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CONSOLIDATED FINANCIAL STATEMENTS

Directors' responsibilities and approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate financial statements fairly present the Group and company's state of affairs as at the end of the financial year and the results of their operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated and separate financial statements.

The consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and its subsidiaries and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the businesses are conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the businesses' cash flow forecasts for the year to 28 February 2014 and, in the light of this review and the current financial position, they are satisfied that the businesses have access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the consolidated and separate financial statements. The consolidated and separate financial statements have been examined by the external auditors and their report is presented on page 74.

The consolidated and separate financial statements set out on pages 75 to 128 which have been prepared on the going concern basis, were approved by the board on 25 July 2013 and were signed on its behalf by:

CD Stein
Chairman

SD Gottschalk
Chief executive officer

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, I certify that Value Group Limited has lodged with the Companies and Intellectual Property Commission of South Africa all the returns required of a public company by the Companies Act 71 of 2008 and that all such returns appear to be true, correct and up to date.

C Middlemiss

for: **iThemba Governance and Statutory Solutions (Pty) Limited**

25 July 2013

Audit and risk committee report

for the year ended 28 February 2013

BACKGROUND

The audit committee has formal terms of reference which set out the committee's board-approved charter. The board is satisfied that the committee has complied with these terms and its responsibilities as recommended by King III and in accordance with the Companies Act No 71 of 2008 and the JSE Listings Requirements.

MEMBERSHIP

The committee comprises three independent non-executive directors who collectively possess the knowledge and experience to fulfil the audit committee function. Membership and attendance of audit committee members is reflected on page 64 of the Integrated Annual Report.

SCOPE AND OBJECTIVES

The scope and objectives of the committee are as follows:

- consider and nominate to the board, the appointments and/or termination of the external auditors, including an assessment of their performance, independence and objectivity
- determine the audit fee of the external auditors
- consider and set mandatory term limits on the period that the lead audit partner of the external auditors may serve the Group
- determine the nature, scope and extent of audit and any non-audit services which the external auditors may provide to the Group
- review half year interim results and consolidated and separate financial statements before submission to the board
- assess the experience and expertise of the Group's financial director
- undertake the prescribed functions (in terms of section 94(7) of the Companies Act 71 of 2008) on behalf of the Group and all subsidiary companies
- oversee the internal audit functions and the effectiveness thereof
- review both internal and external auditors' reports
- review fraud risk and whistle-blower arrangements and consider any complaints
- review policies and procedures for preventing and detecting of fraud
- establish that management is adhering to, and continually improving internal controls
- consider information technology risks and controls, business continuity and data recovery related to IT, and information security and privacy
- review the going concern statement and make recommendations to the board
- perform any other functions as may be determined by the board.

During the year, the committee performed the following activities:

- considered the independence and objectivity of the external auditors and ensured that the scope of their additional services provided was not such that they could be seen to have impaired their independence
- received and reviewed reports from both the internal and external auditors concerning the effectiveness of internal controls, systems and procedures
- reviewed the reports of both the internal and external auditors detailing their concerns arising out of their audits and requested appropriate responses from management resulting in their concerns being addressed
- made appropriate recommendations to the board of directors regarding the corrective actions to be taken as a consequence of audit findings
- reviewed and recommended for adoption by the board financial information that is publicly disclosed which included:
  - Audited results for the year ended 28 February 2013 and
  - Interim results for the six months ended 31 August 2012
- reviewed IT managers' infrastructure, applications and governance reports
- reviewed the Group's risk management processes and assessed the key risks, the likelihood and the impact thereof, and any associated mitigating controls.

The audit committee is of the opinion that the objectives of the committee were met during the year under review.

Where weaknesses in specific controls had been identified, management undertook to implement appropriate corrective actions to mitigate the weakness identified.

EXTERNAL AUDIT

The committee has satisfied itself that the external auditor, Baker Tilly SVG, was independent of the company, as set out in sections 90(2)(c) and 94(8) of the Companies Act, 71 of 2008, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the external auditor that internal governance processes within Baker Tilly SVG support and demonstrate their claim to independence.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the financial year ended 28 February 2013.

There is a formal written policy and procedure that governs the process whereby the external auditor is considered for non-audit services. The committee approved the terms of the written policy for the provision of non-audit services by the external auditor, and approved the nature and extent of non-audit services that the external auditor may provide.

The committee has nominated, for reappointment at the annual general meeting, Baker Tilly SVG as the external auditor of Value Group Limited for the financial year ending 28 February 2014.

It has further satisfied itself that the audit firm is accredited to appear on the JSE List of Accredited Auditors.

GROUP FINANCIAL DIRECTOR

The committee has reviewed the performance, experience and expertise of the Group financial director, Mr CL Sack, and confirms his suitability to carry out his duties as financial director in terms of the JSE Listings Requirements. In addition, the committee is satisfied that the financial director is adequately supported by qualified and competent staff.

INTEGRATED ANNUAL REPORT

The audit committee has evaluated the Integrated Annual Report encompassing the consolidated and separate financial statements for the year ended 28 February 2013 and considers that it complies, in all material aspects, with the requirements of the Companies Act 71 of 2008 and International Financial Reporting Standards. The committee therefore recommended this report for approval to the board. The board has subsequently approved this Integrated Annual Report which will be open for discussion at the forthcoming annual general meeting.

IM Groves

Audit and risk committee chairman

25 July 2013

Independent auditor's report

for the year ended 28 February 2013

To the shareholders of Value Group Limited

We have audited the consolidated and separate financial statements of Value Group Limited set out on pages 75 to 128, which comprise the statements of financial position at 28 February 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the Companies Act 71 of 2008 and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Value Group Limited as at 28 February 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act 71 of 2008.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 28 February 2013, we have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

EL Steyn

Partner

Registered auditor

25 July 2013

Melrose Arch

The directors have pleasure in submitting their report together with the consolidated and separate financial statements for the year ended 28 February 2013.

NATURE OF THE BUSINESS

Value Group Limited is a holding company whose shares are listed on the JSE Limited ("JSE"). Subsidiary companies provide a comprehensive range of tailored logistical solutions throughout southern Africa. The major operating divisions specialise in providing a diversified range of supply chain services, which encompass distribution, transport of normal and abnormal loads, clearing and forwarding, warehousing, container and fleet management, forklift and commercial vehicle rental and leasing.

FINANCIAL RESULTS

The financial results and state of affairs of the Group are fully set out in the consolidated and separate financial statements.

Revenue increased by 8% from R1,8 billion to R1,95 billion and gross profit improved by 3% to R783,8 million.

Headline earnings decreased by 7% from 68,0 cents per share to 63,5 cents per share.

Further commentary on the financial results is provided in the chairman's statement, the chief executive officer's report and the group financial director's report.

AUTHORISED AND ISSUED SHARE CAPITAL

There were no changes in the authorised or issued share capital in the current year.

SPECIAL RESOLUTIONS

The company's South-African subsidiaries passed special resolutions on 28 February 2013 to each adopt a new Memorandum of Incorporation.

A special resolution was passed by Value Logistics Limited on 15 October 2012 allowing the company to provide direct and indirect financial assistance to a director or prescribed officer of the company or of an inter related company up to a maximum of R7 million.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

The directors are not aware of any matter or circumstance, not otherwise dealt with in this report or the consolidated and separate financial statements, which would affect the operations of the Group and the company or the results of those operations significantly.

DIRECTORS' INTEREST IN SHARE CAPITAL OF THE COMPANY

The directors' interest in the issued share capital of the company is tabled in note 28.

Mr CL Sack's direct beneficial interest in the company increased on 20 June 2013 from 1 400 000 shares (as tabled in note 28) to 1 700 000 shares. On this date, Mr CL Sack purchased 300 000 shares at R3,59 per share in terms of options exercised in the Value Group Share Incentive Scheme. Clearance in terms of par 3.66 of the listing requirements was obtained for this transaction.

DIRECTORS' REMUNERATION

Details of the remuneration paid to directors of the company is tabled in note 15.

DIRECTORS' INTEREST IN CONTRACTS

No material contracts involving directors' interests were entered into in the current financial year other than the transactions detailed in notes 15, 23 and 28.

SHARE INCENTIVE SCHEMES

The Value Group Share Incentive Scheme owns 1 389 580 (2012: 1 615 000) ordinary shares in Value Group Limited. These shares represent 0,7% (2012: 0,8%) of the issued share capital.

The Value Group Empowerment Trust owns 10 429 010 A ordinary shares in Value Group Limited. These shares represent 5% of the issued share capital of the company.

These shares, along with those held by the companies controlled by Dr NM Phosa and Mr M Padiyachy are classified as treasury shares in the statement of financial position.

Further details of options/units granted to employees and directors are disclosed in note 27.

DIVIDENDS

Dividend number 11 of 14 cents per share was declared on 28 March 2012 and paid on 2 July 2012 to shareholders registered on 22 June 2012.

Dividend number 12 of 8 cents per share was declared on 16 October 2012 and paid on 21 January 2013 to shareholders registered on 11 January 2013.

Dividend number 13 of 15 cents per share was declared on 15 May 2013 and paid on 1 July 2013 to shareholders registered on 21 June 2013.

DIRECTORATE, SECRETARY AND AUDITORS

The names of the directors in office at the date of this report are set out on pages 6 to 7.

In terms of the company's Memorandum of Incorporation, Messrs Stein and Groves will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Information pertaining to the company secretary is set out on company information (IBC).

The Group's auditors changed their name from Charles Orbach & Company to Baker Tilly SVG during this reporting period. Information pertaining to the auditors is set out on company information (IBC).

INTEREST IN SUBSIDIARIES

Details of the company's subsidiaries are set out in note 2 of the company's financial statements (refer page 126).

The company's interest in the after tax income of the subsidiaries amounted to R101,7 million (2012: R109,5 million).

Consolidated statement of financial position

at 28 February 2013

R'000	Notes	2013	2012
ASSETS			
Non-current assets		**981 269**	981 687
Property, vehicles, plant and equipment	2	**939 934**	938 715
Intangible assets	3	**38 064**	37 362
Investments and loans	4	**104**	2 414
Deferred tax	5	**3 167**	3 196
Current assets		**426 836**	397 627
Inventories	6	**56 637**	60 060
Investments and loans	4	**3 461**	902
Trade and other receivables	7	**234 700**	272 455
Taxation in advance		**137**	234
Cash and cash equivalents	8	**131 901**	63 976
Non-current assets held-for-sale	9	**350**	139
Total assets		**1 408 455**	1 379 453
EQUITY AND LIABILITIES			
Equity		**650 117**	582 728
Share capital and premium	10	**10 851**	10 851
Treasury shares		**(99 670)**	(100 086)
Share-based payment reserve		**16 717**	15 155
Foreign currency translation reserve		**(20)**	—
Retained income		**722 239**	656 808
Non-current liabilities		**344 160**	359 932
Interest-bearing borrowings	11	**187 217**	221 346
Deferred tax	5	**156 943**	138 586
Current liabilities		**414 178**	436 793
Trade and other payables	12	**325 735**	339 968
Other financial liability	13	**287**	—
Current tax payable		**832**	3 865
Current portion of interest-bearing borrowings	11	**87 047**	92 748
Shareholders for dividend		**277**	212
Total equity and liabilities		**1 408 455**	1 379 453

Consolidated statement of comprehensive income

for the year ended 28 February 2013

R'000	Notes	2013	2012
Revenue	14	**1 945 419**	1 798 012
Cost of sales		**(1 161 574)**	(1 034 898)
Gross profit		**783 845**	763 114
Other income		**8 464**	9 022
Operating expenses		**(625 898)**	(595 149)
Operating profit	15	**166 411**	176 987
Share of profit of associate net of taxation		**25**	34
Investment income	16	**11 750**	15 222
Finance costs	17	**(35 418)**	(38 224)
Profit before taxation		**142 768**	154 019
Taxation	18	**(41 090)**	(44 517)
Net profit for the year		**101 678**	109 502
Other comprehensive income:			
Foreign currency translation differences		**(20)**	—
Total comprehensive income for the year		**101 658**	109 502

		2013	2012
Earnings per ordinary share (cents)	19		
– basic		**61,5**	66,4
– headline		**63,5**	68,0
– diluted basic (restated – refer to note 29)		**58,9**	65,5
– diluted headline (restated – refer to note 29)		**60,8**	67,2

Consolidated statement of changes in equity

for the year ended 28 February 2013

R'000	Share capital and share premium	Treasury shares	Share-based payment reserve	Foreign currency translation reserve	Retained income	Total
Balance at 28 February 2011	10 851	(100 325)	13 623		578 625	502 774
Transactions with owners	—	239	1 532		(31 319)	(29 548)
– Profit on disposal of treasury shares					33	33
– Dividends paid					(31 352)	(31 352)
– Share-based payment expense			1 532			1 532
– Treasury shares sold		239				239
Total comprehensive income for the year	—	—	—	—	109 502	109 502
Balance at 29 February 2012	**10 851**	**(100 086)**	**15 155**	**—**	**656 808**	**582 728**
Transactions with owners	**—**	**416**	**1 562**		**(36 247)**	**(34 269)**
– Profit on disposal of treasury shares					**90**	**90**
– Dividends paid					**(36 337)**	**(36 337)**
– Share-based payment expense			**1 562**			**1 562**
– Treasury shares sold		**416**				**416**
Total comprehensive income for the year	**—**	**—**	**—**	**(20)**	**101 678**	**101 658**
– Net profit for the year					**101 678**	**101 678**
– Foreign currency translation differences				**(20)**		**(20)**
Balance at 28 February 2013	**10 851**	**(99 670)**	**16 717**	**(20)**	**722 239**	**650 117**

Consolidated statement of cash flows

for the year ended 28 February 2013

R'000	Notes	2013	Restated 2012
Cash flows from operating activities		**252 606**	185 120
Cash generated by operations before proceeds on rental assets	i	**303 267**	236 848
Proceeds on rental assets		**35 191**	40 110
Investment income		**11 478**	15 045
Finance costs		**(35 418)**	(38 224)
Taxation paid	ii	**(25 640)**	(37 375)
Dividends paid	iii	**(36 272)**	(31 284)
Cash flows from investing activities		**(145 373)**	(236 681)
Purchase of property, vehicles, plant and equipment		**(133 224)**	(222 808)
Purchase of intangible assets		**(15 566)**	(16 262)
Proceeds on disposal of property, vehicles, plant and equipment		**1 947**	777
Proceeds on disposal of non-current assets held for sale		**1 422**	1 093
Decrease in investments and loans		**48**	519
Cash flow from financing activities		**(39 324)**	35 361
(Decrease)/increase in borrowings		**(39 830)**	35 089
Proceeds on disposal of treasury shares		**506**	272
Net change in cash and cash equivalents		**67 909**	(16 200)
Translation difference		**16**	—
Cash and cash equivalents at beginning of year		**63 976**	80 176
Cash and cash equivalents at end of year	8	**131 901**	63 976

Refer to page 81 for the notes to the statement of cash flows.

R'000	2013	2012
NOTES TO THE STATEMENT OF CASH FLOWS		
i Cash generated by operations before proceeds on rental assets		
Net profit before taxation	**142 768**	154 019
Adjustments for:		
Depreciation	**84 940**	77 351
Amortisation of intangible assets	**14 308**	10 511
Investment income	**(11 750)**	(15 222)
Finance costs	**35 418**	38 224
Straight-line rental expense	**(2 039)**	2 530
Loss on disposal of property, vehicles, plant and equipment	**3 668**	3 953
Loss/(profit) on disposal of non-current assets held-for-sale	**276**	(86)
Loss on disposal of intangible assets	**556**	—
Profit on disposal of rental assets	**(5 901)**	(9 812)
Foreign exchange movements relating to foreign exchange contracts	**287**	—
Foreign currency translation movement	**(137)**	—
Share-based payment expense	**1 562**	1 532
Share of profit of associate net of taxation	**(25)**	(34)
Cash generated by operations before movements in working capital	**263 931**	262 966
Movements in working capital:		
Decrease in inventories	**13 760**	7 244
Decrease/(increase) in trade and other receivables	**37 777**	(53 598)
(Decrease)/increase in trade and other payables	**(12 201)**	20 236
Cash generated by operations before proceeds on rental assets	**303 267**	236 848
ii Tax paid		
Opening	**(3 631)**	(15 487)
Taxation per note 18	**(22 704)**	(25 519)
Closing	**695**	3 631
Tax paid	**(25 640)**	(37 375)
iii Dividends paid		
Charge to the statement of changes in equity	**(36 337)**	(31 352)
Movement in shareholders for dividend	**65**	68
	(36 272)	(31 284)

Notes to the consolidated financial statements

for the year ended 28 February 2013 (continued)

1. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards and the Companies Act 71 of 2008. The financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous year.

The financial statements have been prepared in South African Rand, which is the functional currency.

All the financial information has been rounded to the nearest thousand Rand, except where otherwise stated.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Property, vehicles, plant and equipment and IT software

Property, vehicles, plant and equipment and IT software are depreciated over their useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Impairment testing

Property, vehicles, plant and equipment and IT software are considered for impairment if there is a reason to believe that an impairment may be necessary. The future cash flows expected to be generated by the assets are projected taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current carrying value and, if lower, the assets are impaired to the present value.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, inflation, taxation rates and competitive forces. In the prior year, deferred tax assets were recognised on secondary tax on companies ("STC") credits only to the extent it was probable that future dividends would utilise these credits.

Trade receivables, loans receivable and other receivables

The Group assesses its trade receivables, loans receivable and other receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, loans receivable and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Provisions for insurance claims

Whilst management consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided.

Options granted

Management uses the Black-Scholes-Merton pricing model to determine the value of the options at issue date. Additional details regarding the estimates are included in note 27.

Available-for-sale financial assets

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Allowance for slow moving, damaged and obsolete inventories

An allowance is raised to write down inventories to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

Fair value estimation

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

1.2 Business combinations, consolidation and goodwill

The consolidated financial statements comprise the financial statements of the company and its subsidiaries. The results of the subsidiaries are included from date effective control was acquired up to the date effective control ceased.

Intercompany transactions are eliminated on consolidation.

Goodwill is initially measured at cost, being the excess of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Subsequently goodwill acquired in a business combination is carried at cost less any accumulated impairment.

The excess of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is immediately recognised in profit or loss.

Internally generated goodwill is not recognised as an asset.

1.3 Property, vehicles, plant and equipment

The cost of an item of property, vehicles, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Group; and
- the cost of the item can be measured reliably.

Property, vehicles, plant and equipment are initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, vehicles, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, vehicles, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, vehicles, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided on all property, vehicles, plant and equipment to write-down the cost to the residual value on a straight-line basis over their useful lives as follows:

Item	*Average useful life*
• Buildings	50 years
• Plant and equipment	5 to 20 years
• Office furniture and equipment	6 to 15 years
• Motor vehicles and accessories	5 to 16 years
• Computer equipment	5 years
• Leasehold improvements	5 to 10 years
• Forklifts	10 years

The residual value and the useful life of each asset is reviewed at each financial year end.

Each part of an item of property, vehicles, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, vehicles, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, vehicles, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the Group holds for rentals to others and subsequently routinely sells as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held-for-sale. Proceeds from sales of these assets are recognised as revenue.

1.4 Full maintenance lease assets

Full maintenance lease assets are items of property, vehicles, plant and equipment which are leased to customers where the Group retains substantially all the risks and rewards of ownership.

The cost of full maintenance lease assets include the purchase cost and other expenditure that is directly attributable to the acquisition of the assets to bring them into working condition for their intended use.

Full maintenance lease assets are stated at historical cost less accumulated depreciation and any impairment losses.

Depreciation is provided on all full maintenance lease assets to write-down the cost to the residual value on a straight-line basis over their useful lives as follows:

Item	*Average useful life*
• Motor vehicles and accessories	5 to 16 years
• Forklifts	10 years

The residual value and the useful life of each asset is reviewed at each financial year end.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of a full maintenance lease asset is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of a full maintenance lease asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year end.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	*Average useful life*
• IT software	5 years

1.6 Financial instruments

Classification

The Group classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss – held-for-trading
- Financial assets at fair value through profit or loss – designated
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss – held-for-trading
- Financial liabilities at fair value through profit or loss – designated
- Financial liabilities measured at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. For financial instruments which are not at fair value through profit or loss, classification is re-assessed on an annual basis.

Financial assets classified as at fair value through profit or loss which are no longer held for the purposes of selling or repurchasing in the near term are reclassified out of that category if the asset meets the definition of loans and receivables and the Group has the intention and ability to hold the asset for the foreseeable future or until maturity.

No other reclassifications are made into or out of the fair value through profit or loss category.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables is reclassified to loans and receivables if the Group has the intention and ability to hold the asset for the foreseeable future or until maturity.

Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets. For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss. Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss exclude dividends and interest.

Dividend income is recognised in profit or loss as part of other income when the Group's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest rate method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest rate method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest rate method is recognised in profit or loss as part of other income. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the Group's right to receive payment is established.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Impairment of financial assets

At each reporting date the Group assesses all financial assets, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss, except for equity investment a classified as available for sale.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Loans receivable

These financial assets are initially recognised at fair value plus direct transaction costs. Differences on initial recognition between the transaction price and the fair value are recognised in profit or loss.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable, an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the loan's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the loan at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. These are initially and subsequently recorded at fair value.

Cash and cash equivalents are classified as held-for-trading financial assets.

Bank overdrafts and borrowings

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method. Differences on initial recognition between the transaction price and the fair value are recognised in profit or loss.

Bank overdrafts are initially and subsequently measured at fair value.

Derivatives

Derivative financial instruments which are not designated as hedging instruments, consisting of foreign exchange contracts are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Available-for-sale financial assets

These financial assets are non-derivatives that are either designated in this category or not classified elsewhere.

These investments are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired.

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

1.7 Inventories

Inventories include materials handling equipment, fuel and maintenance spares and vehicles and materials handling equipment which previously formed part of the rental fleet.

Property, vehicles, plant and equipment that are held for rental to others, and are routinely sold, are transferred to inventory at their carrying amount when they cease to be rented and become held-for-sale on which date depreciation ceases and are measured at the lower of their carrying amount or fair value less costs to sell.

Fuel and maintenance spares are measured at cost on the first-in first-out basis. Provision is made for maintenance spares which are obsolete.

Materials handling equipment and vehicles are measured at the lower of cost or net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories is recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

1.8 Non-current assets held-for-sale

Non-current assets held-for-sale are classified as held-for-sale where their carrying amounts are to be recovered through a sale transaction rather than through continuing use. All such assets are disclosed as held-for-sale if:

- they are available for immediate sale in their present condition
- management is committed to the sale
- the sale of the asset is expected to be recognised as a completed sale within one year of classification as held-for-sale.

Non-current assets held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell.

A non-current asset is not depreciated while it is classified as held-for-sale.

1.9 Impairment of non-financial assets

The Group assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Group also tests intangible assets not yet available for use for impairment annually by comparing their carrying amounts with their recoverable amounts. This impairment test is performed at the same time every year.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset, other than goodwill attributable to a reversal of an impairment loss, does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation, other than goodwill, is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.10 Share capital and equity

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares and A ordinary shares are classified as equity.

Treasury shares

Where any Group company purchases the company's equity share capital as treasury shares, or where any special purpose entity holds the company's equity share capital and is consolidated in accordance with SIC 12, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

1.11 Share-based payments

The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options/units is recognised as an expense on a straight-line basis over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options/units granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Fair value is determined using the Black-Scholes-Merton pricing model. The expected life used in this model is adjusted for the effects of non-transferability, exercise restrictions and behavioural considerations. Non-market vesting conditions are included in assumptions about the number of options/units that are expected to become exercisable. At each statement of financial position date, the Group revises its estimates of the number of options/units that are expected to become exercisable.

The revision of original estimates, if any, are recognised in the statement of comprehensive income, with a corresponding adjustment to equity.

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount at the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the statement of comprehensive income.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease liability. This liability is not discounted.

Any contingent rents are expensed in the year they are incurred.

Finance leases – lessor

The Group recognises finance lease receivables in the statement of financial position.

Finance income is recognised based on the pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

1.13 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity; or
- a transaction or event which is recognised, in the same or a different period, to other comprehensive income; or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

1.14 Provisions and contingencies

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the Group:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned
  - the principal locations affected
  - the location, function and approximate number of employees who will be compensated for terminating their services
  - the expenditures that will be undertaken
  - when the plan will be implemented
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition, contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 21.

1.15 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the Group
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the statement of financial position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the Group
- the stage of completion of the transaction at the statement of financial position date can be measured reliably
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue, which accrues on a daily basis, comprises the net invoiced value of services which include: distribution, transport of normal and abnormal loads, clearing and forwarding, warehousing, container and fleet management, forklift and commercial vehicle rental and leasing and insurance. Revenue excludes investment income and value added tax.

Interest is recognised on a time proportion basis which takes into account the effective yield on the asset over the period it is expected to be held.

Dividends are recognised, in profit or loss, when the Group's right to receive payment has been established.

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred
- borrowing costs have been incurred
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses), are recognised as an expense in profit or loss in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.18 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each statement of financial position date:

- foreign currency monetary items are translated using the closing rate
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Foreign operations

The financial statements of the foreign operation in the Group are translated into South African Rand as follows:

- assets and liabilities at the rates of exchange ruling at the reporting date
- income, expenditure and cash flow items at the weighted average rate of exchange during the accounting period
- equity at historical rates
- differences arising on translation are recognised in other comprehensive income and disclosed as a foreign currency translation reserve
- if a foreign operation is disposed of in full, the relevant amount in the foreign currency translation reserve is recognised in the statement of comprehensive income
- differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income in the foreign currency translation reserve.

1.19 Investments in subsidiaries

Consolidated financial statements

The consolidated financial statements include those of the company and its subsidiaries. The results of the subsidiaries are included from the effective date control was acquired up to the date effective control ceased.

On acquisition, the Group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

Company financial statements

In the company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.20 Investment in associates

An associate is an entity over which the Group has the ability to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the company, generally accompanying a shareholding embodying between 20% and 50% of the voting rights.

Profits and losses in the associates are recognised using the equity method of accounting from the effective date that significant influence was obtained until the effective date that significant influence ceased. Investments in associates are carried at cost and adjusted for any post-acquisition profits or losses. If impaired, the carrying value of the Group's share in the associate is written down to its estimated recoverable amount.

1.21 Insurance contracts

Classification of insurance contracts

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is the risk that an insured event occurs with the uncertainty the amount involved arising from the resulting claim. The Group accounts for these insurance contracts in accordance with IFRS 4.

Recognition and measurement of insurance contracts

Premiums

Gross written premiums comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission due to intermediaries and exclude Value Added Tax. The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten.

Claims incurred

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. Claims outstanding comprise provisions for the Group's estimate of the final cost of settling all claims incurred but unpaid at the statement of financial position date whether reported or not, and an appropriate risk margin. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately, if material.

Reinsurance

Outward reinsurance premiums are recognised as an expense in the same accounting period as the premiums for the related insurance contract. Reinsurance contracts are entered into for the purposes of limiting the Group's loss potential arising from insurance risk. Reinsurance agreements that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such contracts are recognised in the same year as the related claim. Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

Types of insurance contracts

Certain transactions are entered into by the Group as insurer which falls into the definition of insurance contracts. Significant types of insurance contracts undertaken by the Group comprise motor, goods in transit, multi-peril and marine insurance.

Motor insurance provides the Group's customers indemnity for loss of or damage to the Group's motor vehicles with or without an excess. The cover is normally on an all risks basis providing a wide range of cover following an accident or a theft of the vehicle. Legal liabilities arising out of the use of the Group's motor vehicle following an accident for damage to third party property is also covered under this class of insurance.

Goods-in-transit insurance provides limited indemnity for loss of or damage to movable property for losses caused by crime and accident damages.

Multi-peril insurance provides limited indemnity for loss of or damage to movable customer property warehoused by the Group caused by perils such as fire, lightning, explosion, weather, water, earthquake and malicious damage. The policies specifically exclude theft.

Marine insurance provides limited indemnity for cargo imported and exported by customers. Cargo covers physical loss of or damage to cargo as a result of fire, explosion, weather, accidents and malicious damage.

1.22 Segment analysis

A segment is a distinguishable component of the Group that is engaged in providing products or services which are subject to risks and rewards that are different from those of other segments. The primary basis for reporting segment information is business segments and the secondary basis is by significant geographical region, which is representative of the internal structure used for management reporting.

Segment results include revenue and expenses directly attributable to a segment whether from external transactions or from transactions with other Group segments.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

2. PROPERTY, VEHICLES, PLANT AND EQUIPMENT

	Cost	Accumulated depreciation	Carrying value	Opening balance
2013				
Owned assets				
Property	**39 105**	**(2 166)**	**36 939**	**37 000**
Plant and equipment	**69 189**	**(30 240)**	**38 949**	**28 557**
Motor vehicles and accessories	**939 571**	**(293 975)**	**645 596**	**662 205**
Office furniture and equipment	**30 584**	**(24 527)**	**6 057**	**6 291**
Computer equipment	**78 813**	**(51 843)**	**26 970**	**22 545**
Forklifts	**208 898**	**(35 602)**	**173 296**	**170 583**
Leasehold improvements	**15 301**	**(11 339)**	**3 962**	**4 635**
	1 381 461	**(449 692)**	**931 769**	**931 816**
Capitalised finance lease				
Computer equipment – leased	**10 972**	**(2 807)**	**8 165**	**6 899**
Total	**1 392 433**	**(452 499)**	**939 934**	**938 715**

	Cost	Accumulated depreciation	Carrying value	Opening balance
2012				
Property	39 037	(2 037)	37 000	19 975
Plant and equipment	54 808	(26 251)	28 557	24 529
Motor vehicles and accessories	929 291	(267 086)	662 205	614 564
Office furniture and equipment	28 827	(22 536)	6 291	6 256
Computer equipment	69 144	(46 599)	22 545	14 704
Forklifts	199 093	(28 510)	170 583	144 236
Leasehold improvements	15 300	(10 665)	4 635	4 192
	1 335 500	(403 684)	931 816	828 456
Capitalised finance lease				
Computer equipment – leased	7 872	(973)	6 899	—
Total	1 343 372	(404 657)	938 715	828 456

Certain property, vehicles, plant and equipment are encumbered as stated in note 11.

Additions	Transfers	Transfers to inventory and non-current assets held-for-sale	Disposals	Depreciation	Translation	Total
68	**—**	**—**	**—**	**(129)**	**—**	**36 939**
14 615	**(5)**	**—**	**(61)**	**(4 157)**	**—**	**38 949**
77 380	**—**	**(33 426)**	**(5 031)**	**(55 574)**	**42**	**645 596**
2 304	**(13)**	**—**	**(26)**	**(2 499)**	**—**	**6 057**
12 754	**5**	**—**	**(217)**	**(8 117)**	**—**	**26 970**
21 857	**13**	**(8 110)**	**(280)**	**(10 811)**	**44**	**173 296**
1 146	**—**	**—**	**—**	**(1 819)**	**—**	**3 962**
130 124	**—**	**(41 536)**	**(5 615)**	**(83 106)**	**86**	**931 769**
3 100	**—**	**—**	**—**	**(1 834)**	**—**	**8 165**
133 224	**—**	**(41 536)**	**(5 615)**	**(84 940)**	**86**	**939 934**

Additions	Transfers	Transfers to inventory and non-current assets held-for-sale	Disposals	Depreciation	Translation	Total
17 298	—	—	—	(273)	—	37 000
7 489	—	—	(22)	(3 439)	—	28 557
129 651	(1 120)	(23 118)	(4 509)	(53 263)	—	662 205
2 159	(4)	—	(13)	(2 107)	—	6 291
13 683	(6)	—	(47)	(5 789)	—	22 545
42 665	1 130	(7 350)	(139)	(9 959)	—	170 583
1 991	—	—	—	(1 548)	—	4 635
214 936	—	(30 468)	(4 730)	(76 378)	—	931 816
7 872	—	—	—	(973)	—	6 899
222 808	—	(30 468)	(4 730)	(77 351)	—	938 715

R'000	2013	2012
3. INTANGIBLE ASSETS		
IT software		
– Cost	**107 940**	94 474
– Accumulated amortisation and impairment	**(69 876)**	(57 112)
	38 064	37 362
IT software		
– Carrying value at 1 March	**37 362**	31 611
– Additions at cost	**15 566**	16 262
– Disposals at cost	**(2 100)**	—
– Disposals accumulated amortisation	**1 544**	—
– Current amortisation	**(14 308)**	(10 511)
Carrying value at end of the year	**38 064**	37 362

During the past four years the Group has implemented the financial, workshop and material handling equipment rental modules of Embrace Software.
The carrying value of this software is R10 816 000 (2012: R13 364 000).
The maximum remaining amortisation period is five years (2012: five years).

R'000	2013	2012
4. INVESTMENTS AND LOANS		
Investment in associate company:	**104**	78
30 ordinary shares in Value SA (Pty) Limited		
– Shares at cost, represent a 30% interest	*	*
– Share of retained income	**104**	78
Directors' valuation of unlisted investments R104 000 (2012: R78 000).		
Loans receivable	**3 461**	3 238
– Altivex 474 (Pty) Limited t/a Enterprise Development Service This loan is interest free, and is repayable on 31 October 2013. The company has pledged its shares in Unomax Trading (Pty) Limited, which constitute a 38% shareholding, as security for the loan. A second mortgage bond for R1 349 000 has been registered over a property owned by the company as additional security for the loan.	**1 236**	1 080
– SKR Marketing CC This loan is interest free, and is repayable in two instalments of R1,45 million (2012: R1,5 million) and R1 million on 22 February 2014 and 24 February 2014 respectively. M Padiyachy, R Lazarus and K Padiyachy have bound themselves jointly and severally as surety and co-principal debtor for the loan.	**2 225**	2 158
	3 565	3 316
Long-term portion of investments and loans	**104**	2 414
Current portion of investments and loans	**3 461**	902
	3 565	3 316

**Nominal amount.*

4. INVESTMENTS AND LOANS *(continued)*

The Group entered into loan agreements with Altivex 474 (Pty) Limited and SKR Marketing CC, as the Group wishes to assist in the development, sustainability and ultimate financial and operational independence of these entities.

Loans receivable are classified as loans and receivables.

The fair value of loans receivable approximates the carrying amount.

The credit quality of loans receivable can be assessed by reference to historical information about counterparty default rates. There have been no defaults in the past.

The maximum exposure to credit risk is the fair value of the loans shown above. In certain instances the Group holds collateral as security for facilities granted.

R'000	2013	2012
Summary of financial information of Value SA (Pty) Limited:		
Current assets	**621**	627
Current liabilities	**(272)**	(365)
Profit after tax	**88**	77
Revenue	**2 983**	2 638

5. DEFERRED TAX

	2013	2012
Balance at beginning of the year	**135 390**	116 392
Temporary differences recognised in profit or loss	**18 386**	18 998
Balance at end of the year	**153 776**	135 390
Analysis of significant temporary differences:		
Accelerated allowances on property, vehicles, plant and equipment	**177 457**	158 927
Loans and receivables	**247**	222
Finance lease obligation	**176**	208
Future rental expense payable	**(10 091)**	(10 711)
Bad debt provision	**(4 671)**	(4 630)
Accruals	**(9 323)**	(7 773)
STC credit	**—**	(724)
Tax losses	**(72)**	(79)
Unrealised foreign exchange differences	**53**	(50)
	153 776	135 390
Comprising:		
Deferred tax liability	**156 943**	138 586
Deferred tax asset	**(3 167)**	(3 196)
Balance at end of the year	**153 776**	135 390

R'000	2013	2012
6. INVENTORIES		
Maintenance spares	**15 818**	13 021
– Cost	**22 718**	16 149
– Write down	**(6 900)**	(3 128)
Materials handling equipment	**16 032**	34 610
Goods in transit	**235**	—
Fuel	**5 883**	4 097
Rental vehicles held-for-sale	**14 574**	5 662
– Opening balance	**5 662**	8 577
– Transfer from property, vehicles, plant and equipment	**31 517**	23 118
– Disposals	**(22 605)**	(26 033)
Rental materials handling equipment held-for-sale	**4 095**	2 670
– Opening balance	**2 670**	711
– Transfer from property, vehicles, plant and equipment	**8 110**	6 224
– Disposals	**(6 685)**	(4 265)
	56 637	60 060
Materials handling equipment recognised as an expense	**18 980**	8 555

R'000	2013	2012
7. TRADE AND OTHER RECEIVABLES		
Trade receivables	**227 227**	266 981
VAT	**58**	256
Other receivables	**7 415**	5 218
	234 700	272 455

Credit quality of trade receivables

The credit quality of trade receivables that are neither past due, nor impaired is assessed by reference to external credit ratings where available or to historical information about counterparty default rates. External credit ratings are obtained through the use of a credit vetting agency and/or by obtaining references from the customer's existing suppliers. The Group generally does credit dealings with larger companies who have a sound credit standing.

Historic levels of customer defaults are minimal and as a result the credit quality of year end trade receivables which are not past due is considered to be high.

Trade and other receivables are classified as loans and receivables.

Trade receivables past due but not impaired

At end February the following amounts were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

R'000	2013	2012
Over 60 days	**4 069**	3 651
Over 90 days	**1 223**	1 072
Over 120 days	**4 623**	4 531
	9 915	9 254

Trade receivables impaired

At end February the following trade receivables were impaired and provided for.

The ageing of the trade receivables relating to the provision is as follows:

R'000	2013	2012
Current	**648**	922
Over 30 days	**580**	111
Over 60 days	**3 142**	2 779
Over 90 days	**2 160**	1 637
Over 120 days	**17 116**	17 652
	23 646	23 101

Notes to the consolidated financial statements

for the year ended 28 February 2013 (continued)

R'000	2013	2012
7. TRADE AND OTHER RECEIVABLES *(continued)*		
Reconciliation of provision for impairment of trade receivables		
Opening balance	**23 101**	24 287
Provision for impairment	**4 326**	5 651
Amounts written off as uncollectable	**(3 781)**	(6 837)
	23 646	23 101
The creation and release of the provision for impaired trade receivables has been included in operating expenses in the statement of comprehensive income (note 15). The provision was calculated based on the days outstanding and the activity on the account. All accounts over 60 days with no activity on the account were provided for in full. Accounts that were over 60 days with activity on the account were provided for at a rate of 75%. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.		
	234 700	272 455
Trade receivables of R226 103 000 (2012: R265 946 000) have been ceded to Nedbank, a division of Nedcor Bank Limited as security for banking facilities granted.		
The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.		
8. CASH AND CASH EQUIVALENTS		
Cash on hand	**791**	1 022
Bank balances	**131 110**	62 954
	131 901	63 976

Cash and cash equivalents are classified as held-for-trading financial assets. Cash and cash equivalents are measured at fair value. The fair value hierarchy is at level 1.

The maximum exposure to credit risk at the reporting date is the carrying amount.

The Group only deposits with major banks with high quality credit standing. For this reason the credit quality at year end of cash and cash equivalents are considered to be high.

R'000	2013	2012

9. NON-CURRENT ASSETS HELD-FOR-SALE

	2013	2012
Motor vehicles and accessories:		
– Net book value at beginning of the year	**139**	20
– Transfer from property, vehicles, plant and equipment	**1 909**	1 126
– Disposals	**(1 698)**	(1 007)
Net book value at end of the year	**350**	139

In line with the Group's replacement policy, motor vehicles which need to be replaced are identified and disposed of within 12 months.

10. SHARE CAPITAL AND PREMIUM

	2013	2012
Authorised share capital		
500 000 000 ordinary shares of 0,1 cent each	**500**	500
10 429 010 A ordinary shares of 0,1 cent each	**10**	10
Issued share capital		
198 627 386 ordinary shares of 0,1 cent each	**198**	198
10 429 010 A ordinary shares of 0,1 cent each	**10**	10
Share premium	**10 643**	10 643
	10 851	10 851

The A ordinary shares rank *pari passu* with the ordinary shares in respect of voting rights, but do not participate in distributions by the company to its shareholders until converted into ordinary shares. Full details of the rights, privileges and conditions attaching to the A ordinary shares are set out in the circular to shareholders dated 1 July 2010.

Treasury shares

	Number of shares 2013	2012
Ordinary shares		
Shares held by special purpose entities		
Diplobuzz Investments Proprietary Limited	**6 257 406**	6 257 406
Opsiweb Investments Proprietary Limited	**14 600 614**	14 600 614
The Value Group Share Incentive Trust	**1 389 580**	1 615 000
Opening balance	**1 615 000**	1 740 000
Utilised for options which were excercised	**(225 420)**	(125 000)
Shares held by subsidiary company		
Value Logistics Limited	**11 066 492**	11 066 492
	33 314 092	33 539 512
A ordinary shares		
Shares held by special purpose entity		
The Value Group Empowerment Trust	**10 429 010**	10 429 010

R'000	2013	2012
11. INTEREST-BEARING BORROWINGS		
Instalment sales agreements		
Liabilities under instalment sales agreements, which bear interest at rates varying between 0,5% below the prime bank overdraft rate and 2,35% below the prime bank overdraft rate (2012: rates between 0,5% below the prime bank overdraft rate and 2,35% below the prime bank overdraft rate). The loans are repayable in monthly instalments of R8 838 000 (2012: R9 534 000) and are secured by vehicles with a carrying value of R317 828 000 (2012: R355 004 000).	**237 740**	273 236
Mortgage bonds		
Loans secured by mortgages bonds over property having a carrying value of R28 924 000 (2012: R28 985 000). The loans bear interest at rates varying between the prime bank overdraft rate less 0,5% to the prime bank overdraft rate less 1% (2012: rates varying between the prime bank overdraft rate less 0,5% to the prime bank overdraft rate less 1%) and is repayable by April 2020 in monthly instalments of R479 000 (2012: R479 000).	**28 012**	33 729
Finance lease obligation		
The Group entered into a finance lease for computer hardware in 2012, and entered into a further agreement for computer hardware during 2013. The carrying value of the computer equipment at 28 February 2013 is disclosed in note 2.	**8 512**	7 129
The lease term was five years and the average effective borrowing rate was 5%.		
The interest rate was fixed at the contract date. The lease is repayable in quarterly instalments amounting to R620 000 (2012: quarterly instalments amounting to R445 000).		
Minimum lease payments due:		
Within one year	**2 481**	1 781
In second to fifth year inclusive	**6 904**	6 232
Future finance charges	**(873)**	(884)
	274 264	314 094
Long-term portion of interest-bearing borrowings	**187 217**	221 346
Current portion of interest-bearing borrowings	**87 047**	92 748
	274 264	314 094

The company and its subsidiaries have unlimited borrowing powers in terms of their articles of association.

Interest-bearing borrowings are stated at amortised cost. The fair value of interest-bearing borrowings approximates the carrying amount.

R'000	2013	2012
12. TRADE AND OTHER PAYABLES		
Trade payables	**213 153**	227 476
VAT	**13 107**	14 678
Other payables	**99 475**	97 814
	325 735	339 968
Trade and other payables are measured at amortised cost.		
13. OTHER FINANCIAL LIABILITY		
Mark to market of foreign exchange contract. The fair value hierarchy is at level 1.	**287**	—
14. REVENUE		
Services rendered	**1 863 468**	1 727 826
Sale of assets held-for-rental	**35 192**	38 783
Sale of goods	**25 570**	11 471
Insurance contracts	**21 189**	19 932
	1 945 419	1 798 012
15. OPERATING PROFIT ON ORDINARY ACTIVITIES IS STATED AFTER:		
Auditors' remuneration – audit fees	**2 747**	3 564
Depreciation	**84 940**	77 351
Amortisation of intangible assets	**14 308**	10 511
Impairment of trade and other receivables	**4 326**	5 651
Loss on disposal of property, vehicles, plant and equipment	**3 668**	3 953
Loss/(profit) on disposal of non-current assets held-for-sale	**276**	(86)
Profit on disposal of rental assets	**(5 901)**	(9 812)
Loss on disposal of intangible assets	**556**	—
Loss on foreign exchange	**798**	4 830
Lease rentals	**126 278**	112 985
Premises	**123 669**	110 595
Equipment	**2 609**	2 390
Retirement benefit costs		
– Defined contribution plan expense	**36 505**	32 674
Staff costs	**606 107**	557 686
Consulting and secretarial services	**2 835**	2 693

Depreciation decreased by R479 000 in the current year (2012: increased by R377 000) due to a change in the estimated residual values of certain asset categories.

15. OPERATING PROFIT ON ORDINARY ACTIVITIES IS STATED AFTER: *(continued)*

R'000	Fees for services	Basic salaries	Bonuses*	Allowances
2013				
Directors' remuneration				
Executive				
SD Gottschalk	—	3 811	—	127
CL Sack	—	3 220	—	78
M Padiyachy	—	1 989	—	97
	—	9 020	—	302
Non-executive				
CD Stein	662	—	—	—
IM Groves	531	—	—	—
NM Phosa	315	—	—	—
VW Mcobothi	363	—	—	—
	1 871	—	—	—
Total	1 871	9 020	—	302

R'000	Fees for services	Basic salaries	Bonuses**	Allowances
2012				
Directors' remuneration				
Executive				
SD Gottschalk	—	3 776	—	127
CL Sack	—	2 856	—	78
M Padiyachy	—	1 625	646	97
	—	8 257	646	302
Non-executive				
CD Stein	537	—	—	—
IM Groves	493	—	—	—
NM Phosa	255	—	—	—
VW Mcobothi	69	—	—	—
	1 354	—	—	—
Total	1 354	8 257	646	302

Bonuses are performance-based and are provided for in the year to which the performance measurement relates.

**Performance bonuses paid in March 2013.*

***Performance bonuses paid in March 2012.*

Provident fund contributions	Other	Total
—	**61**	**3 999**
283	**307**	**3 888**
175	**403**	**2 664**
458	**771**	**10 551**
—	**—**	**662**
—	**—**	**531**
—	**—**	**315**
—	**—**	**363**
—	**—**	**1 871**
458	**771**	**12 422**

Provident fund contributions	Other	Total
—	97	4 000
250	16	3 200
142	36	2 546
392	149	9 746
—	—	537
—	—	493
—	—	255
—	—	69
—	—	1 354
392	149	11 100

Notes to the consolidated financial statements

for the year ended 28 February 2013 (continued)

R'000	2013	2012
16. INVESTMENT INCOME		
Interest received on loans and deposits	**2 127**	1 337
Fair value adjustment to revenue	**9 623**	13 885
	11 750	15 222
17. FINANCE COSTS		
Long-term borrowings	**23 627**	23 833
Bank and short-term borrowings	**1 138**	1 924
Fair value adjustment to cost of sales and expenses	**10 617**	12 446
Other	**36**	21
	35 418	38 224
18. TAXATION		
South African normal tax		
– Current year	**20 648**	22 275
– Secondary tax on companies	**2 056**	3 244
	22 704	25 519
Deferred tax		
– Current year	**18 386**	18 998
Tax for the year	**41 090**	44 517
Reconciliation of rate of taxation	**%**	%
South African normal tax rate	**28,0**	28,0
Adjusted for:		
– Prior periods	*****	*
– Permanent differences	**(0,6)**	(1,2)
– Secondary tax on companies	**1,4**	2,1
Effective rate	**28,8**	28,9

R'000	2013	2012
19. EARNINGS PER SHARE		
Earnings on which basic and diluted earnings per share is based	**101 678**	109 502
Loss on disposal of property, vehicles, plant and equipment, less taxation	**3 222**	2 746
Earnings on which headline and diluted headline earnings per share is based	**104 900**	112 248
Weighted average shares outstanding (number of shares '000)		Restated
Weighted average shares outstanding for basic and headline earnings per share	**165 205**	164 992
Effect of weighting	**109**	96
Potentially dilutive ordinary shares resulting from outstanding options	**7 222**	2 068
Weighted average shares outstanding for diluted and diluted headline earnings per share	**172 536**	167 156

20. SEGMENT ANALYSIS

In terms of IFRS 8 *Operating Segments* the chief operating decision-maker has been identified as the Group's executive directors. Operating segments have been identified based on the Group's internal reporting reviewed by the Group's executive directors for assessing performance and making strategic decisions.

The Group's operating segments are General distribution, Truck rental and other and Head office and other. Operational divisions with similar economic characteristics and specialised resource and infrastructure requirements have been aggregated. Refer to pages 9 to 13 for more details on operational divisions.

The General distribution activities includes, break-bulk and single party distribution and warehousing services to a wide range of customers in the automotive, fast moving consumer goods (FMCG), electronics, chemical, textile, packaging, mining, construction, telecommunications and pharmaceutical industries.

The Truck rental and other activities includes fleet management, forklift and commercial vehicle rental and leasing, clearing and forwarding and container handling.

The Head office and other activities includes the costs of a management services company, financing structures, secretarial, compliance and internal audit functions, treasury and insurance. Head office costs are allocated to operating segments where appropriate.

Operating segment results have been reconciled to the Group's net profit before taxation below. External revenue, total assets and trade and other payables as disclosed in the segment analysis agree to the corresponding amounts as disclosed in the annual financial statements. Inter-segment transfer pricing is determined by management in a similar manner to transactions with third parties. Revenues from individual customers do not exceed 10% of Group total revenues.

The Group operates principally in South Africa and as such no geographical segments have been disclosed as economic and political conditions, relationships between operations, underlying currency risk and special risk associated with operations are similar within the different regions in South Africa.

Notes to the consolidated financial statements

for the year ended 28 February 2013 (continued)

R'000	General distribution	Truck rental and other	Head office and other	Total
20. SEGMENT ANALYSIS *(continued)*				
2013				
Total segment revenues	1 565 996	420 916	115 833	2 102 745
Less: Inter-segment revenues	(4 733)	(36 925)	(115 668)	(157 326)
External revenues	1 561 263	383 991	165	1 945 419
Depreciation and amortisation	43 652	37 093	18 503	99 248
Operating segment results	126 098	47 467	(7 154)	166 411
Share of profit of associates net of taxation	25	—	—	25
Segment investment income	8 067	5 874	48 562	62 503
External investment income	7 946	2 284	1 520	11 750
Inter-segment investment income	121	3 590	47 042	50 753
Segment finance costs	(26 923)	(30 237)	(29 011)	(86 171)
External finance costs	(7 253)	(2 865)	(25 300)	(35 418)
Inter-segment finance costs	(19 670)	(27 372)	(3 711)	(50 753)
Net profit before taxation	107 267	23 104	12 397	142 768
Assets				
Property, vehicles, plant and equipment	477 467	423 673	38 794	939 934
Intangible assets	5 034	2 215	30 815	38 064
Non-current assets held-for-sale	—	—	350	350
Current assets	159 907	125 302	138 029	423 238
Total segment assets	642 408	551 190	207 988	1 401 586
Investments and loans				3 565
Deferred tax				3 167
Taxation in advance				137
Total assets				1 408 455
Liabilities				
Trade and other payables	171 111	105 445	49 179	325 735
Capital expenditure – property, vehicles, plant and equipment and intangible assets	71 425	50 735	26 630	148 790

20. SEGMENT ANALYSIS *(continued)*

R'000	General distribution	Truck rental and other	Head office and other	Total
2012				
Total segment revenues	1 473 993	370 280	97 316	1 941 589
Less: Inter-segment revenues	(9 994)	(37 205)	(96 378)	(143 577)
External revenues	1 463 999	333 075	938	1 798 012
Depreciation and amortisation	38 907	35 001	13 954	87 862
Operating segment results	138 015	46 526	(7 554)	176 987
Share of profit of associates net of taxation	34	—	—	34
Segment investment income	11 413	5 714	45 757	62 884
External investment income	11 403	2 701	1 118	15 222
Inter-segment investment income	10	3 013	44 639	47 662
Segment finance costs	(28 709)	(28 392)	(28 785)	(85 886)
External finance costs	(10 237)	(2 225)	(25 762)	(38 224)
Inter-segment finance cost	(18 472)	(26 167)	(3 023)	(47 662)
Net profit before taxation	120 753	23 848	9 418	154 019
Assets				
Property, vehicles, plant and equipment	472 164	421 814	44 737	938 715
Intangible assets	7 034	1 896	28 432	37 362
Non-current assets held-for-sale	—	—	139	139
Current assets	167 272	172 673	56 546	396 491
Total segment assets	646 470	596 383	129 854	1 372 707
Investments and loans				3 316
Deferred tax				3 196
Taxation in advance				234
Total assets				1 379 453
Liabilities				
Trade and other payables	126 301	139 949	73 930	340 180
Capital expenditure – property, vehicles, plant and equipment and intangible assets	119 582	84 928	34 560	239 070

R'000	2013	2012
21. CONTINGENT LIABILITIES		
21.1 The liquidators of Bert Jobs Transport Services (Pty) Limited and the trustees of the Truck and Driver Hire Trust have issued summons against a subsidiary company for an amount of R10 075 000 in respect of damages relating to an alleged breach of contract. The action is being defended on the basis of legal advice received that the claim is without merit and likely to be successfully defended.		
21.2 Letters of guarantee issued by the Group's bankers on behalf of a subsidiary company	**35 795**	28 936
22. COMMITMENTS		
22.1 Capital commitments contracted for		
Property, vehicles, plant and equipment	**12 529**	27 435
IT infrastructure development	**5 821**	17 973
This expenditure will be financed through internally generated funds and existing Group banking facilities.		
22.2 Operating leases – as lessee (expense)		
– Payable within one year	**144 235**	113 565
– Payable within two to five years	**402 498**	275 171
– Payable beyond five years	**165 804**	93
	712 537	388 829
22.3 Operating leases – as lessor (income)		
– Receivable within one year	**43 886**	44 865
– Receivable within two to five years	**66 298**	88 575
	110 184	133 440

Certain of the Group's vehicles and forklifts are held to generate rental income in the form of full maintenance leases. Full maintenance lease agreements have terms ranging from 24 months to 60 months. There are no contingent rentals receivable.

23. RELATED PARTIES

Related-party transactions exist between the Group companies. All purchasing and selling transactions are concluded at arm's length. The names of the directors appear on pages 6 to 7 of these financial statements. Details of the directors' remuneration is set out in note 15. Property leases were entered into with companies controlled by directors. These were done on an arm's length basis based on independent open market rental valuations. Property lease rentals paid to these companies and associated future lease commitments are as follows:

	Current		Due within 1 year		Due thereafter	
R'000	**2013**	2012	**2013**	2012	**2013**	2012
Companies controlled by:						
SD Gottschalk	**96 324**	76 939	**113 782**	95 771	**547 420**	265 289

R'000	**2013**	2012
Associate		
Value SA (Pty) Limited		
– Trade receivables	**256**	351
– Revenue	**2 819**	2 489

24. RETIREMENT BENEFITS

Currently subsidiary companies provide retirement benefits to 94% (2012: 96%) of their employees. A defined contribution provident fund, which is subject to the Pensions Fund Act exists for this purpose. The scheme is funded both by member and company contributions, which are charged to the income statement as they are incurred. The Group is under no obligation to cover any unfunded benefits. The Group's contribution to the above scheme was R36 505 000 (2012: R32 674 000).

Medical aid

The Group does not provide any post-retirement medical benefits.

25. RISK MANAGEMENT

Capital risk management

The capital structure of the Group consists of equity attributable to equity holders of the Group which comprises issued share capital and premium, the share-based payment reserve and accumulated profits as disclosed in the statement of changes in equity, borrowings as disclosed under note 11 and cash and cash equivalents as disclosed under note 8.

The Group's capital management objective is to meet its liquidity requirements, to repay borrowings as they fall due, to continue as a going concern, to ensure there is sufficient capital available for the funding requirements of the Group (including capital expenditure) and to maximise shareholders' returns and reduce cost of capital.

The Group is in a net asset position at year end. The Group is in a net current asset position at year end, has repaid all borrowings as they fall due during the year and is able to meet its liquidity requirements. Based on inspection of the budget and forecast for the next year, the Group has sufficient capital available for its funding requirements, to maximise shareholders' returns and to continue as a going concern.

The Group's capital management policy is to hold sufficient capital as management believes is necessary to ensure that obligations can always be met on a timely basis and to maintain a positive net assets and net current assets position.

The Group is not subject to externally imposed capital requirements. The Group's overall strategy remains unchanged since the prior year.

Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and interest rate risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Currency risk

The Group's non-South African operations are small in relation to its total operations. Where possible, foreign entities match their assets and liabilities in the same currency to avoid unnecessary currency exposures.

Fair value hedges

The Group is exposed to foreign exchange risk as it imports materials handling equipment and spares. Hedging instruments are used to reduce the risks arising from foreign currency fluctuations against the Group's own currency. It is the Group's policy to take out forward cover on all substantial foreign transactions, and review its foreign currency exposure, including commitments on an ongoing basis. The Group expects its foreign exchange contracts to hedge foreign exchange exposure. The Group does not use FECs for speculative purposes and does not apply cash flow hedge accounting.

Details of each outstanding forward exchange contract are as follows:

Amount in foreign currency purchased	Forward exchange rate	Maturity date
At 28 February 2013		
193 869 Botswana Pula (BWP)	0,8878 BWP = 1 ZAR	1 March 2013
680 United States Dollar (USD)	1 USD = 8,8965 ZAR	4 March 2013
2 545 United States Dollar (USD)	1 USD = 9,0299 ZAR	4 March 2013
11 704 750 Japanese Yen (JPY)	8,9208 JPY = 1 ZAR	8 March 2013
8 299 000 Japanese Yen (JPY)	9,0145 JPY = 1 ZAR	14 March 2013

25. RISK MANAGEMENT *(continued)*

Amount in foreign currency purchased	Forward exchange rate	Maturity date
At 29 February 2012		
3 486 000 Japanese Yen (JPY)	9,9397 JPY = 1 ZAR	23 April 2012
8 385 250 Japanese Yen (JPY)	9,8988 JPY = 1 ZAR	18 May 2012
6 234 250 Japanese Yen (JPY)	10,4043 JPY = 1 ZAR	18 May 2012
3 321 000 Japanese Yen (JPY)	10,3395 JPY = 1 ZAR	26 June 2012

At year end the forward exchange contracts were hedging amounts payable for materials handling equipment that was shipped free on board before year end. Settlement of the creditor occurred after year end. The risk being hedged is an exchange loss due to an unfavourable movement in the exchange rate between the Rand and the Japanese Yen, United States Dollar and Botswana Pula. After the recognition of the materials handling equipment, the forward exchange contracts will continue to hedge the trade payable.

The Group's loss on hedging instruments for the year was R530 000 (2012: profit of R194 000).

At 28 February 2013, if the Rand had weakened/strengthened by 10% against the various foreign currencies with all other variables held constant, pre-tax profit for the year would have been R354 000 (2012: R280 000) lower/higher.

Interest rate risk

The Group's interest rate risk arises principally from long-term borrowings. Borrowings raised at variable rates expose the Group to cash and interest rate risk. Borrowings raised at fixed rates expose the Group to fair value interest rate risk. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions. Based on the simulations perceived, the impact on pre-tax profit of 50 basis point shift in the interest rate would be a maximum increase/decrease of R951 000 (2012: R1 575 000). The simulation is done on a regular basis to verify that the maximum loss potential is within the limit given by management.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter-party to a financial instrument fails to meet its contractual obligations. Financial assets which potentially subject the Group to concentrations of credit risk consists mainly of cash deposits, cash equivalents, trade and other receivables, investments and loans receivable. Management's objectives for managing credit risk is to minimise the Group's exposure. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial defaults. The Group's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management.

Cash and cash equivalents

The Group only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. For this reason the Group does not consider there to be any significant concentration of credit risk.

25. RISK MANAGEMENT *(continued)*

Trade and other receivables

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Accordingly, the Group has no significant concentration of credit risk.

Investments

The Group has no significant concentration of credit risk.

Loans receivable

The Group has no significant concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities and by continuously monitoring cash flows. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The table below analyses the Group's financial liabilities at the financial year end into relevant maturity groupings. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

R'000	Less than 1 year	Between 1 and 5 years	More than 5 years
At 28 February 2013			
Interest-bearing borrowings	**87 047**	**74 544**	**112 673**
Trade and other payables	**325 735**	—	—
Current tax payable	**832**	—	—
Other financial liability	**287**	—	—
Shareholders for dividend	**277**	—	—
At 29 February 2012			
Interest-bearing borrowings	92 748	205 451	15 895
Trade and other payables	339 968	—	—
Current tax payable	3 865	—	—
Shareholders for dividend	212	—	—

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Management's objectives for managing market risk is to minimise the Group's exposure.

R'000	2013	2012

25. RISK MANAGEMENT *(continued)*

Loans and receivables		
Trade receivables	**227 227**	272 455
Investment and loans	**3 461**	3 238
	230 688	275 693
Financial liabilities measured at amortised cost		
Interest-bearing borrowings	**187 217**	221 346
Trade and other payables	**213 153**	227 476
Other payables	**22 621**	16 350
Current portion of interest-bearing borrowings	**87 047**	92 748
Shareholders for dividend	**277**	212
	510 315	558 132

26. INSURANCE CONTRACTS

Certain transactions are entered into by the Group as insurer which falls within the definition of insurance contracts per IFRS 4 Insurance Contracts.

Significant items included are the following:

– Motor insurance
– Multi-peril policy insurance
– Marine insurance
– Goods in transit insurance (GIT)

Income	**21 189**	19 932
Expenses	**5 958**	5 493
Liabilities		
Balance at beginning of the year	**1 319**	1 364
Movement	**263**	(45)
Balance at end of the year	**1 582**	1 319
Assets		
Balance at beginning of the year	**11 907**	7 947
Movement	**(488)**	3 960
Balance at end of the year	**11 419**	11 907

The subclassification of liabilities are claims incurred but not reported (IBNR), and represents approximately 7% of income earned from insurance contracts, based on past claims experience. The liabilities will be settled within the next year.

26. INSURANCE CONTRACTS *(continued)*

Insurance risk

The Group is a registered financial services provider in terms of the FAIS Act with the Financial Services Board. The Group's objective is to mitigate insurance risk arising from insurance contracts. The principal risk that the Group faces under these insurance contracts is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur due to the frequency or severity of claims which may be greater than estimated. Insurance events are random and the actual number and amounts of claims will vary from year to year from the estimate determined using statistical techniques. The key financial risk is that the proceeds from the financial assets are not sufficient to fund the obligations arising from insurance contracts and includes credit risk, interest rate risk and liquidity risk.

Risks, which are spread over a large customer base, are managed internally by the Group. Risk is concentrated largely to motor insurance which covers the vehicle in the case of an accident as well as damage to third party property. There is no specific geographical or sectoral concentrated risk. The Group limits its exposure and sensitivity to insurance risk by reinsuring the comprehensive motor insurance and by limiting the claims on goods in transit, multi-peril and marine insurance cover. The terms and conditions of these insurance contracts therefore do not have a material effect on the amount, timing and uncertainty of cash flows.

Significant assumptions

The critical accounting judgements made in applying the Group's accounting policies relate to the estimation of the ultimate liability arising from claims made under insurance contracts. The Group's estimate for reported and unreported losses are continually reviewed and updated, and adjustments resulting from this review are reflected in profit or loss. The process relies upon the basic assumption that past experience adjusted for the effect of current developments are likely trends, is an appropriate basis for predicting future events. The actual claims incurred did not materially differ from the estimates derived from the critical accounting judgements applied.

27. SHARE INCENTIVE SCHEMES AND SHARE BASED PAYMENTS

The Value Group Share Incentive Trust

In terms of the scheme, shares and/or options in respect of shares may be offered to employees and directors not exceeding 10% of the issued ordinary shares, with a limitation of 1% per participant.

The following options have been granted and were outstanding in terms of the scheme:

	Latest expiry date		Number of options outstanding	
Date of grant	**2013**	2012	**2013**	2012
Friday, 18 February 2005	**Friday, 20 February 2015**	Friday, 20 February 2015	**349 790**	400 000
Monday, 11 June 2007	**Monday, 12 June 2017**	Monday, 12 June 2017	**149 790**	200 000
Friday, 9 November 2007	**Tuesday, 14 November 2017**	Tuesday, 14 November 2017	**250 000**	375 000
Thursday, 27 May 2010	**Tuesday, 2 June 2020**	Tuesday, 2 June 2020	**640 000**	640 000
			1 389 580	1 615 000

27. SHARE INCENTIVE SCHEMES *(continued)*

Date of grant	Fair value (cents)	Option price (cents)	Market price (cents)	Exercise price (cents)	Volatility %	Dividend yield %	Risk free rate %
Friday, 18 February 2005	44,2	215	211	215	18,4	1,8	7,56
Monday, 11 June 2007	89,0	253	255	253	29,7	0,0	8,83
Friday, 9 November 2007	104,0	218	208	218	61,1	0,0	9,02
Thursday, 27 May 2010	80,0	359	369	359	25,0	4,3	8,05

Expected volatility has been determined with reference to the annualised standard deviation of daily returns based on historical daily share price movements. The option life is based on option vesting conditions in terms of the Incentive Trust.

	Number of options	
Movement during the year	**2013**	2012
Balance at beginning of the year	**1 615 000**	1 740 000
Options exercised	**(225 420)**	(125 000)
Balance at end of the year	**1 389 580**	1 615 000

Delivery of and payment for shares in respect of options exercised may occur in annual trenches of 25% per annum with effect from the second anniversary of the exercise date. Participants are entitled to defer delivery of and payment for the shares provided that full delivery must have occurred by the seventh anniversary of the acceptance date. The weighted average share price at date of exercise was 558,0 (2012: 412,0) cents per share.

Movements of shares owned by the Value Group Share Incentive Trust and associated loan values were as follows:

	Number of shares		Loan value R'000	
	2013	2012	**2013**	2012
Balance at beginning of the year	**1 615 000**	1 740 000	**4 478**	4 735
Options exercised	**(225 420)**	(125 000)	**—**	—
Repayments	**—**	—	**(823)**	(597)
Impairment of loan	**—**	—	**(303)**	—
Write-up of loan	**—**	—	**—**	340
Balance at end of the year	**1 389 580**	1 615 000	**3 352**	4 478

The scheme owns sufficient shares to issue to participants to satisfy options granted over the company's ordinary shares.

27. SHARE INCENTIVE SCHEMES *(continued)*

Share options granted to executive directors:

	Number of options at 29 February 2012*	Options granted	Option price (cents)	Exercise price (cents)	Number of shares delivered	**Number of options at 28 February 2013**
CL Sack	640 000	—	359	359	—	**640 000**
M Padiyachy	100 000	—	211	211	—	**100 000**
M Padiyachy	250 000	—	218	218	—	**250 000**
	990 000	—			—	**990 000**

**Notwithstanding the date of exercise, participants are only entitled to delivery of the shares in Value Group Limited in accordance with the terms of the scheme.*

The Value Group Empowerment Trust

The trust was created in 2011 for the benefit of the current and future black employees of the Group who fall within the C and D Peromness bands and who satisfy a set of objective criteria as set by the Board.

Employees must remain in the service of the Group until 23 July 2017 to benefit from the trust.

The trust through its holding of 10 429 010 A ordinary shares holds approximately 5% of the issued capital of the company.

The trust is divided into 10 429 010 units, which equates to one unit for each A share it holds. The Board will at its descretion nominate the beneficiaries of the trust and the number of units allocated to each employee.

The following units have been allocated:

Date of allocation	**2013**	2012
30 September 2010	**3 550 000**	3 650 000
28 February 2013	**5 400 000**	—
	8 950 000	3 650 000

Date of allocation	**Fair value (cents)**	**Option price (cents)**	**Market price (cents)**	**Volatility %**	**Dividend yield %**	**Risk free rate %**
30 September 2010	80,6	381	361	24,2	4,4	7,18
28 February 2013	185,0	343	560	31,1	3,9	5,31

The option price has been based on the projected notional loan balance on 23 July 2017.

Expected volatility has been determined with reference to the annualised standard deviation of daily returns based on historical daily share price movements. The option life is based on option vesting conditions in terms of the trust deed.

27. SHARE INCENTIVE SCHEMES *(continued)*

Movement during the year	2013	2012
Balance at beginning of the year	**3 650 000**	4 000 000
Units allocated	**5 400 000**	—
Units forfeited – resignations	**(100 000)**	(350 000)
Balance at end of the year	**8 950 000**	3 650 000

A notional loan has been deemed to attach to the A ordinary shares. On the assumption that all of the units have been allocated, the notional loan amounts to R37 858 000 (2012: R37 736 000)which equates to R3,63 (2012: R3,62) per ordinary share. The notional loan will be increased by notional interest calculated at 72% of the prime bank overdraft rate and decreased by notional distributions which will correspond to distributions to ordinay shareholders. If on 23 July 2017 the notional loan is not repaid, the Group can excercise its right to repurchase sufficient A ordinary shares at the weighted average price of the Group's ordinary shares over the 30 trading days prior to 23 July 2017 to settle the outstanding notional loan. The remaining A ordinary shares will be converted into ordinary shares on a 1:1 basis and will be transferred to the beneficiaries who have met their service requirements.

BEE transaction

The company entered into agreements in May 2010 in terms of which it issued 14 600 614 ordinary shares to Opsiweb Investments Proprietary Limted, an SPV owned by a trust controlled by Dr Mathews Phosa, a non-executive director of the company and 6 257 406 ordinary shares to Diplobuzz Investments Proprietary Limited, an SPV owned by a trust controlled by Mano Padiyachy, an executive director of the company at R 3,50 per ordinary share.

The economic substance of these transactions for accounting purposes is the granting of a call option on the company's ordinary shares.

Date of allocation	Fair value (cents)	Option price (cents)	Market price (cents)	Volatility %	Dividend yield %	Risk free rate %
23 July 2010	93,8	393	370	26,7	4,3	7,75

The option price has been based on the projected preference share obligation on 23 July 2017.

The subscription consideration of R73 003 000 was funded through the issue by a subsidiary company of 20 858 020 redeemable preference shares at R3,50 each which bear interest at 72% of the prime bank overdraft rate and are redeemable on 23 July 2017.

28. DIRECTORS' INTEREST IN SHARE CAPITAL OF THE COMPANY

	Beneficial number of ordinary shares		Non-beneficial number of ordinary shares	
	2013	2012	**2013**	2012
The directors' interests, directly and indirectly, in the issued share capital of the company were as follows:				
CD Stein				
– Direct	**363 070**	363 070		—
SD Gottschalk				
– Indirect	**—**	—	**94 183 036**	94 183 036
CL Sack				
– Direct	**1 400 000**	1 400 000	**—**	—
M Padiyachy				
– Direct	**325 000**	325 000	**—**	—
– Indirect	**6 257 406**	6 257 406	**—**	—
IM Groves				
– Indirect	**70 000**	70 000	**—**	—
NM Phosa				
– Direct	**250 000**	250 000	**—**	—
– Indirect	**14 600 614**	14 600 614	**—**	—
	23 266 090	23 266 090	**94 183 036**	94 183 036

Mr CL Sack's direct beneficial interest in the company increased on 20 June 2013 from 1 400 000 shares to 1 700 000 shares. On this date, Mr CL Sack purchased 300 000 shares at R3,59 per share in terms of options exercised in the Value Group Share Incentive Scheme. Clearance in terms of par 3.66 of the listing requirements was obtained for this transaction.

29. RESTATEMENT OF PRIOR PERIOD REPORTED ITEMS

Diluted earnings per share

During the year, the Group amended its earnings per share calculation to be in line with IAS 33: *Earnings Per Share.*

In previous reporting periods, the BEE transaction shares issued to the BEE entities and the BEE trust in July 2010, were not treated as treasury shares in the calculation of diluted earnings per share and diluted headline earnings per share. The directors believe that the previously reported diluted earnings per share figures more accurately reflected the economic reality of the BEE transaction, in that, at the end of the lock in period, the shares issued to the BEE entities and BEE Trust would no longer be treated as treasury shares.

The Group has subsequently amended the calculation of its diluted earnings per share and diluted headline earnings per share to treat these shares as treasury shares in these calculations.

The impact of the changes are reflected in the table below:

	As previously stated 2012	Impact of change	Restated 2012
Weighted average number of shares outstanding for diluted earnings per share (´000)	187 903	(20 747)	167 156
Diluted earnings per share (cents)	58,7	6,8	65,5
Diluted headline earnings per share (cents)	60,2	7,0	67,2

Cash flows from operating activities

Comparative figures have been restated in the statement of cash flows.

Proceeds on disposal of rental assets, which were previously classified under investing activities have been subsequently reclassified to operating activities in order to comply with IAS 7: *Statement of Cash Flows.*

	As previously stated 2012	Impact of change in classification	Restated 2012
Cash flows from operating activities	145 010	40 110	185 120
Cash flows from investing activities	(196 571)	(40 110)	(236 681)

30. NEW STANDARDS AND INTERPRETATIONS

The Group has not applied the following standards and interpretations that have been issued but are not yet effective:

Standard number	Standard name	Effective date*
IAS 1	Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (Amendment)	1 July 2012
IAS 19	Employee Benefits (Amendment)	1 January 2013
IAS 27	Consolidated and Separate Financial Statements (as revised in 2011)	1 January 2013
IAS 28	Investments in Associates and Joint Ventures (as revised in 2011)	1 January 2013
IAS 32	Financial Instruments: Presentation (Amendment) – Offsetting of Financial Assets and Financial Liabilities	1 January 2014
IAS 34	Interim Financial Reporting	1 January 2013
IFRS 1	Annual improvement for 2009 – 2011 cycle	1 January 2013
IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)	1 January 2013
IFRS 9	Financial Instruments Classification and Measurement	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Involvement with Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
	Improvements to IFRS (issued in May 2012)	1 January 2013
	Improvements to IFRS (issued in May 2012)	1 January 2013

**Effective for annual periods beginning on or after the date specified. Early adoption of these standards is permitted. The Group does not intend early adoption of any of the above new / revised standards and/or interpretations. The effect of adoption is not certain at this stage, but is not expected to be material.*

COMPANY FINANCIAL STATEMENTS

Statement of financial position

at 28 February 2013

R'000	Notes	2013	2012
ASSETS			
Non-current assets		**83 526**	83 158
Investments and loans	2	**83 526**	83 158
Total assets		**83 526**	83 158
EQUITY AND LIABILITIES			
Equity		**83 249**	82 946
Share capital and premium	3	**10 851**	10 851
Share-based payment reserve		**12 192**	12 192
Retained income		**60 206**	59 903
Current liabilities		**277**	212
Shareholders for dividend		**277**	212
Total equity and liabilities		**83 526**	83 158

Statement of comprehensive income

for the year ended 28 February 2013

R'000	Note	2013	2012
Investment income	4	**43 698**	37 679
Write up of loan to the Value Group Share Incentive Trust		**303**	340
Net profit for the year		**44 001**	38 019
Other comprehensive income net of taxation		**—**	—
Total comprehensive income for the year		**44 001**	38 019

Statement of changes in equity

for the year ended 28 February 2013

R'000	Share capital and share premium	Share-based payment reserve	Retained income	Total
Balance at 28 February 2011	10 851	12 192	59 623	82 666
Transactions with owners				
Dividends paid	—	—	(37 739)	(37 739)
Total comprehensive income for the year	—	—	38 019	38 019
Balance at 29 February 2012	**10 851**	**12 192**	**59 903**	**82 946**
Transactions with owners				
Dividends paid	**—**	**—**	**(43 698)**	**(43 698)**
Total comprehensive income for the year	**—**	**—**	**44 001**	**44 001**
Balance at 28 February 2013	**10 851**	**12 192**	**60 206**	**83 249**

Statement of cash flows

for the year ended 28 February 2013

R'000	Notes	2013	2012
Cash flow from operating activities		**65**	8
Cash generated from operations	6.1	**—**	—
Investment income		**43 698**	37 679
Dividends paid	6.2	**(43 633)**	(37 671)
Cash flow from investing activities		**(65)**	(8)
Increase in loans receivable		**(65)**	(8)
Net change in cash and cash equivalents		**—**	—
Cash and cash equivalents at beginning of the year		**—**	—
Cash and cas h equivalents at end of the year		**—**	—

1. ACCOUNTING POLICIES

Please refer to the Group accounting policies on pages 82 to 93.

	Issued capital	Country of incorporation	Effective holding 2012 and 2013 %	2013 R'000	2012 R'000
2. INVESTMENTS AND LOANS					
Subsidiary companies					
Value Logistics Limited	R2 500 000	South Africa	100	*	*
Value Logistics Personnel Services (Pty) Limited	R100	South Africa	100	*	*
Value Logistics (Botswana) (Pty) Limited	Pula 2	Botswana	100	*	*
Value Logistics Namibia (Pty) Limited	N$1	Namibia	100	*	*
Value Specialised Logistics (Pty) Limited	R100	South Africa	100	*	*
Investment in subsidiary companies				*	*
Loan to Value Logistics Limited				**79 568**	78 680
Associate company					
Value SA (Pty) Limited	R100	South Africa	30	*	*
Share incentive scheme					
Loan to Value Group Share Incentive Scheme				**3 958**	4 478
Total investments and loans				**83 526**	83 158

**Nominal amount.*

Loans receivable from subsidiary companies and the share incentive scheme are classified as available-for-sale financial assets. As these loans have no fixed terms of repayment, the carrying amount and fair value equal the face value of these loans.

At 28 February 2013, loans receivable from subsidiaries have been ceded to the Group's bankers as security for banking facilities. Subsequent to year end, the cession has been cancelled.

During the year, R303 000 (2012: R340 000) of the impairment of the loan to the Value Group Share Incentive Scheme was reversed, making a cumulative impairment of R4 159 000 (2012: R4 462 000). The reversal of the prior impairment was calculated with reference to the net asset value of the share incentive scheme.

R'000	**2013**	2012

3. SHARE CAPITAL AND PREMIUM

Authorised share capital		
500 000 000 ordinary shares of 0,1 cent each	**500**	500
10 429 010 A ordinary shares of 0,1 cent each	**10**	10
Issued share capital		
198 627 386 ordinary shares of 0,1 cent each	**198**	198
10 429 010 A ordinary shares of 0,1 cent each	**10**	10
Share premium	**10 643**	10 643
	10 851	10 851

The A ordinary shares rank *pari passu* with the ordinary shares in respect of voting rights, but do not participate in distributions by the company to its shareholders until converted into ordinary shares. Full details of the rights, privileges and conditions attaching to the A ordinary shares are set out in the circular to shareholders dated 1 July 2010.

4. INVESTMENT INCOME

Dividends received from subsidiary companies	**43 698**	37 679

5. TAXATION

South African normal tax	**—**	—
Reconciliation of rate of taxation	**%**	%
South African normal tax rate	**28,0**	28,0
Adjusted for:		
– Permanent differences	**(28,0)**	(28,0)
Effective rate	**—**	—

R'000	2013	2012
6. NOTES TO THE STATEMENT OF CASH FLOWS		
6.1 Cash generated by operations		
Profit for the year	**44 001**	38 019
Adjustments for:		
Investment income	**(43 698)**	(37 679)
Write-up of loan to the Value Group Share Incentive Scheme	**(303)**	(340)
	—	—
6.2 Reconciliation of dividends paid during the year		
Charge in statement of changes in equity	**(43 698)**	(37 739)
Movement in shareholders for dividends	**65**	68
	(43 633)	(37 671)

7. RISK MANAGEMENT

Risk management and related disclosures have been dealt with in the consolidated financial statements. See note 25 on page 112.