REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS

for the year ended 28 February 2018

VALUE GROUP LIMITED

Value Group Limited
(Incorporated in the Republic of South Africa)
Registration number 1997/002203/06)
ISIN number: ZAE000016507 Share code: VLE
Directors: C D Stein* (Chairman), S D Gottschalk (CEO), C L Sack, I M Groves*, N M Phosa*, M Padiyachy, V W Mcobothi*
*Non-executive director
Sponsor: Investec Bank Limited

HIGHLIGHTS

REVENUE
R2,513bn UP 2%

NORMALISED HEADLINE EARNINGS PER SHARE
71,1 cents UP 15%

HEADLINE EARNINGS PER SHARE
58,7 cents DOWN 5%

EARNINGS PER SHARE
54,8 cents DOWN 4%

NET ASSET VALUE PER SHARE
566,8 cents UP 8%

CASH GENERATED BY OPERATIONS MAINTAINED AT **R296m**

FINAL DIVIDEND PER SHARE
22 cents UP 22%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R000's	% change	Reviewed 2018	Audited 2017
Revenue*	2%	**2 513 241**	2 468 923
Cost of sales*		**(1 726 216)**	(1 653 373)
Gross profit		**787 025**	815 550
Other income		**28 364**	25 092
Operating expenses		**(659 951)**	(697 378)
Operating profit before once-off BBBEE equity transaction costs	8%	**155 438**	143 264
Once-off BBBEE equity transaction costs		**(19 003)**	-
Operating profit		**136 435**	143 264
Share of profit of equity-accounted investees		**23**	44
Fair value adjustment		**331**	(509)
Finance income*		**3 386**	1 594
Finance costs*		**(17 553)**	(24 046)
Net profit before taxation		**122 622**	120 347
Taxation		**(40 648)**	(36 740)
Net profit for the year	(2%)	**81 974**	83 607
Other comprehensive income			
Foreign currency translation differences		**(75)**	(192)
Total comprehensive income for the year		**81 899**	83 415
Owners:		**83 331**	88 149
Net profit for the year		**83 406**	88 341
Other comprehensive income		**(75)**	(192)
Non-controlling interest:		**(1 432)**	(4 734)
Net loss for the year		**(1 432)**	(4 734)
Other comprehensive income		**-**	-
		81 899	83 415
Earnings per share (cents) (note 2)			
Basic	(4%)	**54.8**	57.2
Headline	(5%)	**58.7**	61.9
Normalised headline	15%	**71.1**	61.9
Diluted basic	(4%)	**54.8**	57.2
Diluted headline	(5%)	**58.7**	61.9
Normalised diluted headline	15%	**71.1**	61.9

*Restated for the application of circular 2/2017 as detailed in note 6.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R000's	% change	Reviewed 2018	Audited 2017
Assets			
Non-current assets		**1 039 072**	1 028 466
Property, vehicles, plant and equipment		**1 004 903**	990 573
Intangible assets		**10 603**	12 655
Goodwill		**16 561**	20 152
Loan receivable		**1 575**	1 568
Equity-accounted investees		**380**	357
Deferred tax asset		**5 050**	3 161
Current assets		**553 514**	502 371
Inventories		**66 424**	67 033
Trade and other receivables		**335 532**	298 900
Other financial assets		**8 765**	8 434
Current tax receivable		**3 176**	1 551
Cash and cash equivalents		**139 617**	126 453
Non-current assets held for sale		**116**	10 701
Total assets		**1 592 702**	1 541 538
Equity and liabilities			
Equity		**848 634**	799 598
Non-current liabilities		**290 670**	308 336
Interest-bearing borrowings		**108 601**	121 341
Non interest-bearing borrowings		**-**	2 535
Vendor for acquisition		**-**	3 268
Deferred tax		**182 069**	181 192
Current liabilities		**453 398**	433 604
Trade and other payables		**379 803**	345 291
Current portion of interest-bearing borrowings		**69 227**	77 703
Vendor for acquisition		**3 268**	9 804
Other financial liabilities		**31**	123
Current tax payable		**464**	161
Shareholders for dividend		**605**	522
Total equity and liabilities		**1 592 702**	1 541 538
Net asset value per share (cents)	8%	**566.8**	522.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R000's	Reviewed 2018	Audited 2017
Ordinary share capital and premium	**10 829**	10 829
A ordinary shares	**10**	10
Treasury shares	**(113 408)**	(97 817)
Balance at beginning of year	**(97 817)**	(97 021)
Treasury shares acquired	**(16 481)**	(796)
Treasury shares sold	**890**	-
Share-based payment reserve	**20 146**	30 792
Balance at beginning of year	**30 792**	27 184
Share-based payment expense	**21 591**	3 608
Transfer to retained income	**(32 237)**	-
Foreign currency translation reserve	**104**	179
Balance at beginning of year	**179**	371
Foreign currency translation differences	**(75)**	(192)
Retained income	**934 283**	861 345
Balance at beginning of year	**861 345**	800 794
Dividends paid	**(39 573)**	(27 790)
Profit on disposal of treasury shares	**710**	-
Transfer from share-based payment reserve	**32 237**	-
Net profit for the year	**83 406**	88 341
Non-controlling interest acquired by owners	**(3 842)**	-
Total capital and reserves attributable to owners	**851 964**	805 338
Non-controlling interest	**(3 330)**	(5 740)
Balance at beginning of year	**(5 740)**	(1 006)
Net loss for the year	**(1 432)**	(4 734)
Non-controlling interest acquired by owners	**3 842**	-
Equity	**848 634**	799 598

CONSOLIDATED STATEMENT OF CASH FLOWS

R000's	% change	Reviewed 2018	Audited 2017
Cash flows from operating activities		**194 694**	197 435
Cash generated by operations before movements in working capital and proceeds on disposal of rental assets *		**268 848**	261 038
Proceeds on disposal of rental assets		**27 370**	35 129
Cash generated by operations		**296 218**	296 167
Changes in working capital		**(4 895)**	(14 178)
Net finance costs *		**(14 167)**	(22 452)
Taxation paid		**(42 972)**	(34 386)
Cash available from operating activities	4%	**234 184**	225 151
Dividends paid		**(39 490)**	(27 716)
Cash flows from investing activities		**(88 928)**	(95 603)
Purchase of property, vehicles, plant and equipment		**(88 854)**	(81 027)
Purchase of intangible assets		**(4 851)**	(5 050)
Proceeds on disposal of property, vehicles, plant and equipment		**2 883**	3 622
Proceeds on disposal of non-current assets held for sale		**11 498**	829
Payment of vendor - Core Logistix acquisition		**-**	(3 802)
Payment of vendor - Key Distributors acquisition		**(9 804)**	-
Acquisition of subsidiaries		**-**	(10 175)
Decrease in loan receivable		**200**	-
Cash flows from financing activities		**(92 438)**	(66 500)
Repayment of loans		**(77 557)**	(66 467)
Loans raised		**-**	761
Treasury shares acquired		**(16 481)**	(794)
Proceeds on disposal of treasury shares		**1 600**	-
Net change in cash and cash equivalents		**13 328**	35 332
Translation difference		**(164)**	(221)
Cash and cash equivalents at beginning of year		**126 453**	91 342
Cash and cash equivalents at end of year		**139 617**	126 453

SEGMENT INFORMATION

R000's	Reviewed 2018	Audited 2017
Total segment revenue *	**2 663 570**	2 619 187
General distribution	**1 555 912**	1 600 180
Truck rental and other	**414 943**	403 487
Retail Logistics	**583 077**	500 800
Head office and other	**109 638**	114 720
Less: Inter-segment revenue	**150 329**	150 264
General distribution	**5 342**	6 103
Truck rental and other	**37 747**	29 850
Retail Logistics	**-**	-
Head office and other	**107 240**	114 311
External segment revenue *	**2 513 241**	2 468 923
General distribution	**1 550 570**	1 594 077
Truck rental and other	**377 196**	373 637
Retail Logistics	**583 077**	500 800
Head office and other	**2 398**	409
Business segment results *		
General distribution	**98 172**	103 473
- Trading profit	**101 763**	110 552
- Goodwill impairment	**(3 591)**	(7 079)
Truck rental and other	**55 498**	39 611
Retail Logistics	**8 011**	3 484
Head office and other	**(6 243)**	(3 304)
*Operating segment results **	**155 438**	143 264
Once-off BBBEE equity transaction costs	**(19 003)**	-
Share of profit of equity-accounted investees	**23**	44
Fair value adjustment	**331**	(509)
Finance income *	**3 386**	1 594
Finance costs *	**(17 553)**	(24 046)
Net profit before taxation	**122 622**	120 347
Total segment assets		
General distribution	**754 677**	711 629
Truck rental and other	**578 252**	585 509
Retail Logistics	**80 934**	94 187
Head office and other	**159 893**	135 142
Segment assets	**1 573 756**	1 526 467
Loan receivable	**1 575**	1 568
Equity-accounted investees	**380**	357
Deferred tax asset	**5 050**	3 161
Other financial assets	**8 765**	8 434
Current tax receivable	**3 176**	1 551
Total assets	**1 592 702**	1 541 538

NOTES

1. Basis of preparation

The reviewed condensed consolidated financial results are prepared in accordance with IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these reviewed condensed consolidated financial results are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated annual financial statements. These results have been prepared under the supervision of the Group Financial Director, Mr CL Sack.

The Group's auditor, Baker Tilly SVG has reviewed these results. A copy of their unmodified review report is available for inspection at the Company's registered office.

	R000's	Reviewed 2018	Audited 2017
2.	**Headline earnings**		
2.1.	**Reconciliation between basic and headline earnings**		
	Basic earnings attributable to owners	**83 406**	88 341
	Loss on disposal of property, vehicles, plant and equipment	**3 063**	2 100
	Less: tax effect of loss on disposal of property, vehicles plant and equipment	**(787)**	(541)
	Goodwill impairment	**3 591**	7 079
	Less: minority interest effect of goodwill impairment	**-**	(1 416)
	Headline earnings	**89 273**	95 563
	Once-off BBBEE equity transaction costs	**19 003**	-
	Normalised headline earnings	**108 276**	95 563
2.2.	**Number of ordinary shares of R 0.001 each in issue**		
	Shares in issue	**186 427 478**	186 427 478
	Shares in issue excluding treasury shares	**150 302 979**	154 145 746
	Weighted average shares in issue	**152 191 958**	154 388 749
	Diluted shares in issue	**152 191 958**	154 388 749
2.3.	**Number of A ordinary shares of R 0.001 each in issue**		
	Shares in issue	**10 429 010**	10 429 010
3.	**Supplementary information**		
	Depreciation	**96 148**	99 247
	Amortisation of intangible assets	**6 976**	9 801
	Depreciation and amortisation	**103 124**	109 048

NOTES

R000's	Reviewed 2018	Audited 2017
4. Fair value measurement of financial instruments		
4.1. Financial assets/(liabilities)		
Cash and cash equivalents (Level 1)	**139 617**	126 453
Due to the short-term nature of cash and cash equivalents, and the fact that the Group only deposits cash with reputable banks with high credit ratings, the face value of the balances is considered to reflect its fair value.		
Investment in insurance cell captive (Level 2)	**8 765**	8 434
The net asset value is used as a valuation technique where the underlying assets and liabilities have been assessed to represent the fair value of the investment. Due to the nature of the investment, specifically the significant composition of the liquid assets and liabilities, the net asset value is seen to be the most appropriate representation of fair value.		
Foreign currency forward contracts (Level 2)	**(31)**	(123)
Forward exchange contracts are marked to market at period end. The inputs used in the calculation are the foreign currency amounts stated in the contract, the equivalent Rand amount at the start of the contract and the Rand revaluation rate at period end.		
5. Related party transactions		
Significant transactions with related parties comprise of market related rentals paid to companies controlled by Mr. SD Gottschalk, CEO of Value Group Limited.	**190 050**	175 993

NOTES

6. Restatement of prior period reported items

6.1 Application of Circular 2/2017

In prior years the Group applied the guidance in Circular 9/2006 to determine the fair value of revenue and purchases. It was concluded that revenue, cost of sales and other expenditure included an interest element which was separately disclosed in finance income and finance costs.

In June 2017 SAICA issued Circular 2/2017 which replaces Circular 9/2006. Circular 2/2017 stipulates the factors to be considered, at a transaction level, in determining whether a transaction contains a financing element.

No transactions have been identified which contained a financing element when applying the factors contained in Circular 2/2017.

The comparative figures have therefore been restated as follows:

Impact of change: 2017

R000's	Previously stated	Impact of change	Restated
Effect on statement of comprehensive income			
Revenue	2 452 766	16 157	2 468 923
Cost of sales	(1 645 066)	(8 307)	(1 653 373)
Finance income	17 751	(16 157)	1 594
Finance costs	(32 353)	8 307	(24 046)
Effect on statement of cash flows			
Cash generated by operations before movements in working capital and proceeds on disposal of rental assets	253 188	7 850	261 038
Net finance costs	(14 602)	(7 850)	(22 452)

COMMENTARY

INTRODUCTION

Value Group Limited and its subsidiaries ("the Group") provide a comprehensive range of tailored logistical solutions throughout southern Africa. The operating divisions specialise in providing a diversified range of supply chain services, which encompass distribution, transport, clearing and forwarding, warehousing, fleet management, materials handling and commercial vehicle rental and full maintenance leasing. The Group's retail segment supplies FMCG products into the convenience, formal and informal market.

FINANCIAL REVIEW

The Board is pleased to announce an improvement in the Group's pre BBBEE equity transaction earnings notwithstanding the economic and political conditions which continued to impact the local environment. These market conditions negatively affected rates and volumes which resulted in Group revenue improving by a marginal 2% to R2,513 billion. However, the proactive and innovative approach by the management team in undertaking an ongoing extensive restructuring exercise resulted in operational efficiencies improving whilst simultaneously saving costs.

Notwithstanding operating cost reductions, a decrease in revenue in the breakbulk operations of the general distribution segment contributed to gross profits reducing by R28,6 million from R815,6 million to R787 million.

The Group successfully reduced its overheads by realigning costs and reducing its staff complement. This entailed restructuring of workloads and activities within each division. Accordingly, operating costs decreased by R37,4 million from R697,4 million to R660 million which contributed to operating profit before once-off BBBEE equity transaction costs increasing by 8% to R155,4 million.

Subsequent to shareholder's approval of an extension of the Group's BBBEE ownership transaction, a once-off IFRS 2 non-cash flow share based payment charge of R18,2 million was incurred. This charge, in addition to R0,8 million in transaction costs, resulted in a once-off R19 million BBBEE transaction cost which reduced operating profit by 5% from R143,3 million to R136,4 million.

Reduction in average debt levels, improvement in daily working capital management and cash generated contributed to net finance costs reducing from R22,5 million to R14,2 million. Management's ongoing focus on conversion of profits into sustainable cash flows has yielded positive results. After an R8,6 million increase in tax payments, cash available from operating activities increased by R9 million to R234,2 million.

The effective tax rate has increased from 30,5% to 33,1% primarily due to the BBBEE costs which are not tax deductible. Overhead, interest and variable cost savings partially offset the once-off BBBEE costs resulting in basic earnings per share reducing by 4% to 54,8 cents per share and headline earnings reducing by 5% to 58,7 cents per share.

Excluding the BBBEE transaction costs, normalised headline earnings improved by 15% from 61,9 cents to 71,1 cents per share.

Capital expenditure incurred during the year increased by R61,4 million to R147,5 million. This expenditure comprised R104,8 million for vehicles, R18,2 million for materials handling equipment, R11,6 million for plant and equipment, R8,6 million for IT hardware and software and the balance of R4,3 million for various other assets. This expenditure, in addition to the settlement of an instalment pertaining to the acquisition of Key Distributors (Pty) Ltd (Key), was funded by R41,7 million realised on the disposal of assets, internally generated cash flows and positive cash balances. Positive cash balances were also utilised to fund the R16,5 million spent on share repurchases and R21,2 million net reduction in interest bearing borrowings. The Group's debt:equity ratio (net of intangibles) remains low at 21,6%.

COMMENTARY

OPERATIONAL REVIEW

General distribution segment

Poor GDP growth and customer and competitor rate pressures resulted in a decrease in volumes and revenue in the breakbulk operations. Revenue reduced by 3% from R1,594 billion to R1,551 billion. This was partially countered by the extensive ongoing restructuring exercise which yielded sustainable overhead and operating cost savings and improved results in the warehousing and freightpak operations. Operating profit, however, reduced marginally to R98,2 million after the R3,6 million goodwill impairment attributable to the Core Logistix operation. Further restructuring in the breakbulk operations is currently underway. The remaining operations comprising a significant portion of the segment, being dedicated distribution and express performed to expectation.

Truck rental and other segments

Revenue increased by 1% from R373,6 million to R377,2 million. The increase was driven by revenue growth in the truck rental division. In the previous financial year, the truck rental footprint was reviewed which resulted in the closure of smaller non-viable depots. In addition, staff reductions and the disposal of older vehicles have culminated in reduced overheads, containment of maintenance costs and a more efficient operation. Strategic changes in the materials handling division contributed to a significant improvement in performance. Accordingly, operating margins improved from 10,6% to 14,7% with operating profit increasing by 40% from R39,6 million to R55,5 million.

Retail logistics segment

Key was acquired effective 1 March 2016. The business undertakes the warehousing, distribution and wholesaling of a variety of FMCG products into the convenience, formal and informal sector, consisting primarily of independent traders, fuel forecourts, and small retailers. Key operates in the Gauteng, Polokwane, Nelspruit, Bloemfontein and Western Cape areas. In March 2017, the business's core operations moved into Value's facility in Johannesburg which provides the infrastructure necessary to grow its revenue and footprint. Key's management continues to drive and grow the business and outperform expectations.

Increased Key revenue contributed to segmental revenue growth of 16,4% to R583,1 million. Reduced losses in existing wholesaling initiatives, in addition to Key's growth, contributed to the segment's improvement in operating results which more than doubled from R3,5 million to R8 million.

SHARE REPURCHASES

During the current year 4,3 million shares were acquired at a cost of R16,5 million. Subsequent to year end, 3,3 million shares were repurchased at a cost of R14,4 million. On 8 May 2018, 9 618 378 treasury shares were cancelled against reserves and delisted. Subsequent to this cancellation, the number of ordinary shares in issue amounts to 176 809 100. The Group's subsidary currently holds 7 156 829 ordinary shares in treasury. The Group will continue to repurchase shares as the opportunities arise.

BBBEE

The BBBEE ownership transactions which were concluded in mid-2010 matured in the current financial year. Due to the depressed share price, the BBBEE entities' funding liabilities exceeded the equity values. Consequently, the Board proposed a 5 year extension to the transactions which was subsequently approved by shareholders on 21 July 2017.

COMMENTARY

FUTURE CAPITAL EXPENDITURE

Anticipated increase in volumes from an expanding customer base will necessitate capital expenditure of approximately R120 million consisting primarily of vehicle additions and replacements. This capital expenditure will be funded by internally generated cash flows and interest bearing debt.

PROSPECTS

The recent change in the leadership of the ANC has invoked positive sentiment in the economy. However, marginal volume improvement in only a few of the existing customers continues to highlight ongoing pressure on pricing and growth rates. Nonetheless, the Group has procured new business in its distribution segment which should curtail any further decline in volumes. The remaining logistics divisions are operating according to expectation. An improvement in revenue off a reduced cost base, including reduced debt levels and strong cash flows, should contribute to an improvement in earnings in the new financial year. This statement has not been reviewed nor audited by the Group's auditors.

The incorporation of Key's core operations into Value's Johannesburg facility has enabled the rapid expansion of Key's business. Now that the business is settled, management will focus on extracting synergies and cost savings. In addition, progress has been made in expanding the business into new markets and areas.

The Group continues to pursue acquisition opportunities that will complement and improve revenue streams in the existing divisions.

DECLARATION OF DIVIDEND (NUMBER 23)

The Board resolved to declare a gross final dividend for the year ended 28 February 2018, of 22 cents per ordinary share which will be paid out of distributable reserves. The dividend is covered 2,4 times by second half headline earnings (prior to BBBEE transaction costs). The total dividend for the 2018 financial year has thus increased by 25% over the previous financial year. The number of ordinary shares in issue at the date of this declaration is 176 809 100. The dividend will be subject to dividend withholding tax of 20% which amounts to 4,4 cents per share. This will result in a net dividend of 17,6 cents per share payable to those shareholders who are not exempt from paying dividend withholding tax. The tax reference number of Value Group Limited is 9319054715. The dividend is payable to shareholders as follows:

Declaration date	Thursday, 10 May 2018
Last day to trade cum dividend	Tuesday, 26 June 2018
Trading ex-dividend commences	Wednesday, 27 June 2018
Record date	Friday, 29 June 2018
Payment date	Monday, 2 July 2018

Share certificates may not be dematerialised or rematerialized between Wednesday, 27 June 2018 and Friday, 29 June 2018, both days inclusive.

For and on behalf of the Board

C D Stein
Chairman

S D Gottschalk
Chief Executive Officer

Johannesburg
10 May 2018

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