the record date, being Friday, 16 March 2018.

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	255 cents
Net dividend amount per share	204,0000 cents
Issued shares at declaration date	336 605 775
Declaration date	Monday, 26 February 2018
Last day to trade cum dividend	Tuesday, 13 March 2018
First day to trade ex dividend	Wednesday, 14 March 2018
Record date	Friday, 16 March 2018
Payment date	Monday, 19 March 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 14 March 2018 and Friday, 16 March 2018, both days inclusive.

For and on behalf of the board

Ilze Roux

Company Secretary

Basis of presentation of condensed consolidated financial statements

The interim condensed consolidated financial statements have been prepared in accordance with and containing information required by IAS 34 Interim Financial Reporting as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the Companies Act of South Africa and the JSE Listings Requirements. 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 2017.

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 2017.

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 2017.

Net acquisition of businesses, subsidiaries, associates and investments

During the period the Group acquired 100% of the share capital of the Noonan Services Group of companies (Noonan) with effect from 1 September 2017. Noonan, which is based and operates throughout the Republic of Ireland and in the United Kingdom, has a clear leadership position and a 40 year track record of delivering high-quality integrated facility management services and solutions. Its services include soft, technical and ancillary services and range from cleaning and security to building services and facilities management. The board believes that Noonan's business model and geographic presence will be complementary to Bidvest's Service division. The purchase price was funded by way of a three year euro denominated offshore credit facility at an attractive variable interest rate.

Effective 1 October 2017 the Group acquired 100% of the share capital of Ultimate Security Services (USS). USS, a building security company operating primarily in London (United Kingdom), provides building security risk management solutions, "front of house" security management, reception services and mail-room handling services to more than 240 of London's most prestigious and iconic locations. USS was founded in 1999 and currently has a staff complement of 2 100 experienced security officers. The acquisition enhances the service offerings provided by Noonan. The purchase price was funded by way of the euro denominated offshore credit facility arranged to fund the acquisition of Noonan.

The Group also made a number of less significant acquisitions and disposals during the year. 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, in each case the final accounting will be completed within 12 months of the acquisition date, as allowed by the applicable accounting standard. The following table summarises the provisional amounts of assets acquired and liabilities assumed which have been included in these results from the respective dates.

Basis of presentation of condensed consolidated financial statements continued

R'000	Noonan Services	Ultimate Security Services	Other	Total
Property, plant and equipment	110 555	9 241	(11 435)	108 361
Deferred taxation	(185 673)	–	(30 701)	(216 374)
Interest in associates	–	–	13 710	13 710
Investments and advances	–	–	272 227	272 227
Inventories	2 134	–	39 395	41 529
Trade and other receivables	846 484	250 308	75 689	1 172 481
Cash and cash equivalents	103 151	4 489	35 518	143 158
Borrowings	(33 537)	–	16 228	(17 309)
Trade and other payables and provisions	(657 811)	(241 086)	(59 296)	(958 193)
Taxation	1 971	–	(967)	1 004
Intangible assets	1 573 116	–	3 493	1 576 609
	1 760 390	22 952	353 861	2 137 203
Non-controlling interest	–	–	(6 283)	(6 283)
Realisation of foreign currency translation reserve	–	–	(148)	(148)
Goodwill*	890 478	368 172	133 585	1 392 235
Net assets acquired	2 650 868	391 124	481 015	3 523 007
Settled as follows:				
Cash and cash equivalents acquired				(143 158)
Acquisition costs				48 715
Net loss on disposal of operations				14 043
Net change in vendors for acquisition				(17 288)
Net acquisition of businesses, subsidiaries, associates and investments				3 425 319

** The significant contributor to goodwill is the "in place" workforce.*

The acquisition of Noonan contributed R1 741 million to revenue and R97 million to operating profit. Had the Noonan acquisition taken place 1 July 2017 the contribution to revenue would have been R2 610 million and R142 million to operating profit. The acquisition of USS contributed R377 million to revenue and R12 million to operating profit. Had the USS acquisition taken place 1 July 2017 the contribution to revenue would have been R741 million and R19 million to operating profit.

Significant commitments

Bidvest Freight has commenced the development of an LPG tank farm in the port of Richards Bay, to date R64 million has been spent with an additional R873 million committed to the project, the estimated completion date is July 2020. Bidvest Properties and Bidvest Bank are parties to the development of a property in the Sandton CBD and have a combined commitment of R250 million. Bidvest Properties has committed R138 million to build a fit-for-purpose warehouse for Bidvest Panalpina Logistics in Mobeni, KwaZulu-Natal.

Fair value of financial instruments

The Group's investments of R3 442 million (H1 2017: R2 828 million) include R34 million (H1 2017: R84 million) recorded at cost, R2 455 million (H1 2017: R1 908 million) recorded and measured at fair values using quoted prices (level 1) and R953 million (H1 2017: R835 million) recorded and measured at fair value using factors not based on observable data (level 3). Fair value losses on level 3 investments recognised in the income statement total R43 million (H1 2017: R26 million).

Analysis of investments at a fair value not determined by observable market data

R'000	Half-year ended 31 December **2017** **Unaudited**	Half-year ended 31 December 2016 Unaudited	Year ended 30 June 2017 Audited
Balance at the beginning of period	**995 961**	935 017	935 017
On acquisition of business	**–**	–	39 087
On disposal of business	**–**	–	(6 087)
Purchases, loan advances or transfers from other categories	**–**	–	5 700
Fair value adjustment arising during the year recognised in the income statement	**(43 151)**	(26 011)	95 326
Proceeds on disposal, repayment of loans or transfers to other categories	**–**	(72 679)	(72 679)
Exchange rate adjustments	**14**	(987)	(403)
	952 824	835 340	995 961

The Group's effective beneficial interest in the Indian based Mumbai International Airport Private Limited (MIAL) is included in unlisted investments held-for-trade, where the fair value is not based on observable market data (level 3). The carrying value of this investment at 31 December 2017, based on the directors' valuation of 30 June 2017, is R892 million (US$72 million) (H1 2017: R827 million (US$60 million). The valuation used the actual operating results for MIAL based on the most recent financial statements and a median multiple for its peer group which is in a range of 11,6 to 12,5 times EBITDA. A 1% change in the multiple or EBITDA used results in US$1,6 million change in the value. Consideration was also given to an independent expert valuation as well as the Group's prior disposal of the identical sized interest in the 2012 financial year after adjusting for a control premium achieved in that transaction.

Basis of presentation of condensed consolidated financial statements continued

MIAL is a foreign-based asset and the ruling year end exchange rate, US$1 = R12,38 (H1 2017: US$1 = R13,78), is a further factor that affects the carrying value. The valuation is considered a level 3 type valuation in accordance with IFRS 13 Fair Value Measurement.

The carrying values of all financial assets and liabilities approximate their fair values, with the exception of borrowings of R13 767 million whose carrying value is R13 760 million.

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 requires an adjustment to the financial results at reporting date.

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 director, HP Meijer (BCompt, MBL), and were approved by the board of directors on 26 February 2018.

Administration

The Bidvest Group Limited

(“Bidvest” or “the Company” or “the Group”)
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, CWN Molope, NG Payne, T Slabbert*

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

*(*Netherlands)*

Company secretary

Ilze Roux

Transfer secretaries

Computershare Investor Services Proprietary Limited
Registration number 2004/003647/07
Rosebank Towers, 15 Biermann Ave, Rosebank, Johannesburg, 2196, South Africa
PO Box 61051, Marshalltown, 2107, South Africa
Telephone +27 (11) 370 5000 Telefax +27 (11) 688 7717

Sponsor

Investec Bank Limited
100 Grayston Drive, Sandown, Sandton, South Africa, 2196

Registered office
Bidvest House, 18 Crescent Drive, Melrose Arch, Melrose
Johannesburg, 2196, South Africa
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

REGISTERED OFFICE SOUTH AFRICA
Bidvest House, 18 Crescent Drive, Melrose Arch, Melrose, Johannesburg, 2196, South Africa
Telephone: +27 (11) 772 8700 **Email:** info@bidvest.co.za

www.bidvest.com