INTEGRATED ANNUAL REPORT 2018

VALUE GROUP LIMITED

HIGHLIGHTS

REVENUE
R2,51bn 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%

CONTENTS

GROUP OVERVIEW

ANNUAL FINANCIAL STATEMENTS

OTHER INFORMATION

REPORTING STRUCTURE

Our integrated annual report reflects the results and achievements of Value Group Limited and covers the reporting period 1 March 2017 to 28 February 2018.

This integrated annual report is the Group's key report for communication with its various stakeholders. This report demonstrates to stakeholders, the financial and operational performance of the Group over the past year and the measures in place to ensure the long term success of the organisation.

Sustainability is a vital part of the organisation and coincides with our aims of being a responsible corporate citizen. The Group views sustainability as the ability to balance the financial, human, environmental and social factors inherent in the organisation over the long term. This report aims to demonstrate the interdependencies of these various factors, and how the actions of the Group in light of these interdependencies, promotes the creation of value and growth over the short, medium and long-term.

The Group takes a precautionary approach to sustainability by putting in place measures to prevent harm to the environment and human health, such as fuel saving initiatives and occupational health and safety initiatives.

REPORTING FRAMEWORK

This report contains standard disclosures from the GRI Sustainability Reporting Guidelines, using the G4 codes. The Group has elected to report using the core application disclosures. A list of the standard disclosures and their location in this integrated annual report can be found on pages 118 to 120.

The Group has also followed the recommendations of the King IV Report on Corporate Governance and the Framework of the International Integrated Reporting Council.

The board has decided not to obtain external assurance on the disclosures included under operational performance in this report, with the exception of its BBBEE score, as it recognised that its own internal reporting and information gathering processes and indicators should be further refined before external assurance would add value.

PROCESS FOR DEFINING REPORT CONTENT AND ASPECT BOUNDARIES

The process used in determining material aspects arises from the Group's risk management process, our core values and guidance issued by the Global Reporting Initiatives. The Group has identified these aspects using the principles for defining report content and has considered the relevance of these aspects to sustainability in a wider context. Material aspects, that is, those aspects considered to be of significance to the decisions of stakeholders were then selected for reporting. Data is collected at operational level and consolidated at Group level. The basis for reporting on wholly owned subsidiaries, associates and joint ventures has not changed since the prior year. Unless otherwise stated, information presented in this integrated report relate to all entities within the Group. The following list of material aspects were selected for reporting:

- Economic performance
- Environment
- Employment
- Labour management
- Health and safety
- Training and education
- Local communities

CHAIRMAN'S STATEMENT

It gives me great pleasure to introduce the Value Group integrated annual report for the 2018 year.

Value's strength lies in its ability to adapt to the volatile and uncertain market conditions in which it operates to deliver on the promises of leading brands. This strength is demonstrated in the remarkable improvement in earnings achieved for the year (before the BBBEE equity transaction costs).

As expected, revenue growth was marginal considering the economic and political climate. This necessitated change within the business to drive efficiencies and reduce the cost base which was achieved mainly from a reduction in staff headcount with limited retrenchments. The result thereof is an improvement in earnings, before the BBBEE equity transaction costs, and improved cash flows generated from operations which facilitated a reduction in average debts levels and funding costs. The strong cash flows and a sound balance sheet has enabled the Group to increase the final dividend by 22% to 22 cents per share. We view the Value Group share as a good investment and have therefore repurchased 4,3 million shares during the year with a further 3,3 million shares repurchased subsequent to year end.

Capital expenditure for the year included a substantial investment in new modern fleet which are inherently more efficient to operate. With fuel being a material resource consumed by the Group, this investment allows the Group to better manage its operating costs and reduce its impact on the environment.

The board, which takes responsibility for the sustainable performance of the Group, has adopted King IV's recommendations on good corporate governance. By implementing its principles and recommendations, we strive to improve corporate governance within the Group.

The Group, which has maintained its level 3 BBBEE rating for the current year, is committed to transformation. Last year we extended our BBBEE equity transaction by a further five years to enable the individuals concerned the opportunity to participate in the ownership and growth of the Group. We continue to invest in our employees through our Learnership programmes with 1 517 learners benefiting from the programmes since inception.

Under the leadership of the board, the Group has demonstrated its ability to adapt to change and, as a result finds itself in a healthy position to take advantage of the changing political and economic landscape. For this I would like to express my appreciation to my fellow board members, management and staff for their effort in bringing about change.

CD Stein
Chairman

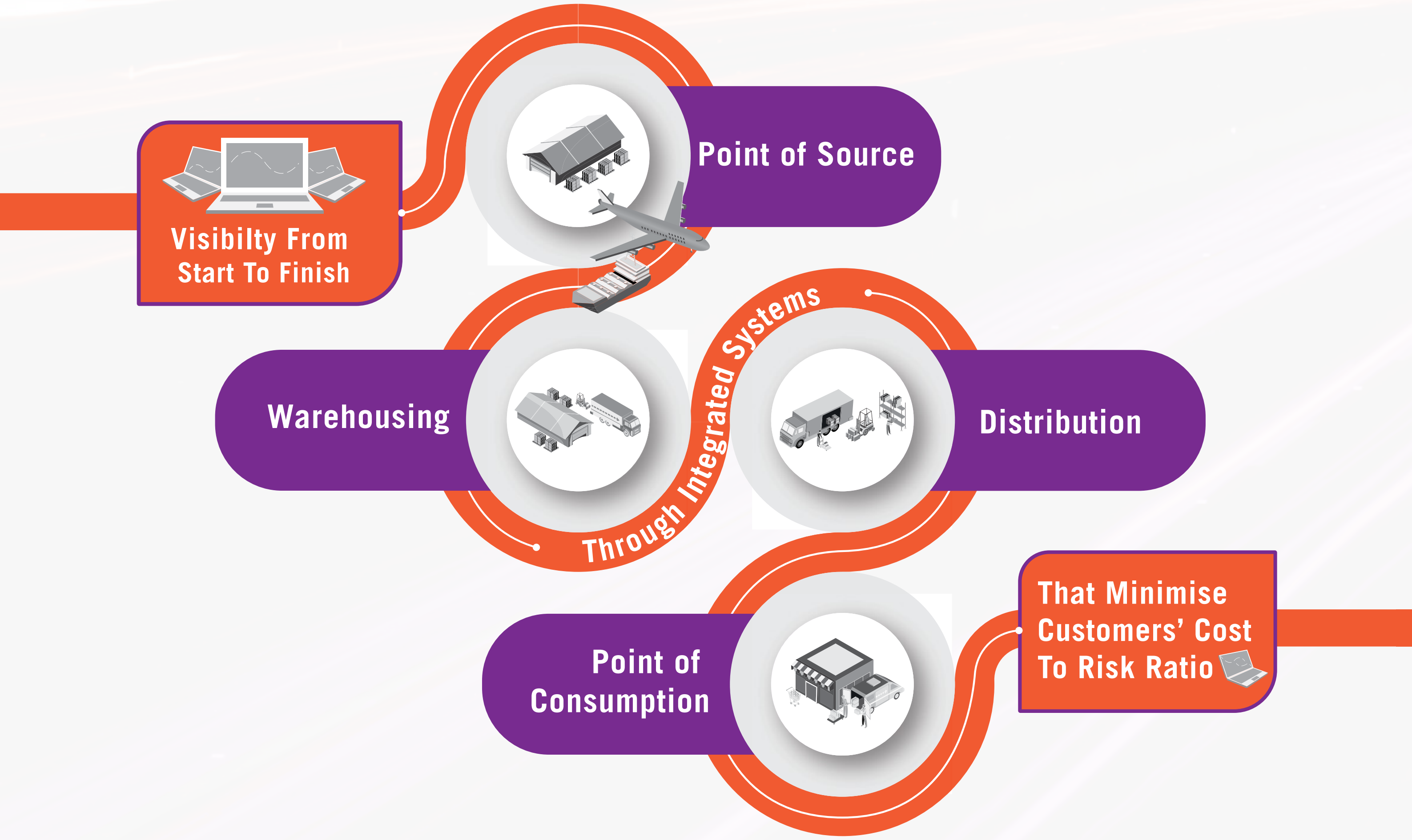
13 June 2018

ABOUT VALUE

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.

DELIVERING ON OTHER BRANDS' PROMISES.

Our service offering has been developed with the core focus being placed on divisional expertise, highly skilled labour, advanced monitoring systems, IT interfaces and a national distribution framework, thereby ensuring a fully integrated supply chain service offering.



VISION AND MISSION

THE VALUE MISSION STATEMENT

Value Logistics is dedicated to building mutually beneficial long term relationships by understanding the unique requirements and expectations of our customers, designing and implementing cost effective logistics solutions, uplifting the communities we operate in by creating employment, investing in skills development initiatives and thereby creating sustainability for all stakeholders.

THE VALUE VISION

To be recognised as the leading, innovative logistics service provider and the employer of choice in southern Africa.

GAUTENG	LIMPOPO	FREE STATE	MPUMALANGA
EASTERN CAPE	KWAZULU-NATAL	WESTERN CAPE	NAMIBIA

BOARD STRUCTURE

Carl Stein (64)

Chairman (Independent), LLB, HDip Tax Law

Carl is a senior partner in the corporate/commercial department of Hogan Lovells, one of the largest law firms in the world with offices in South Africa. He has been a practising attorney throughout his business career, and is today regarded as one of South Africa's leading corporate lawyers. Carl became chairman of Value Group in 1998.

Steven Gottschalk (60)

Chief executive officer

Steven founded the business of Value Group in 1981. From its initial focus on truck rental and transport, Steven initiated the change in the Group's focus to that of a fully integrated logistics provider. Steven is integrally involved in the day to day operations and management of the Group.

Mathews Phosa (66)

Non-executive director, LLB, Honorary PhD in law

Mathews opened the first black empowerment law practice in Nelspruit in 1981. He was elected as the first Premier of Mpumalanga province in 1994. Following the elections in 1999, Mathews resigned his seat in parliament in favour of focusing his attention for a career in business. Mathews re-entered the political arena in 2007 when he was appointed Treasurer-General of the National Executive Committee of the ANC. He joined Value Group in October 2002 as an executive director and was subsequently appointed as a non-executive director with effect from May 2010.

Velile Mcobothi (43)

Non-executive director (Independent), CA(SA)

Velile has 17 years' investment banking experience in listed securities and private equity industries. He currently runs Cinga (Pty) Limited, an advisory and investment holdings business within the mid-cap sector. He was appointed as a non-executive director of Value Group Limited in November 2011 and an independent non-executive director in February 2012.

BOARD STRUCTURE (CONTINUED)

Clive Sack (48)

Group financial director, CA(SA)

Clive completed his articles at Mazars Moores Rowland in 1996. He remained on as an audit manager until 1998, whereafter he joined Value Group as Group financial manager. In May 2002, he was appointed to the board as Group financial director.

Mike Groves (73)

Non-executive director (Independent), CA(SA)

Mike was the managing director of Grindrod Limited until 1999. He has 37 years' experience in the shipping and transport industry. He acted as an independent non-executive director of Grindrod Bank Limited, as well as Grindrod Limited. Mike is a past president of SA Ship Owners Association. He was appointed as a non-executive director of Value Group in August 2002.

Mano Padiyachy (53)

Executive director

Mano started his working career in the warehousing and distribution industry at Royal Beechnut (Nabisco). He joined Value Group in February 2000 as contracts manager. He was then appointed as a divisional director in August 2004 and finally to the board in July 2007.

Summary attendance table of board meetings during the financial year ended 28 February 2018:

Member	29 March 2017 SB	11 May 2017	12 June 2017	18 October 2017	08 February 2018
CD Stein	P	P	P	P	P
SD Gottschalk	P	P	P	P	P
IM Groves	P	P	P	P	P
VW Mcobothi	P	P	P	P	P
NM Phosa	A	P	P	P	P
CL Sack	P	P	P	P	P
M Padiyachy	P	P	P	P	P
In Attendance					
C Middlemiss	P	P	P	P	P

Legend
P: Present
A: Apology
SB: Special board

In today's volatile market, companies' successes are dependent on a **robust distribution** channel that is able to provide a framework to deliver their goods effectively. The Value Group, with over **3 decades experience in supply chain solutions,** has become the supply chain partner of choice for many of South Africa's leading brands

SERVICE OFFERING

Import & Export

Clearing & Forwarding | International Courier | Container Haulage Intermodal | Overborder | Crossborder

Distribution

Express Courier | Breakbulk | Retail Deliveries | DC Deliveries | Front Door Deliveries | Home Deliveries | Informal Trade | Forecourts | Dangerous Goods | Overborder | Crossborder | Reverse Logistics | IT Integration | Security

Key Distributors

Supply of FMCG products into the convenience, formal & informal market

Warehousing

Dedicated | Multi-Principal | Transhipment | Bonded | Dangerous Goods | Managed Solutions | Value Added Services

Materials Handling

Rentals | FML | Outright Purchase | Repairs & Maintenance | Spares Accessories | Tyres

Transport

Truck Rental | Refrigerated Fleet | Film Fleet | Mine Spec | FML | Linehaul | Dedicated Distribution

Repairs & Maintenance

Truck Repairs & Maintenance | Trailer Repairs & Maintenance | Forklift Repairs & Maintenance | Panel Beating | Branding

VALUE CREATION

The Group depends on various resources and relationships to create value. These resources and relationships take the form of capital inputs available to the Group. The long term sustainability of the Group depends on the use of these capital inputs, its impact on the Group and the resultant value that is created.

VALUE ADDED

CAPITAL INPUTS

FINANCIAL CAPITAL

- R 849m equity
- R 178m interest-bearing debt

PEOPLE

- 2 017 employees

CAPITAL RESOURCES

- 4 280 Vehicles and forklifts
- National distribution network
- Approximately 350 000 square meters of warehousing nationally
- Integrated IT network

NATURAL CAPITAL

- Maintained carbon emissions per kilometre
- Water recycling plants in Tunney, Cato Ridge and Joostenberg

INTELLECTUAL CAPITAL

- Logistics IP
- IT capability
- Expertise

SOCIAL AND RELATIONSHIP

- Committed to transformation with extension of BBBEE ownership transaction

VALUE ADDED ACTIVITIES

Service offerings on page 9

The Value Group, with over 3 decades experience in supply chain solutions, has become the supply chain partner of choice for many of South Africa's leading brands.

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.

Value's service offering has been developed with focus being placed on divisional expertise, highly skilled labour, advanced monitoring systems, IT interfaces and a national distribution framework thereby ensuring a fully integrated supply chain service offering.

Customers benefit from the advantage of Value's size and infrastructure. Value offers an integrated IT network, labelling and bar coding facilities, sophisticated routing and scheduling, as well as 24-hour vehicle and parcel tracking and management.

The Group invests in a modern fleet which is maintained mostly in-house to manufacturer's standards and operated optimally.

The Group is committed to the development and upliftment of its employees as well as the communities in which the Group operates.

KEY RISKS MANAGED

Risk management on pages 43 and 44

Liquidity and funding risk

Market risk

Staff succession risk

Labour and supply disruption risk

Regulatory compliance risk

Information technology risk

VALUE CREATED

FINANCIAL VALUE CREATED

Economic performance
on pages 17 to 19

Group revenue up by 2% to R 2,513 bn.

Operating profit before once-off BBBEE equity transaction costs up by 8% to R155,4m.

Net financing costs down by 37% to R14,2m.

R21,2m net reduction in interest bearing borrowings.

Normalised headline earnings (excluding BBBEE transaction costs) improved by 15% to 71,1 cents per share.

Net asset value increased by 8,4% to 566,8 cents per share.

The Group's debt:equity % (net of intangibles) remains low at 21,6%, down 19% from prior year.

STAKEHOLDER VALUE CREATED

Stakeholder engagement, environment and people
on pages 20, 22 and 28

Customers

- Building long term relationships with our customers by implementing cost effective logistics solutions by understanding their unique requirements and expectations.

Shareholders

- Normalised headline earnings improved by 15% to 71,1 cents per share.
- Share price increased by 31% to 425 cents per share over the previous reporting period.
- Full year dividend up 25% to 30 cents per share.

Employees

- Paid R 654,6m to employees.
- Transformed workforce with 75% black staff representation.
- 1 272 training interventions conducted for the year.
- A total of 1 517 learners successfully completed the Learnership programmes since 1 March 2008 to date.

Regulators

- R 40,7m in direct tax contributions.
- Maintained a level 3 BBBEE rating.
- Complied with laws and regulations.

Communities

- Carbon emissions per kilometre maintained at 0,52 kgs per kilometre.
- R918 000 spent on socio-economic causes.
- The current year's Learnership programme includes 142 unemployed learners and 25 disabled learners.
- In the prior year 95 learners completed the Learnership programme.

COMBINED CHIEF EXECUTIVE OFFICER'S AND GROUP FINANCIAL DIRECTOR'S REPORT

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. The proactive and innovative approach by the management team however, 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 generated by operations before proceeds on disposal of rental assets increased by R17,1 million to R264 million.

The effective tax rate increased from 30,5% to 33,1% primarily due to the BBBEE transaction costs which are not tax deductible. Overhead, interest and variable cost savings partially offset this once-off BBBEE transaction cost 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.

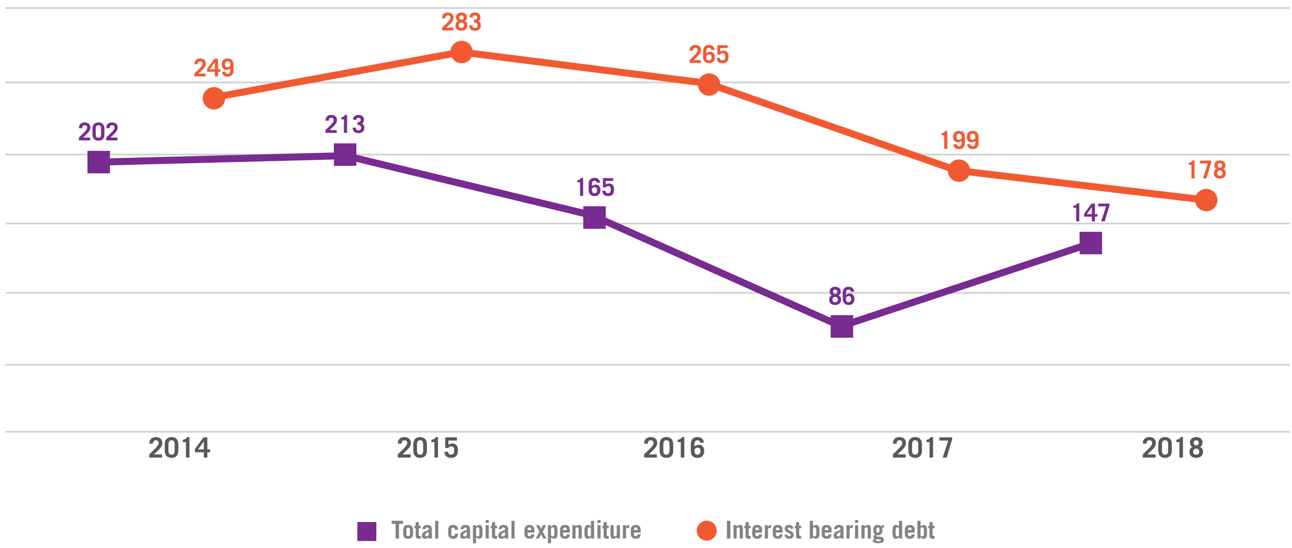
Capital expenditure incurred during the year increased by R61,4 million to R147,5 million. This expenditure comprised R104,8 million for vehicles, R18,2 million for materials handling equipment, R11,6 million for plant and equipment, R8,6 million for IT hardware and software and the balance of R4,3 million 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 a R21,2 million net reduction in interest bearing borrowings. The Group's debt:equity ratio (net of intangibles) remains low at 21,6%.

COMBINED CHIEF EXECUTIVE OFFICER'S AND GROUP FINANCIAL DIRECTOR'S REPORT (CONTINUED)

Whilst capital expenditure has been incurred annually, interest bearing debt has reduced. The relationship between capital expenditure and interest bearing debt is reflected below:

R Millions

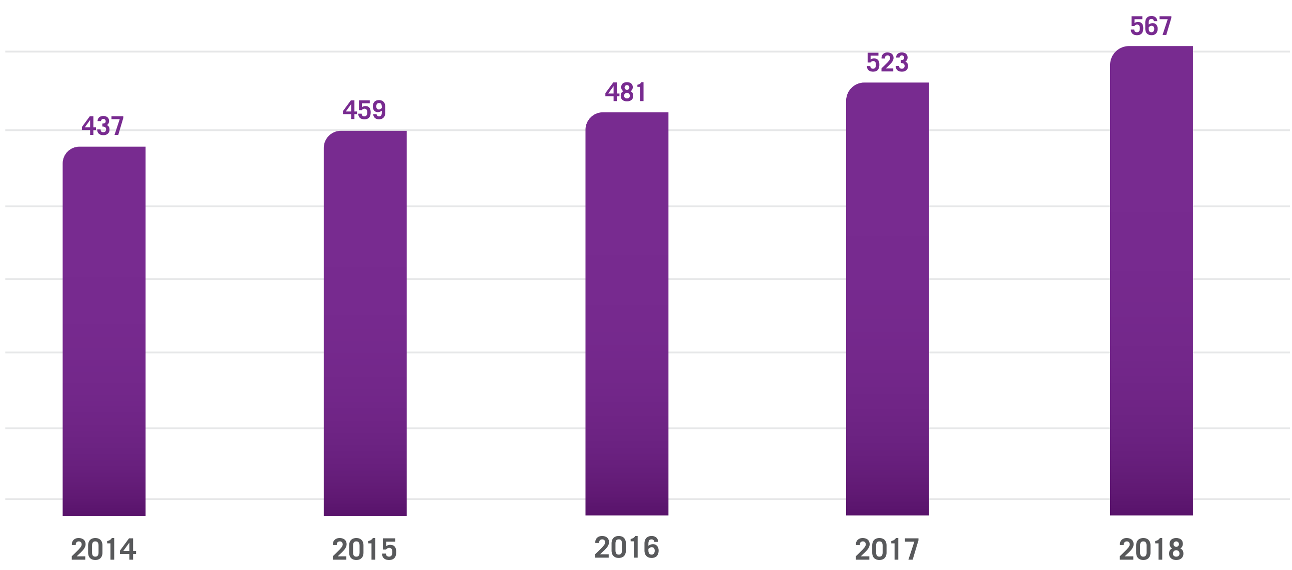
CAPITAL EXPENDITURE AND INTEREST BEARING DEBT



Net asset value increased by 8,4% to 566,8 cents per share. The growth in the net asset value per share is reflected below:

Cents

NET ASSET VALUE PER SHARE (CENTS)



COMBINED CHIEF EXECUTIVE OFFICER'S AND GROUP FINANCIAL DIRECTOR'S REPORT (CONTINUED)

FINANCIAL RATIO ANALYSIS

The Group sets targets on a combination of key performance ratios to assess financial performance, funding levels and returns, as follows:

	Target	2018	2017	2016	2015	2014
Gross profit (%) - Note 1	≥ 45	**31**	33	39	38	39
Operating margin (%) – Note 2	≥ 11	**6**	6	4	5	8
After tax return on average equity (%) - Note 3	≥ 20	**12**	11	7	9	16
Debt : equity (%)	40 - 60	**21**	26	37	39	35
Debtor days (excluding effects of clearing and forwarding)	≤ 40	**42**	35	39	34	34
Current ratio - Note 4	0,9 – 1,0	**1,22**	1,16	1,03	1,07	1,05

Note 1: Group profit percentages since 2017 have reduced due to the acquisition of Key Distributors (Pty) Ltd which operates in a retail market characterised by high volumes and low margins.

Note 2: 2018 operating margin is calculated before once-off BBBEE equity transaction costs.

Note 3: The depressed trading conditions over the last few years coupled with the ongoing reduction in interest bearing debt and growth in equity has negatively affected the Group's after tax return on average equity.

Note 4: The growth in the Group's cash balances, a portion of which was earmarked for share repurchases, has resulted in the current ratio being higher than that targeted. Notwithstanding this, the Group's current ratio is in a healthy state.

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. This segment's operating margin reduced from 6,5% to 6,3%. Further restructuring in the breakbulk operations is currently underway. Focus areas comprise more efficient usage of labour, increased vehicle utilisation and improvement in service levels all underpinned by improved visibility through the use of I.T. The operations comprising a significant portion of the segment, being dedicated distribution and express performed to expectation in a rate sensitive environment.

The warehousing operation's performance exceeded expectation. This was facilitated by increased volumes from new and existing customers and stricter cost controls. The operation is well placed to benefit from increased capacity utilisation and procurement of new business.

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 culminated in reduced overheads, containment of maintenance costs and a more efficient operation which has contributed to improved profitability. Strategic changes in the materials handling division contributed to a significant improvement in performance. The business model was restructured to focus the operation on rentals rather than FML's which were cash draining on the Group. Older units were sold which resulted in maintenance cost savings. The results of the above culminated in operating margins improving from 10,6% to 14,7% with operating profit increasing by 40% from R39,6 million to R55,5 million.

Retail logistics segment

Key Distributors (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. Key's increased working capital requirements were all self-funded by Key.

COMBINED CHIEF EXECUTIVE OFFICER'S AND GROUP FINANCIAL DIRECTOR'S REPORT (CONTINUED)

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. Notwithstanding low margins and expansionary costs incurred by Key, operating profit in this segment more than doubled from R3,5 million to R8 million. Key's results exceeded the vendors' profit warranties and hence the final instalment on this acquisition was paid after year end.

SHARE REPURCHASES

During the 2018 financial year 4,3 million shares were acquired at a cost of R16,5 million. Subsequent to year end, a further 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 amounted to 176 809 100. The Group will continue to repurchase shares as the opportunities arise.

DECLARATION OF DIVIDEND (NUMBER 23)

On 10 May 2018, the board resolved to declare a gross final dividend for the year ended 28 February 2018, of 22 cents per ordinary share, before dividends withholding tax where applicable, 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) and will be paid on Monday, 2 July 2018. The total dividend for the 2018 financial year has thus increased by 25% over the previous financial year.

BBBEE

The BBBEE ownership transactions which were concluded in mid-2010 matured in the 2018 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. All other terms of the transaction remain unchanged. This brings the Group's effective BBBEE ownership to 23,52% as at 28 February 2018.

FUTURE CAPITAL EXPENDITURE

Anticipated increase in volumes from an expanding customer base will necessitate capital expenditure in the coming year 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.

SOCIAL RESPONSIBILITY

The Group acknowledges the importance of its role regarding corporate social responsibility. The Group has a balanced approach to address economic, environmental and social issues that aim to make a positive and lasting impact on the lives of others. The following organisations benefited from the Group's initiatives during the current year:

Hearts of Hope

Hearts of Hope is a Non-Profit Organisation (NPO) and Non-Profit Company (NPC) that strives to enhance the lives of orphaned, abandoned and vulnerable children, through quality individual care and development, allowing them to have a childhood. Their Children's Home provides a loving and caring residence for 34 vulnerable children especially those affected and/or infected by HIV/AIDS.

Seeds of Africa

Seeds of Africa is a Non-Profit, Public Benefit Organisation aiming to maximise positive socio-economic transformation impact on previously disadvantaged communities through Enterprise, Supplier Development and Early Childhood Development. Access to basic social services is the right of all children, parents and other primary caregivers. They should have access to as many resources as possible to provide to the needs of young children. This organisation aims to train teachers and caregivers to ensure that this is accomplished.

Rotary International – Fast One Cycle Race

One of Rotary International's biggest fundraising events is the Value Logistics Fast One Cycle Race. Since 2013, the Group has the exclusive naming rights to this Cycle Race. The funds raised assist with the upliftment of communities and other charitable projects.

Peninsula School Feeding Association

Peninsula School Feeding Association is a registered Non-Profit Organisation that addresses hunger in young learners attending primary, secondary and special needs schools as well as Orphaned and Vulnerable Children Centres (OVCs), Early Childhood Development Centres (ECDCs) and Technical and Vocational Education and Training Colleges (TVETs). Their vision is to ensure that there are no more hungry school children.

COMBINED CHIEF EXECUTIVE OFFICER'S AND GROUP FINANCIAL DIRECTOR'S REPORT (CONTINUED)

Skills Development Initiatives

Overview

The Group is committed to the development and upliftment of its employees as well as the communities in which the Group operates.

General Training

The Group embarked on various training programmes that focus on the development of industry specific skills (mostly through the implementation of various learnership programmes) as well as management development initiatives to ensure that the Group positively contributes to the skills development targets as laid out in the National Skills Development Strategy and the SETA's Sector Skills Plans i.e. Services SETA and TETA.

The Group is fully compliant with all legislation outlined in the Skills Development Act, Skills Levies Act and strives to achieve significant points in the Skills Development Pillar of the Broad-Based Black Economic Empowerment Act.

Learnership Programmes

The Learnership programmes commenced in March 2008. To date the Learnership programmes have been extremely successful in building the talent pool within the Group as well as providing much needed life and industry specific skills to unemployed youth. A total of 1 517 learners have successfully completed the Learnership programmes since 1 March 2008.

The 2018/2019 Learnership programmes commenced on 1 March 2018. There are currently 228 learners enrolled in the Learnership programmes, comprising of 142 Unemployed Learners, 25 Disabled Learners and 61 Employed Learners. 42 Unemployed Learners and 25 Disabled Learners successfully completed the 2017/2018 Learnership programmes.

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.

ACKNOWLEDGEMENTS

We would like to extend a big thank you to all our customers for their continued support. The foundation and sustainability of our business has been built on the long term relationships we have established.

Thank you to all our loyal staff members who have contributed to the wellbeing of our Group particularly in view of the challenging trading conditions we have experienced. Your dedication and commitment in the past year is appreciated.

Lastly, thank you to the board of directors for your continued support, wisdom and guidance.

Steven Gottschalk
Chief executive officer

Clive Sack
Group financial director

Johannesburg
13 June 2018

ECONOMIC PERFORMANCE

R'000	2018	2017	** 2016	** 2015	** 2014
Consolidated statement of comprehensive income					
Revenue*	**2 513 241**	2 468 923	2 043 994	2 038 353	1 975 314
Gross profit	**787 025**	815 550	798 367	779 485	779 411
Operating profit before once-off BBBEE equity transaction costs	**155 438**	143 264	85 641	108 697	166 857
Once-off BBBEE equity transaction costs	**(19 003)**	-	-	-	-
Operating profit	**136 435**	143 264	85 641	108 697	166 857
Share of profit/(loss) of equity accounted investee net of taxation	**23**	44	79	64	21
Fair value adjustments	**331**	(509)	1 939	-	-
Investment income*	**3 386**	1 594	14 060	13 511	12 071
Finance costs*	**(17 553)**	(24 046)	(30 932)	(30 297)	(27 079)
Net profit before taxation	**122 622**	120 347	70 787	91 975	151 870
Taxation	**(40 648)**	(36 740)	(16 602)	(23 815)	(41 200)
Net profit for the year	**81 974**	83 607	54 185	68 160	110 670
Gross profit margin	**31%**	33%	39%	38%	39%
Operating profit margin excluding once-off BBBEE equity transaction costs	**6%**	6%	4%	5%	8%
Consolidated statement of financial position					
Property, vehicles, plant and equipment	**1 004 903**	990 573	1 039 515	1 022 644	986 896
Intangible assets	**10 603**	12 655	17 415	25 261	37 568
Goodwill	**16 561**	20 152	10 670	-	-
Investments and loans	**1 955**	1 925	2 089	1 802	2 175
Deferred tax	**5 050**	3 161	4 759	3 133	4 627
Current assets	**553 514**	502 371	438 562	444 246	473 789
Non-current assets held-for-sale	**116**	10 701	156	951	97
Total assets	**1 592 702**	1 541 538	1 513 166	1 498 037	1 505 152
Equity	**848 634**	799 598	741 161	726 094	715 296
Interest-bearing borrowings - non current	**108 601**	121 341	163 346	181 230	165 383
Deferred tax	**182 069**	181 192	177 836	174 217	173 201
Current portion of interest-bearing borrowings	**69 227**	77 703	101 144	101 973	83 805
Non interest-bearing borrowings	**3 268**	15 607	5 576	-	-
Other current liabilities	**380 903**	346 097	324 103	314 523	367 467
Total equity and liabilities	**1 592 702**	1 541 538	1 513 166	1 498 037	1 505 152

* Restated for the application of SAICA Circular 2/2017 as detailed in note 32 of the consolidated financial statements.

** Results extracted from the financial statements as presented in each year and in accordance with the relevant International Financial Reporting Standards applicable at the time.

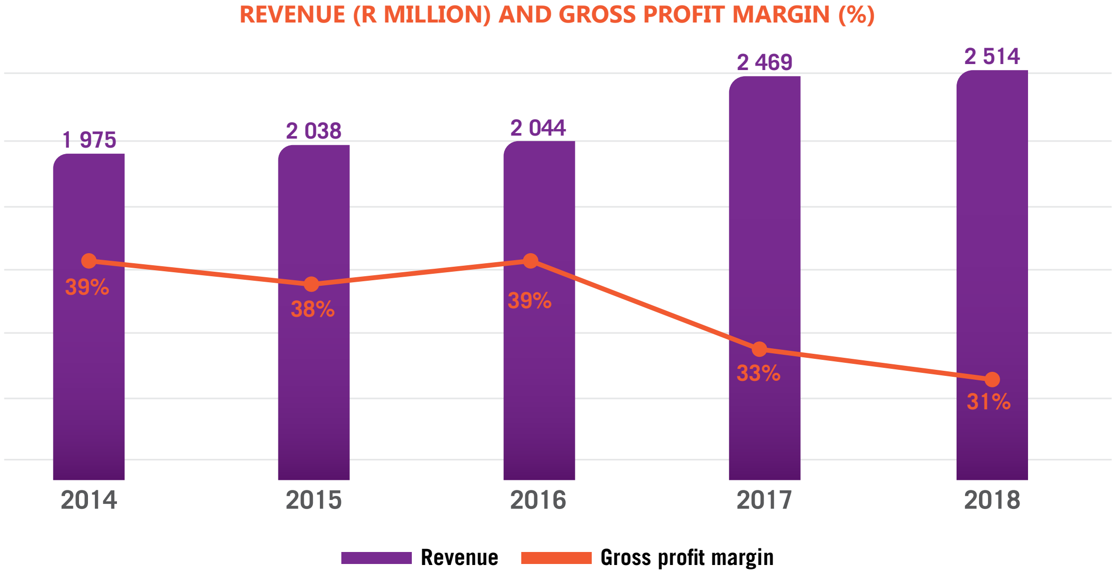
ECONOMIC PERFORMANCE (CONTINUED)

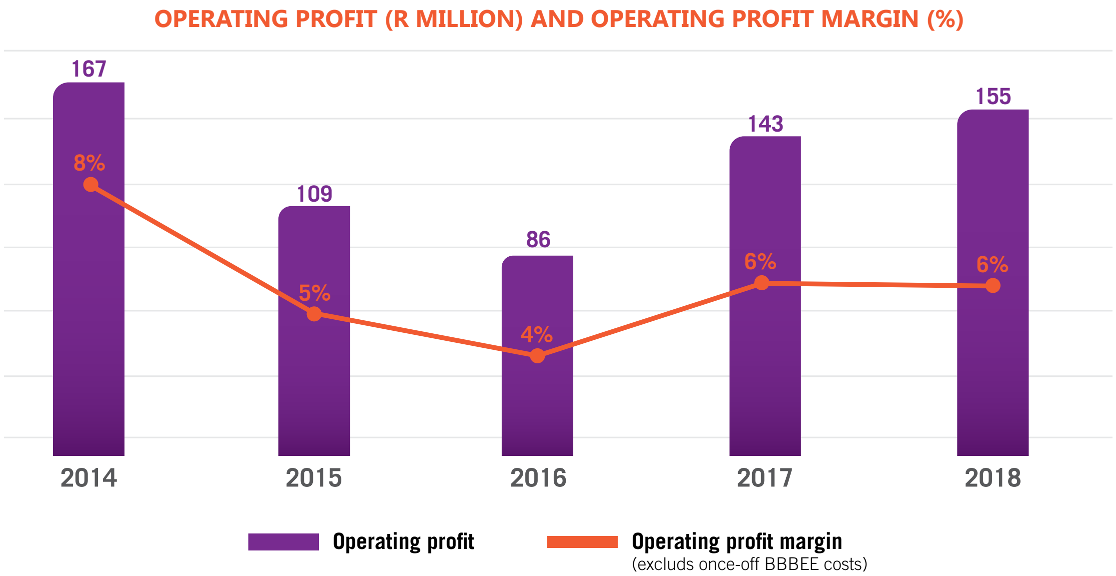
FINANCIAL STATISTICS AND RATIOS

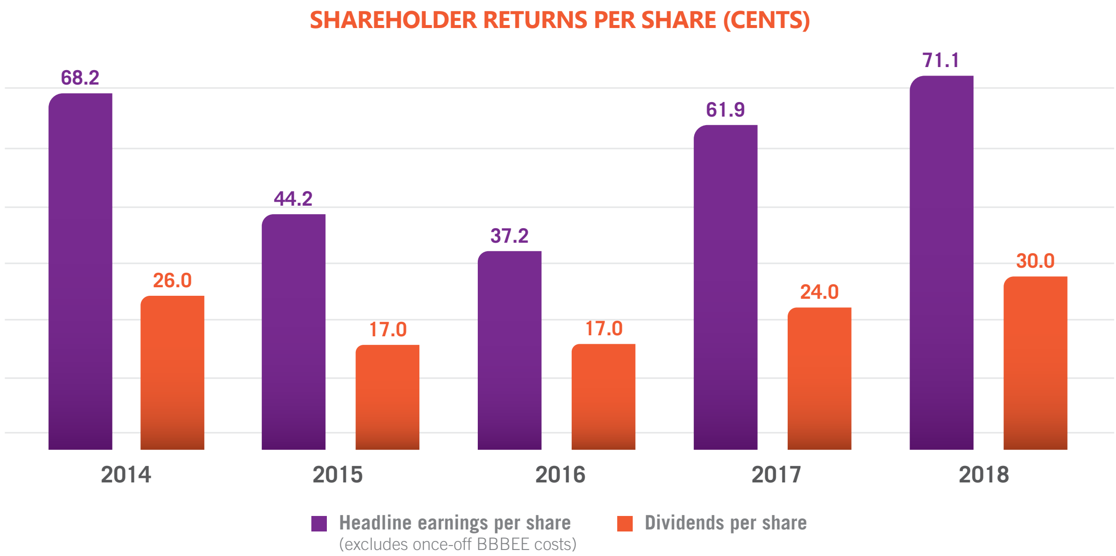
	2018	2017	** 2016	** 2015	** 2014
Earnings					
Basic earnings per share (cents)	**54,8**	57,2	35,4	42,1	66,9
Headline earnings per share (cents)	**58,7**	61,9	37,2	44,2	68,2
Normalised headline earnings per share (cents) excluding once-off BBBEE equity transaction costs	**71,1**	61,9	37,2	44,2	68,2
Dividends per share (cents):	**30,0**	24,0	17,0	17,0	26,0
Interim	**8,0**	6,0	5,0	5,0	9,0
Final	**22,0**	18,0	12,0	12,0	17,0
Number of ordinary shares of R0,001 each in issue:					
Actual	**186 427 478**	186 427 478	186 427 478	198 627 386	198 627 386
Weighted average	**152 191 958**	154 388 749	155 216 667	162 673 657	165 505 874
Profitability					
Operating profit margin excluding once-off BBBEE equity transaction costs	**6%**	6%	4%	5%	8%
Return on average shareholder's equity	**12%**	11%	7%	9%	16%
Financial					
Cash generated by operations before movements in working capital (R'000)	**268 848**	261 038	186 112	211 896	275 858
Debt: equity %	**21%**	26%	37%	39%	35%
Interest cover	**10**	6	5	6	11
Dividend cover (based on normalised headline earnings)	**2,37**	2,58	2,19	2,60	2,62
Current ratio	**1,22**	1,16	1,03	1,07	1,05
Debtors days adjusted for the effects of clearing and forwarding	**42**	35	39	34	34
Net asset value per share (cents)	**566,8**	522,5	480,8	458,6	437,2

** Results extracted from the financial statements as presented in each year and in accordance with the relevant International Financial Reporting Standards applicable at the time.

ECONOMIC PERFORMANCE (CONTINUED)







STAKEHOLDER ENGAGEMENT

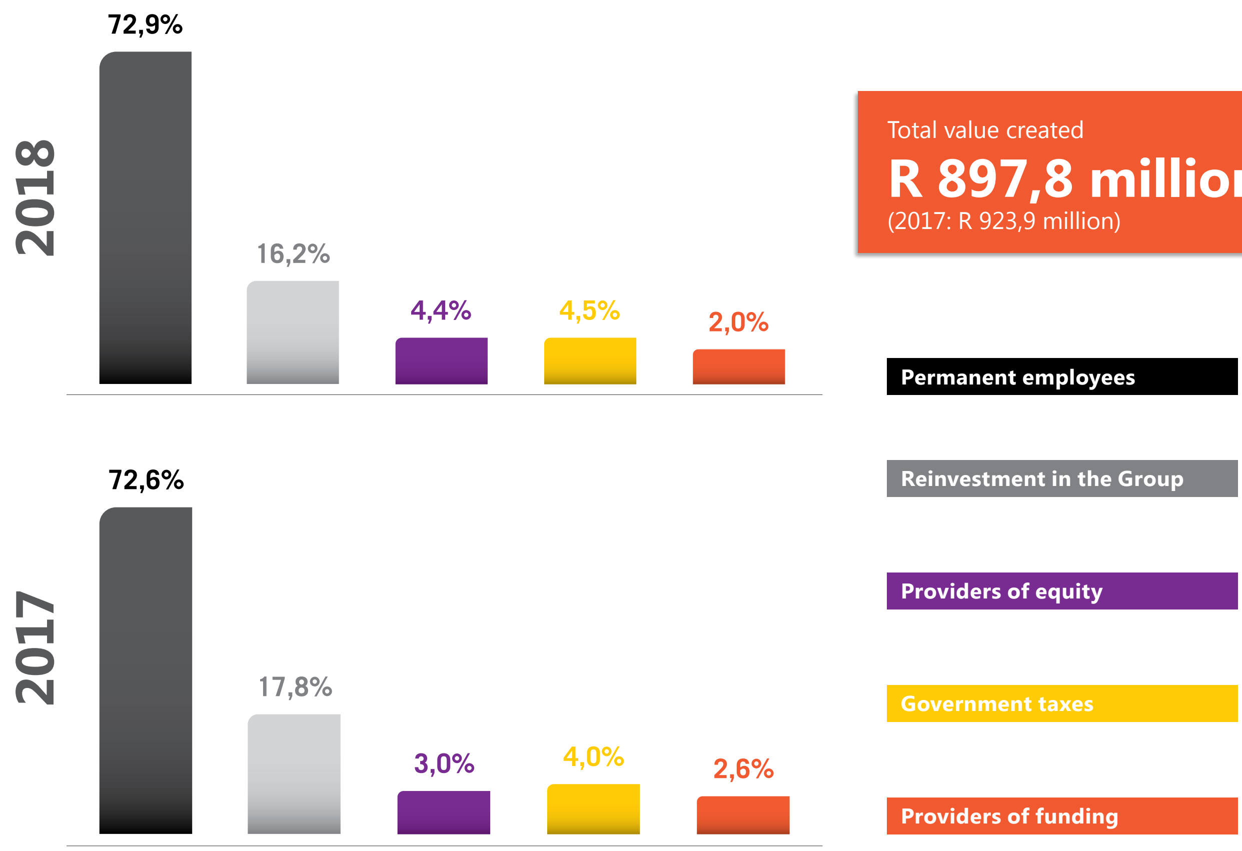
The Group is accountable to all its stakeholders and acknowledges that communication is vital to ensure an honest and transparent relationship exists.

Significant matters identified with our various stakeholders are detailed below:

STAKE-HOLDER	REASON WE ENGAGE	METHOD OF ENGAGEMENT	HIGHLIGHTS ON ENGAGEMENT PROCESS
EMPLOYEES	To maintain a high performance work force and ethic	Formal engagement • The Group's performance review process which is aimed at staff development together with the various ongoing training initiatives. • Health and safety and HIV/Aids awareness campaigns. Informal engagement takes place on an ongoing basis and includes the use of: • newsletters, • ad hoc HR questionnaires, • corporate and one-on-one communication, and • e-mails and intranet. The Group is a member of the National Bargaining Council for the Road Freight and Logistics Industry (NBCRFLI) which empowers stakeholders to negotiate matters that are of mutual interest to the industry.	The performance review process continues to provide valuable feedback to enable employees to constantly improve their performance in their job functions whilst additionally enabling them to express their viewpoints to management. This also facilitates career development. The Group remains compliant with the various labour related acts and continues to provide learnerships and training to employees.
CUSTOMERS	To build long-term relationships with customers for the mutual benefit of both parties	Logistics solution specialists assists in designing cost effective supply chain solutions taking cognisance of customer specific requirements. Similarly, ongoing operational engagement is performed in meeting the unique needs of different customer requirements.	The Group experienced a decline in volumes, mainly as a result of tough trading conditions. The Group has however managed to procure new business.
SUPPLIERS	To ensure provision of goods and services in a responsible and cost effective manner	Suppliers are engaged regarding service level agreements for the procurement of essential goods and services such as fuel, tyres, vehicle spares and outsourced staff.	The Group negotiated with suppliers for the timely procurement of essential supplies at cost effective rates.
INVESTORS	Timely and transparent communication	The Group's interim and final results are published in the media followed by analyst presentations conducted by the Chief executive officer and Group financial director. The Group engages with shareholders and investors in various ways regarding the safeguarding of their interests and includes the distribution of circulars and press releases which provide relevant information related to material transactions.	Timely reporting and publishing of the Group's results and other corporate actions onto the Group website.
COMMUNITY	To ensure the Group impacts positively to the environment in which it operates	The Group acknowledges the importance of building sustainable communities and engages with the community on aspects of socio-economic development on a continuous basis. The Group's engagement with the community is discussed further in the social investment commentary contained in this report.	Refer to page 15.

VALUE ADDED STATEMENT

WEALTH DISTRIBUTED



Total value created

R 897,8 million

(2017: R 923,9 million)

GENERATING SUSTAINABLE VALUE FOR OUR STAKEHOLDERS

This statement reflects the total value created by the Group and how this value was subsequently distributed to its various stakeholders.

R'000	%	2018	%	2017
Revenue*		2 513 241		2 468 923
Less: purchased cost of goods and services		(1 618 808)		(1 546 596)
Value added		894 433		922 327
Finance income*		3 386		1 594
Value created	100,0	897 819	100,0	923 921
Permanent employees	72,9	654 595	72,6	670 672
Reinvestment in the Group	16,2	145 450	17,8	164 673
Providers of equity	4,4	39 573	3,0	27 790
Government taxes	4,5	40 648	4,0	36 740
Providers of funding*	2,0	17 553	2,6	24 046
Value distributed	100,0	897 819	100,0	923 921
Number of permanent employees		2 017		2 251
Value created per employee R'000**		445		410
Weighted average number of shares		152 191 958		154 388 749
Value created per share in Rands		5,90		5,98

* Comparative figures have been restated for the application of SAICA Circular 2/2017 as detailed in note 32 of the consolidated financial statements.

** Comparative figures have been restated to include Key Distributors' staff complement.

PEOPLE

At Value Group, we believe that our employees are our most important asset and are vital in ensuring that the Group achieves its goals. Our aim is therefore to nurture and promote our employees and to create a constructive work environment, ensuring that we retain the most competent and capable individuals retained within the Group.

RECRUITMENT AND SELECTION

Workforce planning is an integral part of the Group's strategy and is key in ensuring that the organisation has the right level and mix of suitably qualified individuals who will be capable of ensuring that the Group's objectives are met.

The Group's recruitment policy and procedures are based on the following provisions:

- All positions are advertised internally in order to give the Group's employees the opportunity to apply for the vacant position;
- Recruitment is conducted on a competency-based level;
- Targeted selection interviewing principles are used;
- Internal and external appointments follow a transparent process;
- Fair and non-discriminatory recruitment and selection practices are the foundation of recruitment for all positions; and
- Compliance with all provisions of the Labour Relations Act (1995) and the Employment Equity Act (1998) and their subsequent amendments.

All new employees who join the Group are taken through an induction session which helps them familiarise with their surroundings and gain a better understanding of what the business does. It also helps them to understand their roles better and what is expected from them in order to make a positive contribution to the success of the Group.

Managers conduct performance appraisals with their teams on a bi-annual basis. These meetings play a pivotal role in information gathering, both on the part of the organisation and the employee. Employees have an opportunity to voice their concerns about various aspects in their roles and the business. This in turn gives the business valuable feedback on areas that need improvement, as well as areas where we are performing well and need to continue doing so. The sessions also provide employees with feedback on their performance, and where they need to improve in order to continue making a positive contribution to the Group.

Exit interviews are a valuable tool in obtaining information from employees leaving the organisation. These sessions provide a platform for employees to provide feedback on their experiences during their time with the Group, both positive and negative. This allows Value to review and improve on work experiences for current and future employees, thereby having a positive effect on retention.

STAFF COMPLEMENT

The Group monitors the head count per region to ensure that all operations within the organisation are adequately staffed. The table below indicates the staff complement by region excluding employees employed by temporary service employment agencies:

	2018		2017	
Region	Number	%	Number	%
Gauteng	1 435	71,2	1 575	70,0
KwaZulu- Natal	185	9,2	230	10,2
Western Cape	142	7,0	165	7,3
Eastern Cape	102	5,1	114	5,1
Free State	45	2,2	40	1,8
Namibia	22	1,1	31	1,4
Limpopo	36	1,8	46	2,0
North West	17	0,8	19	0,8
Mpumalanga	33	1,6	31	1,4
Total	**2 017**	**100,0**	**2 251**	**100,0**

The comparative year has been restated to include Key Distributors' staff complement.

During the 2018 financial period the Group continued with the restructuring and realignment exercise embarked on in the previous financial period to ensure correct alignment of staffing structures. The overall headcount of the Group reduced as a result of the restructuring and realignment exercise.

In addition, the Group utilised the services of outsourced staff throughout the reporting period.

PEOPLE (CONTINUED)

EMPLOYMENT EQUITY

Value's transformation policies embody our commitment to ensuring employment equity across every facet of the business. The Group's employment equity forum continues to review and discuss strategies to ensure employment equity principles are adhered to. The number of employees per category, gender and diversity are tabled below.

Occupational levels	Female				Male				Foreign nationals		
2018	African	Coloured	Indian	White	African	Coloured	Indian	White	Female	Male	Total
Top management	1	-	-	2	-	-	2	8	-	-	13
Senior management	-	-	1	3	-	1	2	17	-	-	24
Mid-management	9	2	5	72	39	5	24	102	-	-	258
Skilled technical / junior management	114	39	32	158	291	54	58	132	-	3	881
Semi-skilled	32	8	-	-	662	25	12	9	-	3	751
Unskilled	7	-	-	-	74	4	-	1	-	1	87
Total permanent	**163**	**49**	**38**	**235**	**1 066**	**89**	**98**	**269**	**-**	**7**	**2 014**
Temporary employees	2	-	-	1	-	-	-	-	-	-	3
Total	**165**	**49**	**38**	**236**	**1 066**	**89**	**98**	**269**	**-**	**7**	**2 017**

EMPLOYEE TURNOVER

It is vital for the Group to ensure that it always has the appropriate mix of staff and that retention rates align with the organisations objectives.

The Group abides to minimum notice periods, which may become necessary due to operational changes or requirements, as specified in the Basic Conditions of Employment Act and the Main Agreement of the National Bargaining Council for the Road Freight and Logistics Industry.

The following notice periods are applicable:

- One week, if the employee has been employed for six months or less;
- Two weeks, if the employee has been employed for more than six months but less than a year; and
- Four weeks, if the employee has been employed for one year or longer.

The rate of new employee recruitment and employee turnover by age group, gender and region is tabled below.

2018	Appointments	%	Turnover	%
Rate of employee appointments and turnover by age:				
18 - 28 years	147	42,9	140	24,3
29 - 38 years	107	31,2	181	31,4
39 - 48 years	66	19,2	163	28,2
49 - 58 years	16	4,7	44	7,6
59 - 68 years	7	2,0	46	8,0
69 - 70 years	-	-	3	0,5
Total	**343**	**100,0**	**577**	**100,0**
Rate of employee appointments and turnover by gender:				
Male	207	60,3	376	65,2
Female	136	39,7	201	34,8
Total	**343**	**100,0**	**577**	**100,0**

2018	Appointments	%	Turnover	%
Rate of employee appointments and turnover by region:				
Gauteng	254	74,1	398	69,0
Western Cape	31	9,0	63	10,9
KwaZulu-Natal	12	3,5	51	8,8
Eastern Cape	23	6,7	30	5,2
Namibia	14	4,1	19	3,3
Limpopo	-	-	6	1,0
Free State	5	1,4	5	0,9
North West	2	0,6	4	0,7
Mpumalanga	2	0,6	1	0,2
Total	**343**	**100,0**	**577**	**100,0**

HUMAN RIGHTS

The Value Group believes that each and every one of its employees is entitled to be treated with respect and dignity. Our aim is to ensure that employees feel respected and valued. The Group therefore upholds the provisions of the Constitution of South Africa and the Labour Relations Act and ensures that its internal processes and corporate culture are aligned as such. A proactive approach is taken encompassing the following:

- freedom of association;
- implementation of non-discriminatory labour practices;
- ensuring that the Group does not directly or indirectly use forced or child labour;
- providing access to basic health and education;
- accommodating employees' religious observances and practices;
- safe and healthy working conditions; and
- business conduct that complies with all legal requirements.

At year-end 50,42% (2017: 54,50%) of our employees were covered by collective agreements including the National Bargaining Council for Road Freight Logistics Industry Main Agreement.

Employees have a right to join or form trade unions and this right is recognised by the Group. An open and constructive dialogue is maintained between the Group, its labour force and their representative trade unions on an ongoing basis. These lines of communication ensure that employee grievances are identified and dealt with before having any negative effects on the Group and operational continuity. The total percentage of union membership is 19,48% (2017: 24,71%).

A whistle-blower line is also available throughout the Group, allowing all personnel the opportunity to anonymously report incidents of human rights violations and other grievances without fear of discrimination or victimisation.

Contracted labour providers are required to adhere to legal requirements, apply the same standards of human rights practices as the Group and to identify and resolve cases of human rights violations. The Group conducts monthly audits on contracted labour providers' labour practices to ensure that their policies and principles align with that of the Group.

PEOPLE (CONTINUED)

EMPLOYEE WELLNESS

The Group operates in line with the requirements of the Occupational Health and Safety Act (85 of 1993) and is committed to create a work environment that is safe and protects its employees against occupational health stressors and safety hazards in the work place. This is primarily achieved through regular inspections and audits of the work environment and a thorough employee wellness program which consists of the following:

- Scheduled Trucking and employee Wellness programs which involves the monitoring of critical health indicators to ensure that employees are fit for work, to diagnose health disorders at an early stage and to promote a healthy lifestyle.
- Weekly tool box talks and monthly health awareness themes that are sent out as part of the Group's awareness initiative and which is aimed at promoting the wellness of employees in the work place.

Statistics regarding activities that were aimed at improving employee wellness during the period under review is presented in the table below:

Number of employees involved	**2018**	2017
Employees on which screening medicals have been done	206	1 042
Employees that attended Trucking Wellness days	1 127	1 399
Employees that attended the Discovery Wellness day	108	118
Number of scheduled inspections or audits	1 181	1 116

HIV/AIDS

Despite the levels of awareness, HIV and AIDS have the potential to negatively affect the Group. Lower productivity of the affected employees and a possible decrease in the human resource pool means that there are potentially fewer employees able to continue working and contributing to the Group, resulting in decreased profits.

A considerate working environment is required to provide personnel with testing and counselling. The Group therefore continues to motivate employees to attend the Voluntary Counselling and Testing sessions.

Other measures include:

- staff education through workshops, posters and one-on-one sessions;
- involving top management into setting the bench mark for voluntary testing; and
- the Trucking Wellness campaign remains an ongoing initiative

GENERAL TRAINING AND DEVELOPMENT

Employees are fundamental to the Group achieving its long-term objectives and ensuring the future sustainability of its workforce.

It is therefore in the Group's best interests to contribute to the training and development of its people, ensuring that the staff complement is adequately staffed with competent and confident employees.

The Group is registered with the Transport Education and Training Authority (TETA), the Sector Education and Training Authority (SETA), as well as the Wholesale and Retail Sector Education and Training Authority (W&R SETA) and is compliant with the conditions of the Skills Development Act and Skills Development Levies Act.

The Group has engaged in programmes targeted at developing priority skills within the logistics environment. An in-house Driver Training Academy is on site at the Group's head office as well as a 300 seat training wing equipped with state-of-the-art training equipment and dedicated trainers and mentors.

The Group has not only implemented learnership programmes for employees but has also extended this programme to include unemployed individuals. Previously disadvantaged employees who had not benefited from higher education opportunities have subsequently gained the confidence needed to improve their skills.

The salient statistics with regards to training and learnerships are tabled below:

	2018			2017		
Number of training interventions	Female	Male	Total	Female	Male	Total
African	94	545	639	91	665	756
Coloured	33	41	74	34	64	98
Indian	26	63	89	41	96	137
White	212	258	470	185	292	477
Total	365	907	1 272	351	1 117	1 468

Number of individuals successfully completing the Learnership programme	**2018**			2017		
	Female	Male	Total	Female	Male	Total
Black*	36	31	67	44	51	95
White	-	-	-	-	-	-
Total	36	31	67	44	51	95

** Includes African, Indian, Coloured and other*

Average hours training per year, by employee gender and category	**2018**			2017		
	Female	Male	Total	Female	Male	Total
Clerical support workers	5	5	10	3	3	6
Elementary occupations	2	8	10	-	2	2
Managers	6	5	11	-	-	-
Plant and machine operators	-	8	8	-	7	7
Professionals	6	7	13	4	5	9
Sales workers	5	8	13	5	2	7
Skilled workers	4	6	10	2	3	5
Technicians and associate professionals	5	6	11	-	-	-

PEOPLE (CONTINUED)

COMPLIANCE WITH LEGISLATION

The audit and risk committee have general oversight over the Group's compliance with laws and regulation. However, there are also specific processes in place to ensure compliance. The company secretary monitors the Group's compliance against company law and corporate governance recommendations and advises the Group on various requirements and amendments relevant to its contracts to ensure that all interactions between the Group and outside parties do not contravene any law or regulation. The human resource team is responsible for compliance with the various labour laws. The annual audit also provides comfort over certain areas such as tax law, accounting regulations, and company law.

THE VALUE CODE OF ETHICS

The Value code of ethics represents the Group's most fundamental values. This code sets the level of conduct expected from all employees, companies and associates across the Group. Group companies and employees are required to conduct themselves with the highest levels of integrity, honesty and trust whilst at the same time being cognisant of various legal and ethical requirements. Ethical business practices are key to maintaining good business relationships and ensuring the future success of our business. We therefore do not tolerate any forms of fraud and corruption. Our core values are:

- Integrity: To be accountable for our actions, to be consistently fair to others and to be truthful and respectful.
- Honesty: To be reliable, approachable, sensitive to the needs of others, open and honest.
- Trust: To be trustworthy in our dealings and interactions with all stakeholders.

TRANSFORMATION

The Group continues to work towards its transformation goals and remains committed to bringing about true equality throughout the Group through various measures such as recruitment, training and development of previously disadvantaged groups. The Group has maintained a level 3 BBBEE rating based on the scorecard of 2018 which is summarised below. The Group's BBBEE certificate can be viewed on the Group's website www.value.co.za.

BBBEE scorecard	weighting	**2018**	2017
Ownership	20	17,46	17,43
Management control	10	1,00	1,00
Employment equity	15	8,96	9,22
Skills development	15	7,80	10,93
Preferential procurement	20	20,00	19,96
Enterprise development	15	15,00	15,00
Socio-economic development	5	5,00	5,00
	100	75,22	78,54

ENVIRONMENT

Creating value by managing our environmental footprint

VALUE GROUP IS GOING PAPERLESS

As a continued effort of our corporate social initiatives, the Group has decided to go paperless for its next integrated annual report which will be published in 2019. This initiative will not only reduce paper usage, but will also result in cost savings for the Group.

Shareholders are encouraged to submit their email addresses to Computershare, as the integrated annual report will be distributed electronically in future. Please refer to IBC for relevant contact details.

CARBON EMISSIONS

Being in the transport industry means that fuel consumption and greenhouse gas emissions are a key factor affecting the Group's environmental impact. Decreasing the potential negative effects of our business on natural resources remains a priority as the Group responds to climate change and the potentially negative effects of our emissions on global warming. Mitigation measures are therefore in place as the Group strives to achieve efficiencies and reduce consumption patterns in our vehicles. We also engage with our suppliers to reduce the impact of our operations by regularly replacing older vehicles with newer models, incorporating improved technologies and better fuel efficiencies.

In light of ever increasing fuel costs, apart from our responsibility to protect the environment for future generations by minimising the impact of our operations, it also makes good business sense to reduce our fuel consumption and hence input costs.

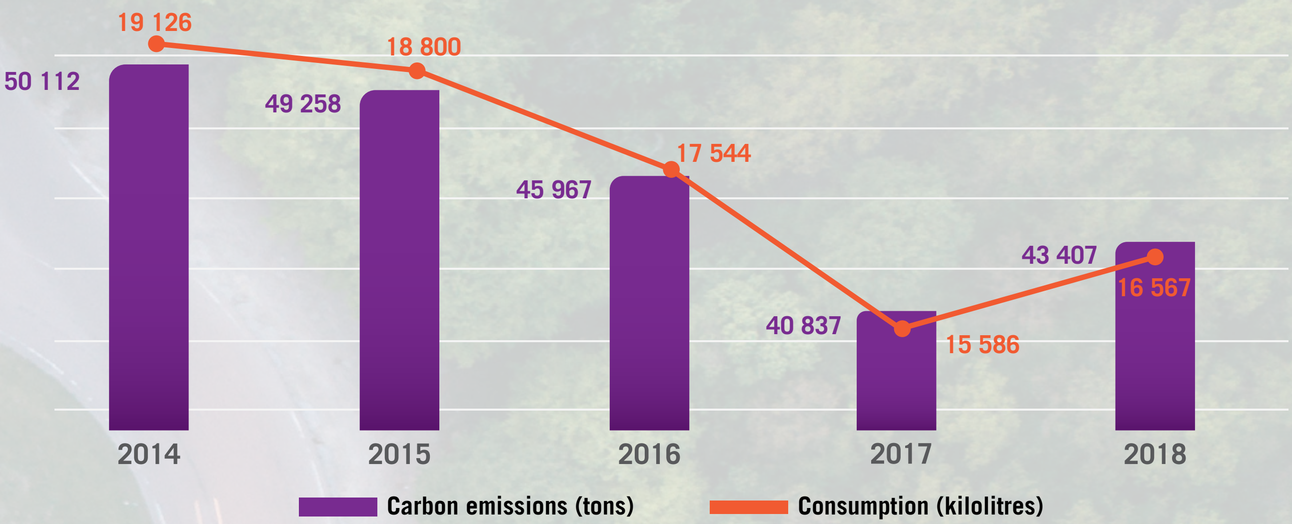
During the past financial year the Group fitted aerodynamic kits to certain vehicles with the intention of improving the consumption figures. Two different categories of vehicles were tested. The one category, namely 8 ton rigid vehicles, yielded very little improvement. The operational application did not lend itself to improvements. The second category, namely the UD 490 truck tractors, yielded an average of 6% improvement. After an initial 90 day test, the decision was made to fit the UD 490 truck tractors with these kits during the current financial year. The vehicles will be measured and the improvement should be recorded in the next financial year.

The remaining fuel saving initiatives are ongoing and include:

- the debriefing process, which measures fuel consumption achieved after every trip against expected fuel consumption, with deviations investigated by management;
- daily automated fuel consumption comparisons across the fleet;
- optimizing routing to ensure vehicles are utilized to the utmost whilst traveling the least distance;
- routine servicing of vehicles which are maintained in accordance with manufacturer standards by the Group's accredited in-house workshops;
- the process of de-fleeting older vehicles to ensure the ageing fleet is kept as modern as possible including cleaner burning engines; and
- constantly measuring of consumption to enable the Group to de-fleet to poor performers.

The Group reports on its direct carbon emissions expelled in the course of its business activities using an online tool known as the "business carbon footprint calculator" (http://carbon.ecoforests.org/). The tool makes use of a rate of 2,63 kilograms of carbon emissions per litre of diesel and 2,3 kilograms of carbon emissions per litre of petrol consumed.

The table below highlights the Group's consumption pattern over the past five years.



Fuel consumption and carbon emissions are detailed below:

	2018	2017
Consumption (kilolitres)	**16 567**	15 586
- Diesel	**16 070**	15 118
- Petrol	**497**	468
Carbon emissions (tons)	**43 407**	40 837
- Diesel	**42 264**	39 762
- Petrol	**1 143**	1 075
Kilometres travelled (km'000)	**83 065**	78 367
Carbon emissions (kg) per kilometre	**0,52**	0,52
Deterioration in carbon emissions	**0%**	(1%)
Gigajoules	**638 814**	600 987
- Diesel	**621 587**	584 780
- Petrol	**17 226**	16 207
(Deterioration) / improvement in energy consumed	**(6%)**	11%

Although the current year has seen an increase of 6% in consumption, from 15 586 kilolitres to 16 567 kilolitres, due to additional kilometres travelled, actual carbon emissions per kilometre have remained the same, reflecting positively on the Group's efforts to maintain fuel efficiencies in the fleet. Due to the excellent efficiencies already achieved in previous years, the improvements seen currently are not as significant. The Group will however continue with its efforts to reduce its environmental footprint and find new and innovative ways to enhance vehicle efficiency.

SHAREHOLDER INFORMATION

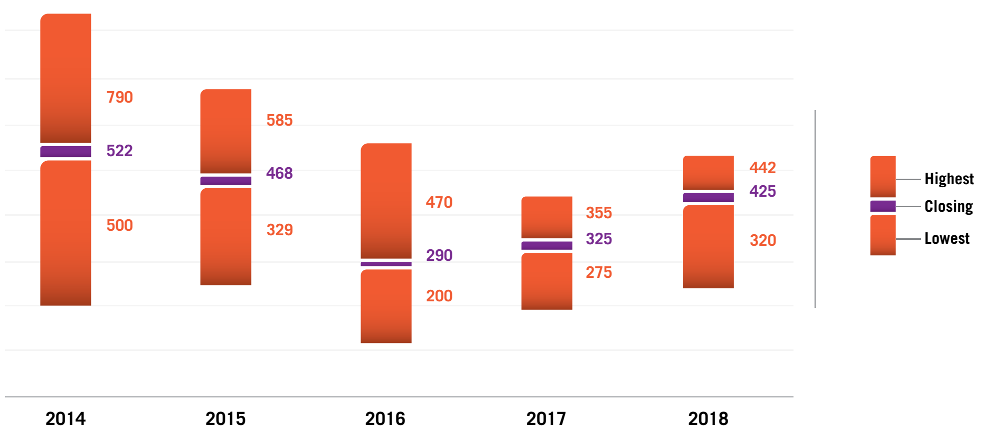
ORDINARY SHARES-LISTED	Number of shareholders	%	Number of shares	%
Non-public shareholders				
The Value Group Share Incentive Scheme	1	0,05	1 774 272	0,95
Directors	4	0,21	2 833 570	1,52
Diplobuzz Investments (RF) (Pty) Limited	1	0,05	6 257 406	3,36
The Boles Family Trust	1	0,05	6 550 000	3,51
The Kacilo Trust	2	0,11	9 007 403	4,83
Foord Absolute Return Fund	1	0,05	9 274 491	4,97
Value Logistics Limited	1	0,05	13 475 207	7,23
Opsiweb Investments (RF) (Pty) Limited	1	0,05	14 600 614	7,83
The BRSALO Trust	1	0,05	86 921 617	46,63
	13	0,67	150 694 580	80,83
Public shareholders				
Individuals and other	1 974	99,33	35 732 898	19,17
Total shareholders	1 987	100,00	186 427 478	100,00
Residency				
South African	1 945	97,89	184 828 019	99,14
Foreign	42	2,11	1 599 459	0,86
	1 987	100,00	186 427 478	100,00
Holdings				
1 to 1 000	1 203	60,54	375 839	0,20
1 001 to 5 000	444	22,35	1 212 906	0,65
5 001 to 10 000	134	6,74	1 059 154	0,57
10 001 to 50 000	136	6,84	3 019 432	1,62
50 001 to 100 000	23	1,16	1 770 424	0,95
over 100 000 shares	47	2,37	178 989 723	96,01
	1 987	100,00	186 427 478	100,00

There are no public shareholders which are directly or indirectly beneficially interested in 5% or more of any class of the Company's capital

A ORDINARY SHARES – UNLISTED	Number of shareholders	%	Number of shares	%
The Value Group Empowerment Trust	1	100,00	10 429 010	100,00

Current or future black employees of the Group nominated by the board who fall within the C and D peromnes bands and who satisfy a set objective criteria set by the board, will qualify as participants in the employee empowerment scheme.

High, low and closing share price (cents)



CORPORATE GOVERNANCE

The JSE has included certain aspects of the King Code on Corporate Governance 2016 (King IV) in its Listings Requirements. The board has adopted the recommendations on good corporate governance contained in King IV, as well as the King Code of Governance Principles for South Africa. The King IV principles and recommendations have been implemented across the Group. A full report of the Group's compliance with each of the King IV principles is available on pages 39 to 42.

THE BOARD OF DIRECTORS

The board is the focal point for corporate governance and is responsible to set the tone for ethical leadership throughout the organisation. It is responsible to shareholders and stakeholders for sustainable performance of the Group. The board takes overall responsibility for the success and prosperity of the Group. The board's role is to exercise sound leadership and judgement in directing the Group to achieve sustainable growth, having due consideration to a balanced financial, social and environmental performance, and taking into account the legitimate expectations of its stakeholders in making decisions in the best interest of the Group. The board charter articulates the objectives and responsibilities of the board. Likewise, each of the board sub-committees operates in accordance with written terms of reference, which are regularly reviewed by the board.

At the date of issuing the integrated annual report, the board comprised seven directors, of which only three are executive directors and four non-executive directors, three of whom are independent and free from any business or other relationships which could materially interfere with the exercise of their independent judgement. Advised by the remuneration and nominations committee, the board ensures that the election of independent directors falls on reputable persons of well-known competence and experience, who are willing to devote a sufficient part of their time to the Group.

Details of the directors in office for the year ended 28 February 2018 and at the date of this report appear on pages 6 and 7 of this report.

The roles of the chairman of the board and the Chief executive officer ("CEO") are kept separate, each with clearly defined roles and responsibilities. Independent non-executive director Mr Carl Stein was the chairman of the board with executive director Mr Steven Gottschalk as the CEO of the Group throughout the financial year under review. There is a clear division of responsibilities on the board which forms part of the policy to ensure a balance of power.

The board reviewed the previously approved board charter to align it to the recommendations of King IV. The board charter compels directors to promote the vision of the Group, whilst upholding sound principles of corporate governance. The board charter sets out the primary functions of the board as being to:

- retain full and effective control of the Group
- review and approve corporate strategy
- approve and oversee major capital expenditure, acquisitions and disposals
- review and approve annual budgets and business plans
- monitor operational performance and management
- determine the Group's purpose and values
- ensure that the Group complies with sound codes of business behaviour
- ensure that appropriate control systems are in place for the proper management of risk, financial control and compliance with all laws and regulations
- appoint the CEO and ensure proper succession planning for executive management
- regularly identify and monitor key risk areas and the management thereof
- oversee the Group's disclosure and communication process.

The board's governance procedures and processes are continuously being reviewed and a number of specific policies have been adopted by the board, expanding on the content of the board charter in the following areas:

- communication on behalf of the Group and the board
- conflict of interest
- access to professional advice
- social responsibility policies
- access to external professional advice
- legal compliance
- internal audit
- trading in Company shares.

To avoid conflict of interest and in compliance with section 75 of the Companies Act 71 of 2008, board members must disclose their interest in material contracts involving the Group. In addition, board members must rescue themselves from deliberations or the decision-making process relating to any matter in which such member may have a personal financial interest.

The board is required to meet at least four times a year. During the 2018 financial year, the board convened five times. Quarterly board meetings have been included in the board's annual calendar. In addition to the above, the board reviewed the previously approved governance work plan to ensure that the board discharged its duties in a structured manner and that all governance issues are considered and appropriately dealt with in an annual cycle.

The daily management of the Group's affairs is the responsibility of the CEO. In addition to the annual work plan, an approvals framework is also in place, setting out the respective responsibilities and levels of authority of the board and executive management. The board is kept informed of all developments at the Group, primarily through the executive directors. At the time of publishing the integrated annual report, the composition of the board was as follows:

Mr CD Stein	*(Chairman)*
Mr SD Gottschalk	*(Chief executive officer)*
Mr IM Groves	*(Independent non-executive director)*
Mr VW Mcobothi	*(Independent non-executive director)*
Dr NM Phosa	*(Non-executive director)*
Mr CL Sack	*(Group financial director)*
Mr M Padiyachy	*(Executive Director)*

All directors have access to the advice and service of the company secretary who is responsible to the board for ensuring compliance with procedures and applicable statutes and regulations. The company secretary administers corporate governance within the Group and provides counsel and guidance to the board on the proper discharging of their powers, duties and responsibilities. All directors, executive and non-executive, may liaise with the company secretary on agenda items for board meetings.

iThemba Governance and Statutory Solutions (Pty) Limited, represented by Claire Middlemiss (FCIS CSSA) is the company secretary. Ms Middlemiss has 17 years experience as a company secretary and is actively involved in assisting the board in its governance initiatives.

The board performs an annual verification of the qualifications, experience and continuing professional development of the company secretary. During the year under review, the board was therefore satisfied with the competence, qualifications and experience of the company secretary and that an arms-length relationship was maintained with the board of directors. The company secretary are external consultants and are not involved in the management of the Group. They are therefore independent of the Group. Contact details of the secretary are disclosed under corporate information (IBC).

In accordance with the MOI, and in order to facilitate continuity of the board, one-third of the non-executive directors shall retire from office at each annual general meeting (AGM) and their reappointment is subject to shareholders' approval. If a Director is also an employee of the Company in any capacity (also referred to as an executive director) he shall not, while he continues to hold that position or office, be subject to retirement by rotation and he shall not, in such case, be taken into account in determining the rotation or retirement of directors. In addition, all directors are subject to election by shareholders at the first opportunity after their initial appointments. The board, assisted by the remuneration and nominations committee, recommends the eligibility of retiring directors (subject to availability and their contribution to the business) for reappointment. The directors retiring by rotation at the forthcoming AGM are Mr VW Mcobothi and Dr NM Phosa.

MONITORING OF PERFORMANCE

The chairman is appointed on an annual basis by the board, with the assistance of the remuneration and nominations committee. The remuneration and nominations committee assess the independence of non-executive directors annually.

In line with recommendations by King IV, in 2018, a detailed self-assessment of the performance of the board and its committees was conducted and the results thereof were considered in order to identify areas for improvement. The assessments found the structures and processes governing the board and its committees were well established and functioning satisfactorily. It also found that the board had fulfilled its role and responsibilities and had discharged its responsibility to the Group, shareholders and other stakeholders in an exemplary manner.

Mr CD Stein, the chairman of the board and Mr IM Groves have served for a term beyond nine years as independent non-executive directors and have been subject to particularly rigorous reviews by the board, of not only their performance, but also the factors that may impair their independence. After an independence assessment by the board, it was determined that there are no relationships or circumstances likely to affect, or appearing to affect the directors' judgement. The assessment determined that the independent directors' independence of character and judgement was not in any way affected or impaired by their length of service.

BOARD COMMITTEES

The board has established a number of standing committees with delegated authority from the board. Each committee has agreed terms of reference as approved by the board that addresses issues such as composition, duties, responsibilities and scope of authority.

Although the board delegates certain functions to these committees, it retains ultimate responsibility for their activities. The committee members are all independent non-executive directors and the Chief executive officer and Group financial director are permanent invitees to each committee meeting. Each board committee is chaired by an independent non-executive director.

Committees operate in accordance with board approved terms of reference, as well as annual work plans, which are reviewed and updated on a regular basis to align them further with best practice. The board appoints the chairman and the members of these committees. In addition, the committees are required to evaluate their effectiveness and performance on an annual basis and to report the respective findings to the board for consideration. The board has an audit and risk, remuneration and nomination committee as well as a social and ethics committee. All these committees operate under board approved terms of reference.

DIVERSITY AND COMPOSITION OF THE BOARD

In an on-going endeavour to maintain the highest corporate governance standards and in line with the recommendations of the JSE Limited, the Group adopted a race and gender equality policy on the 28 February 2018. The board of directors with guidance from the nomination committee have considered and applied the policy of race and gender diversity in the nomination and appointment of directors. The Group undertakes to continually ensure that representation at board level remains optimal by identifying candidates with a diverse collection of skills, expertise and experience to allow the board to effectively lead the business and strategy of the Company, as required.

CORPORATE GOVERNANCE (CONTINUED)

AUDIT AND RISK COMMITTEE

The committee consisted of three independent non-executive directors throughout the financial year. Mr CD Stein is also chairman of the board. At the time of publishing the integrated annual report, the composition of the audit and risk committee was as follows:

Mr IM Groves *(Chairman)*

Mr VW Mcobothi

Mr CD Stein

Summary attendance table of members at the audit and risk committee meetings during the financial year ended 28 February 2018:

Member	10 May 2017	13 June 2017	17 October 2017	08 February 2018
IM Groves	P	P	P	P
VW Mcobothi	P	P	P	P
CD Stein	P	P	P	P
In Attendance				
SD Gottschalk	P	P	P	P
CL Sack	P	P	P	P
S Paxton	P	P	P	P
M Padiyachy	P	P	P	P
L Vroom	P	P	-	-
EL Steyn	-	-	P	P
C Middlemiss	P	P	P	P

Legend:
P: Present
A: Apology

The relevant resolution for the appointment of the audit and risk committee as required by the Act is set out in the notice of the AGM as contained in this report. The board is satisfied that the members as proposed for approval by shareholders meet the definition of non-executive directors, acting independently, as defined in the Act.

The audit and risk committee has an updated, formal board approved terms of reference. The board is satisfied that the committee has complied with these terms and with its legal and regulatory responsibilities as set out in the Act, King IV and the JSE Listings Requirements. The terms of reference for the audit and risk committee intend to ensure compliance with both governance recommendations and statutory requirements.

The board believes that the members collectively possess the knowledge and experience to exercise oversight of the Group's financial management, internal and external auditors, the quality of the Group's financial controls, the preparation and evaluation of the Group's financial statements and financial reporting. The board has established and maintains internal controls and procedures, which are reviewed on a regular basis. These are designed to manage the risk of business failures and to provide reasonable assurance against such failures but this is not a guarantee that such risks are eliminated.

The committee is responsible for facilitating the relationship with the external auditors and for monitoring the non-audit services provided by the external auditors. The external auditors have direct access to the chairman of the committee and attend all meetings of the committee ensuring that auditors are able to maintain their independence. The chairman of the committee is expected to attend the AGM in order to answer any questions that shareholders may have relevant to the committee's areas of responsibility. The committee is responsible for recommending the appointment of a firm of external auditors to the board who in turn will recommend the appointment to the shareholders. The committee is also responsible for determining that the designated appointee has the necessary experience, qualifications and skills and that the audit fee is adequate.

Committee members have unlimited access to all information, documents and explanations required in the discharge of their duties. This authority has been extended to internal and external auditors.

The board is satisfied that the committee has been equipped to properly fulfil its duties going forward.

The statutory report of the committee as required by the Act can be found on pages 48 and 49 of the integrated annual report. External advisors are invited to attend committee meetings as required.

The committee is satisfied that it has fulfilled its responsibilities for the reporting period.

SOCIAL AND ETHICS COMMITTEE

At the time of publishing the integrated annual report, the composition of the social and ethics committee was as follows:

Mr VW Mcobothi *(Chairman)*
Mr IM Groves
Mr SD Gottschalk

On 17 April 2018, Mrs V Marais was appointed to the social and ethics committee in her capacity as a prescribed officer.

It is the duty of this committee, among other things, to monitor and review:

- the Group's directors and staff comply with the Group's Code of Ethics
- the Group practices labour and employment policies that comply with the terms of the International Labour Organisation (ILO) protocol on decent work and working conditions
- the Group ensures the continued training and skills development of its employees
- the Group performs its responsibilities in respect of social and ethics matters in line with relevant policies and that these policies are reviewed on an annual basis, or as required
- an annual work plan to ensure it met all of its statutory requirements.
- It is the responsibility of this committee, to ensure, among other things, that:
- the Group discharges its statutory duties in respect of section 72 of the Act dealing with the structure and composition of board sub-committees
- the Group upholds the goals of the Organisation of Economic Co-operation and Development (OECD) recommendations regarding corruption
- the Group complies with the Employment Equity Act (as amended) and the Broad-based Black Economic Empowerment Act (as amended).

External advisors are invited to attend committee meetings as required. During the year, an external advisor who is directly involved in the Road Freight BBBEE scorecard provided the board with a brief presentation relating to the challenges facing the industry relating to the current scorecard, the proposed scorecard and the implications for Value.

The committee is satisfied that it has fulfilled its responsibilities for the reporting period.

Summary attendance table of members at the social and ethics committee meetings during the financial year ended 28 February 2018:

Member	10 May 2017	20 July 2017
VW Mcobothi	P	P
IM Groves	P	P
SD Gottschalk	P	P
In Attendance		
V Morais	P	P
M Padiyachy	P	P
CL Sack	P	P
C Middlemiss	P	P

Legend:
P: Present
A: Apology

DISCONTINUATION OF PRINTED INTEGRATED ANNUAL REPORTS

As a continued effort of our corporate social initiatives, the Company has decided to go paperless for its next integrated annual report which will be published in 2019. This initiative will not only reduce paper usage, but will also result in cost savings for the Company. Shareholders are encouraged to submit their email addresses to Computershare or contact Group reporting officer Ms K Moodley, whose details appear on the IBC, as the integrated annual report will be distributed electronically in future.

REMUNERATION AND NOMINATION COMMITTEE REPORT

COMMITTEE STRUCTURE AND OBJECTIVES

The committee is primarily responsible for assisting the board in formulating remuneration and other employment policies as well as the remuneration philosophy of the Group and to structure appropriate remuneration packages for executive directors, based on industry standards and the best interests of all parties concerned. The objective is to ensure that remuneration is fair and appropriate to attract, retain and motivate individuals of high calibre to run the Group successfully and to ensure that executive directors are fairly rewarded for their individual contribution to the Group's operating and financial performance in line with its corporate objectives and business strategy. The committee regularly consults with a range of external independent advisers on market information and remuneration trends to ensure that the remuneration is aligned with the industry and market benchmarks. The committee also assists the board in the nomination of new board candidates and ensuring regular assessment of board performance. The committee's terms of reference ensure that, for board appointments, a rigorous, fair and open nomination and appointment process is established which will promote meritocracy in the boardroom and support strong corporate performance. The committee leads that process and makes recommendations to the board.

External advisors are invited to attend committee meetings as required.

The committee is satisfied that it has fulfilled its responsibilities for the reporting period.

For the year ended 28 February 2018 the composition of the remuneration and nomination committee was as follows:

Mr IM Groves *(Chairman)*

Mr CD Stein

Although the chairman of the board is not the chairman of the remuneration and nominations committee, when matters pertaining to nominations are discussed, the chairman of the board chairs this portion of the meeting, as required by the JSE Listings Requirements.

As at financial year end there were only two members on the remuneration and nominations committee, any decisions which had a tie vote were escalated to the board for resolution. On the 17 April 2018, Mr VW Mcobothi was appointed as the third member of the remuneration and nominations committee.

Summary attendance table of members at the remuneration and nomination committee meetings during the financial year ended 28 February 2018:

Member	20 April 2017	20 July 2017
IM Groves	**P**	**P**
CD Stein	**P**	**P**
In attendance		
SD Gottschalk	**P**	**P**
V Morais	**P**	**P**
CL Sack	**P**	**P**
C Middlemiss	**P**	**P**

Legend:
P: Present
A: Apology

Appointment of directors to the board

Directors are appointed by means of a transparent and formal procedure, governed by the mandate and terms of reference of the remuneration and nominations committees and the board charter. The board adheres to a formal board policy in this regard. The nominations committee responsibilities include setting the criteria for board nominations, identifying, evaluating and recommending to the board suitable candidates for appointment to the board, as well as succession planning.

Directors service contracts

The non-executive directors do not have service contracts with the Group and all remuneration paid to non-executive directors is in accordance with the approval given by the shareholders at each annual general meeting.

The executive directors are full-time employees of the Group and, as such, each has an employment contract, the terms of which are substantially in accordance with the Group's standard conditions of service.

REMUNERATION AND NOMINATION COMMITTEE REPORT
(CONTINUED)

REMUNERATION POLICY

Remuneration philosophy and policy

The Group recognises the importance of its workforce in achieving its long-term objectives. Attracting and retaining the most competent people is therefore vital to the organisation. The Group aims to offer its employees remuneration that is market-related and appropriate for the level of expertise, skill and effort required while still recognising and rewarding individual performance. The Group aims to offer all directors remuneration that is fair and transparent so as to ensure the achievement of strategic objectives and positive outcomes.

Non-executive directors only receive remuneration that is due to them as members of the board. Non-executive directors do not receive bonuses or share options in the Group. Directors serving as members on board sub-committees receive additional remuneration.

Remuneration of executive directors in their capacities as executive members of the management team is approved by the remuneration and nominations committee.

A formal appraisal process is in use throughout the Group. Individuals are rated based on their performance against set objectives as well as responsibilities specific to their role. This appraisal process occurs on a bi-annual basis. Salaries are benchmarked against market rates and market best practice, utilising various remuneration surveys. Increases are based on three elements:

- performance rating given in the appraisals
- market rates
- the Group's budget

Wage earners within the Group fall within the Bargaining Unit, by virtue of their job classification, and are governed by means of the Main Agreement of the National Bargaining Council for the Road Freight and Logistics Industry. This agreement is determined by means of the centralised bargaining within the industry and governs all statutory terms and conditions of employees within the Bargaining Unit. The Extended Bargaining Unit includes BCEA employees who by virtue of their job functions and salary scales form part of the Extended Bargaining Unit. Salary increase parameters for the Extended Bargaining Unit is determined by means of centralised bargaining and is detailed in the promulgated Main Agreement of the National Bargaining Council for the Road Freight and Logistics Industry.

Annual bonus payments

Discretionary bonuses are awarded to staff members on a bi-annual basis. The first 50% of the bonus is awarded to employees based on their individual performance over the year of assessment. The remaining 50% is based on the respective divisions and companies' financial performance. Those employees who are governed by the National Bargaining Council will receive bonuses in accordance with the main agreement of the Bargaining Council. Senior management, comprising directors and senior heads of division qualify for participation in the incentive scheme. The amounts due in terms of the scheme are calculated by applying a percentage to the annual cost to company and are payable provided that predetermined KPIs are achieved.

REMUNERATION AND NOMINATION COMMITTEE REPORT
(CONTINUED)

REMUNERATION IMPLEMENTATION REPORT

Shareholders will be requested to vote on the special resolution as included in the notice of AGM for the approval of the remuneration of non-executive directors for their services as directors of the Company. Approved fees for the 2019 and proposed fees for 2020 financial year have been included in the resolution for approval by shareholders. The annual totals for each non-executive director are follows:

Annual totals **Rands**	**Proposed fee 2020**	Approved fee 2019	Incurred fee 2018
CD Stein	**897 441**	854 630	814 080
IM Groves	**717 953**	683 704	638 976
NM Phosa	**569 680**	542 504	456 312
VW Mcobothi	**500 746**	454 151	424 440

2018 Directors' cost to company

A detailed breakdown of salaries paid to directors for the 2018 financial year can be found in note 18 of the audited financial statements. A summary of these amounts are as follows:

Annual totals **R'000**	**2018**	2017
Executive		
SD Gottschalk	6 480	6 000
CL Sack	6 553	7 065
M Padiyachy	6 854	3 876
Non-executive		
CD Stein	814	722
IM Groves	639	668
NM Phosa	456	456
VW Mcobothi	424	425

Total staff costs

One of the approaches used to successfully reduce overheads in the Group was a reduction to the staff complement. This entailed restructuring and streamlining of functions and work activities within each division due to the non-replacement of staff that left.

Employee benefits

The Group offers a non-compulsory medical aid and a compulsory provident fund and group life cover to permanent salaried and waged employees. The Group's contribution in respect of the provident fund and group life cover for the current year amounted to R34 235 000 (2017: R35 666 000).

VOTING

The remuneration policy and the implementation report are tabled for separate non-binding advisory votes by shareholders at the annual general meeting. If either of these documents is voted against by shareholders exercising 25% or more of the voting rights exercised, the Company will in its voting results announcement pursuant to paragraph 3.91 of the JSE Listings Requirements, provide for the following: (a) An invitation to dissenting shareholders to engage with the issuer; and (b) The manner and timing of such engagement.

KING IV SUMMARY

PROTECTING VALUE THROUGH GOOD GOVERNANCE AND EFFECTIVE RISK MANAGEMENT

The board of directors are responsible for directing the Group to create and sustain value through responsible and ethical business actions. The board has incorporated the principles of the new King IV report on Corporate Governance (King report) and has made every effort to ensure that the leadership of the business is aligned with achieving the core outcomes for good governance as defined in the King report:

The board has strived to achieve the primary roles and responsibilities for leadership, as recommended by the King report, as part of the Group's business cycle:

RESPONSIBILITY	DELIVERING ON OUR RESPONSIBILITY
Steer and set strategic direction	The board takes ultimate responsibility for directing the Group to achieve sustainable growth by determining the overall strategy and setting targets
Approve policy and planning	The board delegates responsibility to its various subcommittees to assist in effectively establishing policies and procedures aimed at achieving the overall strategy. The board has the following subcommittees to assist in the execution of its duties: Audit and risk, Remuneration and nomination and Social and ethics.
Oversee and monitor	Management is tasked with implementing and executing the approved strategy under the guidance of the board and various subcommittees.
Ensure accountability	Subcommittees report to the board on their performance as measured against written terms of reference Transparent and timely reporting is provided to stakeholders.

KING IV SUMMARY (CONTINUED)

Details on the Group's implementation of the King IV principles are highlighted below:

	OUTCOMES AND PRINCIPLES	APPLICATION
LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP	**Principle 1:** Ethical and effective leadership	The charter of the board commits the board to effective and ethical leadership and sound corporate governance. In addition to fulfilling their statutory and fiduciary duties, all members of the board are expected to display the characteristics of integrity, competence, responsibility, accountability, fairness and transparency. The chair of the board is required to monitor the behaviour of board members in this respect.
	Principle 2: Organisational ethics and culture	Value has a code of ethics in place which is applicable to all employees, including the board of directors. The ethical standards are embedded in processes for the recruitment, evaluation of performance and reward of employees. In addition to monitoring adherence to the code of ethics, the social and ethics committee is responsible for oversight of organisational ethics. Relevant sanctions and remedies are consistently applied when ethical standards are breached.
	Principle 3: Responsible corporate citizen	Compliance with the laws of the country throughout the Group is monitored with any instances of non-compliance promptly remedied. The board has delegated responsibility for monitoring the Group's social responsibility targets to the social and ethics committee. The scope of the committee's mandate includes activities related to the workplace, economy, society and the environment. Performance of the Group is monitored on an ongoing basis.
STRATEGY, PERFORMANCE AND REPORTING	**Principle 4**: Value creation process	Any discussions of strategy, risk and opportunities are based on the prerequisite for long-term sustainability. The board sets key performance targets to continuously monitor the achievement of strategic objectives for value creation over the short, medium and long term, while management is tasked with executing the approved strategy.
	Principle 5: Reporting for decision making	The annual integrated report presents material to provide stakeholders and users with a holistic view of the Group's performance in a clear, concise and understandable manner. This report contains, amongst others, the annual financial statements, corporate governance and risk management disclosures. The board, with the assistance of the audit and risk committee, ensures that reports issued comply with legal requirements and meet the information needs of material stakeholders. The external auditors provide assurance over the annual financial statements as presented in the integrated annual report.

KING IV SUMMARY (CONTINUED)

	OUTCOMES AND PRINCIPLES	APPLICATION
GOVERNING STRUCTURES AND DELEGATION	**Principle 6**: Custodians of corporate governance	The board is ultimately responsible for the application of corporate governance principles in the Group. The role and functions of the board are set out in the board charter and incorporated into the board's annual work plan. The board is satisfied that it has fulfilled its responsibilities in accordance with its board charter.
	Principle 7: Board composition	With legal and financial experience represented amongst the independent non-executive directors, complementing the extensive skills and experience of the chairman and executive directors, the board has an appropriate mix of knowledge, skills and experience. The composition of the board also introduces the required element of diversity and independence.
	Principle 8: Delegation of authority and balance of power within the board	The board delegates responsibility of its duties to its various sub-committees, each of which has a minimum of three members as recommended by the King report. The current composition of the sub-committees contributes to effective collaboration as well as a balanced distribution of power so that no individual has the ability to dominate decision-making.
	Principle 9: Performance evaluation	An informal self-evaluation of the board and committees' performance during the financial year ended 28 February 2018 was performed. The outcome was satisfactory with no major issues.
	Principle 10: Delegation to management	Specific authority and powers of the board have been delegated to management and such delegation is captured in a formal delegation of authority framework that is reviewed by the board on a regular basis. The CEO does have commitments outside of the Group. However, these have been fully disclosed to the board. The notice period of the CEO in terms of his employment contract is six months. Value has appointed a company secretary on an outsourced basis and thereby has access to extensive governance support and guidance at all times.

KING IV SUMMARY (CONTINUED)

	OUTCOMES AND PRINCIPLES	APPLICATION
GOVERNANCE FUNCTIONAL AREAS	**Principle 11**: Risk governance	The governance and oversight of risk management has always been a material item on the board's work plan. This function is fulfilled with the assistance of the audit and risk committee. A comprehensive risk management process is in place for identifying, evaluating and monitoring the nature and extent of risks affecting the business. Internal audit assists management in evaluating the process for managing key risks. A Group risk register is updated on a continuous basis and submitted at each meeting of the audit and risk committee.
	Principle 12: Governance over technology and information	An IT governance charter formalises lines of delegation from the board and audit and risk committee through to the Chief Information Officer (CIO), as well as sets out policies, procedures and performance metrics which work together in the IT governance framework. The board receives an annual update on IT risks from the CIO to determine if the risks fall within defined tolerance levels.
	Principle 13: Compliance with laws and standards	The board's approach to compliance is addressed in the board charter. The regulatory environment is continually monitored by management by means of a compliance checklist to identify new or amended legislation that may have an impact on the Group.
	Principle 14: Fair and responsible remuneration	The remuneration and nominations committee supports the board with the governance of remuneration throughout the Group and ensuring fair and responsible remuneration practices.
	Principle 15: Assurance services and functions	This function is fulfilled with the assistance of the audit and risk committee who amongst other things are responsible for overseeing the internal audit function, including the internal audit plan, as well as to advise the board on the appointment of the external auditors. The committee is also responsible for reviewing interim and final financial results before submission to the board.
STAKEHOLDER RELATIONSHIPS	**Principle 16**: Stakeholder-inclusive approach	The board has identified material stakeholders of the Group and considers the legitimate and reasonable needs and expectations of such stakeholders on an ongoing basis as part of the decision-making process and in acting in the best interest of the Group.
	Principle 17: Responsible investment practises	This principle is not applicable as the Group is not an institutional investor.

RISK MANAGEMENT

The board is responsible for ensuring an effective risk management programme is implemented and maintained throughout the Group.

This responsibility is discharged through the audit and risk committee which oversees the risk management process and reports to the governing body on its effectiveness and the effectiveness of mitigation measures implemented where possible.

The risk management steering committee is a committee directed by the audit and risk committee, who are responsible for:

- managing and coordinating the risk management process;
- developing frameworks, methodologies and policies related to the risk management effort;
- coordinating the regular risk workshops and formal updating of divisional and corporate risk registers and risk treatment plans;
- maintaining corporate risk and risk control information;
- ensuring that all relevant risk areas are considered including those emanating from the services of external providers and contractors;
- risk analysis and reporting to the Group's audit and risk committee; and
- ensuring appropriate alignment between the Group's risk management process, its business and corporate planning process, and budgeting process.

This steering committee comprises representatives from the Group's divisions and business units.

Divisional management are accountable and required to support the risk management endeavour by identifying risk events, assessing their potential impact and likelihood, and implementing mitigation plans.

Internal audit assists management by performing assurance procedures to assess the success factor of mitigating control activities in addition to providing commentary on the effectiveness of the overall risk management process.

The below summary provides a context for understanding the most critical risks faced by the Group:

RISKS	RISK MITIGATION
1. Market risk The political climate, high levels of unemployment and an economy characterised by very poor growth rates have contributed to consumer hardship and reduced disposable income.	• Review rate structures for competitiveness in the market. • Expand and enhance service offerings to existing customers. • Identify and leverage off synergies and efficiencies to reduce the cost base. • Diversify the revenue streams and industry verticals through organic and acquisitive growth initiatives.
2. Regulatory compliance risk The Group is subject to a multitude of legislative statutes which it is obliged to comply with. The potential impact of non-compliance could result in additional costs and fines, and more importantly, reputational damage which would negatively affect profitability.	• Ongoing review of statutes and assessment of the impact on the Group. • Ongoing training of management on the implications of new and changes in existing legislation. • All legal issues channelled through the Group's legal department. • Certain specialist Risk Mitigation departments established which monitor and ensure compliance in areas assessed as high risk. • Standard operating procedures across the Group.

RISK MANAGEMENT (CONTINUED)

RISKS	RISK MITIGATION
3. Information technology risk With the ongoing rapid changes in hardware and applications technology, it is vital that the Group's IT platforms remain relevant and state of the art to manage the operation uptime requirements, complexity and volume of transactions within the Group. In addition, customers interface requirements are becoming more complex as is the consolidated reporting requirements. Lastly, cyber threats have the ability to severely disrupt operations and cause brand damage.	• Regular reporting to the Group's board in relation to projects underway, proposals for capital expenditure, IT governance and alignment with strategy. • The Group's server infrastructure requires upgrading and consequently a more cost effective solution is underway to relocate a major portion of its IT infrastructure into a cloud based environment by the CIO. • Continuous drive towards application improvements, implementation of new technologies and automation of manual processes. • Ongoing training and awareness strategies to educate staff of the methodologies and effects of cyber-crime. • Lock down and implementation of additional network, application and infrastructure security features to counter cyber threats.
4. Staff succession risk The availability of people with the skill sets required in the logistics market is very limited. Consequently, existing staff have to be developed and retained which has led to an ageing, skilled employee base.	• Senior Management incentive schemes designed to retain key personnel. • Succession plan in place for a number of Senior Management positions. • Multi-skilling of staff. • Promotion of existing staff to provide opportunities for advancement and growth. • Re-evaluation of packages to ensure they are market related.
5. Labour and supplier disruptions risk Unprotected and protected strikes can have a material impact on cost and service delivery to the Group's customers.	• Build and maintain good relations with our labour force which has had the effect of diluting disruptive behaviour and service delivery. • Labour pay rates are all aligned to that prescribed by the bargaining councils. • The Group operates in different locations with the ability to change supply chain locales. The risk is this spread and dissipated.

ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY 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 annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the Group'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 financial statements.

The annual 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 judgements 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 business is 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 annual 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 Group's cash flow forecast for the year to 28 February 2019 and, in light of this review and the current financial position, are satisfied that the business has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the annual financial statements. The annual financial statements have been examined by the external auditors and their report is presented on page 50.

The annual financial statements set out on pages 56 to 106, which have been prepared on the going concern basis, were approved by the board on 13 June 2018 and were signed on its behalf by:

CD Stein
Chairman

SD Gottschalk
Chief executive officer

PREPARATION AND LEVEL OF ASSURANCE

The annual financial statements have been prepared under the supervision of Mr CL Sack CA(SA), the Group's financial director, and have been audited by Baker Tilly SVG in compliance with the Companies Act 71 of 2008.

Date published: 22 June 2018.

CERTIFICATION BY COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act 71 of 2008 as amended, I certify that to the best of my knowledge and belief, the Group has in respect of the financial year reported upon, lodged with the Companies and Intellectual Property Commission all returns required of a public group in terms of the Companies Act 71 of 2008 and that all such returns are true, correct and up to date.

Claire Middlemiss

On behalf of:
iThemba Governance and Statutory Solutions Proprietary Limited

13 June 2018

AUDIT AND RISK COMMITTEE REPORT

for the year ended 28 February 2018

BACKGROUND

The audit and risk committee (the 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 IV and in accordance with the Companies Act 71 of 2008 and the JSE listing requirements.

MEMBERSHIP

The committee comprises three independent non-executive directors who collectively possess the knowledge and experience to fulfil the committee function. Membership and attendance of the committee members is reflected on page 34 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 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; and
- 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 2018; and
  - Interim results for the six months ended 31 August 2017;
- reviewed IT managers' infrastructure, applications and governance reports; and
- reviewed the Group's risk management processes and assessed the key risks as detailed in the risk management report, the likelihood and the impact thereof, and any associated mitigating controls.

The 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.

COMBINED ASSURANCE

The committee is also responsible for monitoring the appropriateness of the Group's combined assurance model and ensuring that significant risks are adequately addressed. The committee also ensures that there is sufficient cooperation between the Group's various assurance providers, including the external auditor, internal audit function, risk officer and compliance officer.

The combined assurance model of the Group incorporates and optimises all assurance services and functions, from management through to the internal and external assurance providers, to facilitate an effective control environment, minimise risk, support the integrity of information used for decision-making by management, the governing body and its committees, and support the integrity of the Group's external reports.

Performance Assurance

Certain operations within the Group are continuously subjected to risk-based, integrated and combined assurance reviews. The outcome of these reviews provides reasonable assurance to allow the board, on the recommendation of the committee, to determine the effectiveness of the Group's system of internal controls over financial reporting.

Internal Assurance

The objective of internal audit is to assist the board in the effective discharge of its responsibilities, taking both financial and non-financial aspects into account. Audits are performed in accordance with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Audit. Furthermore, these audits are conducted in line with the audit charter as approved by the committee. Where internal audit has been identified in the combined assurance plan as one of the assurance providers, the committee ensures that the activities allocated to internal audit in terms of the combined assurance plan are included in the scope of coverage and in the internal audit plan. The Chief audit executive attends and presents its findings to the committee. The committee is satisfied with the performance and expertise of the Chief Audit Executive.

External Assurance

External assurance is currently provided by Baker Tilly SVG. The committee is responsible for recommending the external auditor for appointment by shareholders and for ensuring that the external auditor carries out an annual audit of all the Group's subsidiaries in accordance with International Auditing Standards and reports in detail on the results of the audit to the committee.

The committee has reviewed the combined assurance framework for the Group to satisfy itself with management's initial conclusions and will continue to review it as part of its role in oversight of risk management. The combined assurance provided is sufficient to satisfy the committee that significant risk areas within the Group have been adequately addressed and suitable controls exist to mitigate and reduce these risks.

EXTERNAL AUDIT

The committee regularly reviews the external auditor's, Baker Tilly SVG, independence and has satisfied itself that the external auditor 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.

Baker Tilly SVG has been the Group's auditors for 21 years. The firm rotates the designated audit partner at least every five years. 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 2018.

There is a formal written policy and procedure that governs the process whereby the external auditor is considered for non-audit services. The committee approves 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 is satisfied with the quality of the external audit. It was further satisfied that the audit firm is accredited to appear on the JSE List of Accredited Auditors. In addition, the committee confirms that its responsibilities pursuant to paragraph 22.15(h) of the JSE Limited Listings Requirements have been met.

The committee has nominated, for reappointment at the annual general meeting, Baker Tilly SVG as the external auditor for Value Group Limited for the financial year ended 28 February 2019.

GROUP FINANCIAL DIRECTOR

The committee has reviewed the performance, experience and expertise of the Group financial director, Clive Sack, and confirms his suitability to carry out his duties as financial director in terms of the JSE Listing Requirements. In addition, the committee is satisfied that the financial reporting procedures are in place and functional and that the financial director is adequately supported by qualified and competent staff.

ANNUAL FINANCIAL STATEMENTS

The committee has evaluated the integrated annual report encompassing the annual financial statements for the year ended 28 February 2018 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 has considered the JSE's letter of 20 February 2018 (JSE Proactive Monitoring Process) and those of previous periods, and taken appropriate action where necessary, in the preparation of the annual financial statements. 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

13 June 2018

INDEPENDENT AUDITOR'S REPORT
for the year ended 28 February 2018

To the Shareholders of Value Group Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Value Group Limited and its subsidiaries (the Group) set out on pages 56 to 106, which comprise the consolidated statement of financial position as at 28 February 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 28 February 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of property, plant and equipment	
Property, vehicles, plant and equipment, including full maintenance lease assets, is subsequently measured at cost less accumulated depreciation and any impairment losses. Depreciation is calculated so as to write down the cost to the residual value over their useful lives. The residual value and the useful life of each asset is reviewed at each financial year end, and includes a number of estimates and judgements which the Group makes. The property, vehicles, plant and equipment, particularly motor vehicles and forklifts, is a significant asset of the Group due to its carrying amount, the nature of its business, and the annual depreciation charge having a material impact on reported profits. As a result, the valuation of property, vehicles, plant and equipment was significant to our audit. Further information on the judgements applied are contained in note 1.1 to the consolidated financial statements. The accounting policy, including the average useful lives is disclosed in notes 1.3 and 1.4 to the consolidated financial statements, and a summary of the carrying amounts and depreciation is disclosed in note 2 to the consolidated financial statements.	The Group performs an annual formal assessment of the useful lives and residual values of all its vehicles, which we assess as part of the audit. This assessment includes the following procedures: - Considering management's justification of the useful lives, depreciation method and residual values applied to the various categories of assets, and corroborating the assumptions and judgements applied; - Comparing expected useful lives to historical useful lives; - Physically inspecting the assets and considering the condition thereof; - Assessing residual values by comparison to published market information and statistics, and historically achieved sales prices; - Recalculating the depreciation charge for the year; and We found the judgements applied were sound and appropriate, and accordingly concurred with management's assessment. We also evaluated the disclosure of property, vehicles, plant and equipment, the significant judgements applied and sources of estimation uncertainty in the financial statements, and found it to be appropriate.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

for the year ended 28 February 2018

Key Audit Matter	How our audit addressed the key audit matter
Testing goodwill for impairment	
Total goodwill of R27,2m has arisen in the past as a result of the acquisitions made by the Group. As required by IFRS, the Group performs an annual impairment test on the recoverability of the goodwill. Impairment exists if the carrying amount of the cash generating unit to which the goodwill relates, exceeds its recoverable amount. The recoverable amount is defined as the higher of the cash generating unit's fair value less cost of disposal and its value in use. Th annual impairment test was significant to our audit as the goodwill of R27,2m is material to the consolidated financial statements and the impairment test is complex and highly judgemental. As detailed in note 1.1, significant judgement is required by the directors in determining key assumptions to use in a cash flow forecast model, including the expected period of cash flows, and the discount and growth rates. Further information on the key inputs and recoverable amounts relating to the cash generating unit is also disclosed in note 4.	Our tests on the key assumptions included the following audit procedures: - Evaluation whether the model complies with the requirements of IAS 36: Impairment of Assets; - Comparing the inputs for the discounted cash flow to forecasted and historical information; - Evaluating the key assumptions used to forecast cash flows based on expected and historical performance; - Assessing the reasonability of the period used to forecast cash flows; - Using the above information, challenging management on the key assumptions used in the cash flow forecasts and discount rate; - Assessing the individual components of the discount rate by comparison to market variables and by applying our own sensitivity analysis; and - Assessing the model's results based on a range of possible outcomes. We found the goodwill impairment assessments to be reasonable and fair. These indicated that an impairment of goodwill of R3,6m was necessary in the current period. The disclosure of goodwill, the judgements applied and the key assumptions applied in the financial statements were evaluated and found to be appropriate.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the integrated annual report which includes the directors' report, the audit and risk committee's report and the company secretary's certificate as required by the Companies Act 71 of 2008. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Baker Tilly SVG has been the auditor of Value Group Limited for 21 years.

Baker Tilly SVG

E L Steyn
Partner
Registered Auditor
13 June 2018
Illovo

DIRECTORS' REPORT

for the year ended 28 February 2018

The directors have pleasure in submitting their report together with the consolidated financial statements for the year ended 28 February 2018.

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, 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 RESULTS

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

Revenue improved by 2% from R2,469 billion to R2,513 billion, however the gross profit margin decreased from 33,0% to 31,3%. Gross profit of R787,0 million was generated (2017: R815,5 million). Subsequent to shareholders' 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.

Headline earnings decreased by 5% from 61,9 cents per share to 58,7 cents per share. Excluding the once-off BBBEE equity transaction costs, normalised headline earnings improved by 15% from 61,9 cents to 71,1 cents per share.

Further commentary on the financial results is provided in the Chairman's statement and the combined Chief executive officer's and Group financial director's report.

AUTHORISED AND ISSUED SHARE CAPITAL

There were no changes to the authorised share capital in the current year. During the year, 4,3 million shares were acquired by a subsidiary company. A further 3,3 million shares were acquired subsequent to year end. On 8 May 2018, 9 618 378 treasury shares were cancelled against reserves and delisted. Subsequent to this cancellation there are 176 809 100 ordinary shares in issue.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Aside from the share transactions noted above, the directors are not aware of any other matter or circumstance, not otherwise dealt with in this report or the consolidated financial statements, which would affect the operations of the Group and the Company or the results of their 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 30.

DIRECTORS' REMUNERATION

Details of the remuneration paid to directors of the Company are tabled in note 18.

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 18, 26, 29 and 30.

SHARE INCENTIVE SCHEMES

The Value Group Share Incentive Trust owns 1 774 272 (2017: 983 450) ordinary shares in Value Group Limited. These shares represent 1,0% (2017: 0,5%) of the total issued share capital.

The Value Group Empowerment Trust owns 10 429 010 (2017: 10 429 010) A ordinary shares in Value Group Limited. These shares represent 5,3% (2017: 5,3%) of the total 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 29.

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.

DIVIDENDS

Dividend number 21 of 18 cents per share was declared on 11 May 2017 and paid on 3 July 2017 to shareholders registered on 27 June 2017.

Dividend number 22 of 8 cents per share was declared on 18 October 2017 and paid on 22 January 2018 to shareholders registered on 16 January 2018.

Dividend number 23 of 22 cents per share was declared on 10 May 2018 and will be paid on 2 July 2018 to shareholders registered on 26 June 2018.

DIRECTORATE, SECRETARY AND AUDITORS

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

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

Information pertaining to the Group's auditors, Baker Tilly SVG, is set out on company information (IBC).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 28 February 2018

R'000	Notes	2018	2017
ASSETS			
Non-current assets		**1 039 072**	1 028 466
Property, vehicles, plant and equipment	2	**1 004 903**	990 573
Intangible assets	3	**10 603**	12 655
Goodwill	4	**16 561**	20 152
Loan receivable	5	**1 575**	1 568
Equity-accounted investees	6	**380**	357
Deferred tax asset	7	**5 050**	3 161
Current assets		**553 514**	502 371
Inventories	8	**66 424**	67 033
Trade and other receivables	9	**335 532**	298 900
Other financial assets	10	**8 765**	8 434
Current tax receivable		**3 176**	1 551
Cash and cash equivalents	11	**139 617**	126 453
Non-current assets held for sale	12	**116**	10 701
Total assets		**1 592 702**	1 541 538
EQUITY AND LIABILITIES			
Equity		**848 634**	799 598
Share capital and premium	13	**10 839**	10 839
Treasury shares		**(113 408)**	(97 817)
Foreign currency translation reserve		**104**	179
Share-based payment reserve		**20 146**	30 792
Retained income		**934 283**	861 345
Equity attributable to owners of the Company		**851 964**	805 338
Non-controlling interests		**(3 330)**	(5 740)
Non-current liabilities		**290 670**	308 336
Interest-bearing borrowings	14	**108 601**	121 341
Non interest-bearing borrowings	15	**-**	5 803
Deferred tax liability	7	**182 069**	181 192
Current liabilities		**453 398**	433 604
Trade and other payables	16	**379 803**	345 291
Current portion of interest-bearing borrowings	14	**69 227**	77 703
Current portion of non interest-bearing borrowings	15	**3 268**	9 804
Other financial liability	10	**31**	123
Current tax payable		**464**	161
Shareholders for dividend		**605**	522
Total equity and liabilities		**1 592 702**	1 541 538

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2018

R'000	Notes	2018	2017
Revenue*	17	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	18	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	10	331	(509)
Finance income*	19	3 386	1 594
Finance costs*	20	(17 553)	(24 046)
Net profit before taxation		122 622	120 347
Taxation	21	(40 648)	(36 740)
Net profit for the year		81 974	83 607
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Foreign currency translation differences		(75)	(192)
Total comprehensive income for the year		81 899	83 415
Net profit for the year attributable to:			
Owners of the Company		83 406	88 341
Non-controlling interests		(1 432)	(4 734)
		81 974	83 607
Total comprehensive income for the year attributable to:			
Owners of the Company		83 331	88 149
Non-controlling interests		(1 432)	(4 734)
		81 899	83 415
Earnings per ordinary share (cents)	22		
- basic		54.8	57.2
- diluted basic		54.8	57.2

* Restated for the application of SAICA Circular 2/2017 as detailed in note 32.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2018

R'000	Share capital and share premium	Treasury shares	Foreign currency translation reserve	Share based payment reserve	Retained income	Total attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at 29 February 2016	10 839	(97 021)	371	27 184	800 794	742 167	(1 006)	741 161
Transactions with owners	-	(796)	-	-	(27 790)	(28 586)	-	(28 586)
- Dividends paid	-	-	-	-	(27 790)	(27 790)	-	(27 790)
- Treasury shares acquired	-	(796)	-	-	-	(796)	-	(796)
Total comprehensive income for the year	-	-	(192)	3 608	88 341	91 757	(4 734)	87 023
- Net profit for the year	-	-	-	-	88 341	88 341	(4 734)	83 607
- Share based payment expense	-	-	-	3 608	-	3 608	-	3 608
- Foreign currency translation differences	-	-	(192)	-	-	(192)	-	(192)
Balance at 28 February 2017	10 839	(97 817)	179	30 792	861 345	805 338	(5 740)	799 598
Transactions with owners	**-**	**(15 591)**	**-**	**-**	**(38 863)**	**(54 454)**	**-**	**(54 454)**
- Dividends paid	**-**	**-**	**-**	**-**	**(39 573)**	**(39 573)**	**-**	**(39 573)**
- Treasury shares acquired	**-**	**(16 481)**	**-**	**-**	**-**	**(16 481)**	**-**	**(16 481)**
- Treasury shares sold	**-**	**890**	**-**	**-**	**710**	**1 600**	**-**	**1 600**
Total comprehensive income for the year	**-**	**-**	**(75)**	**21 591**	**83 406**	**104 922**	**(1 432)**	**103 490**
- Net profit for the year	**-**	**-**	**-**	**-**	**83 406**	**83 406**	**(1 432)**	**81 974**
- Share based payment expense	**-**	**-**	**-**	**21 591**	**-**	**21 591**	**-**	**21 591**
- Foreign currency translation differences	**-**	**-**	**(75)**	**-**	**-**	**(75)**	**-**	**(75)**
Transfer between reserves	**-**	**-**	**-**	**(32 237)**	**32 237**	**-**	**-**	**-**
Non-controlling interest acquired by owners	**-**	**-**	**-**	**-**	**(3 842)**	**(3 842)**	**3 842**	**-**
Balance at 28 February 2018	**10 839**	**(113 408)**	**104**	**20 146**	**934 283**	**851 964**	**(3 330)**	**848 634**

Dividends per share are detailed in note 31.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 28 February 2018

R'000	Notes	2018	2017
Cash flows from operating activities		**194 694**	197 435
Cash generated by operations before proceeds on disposal of rental assets	i	**263 953**	246 860
Proceeds on disposal of rental assets		**27 370**	35 129
Finance income		**3 386**	1 594
Finance costs		**(17 553)**	(24 046)
Taxation paid	ii	**(42 972)**	(34 386)
Dividends paid	iii	**(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 subsidiary	iv	**-**	(10 175)
Decrease in loan receivable		**200**	-
Cash flow 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 the year		**126 453**	91 342
Cash and cash equivalents at end of the year	11	**139 617**	126 453

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 28 February 2018

R'000		2018	2017
i	**Cash generated from operations**		
	Net profit before taxation	**122 622**	120 347
	Adjustments for:		
	Depreciation	**96 148**	99 247
	Amortisation of intangible assets	**6 976**	9 801
	Impairment of goodwill	**3 591**	7 079
	Impairment of rental vehicles held for sale	**-**	222
	Finance income	**(3 386)**	(1 594)
	Fair value adjustment to loan receivable	**(207)**	208
	Finance costs	**17 553**	24 046
	Straight-line rental expense	**5 604**	(261)
	Loss on disposal of property, vehicles, plant and equipment	**3 589**	2 049
	Loss on disposal of non-current assets held for sale	**(569)**	43
	Loss on disposal of intangible assets	**44**	9
	Profit on disposal of rental assets	**(4 262)**	(4 663)
	Fair value adjustment relating to forward exchange contracts	**(92)**	164
	Fair value adjustment of insurance cell	**(331)**	509
	Foreign currency translation movement	**-**	268
	Share-based payment expense	**21 591**	3 608
	Share of profit of equity-accounted investees	**(23)**	(44)
	Cash generated by operations before movements in working capital	**268 848**	261 038
	Movements in working capital:		
	Inventories	**2 829**	26 514
	Trade and other receivables	**(36 632)**	(8 039)
	Trade and other payables	**28 908**	(32 653)
	Cash generated by operations before proceeds on disposal of rental assets	**263 953**	246 860
ii	**Taxation paid**		
	Opening balance	**1 390**	1 973
	Taxation per note 21	**(41 650)**	(33 403)
	Acquired with subsidiary	**-**	(1 566)
	Closing balance	**(2 712)**	(1 390)
		(42 972)	(34 386)
iii	**Dividends paid**		
	Charge to the statement of changes in equity	**(39 573)**	(27 790)
	Movement in shareholders for dividend	**83**	74
		(39 490)	(27 716)
iv	**Acquisition of subsidiaries**		
	The fair values of assets acquired and liabilities assumed of Key Distributors in the prior year were as follows:		
	- Goodwill		16 561
	- Property, plant and equipment		14 034
	- Inventories		36 816
	- Trade receivables		14 736
	- Cash and cash equivalents		9 433
	- Total liabilities		(58 900)
	Total purchase consideration		32 680
	Purchase price paid in cash		(19 608)
	Less: cash of subsidiary acquired		9 433
	Cash paid net of cash acquired		(10 175)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 28 February 2018

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.

The 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:

Assessment of control

The Group is considered to exercise control over an entity, or division of that entity, in which it does not have a majority stake when it has the ability to control the activities of that operation and to earn variable returns from it. In all other cases where the Group does have a majority stake, control was assessed ensuring that the Group has power over the entity, exposure to variable returns and the ability to affect the amount of the returns from it. In addition, the Group controls entities which are consolidated. Refer to note 13, 26 and 29.

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. 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. Useful lives are disclosed in note 1.3. The effect of the change in estimate of residual values is disclosed in note 2.

Impairment testing

Property, vehicles, plant and equipment and IT software are considered for impairment if there is an impairment indicator present. 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. No items of property, vehicles, plant and equipment and IT software were impaired in the current year. Refer to notes 2 and 3 for carrying values.

Goodwill is tested on an annual basis for impairment. The recoverable amount of goodwill was calculated by determining its value in use through the discounted cash flow method. Assumptions regarding future growth in profitability, cash applied to the business and the free cash generated by the business were discounted using an appropriate risk adjusted rate.

The following key assumptions were applied:

- the latest available management accounts and financial budgets respectively were used for the first year and a growth rate of 4% for Core Logistix (Pty) Ltd and 5% for Key Distributors (Pty) Ltd was used to 3 years with 3% growth thereafter;
- a pre-tax discount rate of 16,45% for Core Logistix (Pty) Ltd and 19,6% for Key Distributors (Pty) Ltd reflecting the specific risks of the cash generating units;
- a forecast period of five years , which the directors believe is justified as it is a reasonable minimum period to expect the business (cash generating unit) to continue operating; and
- the discount rate was calculated by using a risk-free rate adjusted for risk factors.

Details of goodwill are contained in note 4.

1.1 Significant judgements and sources of estimation uncertainty (Continued)

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. Refer to note 21.

Deferred tax assets

Deferred tax assets are recognised to the extent that 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. Refer to note 7 for details of unrecognised tax losses.

Trade receivables, loans receivable and other receivables

The Group assesses its trade receivables, loans receivable and other receivables for impairment at each reporting 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. Refer to note 5 for details of the loan receivable.

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. Refer to note 9 for further details on the impairment of trade receivables.

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 29 and accounting policy 1.11.

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. The write-down is included in profit and loss. Refer to note 8 for impairments and the carrying value of inventories at net realisable value.

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.

Due to the nature of the investment in the insurance cell captive, 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. 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. Refer to note 28 for details on the fair value inputs and levels.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. Refer to notes 9 and 16.

1.2 Business combinations, consolidation and goodwill

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group accounts for business combinations by applying the acquisition method.

Intercompany transactions and balances are eliminated on consolidation.

Goodwill is initially recognised at cost, being the excess of the cost of the business combination and the non-controlling interests over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Cost includes contingent consideration. 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. Goodwill is recognised separately.

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

1.2 Business combinations, consolidation and goodwill (Continued)

Goodwill is tested annually for impairment and whenever there is an indicator of impairment. For the purposes of impairment testing goodwill is allocated to cash-generating units expected to benefit from the business combination in which the goodwill arose. An impairment loss is recognised if the carrying amount of the cash-generating unit exceeds its recoverable amount.

Any impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit, and then to the remaining assets pro-rata based on the carrying value of each asset.

Impairment losses on goodwill are not reversed.

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.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity.

Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interests.

1.3 Property, vehicles, plant and equipment

Property, vehicles, plant and equipment are tangible assets which the Group holds for its own use or for rental to others and which are expected to be used for more than one year.

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 recognised 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 subsequently measured 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. Changes are accounted for as a change in accounting estimate.

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. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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.

Full maintenance lease assets are initially recognised at cost.

The cost of full maintenance lease assets includes 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 subsequently measured at 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. Changes are accounted for as a change in estimate.

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; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are subsequently measured 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/liabilities at fair value through profit or loss – held-for-trading i.e. cash and cash equivalents and forward exchange contracts
- Financial assets/liabilities at fair value through profit or loss – designated i.e. investment in insurance cell captive
- Loans and receivables i.e. trade and loan receivables
- Financial liabilities measured at amortised cost i.e. all financial liabilities.

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 derivatives or designated as at fair value through profit or loss, classification is re-assessed on an annual basis.

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.

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. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

1.6 Financial instruments (Continued)

Impairment of financial assets

At each reporting date the Group assesses all financial assets, other than those measured at fair value through profit or loss, 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.

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.

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 charged to the relevant allowance account. Subsequent recoveries of amounts previously written off are recognised in other income.

Fair value determination

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

Loans with fixed or determinable repayment terms are classified as loans and receivables.

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.

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 recognised in other income.

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. These are initially and subsequently recorded at fair value.

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

Investment in insurance cell captive

The investment in the insurance cell captive is measured on initial recognition at fair value, and subsequently measured at fair value through profit and loss. It is managed on a fair value basis, so as to maximise the Group's total return from dividends and changes in the fair value of this investment.

1.6 Financial instruments (Continued)

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.

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

Derivatives are classified as financial assets or financial liabilities through profit or loss-held for trading.

1.7 Inventories

Inventories include, merchandise for sale, forklifts, fuel and maintenance spares, and vehicles and forklifts 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 this date depreciation ceases and they are subsequently measured at the lower of their carrying amount or net realisable value.

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

Forklifts and vehicles are measured at the lower of cost or net realisable value, on the specific identification basis.

Merchandise for sale is measured at the lower of cost and net realisable value on the weighted average basis.

Rebates and discounts that have been received as a reduction in the purchase price of inventories are taken into consideration in the measurement of the cost of the inventories.

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 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 writedown of inventories to net realisable value and all losses of inventories is recognised as an expense in the period the writedown or loss occurs. The amount of any reversal of any writedown of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories which is 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 when 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 and the sale is highly probable; and
- 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 reporting date whether there is any indication that an asset may be impaired.

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, in operating expenses.

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.

The accounting policies for testing impairment losses on goodwill have been detailed in notes 1.1 and 1.2.

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 entity holds the Company's equity share capital and is consolidated, 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 payment 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 reporting date, the Group revises its estimates of the number of options/units that are expected to become exercisable.

The revision of original estimates, including forfeitures, if any, are recognised in the statement of comprehensive income, with a corresponding adjustment to equity at the end of each reporting period.

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 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 of the leased asset and are recognised as an expense over the lease term on the same basis as the lease income.

Income from 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 – lessee

Finance leases are recognised as assets 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 within interest-bearing borrowings.

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 reporting 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 reporting 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 Contingencies

Contingent assets and contingent liabilities are not recognised.

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; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sale of goods comprise the sale of merchandise, rental assets and forklifts.

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; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue from the rendering of services comprises distribution, transport, clearing and forwarding, warehousing, container and fleet management, forklift and commercial vehicle rental and insurance commissions.

Revenue from commercial vehicle and short-term forklift rental is recognised monthly over the rental period and once the kilometres travelled and hours utilised are established. Revenue from transport and distribution is recognised when the parcel reaches the destination. Revenue from clearing and forwarding is recognised when all fees and costs can be determined as this is when a reliable measure of revenue is available. Revenue from warehousing is recognised at every month end. Revenue from insurance commission is recognised on conclusion of the insurance contract. Revenue from container and fleet management is recognised over the period stipulated in the management agreement.

Revenue excludes finance income, trade discounts allowed, rebates allowed and value added tax.

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. There were no qualifying assets for the period under review.

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, sick leave and 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 reporting date foreign currency monetary items are translated using the closing rate.

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.

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 foreign operations 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; and
- 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. Further details are contained in accounting policy 1.2.

1.20 Investments in equity-accounted investees

An associate is an entity over which the Group has the ability to exercise significant influence, but not control or joint 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, losses and other comprehensive income in the associate 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.

A joint venture is an arrangement whereby the parties that have joint control over an entity have rights to the net assets of the jointly controlled entity. Joint control exists when there is a contractually agreed sharing of control over an entity, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

An interest in a joint venture is accounted for using the equity method. Under the equity method, interests in the joint venture are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entity, less any impairment losses. Profits or losses on transactions between the Group and a joint venture are eliminated to the extent of the Group's interest therein.

1.21 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.

1.22 Fair value measurement

The Group measures financial instruments, such as derivatives and certain investments, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can assess at measurement date

Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between the levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

R'000	Cost	Accumulated depreciation	Carrying amount	Opening carrying amount
2. PROPERTY, VEHICLES, PLANT AND EQUIPMENT				
2018				
Owned Assets				
Property	**40 109**	**(2 860)**	**37 249**	**36 944**
Plant and equipment	**156 288**	**(70 118)**	**86 170**	**86 766**
Motor vehicles and accessories	**957 505**	**(339 817)**	**617 688**	**572 921**
Office furniture and equipment	**31 754**	**(26 161)**	**5 593**	**6 412**
Computer equipment	**93 022**	**(77 795)**	**15 227**	**22 112**
Forklifts	**347 762**	**(109 021)**	**238 741**	**261 705**
Leasehold improvements	**19 553**	**(15 318)**	**4 235**	**3 443**
	1 645 993	**(641 090)**	**1 004 903**	**990 303**
Capitalised finance lease				
Computer equipment	**10 956**	**(10 956)**	**-**	**270**
Total	**1 656 949**	**(652 046)**	**1 004 903**	**990 573**
2017				
Owned Assets				
Property	39 722	(2 778)	36 944	36 720
Plant and equipment	150 270	(63 504)	86 766	84 778
Motor vehicles and accessories	888 237	(315 316)	572 921	637 103
Office furniture and equipment	35 810	(29 398)	6 412	6 672
Computer equipment	100 590	(78 478)	22 112	29 016
Forklifts	355 830	(94 125)	261 705	240 732
Leasehold improvements	18 151	(14 708)	3 443	2 838
	1 588 610	(598 307)	990 303	1 037 859
Capitalised finance lease				
Computer equipment	10 956	(10 686)	270	1 656
Total	1 599 566	(608 993)	990 573	1 039 515

Depreciation decreased by R1 688 000 in the current year (2017: decreased by R4 634 000) due to a change in the estimated residual values of certain asset categories.

There is a guarantee facility of R40 million secured by a general notarial bond over unencumbered movable assets (vehicles, plant and equipment) to the value of R40 million.

A subsidiary of the Group has combined asset based funding facilities of R264,7 million (2017: R261,6 million) of which R125,8 million (2017: R101,4 million) was available at year end. To the extent utilised, these facilities are secured by vehicles and forklifts having a carrying value of R242 444 000 (2017: R265 175 000).

Loan funding facilities of R38,9 million, granted to a subsidiary of the Group is secured by a mortgage bond over the Mahogany Ridge Property.

Included in property, plant and equipment are motor vehicles having a carrying amount of R27 905 000 (2017: R29 748 000) and forklifts having a carrying amount of R147 643 000 (2017: R155 409 000) which are subject to full maintenance operating leases. Depreciation for these assets amounted to R14 542 000 (2017: R14 184 000). Refer to note 25.3 for commitments in respect of these leases.

Additions	Additions through business combination	Transfers	Transfers to inventory and non-current assets held for sale	Disposals	Depreciation	Adjustment for translation of foreign operation	Closing carrying amount
388	**-**	**-**	**-**	**-**	**(83)**	**-**	**37 249**
11 645	**-**	**-**	**-**	**(215)**	**(12 026)**	**-**	**86 170**
104 821	**-**	**-**	**(11 986)**	**(5 300)**	**(42 804)**	**36**	**617 688**
1 907	**-**	**(2)**	**-**	**(391)**	**(2 333)**	**-**	**5 593**
3 757	**-**	**(115)**	**-**	**(225)**	**(10 302)**	**-**	**15 227**
18 227	**-**	**-**	**(13 686)**	**(341)**	**(27 207)**	**43**	**238 741**
1 915	**-**	**-**	**-**	**-**	**(1 123)**	**-**	**4 235**
142 660	**-**	**(117)**	**(25 672)**	**(6 472)**	**(95 878)**	**79**	**1 004 903**
-	**-**	**-**	**-**	**-**	**(270)**	**-**	**-**
142 660	**-**	**(117)**	**(25 672)**	**(6 472)**	**(96 148)**	**79**	**1 004 903**
306	10 600	-	(10 543)	-	(139)	-	36 944
13 495	395	(113)	-	(300)	(11 489)	-	86 766
11 294	2 764	113	(24 809)	(4 636)	(48 797)	(111)	572 921
2 359	206	-	-	(81)	(2 744)	-	6 412
5 895	68	-	-	(109)	(12 758)	-	22 112
46 353	-	-	(3 491)	(543)	(21 216)	(130)	261 705
1 325	-	-	-	(2)	(718)	-	3 443
81 027	14 033	-	(38 843)	(5 671)	(97 861)	(241)	990 303
-	-	-	-	-	(1 386)	-	270
81 027	14 033	-	(38 843)	(5 671)	(99 247)	(241)	990 573

R'000	2018	2017
3. INTANGIBLE ASSETS		
Acquired IT software		
– Cost	**103 628**	108 479
– Accumulated amortisation and impairment	**(93 025)**	(95 824)
	10 603	12 655
Acquired IT software		
– Carrying amount at beginning of the year	**12 655**	17 415
– Additions at cost	**4 851**	5 050
– Scrapping at cost	**(10 202)**	(102)
– Scrapping accumulated amortisation	**10 158**	93
– Transfers	**117**	-
– Current amortisation - included in operating expenses	**(6 976)**	(9 801)
Carrying amount at end of the year	**10 603**	12 655

Since 2010, the Group has implemented the financial, workshop, truck rental, linehaul and material handling equipment rental modules of Embrace software. The carrying amount of this software is R505 000 (2017: R1 326 000). The Group has also capitalised development costs for its various software. The carrying amount of this is R4 425 000 (2017: R2 985 000). The maximum remaining amortisation period of these software is 5 years (2017 – 5 years).

R'000	2018	2017
4. GOODWILL		
Core Logistix Proprietary Limited	**-**	3 591
Key Distributors Proprietary Limited	**16 561**	16 561
	16 561	20 152

The Group performs an annual test for impairment of the cash generating units to which goodwill is attributed. The recoverable amount of the businesses (cash generating units) has been determined based on a value-in-use calculation. The calculations use cash flow projections based on latest available management account information approved by management and a discount rate calculated using a risk free rate adjusted for risk factors. Cash flows have been projected using growth rates derived from management-approved budgets.

R'000	2018	2017
4. GOODWILL (Continued)		
Core Logistix Proprietary Limited		
- Cost	**10 670**	10 670
- Accumulated impairment	**(10 670)**	(7 079)
	-	3 591
Carrying amount at beginning of the year	**3 591**	10 670
Impairment of goodwill	**(3 591)**	(7 079)
Carrying amount at end of the year	**-**	3 591

The impairment test calculation used a discount rate of 16,45% (2017: 16%). The latest available management account information was used for the first year and a growth rate of 4% for the next four years. (2017: financial budget for the first year, 4% for the first 5 years and at 0% thereafter).

The impairment calculations performed estimated the recoverable amount (value in use) of the business at R- (2017: R4 478 000). As this amount is less than the net asset value of the business, an impairment of goodwill of R3 591 000 associated to the business has been recognised. The reason for the significant change in the variables is due to the business not being profitable which has a negative impact on the future projected cash flows.

This goodwill, and the impairment thereof, is included in the general distribution operating segment.

R'000	2018	2017
Key Distributors Proprietary Limited		
- Cost	**16 561**	16 561
- Accumulated impairment	**-**	-
	16 561	16 561
Carrying amount at beginning of the year	**16 561**	-
Addition through business combination	**-**	16 561
Carrying amount at end of the year	**16 561**	16 561

The impairment test calculation used a discount rate of 19,6% (2017: 18,0%). The financial budget was used for the first year and a growth rate of 5% was used to 4 years. (2017: Discount rate of 18%. The financial budget was used for the first year and a growth rate of 6% was used to 5 years and no growth thereafter.)

The impairment calculations performed estimated the recoverable amount of the business at R32 216 000 (2017: R34 117 000). As this amount is greater than the net asset value of the business, no impairment of goodwill associated to the business is considered necessary.

Management believes that any reasonable change in any of these key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

R'000	2018	2017
5. LOAN RECEIVABLE		
SKR Marketing CC	1 575	1 568

This loan is interest free. The loan has been discounted to present value and interest is accounted for at 9% to account for the financing element. As the loan was advanced as a social development initiative, an extension of payment terms to 31 March 2019 was granted. The entity is a related party, as disclosed in note 26.

The loan is classified as a loan and receivable and therefore measured at amortised cost. The fair value of the loan approximates the carrying amount.

The credit quality of the loan receivable can be assessed by reference to historical information about counterparty default rates and the securities obtained. The members of the close corporation have bound themselves jointly and severally as surety and co-principal debtor for the loan. There have been no defaults in the past.

The maximum exposure to credit risk is the fair value of the loan shown above.

R'000	2018	2017
6. EQUITY-ACCOUNTED INVESTEES		
Interest in associate	201	187
Interest in joint venture	179	170
	380	357
Interest in associate		
Value SA Proprietary Limited		
Shares at cost, representing a 30% interest	*	*
Share of retained income	201	187
- Balance at beginning of the year	187	173
- Group's share of net profit after tax	14	14
	201	187

Value SA Proprietary Limited is involved in the business of procuring maintenance, transport, forklift hire, warehousing services, car rental and other transport, distribution and logistics related contracts from national government, provincial governments and parastatals. The principal place of business is South Africa. The company has ceased to trade effective 1 May 2018 due to the termination of a significant customer contract.

R'000	2018	2017
6. EQUITY-ACCOUNTED INVESTEES (Continued)		
Interest in joint venture		
Value Logistics (Hong Kong) Co. Limited		
Shares at cost, representing a 50% interest	**45**	45
Share of retained income	**134**	125
- Balance at beginning of the year	**125**	95
- Group's share of net profit after tax	**9**	30
	179	170

Value Logistics (Hong Kong) Co. Limited is a joint venture operation which assists the Group's and its joint venture partner's international forwarding and forwarding-related business. The principal place of business is China. Control of the joint venture is governed by contractual arrangements which require unanimous consent of decisions governing the operations of the venture.

Directors' valuation of unlisted investments R380 000 (2017: R357 000).

The separate financial statements of these entities are not material to the Group.

*Nominal amount

R'000	2018	2017
7. DEFERRED TAX		
Balance at beginning of the year	**178 031**	173 077
Temporary differences	**(1 002)**	3 337
Translation difference	**(10)**	-
Addition through business combination	**-**	1 617
Balance at the end of the year	**177 019**	178 031
Analysis of significant temporary differences:		
Accelerated allowances on property, vehicles, plant and equipment	**201 553**	200 959
Finance lease obligation	**9**	(13)
Future rental expense payable	**(79)**	(1 631)
Bad debt provision	**(6 254)**	(5 919)
Accruals and provisions	**(18 147)**	(16 979)
Fair value adjustments	**(63)**	1 579
Unrealised foreign exchange differences	**-**	35
	177 019	178 031
Comprising:		
Deferred tax liability	**182 069**	181 192
Deferred tax asset	**(5 050)**	(3 161)
Balance at end of year	**177 019**	178 031

The amount of tax losses and other temporary differences for which no deferred tax asset was recognised amounts to R16 055 000 (2017: R14 405 000).

R'000	2018	2017
8. INVENTORIES		
Maintenance spares	**9 419**	10 057
– Cost	**13 860**	14 918
– Impairments	**(4 441)**	(4 861)
Forklifts	**2 549**	2 693
Fuel	**4 774**	5 085
Rental vehicles held-for-sale	**3 131**	7 220
– Opening carrying amount	**7 220**	9 707
– Impairments	**126**	(222)
– Transfer from property, vehicles, plant and equipment	**11 642**	23 935
– Disposals	**(15 857)**	(26 200)
Rental forklifts held-for-sale	**7 387**	952
– Opening carrying amount	**952**	1 727
– Transfer from property, vehicles, plant and equipment	**13 686**	3 491
– Disposals	**(7 251)**	(4 266)
Merchandise for sale	**39 164**	41 026
	66 424	67 033
Inventories recognised in cost of sales as an expense during the year:	**741 026**	643 974
Carrying value of inventories carried at net realisable value:	**3 540**	4 537
None of the inventory items reflected above have been pledged as security		
9. TRADE AND OTHER RECEIVABLES		
Trade receivables	**329 947**	291 996
VAT receivable	**1 160**	1 408
Other receivables	**4 425**	5 496
	335 532	298 900

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 enters into credit agreements with larger companies which 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.

R'000	2018	2017
9. TRADE AND OTHER RECEIVABLES (Continued)		
Trade receivables past due but not impaired		
At year end the following amounts were past due but not impaired:		
– Over 60 days	**7 204**	15 823
– Over 90 days	**16 034**	12 181
Total past due but not impaired	**23 238**	28 004
Trade receivables impaired		
At year end the following trade receivables were impaired and provided for:		
– Current	**1 158**	8 415
– Over 30 days	**916**	1 030
– Over 60 days	**3 002**	3 486
– Over 90 days	**32 662**	28 664
Total impaired and provided for	**37 738**	41 595
Reconciliation of provision for impairment of trade receivables		
Opening balance	**41 595**	24 467
Increase through business combination	**-**	759
Additional provision for impairment	**4 405**	20 891
Amounts written off as uncollectable	**(8 262)**	(4 522)
	37 738	41 595
The creation and release of the provision for impaired trade receivables has been included in operating expenses in the statement of comprehensive income (note 18). The provision was calculated based on the days outstanding, the activity on the account and the amount expected to be recovered.		
Amounts charged to the allowance account are generally written off when there is no expectation of recovering any further amounts.		
Fair value of trade and other receivables	**335 532**	298 900

Trade receivables of R311 235 000 (2017: R280 063 000) have been ceded to First National Bank, a division of First Rand 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.

R'000	2018	2017
10. OTHER FINANCIAL ASSET / (LIABILITY)		
Mark to market of foreign exchange contacts	**(31)**	(123)
Investment in insurance cell captive	**8 765**	8 434
- Opening fair value	**8 434**	8 943
- Fair value adjustment	**331**	(509)

Other financial assets / (liabilities) are stated at fair value.

Investment in insurance cell captive (unconsolidated structured entity)

The investment in the insurance cell captive relates to a preference share investment in an insurance operation with Mutual and Federal in which a subsidiary of the Group holds a 99% economic interest. The subsidiary also acts as an agent for the cell, in return for which it earns insurance commission. The cell insures the Group's activities and is also used for customer insurance.

The investment has been designated at fair value through profit or loss as it is managed on a fair value basis, so as to maximise the Group's total return from dividends and changes in the fair value of this investment.

The maximum exposure to loss is the current carrying value of the cell captive as reflected above. Additional information on the credit risk of the cell is contained in note 28.

During the financial year, the Group recognised the following gains and losses in profit and loss from its interest in the insurance cell captive:

R'000	2018	2017
- Fair value adjustment	**331**	(509)
- Other income - dividends received	**5 554**	7 772
- Insurance commission earned	**1 956**	2 013
Total income	**7 841**	9 276
11. CASH AND CASH EQUIVALENTS		
Cash on hand	**441**	696
Bank balances	**139 176**	125 757
	139 617	126 453

Cash and cash equivalents are classified as held-for-trading financial assets. Cash and cash equivalents are measured at fair value.

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 assigned by internationally recognised credit rating agencies. For this reason the credit quality at year-end of cash and cash equivalents are considered to be high.

R'000	2018	2017
12. NON-CURRENT ASSETS HELD FOR SALE		
Motor vehicles and accessories	**116**	158
Property	**-**	10 543
	116	10 701
Motor vehicles and accessories		
– Carrying amount at beginning of the year	**158**	156
– Transfers from property, vehicles, plant and equipment	**344**	874
– Disposals	**(386)**	(872)
Carrying amount at end of the year	**116**	158
In line with the Group's replacement policy, motor vehicles which need to be replaced are identified and disposed of within 12 months.		
Property		
– Carrying amount at beginning of the year	**10 543**	-
– Transfers from property, vehicles, plant and equipment	**-**	10 543
– Disposals	**(10 543)**	-
Carrying amount at end of the year	**-**	10 543
This property was acquired as a result of the business combination of Key Distributors Proprietary Limited. In order to realise the synergies of the business combination, through the use of the Value Group's facilities and infrastructure, Key has moved its Johannesburg operations into the Group's premises. The sale of this property was concluded on 5 May 2017.		
13. 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		
186 427 478 ordinary shares of 0,1 cent each, fully paid	**186**	186
10 429 010 A ordinary shares of 0,1 cent each, fully paid	**10**	10
Share premium	**10 643**	10 643
	10 839	10 839

Special rights relating to A ordinary shares

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. The A ordinary shares are unlisted, and will automatically convert into ordinary shares on a one-for-one basis on the twelfth anniversary of the BBBEE scheme effective date, subject to repurchase rights held by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 28 February 2018

Number of shares	2018	2017
13. SHARE CAPITAL AND PREMIUM (Continued)		
Movement in issued ordinary shares		
Number of shares outstanding at the beginning of the period	**186 427 478**	186 427 478
Number of shares outstanding at the end of the period	**186 427 478**	186 427 478
Treasury Shares		
Ordinary shares		
Shares held by other entities (BBBEE shares)		
Diplobuzz Investments (RF) Proprietary Limited	**6 257 406**	6 257 406
Opsiweb Investments (RF) Proprietary Limited	**14 600 614**	14 600 614
The Value Group Share Incentive Trust	**1 774 272**	983 450
- Opening balance	**983 450**	739 790
- Disposed during the year	**(489 790)**	-
- Acquired during the year	**-**	243 660
- Transferred from Value Logistics Limited	**1 280 612**	-
Shares held by subsidiary company (Treasury shares)		
Value Logistics Limited	**13 492 207**	10 440 262
- Opening balance	**10 440 262**	10 440 262
- Acquired during the year	**4 332 557**	-
- Transferred to The Value Group Share Incentive Trust	**(1 280 612)**	-
	36 124 499	32 281 732
Average price paid for repurchased equity securities (Rands)	**3,80**	3,26
A Ordinary Shares		
Shares held by other entities (BBBEE shares)		
The Value Group Empowerment Trust	**10 429 010**	10 429 010
Subsequent to year end an additional 3,3 million shares were acquired for 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.		

R'000		
14. INTEREST-BEARING BORROWINGS		
Instalment sales agreements		
Liabilities under instalment sale agreements, which bear interest at rates varying between the prime bank overdraft rate and 1,25% below the prime bank overdraft rate. The loans are repayable in monthly instalments of R7 512 000 (2017: R8 453 000) and are secured by vehicles and forklifts having a carrying value of R242 444 000 (2017: R265 175 000) as included in note 2.	**138 948**	159 817
Mortgage bond		
Loan secured by a mortgage bond over property having a carrying value of R29 354 000 (2017: R29 033 000). The loan bears interest at the prime bank overdraft rate less 1% and is repayable by May 2021. Interest payments for the year totalled R3 635 000 (2017: R2 773 000). Capital repayments will commence in July 2018.	**38 880**	38 880

R'000	2018	2017
14. INTEREST-BEARING BORROWINGS (Continued)		
Finance lease obligation		
The Group entered into finance leases for computer hardware in 2012 and 2013. The leases were secured by computer hardware, the carrying value of which is disclosed in note 2.		
The lease term was five years and the average effective borrowing rate was 5%, which was fixed at the contract date. This liability was settled in the current financial year.	-	347
Minimum lease payments due:		
- Within one year	-	350
- In second to fifth year inclusive	-	-
- Future finance charges	-	(3)
	177 828	199 044
Non-current portion of interest-bearing borrowings	**108 601**	121 341
Current portion of interest-bearing borrowings	**69 227**	77 703
	177 828	199 044
The Company and its subsidiaries have unlimited borrowing powers in terms of their memorandum of incorporation.		
Interest-bearing borrowings are stated at amortised cost. The fair value of interest-bearing borrowings approximates the carrying amount.		
15. NON INTEREST-BEARING BORROWINGS		
Vendor for acquisition - Key Distributors acquisition		
This liability has been raised in favour of the previous owners of Key Distributors Proprietary Limited. This liability which was outstanding under a contingent consideration arrangement, was settled in full subsequent to year end.	**3 268**	13 072
Amounts owing to outside shareholder		
Unsecured, interest free loan. The loan was only repayable, subject to amongst other conditions, the approval of all the directors and shareholders of Core Logistix Proprietary Limited. This loan has been settled in the current financial year.	-	2 535
	3 268	15 607
Non-current portion of non interest-bearing borrowings	-	5 803
Current portion of non interest-bearing borrowings	**3 268**	9 804

R'000	2018	2017
16. TRADE AND OTHER PAYABLES		
Trade payables	**249 483**	223 548
VAT payable	**24 605**	17 459
Other payables	**105 715**	104 284
	379 803	345 291
Trade and other payables are measured at amortised cost. Other payables consist of payroll liabilities, claims, rates and taxes payable in the ordinary course of business and a lease smoothing liability.		
17. REVENUE		
Services rendered	**1 878 323**	1 911 178
Sale of goods	**605 592**	520 603
Sale of assets held for rental	**27 370**	35 129
Insurance commissions	**1 956**	2 013
	2 513 241	2 468 923
18. OPERATING PROFIT ON ORDINARY ACTIVITIES IS STATED AFTER:		
Impairment of goodwill	**3 591**	7 079
Depreciation	**96 148**	99 247
Amortisation of intangible assets	**6 976**	9 801
Impairment of trade and other receivables	**4 405**	20 891
Reversal of impairment of inventories	**(546)**	(908)
Loss on disposal of property, vehicles, plant and equipment	**3 589**	2 049
(Profit)/Loss on disposal of non-current assets held for sale	**(569)**	43
Loss on disposal of intangible assets	**44**	9
Profit on disposal of rental assets	**(4 262)**	(4 663)
Loss on foreign exchange	**107**	1 324
Lease rentals	**178 271**	172 713
– Premises	**172 144**	166 859
– Equipment	**6 127**	5 854
Retirement benefit costs		
– Defined contribution plan expense	**34 235**	35 666
Staff costs	**620 360**	635 006
Other income	**(28 364)**	(25 092)
– Dividend received – insurance cell	**(5 554)**	(7 772)
– Recoveries	**(12 242)**	(12 618)
– Rent received	**(7 890)**	(2 382)
– Other	**(2 678)**	(2 320)

18. OPERATING PROFIT ON ORDINARY ACTIVITIES IS STATED AFTER (Continued):

2018	Fees for services	Basic salaries	Bonuses	Allow-ances	Provident fund contributions	Other	Fair value of options granted	Total
Directors remuneration								
Executive								
SD Gottschalk	-	4 063	2 160	127	-	130	-	6 480
CL Sack	-	3 944	2 184	78	213	134	-	6 553
M Padiyachy	-	3 455	2 685	97	185	137	295	6 854
	-	11 462	7 029	302	398	401	295	19 887
Non-executive								
CD Stein	814	-	-	-	-	-	-	814
IM Groves	639	-	-	-	-	-	-	639
NM Phosa	456	-	-	-	-	-	-	456
VW Mcobothi	424	-	-	-	-	-	-	424
	2 333	-	-	-	-	-	-	2 333
Total	2 333	11 462	7 029	302	398	401	295	22 220

2017	Fees for services	Basic salaries	Bonuses	Allow-ances	Provident fund contributions	Other	Fair value of options granted	Total
Executive								
SD Gottschalk	-	3 765	2 000	127	-	108	-	6 000
CL Sack	-	3 569	2 023	78	197	123	1 075	7 065
M Padiyachy	-	2 237	1 292	97	121	129	-	3 876
	-	9 571	5 315	302	318	360	1 075	16 941
Non-executive								
CD Stein	722	-	-	-	-	-	-	722
IM Groves	668	-	-	-	-	-	-	668
NM Phosa	456	-	-	-	-	-	-	456
VW Mcobothi	425	-	-	-	-	-	-	425
	2 271	-	-	-	-	-	-	2 271
Total	2 271	9 571	5 315	302	318	360	1 075	19 212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 28 February 2018

R'000		2018	2017
19.	**FINANCE INCOME**		
	Interest received on loans and deposits	**3 386**	1 594
20.	**FINANCE COSTS**		
	Long-term borrowings	**16 844**	21 328
	Bank and short-term borrowings	**575**	2 368
	Other	**134**	350
		17 553	24 046
21.	**TAXATION**		
	South African normal tax		
	– Current year	**41 230**	33 403
	– Withholding tax on foreign dividends	**420**	-
		41 650	33 403
	Deferred tax		
	– Current year	**(1 002)**	3 337
	Tax for the year	**40 648**	36 740
	Reconciliation of rate of taxation	**%**	%
	South African normal tax rate	**28,0**	28,0
	Adjusted for:		
	– Learnership allowances and employee tax incentive	**(1,5)**	(2,0)
	– Exempt dividend income	**(1,3)**	(1,8)
	– Disallowed expenditure*	**1,1**	0,3
	– Non-deductible share based payment expense	**4,9**	0,8
	– Non-deductible goodwill	**0,8**	1,60
	– Capital gains taxed at the CGT rate	**(0,4)**	(0,1)
	– Shareholders tax on dividends	**0,4**	-
	– Unrecognised computed tax losses and deferred tax assets	**1,0**	3,6
	– Effect of tax rates in foreign jurisdictions	**0,1**	0,1
	Effective rate	**33,1**	30,5

*Disallowed expenditure consists of fines, penalties, legal and consulting fees of a capital nature and leasehold depreciation.

The estimated tax losses available for set-off against future taxable income is R14 944 000 (2017: R10 627 000).

Cents	2018	2017
22. EARNINGS AND HEADLINE EARNINGS PER SHARE		
Earnings per ordinary share		
- Basic	**54,8**	57,2
- Headline	**58,7**	61,9
- Normalised headline	**71,1**	61,9
- Diluted basic	**54,8**	57,2
- Diluted headline	**58,7**	61,9
- Normalised diluted headline	**71,1**	61,9
R'000		
The calculation of attributable and headline earnings per share is based on the weighted average number of ordinary shares.		
The calculation is reconciled as follows:		
IAS 33 Earnings (on which basic earnings per share is based)	**83 406**	88 341
IAS 16 Loss on disposal of property, vehicles, plant and equipment Gross: R3 445 000 (2017: R2 049 000), less taxation	**2 565**	1 522
IFRS 5 (Gain) / Loss on disposal of non-current assets held for sale Gross: R420 000 (2017: R43 000), less taxation	**(326)**	31
IAS 38 Loss on disposal of intangible assets Gross: R38 000 (2017: R9 000), less taxation	**37**	6
IAS 36 Goodwill impairment Gross: R3 591 000 (2017: R7 079 000), less minority interest	**3 591**	5 663
Headline earnings	**89 273**	95 563
Once-off BBBEE equity transaction costs	**19 003**	-
Normalised headline earnings	**108 276**	95 563
Number of shares		
Weighted average shares outstanding		
Weighted average shares outstanding for basic and headline earnings per share	**152 191 958**	154 388 749
Potentially dilutive ordinary shares resulting from outstanding options	**-**	-
Weighted average shares outstanding for diluted and diluted headline earnings per share	**152 191 958**	154 388 749
Number of options that could dilute earnings per share in future periods	**28 282 292**	29 472 084
The impact of all the options issued was calculated to be anti-dilutive for the current financial year.		

23. 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.

In June 2017, SAICA issued Circular 2/2017 which replaces SAICA Circular 9/2016. Circular 2/2017 stipulates the factors to be considered, at a transactional 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. Comparative segmental information has therefore been restated. Refer to note 32 for further details on the restatement of prior period reported items.

The Group's operating segments are General distribution, Truck rental and other, Retail logistics, and Head office and other. Operational divisions with similar economic characteristics and specialised resource and infrastructure requirements have been aggregated.

The General distribution activities include break-bulk and single party distribution and warehousing services to a wide range of customers in the automotive, electronics, chemical, textile, packaging, mining, construction, telecommunications and pharmaceutical industries.

The Truck rental and other activities include fleet management, materials handling and commercial vehicle rental and leasing, and clearing and forwarding.

The Retail logistics activities include the warehousing, distribution and wholesaling of a variety of FMCG products into the convenience, formal and informal sector, which consist primarily of independent traders, fuel forecourts, and small retailers.

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

Segment revenues reflect both sales to external parties and intergroup transactions across segments. Inter-segment revenues is revenue raised by one segment relating to sales to other segments within the Group and is eliminated on consolidation. Inter-segment transfer pricing is determined by management in a manner similar to transactions with third parties. Revenue from an individual customer did not exceed 10% of total Group revenue in the current or prior financial year. External revenue, total assets and trade and other payables as disclosed in the segment analysis agree to the corresponding amounts as disclosed in the consolidated financial statements. Operating segment results have been reconciled to the Group's net profit before taxation in the tables that follow.

The Group operates primarily 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.

R'000	General distribution	Truck rental and other	Retail Logistics	Head office and other	Total
23. SEGMENT ANALYSIS (Continued)					
2018					
Total segment revenues	1 555 912	414 943	583 077	109 638	2 663 570
Less: Inter-segment revenues/eliminations	(5 342)	(37 747)	-	(107 240)	(150 329)
External revenues	1 550 570	377 196	583 077	2 398	2 513 241
Depreciation and amortisation	45 062	45 166	851	12 045	103 124
Trading profit	101 763	55 498	8 011	(6 243)	159 029
Goodwill impairment	(3 591)	-	-	-	(3 591)
Operating segment results	98 172	55 498	8 011	(6 243)	155 438
Once-off BBBEE equity transaction costs	-	-	-	(19 003)	(19 003)
Share of profit of equity-accounted investees net of taxation	23	-	-	-	23
Fair value adjustment				331	331
Segment finance income	1 889	1 334	1 236	37 475	41 934
- External finance income	7	698	37	2 644	3 386
- Inter-segment finance income	1 882	636	1 199	34 831	38 548
Segment finance costs	(16 001)	(18 829)	(506)	(20 765)	(56 101)
- External finance costs	(2)	(1)	(502)	(17 048)	(17 553)
- Inter-segment finance cost	(15 999)	(18 828)	(4)	(3 717)	(38 548)
Net profit before taxation	84 083	38 003	8 741	(8 205)	122 622
Assets					
Property, vehicles plant and equipment	525 517	437 877	2 514	38 995	1 004 903
Intangible assets	2 454	943	4	7 202	10 603
Goodwill	-	-	16 561	-	16 561
Non-current assets held for sale	-	-	-	116	116
Current assets before investments and loans, deferred tax and tax in advance	226 706	139 432	61 855	113 580	541 573
	754 677	578 252	80 934	159 893	1 573 756
Loan receivable					1 575
Equity-accounted investees					380
Deferred tax asset					5 050
Current tax receivable					3 176
Other financial assets					8 765
Total assets					1 592 702
Liabilities					
Trade and other payables	158 536	84 607	46 991	89 669	379 803
Capital expenditure - property, vehicles, plant and equipment and intangible assets	70 139	47 261	852	29 259	147 511

R'000	General distribution	Truck rental and other	Retail Logistics	Head office and other	Total
23. SEGMENT ANALYSIS (Continued)					
2017					
Total segment revenues	1 600 180	403 487	500 800	114 720	2 619 187
Less: Inter-segment revenues/eliminations	(6 103)	(29 850)	-	(114 311)	(150 264)
External revenues	1 594 077	373 637	500 800	409	2 468 923
Depreciation and amortisation	47 648	43 813	1 008	16 579	109 048
Trading profit	110 552	39 611	3 484	(3 304)	150 343
Goodwill impairment	(7 079)	-	-	-	(7 079)
Operating segment results	103 473	39 611	3 484	(3 304)	143 264
Once-off BBBEE equity transaction costs	-	-	-	-	-
Share of profit of equity-accounted investees net of taxation	44	-	-	-	44
Fair value adjustment	-	-	-	(509)	(509)
Segment finance income	1 591	1 125	541	42 550	45 807
– External finance income	56	525	115	898	1 594
– Inter-segment finance income	1 535	600	426	41 652	44 213
Segment finance costs	(19 924)	(21 275)	(630)	(26 430)	(68 259)
– External finance costs	(16)	-	(161)	(23 869)	(24 046)
– Inter-segment finance cost	(19 908)	(21 275)	(469)	(2 561)	(44 213)
Net profit before taxation	85 184	19 461	3 395	12 307	120 347
Assets					
Property, vehicles plant and equipment	500 356	466 560	3 062	20 595	990 573
Intangible assets	2 729	1 130	54	8 742	12 655
Goodwill	3 591	-	16 561	-	20 152
Non-current assets held for sale	-	-	10 543	158	10 701
Current assets before investments and loans, deferred tax and tax in advance	204 953	117 819	63 967	105 647	492 386
	711 629	585 509	94 187	135 142	1 526 467
Loans receivable					1 568
Equity-accounted investees					357
Deferred tax asset					3 161
Other financial assets					8 434
Current tax receivable					1 551
Total assets					1 541 538
Liabilities					
Trade and other payables	162 030	81 155	51 221	50 885	345 291
Capital expenditure - property, vehicles, plant and equipment and intangible assets	30 157	48 267	14 583	7 102	100 109

R'000	2018	2017
24. CONTINGENT LIABILITIES		
24.1 Letters of guarantee issued by the Group's bankers on behalf of a subsidiary company and secured by a general notarial bond over the unencumbered moveable assets (vehicles, plant and equipment) of the subsidiary company.	**26 614**	31 860
Included in the above are guarantees issued by First National Bank to a value of R23 826 000 (2017: R30 510 000) in favour of Nedbank, who in turn have issued guarantees in favour of various third parties.		
24.2 There is an ongoing matter for a claim that was made in the previous financial year against a subsidiary company. The claim is R4 236 000 in respect of damages that occurred due to a motor vehicle collision.	**4 236**	4 236
24.3 A claim for R3 500 000 has been made against a subsidiary company in respect of a loss of earnings.		
The Group is of the opinion that the claims are unsubstantiated and are vigorously defending them.	**3 500**	-
25. COMMITMENTS		
25.1 **Capital commitments contracted for**		
Property, vehicles, plant and equipment	**19 246**	10 149
IT infrastructure development	**-**	71

This expenditure will be financed through internally generated funds and existing Group banking facilities.

25.2 **Operating leases – as lessee**

	Operating lease expense		Sub leases		Net operating lease expense	
R'000	2018	2017	2018	2017	2018	2017
Payable within one year	**196 924**	187 488	**(19 116)**	(14 901)	**177 808**	172 587
Payable within two to five years	**748 505**	781 395	**(15 150)**	(25 904)	**733 355**	755 491
Payable thereafter	**428 079**	658 598	**-**	-	**428 079**	658 598
	1 373 508	1 627 481	**(34 266)**	(40 805)	**1 339 242**	1 586 676

Further details on the terms of renewal and escalations can be found in note 26.

The Group also sub-lets warehouse space to customers. The terms of these lease agreements range from 24 months to 48 months with annual, market-related escalations.

There are no contingent rentals receivable.

25. COMMITMENTS (Continued)

25.3 Operating leases – as lessor

In addition to the sub-leases above which are 'operating leases - as lessor', certain of the Group's vehicles and forklifts are held to generate rental income in the form of full maintenance leases as follows:

R'000	2018	2017
Receivable within one year	54 475	45 710
Receivable within two to five years	51 408	54 388
	105 883	100 098

Full maintenance lease agreements have terms ranging from 24 months to 60 months. Refer to note 2 for the carrying values of these assets.

26. RELATED PARTIES

Identity of related parties

Various property companies controlled by SD Gottschalk

Associate company	Value SA Proprietary Limited
Joint venture	Value Logistics (Hong Kong) Co. Limited
Entity significantly influenced by a director	SKR Marketing CC
Insurance cell	Mutual and Federal insurance cell captive
Directors/key management personnel	SD Gottshalk
	CL Sack
	M Padiyachy
	CD Stein
	IM Groves
	NM Phosa
	VW Mcobothi

Entities within the Group	Issued Capital	Principal place of business and country of incorporation	Effective Holding 2018 %	Effective Holding 2017 %
Investments in subsidiary companies				
Value Logistics Limited	R 2 500 000	South Africa	100	100
Value Logistics Personnel Services Proprietary Limited	R 100	South Africa	100	100
Value Logistics (Botswana) Proprietary Limited	Pula 2	Botswana	100	100
Value Logistics Namibia Proprietary Limited	N$ 100	Namibia	100	100
Value Specialised Logistics Proprietary Limited	R 100	South Africa	100	100
Key Distributors Proprietary Limited	R 200	South Africa	100	100
Liquid in Motion 14 Proprietary Limited	R 100	South Africa	51	51
Core Logistix Proprietary Limited	R 100	South Africa	100	80
Investment in associate company				
Value SA Proprietary Limited	R 100	South Africa	30	30
Investment in joint venture				
Value Logistics (Hong Kong) Co. Limited	HKD 10 000	China	50	50

There are no restrictions on the ability to access or use assets and settle liabilities of the Group.

26. RELATED PARTIES (Continued)

Transactions with related parties

Related-party transactions exist between the Group companies. These are eliminated on consolidation. All purchasing and selling transactions are concluded at arm's length.

Leases on properties have been entered into with companies controlled by a director, Mr SD Gottschalk. The risk of continuity of securing the premises, which are integral to the Group's operations, is therefore reduced. All rentals and rental escalations on these properties are determined by independent valuers taking into account the future prospects and demand for properties in the area with reference to rentals achieved and vacancy rates, as well as the condition and state of improvements of the said properties. The lease agreements are structured as triple net leases, meaning that the Group is responsible for the payment of all rates and taxes, municipal fees and incidental costs in relation to the leased properties.

Escalations on these leases vary from 7% to 9%, and the lease periods range from month to month to 10 years. Most lease rentals are again independently assessed every two to five years and lease rentals and escalations are then adjusted to align these with current market conditions. This specific reassessment is viewed by the Group as being advantageous since this condition is not normally available in the market place. The lease commitments, where escalations are reassessed, have been calculated based on the remaining period of the various agreements by applying the estimated escalations over the full period of the lease. Where renewal is certain, future lease commitments in relation to property leases to be renewed in the 2019 financial year have been estimated.

Property lease rentals paid to companies controlled by SD Gottschalk and associated future estimated lease commitments are as follows:

	Current		Due within 1 year		Due thereafter	
R'000	2018	2017	2018	2017	2018	2017
South Africa	**188 481**	174 460	**193 835**	184 881	**1 170 419**	1 432 333
Namibia	**1 569**	1 533	**1 730**	1 569	**5 918**	7 648
	190 050	175 993	**195 565**	186 450	**1 176 337**	1 439 981

R'000	2018	2017
Municipal accounts paid to companies controlled by SD Gottschalk in accordance with property lease agreements	**19 404**	13 703
Services rendered by the Group to companies controlled by SD Gottschalk	**3 016**	1 953
Revenue earned from associate company:		
- Value SA (Pty) Ltd	**1 550**	1 636
Included in trade receivables are amounts receivable from related parties:		
- Companies controlled by a director, SD Gottschalk	**917**	277
- Equity accounted investees	**121**	153
Included in trade payables are amounts payable to related parties:		
- Companies controlled by a director, SD Gottschalk	**3 103**	2 795
Loan due by related party		
- SKR Marketing CC (Refer to note 5 for further information)	**1 575**	1 568

Details of the directors remuneration (key management personnel) is disclosed in note 18, the directors' interests in the share capital is disclosed in note 30 and options granted to directors are disclosed in note 29. Transactions with the insurance cell captive are disclosed in note 10.

27 RETIREMENT BENEFITS

Defined contribution plan

Currently subsidiary companies provide retirement benefits to their employees. A defined contribution provident fund, which is subject to the Pension Funds Act, exists for this purpose. The scheme is funded both by member and company contributions, which are charged to the statement of comprehensive income as they are incurred. The Group is under no obligation to cover any unfunded benefits. The Group's contribution to the above scheme was R34 235 000 (2017: R35 666 000).

Medical aid

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

28 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 14 and cash and cash equivalents as disclosed under note 11.

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 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 the budget and forecast for the following 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.

Group transactional banking facilities consist of the following:

- Short term working capital facilities of R115 million, R110 million of which is secured by a cession of trade receivables, with the remaining R5 million secured by a suretyship provided by a subsidiary;
- Guarantee facility of R40 million secured by a general notarial bond over unencumbered moveable assets (vehicles, plant and equipment) to the value of R40 million (Refer to note 2); and
- Forward exchange facilities of R8 million.

The bank balances fluctuate on a daily basis, however at year-end there was no bank overdraft.

A subsidiary of the Group has to maintain covenant ratios and metrics in relation to banking facilities granted during the 2018 financial year by the subsidiary's bankers as follows:

- Total senior debt: EBITDA must not exceed 1,5 times; and
- Shareholders' interest must not reduce below R580 million.

These covenant conditions were met.

A subsidiary of the Group has combined asset based funding facilities of R264,7 million (2017: R261,6 million) of which R125,8 million (2017: R101,4 million) was available at year end. To the extent utilised, these facilities are secured by vehicles and forklifts as detailed in note 14.

During the previous financial year, loan funding facilities of R38,9 million was granted to a subsidiary of the Group. This loan is secured by a mortgage bond over the Mahogany Ridge property and a subordination of the loan due by the subsidiary company to this Company, in favour of the mortgagor.

The following covenants apply to this mortgage bond:

- EBITDA: Net interest must not be less than 2 times;
- Net debt: EBITDA must not exceed 2,25 times; and
- Loan to value of the property ratio to not exceed 80%.

These covenant conditions were met.

28 RISK MANAGEMENT (Continued)

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.

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 the market prices. Management's objectives for managing risk is to minimise the Group's exposure. Market risk comprises foreign currency and interest rate risk.

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 forklifts 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 forward exchange contracts 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
As at 28 February 2018		
50, 661 Euro (EUR)	1 EUR = 14,62 ZAR	Thursday, March 29, 2018
As at 28 February 2017		
46,461 Euro (EUR)	1 EUR = 13,92 ZAR	Thursday, March 30, 2017
19,758 Euro (EUR)	1 EUR = 13,82 ZAR	Tuesday, April 04, 2017

At year-end the forward exchange contracts were hedging amounts payable for forklifts that were 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 Euro. After the recognition of the forklifts, the forward exchange contracts will continue to hedge the trade payable.

The Group's loss on hedging instruments for the year was R296 000 (2017: loss of R929 000).

At 28 February 2018, if the Rand had weakened/strengthened by 10% against the Euro with all other variables held constant, pre-tax profit for the year would have been R74 000 (2017: R93 000) lower/higher.

28. RISK MANAGEMENT (Continued)

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 flow 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. The scenarios are run only for liabilities that represent the major interest-bearing positions. Based on the simulations, the impact on pre-tax profit of a 50 basis point shift in the interest rate would be a maximum increase/decrease of R889 000 (2017: R995 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 counterparty 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.

Trade and other receivables

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

28. RISK MANAGEMENT (Continued)

Investments

Equity-accounted investees

The exposure to credit risk is not significant as the value of the investments is not material.

Investment in insurance cell

The operations of the insurance cell are carried out through a reputable company, i.e. Mutual and Federal. Mutual and Federal manages solvency of the cell by assessing and maintaining solvency ratios. In addition, Mutual and Federal have reinsurance policies in place to insure against potential shortfalls that may arise on a claim, however in the event of substantial claims subsequent to year end, a portion or all of the fair value of the investment may not be recovered and additional losses are to be recovered from future profits of the cell.

Loans receivable

This comprises a loan due from a related party, SKR Marketing CC. The exposure to credit risk is not significant as the corporation and its members have adequate resources to repay the loan. The members have bound themselves jointly and severally as surety and co-principal debtor of the loan. There have been no defaults in the past.

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.

R'000	Less than 1 year	Between 2 and 5 years	More than 5 years
At 28 February 2018			
Interest-bearing borrowings	**81 564**	**124 522**	**-**
Trade payables	**249 483**	**-**	**-**
Shareholders for dividend	**605**	**-**	**-**
Non interest-bearing borrowings	**3 268**	**-**	**-**
Other financial liability	**31**	**-**	**-**
At 28 February 2017			
Interest-bearing borrowings	91 451	138 448	-
Trade payables	224 539	-	-
Shareholders for dividend	522	-	-
Non interest-bearing borrowings	9 804	5 803	-
Other financial liability	123	-	-

28. RISK MANAGEMENT (Continued)

Financial instruments by category

R'000	Loans and receivables	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Financial liabilities at amortised cost
At 28 February 2018				
Loan receivable	**1 575**	**-**	**-**	**-**
Forward exchange contracts	**-**	**(31)**	**-**	**-**
Investment in insurance cell captive	**-**	**-**	**8 765**	**-**
Trade receivables	**329 947**	**-**	**-**	**-**
Cash and cash equivalents	**-**	**139 617**	**-**	**-**
Interest-bearing borrowings	**-**	**-**	**-**	**(177 828)**
Non interest-bearing borrowings	**-**	**-**	**-**	**(3 268)**
Trade payables	**-**	**-**	**-**	**(249 483)**
Other payables (excluding non financial instruments)	**-**	**-**	**-**	**(91 691)**
Shareholders for dividend	**-**	**-**	**-**	**(605)**
	331 522	**139 586**	**8 765**	**(472 036)**
At 28 February 2017				
Loan receivable	1 568	-	-	-
Forward exchange contracts	-	(123)	-	-
Investment in insurance cell captive	-	-	8 434	-
Trade receivables	291 996	-	-	-
Cash and cash equivalents	-	126 453	-	-
Interest-bearing borrowings	-	-	-	(199 044)
Non interest-bearing borrowings	-	-	-	(15 607)
Trade payables	-	-	-	(223 548)
Other payables (excluding non financial instruments)	-	-	-	(33 090)
Shareholders for dividend	-	-	-	(522)
	293 564	126 330	8 434	(471 811)

The above tables exclude items/balances which are not financial instruments as defined.

28. RISK MANAGEMENT (Continued)

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Company can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

R'000	Level 1	Level 2
At 28 February 2018		
Cash and cash equivalents	**139 617**	**-**
Forward exchange contracts	**-**	**(31)**
Investment in insurance cell captive	**-**	**8 765**
At 28 February 2017		
Cash and cash equivalents	126 453	-
Forward exchange contracts	-	(123)
Investment in insurance cell captive	-	8 434

There have been no changes to the valuation techniques since the previous financial year and no transfers between the levels.

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 are considered to reflect its fair value.

Forward exchange contracts are marked to market at year 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 year end.

Due to the nature of the investment in the insurance cell captive, 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. The purpose of the cell is restricted to the Group's activities, and consequently its value at a point in time would be its net asset value only, that is, the net result of realising its assets and settling its liabilities. The cell has been classified as level 2 in the fair value hierarchy as the major inputs are observable and the effect of the unobservable inputs are not significant. The primary asset of the cell captive is cash and this would be fair value. The liabilities related to the cell captive are the amounts that would be payable if all estimated claims provided for, materialised at the reporting date. Claims incurred but not yet reported (unobservable inputs) have been taken into consideration in determining the net asset value of the cell captive. These unobservable inputs do not have a significant effect on the net asset value of the insurance cell captive. Furthermore, without an ongoing undertaking by the Group to utilise the cell, there is no goodwill or discount factor attributable to its activities. The composition of the cell is as follows:

R'000	2018	2017
Assets	**11 002**	10 656
Cash and investments	**9 653**	9 051
Agents balances	**1 298**	1 575
Other	**51**	30
Liabilities	**(2 237)**	(2 222)
Gross outstanding claims	**(860)**	(1 372)
Gross incurred but not reported	**(748)**	(635)
Other	**(629)**	(215)
Net asset value of cell	**8 765**	8 434

29. SHARE INCENTIVE SCHEMES

The number of shares available for purposes of the schemes is equal to the number of options outstanding at the beginning, during and at the end of the financial year.

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 over ordinary shares held by the Value Group Share Incentive Trust have been granted and were outstanding in terms of the scheme:

Date of grant	Latest expiry date	Number of options outstanding 2018	2017
Monday, 11 June 2007	Monday, 12 June 2017	-	149 790
Friday, 9 November 2007	Tuesday, 11 November 2017	-	250 000
Thursday, 27 May 2010	Tuesday, 2 June 2020	-	340 000
Friday, 21 October 2016	Tuesday, 20 October 2026	1 524 274	1 524 274
Wednesday, 21 February 2018	Monday, 21 February 2028	250 000	-
		1 774 274	2 264 064

Date of grant	Fair value (cents)	Option exercise price (cents)	Market price (cents)	Volatility %	Dividend yield %	Risk free rate
Monday, 11 June 2007	89,0	253	255	29,7	0,0	8,83
Friday, 9 November 2007	104,0	218	208	61,1	0,0	9,02
Thursday, 27 May 2010	80,0	359	369	25,0	4,3	8,05
Friday, 21 October 2016	70,5	292	290	54,5	6,2	8,67
Wednesday, 21 February 2018	117,8	419	420	46,3	6,2	7,99

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.

Movement during the year	Number of options 2018	2017
Balance at beginning of the year	2 264 064	739 790
Options granted	250 000	1 524 274
Options exercised	(489 790)	-
Options lapsed	(250 000)	-
Balance at end of the year	1 774 274	2 264 064

Delivery of and payment for shares in respect of options exercised may occur in annual tranches of 25% per annum with effect from the second anniversary of the acceptance date. Participants are entitled to defer delivery of and payment for the shares provided that full delivery must have occurred by the tenth anniversary of the acceptance date. The weighted average share price at date of acceptance was 420 cents per share (2017: nil).

29. SHARE INCENTIVE SCHEMES (Continued)

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	
	2018	2017	**2018**	2017
Balance at beginning of the year	**983 450**	739 790	**2 959**	2 035
Options exercised	**(489 790)**	-	**-**	-
Shares purchased	**-**	243 660	**-**	-
Transfer from Value Logistics Limited	**1 280 612**	-	**-**	-
Repayments	**-**	-	**-**	(76)
Additional loan	**-**	-	**834**	1 000
Write-up / (down) of loan	**-**	-	**1 703**	-
Balance at end of the year	**1 774 272**	983 450	**5 496**	2 959

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

Share options granted to executive directors

Director	Strike date	Exercise price (cents)	Number of options at 28 February 2017	Options granted	Options exercised / lapsed	Number of options at 28 February 2018
CL Sack	2 June 2020	359	340 000	-	(340 000)	**-**
CL Sack	20 October 2026	292	1 524 274	-	-	**1 524 274**
M Padiyachy	11 November 2017	218	250 000	-	(250 000)	**-**
M Padiyachy	21 February 2028	419	-	250 000	-	**250 000**
			2 114 274	250 000	(590 000)	**1 774 274**

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 2022 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 discretion nominate the beneficiaries of the trust and the number of units allocated to each employee.

The economic substance of these grants for accounting purposes is the granting of a call option in respect of the Company's 10 429 010 A ordinary shares.

The following units have been allocated:

Date of grant - original	Latest expiry date	Number of options outstanding	
		2018	2017
Friday, 23 July 2010	Saturday, 23 July 2022	**2 400 000**	2 700 000
Thursday, 28 February 2013	Saturday, 23 July 2022	**2 250 000**	2 650 000
Tuesday, 24 February 2015	Saturday, 23 July 2022	**500 000**	500 000
Wednesday, 25 February 2015	Saturday, 23 July 2022	**500 000**	500 000
		5 650 000	6 350 000

29. SHARE INCENTIVE SCHEMES (Continued)

Date of grant	Fair value (cents)	Option strike price (cents)	Market price (cents)	Volatility %	Dividend yield %	Risk free rate %
Friday, 23 July 2010	80,6	381	361	24,2	4,4	7,18
Thursday, 28 February 2013	224,5	343	560	31,1	3,9	5,31
Tuesday, 24 February 2015	145,0	400	469	33,6	2,7	7,64
Wednesday, 25 February 2015	145,0	400	469	33,6	2,7	7,64
Sunday, 23 July 2017 (extension)	79,1	408	380	44,5	6,3	8,53

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.

	Number of Options	
Movement during the year	**2018**	2017
Balance at beginning of the year	**6 350 000**	6 900 000
Units forfeited – resignations	**(700 000)**	(550 000)
Balance at end of the year	**5 650 000**	6 350 000

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 R41 705 000 (2017: R40 906 000) which equates to R4,00 (2017: R3,92) 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 ordinary shareholders. If on 23 July 2022 the notional loan is not repaid, the Group can exercise 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 2022 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.

The option price has been based on the projected notional loan balance on 23 July 2022.

BBBEE transaction

The Company entered into agreements in May 2010 in terms of which it issued 14 600 614 ordinary shares to Opsiweb Investments (RF) Proprietary Limited, an entity 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 (RF) Proprietary Limited, an entity owned by a trust controlled by Mano Padiyachy, an executive director of the Company at R3,50 per ordinary share, which was funded by a preference share liability.

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

29. SHARE INCENTIVE SCHEMES (Continued)

Date of grant	Fair value (cents)	Option exercise price (cents)	Market price (cents)	Volatility %	Dividend yield %	Risk free rate
Friday, 23 July 2010 (original)	93,8	393	370	26,7	4,3	7,75
21 July 2017 (extensions)						
- Opsiweb Investments (Pty) Ltd	124,4	342	380	44,5	6,3	8,53
- Diplobuzz Investments (Pty) Ltd	90,2	342	380	44,5	6,3	8,53

The expiry date of the options which were due to expire on 23 July 2017 and 11 August 2017 was extended to 23 July 2022 at a general meeting of shareholders of Value Group Limited held on 21 July 2017. All of the remaining terms of the transaction remain unchanged.

Expected volatility has been determined with reference to the annualised standard deviation of daily returns based on historical daily share price movements. 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 2022. The option price has been based on the projected preference share obligation on 23 July 2022.

30. DIRECTORS INTEREST IN SHARE CAPITAL OF THE COMPANY

	Beneficial number of ordinary shares		Non-beneficial number of ordinary shares	
	2018	2017	**2018**	2017
The directors' interests, directly and indirectly, in the issued share capital of the Company were as follows:				
CD Stein				
- Direct	**373 070**	373 070	**-**	-
SD Gottschalk				
- Indirect	**-**	-	**95 929 020**	95 929 020
CL Sack				
- Direct	**2 040 000**	1 700 000	**-**	-
M Padayachy				
- Direct	**375 000**	375 000	**-**	-
- Indirect	**6 257 406**	6 257 406	**-**	-
NM Phosa				
- Direct	**45 500**	45 500	**-**	-
- Indirect	**14 600 614**	14 600 614	**-**	-
	23 691 590	23 351 590	**95 929 020**	95 929 020

There have been no changes in directors' interests between the financial year-end and the date of approval of the consolidated financial statements.

31. DIVIDENDS PER SHARE

Dividend number 21 of 18 cents per share was declared on 11 May 2017 and paid on 3 July 2017 to shareholders registered on 27 June 2017. The dividend was subject to a dividend withholding tax of 20% which amounted to 3,6 cents per share. This resulted in a net dividend of 14,4 cents per share to those shareholders who were not exempt from paying dividend withholding tax.

Dividend number 22 of 8 cents per share was declared on 18 October 2017 and paid on 22 January 2018 to shareholders registered on 16 January 2018. The dividend was subject to a dividend withholding tax of 20% which amounted to 1,6 cents per share. This resulted in a net dividend of 6,4 cents per share to those shareholders who were not exempt from paying dividend withholding tax.

Dividend number 23 of 22 cents per share was declared on 10 May 2018 and will be paid on 2 July 2018 to shareholders registered on 26 June 2018. 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.

32. RESTATEMENT OF PRIOR PERIOD REPORTED ITEMS

Application of SAICA Circular 2/2017

In prior years the Group applied the guidance in SAICA 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 SAICA 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)

The change had no impact on the statement of financial position at 28 February 2017.

33. NEW STANDARDS AND INTERPRETATIONS

Standards and interpretations effective and adopted in the current year

The Group has adopted the following amendment for the 2018 financial statements. The impact of the amendment is not material.

Amendments to IAS 7: Disclosure initiative

Disclosure initiative: Amendments requiring entities to disclose information about changes in their financing liabilities. The additional disclosures will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses). The impact of the amendment is not material.

Standards and interpretations not yet effective

The table below summarises the standards and interpretations issued but not yet effective.

STANDARD	DETAILS OF AMENDMENT	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER
IFRS 2 Share-based Payment	Classification and Measurement of Share-based Payment Transactions: A collection of three distinct narrow-scope amendments dealing with classification and measurement of share-based payments. The amendments address: - the effects of vesting conditions on the measurement of a cash-settled share-based payment; - the accounting requirements for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled; and - classification of share-based payment transactions with net settlement features. At present this change will have no impact on the Group.	1 January 2018
IFRS 9 Financial Instruments	New standard which replaces IAS 39 Financial Instruments: Recognition and Measurement. This standard may impact the manner in which the Group's impairments on financial instruments, particularly debtors, are calculated. The Group expects to adopt this standard in the 2019 financial statements.	1 January 2018
IFRS 15 Revenue from Contracts with Customers	IFRS 15 details the approach to recognising revenue. This standard will most likely affect the manner in which revenue from the Group's clearing and forwarding division is recognised but is unlikely to have an impact on the manner in which revenue from the straight-forward sale of goods/services is recognised. It is unlikely that the amendment will have a material impact on the Group's financial statements. The Group expects to adopt this standard in the 2019 financial statements.	1 January 2018

33. NEW STANDARDS AND INTERPRETATIONS (Continued)

STANDARD	DETAILS OF AMENDMENT	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER
IFRS 16 Leases	This standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value. This standard is expected to have a significant impact on the way the Group currently accounts for its leases, as the right-of-use asset and resultant liability will have to be recognised. The new standard requires the lease payments to be split into capital lease liability payments and interest. The right-of-use asset will be depreciated over the term of the lease. The Group is currently in the process of quantifying the impact of the standard on the financial statements which will result in a material change to the statement of financial position arising from the recognition of the right-of-use assets and the associated lease liabilities. The Group is currently evaluating the methodologies of adoption. The Group will adopt this standard in the 2020 financial statements.	1 January 2019
IFRIC 22 Foreign currency transactions and advance consideration	The interpretation applies to circumstances when an entity has either paid or received an amount of consideration in advance and in a foreign currency, resulting in a non-monetary asset or liability being recognised. The specific issue addressed by the interpretation is how to determine the date of the transaction for the purposes of determining the exchange rate to use on the initial recognition of the related asset, expense or income when the non-monetary asset or liability is derecognised. The interpretation specifies that the date of the transaction, for purposes of determining the exchange rate to apply, is the date on which the entity initially recognises the non-monetary asset or liability. The Group expects to adopt the interpretation for the first time in the 2019 financial statements. It is unlikely that the interpretation will have a material impact on the Group's financial statements.	1 January 2018
IFRIC 23 Uncertainty over income tax treatments	The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively. The Group expects to adopt the interpretation for the first time in the 2020 financial statements. It is unlikely that the interpretation will have a material impact on the Group's financial statements.	1 January 2019

OTHER INFORMATION

NOTICE OF ANNUAL GENERAL MEETING

Value Group Limited
(Incorporated in the Republic of South Africa)
Registration number: 1997/002203/06
JSE code: VLE
ISIN code: ZAE000016507
("Value" or "the Company")

Notice is hereby given to shareholders that the annual general meeting of the shareholders of the Company will be held in the Value Boardroom, Value City, Essex Road, Tunney, Germiston on Friday, 3 August 2018 at 10h30 (AGM), to:

(i) deal with such business as may lawfully be dealt with at the meeting; and

(ii) consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act 71 of 2008, as amended ("the Act"), as read with the Listings Requirements of the JSE Limited ("JSE Listings Requirements") on which exchange the Company's ordinary shares are listed, which meeting is to be participated in and voted at by shareholders registered as such as at the record date of Friday, 27 July 2018 .

Kindly note that in terms of section 63(1) of the Act, meeting participants (including shareholders and proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders" meeting. Forms of identification include valid identity documents, driver's licences and passports.

When reading the resolutions below, please refer to the explanatory notes for the resolutions.

PRESENTATION OF THE ANNUAL FINANCIAL STATEMENTS

The audited consolidated annual financial statements of the Company (as approved by the board of directors of the Company), incorporating the external auditor, audit committee and directors' reports for the year ended 28 February 2018, is presented to shareholders.

PRESENTATION BY THE CHAIRMAN OF THE SOCIAL & ETHICS COMMITTEE

In accordance with Companies Regulation 43(5)(c), issued in terms of the Act, the chairman of the social & ethics committee will present a verbal report to shareholders on the activities of the social & ethics committee.

ORDINARY RESOLUTIONS

Ordinary resolution 1: Re-election of directors

In accordance with the Company's memorandum of incorporation (MOI), to re-elect, by individual resolutions, the following non-executive directors who are to retire at this AGM but hold themselves available for re-election as directors, as designated.

"Resolved that the following non-executive directors be and are hereby re-elected by separate resolutions, each of which is on the candidacy of a single individual to fill a single vacancy, in terms the Company's MOI:

1.1 Mr VW Mcobothi;

1.2 Dr NM Phosa."

Brief profiles in respect of each director offering himself for re-election are contained on pages 6 and 7 of the integrated annual report.

Ordinary resolution 2: Appointment of audit & risk committee members

To appoint, on the board's recommendation, by individual resolutions, the following independent non-executive directors as members of the audit & risk committee of the Company and the Company's Group ("Group"):

"Resolved that the following independent, non-executive directors are appointed as members of the Company audit & risk committee, in terms of section 94(2) of the Act, by separate resolutions, each of which is on the candidacy of a single individual to fill a single vacancy, with effect from the end of this AGM:

2.1 Mr IM Groves (*chairman)*

2.2 Mr VW Mcobothi*

2.3 Mr CD Stein

** Subject to re-election as a director pursuant to ordinary resolution number 1.1*

Mr CD Stein is currently the chairman of the board and a member of the audit & risk committee as his experience and knowledge of the Group's operations and risks are invaluable to the audit & risk committee.

Mr CD Stein is an independent non-executive chairman of the board, therefore he is eligible to be a member of the audit committee. Additionally, the Company has complied with guidance from the JSE in this circumstance, in that:

- all the other members of the audit & risk committee are independent non-executive directors;
- Mr CD Stein is not the chairman of the audit & risk committee;
- the dual role has been specifically disclosed to shareholders;
- shareholders will be approving the appointment of the chairman to the audit & risk committee at the AGM.

Brief profiles of the independent non-executive directors offering themselves for election as members of the audit and risk committee are enclosed on pages 6 and 7.

Ordinary resolution 3: Re-appointment of external auditor

"Resolved that, upon the recommendation of the audit & risk committee, Baker Tilly SVG represented by Mr E Steyn as the audit partner be and is hereby re-appointed as the independent registered auditor of the Company, to report on the financial year ending 28 February 2019, meeting the requirements of section 90(2) and (3) of the Act, until the conclusion of the next annual general meeting."

Ordinary resolution 4: Advisory endorsement of the remuneration policy and implementation report

Ordinary resolution 4.1:

"Resolved to approve, as a non-binding advisory vote in terms of King IV, the Company's remuneration policy (excluding the remuneration of the non-executive directors for their services as directors and members of board committees) as set out in the Remuneration Report contained in the annual integrated report on pages 36 to 38".

Ordinary resolution 4.2:

"Resolved to approve, as a non-binding advisory vote in terms of King IV, the Company's remuneration implementation report (excluding the remuneration of the non-executive directors for their services as directors and members of board committees) as set out in the Remuneration Report contained in the annual integrated report on pages 36 to 38".

Additional information

The King IV Report on Corporate Governance for South Africa, 2016 ("King IV") recommends that the Company's remuneration policy and implementation report be tabled to shareholders for a non-binding advisory vote at each annual general meeting. Failure to pass one of these resolutions will not have legal consequences relating to existing arrangements. However, the board will take the outcome of the vote into consideration when assessing the Company's remuneration policy.

Ordinary resolution 5: General authority to directors to issue authorised but unissued ordinary shares

To authorise the directors as required by the Company's MOI and subject to the provisions of section 41 of the Act to, at their discretion, issue the unissued authorised ordinary shares in the Company, and sell or otherwise transfer or dispose of ordinary shares in the Company held by subsidiaries of the Company and/or grant options to subscribe for the unissued ordinary shares or purchase ordinary shares held by subsidiaries of the Company, representing not more than 10% of the number of ordinary shares currently in issue, being 176 809 100, for such purposes and on such terms and conditions as they may determine, subject to the JSE Listings Requirements which authority shall endure until the next annual general meeting of the Company.

"Resolved that, as required by and subject to the MOI and the requirements of the Act and the JSE Listings Requirements, from time to time, the directors are, as a general authority and approval, authorised, as they in their discretion think fit, to issue the unissued ordinary shares of the Company and to sell or otherwise transfer or dispose of ordinary shares in the Company held by subsidiaries of the Company."

Ordinary resolution 6: General authority to issue ordinary shares for cash

"Resolved that, subject to renewal of the general authority proposed in terms of ordinary resolution number 5 above and the JSE Listings Requirements, the directors are authorised to issue ordinary shares in the Company, to grant options over ordinary shares in the Company and to sell or otherwise transfer or dispose of ordinary shares in the Company held by subsidiaries of the Company for cash, as and when suitable situations arise. The JSE Listings Requirements currently provide, inter alia that:

- any such issue or disposal of ordinary shares or grant of options shall be to "public shareholders" as defined by the JSE Listings Requirements and not to "related parties";
- this authority shall only be valid until the next annual general meeting of the Company, provided it shall not extend beyond 15 months from the date of this annual general meeting;
- a SENS announcement giving details, including the impact on net asset value and earnings per share, will be published after the issue or disposal of ordinary shares, and/or grant of options, pursuant to this authority representing, on a cumulative basis, 5% or more of the number of ordinary shares in issue prior to any such issues, disposals or grants;
- issues or disposals of ordinary shares pursuant to this authority (excluding issues or disposals of ordinary shares in terms of any Company/Group share incentive scheme) in any one financial year, shall not, in aggregate, exceed 8 840 455 of the Company's issued shares; and

in determining the price at which an issue or disposal of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price on the JSE of the ordinary shares measured over the 30 business days prior to the date that the price of issue or disposal is determined or agreed between the Company and the party/ies subscribing for or purchasing the ordinary shares."

Ordinary resolution 7: Signing authority

"Resolved to authorise any one director or the secretary of the Company to do all such things and sign all such documents as are deemed necessary to implement the resolutions set out in the notice convening the AGM."

SPECIAL RESOLUTIONS

Special resolution 1: General authority to directors to repurchase ordinary shares

"Resolved that the Company and/or any subsidiary of the Company is hereby authorised, by way of a general authority, from time to time, to acquire ordinary shares in the Company from any person in accordance with the requirements of the Company's memorandum of incorporation, the Act and the JSE Listings Requirements, from time to time. The JSE Listings Requirements currently provide, inter alia, that:

- this general authority will be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this resolution;
- the repurchase must be effected through the order book operated by the JSE trading system, without any prior understanding or arrangement between the Company and the counterparty;
- repurchases may not be made at a price greater than 10% above the weighted average of the market value of the ordinary shares for the five business days immediately preceding the date on which the transaction was effected;
- an announcement will be published as soon as the Company has repurchased ordinary shares constituting, on a cumulative basis, 3% of the initial number of ordinary shares, and for each 3% in aggregate of the initial number of ordinary shares repurchased thereafter, containing full details of such repurchases;
- the number of ordinary shares which may be acquired pursuant to this authority in any one financial year may not in the aggregate exceed 20% of the Company's issued shares as at the date of passing of this special resolution; provided that in terms of the Act subsidiaries of the Company cannot acquire more than 10% of the Company's issued shares;
- the Company and its subsidiaries may not repurchase securities during a prohibited period as defined in the JSE Listings Requirements, unless it has in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been submitted to the JSE in writing prior to the commencement of the prohibited period;
- at any point in time the Company will only appoint one agent to effect any repurchases on its or its subsidiaries' behalf;
- the board of directors passing a resolution authorising the repurchase and confirming that the Company passed the solvency and liquidity test set out in section 4 of the Act and that since the test was done there have been no material changes to the financial position of the Group.

The directors, having considered the effects of the maximum repurchase permitted, are of the opinion that for a period of 12 months after the date of the notice of the AGM and at the actual date of the repurchase:

- the Company and the Group will be able, in the ordinary course of business, to pay its debts;
- the working capital of the Company and the Group will be adequate for ordinary business purposes;
- the assets of the Company and the Group, fairly valued in accordance with International Financial Reporting Standards, will exceed the liabilities of the Company and the Group;
- the Company's and the Group's ordinary share capital and reserves will be adequate for ordinary business purposes.

Special resolution 2: Remuneration of non-executive directors

"Resolved, in terms of the Company's MOI, that the remuneration payable, with effect from 1 March 2019 and for the financial year ending 29 February 2020, to the Company's non-executive directors for their services as directors and chairman of the board of directors, respectively, be set as follows:

Payable to non-executive directors for participating in board committees	Proposed fee 2020 R	Approved fee 2019 R
Board		
CD Stein, chairman (shareholder meetings)	17 259	16 435
Board member		
CD Stein	43 146	41 088
IM Groves	32 634	31 077
NM Phosa	56 968	54 250
VW Mcobothi	23 845	22 708
Audit and risk committee		
CD Stein	43 146	41 088
IM Groves	32 634	31 077
VW Mcobothi	23 845	22 708
Remuneration and nomination committee		
CD Stein	21 573	20 544
IM Groves	16 317	15 539
VW Mcobothi	11 923	11 354*
Social and ethics committee		
VW Mcobothi	11 923	11 354
IM Groves	16 317	15 539
Monthly retainer		
CD Stein	37 393	35 610
IM Groves	29 915	28 488
NM Phosa	23 737	22 604
VW Mcobothi	19 871	18 923
Annual totals		
CD Stein	897 441	854 630
IM Groves	717 953	683 704
NM Phosa	569 680	542 504
VW Mcobothi	500 746	454 151

* Appointed to remuneration committee on 17 April 2018, hence not approved at previous AGM. Excluded from total below.

Special resolution 3: Authority to provide financial assistance

"Resolved that:

(i) for purposes of section 44 of the Act, the board of directors of the Company be and is hereby authorised, at any time and from time to time during the period of 2 (two) years commencing on the date of this special resolution (subject to compliance with the requirements of the Company's constitutional documents and the Act, each as presently constituted and as amended from time to time), to grant direct or indirect financial assistance, as contemplated in section 44 of the Act, to any person or entity for the purpose of, or in connection with, the subscription of any option, or any securities issued or to be issued by the Company or a related or inter-related company, or for the purchase of any option, or any securities of the Company or a related or inter-related company, on such terms and conditions as the board of directors of the Company deems fit; and

(ii) for purposes of section 45 of the Act, the board of directors of the Company be and is hereby authorised, at any time and from time to time during the period of 2 (two) years commencing on the date of this special resolution (subject to compliance with the requirements of the Company's constitutional documents and the Act, each as presently constituted and as amended from time to time) to grant direct or indirect financial assistance, as contemplated in section 45 of the Act, to a related or inter-related (as defined in section 1 of the Act) company or corporation or to a member of a related or inter-related corporation or to a person related to any such company or corporation on such terms and conditions as the board of directors of the Company deems fit."

Explanatory note

To the extent necessary under sections 44 and 45 of the Act, to authorise the board of directors of the Company to provide financial assistance as contemplated under section 44 of the Act in connection with the issuance or purchase of any securities of the Company or any related or inter-related company and to authorise the board of directors of the Company to provide financial assistance as contemplated under section 45 of the Act to a related or inter-related (as defined in section 1 of the Act) company or corporation or to a member of a related or inter-related corporation or to a person related to any such company or corporation.

The board will not authorise any financial assistance in terms of the above unless it has considered and is satisfied that:

(i) considering all reasonably foreseeable financial circumstances of the Company at that time, the Company will, immediately after providing the financial assistance, satisfy the solvency and liquidity test as required in terms of the Act;

(ii) the terms under which any financial assistance is proposed to be given are fair and reasonable to the Company; and

(iii) any conditions or restrictions in respect of the granting of any financial assistance as set out in the Company's memorandum of incorporation have been met.

This general authority is necessary, *inter alia*, for the Company to continue making loans to subsidiaries as well as granting letters of support, suretyships and guarantees in appropriate circumstances. A general authorisation from shareholders avoids the need to refer each instance to shareholders for approval with the resulting time delays and expense. If approved, this general authority will expire at the end of two years. It is, however, the intention to renew the authority annually at the annual general meeting.

Notifications

Shareholders are hereby notified in terms of section 45(5) of the Act that the board has passed a resolution substantially in the form of this special resolution to take effect on the passing of this special resolution by shareholders.

Shareholders are also advised that the board is satisfied that after providing the financial assistance, the Company will satisfy the solvency and liquidity tests and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

ADDITIONAL INFORMATION

The following additional information, some of which may appear elsewhere in the integrated report, is provided in terms of the JSE Listings Requirements for purposes of the general authority to repurchase the Company's shares set out in special resolution number 1:

- directors and management – pages 6 and 7;
- major shareholders – page 30;
- directors" interests in ordinary shares – page 103;
- share capital of the Company – page 81.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors in office, whose names appear on pages 6 and 7 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 1 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by the JSE Listings Requirements.

MATERIAL CHANGES

Other than the facts and developments reported on in the integrated report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the Company's last financial year end and the date of signature of the integrated report.

ELECTRONIC PARTICIPATION

Should any shareholder of the Company wish to participate in the AGM by way of electronic participation, that shareholder shall be obliged to make application in writing (including details as to how the shareholder or its representative can be contacted) to so participate, to the transfer secretaries at the applicable address set out on this page at least 5 (five) business days prior to the AGM. Shareholders who wish to participate in the meeting by dialling in must note that they will not be able to vote electronically. Should such shareholders wish to have their votes counted at the meeting, they are welcome to cast their votes via representation at the meeting either by proxy or by letter of representation, as provided for in this notice of AGM. The costs of accessing any means of electronic participation provided by the Company will be borne by the shareholder so accessing the electronic participation. The Company cannot be held liable for any loss, damage, penalty or claim arising in any way from the use of the telecommunication facility whether or not as a result of any act or omission on the part of the Company or anyone else.

RECORD DATES, PROXIES AND VOTING

In terms of section 59(1)(a) and (b) of the Act, the board of the Company has set the record date for the purpose of determining which shareholders are entitled to:

- receive notice of the AGM (being the date on which a shareholder must be registered in the Company's securities register in order to receive notice of the AGM) as at Friday, 22 June 2018.
- participate in and vote at the AGM (being the date on which a shareholder must be registered in the Company's securities register in order to participate in and vote at the AGM) as Friday, 27 July 2018.
- The last day to trade in order to participate and vote at the AGM is Tuesday, 24 July 2018.

Any shareholder holding shares in certificated form or recorded on the Company's sub-register in electronic dematerialised form in "own name" and entitled to attend, speak and vote at the meeting is entitled to appoint a proxy to attend, speak and on a poll vote in their stead. A proxy need not be a member of the Company.

Proxy forms must be lodged at the offices of the transfer secretaries, Computershare Investor Services Proprietary Limited (Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg; PO Box 61051, Marshalltown, 2107), by no later than 10h30 on Wednesday, 1 August 2018. Thereafter, proxy forms may be delivered to the chairperson of the annual general meeting, at the annual general meeting, before voting on a particular resolution commences.

All beneficial owners whose shares have been dematerialised through a Central Securities Depository Participant ("CSDP") or broker other than with "own name" registration, must provide the CSDP or broker with their voting instructions in terms of their custody agreement should they wish to vote at the annual general meeting. Alternatively, they may request the CSDP or broker to provide them with a letter of representation, in terms of their custody agreements, should they wish to attend the annual general meeting.

Shareholders and proxies of shareholders are advised that they will be required to present reasonably satisfactory identification in order to attend or participate in the annual general meeting as required in terms of section 63(1) of the Companies Act 71 of 2008.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own-name" registration, should contact their Central Securities Depository Participant ("CSDP") or broker in the manner and within the time stipulated in the agreement entered into between them and their CSDP or broker:

- to furnish it with their voting instructions; or
- in the event that they wish to attend the AGM, to obtain the necessary letter of representation to do so or, if unable to attend the AGM, the letter of representation to allow the chairman of the meeting to vote on behalf of the shareholder.

On a show of hands, every shareholder present in person or represented by proxy and entitled to vote shall have only one vote irrespective of the number of shares such shareholder holds. On a poll, every shareholder present in person or represented by proxy and entitled to vote, shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by such shareholder bears to the aggregate amount of the nominal value of all shares issued by the Company.

VOTING

For the purpose of resolutions proposed in terms of the JSE Listings Requirements wherein any votes are to be excluded from that resolution, any proxy given by a holder of securities to the holder of such an excluded vote shall be excluded from voting for the purposes of that resolution.

DISCONTINUATION OF PRINTED INTEGRATED ANNUAL REPORT

As a continued effort of our corporate social initiatives, the Company has decided to go paperless for its next integrated annual report which will be published in 2019. This initiative will not only reduce paper usage, but will also result in cost savings for the Company. Shareholders are encouraged to submit their email addresses to Computershare or contact Group reporting officer Ms K Moodley, whose details appear on the IBC, as the integrated annual report will be distributed electronically in future.

By order of the board

Claire Middlemiss
Group Secretary

iThemba Governance and Statutory Solutions (Pty) Ltd

13 June 2018

Annual general meeting - Explanatory notes

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

At the AGM, the directors must present the annual financial statements for the year ended 28 February 2018 to shareholders, together with the reports of the directors, the audit and risk committee and the auditors. These are contained within the integrated annual report.

Ordinary resolutions 1.1 and 1.2: Re-election of directors

One third of the non-executive directors are required to retire at each AGM in accordance with the Company's MOI and may offer themselves for re-election. In addition, any person appointed to the board of directors following the previous AGM is similarly required to retire and is eligible for re-election at the next AGM.

The following directors are eligible for re-election:

Mr VW Mcobothi

Dr NM Phosa

Brief biographical details of each of the above directors and the remaining members of the board are contained on pages 6 and 7 of the integrated annual report of which this notice forms part.

Ordinary resolutions 2.1 to 2.3: Appointment of members of the audit and risk committee

In terms of section 94(2) of the Act, a public company must at each AGM elect an audit and risk committee comprising at least three members who are directors and who meet the criteria of section 94(4) of the Act. Regulation 42 to the Act specifies that one third of the members of the audit and risk committee must have appropriate academic qualifications or experience in the areas as listed in the regulation. The board of directors of the Company is satisfied that the proposed members of the audit and risk committee meet all relevant requirements.

Ordinary resolution 3: Reappointment of auditors

Baker Tilly SVG, and the individually registered auditor, Mr E Steyn, have indicated their willingness to continue in office and ordinary resolution number 3 proposes the reappointment of that firm as the Company's auditors with effect from 1 March 2018. Section 90 of the Act requires the designated auditor to meet the criteria as set out in section 90 (2) and (3) of the Act.

The board of directors of the Company is satisfied that both Baker Tilly SVG and the designated auditor meet the relevant requirements.

Ordinary resolution 4.1 and 4.2: Approval of remuneration policy and remuneration implementation report by way of a non-binding, advisory votes

King IV recommends that the remuneration policy and the remuneration implementation report of the Company be submitted to shareholders for consideration and for an advisory, non-binding vote to provide shareholders with an opportunity to indicate should they not be in support of the material provisions of the remuneration policy and the remuneration implementation report of the Company.

Ordinary resolutions 5 & 6: Authority to directors to allot and issue unissued ordinary shares and issue of shares for cash

In terms of the Act, directors are authorised to allot and issue the unissued shares of the Company, unless otherwise provided in the Company's MOI or in instances as listed in section 41 of the Act. The JSE requires that the MOI should provide that shareholders in a general meeting may authorise the directors to issue unissued securities and/or grant options to subscribe for unissued securities as the directors in their discretion think fit, provided that such transaction(s) has/have been approved by the JSE and are subject to the JSE Listings Requirements. The directors confirm that there is no specific intention to issue any shares or to dispose of shares held by subsidiaries, other than as part of and in terms of the rules of the Company's share incentive scheme, as at the date of this notice. For this reason, the maximum number of unissued shares that may be issued by the directors, or disposed of by subsidiaries, in terms of this authority is limited to 10% of the number of shares currently in issue, being 176 809 100.

Also, in terms of the JSE Listings Requirements, the authority to issue shares for cash, or to dispose for cash of shares held by subsidiaries as set out in ordinary resolution number 5 requires the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the AGM for ordinary resolution number 5 to become effective.

Ordinary resolution 7: Providing signing authority

Authority is required to do all such things and sign all documents and take all such action as necessary to implement the resolutions set out in this notice and approved at the AGM. It is proposed that the company secretary and/or director be authorised accordingly.

General shareholders and proxies attending the AGM on behalf of shareholders are reminded that section 63(1) of the Act requires that reasonably satisfactory identification be presented in order for such shareholder or proxy to be allowed to attend or participate in the meeting.

Special resolution 1: Authority to directors to repurchase Company shares

Section 48 of the Act authorises the board of directors of a company to approve the acquisition of its own shares subject to the provisions of section 48 and section 46 having been met. The JSE Listings Requirements require the shareholders of the Company to approve the authority to repurchase shares and the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the AGM for special resolution number 1 to become effective.

Special resolution 2: Approval of directors' remuneration

In terms of section 66(8) and section 66(9) of the Act, companies may pay remuneration to directors for their services as directors unless otherwise provided by the MOI and on approval of shareholders by way of a special resolution. Executive directors are not specifically remunerated for their services as directors but as employees of the Company and as such, the resolution as included in the notice requests approval of the remuneration paid to non-executive directors for their services as directors of the Company. Proposed fees for the 2020 financial year have been included in the resolution for approval by shareholders.

Non-executive directors who do not attend meetings forfeit the applicable meeting attendance fee.

Special resolution 3: Authority to provide financial assistance to any company or corporation which is related or inter-related to the Company

In terms of section 44 and 45 of the Act, companies may provide financial assistance to related companies. This is done after taking into consideration the solvency and liquidity of the Company and board approval, as required.

FORM OF PROXY

Value Group Limited
(Incorporated in the Republic of South Africa)
Registration number: 1997/002203/06
JSE code: VLE
ISIN code: ZAE000016507
("Value" or "the Company")

To be completed by certificated shareholders and dematerialised shareholders with "own-name" registration only

FORM OF PROXY FOR THE ANNUAL GENERAL MEETING TO BE HELD IN THE VALUE BOARDROOM, VALUE CITY, ESSEX ROAD, TUNNEY, GERMISTON, ON FRIDAY, 3 AUGUST 2018 AT 10H30

Holders of dematerialised ordinary shares other than 'own name' registration must inform their CSDP or broker of their intention to attend the annual general meeting and request their CSDP to issue them with the necessary authorisation to attend the annual general meeting in person or provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person but wish to be represented thereat.

I/We

(Please print)

of (address)

being the registered holder(s) of ordinary shares in the capital of the Company do hereby appoint

1. or failing him/ her

2. or failing him / her,

the chairman of the annual general meeting as my/our proxy to act for me/us and on my/our behalf at the annual general meeting of the Company which will be held on Friday, 3 August 2018 at 10h30 and at any adjournment thereof for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name/s, in accordance with the following instructions:

	For	Against	Abstain
Ordinary Resolutions			
1. Approval of re-election of directors			
1.1 Mr VW Mcobothi			
1.2 Dr NM Phosa			
2. Approval of election of audit & risk committee members:			
2.1 Mr IM Groves (Chairman)			
2.2 Mr VW Mcobothi* * Subject to re-election as a director pursuant to ordinary resolution number 1.1			
2.3 Mr CD Stein			
3. Approval of re-appointment of external auditor			
4. Advisory endorsement of the remuneration policy and implementation report			
4. 1 Approval of the remuneration policy by way of a non-binding advisory vote			
4. 2 Approval of the remuneration implementation report by way of a non-binding advisory vote			
5. Approval of general authority to directors to allot and issue authorised but unissued ordinary shares			
6. Approval of authority to allot and issue shares for cash			
7. Approval of signing authority			
Special Resolutions			
1. Approval of general authority to acquire (repurchase) Company shares			
2. Approval of the remuneration of the non-executive directors			
3. Authority to provide financial assistance to any company or corporation which is related or inter-related to the Company.			

Please indicate with an 'X' in the appropriate spaces provided above how you wish your vote to be cast. If no indication is given, the proxy will be entitled to vote or abstain as he/she deems fit.

Signed at: on 2018.

Full name(s) (in block letters)

Date:

Signature(s)

Assisted by me (where applicable)

NOTES TO THE FORM OF PROXY

1. Summary of rights contained in section 58 of the Companies Act, 2008 (Act 71 of 2008), as amended ("Companies Act")

   In terms of section 58 of the Companies Act:

   - a shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders meeting on behalf of such shareholder;
   - a proxy appointment must be in writing, dated and signed by the shareholder;
   - except to the extent that the memorandum of incorporation of a company provides otherwise, a shareholder of that company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to the different securities held by the shareholder;
   - except to the extent that the memorandum of incorporation of the company provides otherwise, a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
   - except to the extent that the memorandum of incorporation of the company provides otherwise, a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders' meeting;
   - irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
   - irrespective of the form of instrument used to appoint a proxy, any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
   - if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the company;
   - the revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date (i) stated in a revocation instrument, if any; or (ii) upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act;
   - if the instrument appointing a proxy or proxies has been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's memorandum of incorporation to be delivered by such company to the shareholder must be delivered by such company to the shareholder or the proxy or proxies, if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so;
   - a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise (see note 5).
   - if a company issues an invitation to shareholders to one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy:
     - such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;
     - the invitation or form of proxy must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act, contain adequate space to enable a shareholder to write in the name, and if so desired an alternative name, of a proxy chosen by the shareholder and provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or abstain from voting;
     - the company must not require that the proxy appointment be made irrevocable; and
     - the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.
2. The form of proxy must only be used by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
3. All other beneficial owners who hold dematerialised shares through a CSDP or broker and wish to attend the annual general meeting must provide the CSDP or broker with their voting instructions in terms of the relevant Custody Agreement entered into between them and the CSDP or broker.
4. A shareholder entitled to attend and vote at the annual general meeting may insert the name of a proxy or the names of two alternate proxies of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the annual general meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of such proxy(ies) whose names follow.
5. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of an "X" in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.

NOTES TO THE FORM OF PROXY (CONTINUED)

6. A vote given in terms of an instrument of proxy shall be valid in relation to the annual general meeting, notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the Company's transfer secretaries, Computershare Investor Services Proprietary Limited ("transfer secretaries"), before the commencement of the annual general meeting.
7. If a shareholder does not indicate on this form of proxy that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the annual general meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.
8. A shareholder's authorisation to the proxy including the Chairperson of the annual general meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the annual general meeting.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or is waived by the Chairperson of the annual general meeting.
11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the Transfer Secretaries.
12. Where there are joint holders of shares:
    - any one holder may sign the form of proxy;
    - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
13. Forms of proxy should be lodged with or mailed to the transfer secretaries:

    Hand deliveries to:

    Computershare Investor Services Proprietary Limited
    (Registration number 2004/003647/07)
    Rosebank Towers
    15 Biermann Ave
    Rosebank, Johannesburg, 2196

    Postal deliveries to:

    Computershare Investor Services Proprietary Limited
    PO Box 61051
    Marshalltown
    2107

    to be received by no later than by no later than 10:30 on Wednesday 1 August 2018. Thereafter, proxy forms may be delivered to the chairperson of the annual general meeting, at the annual general meeting, before voting on a particular resolution commences or before any adjournment of the annual general meeting which date, if necessary, will be notified on the Stock Exchange News Service of JSE Limited) or may be handed to the Chairperson of the annual general meeting immediately before the appointed proxy exercises any of the shareholder's votes at the annual general meeting.
14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.
15. The proxy appointment remains valid only for the annual general meeting at which it is intended to be used and any adjournment or postponement thereof, subject to paragraph 1 above.

ADDITIONAL FORMS OF PROXY ARE AVAILABLE FROM THE TRANSFER SECRETARIES ON REQUEST.

ADDITIONAL FORMS OF PROXY ARE AVAILABLE FROM THE TRANSFER SECRETARIES ON REQUEST.

GRI CONTENT INDEX

	INDICATOR	DESCRIPTION	PAGE NO./ REFERENCE
STRATEGY AND ANALYSIS	G4-1	Statement about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability.	2 and 15
ORGANISATIONAL PROFILE	G4-3	Name of the organisation.	Front cover
	G4-4	Primary brands, products, and services.	5 and 9
	G4-5	Location of the organisation's headquarters.	Corporate information
	G4-6	Number and names of countries where the organisation operates.	5
	G4-7	Nature of ownership and legal form.	92
	G4-8	Markets served.	9
	G4-9	Scale of the organisation, including:	
		• Total number of employees	22
		• Total number of operations	92
		• Net sales	17
		• Total capitalization in terms of debt and equity	18
		• Quantity of services provided	9
		Total number of employees by employment contract, employment type, region, self-employment/contractors, gender.	22 and 23
	G4-10	Significant variations in employment numbers.	23 and 24
	G4-11	Percentage of total employees covered by collective bargaining agreements.	24
	G4-12	Organisation's supply chain.	4
	G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain.	n/a
	G4-14	Precautionary approach addressed by the organisation.	2
	G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes.	The King IV code of governance principles, DTI codes of good practice
	G4-16	Memberships of associations.	
		• National bargaining Council for the Road Freight and Logistics Industry	
		• Road Freight Association	
		• The South African Association of Freight Forwarders	

GRI CONTENT INDEX

	INDICATOR	DESCRIPTION	PAGE NO./ REFERENCE
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES	G4-17	Entities included in the organisation's consolidated financial statements.	92
	G4-18	Process for defining the report content and the Aspect Boundaries.	2
	G4-19	List of all material Aspects	2
	G4-20	Aspect Boundaries within the organisation.	2
	G4-21	Aspect Boundaries outside the organisation.	n/a
	G4-22	Effect of any restatements of information provided in previous reports.	104
	G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	n/a
STAKEHOLDER ENGAGEMENT	G4-24	A list of stakeholder groups engaged by the organisation.	20
	G4-25	Basis for identification and selection of stakeholders with whom to engage.	20
	G4-26	Organisation's approach to stakeholder engagement.	20
	G4-27	Key topics and concerns that have been raised through stakeholder engagement.	20
REPORT PROFILE	G4-28	Reporting period for information provided.	Front cover
	G4-29	Date of most recent previous report.	Integrated annual report for the year ended 28 February 2017, published on 15 June 2017
	G4-30	Reporting cycle.	2
	G4-31	Contact point for questions regarding the report.	Corporate information
	G4-32	The 'in accordance' option the organisation has chosen.	Core disclosures used but not stated as being 'in accordance'
	G4-33	The organisation's policy and current practice with regard to seeking external assurance for the report.	2
GOVERNANCE	G4-34	Governance structure of the organisation and committees responsible for decision-making on economic, environmental and social impacts.	31 to 35

GRI CONTENT INDEX

	INDICATOR	DESCRIPTION	PAGE NO./ REFERENCE
ETHICS AND INTEG-RITY	G4-56	Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	5 and 27
SPECIFIC STANDARD DISCLOSURES			
MATERIAL ASPECTS – ECONOMIC PERFORMANCE	G4-DMA	Generic Disclosures on Management Approach	21
	G4-EC1	Direct economic value generated and distributed	21
MATERIAL ASPECTS – ENER-GY	G4-DMA	Generic Disclosures on Management Approach	28
	G4-EN3	Energy consumption within the organisation	28 and 29
	G4-EN6	Reduction of energy consumption	28 and 29
MATERIAL ASPECTS – EMPLOY-MENT	G4-DMA	Generic Disclosures on Management Approach	22
	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	23 and 24
	G4-LA2	Benefits provided to full-time employees.	37
MATERIAL ASPECTS – LABOUR/ MANAGEMENT RELATIONS	G4-DMA	Generic Disclosures on Management Approach	24 and 25
	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	23
MATERIAL ASPECTS – OCCUPATIONAL HEALTH AND SAFETY	G4-DMA	Generic Disclosures on Management Approach	25
	G4-LA6	Type of injury and rates of injury.	25
MATERIAL ASPECTS – TRAINING AND EDUCATION	G4-DMA	Generic Disclosures on Management Approach	26
	G4-LA9	Average hours of training per year per employee by gender, and by employee category	26
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees.	26
	G4-LA11	Employees receiving regular performance and career development reviews	26

CORPORATE INFORMATION

VALUE GROUP LIMITED – REGISTERED OFFICE

Incorporated in the Republic of South Africa
Registration number 1997/002203/06
ISIN code ZAE000016507
Share code VLE
49 Brewery Road
Isando, 1600
PO Box 778
Isando, 1600

SPONSOR

Investec Bank Limited
Registration number 1969/004763/06
100 Grayston Drive
Corner Rivonia Road
Sandown, Sandton, 2196
PO Box 785700
Sandton, 2146

AUDITORS

Baker Tilly SVG
3rd Floor
35 Ferguson Road
Illovo, 2196
PO Box 821
Northlands, 2116

CENTRAL SECURITIES DEPOSITORY PARTICIPANT

Computershare Limited
Registration number 2000/006082/06
Rosebank Towers, 15 Biermann Ave,
Rosebank, Johannesburg, 2196

TRANSFER SECRETARY

Computershare Investor Services Proprietary Limited
Registration number 2004/003647/07
Rosebank Towers, 15 Biermann Ave,
Rosebank, Johannesburg, 2196
Tel: 086 110 0933 / 011 370 5000
email: ficaverifyelectronic@computershare.co.za

COMPANY SECRETARY

iThemba Governance and
Statutory Solutions Proprietary Limited
Monument Office Park
Block 5, Suite 201
79 Steenbok Avenue
Monument Park, 0181
PO Box 25160
Monument Park, 0105

For questions regarding this integrated annual report,
contact the Group reporting officer,
Ms K Moodley (011) 570 2281, kellenim@value.co.za

www.value.co.za