# VALUE GROUP LIMITED

2019 Integrated Annual Report

# HIGHLIGHTS

REVENUE
**R2,78bn**
UP 11%

NORMALISED HEADLINE EARNINGS PER SHARE
**89,2 cents**
UP 25%

HEADLINE EARNINGS PER SHARE
**89,2 cents**
UP 52%

EARNINGS PER SHARE
**86,8 cents**
UP 58%

NET ASSET VALUE PER SHARE
**624,8 cents**
UP 10%

CASH GENERATED BY OPERATIONS
**R322m**
UP 11%

DIVIDENDS PER SHARE
**40 cents**
UP 33%

# 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 2018 to 28 February 2019.

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 GRI standards. 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 138 to 140.

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

I am proud to present the integrated annual report for the 2019 financial year. Value Group has come a long way from its humble beginnings as a basic truck rental company. Over the years, its consistent success and growth, despite periods of poor economic performance, has enabled the Group to establish itself as one of the leading providers of supply chain solutions in South Africa.

2019 has been a challenging year, characterised by tough trading conditions, competitor rate cuts and customer pricing and volume pressure. Despite these harsh conditions, the past year has been a very positive one for the Group, with revenue up 11% and normalised headline earnings per share up 25%. Gross profit increased by 6% to R834,7 million, with operating profit increasing by 24% to R192 million. The Group's ongoing efforts on conversion of profits into cash flows has resulted in an 11% improvement in cash generated by operations, which rose to R322,4 million from R291,3 in the previous year. This increase in value has been passed onto shareholders with the full year dividend increasing by 33% to 40c per share. These results bear testimony to the Group's ability to thrive in challenging economic conditions. The Group is very well capitalised with low debt levels and strong cash flows, thus enabling capacity to fund organic and acquisitive growth by utilising internal equity resources and undrawn debt facilities.

As a participant in the local economy, the Group is susceptible to the changing dynamics of our country and the forces affecting its economic growth and stability. The political landscape has been volatile. The 2019 National Elections, however, brought with it renewed hope for positive change in the country. The new administration has an immense task ahead of it, addressing issues ranging from eliminating corruption and solving high unemployment rates to fostering positive local and foreign investor sentiment in order to grow the economy. Despite fears of a further downgrade, one of the major rating agencies has maintained the countries sovereign credit rating at investment grade, albeit at the lowest level. It remains to be seen, however, what effect the initiatives of the new administration will have on improving the country's credit rating, the investment this will attract and the resultant economic trading conditions for the Group.

Apart from the efforts of the new administration, the Group acknowledges that it also has a role to play in combatting the high levels of youth unemployment in our country. Our social responsibility initiatives and skills development programmes are aimed at early childhood development and youth development respectively. During the 2019 year, the Group spent over R1 million on its various socio-economic causes aimed at care and education of orphaned and vulnerable children. The Group embarked on introducing formal learnership programmes in March 2008 with a vision of providing much needed life and industry specific skills to unemployed and disabled youth. Since its inception, 2 064 learners have enrolled in the various learnership programmes and, as at the end of February 2019, 1 522 learners have successfully completed learnership programmes.

The board is the focal point for good governance and is responsible for ethical leadership throughout the Group. This responsibility extends to the Group's customers and suppliers and affects every facet of our business. The board takes overall accountability for the success and prosperity of the Group and achieving sustainable growth, while having due consideration to balance the financial, social and environmental performance of the business. To this end, the board subscribes fully to the principles of King IV.

On delivering a strong set of results and for the effort expended in seeing the Group through yet another challenging year, I would like to congratulate and extend my gratitude to the board, management, staff, customers and suppliers. Without your enduring commitment, this business would not be the success story that it is.

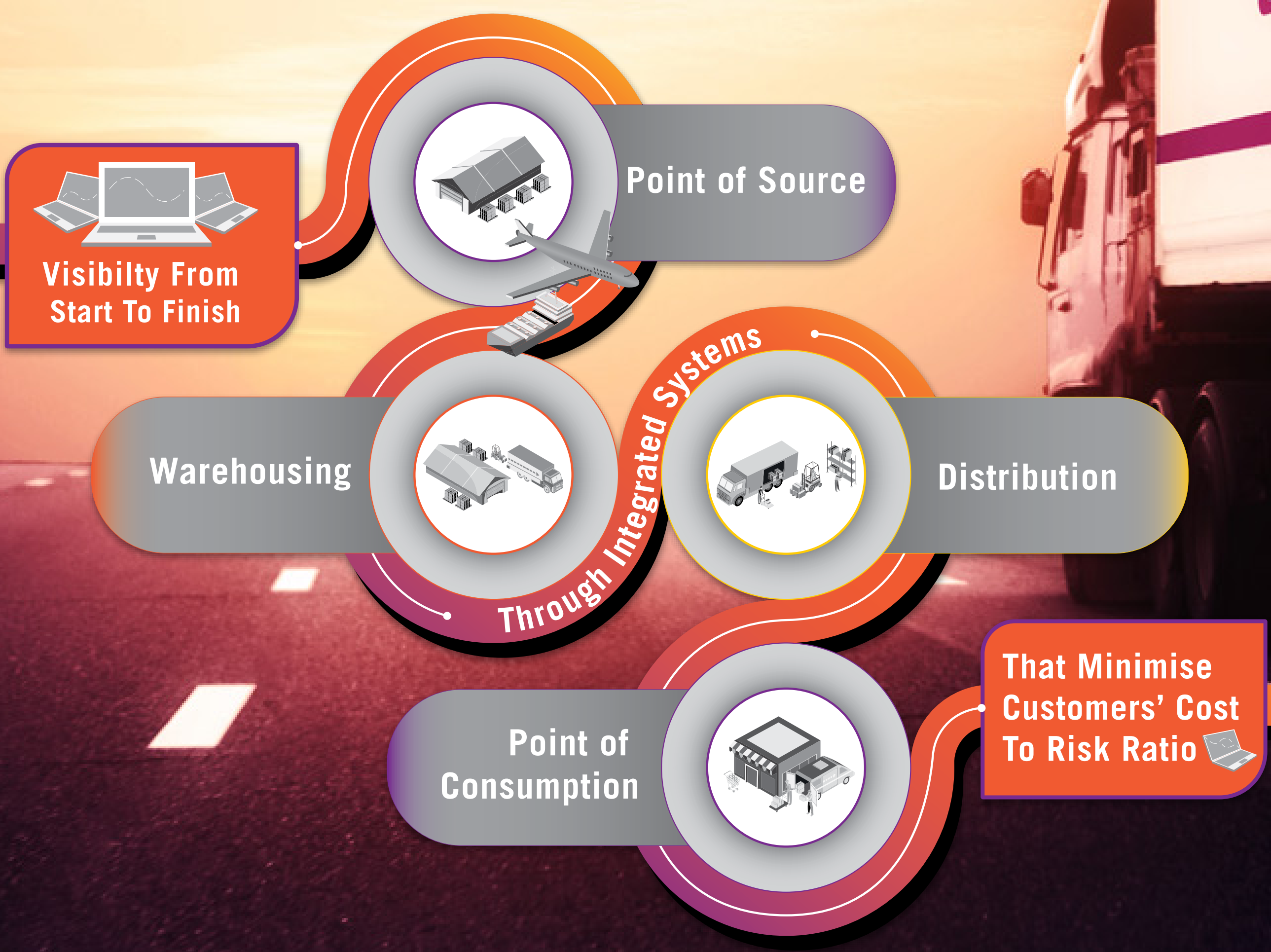
**CD Stein**
*Chairman*
21 June 2019

## ABOUT VALUE

# DELIVERING ON OTHER BRANDS' PROMISES.

Value Group Limited and its subsidiaries ("the Group") provide a comprehensive range of tailored logistical solutions and FMCG products 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.

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
WESTERN CAPE
KWAZULU-NATAL
NAMIBIA

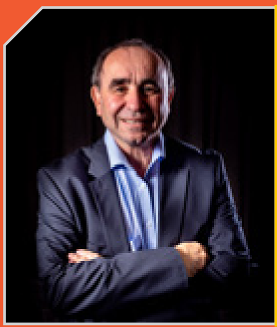
Truck Rental
Logistics
Express
Warehouse
Freightpak
Key Distributors
Clearing & Forwarding
Materials Handling

# BOARD STRUCTURE

**Carl Stein (65)**

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 (61)**

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.

**Clive Sack (49)**

Group financial director, CA(SA)

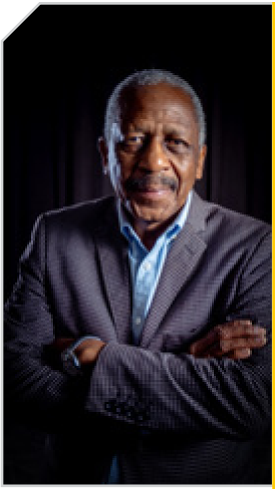
Clive completed his articles at Mazars Moores Rowland in 1996. He remained on as an audit manager until 1998, whereafter he joined Value Group as Group financial manager. In May 2002, he was appointed to the board as Group financial director.

**Mano Padiyachy (54)**

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.

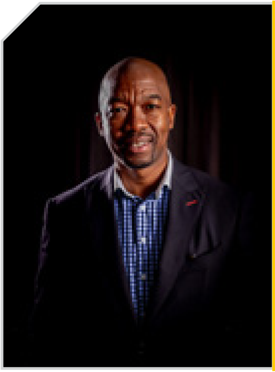
# BOARD STRUCTURE (Continued)



**Mathews Phosa (67)**

Non-executive director, LLB, Honorary PhD in law

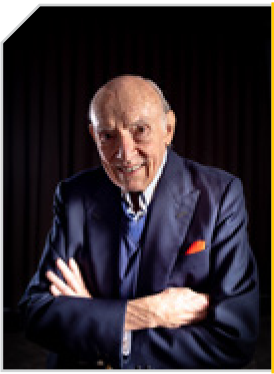
Dr Mathews Phosa established the first black law firm in Nelspruit in 1981. He is a renowned strategic and business leader who has had an immeasurable impact on the lives of numerous South Africans. He led the military wing of Umkhonto we Sizwe from Mozambique and was part of the ANC delegation which successfully negotiated a peaceful transition into a fully democratic South Africa. Dr Phosa was elected as the first Premier of Mpumalanga Province in 1994 and went on to serve as the Treasurer-General within the Executive Committee of the ANC from 2007 to 2012. He has provided a sustainable legacy through his commitment to Special Olympics South Africa, Innibos Arts Festival and during his tenure as Chairperson of the Council of Unisa. Dr Phosa joined Value Group in October 2002 as an executive director and was subsequently appointed as a non-executive director with effect May 2010.



**Velile Mcobothi (44)**

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

Velile has 20 years' investment banking experience in listed securities, Public Private Partnerships and private equity industries as advisor and investor. He currently runs Cinga Capital (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.



**Mike Groves (74)**

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.

**Summary attendance table of board meetings during the financial year ended 28 February 2019:**

| Member | 29 March 2018 SB | 10 May 2018 | 13 June 2018 SB | 3 August 2018 | 24 October 2018 | 6 February 2019 |
|---|---|---|---|---|---|---|
| CD Stein | P | P | P | P | P | P |
| SD Gottschalk | P | P | P | P | P | P |
| IM Groves | P | P | P | P | P | P |
| VW Mcobothi | P | P | P | P | P | P |
| NM Phosa | P | P | A | P | P | P |
| CL Sack | P | P | P | P | P | P |
| M Padiyachy | P | P | P | P | P | P |
| **In Attendance** | | | | | | |
| C Middlemiss | P | 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 |

### 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 896m equity
- R 183m interest-bearing debt

#### PEOPLE

- 2 843 employees

#### CAPITAL RESOURCES

- 4 416 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 and solutions
- Expertise

#### SOCIAL AND RELATIONSHIP

- Committed to transformation with extension of BBBEE ownership transaction in July 2017
- Committed to the upliftment of disabled and unemployed youth by funding learnerships in order to upskill individuals for entry into the job market

### VALUE ADDED ACTIVITIES

Service offerings on page 11

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 offerings have been developed with focus on and utilisation of divisional expertise, the Group's current and evolving intellectual property base, highly skilled labour, advanced monitoring systems, IT interfaces and a national distribution infrastructure thereby enabling fully integrated supply chain service offerings.

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 50 to 52

- 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 19 to 21

Group revenue up by 11% to R 2,780 bn.

Operating profit before once-off BBBEE equity transaction costs up by 24% to R192m.

Net financing costs maintained at R14,2m.

Normalised headline earnings (excluding BBBEE transaction costs) improved by 25% to 89,2 cents per share.

The Group's debt:equity % (net of intangibles) remains low at 21%, in line with the prior year.

Cash balances increased by R36,3 million, after taking into account outflows of R56,3 million for capital purchases and R34,3 million for share repurchases.

Solid balance sheet with substantial capacity to fund organic and acquisitive growth.

Net asset value increased by 10% to 624,8 cents per share.

### STAKEHOLDER VALUE CREATED

Stakeholder engagement, environment and people
on pages 22, 30 and 24

**Over R1 billion in value created**

**Customers**

- Building long term relationships with our customers by understanding their unique logistical requirements and expectations and implementing and structuring specific cost effective logistics solutions.
- Growth in the customer base underpinned by contracted services with the Group and renewal of expired customer agreements.

**Shareholders**

- Normalised headline earnings improved by 25% to 89,2 cents per share.
- Share price increased by 41% from 425 cents per share in the previous reporting period, to 600 cents per share.
- Full year dividend up 33% to 40 cents per share.

**Employees**

- Paid R718,7m to employees.
- Transformed workforce with 83% black staff representation.
- 1 027 training interventions conducted for the year.
- A total of 1 522 learners successfully completed the Learnership programmes since 1 March 2008 to date.

**Regulators**

- R 45,7m in direct tax contributions.
- Maintained a level 3 BBBEE rating.
- Complied with laws and regulations.

**Communities**

- Carbon emissions maintained at 0,52kgs per kilometre.
- More than R1 million spent on socio-economic causes.
- The current year's Learnership programme includes 73 unemployed learners and 100 disabled learners.
- In the prior year 67 learners completed the Learnership programme.

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

## FINANCIAL REVIEW

The board is pleased to report that the Group produced an improved set of results for the year ended 28 February 2019.

Although the trading environment continues to be very challenging, the strategic focus to grow the top line has resulted in revenue increasing by 11% from R2,51 billion to R2,78 billion. This increase arose from organic growth in the customer base and volume increases.

Even though fuel price increases are fully recovered, the significant escalations in this cost was partially offset by other variable cost savings which has resulted in the gross profit percentage reducing slightly from 31,3 % to 30%.

Nevertheless, gross profit increased by 6% to R834,7 million.

The previous years' initiatives to reduce operating costs and ongoing stringent cost controls have resulted in the containment of operating expenses which escalated by only 2% to R672,8 million. This change, together with improved gross profits, contributed to operating profit margins improving from 6,2% to 6,9% and operating profit (before the corresponding period's once-off BBBEE transaction costs) increasing by 24% to R192 million.

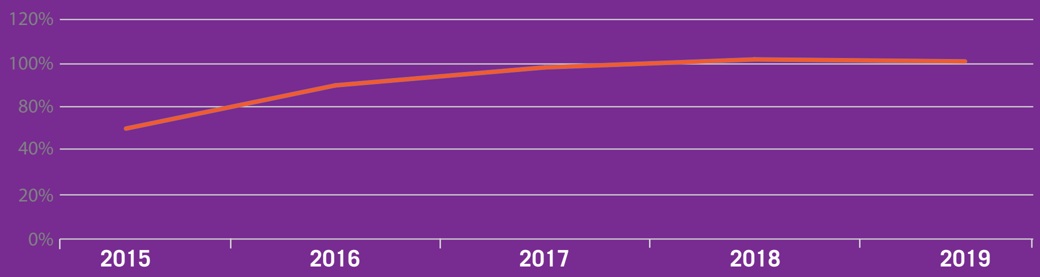
During the course of the year, interest earned on higher positive cash balances offset increased funding costs resulting in net finance costs remaining static at R14,2 million.

The Group increased its expenditure on unemployed learnerships resulting in increased learnership allowances which had the effect of reducing the effective tax rate to 26,1%.

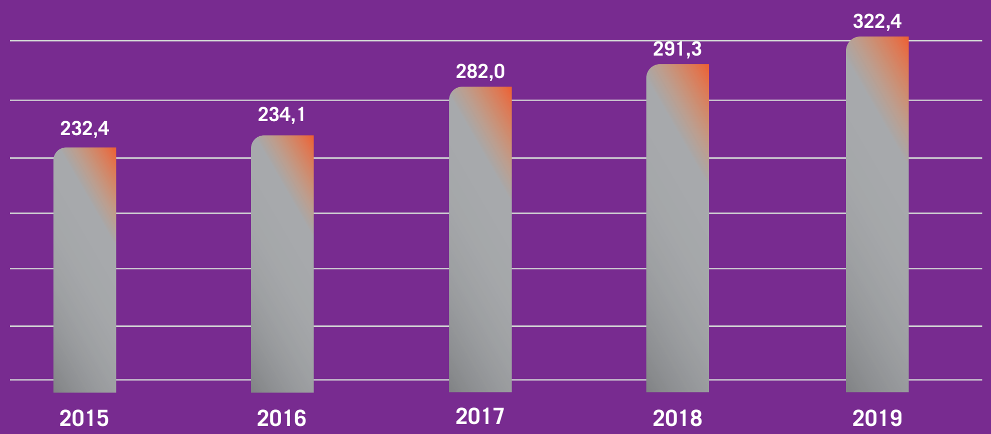
The combined effects of the above has contributed to net profit and earnings per share increasing by 58% to R129,4 million and 86,8 cents per share respectively. Excluding the corresponding period's R19 million once-off BBBEE transaction costs, normalised headline earnings increased by 25% from 71,1 cents to 89,2 cents per share.

Management's ongoing focus on conversion of profits into sustainable cash flows remains a priority and has yielded positive results with cash generated by operations improving by 11% from R291,3 million to R322,4 million.

The Group's cash conversion ratio over the past five years is reflected below:




The increase in cash generated by operations over the past five years is reflected below:



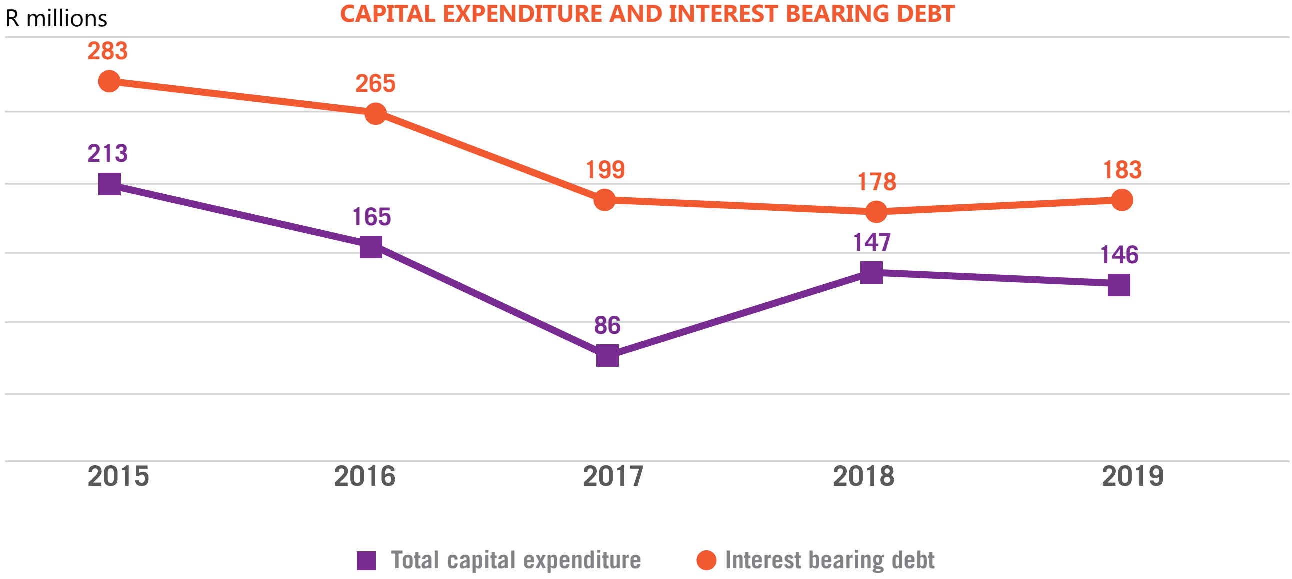

Increased inventory levels pertaining to procurement of product prior to supplier price escalations and transfer of vehicles earmarked for disposal was partially funded by the significant improvement in collections of receivables. In addition, working capital requirements increased due to the accelerated payment cycle arising from the conversion of a portion of labour broker staff to permanent employees. The associated additional net outflows combined with increased taxation and dividend payments tempered the increase in cash flows generated by operations which resulted in cash flows from operating activities improving by 9% to R211,3 million.

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

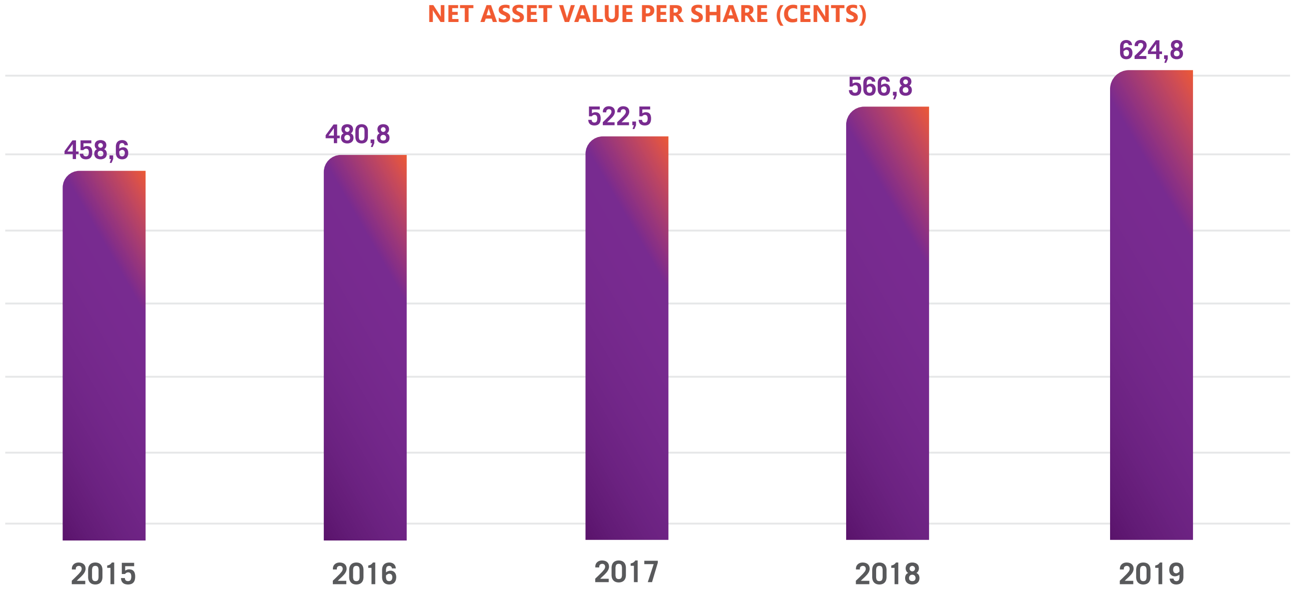
Capital expenditure incurred during the year amounted to R146 million and comprised R120,3 million for vehicles, R6,7 million for materials handling equipment, R9,7 million for plant and equipment and accessories and R9,3 million for IT hardware and software. This expenditure, in addition to the settlement of the final instalment pertaining to the acquisition of Key Distributors (Pty) Ltd, was funded by internally generated cash flows and R4,9 million increase in interest bearing debt. Although positive cash balances were utilised to fund the R34,3 million expenditure on share repurchases, cash resources on hand at year end increased by R36,3 million to R175,9 million.

The Group's debt:equity ratio (net of intangibles) remains very low at 21% in comparison to the Group's 40% to 60% board-imposed maximum acceptable debt:equity level.

The relationship between capital expenditure and interest bearing debt is reflected below:




Net asset value increased by 10,2% to 624,8 cents per share. The growth in the net asset value per share is reflected below:



# 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 2019** | Target 2018 | **2019** | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Gross profit (%) - Note 1 | **≥ 35** | ≥ 45 | **30** | 31 | 33 | 39 | 38 |
| Operating margin (%) – Note 2 | **≥ 8** | ≥ 11 | **7** | 6 | 6 | 4 | 5 |
| After tax return on average equity (%) - Note 3 | **≥17,5** | ≥ 20 | **14** | 12 | 11 | 7 | 9 |
| Debtor days (excluding effects of clearing and forwarding) | **≤ 40** | ≤ 40 | **36** | 42 | 35 | 39 | 34 |
| Current ratio - Note 4 | **0,9 – 1,0** | 0,9 – 1,0 | **1,37** | 1,22 | 1,16 | 1,03 | 1,07 |
| | **Group imposed maximum 2019** | Group imposed maximum 2018 | **2019** | 2018 | 2017 | 2016 | 2015 |
| Debt : equity (%) | **40 - 60** | 40 - 60 | **21** | 21 | 26 | 37 | 39 |

*Revision of targets*

In the 2017 financial year, the Group's margins changed due to the inclusion of Key Distributors (Pty) Ltd. The composition of the associated additional revenue streams differed prior to this acquisition. Accordingly, the Board resolved to amend certain target ratios in order to align these targets with the financial realities of the Group.

Note 1: Group profit percentage has decreased slightly in the current year due to the significant increase in fuel prices.

Note 2: Operating margin has increased in the current year due to stringent cost controls which resulted in a decrease in the operating expenses/turnover ratio.

Note 3: Although below the target of 20%, the after tax return on average equity has shown a steady increase over the past five years.

Note 4: The growth in the Group's cash balances has resulted in the current ratio being higher than that targeted.

## OPERATIONAL REVIEW

*General Distribution segment*

The poor economic climate continues to impact a large portion of the customer base and volumes. This is exacerbated by competitor and customer rate pressures. However, management's focus on restructuring costs in the Freightpak and Logistics divisions, improving operational efficiencies and procuring new customers in the Warehousing, Dedicated Distribution and Logistics divisions has yielded positive benefits with volumes increasing. As a result, Warehousing produced good results while Dedicated Distribution and Logistics produced results which were below expectation. Consequently, revenue increased by 12% from R1,55 billion to R1,74 billion. Excluding goodwill impairments in the prior year, operational savings and improved efficiencies contributed to operating profit increasing by 26% from R101,8 million to R128,3 million and operating margins improving from 6,6% to 7,4%.

Future focus areas will be on growing the customer base in all divisions and the implementation of a new planning and execution IT tool in the breakbulk businesses in order to improve vehicle utilizations.

*Truck Rental and other segments*

Tough trading conditions impacted by a very competitive environment hampered revenue growth which reduced marginally from R377,2 million to R374,5 million. Strategic changes in various divisions reduced costs and contributed to a small improvement in the segment's performance. The Linehaul operation's administrative operations were combined with Truck Rental. Rate pressures and increased maintenance costs in the Truck Rental division affected growth and improvement in profit. Restructuring and alignment in the Materials Handling division contributed to an improvement in profitability. Accordingly, the above culminated in operating margins improved from 14,7% to 15,2% with operating profit increasing to R56,8 million.

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

*Retail Logistics segment*

Although trading conditions remain challenging with protest actions having an effect on revenue, management's strategic initiatives in growing the customer base and areas serviced has resulted in revenue increasing by 13% from R583,1 million to R660,2 million. Increased revenue and the resultant economies of scale offset product pricing pressures resulting in an improvement in operating margins to 1,9% with operating profit increasing by 59% to R12,7 million.

Inventory levels increased in the last quarter in order to procure product prior to price escalations. Subsequent to year end, inventories normalised. The business of Key Distribution (Pty) Ltd produced profits which exceeded those warranted and accordingly the final instalment was paid.

## SHARE REPURCHASES

During the current period 7 319 867 shares were acquired at a cost of R34,3 million. Subsequent to 28 February 2019 an amount of 330 708 shares were repurchased at a cost of R1,98 million. The effective average acquisition cost per share amounts to R4,74 per share.

On 8 May 2018, a total of 9 618 378 treasury shares were cancelled against reserves and delisted. On 17 January 2019, a total of 4 174 100 treasury shares were cancelled against reserves and delisted. Pursuant to these cancellations, the number of ordinary shares currently in issue amounts to 172 635 000.

The Group's subsidiary currently holds 7 350 304 ordinary shares in treasury which represents 4,26% of ordinary shares in issue. The Group will continue to repurchase shares as opportunities arise.

## DECLARATION OF DIVIDEND (NUMBER 25)

On 10 May 2019, the board declared a gross final dividend for the six months ended 28 February 2019, of 27 cents per ordinary share which will be paid out of distributable reserves. The dividend is covered 2,1 times by second half headline earnings and will be paid on Monday, 1 July 2019. The total dividend in respect of the 2019 financial year has thus increased by 33% over the previous year from 30 cents to 40 cents per share.

## FUTURE CAPITAL EXPENDITURE

Budgeted capital expenditure for the 2020 financial year is anticipated to amount to approximately R170,6 million and consists primarily of vehicle and forklift 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 and 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.

Beneficiaries to the Group SED programme are carefully selected based on various criteria and were as follows:

*Hearts of Hope*

Is a non-profit organisation (NPO) and non-profit company (NPC) that strives to enhance the lives of orphaned and vulnerable children through quality individual care and development. The organisation provides a home for 34 children and is equipped with an early childhood development centre.

*Seeds of Africa*

Is a non-profit, public benefit organisation aiming to maximise the positive socio-economic transformation impact on previously disadvantaged communities through enterprise, supplier development and early childhood development. This organisation trains teachers and caregivers to ensure that their objectives are met.

*Peninsula School Feeding Association*

Is a 61 year old registered non-profit organisation based in the Western Cape that addresses hunger in young learners attending primary, secondary and special-needs schools, as well as orphaned and vulnerable children centres, early development centres and technical and vocational educational and training colleges. The organisation currently provides daily nutritious cooked meals to a total of 26 508 learners.

*Rotary International – Fast One Cycle Race*

One of the Rotary International's biggest fundraising events is the Value Logistics Fast One Cycle Race. The funds raised assist with the upliftment of communities and other charitable projects.

# 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 continues to actively drive and support all areas of staff development and training, encouraging a career driven culture. In light of this, the Group continues to embark on various training programmes such as formal courses and on-the-job training, with a focus on industry specific skills. The continuation and support of such development initiatives ensures 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. SETA and TETA.

*Learnership Programmes*

The Group embarked on formal learnership programmes in March 2008 with a vision of building a talent pool in the Group and contributing skilled labour to the South African economy as well as providing much needed industry specific skills to unemployed and disabled youth.

For the year ended 28 February 2019 an amount of 170 learners successfully completed the various programmes consisting of 72 employed, 76 unemployed youth and 22 disabled unemployed youth. Since inception of the learnership programmes in March 2008 a total amount of 2 064 learners enrolled into the various learnership programmes and as at the end of February 2019 a total amount of 1 522 have successfully completed a learnership programme.

## PROSPECTS

It is expected that poor growth and high unemployment rates coupled with the recent hikes in fuel prices will continue to constrain consumer disposable income and associated demand in the period ahead. Despite these economic difficulties, it is anticipated that the customer base and the service offerings in all three segments should continue to expand in the new financial year. In addition, ongoing focus on cost controls remains a priority particularly in view of ongoing rate and margin pressures. These initiatives should mitigate the current economic challenges and provide a platform for ongoing sustainable growth. Accordingly, the board anticipates that on a comparable accounting basis, earnings will at least be maintained in the 2020 financial year. Any reference to future financial performance included in this announcement has not been reviewed nor reported on by the Group's auditors.

The Group is very well positioned to grow organically and by acquisition. The Group's solid balance sheet characterised by low debt levels provides a platform for funding these initiatives and opportunities.

## 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 well-being of our company particularly in view of the challenging trading conditions we have experienced. The current year's performance is a reflection of what we are able to achieve with teamwork and commitment. Your loyalty and dedication over the past year is appreciated.

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

**SD Gottschalk**
Chief executive officer

**CL Sack**
Group financial director

Johannesburg
21 June 2019

# ECONOMIC PERFORMANCE

| R'000 | 2019 | 2018 | 2017 | 2016* | 2015* |
|---|---|---|---|---|---|
| **Consolidated statement of comprehensive income** | | | | | |
| Revenue | **2 779 675** | 2 513 241 | 2 468 923 | 2 043 994 | 2 038 353 |
| Gross profit | **834 655** | 787 025 | 815 550 | 798 367 | 779 485 |
| **Operating profit before once-off BBBEE equity transaction costs** | **192 016** | 155 438 | 143 264 | 85 641 | 108 697 |
| Once-off BBBEE equity transaction costs | **-** | (19 003) | - | - | - |
| Operating profit | **192 016** | 136 435 | 143 264 | 85 641 | 108 697 |
| Share of profit/(loss) of equity accounted investee net of taxation | **(13)** | 23 | 44 | 79 | 64 |
| Fair value adjustments | **(2 625)** | 331 | (509) | 1 939 | - |
| Investment income | **4 293** | 3 386 | 1 594 | 14 060 | 13 511 |
| Finance costs | **(18 508)** | (17 553) | (24 046) | (30 932) | (30 297) |
| **Net profit before taxation** | **175 163** | 122 622 | 120 347 | 70 787 | 91 975 |
| Taxation | **(45 722)** | (40 648) | (36 740) | (16 602) | (23 815) |
| **Net profit for the year** | **129 441** | 81 974 | 83 607 | 54 185 | 68 160 |
| Gross profit margin | **30%** | 31% | 33% | 39% | 38% |
| Operating profit margin excluding once-off BBBEE equity transaction costs | **7%** | 6% | 6% | 4% | 5% |
| **Consolidated statement of financial position** | | | | | |
| Property, vehicles, plant and equipment | **1 003 231** | 1 004 903 | 990 573 | 1 039 515 | 1 022 644 |
| Intangible assets | **10 981** | 10 603 | 12 655 | 17 415 | 25 261 |
| Goodwill | **16 561** | 16 561 | 20 152 | 10 670 | - |
| Investments and loans | **3 078** | 1 955 | 1 925 | 2 089 | 1 802 |
| Deferred tax | **5 365** | 5 050 | 3 161 | 4 759 | 3 133 |
| Current assets | **599 564** | 553 514 | 502 371 | 438 562 | 444 246 |
| Non-current assets held-for-sale | **797** | 116 | 10 701 | 156 | 951 |
| **Total assets** | **1 639 577** | 1 592 702 | 1 541 538 | 1 513 166 | 1 498 037 |
| Equity | **895 798** | 848 634 | 799 598 | 741 161 | 726 094 |
| Interest-bearing borrowings - non current | **125 475** | 108 601 | 121 341 | 163 346 | 181 230 |
| Deferred tax | **179 430** | 182 069 | 181 192 | 177 836 | 174 217 |
| Current portion of interest-bearing borrowings | **57 219** | 69 227 | 77 703 | 101 144 | 101 973 |
| Non interest-bearing borrowings | **-** | 3 268 | 15 607 | 5 576 | - |
| Other current liabilities | **381 655** | 380 903 | 346 097 | 324 103 | 314 523 |
| **Total equity and liabilities** | **1 639 577** | 1 592 702 | 1 541 538 | 1 513 166 | 1 498 037 |

* 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)

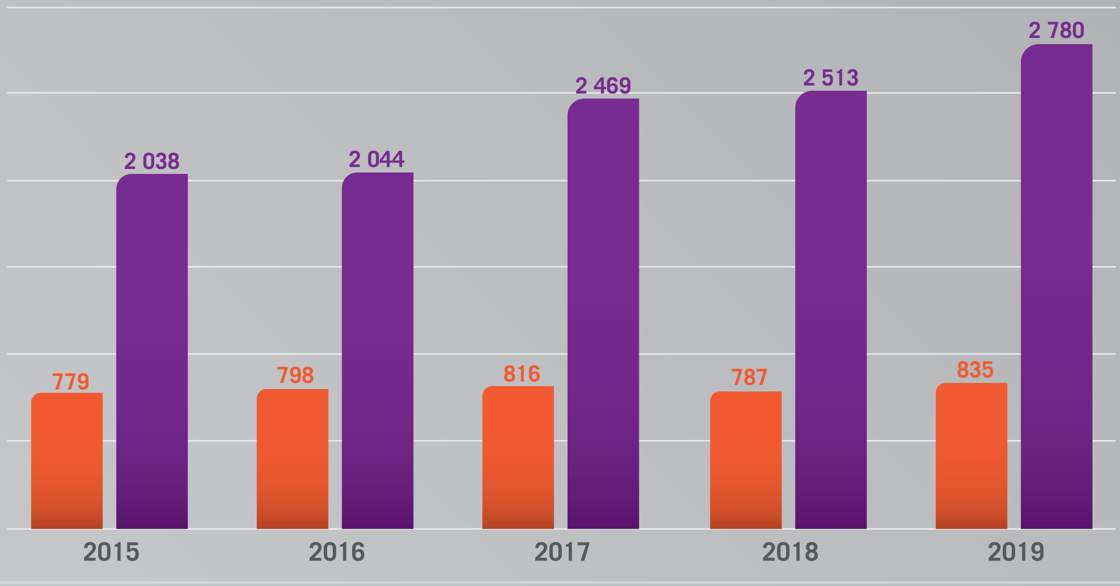
## FINANCIAL STATISTICS AND RATIOS

| | 2019 | 2018 | 2017 | 2016* | 2015* |
|---|---|---|---|---|---|
| **Earnings** | | | | | |
| Basic earnings per share (cents) | **86.8** | 54.8 | 57.2 | 35.4 | 42.1 |
| Headline earnings per share (cents) | **89.2** | 58.7 | 61.9 | 37.2 | 44.2 |
| Normalised headline earnings per share (cents) excluding once-off BBBEE equity transaction costs | **89.2** | 71.1 | 61.9 | 37.2 | 44.2 |
| Dividends per share (cents): | **40.0** | 30.0 | 24.0 | 17.0 | 17.0 |
| Interim | **13.0** | 8.0 | 6.0 | 5.0 | 5.0 |
| Final | **27.0** | 22.0 | 18.0 | 12.0 | 12.0 |
| Number of ordinary shares of R0,001 each in issue: | | | | | |
| Actual | **172 635 000** | 186 427 478 | 186 427 478 | 186 427 478 | 198 627 386 |
| Weighted average | **145 284 191** | 152 191 958 | 154 388 749 | 155 216 667 | 162 673 657 |
| **Profitability** | | | | | |
| Operating profit margin excluding once-off BBBEE equity transaction costs | **7%** | 6% | 6% | 4% | 5% |
| Return on average shareholder's equity | **14%** | 12% | 11% | 7% | 19% |
| **Financial** | | | | | |
| Cash generated by operations (R'000) | **322 438** | 291 323 | 281 989 | 234 052 | 232 419 |
| Debt: equity % (net of intangibles) | **21%** | 21% | 25% | 37% | 40% |
| Interest cover | **13** | 10 | 6 | 5 | 6 |
| Dividend cover (based on normalised headline earnings) | **2.23** | 2.37 | 2.58 | 2.19 | 2.60 |
| Current ratio | **1.37** | 1.22 | 1.16 | 1.03 | 1.07 |
| Debtors days adjusted for the effects of clearing and forwarding | **36** | 42 | 35 | 39 | 34 |
| Net asset value per share (cents) | **624.8** | 566.8 | 522.5 | 480.8 | 458.6 |

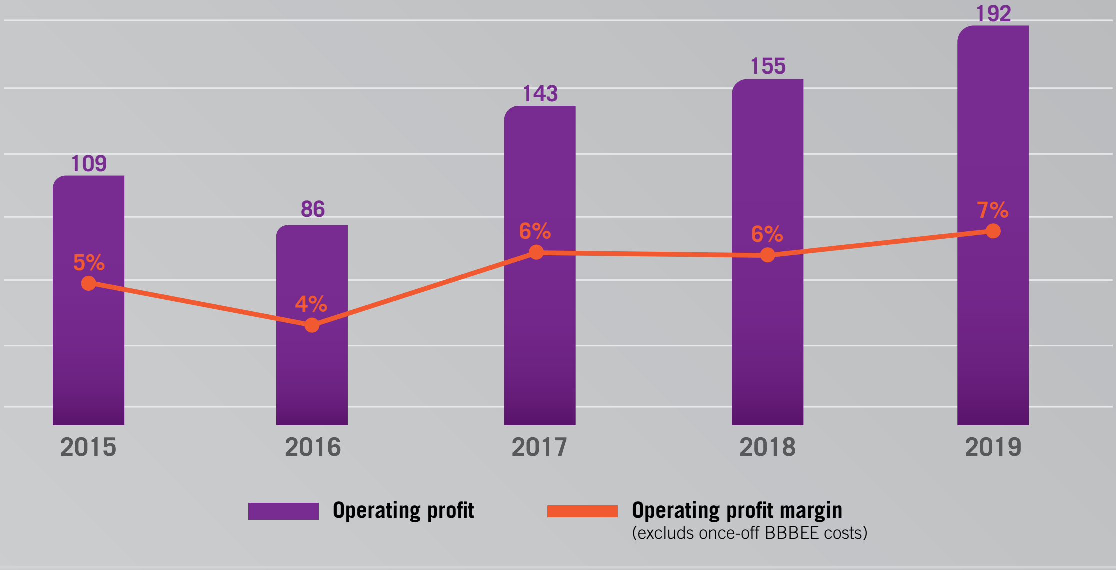
* Results extracted from the financial statements as presented in each year and in accordance with the relevant International Financial Reporting Standards applicable at the time.

# ECONOMIC PERFORMANCE (Continued)

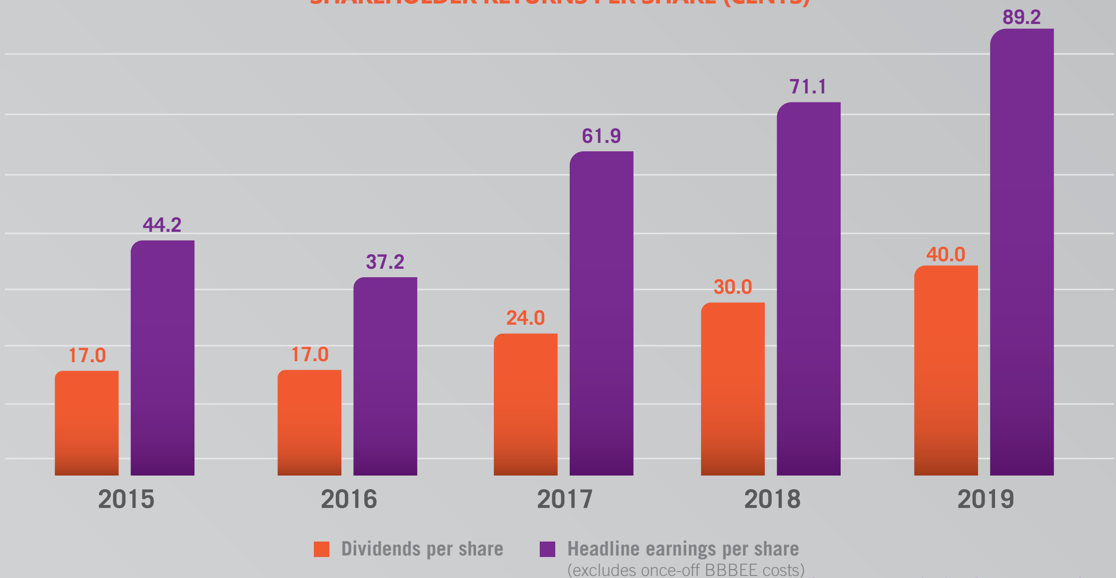
REVENUE AND GROSS PROFIT
(R MILLION)




OPERATING PROFIT (R MILLION) AND OPERATING PROFIT MARGIN (%)




SHAREHOLDER RETURNS PER SHARE (CENTS)



# STAKEHOLDER ENGAGEMENT

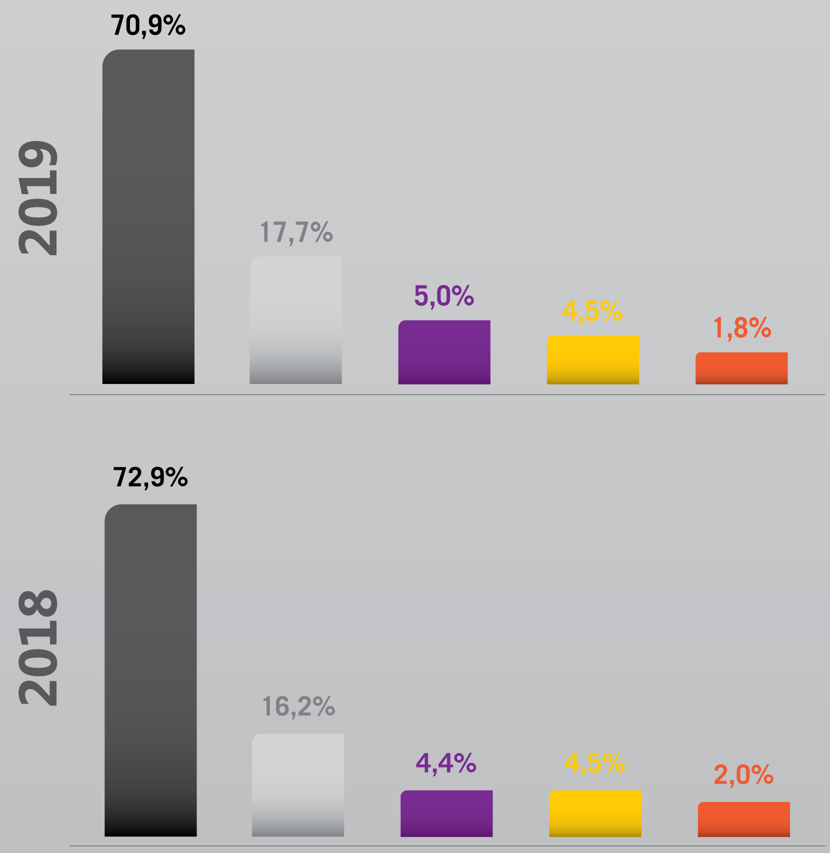
**The Group is accountable to all its stakeholders and acknowledges that communication is vital to ensure that an honest and transparent relationship exists.**

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<br>• The Group's performance review process which is aimed at staff development together with the various ongoing training initiatives; and<br>• Health and safety and HIV/Aids awareness campaigns.<br>Informal engagement takes place on an ongoing basis and includes the use of:<br>• newsletters;<br>• ad hoc HR questionnaires;<br>• corporate and one-on-one communication; and<br>• e-mails and intranet.<br>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.<br>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 an increase in volumes, mainly as a result of organic growth in the customer base, notwithstanding tough trading conditions. The Group continues 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 disclosable and material transactions as required by the JSE listing requirements. | Timely reporting and publishing of the Group's results and other corporate actions onto the Group's website.<br>Promotion of a deeper understanding into the operations and results of the Group. |
| **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 pages 37 to 39. |

# VALUE ADDED STATEMENT

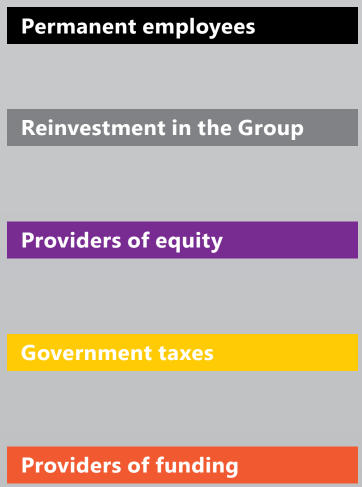
## VALUE ADDED HIGHLIGHTS




Total value created

**R 1 013,5 million**

(2018: R 897,8 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 | % | 2019 | % | 2018 |
|---|---|---|---|---|
| **Revenue** | | 2 779 675 | | 2 513 241 |
| *Less: purchased cost of goods and services* | | (1 770 455) | | (1 618 808) |
| Value added | | 1 009 220 | | 894 433 |
| Finance income | | 4 293 | | 3 386 |
| **Value created** | 100.0 | 1 013 513 | 100.0 | 897 819 |
| Permanent employees | 70.9 | 718 723 | 72.9 | 654 595 |
| Reinvestment in the Group | 17.7 | 179 626 | 16.2 | 145 450 |
| Providers of equity | 5.0 | 50 934 | 4.4 | 39 573 |
| Government taxes | 4.5 | 45 722 | 4.5 | 40 648 |
| Providers of funding | 1.8 | 18 508 | 2.0 | 17 553 |
| **Value distributed** | 100.0 | 1 013 513 | 100.0 | 897 819 |
| Number of permanent employees | | 2 843 | | 2 017 |
| Value created per employee R'000* | | 356 | | 445 |
| Weighted average number of shares | | 145 284 191 | | 152 191 958 |
| **Value created per share in Rands** | | 6.98 | | 5.90 |

* Reduction due to the conversion of labour broker employed staff to permanent employees.

# 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 within the Group.**

## RECRUITMENT AND SELECTION

Workforce planning is an integral part of the Group's strategy and remains 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 vacant positions;
- Recruitment is conducted by utilising competency based recruitment and selection methods;
- Targeted selection interviewing principles are applied;
- Internal and external appointments follow a transparent recruitment and selection process;
- Fair and non-discriminatory recruitment and selection practices forms the foundation of recruitment and selection process ; and
- Compliance with all provisions of the Labour Relations Act (1995) and the Employment Equity Act (1998) and their subsequent amendments.

All new recruits attend an induction session which assists them in becoming familiar with their surroundings and gain a better understanding of the greater business model. Induction sessions aid in the understanding of individual's role 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 assessment 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 require improvement, as well as areas where the Group is 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 the Group to review and improve on work experiences for current and future employees, thereby having a positive effect on retention of key and high performing individuals.

## 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 providers:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **Region** | **Number** | **%** | **Number** | **%** |
| Gauteng | 1 795 | 63,2 | 1 435 | 71,2 |
| KwaZulu- Natal | 326 | 11,5 | 185 | 9,2 |
| Western Cape | 294 | 10,3 | 142 | 7,0 |
| Eastern Cape | 165 | 5,8 | 102 | 5,1 |
| Free State | 122 | 4,3 | 45 | 2,2 |
| Namibia | 24 | 0,8 | 22 | 1,1 |
| Limpopo | 39 | 1,4 | 36 | 1,8 |
| North West | 29 | 1,0 | 17 | 0,8 |
| Mpumalanga | 49 | 1,7 | 33 | 1,6 |
| **Total** | **2 843** | **100,0** | **2 017** | **100,0** |

During the latter part of 2018 the Group embarked on a process whereby permanent employment offers were extended to employees of Temporary Employment Services (TES). The process has been well received by the former TES employees and has resulted in an increase in overall Group permanent headcount. The Group will continue to use the services of TES providers to cater for a flexible labour model during peak and high volume periods.

# 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 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2019 | African | Coloured | Indian | White | African | Coloured | Indian | White | Female | Male | Total |
| Top management | 1 | - | - | 1 | - | - | 1 | 8 | - | - | 11 |
| Senior management | - | - | 1 | 5 | 1 | 1 | 1 | 20 | - | - | 29 |
| Mid-management | 7 | 3 | 7 | 75 | 35 | 7 | 24 | 108 | - | - | 266 |
| Skilled technical / junior management | 124 | 41 | 36 | 132 | 315 | 52 | 57 | 118 | - | 1 | 876 |
| Semi-skilled | 55 | 2 | - | 5 | 1 092 | 43 | 12 | 17 | - | 4 | 1 230 |
| Unskilled | 5 | - | - | 0 | 412 | 13 | 0 | 0 | - | 1 | 431 |
| **Total permanent** | **192** | **46** | **44** | **218** | **1 855** | **116** | **95** | **271** | **-** | **6** | **2 843** |
| Temporary employees | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **192** | **46** | **44** | **218** | **1 855** | **116** | **95** | **271** | **-** | **6** | **2 843** |

| 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 | 115 | 39 | 30 | 153 | 295 | 56 | 58 | 132 | - | 3 | 881 |
| Semi-skilled | 31 | 6 | - | - | 665 | 25 | 12 | 9 | - | 3 | 751 |
| Unskilled | 5 | - | - | - | 76 | 4 | - | 1 | - | 1 | 87 |
| **Total permanent** | **161** | **47** | **36** | **230** | **1 075** | **91** | **98** | **269** | **-** | **7** | **2 014** |
| Temporary employees | 2 | - | - | 1 | - | - | - | - | - | - | 3 |
| **Total** | **163** | **47** | **36** | **231** | **1 075** | **91** | **98** | **269** | **-** | **7** | **2 017** |

## EMPLOYEE TURNOVER

It is vital for the Group to ensure 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 rate of new employee recruitment and employee turnover by age group, gender and region is tabled below.

| 2019 | Appointments | % | Turnover | % |
|---|---|---|---|---|
| Rate of employee appointments and turnover by age: | | | | |
| 18 - 28 years | 302 | 21,8 | 202 | 36.3 |
| 29 - 38 years | 492 | 35,6 | 152 | 27,3 |
| 39 - 48 years | 379 | 27,4 | 102 | 18,3 |
| 49 - 58 years | 157 | 11,4 | 66 | 11.8 |
| 59 - 68 years | 53 | 3,8 | 34 | 6,1 |
| 69 - 70 years | - | - | 1 | 0,2 |
| **Total** | **1 383** | **100,0** | **557** | **100,0** |
| Rate of employee appointments and turnover by gender: | | | | |
| Male | 1 219 | 88,1 | 416 | 74,7 |
| Female | 164 | 11,9 | 141 | 25,3 |
| **Total** | **1 383** | **100,0** | **557** | **100,0** |

# PEOPLE (Continued)

| 2019 | Appointments | % | Turnover | % |
|---|---|---|---|---|
| Rate of employee appointments and turnover by region: | | | | |
| Gauteng | 688 | 49,8 | 342 | 61,4 |
| Western Cape | 219 | 15,8 | 70 | 12,5 |
| KwaZulu-Natal | 179 | 12,9 | 36 | 6,4 |
| Eastern Cape | 140 | 10,1 | 65 | 11,7 |
| Namibia | 3 | 0,2 | 1 | 0,2 |
| Limpopo | 11 | 0,8 | 7 | 1,3 |
| Free State | 108 | 7,8 | 30 | 5,4 |
| North West | 15 | 1,1 | 4 | 0,7 |
| Mpumalanga | 20 | 1,5 | 2 | 0,4 |
| **Total** | **1 383** | **100,0** | **557** | **100,0** |

| 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** |
| 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** |

# PEOPLE (Continued)

## 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 60,06% (2018: 50,42%) 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 11,18% (2018: 19,48%).

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

Temporary Employment Service 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 Temporary Employment Service Provider's practices to ensure that their policies and principles align to that of the Group.

## 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 stresses 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; and
- Ensuring that all staff that operates any machinery or vehicles undergoes a formal medical assessment to ensure that they are fit to perform in their respective roles.

## 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.

# PEOPLE (Continued)

## 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 and unemployed disabled individuals. Previously disadvantaged employees who had not benefited from education opportunities have subsequently gained the confidence needed to improve their skills.

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

| | **2019** | | | 2018 | | |
|---|---|---|---|---|---|---|
| Number of training interventions | Female | Male | Total | Female | Male | Total |
| African | 118 | 435 | 553 | 94 | 545 | 639 |
| Coloured | 43 | 55 | 98 | 33 | 41 | 74 |
| Indian | 32 | 37 | 69 | 26 | 63 | 89 |
| White | 167 | 140 | 307 | 212 | 258 | 470 |
| **Total** | **360** | **667** | **1 027** | **365** | **907** | **1 272** |

| Number of individuals successfully completing the Learnership programme | **2019** | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Female | Male | Total | Female | Male | Total |
| Black* | 31 | 134 | 165 | 36 | 31 | 67 |
| White | - | 5 | 5 | - | - | - |
| **Total** | **31** | **139** | **170** | **36** | **31** | **67** |

** Includes African, Indian, Coloured and other*

| Headcount of individuals successfully completing the Learnership programme within the specified categories | **2019** | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Female | Male | Total | Female | Male | Total |
| Employed | 9 | 63 | 72 | - | - | - |
| Unemployed | - | 76 | 76 | 23 | 19 | 42 |
| Unemployed Disabled | 22 | - | 22 | 13 | 12 | 25 |
| **Total** | **31** | **139** | **170** | **36** | **31** | **67** |

An additional Unemployed Learnership programme commenced in July 2018 during the 2019 financial period and is scheduled to conclude in June 2019. Statistics relating to this group of unemployed learners will be included in statistics relating to 2020 programmes. Initially 20 learners enrolled on the program and to date it is envisaged that 13 learners will successfully complete the programme.

Detailed below is a headcount breakdown provided relating to these additional learnership.

| Number of individuals currently in a Learnership for the year 2018/2019 | **2019** | | |
|---|---|---|---|
| | Female | Male | Total |
| Black* | 13 | 1 | 14 |
| White | - | - | - |
| **Total** | **13** | **1** | **14** |

# PEOPLE (Continued)

| Average hours training per year, by employee gender and category | 2019 | | 2018 | |
|---|---|---|---|---|
| | Female | Male | Female | Male |
| Clerical support workers | 5 | 5 | 5 | 5 |
| Elementary occupations | 2 | 8 | 2 | 8 |
| Managers | 5 | 6 | 6 | 5 |
| Plant and machine operators | - | 9 | - | 8 |
| Professionals | 6 | 6 | 6 | 7 |
| Sales workers | 5 | 8 | 5 | 8 |
| Skilled workers | 5 | 6 | 4 | 6 |
| Technicians and associate professionals | 4 | 7 | 5 | 6 |

## COMPLIANCE WITH LEGISLATION

The audit and risk committee have general oversight over the Group's compliance with laws and regulations. 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 all the various labour legislation. The annual internal and external audits also provide comfort as with regards to compliance.

## 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 vital to maintaining good business relationships and ensuring the future success of our business. The Group therefore does not tolerate any forms of fraud and corruption.

The 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; and
- 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 achieved a level 3 BBBEE rating based on its 2018 scorecard, which is summarised below.

The Group is currently busy with its 2019/2020 BBBEE certificate which will be placed on the Group's website, www.value.co.za, once finalised.

| BBBEE scorecard | Weighting | 2018/2019 |
|---|---|---|
| Ownership | 20 | 17,46 |
| Management control | 10 | 1,00 |
| Employment equity | 15 | 8,96 |
| Skills development | 15 | 7,8 |
| Preferential procurement | 20 | 20,00 |
| Enterprise development | 15 | 15,00 |
| Socio-economic development | 5 | 5,00 |
| | 100 | 75,22 |

# ENVIRONMENT

## Creating value by managing our environmental footprint

### VALUE GROUP IS GOING PAPERLESS

As a continued commitment to reducing our environmental footprint, the Group aims to go paperless for its future integrated annual reports. This initiative will not only reduce paper usage, but will also result in cost savings for the Group. Shareholders are encouraged to continue submitting their email addresses to Computershare. Please refer to IBC for relevant contact details.

### CARBON EMISSIONS

Being in the transport industry implies 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 carbon footprint impact of our operations, it also makes good business sense to reduce our fuel consumption and hence input costs.

Annually we use various methods and procedures to continually ensure that our fleet uses fuel in the most efficient fashion.

*Route optimisation*

Ensuring that vehicles are utilised to their full potential, while travelling the least distance.

*Routine servicing*

Vehicles are regularly maintained according to manufacturer's standards by accredited in-house workshops.

*Vehicle Assessment*

Our vehicles are assessed annually, thereby ensuring that older models are replaced by newer ones. This further allows us to incorporate improved technology in order to further increase fuel efficiency.

*Automated fuel consumption comparison*

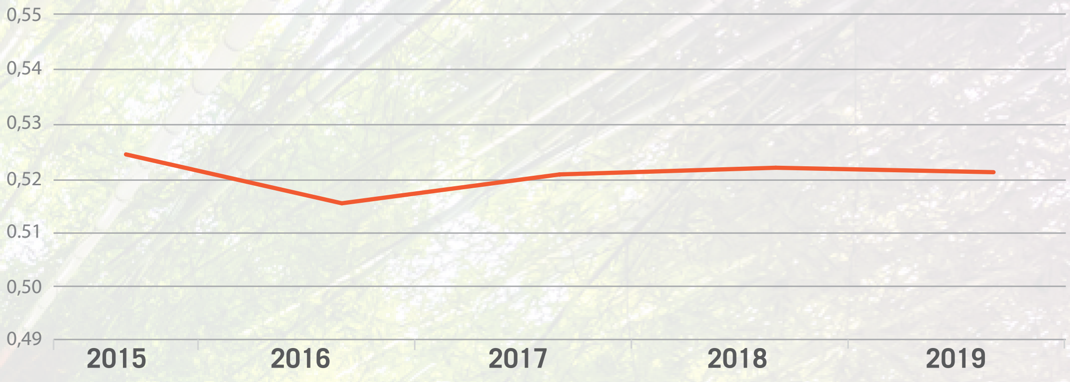
On a daily basis fuel consumption is compared across the entire fleet.

*Debriefing / de-fleeting*

Information is gathered from vehicle assessments, maintenance records and the automated fuel consumption comparison reports in order to identify poor performing vehicles which should be replaced, in an effort to continuously reduce our carbon footprint.

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 carbon emissions (kg) per kilometre over the past five years.




Fuel consumption and carbon emissions are detailed below:

| | 2019 | 2018 |
|---|---|---|
| Consumption (kilolitres) | **17 130** | 16 567 |
| - Diesel | **16 616** | 16 070 |
| - Petrol | **514** | 497 |
| Carbon emissions (tons) | **44 882** | 43 407 |
| - Diesel | **43 700** | 42 264 |
| - Petrol | **1 182** | 1 143 |
| Kilometres travelled (km'000) | **86 076** | 83 065 |
| Increase in kilometres travelled | **3,6%** | 6,0% |
| Increase in energy consumed | **3,4%** | 6,3% |
| Carbon emissions (kg) per kilometre | **0.52** | 0,52 |
| Gigajoules | **660 523** | 638 814 |
| - Diesel | **642 711** | 621 587 |
| - Petrol | **17 812** | 17 226 |

The current year has seen an increase in consumption of 3,4%, from 16 567 kilolitres to 17 130 kilolitres. This is due to the increase in kilometres travelled of 3,6%, from 83 065 233 to 86 075 676 in the current year. Actual carbon emissions per kilometre have remained the same, reflecting positively on the Group's efforts to achieve and maintain fuel efficiencies in the fleet.

After an initial 90 day test which yielded an average 6% improvement in consumption figures, the Group fitted aerodynamic kits to certain vehicle types during the previous financial year. The fuel savings resulting thereof have been maintained in the current period and no further improvements were recorded. The Group will continue with its efforts to reduce its environmental footprint and find new and innovative ways to enhance vehicle efficiency.

# SHAREHOLDER INFORMATION

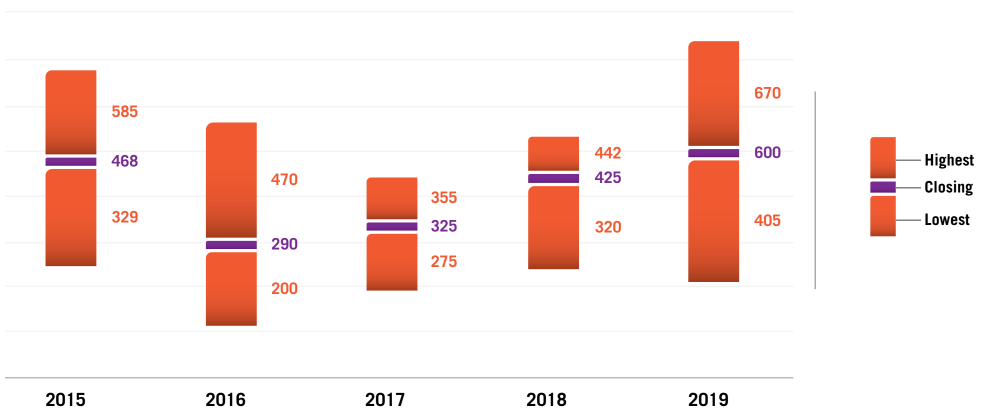
As at 28 February 2019

| ORDINARY SHARES-LISTED | Number of shareholders | % | Number of shares | % |
|---|---|---|---|---|
| **Non-public shareholders** | | | | |
| The Value Group Share Incentive Scheme | 1 | 0,05 | 1 393 204 | 0,8 |
| Directors | 5 | 0,26 | 3 231 158 | 1,9 |
| Diplobuzz Investments (RF) (Pty) Limited | 1 | 0,05 | 6 257 406 | 3,6 |
| Value Logistics Limited | 1 | 0,05 | 7 019 596 | 4,0 |
| 471 Church Street (Pty) Ltd | 1 | 0,05 | 9 007 403 | 5,2 |
| Opsiweb Investments (RF) (Pty) Limited | 1 | 0,05 | 14 600 614 | 8,5 |
| Lougot Property Investments (Pty) Ltd | 1 | 0,05 | 86 921 617 | 50,4 |
| | 11 | 0,56 | 128 430 998 | 74,4 |
| **Public shareholders** | | | | |
| Foord Absolute Return Fund | 1 | 0,05 | 9 274 491 | 5,4 |
| Individuals and other | 1 943 | 99,39 | 34 929 511 | 20,2 |
| Total shareholders | 1 955 | 100,00 | 172 635 000 | 100,00 |
| **Residency** | | | | |
| South African | 1 917 | 98,06 | 172 117 534 | 99,70 |
| Foreign | 38 | 1,94 | 517 466 | 0,30 |
| | 1 955 | 100,00 | 172 635 000 | 100,00 |
| **Holdings** | | | | |
| 1 to 1 000 | 1 237 | 63,28 | 370 130 | 0,21 |
| 1 001 to 5 000 | 412 | 21,07 | 1 134 336 | 0,66 |
| 5 001 to 10 000 | 117 | 5,98 | 923 059 | 0,54 |
| 10 001 to 50 000 | 132 | 6,75 | 2 954 346 | 1,71 |
| 50 001 to 100 000 | 15 | 0,77 | 1 129 587 | 0,65 |
| over 100 000 shares | 42 | 2,15 | 166 123 542 | 96,23 |
| | 1 955 | 100,00 | 172 635 000 | 100,00 |

| 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 REPORT

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 46 to 49.

## 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 on 28 February 2019 and at the date of this report appear on pages 8 and 9 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 CD Stein was the chairman of the board with executive director Mr SD 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; and
- 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; and
- trading in Company shares.

# CORPORATE GOVERNANCE (Continued)

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 recuse 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 2019 financial year, the board convened six 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:

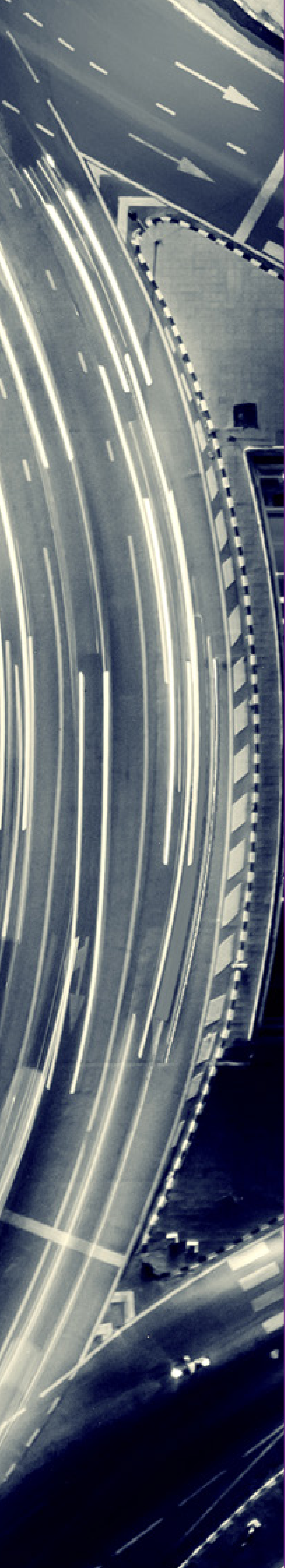
| | |
|---|---|
| Mr CD Stein | *(Chairman)* |
| Mr SD Gottschalk | *(Chief executive officer)* |
| Mr IM Groves | *(Independent non-executive director)* |
| Mr VW Mcobothi | *(Independent non-executive director)* |
| Dr NM Phosa | *(Non-executive director)* |
| Mr CL Sack | *(Group financial director)*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

Fluidrock Advisory (Pty) Ltd (previously iThemba Governance and Statutory Solutions (Pty) Ltd), represented by Claire Middlemiss (FCIS CSSA) is the company secretary. Ms Middlemiss has 18 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 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 is an external consultant and is not involved in the management of the Group. She is therefore independent of the Group. Contact details of Fluidrock Advisory (Pty) Ltd 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 CD Stein and Mr IM Groves.



# CORPORATE GOVERNANCE
(Continued)

## 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 of King IV, in 2019, 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 (other than the social and ethics committee) 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 chairmen 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. Currently the composition of the board is adequate. If circumstances change, any new appointees will be selected based on the underlying requirement to introduce gender and race diversity. 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 Group, as required.

The actual board composition and voluntary targets set are as follows:

| | Race | Gender |
|---|---|---|
| **Actual** | 43% BBBEE representation | 0% female representation |
| **Target** | 50% BBBEE representation | 15% female representation |

# 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. As he is an independent, non-executive chairman, he is eligible to be a member of the audit committee. Further, his experience and knowledge of the Group are invaluable to the audit and risk committee. 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 2019:**

| Member | 09 May 2018 | 13 June 2018 | 02 August 2018 | 23 October 2018 | 06 February 2019 |
|---|---|---|---|---|---|
| IM Groves | P | P | P | P | P |
| VW Mcobothi | A | P | P | A | P |
| CD Stein | P | P | P | P | P |

**Legend:**
**P: Present**
**A: Apology**

External advisors are invited to attend committee meetings as required.

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 committee is satisfied that it has fulfilled its responsibilities for the reporting period. The statutory report of the committee as required by the Act can be found on pages 56 and 57 of the integrated annual report.

# CORPORATE GOVERNANCE (Continued)

## 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
Ms V Morais (Commercial & Human Resources - appointed 17 April 2018)

It is the duty of this committee, amongst 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; and
- an annual work plan to ensure it met all of its statutory requirements.

It is the responsibility of this committee, to ensure, amongst 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; and
- the Group complies with the Employment Equity Act (as amended) and the Broad-based Black Economic Empowerment Act (as amended).

Activities undertaken by the committee on behalf of the Group in respect of social responsibility and skills development during the course of the financial year entailed:

**Social Responsibility.**

The Group acknowledges the importance of its role regarding corporate social responsibility and 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.

To emphasise this view, the Group upholds the opinion that education forms the base of success and that knowledge is power. This belief forms the core of the Group's social responsibility programme.

Beneficiaries to the Group socio-economic development (SED) programme are carefully selected and based on criteria such as:

- The basis of the programme and funding requirements that are educational related;
- Strong focus on early childhood development (ECD) and support of education for the youth; and
- Sustainable programme that extends to the community in order to share knowledge and uplifts others.

Based on these core principles, the beneficiaries to the Group's SED programme for 2019 were as follows:

*Hearts of Hope.*

Is a non-profit organisation (NPO) and non-profit company (NPC) that strives to enhance the lives of orphaned and vulnerable children through quality individual care and development.

The organisation provides a home for 34 children. Hearts of Hope is equipped with an early childhood development centre, a programme for younger children and targeted education through schools that are able to meet the needs of the older children. In addition, the organisation also supports disadvantage schools through the provision of resources and feeding schemes.

# CORPORATE GOVERNANCE (Continued)

*Seeds of Africa.*

Seeds of Africa is a non-profit, public benefit organisation aiming to maximise the positive socio-economic transformation impact on previously disadvantaged communities through enterprise, supplier development and early childhood development. This organisation trains teachers and caregivers to ensure that their objectives are met.

During the 2018/2019 financial year, 55 teachers from crèches in informal settlements attended workshops focussing on early childhood development. The teachers are able to take part in support group sessions to share and receive guidance, obtain assistance with curriculum planning, and creating teaching aids and resources. In addition monthly curriculum support workshops are conducted to include content in accordance with the Gauteng Department of Education (GDE) requirements for early childhood development.

During the period, 34 teachers successfully graduated, ensuring that 29 Creches in informal settlements will now have a trained teacher. Approximately 1,160 children benefited from a structured foundation phase learning year. Furthermore 268 teachers were placed on short courses, thereby enhancing teacher development at 54 crèches.

*Peninsula School Feeding Scheme.*

Peninsula School Feeding Scheme (PSFA) is a 61 year old registered non-profit organisation based in the Western Cape that addresses hunger in young learners attending primary, secondary and special-needs schools, as well as orphaned and vulnerable children centres, early development centres and technical and vocational educational and training colleges.

The organisation currently provides daily nutritious cooked meals to a total of 26 508 learners. Over and above the ingredients supplied to each educational institution on the feeding programme, PSFA also provides gas stoves, gas bottles, pots and other utensils. Furthermore, PSFA trains members of the community, usually unemployed parents, to prepare and serve meals at each of the schools. PSFA employs field workers to manage, monitor and evaluate the proper implementation of the scheme at all schools. The organisation has facilitated the building and supply of 125 kitchens at schools that previously lacked inadequate facilities.

*Rotary International – Fast One Cycle Race.*

One of the Rotary International's biggest fundraising events is the Value Logistics Fast One Cycle Race. The funds raised assist with the upliftment of communities and other charitable projects.

# CORPORATE GOVERNANCE (Continued)

**Skills Development Initiatives**

*Overview.*

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

*General Training.*

The Group continues to actively drive and support all areas of staff development and training, encouraging a career driven culture. The Group favours internal employee development in support of succession planning. This ensures the preservation of valuable company history, knowledge and experience.

In support of this, the Group continues to embark on various training programmes with a focus on industry specific skills. Such training programmes include formal courses, informal on the job training sessions, awarding of bursaries to employees and the continuation of formal structured learnership programmes.

The continuation and support of such development initiatives ensures 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. SETA and TETA.

The Group is fully compliant with all legislation outlined in the Skills Development Act and Skills Levies Act.

*Learnership Programmes.*

The Group embarked on formal learnership programmes in March 2008 with a vision of building a talent pool in the Group and contributing skilled labour to South African economy as well as providing much needed industry specific skills to unemployed and disabled youth. As a value-add to employees of the Group, a large number of children and spouses of employees benefited from the successful completion of a learnership programme.

This initiative enabled children and spouses of employees to be equipped with skills and a formal qualification that will enable them to further provide for their families. To date, the learnership programmes have been well received and supported throughout the Group and has aided in building a positive morale amongst employees.

As at February 2019, 170 learners consisting of 72 employed, 76 unemployed youth and 22 disabled unemployed youth, successfully completed the various programmes which commenced on 1 March 2018.

The 2019/2020 learnership programme commenced on the 1st March 2019. 210 learners enrolled in the programme, consisting of 37 employed learners, 73 unemployed youth and 100 disabled unemployed youth.

Since inception of the learnership programmes in March 2008, 2 064 learners enrolled into the various learnership programmes and as at the end of February 2019, 1 522 have successfully completed a learnership programme.

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 2019:**

| Member | 17 April 2018 | 02 August 2018 |
|---|---|---|
| VW Mcobothi | P | P |
| IM Groves | P | P |
| SD Gottschalk | P | P |
| V Morais | - | P |

**Legend:**
**P: Present**
**A: Apology**

# 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 2019 the composition of the remuneration and nomination committee was as follows:

Mr IM Groves *(Chairman)*

Mr CD Stein

Mr VW Mcobothi (Appointed 17 April 2018)

**Summary attendance table of members at the remuneration and nomination committee meetings during the financial year ended 28 February 2019:**

| Member | 17 April 2018 | 03 August 2018 |
|---|---|---|
| IM Groves | P | P |
| CD Stein | P | P |
| VW Mcobothi | - | P |

**Legend:**
**P: Present**
**A: Apology**

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.

**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 vision of the remuneration philosophy is to provide remuneration packages that will play a critical role in attracting, motivating and retaining high performing individuals. The policy aligns with the strategic direction of the Group in support of core values such as operational excellence, continuous improvement and on-going cost saving initiatives by means of innovation. Remuneration forms one of the core people building blocks and aids human resources practices such as performance management, people development and succession planning.

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. Furthermore 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.

The Group rewards employees in line with industry legislation (where applicable), market trends, equal work for equal pay principles and the individual value-add to the Group. These elements are contained in individual employment contracts and forms the basis of remuneration terms. People are the key competitive edge of the Group and the achievement of Group goals and strategies must reflect in reward for contribution towards successful achievement of goals and strategies.

Solid remuneration practices forms the cornerstone to the retention of high performing individual and attracting high calibre talent.

The Group has implemented solid human resources and remuneration principles, policies and practices that facilitate the following:

- Aid divisional and overall Group Strategy;
- Aid in developing of key skills, knowledge and home grown talent;
- Instil a culture of continuous learning and improvement;
- Motivate a hunger for superior performance not only at an individual level but at overall team level;
- Ensure employee alignment to overall Group objectives by meaningful employee engagement; and
- Ensure full compliance with all legislation that governs remuneration within South Africa.

## REMUNERATION PRINCIPLES.

**Board:**

Non-executive directors only receive remuneration that is due to them as members of the board. In line with King IV, non-executive directors do not receive bonuses or share options in the Group. They are rewarded by means of a monthly retainer and fee per meeting attended.

The rationale for proposing and applying the annual increases for non-executive directors fees is to ensure that fee structure remains relevant and competitive. Awarding of such increases ensures that the Group is able to attract, motivate and retain individuals of high calibre who have key skills and expert knowledge in the performance of their duties in the various committees that they partake in. Annual increases are effective in March. A 6% increase for 2020 was approved by shareholders at the previous annual general meeting. This is in line with the annual increase awarded to executive directors, senior management and staff who qualified. A further 6% increase for the 2021 financial year is proposed at the next annual general meeting. In accordance with the board's work plan, an additional board and audit committee meeting will be required.

Executive directors serving as members on board sub-committees do not 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. They are remunerated on a total-cost-to-company (TCTC) basis. As part of their remuneration package they are entitled to structure their individual packages with the overriding factor being that packages have to be in compliance with relevant income tax legislation. Inclusive in their packages are benefits relating to medical insurance, retirement funding, group life, income protector, critical illness and funeral cover. The inclusion of such benefits are considered to be comparable with market trends for executive director positions. In addition, they are able to claim for reasonable business expenses incurred on their own account.

# REMUNERATION AND NOMINATION COMMITTEE REPORT
(Continued)

**REMUNERATION PRINCIPLES** (Continued)

Executive directors are remunerated as follows:

- Total cost to company package;
- Participate in Short term incentive; and
- Participate in Long term incentive.

Executive director annual salary reviews and increases are based on market trends and performance. Increases for executive directors were set at 6% effective 1 March 2019 (2018: 6%). Such increases were applied on the total-cost-to-company remuneration package.

Executive directors are entitled to participate in the annual Short Term Incentive Programme. The Short Term Incentive Programme is reviewed annually and is based on set key performance indicators. The programme is aligned using the annual total cost to company (TCTC) remuneration package as a base and set as a maximum 50% entitlement for executive directors for successful achievement of the set key performance indicators.

Long term incentive schemes consists of The Value Group Share Incentive Trust, where elected executive participants are awarded options which are equity settled once vested and exercised. Detailed breakdown of the mechanics of this Long Term Incentive and the executive participants are reflected in note 29 of the integrated annual report. Participants to the Long Term Incentive consists of executive directors only. During the year under review, no options were awarded to executives (2018: 250 000).

The remuneration set out above for non-executive and executive directors are considered to be fair, transparent and in the best interest of the Group.

**Senior Management**

Senior management within the Group consist of a mixture of divisional directors and divisional heads. Divisional directors and divisional heads are remuneration on a TCTC basis. As part of their remuneration package they are entitled to structure their individual packages with the overriding factor being that packages have to be in compliance with relevant income tax legislation. Inclusive in their packages are benefits relating to medical insurance, retirement funding, group life, income protector, critical illness and funeral cover. The inclusion of such benefits are considered to be comparable with market trends for senior management positions. In addition, they are able to claim for reasonable business expenses incurred on their own account.

Senior management annual salary reviews and increases are based on market trends and individual performance. Increases percentages awarded ranged from 0% to 6% on a TCTC basis (2018 : 0% to 6%) based on performance evaluation processes.

The senior management team is entitled to participate in the annual Short Term Incentive Programme. The Short Term Incentive Programme is reviewed annually and is based on set key performance indicators. The programme is aligned using the annual TCTC remuneration package as a base. Dependent on the seniority of the role the percentage entitlement ranges from 20% to 30%. Payment for successful achievement of set key performance indicators takes place annually in April. Amounts payable is subject to the relevant tax legislation. Although short term in nature, the mechanics and rewards of the scheme has ensured long term retention of key staff. Accordingly, senior management do not participate in the Long Term Value Group Share Incentive Scheme.

# REMUNERATION AND NOMINATION COMMITTEE REPORT
(Continued)

**General Staff**

General staff are defined as employees who by virtue of their roles, duties and job grading fall under the auspices of the Basic Condition of Employment Act. Dependent on level of role and Patterson Job Grading, remuneration packages are structured on either a TCTC basis or basic salary structure. Certain staff in this category have various benefits relating to medical insurance, retirement funding, group life, income protector, critical illness and funeral cover. In addition, staff are reimbursed for reasonable business expenses.

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 the following elements:

- Individual performance rating given in the appraisals;
- Market salary benchmarking;
- The Group's budget;
- Equal work for equal pay principles within the applicable specific sector; and
- Increase percentages awarded ranged from 0% to 6% (2018: 0% to 6%) based on performance evaluations.

Certain staff are eligible to participate in a bonus scheme. The mechanics of the scheme are designed to reward individual performance but also to harvest team work by applying a second factor linked to divisional performance.

In the 2018 financial year, The Value Group Empowerment Trust was extended for a further 5 years to July 2022. This long term incentive has been awarded to select BBBEE staff members on recommendation by the board based on their function in the Group and as a means of retaining those incentivised. This incentive is equity settled once notional loans owing are repaid. Detailed breakdown of the mechanics of this long term incentive are reflected in note 29 of the integrated annual report.

**Bargaining Unit Staff.**

A large portion of 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. The centrally negotiated increase for the bargaining unit for the 2020 financial year amounted to 8% (2019: 8.5%). For the extended bargaining unit the centrally negotiated increase for the 2020 financial year amounted to 7% (2019: 7.5%).

All staff in this category have benefits relating to medical insurance, retirement funding, group life, income protector, critical illness and funeral cover. Employees who are governed by the National Bargaining Council receive bonuses in accordance with the main agreement of the Bargaining Council annually.

# REMUNERATION AND NOMINATION COMMITTEE REPORT
(Continued)

## REMUNERATION IMPLEMENTATION REPORT

2019

Non-executive directors' fees earned in 2019 exceeded the total fees approved due to the requirement for an additional board and an audit committee meeting, as follows:

| **Annual totals Rands** | **2019 Approved fee** | 2019 Fees earned | 2019 Additional fees earned |
|---|---|---|---|
| CD Stein | **854 630** | 936 806 | 82 176 |
| IM Groves | **683 704** | 745 859 | 62 155 |

2020

Non-executive directors' fees for 2020 will exceed the total fees approved due to the requirement for an additional board and an audit committee meetings, as follows:

| **Annual totals Rands** | **2020 Approved fee** | 2020 Proposed additional fees | 2020 Proposed fees total |
|---|---|---|---|
| CD Stein | **897 441** | 86 292 | 983 733 |
| IM Groves | **717 953** | 65 268 | 783 221 |
| NM Phosa | **569 680** | 56 968 | 626 648 |
| VW Mcobothi | **500 746** | 47 690 | 548 436 |

2021

The annual totals for each non-executive director are follows:

| **Annual totals Rands** | **2021 Proposed fee** | 2020 Current approved fee | 2019 Fees earned |
|---|---|---|---|
| CD Stein | **1 042 758** | 897 441 | 936 806 |
| IM Groves | **830 215** | 717 953 | 745 859 |
| NM Phosa | **664 247** | 569 680 | 542 504 |
| VW Mcobothi | **581 344** | 500 746 | 442 797 |

Shareholders will be requested to vote on the special resolutions 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, as well as the additional fees paid for 2019 and the additional fees payable for 2020. Proposed fees for 2021 financial year have also been included in the resolutions for approval by shareholders.

# REMUNERATION AND NOMINATION COMMITTEE REPORT
(Continued)

**2019 Directors' cost to company**

A detailed breakdown of remuneration paid to directors in the 2019 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 | 2019 | 2018 |
|---|---|---|
| **Executive** | | |
| SD Gottschalk | **6 869** | 6 480 |
| CL Sack | **7 758** | 6 553 |
| M Padiyachy | **6 164** | 6 854 |
| **Non-executive** | | |
| CD Stein | **937** | 814 |
| IM Groves | **746** | 639 |
| NM Phosa | **543** | 456 |
| VW Mcobothi | **443** | 424 |

The board has determined that there are no prescribed officers.

**Total staff costs**

One of the ongoing 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 various compulsory retirement funding and group life benefits to permanent salaried and waged employees. Certain staff have access to a non-compulsory medical aid. The Group's contribution in respect of the provident and pension fund and group life cover for the current year amounted to R37 103 000 (2018: R34 235 000).

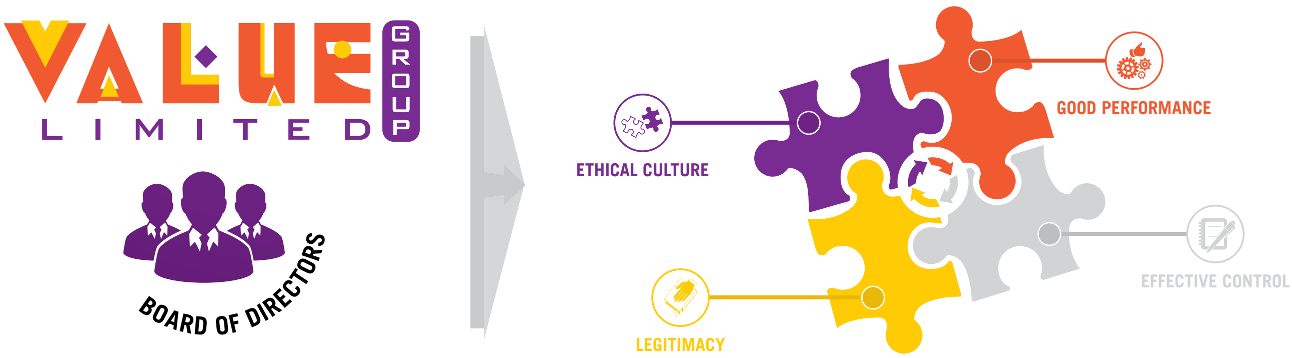
## VOTING

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.<br>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.<br>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, value creation and risk management disclosures.<br>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 on 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 2019 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.<br>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.<br>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. The board is satisfied that the Group has complied with all the relevant laws and regulations for the period under review. |
| | **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 co-ordinating the risk management process;
- developing frameworks, methodologies and policies related to the risk management effort;
- co-ordinating 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 executive divisions and business units.

Executive and 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**<br><br>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. | • Diversify the revenue streams and industry verticals through organic and acquisitive growth initiatives.<br>• Increased focus on profitable areas of the business.<br>• Expand and enhance service offerings to existing customers.<br>• Review fleet size and composition to maximise profitability.<br>• Review rate structures for competitiveness in the market.<br>• Identify and leverage off synergies and efficiencies to reduce the cost base. |
| **2. Regulatory compliance risk**<br><br>The Group is subject to a multitude of legislative statutes and regulations 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 regulations and assessment of the impact on the Group.<br>• Ongoing training of management on the implications of current, new and changes in existing legislation.<br>• All legal issues channelled through the Group's legal department.<br>• Certain specialist Risk Mitigation departments established which monitor and ensure compliance in areas assessed as high risk.<br>• Standard operating procedures across the Group. |

# RISK MANAGEMENT (Continued)

| RISKS | RISK MITIGATION |
|---|---|
| **3. Information technology risk**<br><br>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 reputational damage. | • Regular reporting to the Group's board in relation to IT projects underway, proposals for capital expenditure, IT governance and alignment with strategy.<br>• 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.<br>• Continuous drive towards application improvements, implementation of new technologies and automation of manual processes.<br>• Projects are underway to upgrade a large portion of the major IT applications and databases to the latest versions.<br>• Ongoing training and awareness strategies to educate staff of the methodologies and effects of cyber-crime.<br>• Lock down and implementation of additional network, application and infrastructure security features to counter cyber threats. |
| **4. Staff succession risk**<br><br>The availability of people with the required skill sets in the logistics market is very limited. Consequently, existing staff have to be developed, upskilled and retained which has led to an ageing, skilled employee base. | • Senior Management incentive schemes designed to retain key personnel.<br>• Succession plan in place for a number of Senior Management positions.<br>• Multi-skilling of staff.<br>• Promotion of existing staff to provide opportunities for advancement and growth.<br>• Re-evaluation of packages to ensure they are market related.<br>• Replacement of vital staff with industry experience as required. |

# RISK MANAGEMENT (Continued)

| RISKS | RISK MITIGATION |
|---|---|
| **5. Labour and supplier disruptions risk**<br>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.<br>• Labour pay rates are all aligned to that prescribed by the bargaining councils where applicable.<br>• The Group operates in different locations with the ability to change supply chain locations. The risk is thus spread and dissipated.<br>• Conversion of a large portion of labour broker staff to permanent employees in the Group.<br>• Contracts with key suppliers governing service delivery and service level agreements. |
| **6. Risk of fire**<br>The facilities of the Group could be susceptible to the risk of fire, thereby negatively impacting customers utilising the warehousing and distribution services of the Group. | • All facilities containing customer products that are larger than two five hundred square metres have roof mounted fire sprinklers. In addition, in-line rack sprinklers have been installed in facilities that make use of product pallet racking.<br>• Flammable and chemical products are warehoused and distributed from purpose-built facilities, thereby removing exposure to other products warehoused and distributed.<br>• All facilities have fire clearance certificates. Facilities handling dangerous goods have the required permits and licences.<br>• Compliance with regulated stacking heights, product mixes and product locations to reduce the risk of fire.<br>• Stringent testing and maintenance schedules of all fire retardant and fire management equipment in all premises. Facilities with fire sprinkler systems supplied by fire pumps and bulk water tanks are services by ASIB approved service providers. |

# 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 its 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 2020 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 financial statements. The financial statements have been examined by the external auditors and their report is presented on page 58.

The annual financial statements set out on pages 66 to 126, which have been prepared on the going concern basis, were approved by the board on 21 June 2019 and were signed on its behalf by:

**CD Stein**
Chairman

**SD Gottschalk**
Chief executive officer

# PREPARATION AND LEVEL OF ASSURANCE

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

Date published: 21 June 2019

# 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:
**Fluidrock Advisory Proprietary Limited**

21 June 2019

# AUDIT AND RISK COMMITTEE REPORT

**for the year ended 28 February 2019**

## 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 36 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 engagement 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;
- 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 the internal auditors concerning the effectiveness of internal controls, systems and procedures;
- reviewed the reports of the internal 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:
  - o Interim results for the six months ended 31 August 2018;
  - o Preliminary results for the year ended 28 February 2019; and
  - o Audited results for the year ended 28 February 2019.
- 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 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 the Group 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 independence and has satisfied itself that the external auditor was independent of the Group 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.

SVG has been the Group's auditors for 22 years. The firm rotates the designated engagement partner at least every five years. Requisite assurance was sought and provided by the external auditor that internal governance processes within 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 2019.

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, SVG as the external auditor for Value Group Limited for the financial year ended 28 February 2020.

## 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 2019 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 2019 (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

21 June 2019

# INDEPENDENT AUDITOR'S REPORT

**for the year ended 28 February 2019**

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 66 to 126, which comprise the consolidated statement of financial position as at 28 February 2019, 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 2019, 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. 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 judgment, were of most significance in our audit of the consolidated financial statements for the year ended 28 February 2019. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements.

The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Measurement of expected credit losses (“ECL”) on trade receivables:</td><td></td></tr>
<tr><td>IFRS 9 requires an impairment of trade receivables to be assessed in terms of an ECL model.<br><br>In terms of the impairment approach in IFRS 9 it is not necessary for a credit event to have occurred before credit losses are recognised. Entities must instead account for expected credit losses and changes in those expected credit losses.<br><br>In terms of IFRS 9 an entity shall always measure the loss allowance at an amount equal to lifetime ECL for trade receivables which do not contain a significant financing component as specified in IFRS 15.<br><br>IFRS 9 requires an entity to measure ECL of a financial instrument in a way that reflects:<br><br>(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;<br><br>(b) the time value of money; and<br><br>(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.<br><br>The directors need to apply significant judgement in assessing the expected credit losses on trade receivables.<br><br>Trade receivables and ECLs are disclosed in note 9 of the financial statements.<br><br>Due to the significant judgement applied by the directors ECL on trade receivables is considered to be a key audit matter.</td><td>We focused our testing of the ECL on the key judgements made by the directors.<br><br>Our audit procedures included:<br><br>• Assessing our ability to rely on the work of the Group’s consultant.<br><br>• Testing the process followed by the directors in arriving at their ECL estimate. We designed and performed audit procedures to obtain sufficient appropriate audit evidence regarding the risks of material misstatement relating to:<br><br>- The selection and application of the methods, significant assumptions and the data used by the directors and the Group’s consultant making the ECL estimate; and<br><br>- How the directors selected the point estimate and developed related disclosures about estimation uncertainty.<br><br>• Obtaining audit evidence from events occurring up to the date of our report.<br><br>We found that the assumptions and judgements used by the directors in determining the ECL were appropriate in the circumstances.<br><br>We found that the disclosure requirements of IFRS 9 were sufficient and appropriate in all material respects.</td></tr>
</table>

# INDEPENDENT AUDITOR'S REPORT

**for the year ended 28 February 2019** (Continued)

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Testing goodwill for impairment** | |
| Total goodwill of R16,6m 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.<br><br>Th annual impairment test was significant to our audit as the goodwill impairment test is complex and highly judgemental.<br><br>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:<br><br>- Evaluation whether the model complies with the requirements of IAS 36: Impairment of Assets;<br>- Comparing the inputs for the discounted cash flow to forecasted and historical information;<br>- Evaluating the key assumptions used to forecast cash flows based on expected and historical performance;<br>- Assessing the reasonability of the period used to forecast cash flows;<br>- Using the above information, challenging management on the key assumptions used in the cash flow forecasts and discount rate;<br>- Assessing the individual components of the discount rate by comparison to market variables and by applying our own sensitivity analysis; and<br>- Assessing the model's results based on a range of possible outcomes.<br><br>We found the goodwill impairment assessments to be reasonable and fair. 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, which we obtained prior to the date of this report. 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.

# INDEPENDENT AUDITOR'S REPORT

**for the year ended 28 February 2019** (Continued)

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 SVG has been the auditor of Value Group Limited for 22 years.

SVG

**EL Steyn**
Partner
Registered Auditor

21 June 2019

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# DIRECTORS' REPORT

**for the year ended 28 February 2019**

The directors have pleasure in submitting their report together with the consolidated financial statements for the year ended 28 February 2019.

## 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 11% from R2,513 billion to R2,780 billion, however the gross profit margin decreased from 31,3% to 30,0%. Gross profit of R834,7 million was generated (2018: R787,0 million). The previous years' initiatives to reduce operating costs and ongoing stringent cost controls have resulted in the containment of operating expenses which escalated by only 2% to R672,8 million. This change, together with improved gross profits, contributed to operating profit margins improving from 6,2% to 6,9% and operating profit (before the corresponding period's once-off BBBEE transaction costs) increasing by 24% to R192 million.

Headline earnings increased by 52% from 58,7 cents per share to 89,2 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

During the current period 7 319 867 shares were acquired at a cost of R34,3 million. Subsequent to 28 February 2019, 330 708 shares were repurchased at a cost of R1,98 million. On 8 May 2018, a total of 9 618 378 treasury shares were cancelled against reserves and delisted. On 17 January 2019, a total of 4 174 100 treasury shares were cancelled against reserves and delisted. Pursuant to these cancellations, there are currently 172 635 000 ordinary shares in issue.

## EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Aside from the share repurchase transactions as 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 1 393 204 (2018: 1 774 272) ordinary shares in Value Group Limited. These shares represent 0,8% (2018: 1,0%) of the total issued share capital.

The Value Group Empowerment Trust owns 10 429 010 (2018: 10 429 010) A ordinary shares in Value Group Limited. These shares represent 5,7% (2018: 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.

## DIVIDENDS

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

Dividend number 24 of 13 cents per share was declared on 24 October 2018 and paid on 21 January 2019 to shareholders registered on 15 January 2019.

Dividend number 25 of 27 cents per share was declared on 10 May 2019 and will be paid on 1 July 2019 to shareholders registered on 25 June 2019.

## DIRECTORATE, SECRETARY AND AUDITORS

The names of the directors in office at the date of this report are set out on pages 8 and 9.

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

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**at 28 February 2019**

| R'000 | Notes | 2019 | 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | **1 039 216** | 1 039 072 |
| Property, vehicles, plant and equipment | 2 | **1 003 231** | 1 004 903 |
| Intangible assets | 3 | **10 981** | 10 603 |
| Goodwill | 4 | **16 561** | 16 561 |
| Loan receivable | 5 | **3 001** | 1 575 |
| Equity-accounted investees | 6 | **77** | 380 |
| Deferred tax | 7 | **5 365** | 5 050 |
| **Current assets** | | **599 564** | 553 514 |
| Inventories | 8 | **103 457** | 66 424 |
| Trade and other receivables | 9 | **313 110** | 335 532 |
| Other financial assets | 10 | **6 140** | 8 765 |
| Current tax receivable | | **913** | 3 176 |
| Cash and cash equivalents | 11 | **175 944** | 139 617 |
| **Non-current assets held for sale** | 12 | **797** | 116 |
| **Total assets** | | **1 639 577** | 1 592 702 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | **895 798** | 848 634 |
| Share capital and premium | 13 | **10 826** | 10 839 |
| Treasury shares | | **(91 433)** | (113 408) |
| Foreign currency translation reserve | | **-** | 104 |
| Share-based payment reserve | | **22 108** | 20 146 |
| Retained income | | **954 297** | 934 283 |
| Equity attributable to owners of the Company | | **895 798** | 851 964 |
| Non-controlling interests | | **-** | (3 330) |
| **Non-current liabilities** | | **304 905** | 290 670 |
| Interest-bearing borrowings | 14 | **125 475** | 108 601 |
| Deferred tax | 7 | **179 430** | 182 069 |
| **Current liabilities** | | **438 874** | 453 398 |
| Trade and other payables | 16 | **380 205** | 379 803 |
| Current portion of interest-bearing borrowings | 14 | **57 219** | 69 227 |
| Current portion of non interest-bearing borrowings | 15 | **-** | 3 268 |
| Other financial liability | 10 | **-** | 31 |
| Current tax payable | | **757** | 464 |
| Shareholders for dividend | | **693** | 605 |
| **Total equity and liabilities** | | **1 639 577** | 1 592 702 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**for the year ended 28 February 2019**

| R'000 | Notes | 2019 | 2018 |
|---|---|---|---|
| **Revenue** | 17 & 23 | **2 779 675** | 2 513 241 |
| Cost of sales | | **(1 945 020)** | (1 726 216) |
| **Gross profit** | | **834 655** | 787 025 |
| Other income | | **30 191** | 28 364 |
| Operating expenses | | **(672 830)** | (659 951) |
| **Operating profit before once-off BBBEE equity transaction costs** | 18 | **192 016** | 155 438 |
| Once-off BBBEE equity transaction costs | | **-** | (19 003) |
| **Operating profit** | | **192 016** | 136 435 |
| Share of (loss)/profit of equity-accounted investees | | **(13)** | 23 |
| Fair value adjustment | 10 | **(2 625)** | 331 |
| Finance income | 19 | **4 293** | 3 386 |
| Finance costs | 20 | **(18 508)** | (17 553) |
| **Net profit before taxation** | | **175 163** | 122 622 |
| Taxation | 21 | **(45 722)** | (40 648) |
| **Net profit for the year** | | **129 441** | 81 974 |
| **Other comprehensive income to be reclassified to profit or loss in subsequent periods** | | | |
| Foreign currency translation differences | | **(104)** | (75) |
| **Total comprehensive income for the year** | | **129 337** | 81 899 |
| **Net profit for the year attributable to:** | | | |
| Owners of the Company | | **126 111** | 83 406 |
| Non-controlling interests | | **3 330** | (1 432) |
| | | **129 441** | 81 974 |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the Company | | **126 007** | 83 331 |
| Non-controlling interests | | **3 330** | (1 432) |
| | | **129 337** | 81 899 |
| **Earnings per ordinary share (cents)** | 22 | | |
| - basic | | **86.8** | 54.8 |
| - diluted basic | | **83.7** | 54.8 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**for the year ended 28 February 2019**

| 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 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** |
| **Transactions with owners** | **(13)** | **21 975** | **-** | **-** | **(106 097)** | **(84 135)** | **-** | **(84 135)** |
| - Dividends paid | **-** | **-** | **-** | **-** | **(50 934)** | **(50 934)** | **-** | **(50 934)** |
| - Treasury shares cancelled | **(13)** | **55 407** | **-** | **-** | **(55 394)** | **-** | **-** | **-** |
| - Treasury shares acquired | **-** | **(34 314)** | **-** | **-** | **-** | **(34 314)** | **-** | **(34 314)** |
| - Treasury shares sold | **-** | **882** | **-** | **-** | **231** | **1 113** | **-** | **1 113** |
| **Total comprehensive income for the year** | **-** | **-** | **(104)** | **1 962** | **126 111** | **127 969** | **3 330** | **131 299** |
| - Net profit for the year | **-** | **-** | **-** | **-** | **126 111** | **126 111** | **3 330** | **129 441** |
| - Share based payment expense | **-** | **-** | **-** | **1 962** | **-** | **1 962** | **-** | **1 962** |
| - Foreign currency translation differences | **-** | **-** | **(104)** | **-** | **-** | **(104)** | **-** | **(104)** |
| **Balance at 28 February 2019** | **10 826** | **(91 433)** | **-** | **22 108** | **954 297** | **895 798** | **-** | **895 798** |

Dividends per share are detailed in note 31.

# CONSOLIDATED STATEMENT OF CASH FLOWS

**for the year ended 28 February 2019**

| R'000 | Notes | 2019 | 2018 |
|---|---|---|---|
| **Cash flows from operating activities** | | **211 257** | 194 694 |
| Cash generated by operations | i | **322 438** | 291 323 |
| Finance income | | **4 293** | 3 386 |
| Finance costs | | **(18 508)** | (17 553) |
| Taxation paid | ii | **(46 120)** | (42 972) |
| Dividends paid | iii | **(50 846)** | (39 490) |
| **Cash flows from investing activities** | | **(56 990)** | (88 928) |
| Purchase of property, vehicles, plant and equipment | | **(51 247)** | (88 854) |
| Purchase of intangible assets | | **(5 072)** | (4 851) |
| Proceeds on disposal of property, vehicles, plant and equipment | | **2 091** | 2 883 |
| Proceeds on disposal of non-current assets held for sale | | **1 834** | 11 498 |
| Payment of vendor - Key Distributors acquisition | | **(3 268)** | (9 804) |
| Dividend received from equity accounted investees | | **290** | - |
| (Increase)/decrease in loan receivable | | **(1 618)** | 200 |
| **Cash flow from financing activities** | | **(117 940)** | (92 438) |
| Repayment of loans | | **(84 739)** | (77 557) |
| Treasury shares acquired | | **(34 314)** | (16 481) |
| Proceeds on disposal of treasury shares | | **1 113** | 1 600 |
| **Net change in cash and cash equivalents** | | **36 327** | 13 328 |
| Translation difference | | **-** | (164) |
| **Cash and cash equivalents at beginning of the year** | | **139 617** | 126 453 |
| **Cash and cash equivalents at end of the year** | 11 | **175 944** | 139 617 |

# NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

**for the year ended 28 February 2019**

| R'000 | | 2019 | 2018 |
|---|---|---|---|
| i | **Cash generated from operations** | | |
| | **Net profit before taxation** | 175 163 | 122 622 |
| | Adjustments for: | | |
| | Depreciation | 96 538 | 96 148 |
| | Amortisation of intangible assets | 4 685 | 6 976 |
| | Impairment of goodwill | - | 3 591 |
| | Impairment of rental vehicles held for sale | 1 313 | - |
| | Finance income | (4 293) | (3 386) |
| | Fair value adjustment to loan receivable | 192 | (207) |
| | Finance costs | 18 508 | 17 553 |
| | Straight-line rental expense | 7 225 | 5 604 |
| | Loss on disposal of property, vehicles, plant and equipment | 4 532 | 3 589 |
| | Loss on disposal of non-current assets held for sale | 252 | (569) |
| | Loss on disposal of intangible assets | 26 | 44 |
| | Profit on disposal of rental assets | (5 292) | (4 262) |
| | Fair value adjustment relating to forward exchange contracts | (31) | (92) |
| | Fair value adjustment of insurance cell | 2 625 | (331) |
| | Foreign currency translation movement | (104) | - |
| | Share-based payment expense | 1 962 | 21 591 |
| | Share of profit of equity-accounted investees | 13 | (23) |
| | **Cash generated by operations before movements in working capital** | 303 314 | 268 848 |
| | Movements in working capital: | | |
| | Inventories | (23 643) | 2 829 |
| | Trade and other receivables | 22 422 | (36 632) |
| | Trade and other payables | (6 823) | 28 908 |
| | **Cash generated by operations before proceeds on disposal of rental assets** | 295 270 | 263 953 |
| | Proceeds on disposal of rental assets | 27 168 | 27 370 |
| | **Cash generated by operations** | 322 438 | 291 323 |
| ii | **Taxation paid** | | |
| | Opening balance | 2 712 | 1 390 |
| | Taxation per note 21 | (48 676) | (41 650) |
| | Closing balance | (156) | (2 712) |
| | | (46 120) | (42 972) |
| iii | **Dividends paid** | | |
| | Charge to the statement of changes in equity | (50 934) | (39 573) |
| | Movement in shareholders for dividend | 88 | 83 |
| | | (50 846) | (39 490) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019**

## 1. PRESENTATION OF FINANCIAL STATEMENTS

Value Group Limited is a company domiciled in South Africa. The consolidated financial statements at and for the period ended 28 February 2019 comprise the Company and its subsidiaries (together referred to as the Group). The primary activities of the Group have been disclosed in the directors' report in detail.

The consolidated financial statements ("the financial statements") have been prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act 71 of 2008.

The financial statements are prepared as a going concern on a historical basis except for certain financial instruments, which are stated at fair value, as applicable. Other than the adoption of IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers, the accounting policies, inclusive of reasonable judgements and assessments, have been consistently applied for all reporting periods presented.

The financial statements are presented in Rand (ZAR), which is the functional currency of the Group. Amounts are rounded to the nearest thousand except where another rounding measure has been indicated.

## 1.1 SIGNIFICANT JUDGEMENTS AND ESTIMATES

In preparing the consolidated 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 over investees***

The Group is considered to exercise control over an entity, or division of that entity when it has the ability to control the activities of that investee and has exposure to variable returns from the investee. Investees that are controlled by the Group are consolidated. Refer to notes 13, 26 and 29.

***Depreciation of property, vehicles, plant and equipment***

Property, vehicles, plant and equipment and IT software are depreciated over their estimated useful lives taking into account estimated residual values. The useful lives and residual values of the assets are assessed at each reporting period 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 1.5. The effect of the change in estimate of residual values is disclosed in note 2.

***Impairment of non-financial assets***

Property, vehicles, plant and equipment and IT software are considered for impairment if there is an indication of impairment. 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 amount and, if lower, the assets are impaired to the value-in-use recoverable amount. No items of property, vehicles, plant and equipment and IT software were impaired during the current reporting period. Refer to notes 2 and 3 for carrying amounts.

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

The following key assumptions were applied:

- the latest available management accounts and financial budgets were used for the first year and a growth rate of 8% for Key Distributors (Pty) Ltd was used until and including the 4$^{th}$ period with 3% growth thereafter;
- a pre-tax discount rate of 17,8% (determined using the Capital Asset Pricing Model) for Key Distributors (Pty) Ltd reflecting the specific risks of the cash generating unit;
- a forecast period of 5 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.

Refer to note 4.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

## 1.1 SIGNIFICANT JUDGEMENTS AND ESTIMATES (Continued)

***Income tax***

Judgement is required in determining the recognition of income tax due to the complexity of legislation. The Group recognises liabilities for anticipated tax 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 recognised, such differences will impact the income tax and deferred tax amounts recognised in the reporting period in which such determination is made. Refer to note 21.

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.

To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recognised at reporting date could be impacted. Refer to note 7 for details of unrecognised tax losses.

***Measurement of ECL allowance for trade receivables***

The Group assesses its trade receivables, loans receivable and other receivables for impairment at each reporting date.

Expected credit losses (ECLs) of receivables were calculated using an analysis of empirical evidence of historical defaults and losses. Calculated ECLs and asset values were put through Moody's Analytics Credit Loss and Impairment Analysis, which incorporates macroeconomic data, forecasts, weightings and correlations to convert historic credit losses to forward looking ECLs. The exposures were segmented into groups that were considered to exhibit similar credit risks and behaviours while specific exposures that were material were evaluated separately and where relevant, given their own ECL.

***Measurement of share-based payment arrangements***

Management uses the Black-Scholes-Merton pricing model to determine the value of the share options granted to employees at grant date. Additional details regarding the estimates are included in note 29 and accounting policy 1.17.

***Allowance for slow moving, damaged and obsolete inventories***

An allowance is recognised to write down inventories to the lower of cost or net realisable value. Management have estimated the selling price and direct cost to sell on certain inventory items. Any write-downs are included in profit or loss. Refer to note 8 for write-downs and carrying amounts.

***Measurement of fair value***

The fair value of foreign exchange contracts is determined using 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 of the cell captive 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 amounts of trade receivables (after taking into account expected credit losses) and trade payables are assumed to be a reasonable approximation of their fair values. Refer to notes 9 and 16.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values.

Significant unobservable inputs and valuation adjustments are regularly reviewed. If third party information is used to measure fair values, this evidence is assessed to determine if the evidence supports the conclusion that the valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's audit committee.

### 1.1 SIGNIFICANT JUDGEMENTS AND ESTIMATES (Continued)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

### 1.2 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group has initially applied IFRS 15 and IFRS 9 from 1 March 2018.

The adoption of these standards had no material impact on the amounts previously reported hence no restatement of comparative information nor opening retained income is required.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control i.e. at a point in time or over a period of time, requires judgement. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application i.e. 1 March 2018.

The Group performed a detailed assessment on the revenue streams and determined an immaterial impact on the position and performance of the Group.

Apart from providing more extensive disclosures for the Group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

For information about the Group's accounting policies relating to revenue recognition, see note 1.14.

**IFRS 9 Financial Instruments**

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy non-financial items. This standard replaced IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 introduced new requirements for:

- the classification and measurement of financial assets and financial liabilities;
- impairment of financial assets; and
- general hedge accounting.

Additionally, the Group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosure,* that are applied to disclosures for the current period.

***i. Classification and measurement of financial assets and financial liabilities***

IFRS 9 contains three principal classification categories for financial assets:

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVTPL).

The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, refer to note 1.7.2.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

## 1.2 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

***ii. Impairment of financial assets***

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Additional information about how the Group measures the allowance for impairment is described in note 1.7.4.

***iii. Transition***

The Group's accounting policies have been updated for the adoption of IFRS 9 but have not changed significantly, except for the effects of the new impairment model (see above).

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held; and
- The designation and revocation of previous designations of certain financial assets as measured at FVTPL.

## ACCOUNTING POLICIES

## 1.3 BASIS OF CONSOLIDATION

**Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree.

Acquisition related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share Based Payments at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

**ACCOUNTING POLICIES** (Continued)

**1.3 BASIS OF CONSOLIDATION** (Continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss.

Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete.

Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

**Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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 over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The Group reassesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with the Group's accounting policies.

**Non-controlling interests (NCI)**

Non controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition by acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

**Loss of control**

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between

- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

## ACCOUNTING POLICIES (Continued)

### 1.3 BASIS OF CONSOLIDATION (Continued)

**Interests in equity-accounted investees**

The Group's interests in equity-accounted investees comprise interests in an associate and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control over an entity, whereby the Group has rights to the net assets of the jointly controlled entity.

Interests in the associate and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and other comprehensive income (OCI) of equity-accounted investees, until the date on which significant influence or joint control ceases.

**Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### 1.4 FOREIGN CURRENCY

In preparing the financial statements of the individual companies, transactions in currencies other than the Group's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity.

On the disposal of a foreign operation, all of the exchange differences accumulated in the separate component of equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

### 1.5 PROPERTY, VEHICLES, PLANT AND EQUIPMENT

Property, vehicles, plant and equipment are tangible assets which the Group holds for supply of services, for rental to others or for administrative purposes.

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 are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, vehicles, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, vehicles, plant and equipment.

## ACCOUNTING POLICIES (Continued)

### 1.5 PROPERTY, VEHICLES, PLANT AND EQUIPMENT (Continued)

Any gain or loss on disposal of an item of property, vehicles plant and equipment is recognised in profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation of an asset commences when the asset is available for use as intended by management.

Depreciation is calculated to write off the cost of items of property, vehicles, plant and equipment over their estimated useful lives to their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

| | |
|---|---|
| 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 |

When indicators are present that the useful lives and residual values of items of property, plant and equipment have changed since the most recent annual reporting date, they are reassessed. Any changes are accounted for prospectively as a change in accounting estimate.

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 rental periods 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.

### 1.6 INTANGIBLE ASSETS AND GOODWILL

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Other intangible assets, such as IT software, that are acquired by the Group and have finite useful lives are initially recognised at cost and subsequently at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets to their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows:

| | |
|---|---|
| IT software | 5 years |

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash generating units) expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

## ACCOUNTING POLICIES (Continued)

### 1.7 FINANCIAL INSTRUMENTS

Certain sections of the accounting policies relating to financial instruments state different policies for the treatment under IFRS 9 and IAS 39. These have been denoted as either "Policy applicable from 1 March 2018" or "Policy applicable before 1 March 2018" respectively. Sections that do not contain this differentiation relate to accounting policies which have remained consistent both before and after the implementation of IFRS 9.

**1.7.1 Recognition and initial measurement of financial assets and financial liabilities**

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (except for trade receivables without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**1.7.2 Classification and subsequent measurement**

***Financial assets – Policy applicable from 1 March 2018***

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI – debt investment, FVOCI – equity investment or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

*Business model assessment*

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated, e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

*Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs).

**ACCOUNTING POLICIES** (Continued)

**1.7 FINANCIAL INSTRUMENTS** (Continued)

**1.7.2 Classification and subsequent measurement** (Continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the sole payments of principal and interest criteria if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criteria if the fair value of the prepayment feature is insignificant at initial recognition.

*Subsequent measurement and gains and losses*

Financial assets at FVTPL are subsequently measured at fair value. Net gains or losses are recognised in profit or loss. These include forward exchange contracts and an investment in insurance cell captive.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment losses are recognised in profit or loss. Any derecognition gain or loss is recognised in profit or loss. These include trade and loan receivables.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

*Equity instruments designated as at FVTOCI*

On initial recognition, the Group may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short term profit taking; or
- it is a derivative.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not to be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

**ACCOUNTING POLICIES** (Continued)

**1.7 FINANCIAL INSTRUMENTS** (Continued)

**1.7.2 Classification and subsequent measurement** (Continued)

*Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses'. Fair value is determined in the manner described in note 1.19.

***Financial assets – Policy applicable before 1 March 2018***

The Group classified its financial assets into one of the following categories:

- loans and receivables; and
- at FVTPL, and within this category as:
  - held for trading; and
  - designated at FVTPL.

*Subsequent measurement and gains and losses*

Financial assets at FVTPL measured at fair value and changes therein were recognised in profit or loss.

Financial assets at amortised cost measured at amortised cost using the effective interest method.

***Financial liabilities and equity – Classification, subsequent measurement and gains and losses***

*Classification as debt or equity:*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*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. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. Other financial liabilities include trade and other payables and borrowings measured at amortised cost.

*Financial liabilities at FVTPL*

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short term profit taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

**ACCOUNTING POLICIES** (Continued)

**1.7 FINANCIAL INSTRUMENTS** (Continued)

**1.7.2 Classification and subsequent measurement** (Continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

*Financial liabilities at amortised cost*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

**1.7.3 Derecognition**

***Financial assets***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

***Financial liabilities and equity***

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

**ACCOUNTING POLICIES** (Continued)

**1.7 FINANCIAL INSTRUMENTS** (Continued)

**1.7.4 Impairment of financial instruments**

***Policy applicable from 1 March 2018***

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the 12 month ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, informed credit assessment and forward-looking information.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has an internal rating of 'Grade A: low risk'. Grade A: low risk means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, evidenced by:

- the borrower not fulfilling its commitments in terms of its agreed upon terms and conditions either in relation to its initial contract or its subsequent payment arrangement with the Group;
- the borrower not responding to the Group's letters of demand for payment; and
- outstanding amounts subsequently handed over to legal.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

There is no effect of discounting on the ECL due to the short term nature of trade receivables.

**ACCOUNTING POLICIES** (Continued)

**1.7 FINANCIAL INSTRUMENTS** (Continued)

**1.7.4 Impairment of financial instruments** (Continued)

*Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

*Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

*Write-off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof after exhausting all avenues of recovery. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off.

***Policy applicable before 1 March 2018***

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments.

An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off.

If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

**1.7.5 Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**1.7.6 Derivative financial instruments**

The Group holds derivative financial instruments to hedge its foreign currency and risk exposures. Any reference to hedging in these financial statements relates to an economic hedge. The Group does not apply hedge accounting.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non current asset or a non current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

## ACCOUNTING POLICIES (Continued)

### 1.8 INVENTORIES

Inventories include, merchandise for sale, forklifts, fuel and maintenance spares, and vehicles and forklifts which previously formed part of the rental fleet.

Inventories are stated at the lower of cost and net realisable value.

Cost comprises all costs of purchase and, where applicable, those other costs that have been incurred in bringing the inventories to their present location and condition.

Cost is calculated using the weighted average cost method for merchandise for sale, FIFO for fuel and maintenance spares and the specific identification basis for forklifts and vehicles.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Vehicles 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. Subsequent to being transferred depreciation ceases and these assets are measured at the lower of their carrying amount or net realisable value.

### 1.9 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, these assets are no longer depreciated.

Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate that will be disposed of, is classified as held for sale when the criteria described above are met, and the Group ceases to apply the equity method in relation to the portion that is classified a held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

### 1.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## ACCOUNTING POLICIES (Continued)

### 1.11 SHARE CAPITAL

***Ordinary shares***

Ordinary shares and 'A' Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of such shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12: *Income Taxes*.

***Treasury shares***

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

### 1.12 LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***Group as lessee***

Leases of property that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

*Lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent rentals are recognised as expenses in the periods in which they are incurred.

***Group as lessor***

The Group enters into lease arrangements with customers over its assets as the lessor. The leases do not transfer to the lessee substantially all of the risks and rewards incidental to ownership of the leased assets and, therefore, are treated as operating leases.

These leases are mainly for vehicles and forklifts provided to customers, subject to minimum periods varying between two and five years.

Lease income received under operating leases is recognised as revenue on a straight-line basis over the term of the lease.

### 1.13 INCOME TAX

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

***Current tax***

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable.

Current tax assets and liabilities are offset only if certain criteria are met.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

## ACCOUNTING POLICIES (Continued)

### 1.13 INCOME TAX (Continued)

***Deferred tax***

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### 1.14 REVENUE

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The Group's products and services include the following streams:

- sale of merchandise, rental assets and forklifts;
- transport and distribution;
- clearing and forwarding;
- warehousing;
- forklift and commercial vehicle rental;
- insurance commissions; and
- forklift and commercial vehicle service and repairs.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

The following table provides information about the nature and timing of the satisfaction of performance obligations (POs) in contracts with customers, including significant payment terms, and the related revenue recognition policies.

**ACCOUNTING POLICIES** (Continued)

**1.14 REVENUE** (Continued)

| Type of product or service | Nature and timing of satisfaction of POs, including significant payment terms | Revenue recognition under IFRS 15 (policy after 1 March 2018) | Revenue recognition under IAS 18 (policy before 1 March 2018) |
|---|---|---|---|
| Sale of merchandise, rental assets and forklifts | Customers obtain control of these products when the goods are delivered to and have been accepted by the customer. Invoices are generated at that point in time.<br><br>Invoices are usually payable COD or within 30 days. No discounts are allowed. | Revenue is recognised when the goods are delivered and have been accepted by customers at their or our premises. | Revenue from the sale of merchandise, rental assets and forklifts was recognised when delivery to the buyer had taken place, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred. |
| Transport and distribution | Invoices for transport and distribution services are issued once the service has been undertaken and are usually payable within 30 days of statement date. | Revenue is recognised over time as customers' products are being transported to the required destination. | Revenue from transport and distribution is recognised when the parcel reaches the destination. |
| Clearing and forwarding agent | Invoices for clearing and forwarding services are based on a percentage of costs incurred with customers.<br><br>Invoices for shipments are billed once the goods are cleared through customs, which is generally between 3-5 days before the vessel arrives at its destination. Invoices for airfreight services are billed once the goods are delivered.<br><br>Invoices are payable within 7 to 30 days, depending on the payment terms of the specific customer. | The Group recognises revenue over time only if the Group can reasonably measure its progress towards complete satisfaction of the performance obligation.<br><br>The Group cannot estimate or reasonably measure the progress of satisfying the performance obligation.<br><br>Therefore, the performance obligation is satisfied at a point in time when the goods are delivered to the required destination or when the expenses are incurred, whichever is earlier. | 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. |
| Warehousing | Invoices for warehousing services are issued on a monthly basis and are usually payable 7 to 30 days of statement date. | Revenue is recognised over time as the services are provided. The progress measure for determining the amount of revenue to recognise is assessed based on the period that the relevant space is occupied. | Revenue from warehousing is recognised at every month end. |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

## ACCOUNTING POLICIES (Continued)

### 1.14 REVENUE (Continued)

| Type of product or service | Nature and timing of satisfaction of POs, including significant payment terms | Revenue recognition under IFRS 15 (policy after 1 March 2018) | Revenue recognition under IAS 18 (policy before 1 March 2018) |
|---|---|---|---|
| Forklift and commercial vehicle rental | Invoices for vehicle rentals are issued on a monthly basis and are usually payable within 30 days of statement date. | Revenue is recognised over time i.e. over the rental period based on the agreed upon applicable rates per day.<br>Kilometres travelled are determined on a monthly basis. | Revenue from forklift and commercial vehicle rental is recognised at every month end. |
| Insurance commissions | A subsidiary of the Group earns commission in exchange for acting as an intermediary on behalf of Mutual and Federal to provide insurance to the Group's customers.<br>The subsidiary is responsible for ensuring that the customer and Mutual and Federal conclude a contract where required. The subsidiary is only required to 'broker' the relationship between the customer and Mutual and Federal, and has no further involvement relating to the insurance contract.<br>Invoices are usually payable within 15 days of statement date. | Revenue, in the form of commission, is recognised at a point in time when an insurance contract has been completed between an insurer and a customer. | Revenue from insurance commission is recognised on conclusion of the insurance contract. |
| Forklift and commercial vehicle service and repairs | Invoices for services and repairs are issued on completion and are usually payable within 30 days. | Revenue is recognised over time as the services are provided. The progress measure for determining the amount of revenue to recognise is assessed based on the level of completion of the service and repair provided to the customer. | Revenue from services and repairs is recognised with reference to the stage of completion. |

## ACCOUNTING POLICIES (Continued)

### 1.15 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

There were no qualifying assets and borrowing costs capitalised, these were all expensed.

### 1.16 FINANCE INCOME AND FINANCE COSTS

The Group's finance income and finance costs include:

- interest income; and
- interest expense;

Interest income or expense is recognised using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

### 1.17 EMPLOYEE BENEFITS

***Short-term employee benefits***

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

***Defined contribution plans***

Obligations for contributions to defined contribution plans are recognised in profit or loss as the related service is provided.

***Share-based payment arrangements***

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions.

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.

The revision of original estimates, including forfeitures, if any, are recognised in profit or loss, with a corresponding adjustment to equity at each reporting date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

## ACCOUNTING POLICIES (Continued)

### 1.18 OPERATING PROFIT

Operating profit is the result generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of equity-accounted investees and income taxes.

### 1.19 FAIR VALUE MEASUREMENT

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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group measures financial instruments, such as forward exchange contracts and the investment in the insurance cell captive, at fair value at each reporting date.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

### 1.20. NEW STANDARDS AND INTERPRETATIONS

**Standards and interpretations not yet effective**

A number of new standards are effective for annual periods beginning after 1 March 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

#### 1.20.1 IFRS 16 Leases

IFRS 16 is applicable for annual reporting periods commencing on or after 1 January 2019. IFRS 16 introduces a single, on-balance sheet lease accounting methodology for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a corresponding lease liability representing its obligation to make lease payments, with certain exemptions for short-term leases or leases of low-value assets.

Lessor accounting remains similar to the current standard, i.e., lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group is required to adopt IFRS 16 from 1 March 2019. The Group has performed an initial assessment of the estimated impact that the application of IFRS 16 will have on its consolidated financial results.

## ACCOUNTING POLICIES (Continued)

### 1.20. NEW STANDARDS AND INTERPRETATIONS (Continued)

#### 1.20.1 IFRS 16 Leases (Continued)

***Leases in which the Group is a lessee***

The Group will recognise right-of-use assets and associated liabilities for its operating leases of premises. The nature of expenses related to those leases will change as the Group will recognise a depreciation charge for the right-of-use assets and interest expense on the lease liabilities. Previously, the Group recognised operating lease expenses on a straight-line basis over the term of the leases.

Based on the information available, the effect on the statement of financial position as at 28 February 2019 will be:

| R'000 | 28 Feb 2019 |
|---|---|
| **Assets** | |
| Increase in right-of-use assets | **754 330** |
| | **754 330** |
| | |
| **Equity and liabilities** | |
| Decrease in retained income | **(157 838)** |
| Increase in lease liability | **981 754** |
| Decrease in lease smoothing provision | **(8 205)** |
| Decrease in deferred tax liability | **(61 381)** |
| | **754 330** |

The effect on the statement of comprehensive income for the year ended 28 February 2019 will be:

| R'000 | 28 Feb 2019 |
|---|---|
| Decrease in operating lease expense | **(203 834)** |
| Increase in depreciation | **157 598** |
| Increase in finance costs | **90 635** |
| Decrease in net profit before taxation | **44 399** |
| Decrease in taxation - deferred | **(12 432)** |
| Decrease in net profit for the year | **31 967** |

***Transition***

The Group plans to apply IFRS 16 initially on 1 March 2019, using the full retrospective approach, therefore comparative information will be restated. Cash outflows associated with the adoption of IFRS 16 as regards the payment of the lease obligations will not change. The Group plans to apply the practical expedient not to reassess whether a contract is, or contains, a lease at the date of initial application. The Group will apply IFRS 16 to only those contracts that were previously identified as leases under IAS 17 and IFRIC 4.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

## ACCOUNTING POLICIES (Continued)

### 1.20. NEW STANDARDS AND INTERPRETATIONS (Continued)

#### 1.20.2 Other standards

The following amended standards and interpretations are not expected to have a material impact on the Group's consolidated financial statements:

| Standard | Details of amendment | Effective for annual periods beginning on or after |
|---|---|---|
| IFRS 3, Business Combinations | *Definition of a Business:* The amendments:<br>• confirmed that a business must include inputs and a process, and clarified that:<br>o the process must be substantive; and<br>o the inputs and process must together significantly contribute to creating outputs.<br>• narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and<br>• added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.<br>The Group expects to adopt the interpretation for the first time in the 2021 financial statements. | 1 January 2020 |
| IFRS 11 *Joint Arrangements* | *Annual Improvements 2015 – 2017 Cycle*:<br>Clarification that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. The Group expects to adopt the interpretation for the first time in the 2020 financial statements. | 1 January 2019 |

| Standard | Details of amendment | Effective for annual periods beginning on or after |
|---|---|---|
| IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* | Disclosure Initiative: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The Group expects to adopt the interpretations for the first time in the 2021 financial statements. | 1 January 2020 |
| IAS 12 *Income Taxes* | *Annual Improvements 2015 - 2017 Cycle*:<br>Clarification that all income tax consequences of dividends should be recognised in profit or loss, regardless how the tax arises. The Group expects to adopt the interpretation for the first time in the 2020 financial statements. | 1 January 2019 |
| IAS 23 *Borrowing Costs* | *Annual Improvements 2015 -2017 Cycle*:<br>The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The Group expects to adopt the interpretation for the first time in the 2020 financial statements. | 1 January 2019 |
| IFRIC 23 *Uncertainty over income tax treatments* | The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes. The Group expects to adopt the interpretation for the first time in the 2020 financial statements. | 1 January 2019 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

| R'000 | Cost | Accumulated depreciation | Carrying amount | Opening carrying amount |
|---|---|---|---|---|
| **2. PROPERTY, VEHICLES, PLANT AND EQUIPMENT** | | | | |
| **2019** | | | | |
| **Owned Assets** | | | | |
| Property | **39 722** | **(2 941)** | **36 781** | **37 249** |
| Plant and equipment | **161 398** | **(80 294)** | **81 104** | **86 170** |
| Motor vehicles and accessories | **993 802** | **(341 576)** | **652 226** | **617 688** |
| Office furniture and equipment | **31 857** | **(27 508)** | **4 349** | **5 593** |
| Computer equipment | **93 033** | **(81 800)** | **11 233** | **15 227** |
| Forklifts | **342 262** | **(129 285)** | **212 977** | **238 741** |
| Leasehold improvements | **21 509** | **(16 948)** | **4 561** | **4 235** |
| | **1 683 583** | **(680 352)** | **1 003 231** | **1 004 903** |
| **Capitalised finance lease** | | | | |
| Computer equipment | **10 941** | **(10 941)** | **-** | **-** |
| **Total** | **1 694 524** | **(691 293)** | **1 003 231** | **1 004 903** |
| **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 |

Depreciation decreased by R1 577 000 in the current year (2018: decreased by R1 688 000) due to a change in the estimated residual values of certain asset categories.

There are guarantee facilities of R41 million (2018: R40 million), of which R40 million is secured by a general notarial bond over unencumbered movable assets (vehicles, plant and equipment) to the value of R40 million (2018: R40 million).

A subsidiary of the Group has combined asset based funding facilities of R310,7 million (2018: R264,7 million) of which R163,4 million (2018: R125,8 million) was available at year end. To the extent utilised, these facilities are secured by vehicles and forklifts having a carrying value of R205 511 000 (2018: R242 444 000).

Loan funding facilities of R35 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 R34 680 000 (2018: R27 905 000) and forklifts having a carrying amount of R121 934 000 (2018: R147 643 000) which are subject to full maintenance operating leases. Depreciation for these assets amounted to R16 320 000 (2018: R14 542 000). Refer to note 25.3 for commitments in respect of these leases.

| Additions | Transfers | Transfers to inventory and non-current assets held for sale | Disposals | Depreciation | Adjustment for translation of foreign operation | Closing carrying amount |
|---|---|---|---|---|---|---|
| **-** | **-** | **-** | **(370)** | **(98)** | **-** | **36 781** |
| **6 455** | **(16)** | **-** | **(231)** | **(11 274)** | **-** | **81 104** |
| **120 265** | **-** | **(34 309)** | **(5 269)** | **(46 149)** | **-** | **652 226** |
| **1 319** | **(3)** | **-** | **(84)** | **(2 476)** | **-** | **4 349** |
| **4 189** | **2** | **-** | **(58)** | **(8 127)** | **-** | **11 233** |
| **6 668** | **-** | **(5 037)** | **(611)** | **(26 784)** | **-** | **212 977** |
| **1 956** | **-** | **-** | **-** | **(1 630)** | **-** | **4 561** |
| **140 852** | **(17)** | **(39 346)** | **(6 623)** | **(96 538)** | **-** | **1 003 231** |
| **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **140 852** | **(17)** | **(39 346)** | **(6 623)** | **(96 538)** | **-** | **1 003 231** |
| | | | | | | |
| 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 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

| R'000 | 2019 | 2018 |
|---|---|---|
| **3. INTANGIBLE ASSETS** | | |
| Acquired IT software | | |
| – Cost | **108 664** | 103 628 |
| – Accumulated amortisation and impairment | **(97 683)** | (93 025) |
| | **10 981** | 10 603 |
| Acquired IT software | | |
| Carrying amount at beginning of the year | **10 603** | 12 655 |
| – Additions at cost | **5 072** | 4 851 |
| – Scrapping at cost | **(69)** | (10 202) |
| – Scrapping accumulated amortisation | **43** | 10 158 |
| – Transfers | **17** | 117 |
| – Current amortisation - included in operating expenses | **(4 685)** | (6 976) |
| Carrying amount at end of the year | **10 981** | 10 603 |

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 R1 650 000 (2018: R505 000). The Group has also capitalised development costs for its various software. The carrying amount of this is R5 406 000 (2018: R4 425 000).

The maximum remaining amortisation period of these software, application, upgrades and enhancements is 5 years (2018 – 5 years).

| R'000 | 2019 | 2018 |
|---|---|---|
| **4. GOODWILL** | | |
| Key Distributors Proprietary Limited - cost | **16 561** | 16 561 |

The Group performs an annual test for impairment of the cash generating unit to which goodwill is attributed or more frequently if there are indications that goodwill might be impaired. The cash generating unit for the purposes of the impairment test was determined to be the entire company as a whole.

The recoverable amount of the business (cash generating unit) 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.

The impairment test calculation used a discount rate of 17,8%. The financial budget was used for the first year and a growth rate of 8% was used to 4 years with 3% growth thereafter. (2018: Discount rate of 19,6%. The financial budget was used for the first year and a growth rate of 5% was used to 4 years.)

The impairment calculations performed estimated the recoverable amount of the business at R31 888 000 (2018: R32 216 000). 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 | 2019 | 2018 |
|---|---|---|
| **5. LOAN RECEIVABLE** | | |
| SKR Marketing CC | **3 001** | 1 575 |

This loan is interest free. The loan has been discounted to present value and to account for the financing element interest, is accounted for at the prime bank overdraft rate at the time each advance was made. As the loan was advanced as a social development initiative, an extension of payment terms to 31 March 2020 was granted. The entity is a related party, as disclosed in note 26.

Had interest been charged at the prime bank overdraft rate, interest would have amounted to R184 000 in the current year (2018: R188 000).

The loan is measured at amortised cost. As the effect of discounting is immaterial, the fair value of the loan approximates the carrying amount.

For the purposes of impairment assessment, the loan is considered to have a low credit risk as the members of the close corporation have bound themselves jointly and severally as surety and co-principal debtors for the loan. There have been no defaults in the past.

Accordingly, for the purpose of impairment assessment for this loan, lifetime ECL has been considered upon initial application of IFRS 9, as it was determined on initial application of IFRS 9 that it would require undue cost and effort to determine whether the credit risk has increased significantly since initial recognition to the date of initial application of IFRS 9.

In determining the possible ECL for this loan, the directors of the Group have taken into account the immateriality of the outstanding balance, historical default experience, the financial position of the counterparty, as well as securities obtained. Accordingly, for these reasons, no ECL has been provided.

The maximum exposure to credit risk is the carrying amount of the loan shown above.

| R'000 | 2019 | 2018 |
|---|---|---|
| **6. EQUITY-ACCOUNTED INVESTEES** | | |
| Interest in associate | **-** | 201 |
| Interest in joint venture | **77** | 179 |
| | **77** | 380 |
| **Interest in associate** | | |
| Value SA Proprietary Limited | | |
| Shares at cost, representing a 30% interest | ***** | * |
| Share of retained income | **-** | 201 |
| – Balance at beginning of the year | **201** | 187 |
| – Group's share of net profit after tax | **(15)** | 14 |
| – Dividend received | **(186)** | - |
| | **-** | 201 |

Value SA Proprietary Limited was 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 was South Africa. The company has ceased to trade effective 1 May 2018 due to the termination of a significant customer contract.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

| R'000 | 2019 | 2018 |
|---|---|---|
| **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 | **32** | 134 |
| – Balance at beginning of the year | **134** | 125 |
| – Group's share of net profit after tax | **2** | 9 |
| – Dividend received | **(104)** | - |
| | **77** | 179 |

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 R77 000 (2018: R380 000).

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

*Nominal amount

| R'000 | 2019 | 2018 |
|---|---|---|
| **7. DEFERRED TAX** | | |
| Balance at beginning of the year | **177 019** | 178 031 |
| Temporary differences | **(2 792)** | (1 002) |
| Translation difference | **-** | (10) |
| Prior year overprovision | **(162)** | - |
| Balance at the end of the year | **174 065** | 177 019 |
| *Analysis of significant temporary differences:* | | |
| Accelerated allowances on property, vehicles, plant and equipment | **203 082** | 201 553 |
| Finance lease obligation | **-** | 9 |
| Future rental expense payable | **(2 095)** | (79) |
| Bad debt provision | **(5 350)** | (6 254) |
| Accruals and provisions | **(20 581)** | (18 147) |
| Fair value adjustments | **(117)** | (63) |
| Future revenue | **(874)** | - |
| | **174 065** | 177 019 |
| *Comprising:* | | |
| Deferred tax liability | **179 430** | 182 069 |
| Deferred tax asset | **(5 365)** | (5 050) |
| Balance at end of year | **174 065** | 177 019 |

The amount of tax losses and other temporary differences for which no deferred tax asset was recognised amounts to R7 347 000 (2018: R16 055 000).

| R'000 | 2019 | 2018 |
|---|---|---|
| **8. INVENTORIES** | | |
| Maintenance spares | **9 234** | 9 419 |
| – Cost | **15 748** | 13 860 |
| – Impairments | **(6 514)** | (4 441) |
| Forklifts | **1 728** | 2 549 |
| Fuel | **6 357** | 4 774 |
| Rental vehicles held-for-sale | **14 216** | 3 131 |
| – Opening carrying amount | **3 131** | 7 220 |
| – Impairments | **(1 312)** | 126 |
| – Transfer from property, vehicles, plant and equipment | **31 542** | 11 642 |
| – Disposals | **(19 145)** | (15 857) |
| Rental forklifts held-for-sale | **9 693** | 7 387 |
| – Opening carrying amount | **7 387** | 952 |
| – Transfer from property, vehicles, plant and equipment | **5 037** | 13 686 |
| – Disposals | **(2 731)** | (7 251) |
| Merchandise for sale | **62 229** | 39 164 |
| | **103 457** | 66 424 |
| Inventories recognised in cost of sales as an expense during the year | **866 671** | 741 026 |
| Carrying value of inventories carried at net realisable value | **6 215** | 3 540 |
| None of the inventory items reflected above have been pledged as security. | | |
| **9. TRADE AND OTHER RECEIVABLES** | | |
| Gross trade receivables | **311 631** | 337 131 |
| Loss allowance | **(15 975)** | (18 387) |
| Trade receivables at amortised cost | **295 656** | 318 744 |
| VAT receivable | **829** | 1 160 |
| Other receivables | **16 625** | 15 628 |
| | **313 110** | 335 532 |

The average credit period on sales of goods is 30 days. No interest is charged on outstanding trade receivables.

**Trade and other receivables pledged as security**

Trade receivables of R278 722 000 (2018: R311 235 000) 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 is the carrying amount of each class of receivable mentioned above.

**Exposure to credit risk**

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the Group generally enters into credit agreements with larger companies which have a sound credit standing. External credit ratings are obtained through the use of credit vetting agency and/or by obtaining references from customer's existing suppliers. Customer credit limits are in place and are reviewed and approved by management.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

| R'000 | 2019 | 2018 |
|---|---|---|
| **9. TRADE AND OTHER RECEIVABLES** (Continued) | | |
| The customer base is large and diverse with the result that there is no specific significant concentration of credit risk. The following tables provide information about the exposure to credit risk: | | |
| *Trade receivables by customer segment:* | | |
| Manufacturing customers | **116 899** | 138 524 |
| Wholesale customers | **91 356** | 86 932 |
| Retail customers | **59 909** | 59 525 |
| Service industry customers | **15 312** | 20 426 |
| Other | **12 180** | 13 337 |
| | **295 656** | 318 744 |

*Trade receivables by risk profile*

| **2019** | **Not credit impaired** | **Credit Impaired** | **Total** |
|---|---|---|---|
| Grade - A: low risk | **36 570** | **-** | **36 570** |
| Grade - B: low to medium risk | **175 968** | **446** | **176 414** |
| Grade - C: medium risk | **56 477** | **298** | **56 775** |
| Grade - D: medium to high risk | **24 720** | **3 871** | **28 591** |
| Grade - E: high risk | **3 800** | **9 481** | **13 281** |
| Gross carrying amount | **297 535** | **14 096** | **311 631** |
| Loss allowance | **(4 233)** | **(11 742)** | **(15 975)** |
| | **293 302** | **2 354** | **295 656** |

| 2018 | Not credit impaired | Credit impaired | Total |
|---|---|---|---|
| Grade - A: low risk | 33 630 | - | 33 630 |
| Grade - B: low to medium risk | 191 958 | 189 | 192 147 |
| Grade - C: medium risk | 69 745 | 846 | 70 591 |
| Grade - D: medium to high risk | 18 824 | 3 780 | 22 604 |
| Grade - E: high risk | 5 996 | 12 163 | 18 159 |
| Gross carrying amount | 320 153 | 16 978 | 337 131 |
| Loss allowance | (4 340) | (14 047) | (18 387) |
| | 315 813 | 2 931 | 318 744 |

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery.

The Group measures the loss allowance by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated by making use of past default experience of debtors but also incorporates forward looking information, in the form of economic forecasts and general economic conditions as at the reporting date and has been applied for the first time in the current financial period as a result of IFRS 9. The ECL calculated and totals reflected in this report do not include the specific provision of the "legal book". This book is a separate sub-section of the receivables age analysis and relates to amounts owing from very old transactions which have been fully provided for, limited to the Group's exposure.

Trade receivables were previously impaired based on the days outstanding, the activity on the account and the amount expected to be recovered. The adoption of IFRS 9 has no material impact on the amounts previously reported. Accordingly, no restatement of comparative information is required with the exception of the reallocation of credit note provisions and prescribed legal accounts. Previously, under IAS 39, the credit note provision and prescribed legal accounts were disclosed together with the provision for doubtful debts as impairment. In the current year, due to the adoption of IFRS 9, an ECL was determined for trade receivables under the expected credit loss model, while the credit note provision and prescribed legal accounts have now been reflected against gross trade receivables.

R'000

## 9 TRADE AND OTHER RECEIVABLES (Continued)

The Group does not generally hold collateral against trade receivables, however in the current year an exception was made on the take-on of a new customer of a significantly large account. The Group held collateral, in the form of a bank guarantee, to the value of R11 million for this customer. The bank guarantee expires on 29 June 2019.

**Expected credit losses:**

The following table details the risk profile of trade receivables. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance is not further distinguished between the Group's different customer base.

| **2019** | **Gross carrying amount** | **Expected credit loss allowance** | **Credit impaired loss allowance** | **Net carrying amount** | **Weighted-average loss rate** |
|---|---|---|---|---|---|
| Current | **237 303** | **(1 099)** | **(74)** | **236 130** | **0.49%** |
| 1-30 days | **44 053** | **(603)** | **(52)** | **43 398** | **1.49%** |
| 31-60 days | **7 994** | **(550)** | **(59)** | **7 385** | **7.62%** |
| More than 60 days | **22 281** | **(1 981)** | **(11 557)** | **8 743** | **60.76%** |
| | **311 631** | **(4 233)** | **(11 742)** | **295 656** | **5.13%** |

| 2018 | Gross carrying amount | Expected credit loss allowance | Credit impaired loss allowance | Net carrying amount | Weighted-average loss rate |
|---|---|---|---|---|---|
| Current | 228 229 | (707) | (139) | 227 383 | 0.37% |
| 1-30 days | 67 791 | (585) | (248) | 66 958 | 1.23% |
| 31-60 days | 10 213 | (481) | (453) | 9 279 | 9.15% |
| More than 60 days | 30 898 | (2 567) | (13 207) | 15 124 | 51.05% |
| | 337 131 | (4 340) | (14 047) | 318 744 | 5.45% |

**Reconciliation of trade receivables loss allowance:**

In order to better reflect the Group's exposure to credit risk, the credit note provision and prescribed legal accounts have been reallocated and offset against gross trade receivables. The movement in the trade receivables loss allowance is presented below:

| R'000 | **Expected credit loss allowance** | **Credit impaired loss allowance** | **2019** | 2018 |
|---|---|---|---|---|
| Opening balance as previously reported | **4 340** | **33 398** | **37 738** | 41 595 |
| - Reallocation of credit note provision | **-** | **(5 009)** | **(5 009)** | (3 618) |
| - Offset of prescribed legal accounts | **-** | **(14 342)** | **(14 342)** | (14 342) |
| Adjusted opening balance | **4 340** | **14 047** | **18 387** | 23 635 |
| Movement in loss allowance | **(107)** | **(2 305)** | **(2 412)** | (5 248) |
| - Remeasurement of loss allowance | **(107)** | **(46)** | **(153)** | (2 942) |
| - Amounts written-off as uncollectable | **-** | **(2 259)** | **(2 259)** | (2 306) |
| | **4 233** | **11 742** | **15 975** | 18 387 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

| R'000 | 2019 | 2018 |
|---|---|---|
| **10. OTHER FINANCIAL ASSET / (LIABILITY)** | | |
| Mark to market of foreign exchange contacts | - | (31) |
| Investment in insurance cell captive | **6 140** | 8 765 |
| - Opening fair value | **8 765** | 8 434 |
| - Fair value adjustment | **(2 625)** | 331 |

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 classified as a financial asset measured at FVTPL 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 fair 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:

| | 2019 | 2018 |
|---|---|---|
| - Fair value adjustment | **(2 625)** | 331 |
| - Other income - dividends received | **5 002** | 5 554 |
| - Insurance commission earned | **2 053** | 1 956 |
| Total income | **4 430** | 7 841 |

| | 2019 | 2018 |
|---|---|---|
| **11. CASH AND CASH EQUIVALENTS** | | |
| Cash on hand | **569** | 441 |
| Bank balances | **175 375** | 139 176 |
| | **175 944** | 139 617 |

Cash and cash equivalents are classified as financial assets at amortised cost.

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 | 2019 | 2018 |
|---|---|---|
| **12. NON-CURRENT ASSETS HELD FOR SALE** | | |
| Motor vehicles and accessories | **797** | 116 |
| Carrying amount at beginning of the year | **116** | 158 |
| – Transfers from property, vehicles, plant and equipment | **2 767** | 344 |
| – Disposals | **(2 086)** | (386) |
| Carrying amount at end of the year | **797** | 116 |
| In line with the Group's replacement policy, motor vehicles which need to be replaced are identified and disposed of within 12 months. | | |
| Non-current assets held for sale form part of the Head office and other segment. | | |
| **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** | | |
| 172 635 000 (2018: 186 427 478) ordinary shares of 0,1 cent each | **173** | 186 |
| 10 429 010 A ordinary shares of 0,1 cent each | **10** | 10 |
| **Share premium** | **10 643** | 10 643 |
| | **10 826** | 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

**for the year ended 28 February 2019** (Continued)

| Number of shares | 2019 | 2018 |
|---|---|---|
| **13. SHARE CAPITAL AND PREMIUM** (Continued) | | |
| **Movement in issued ordinary shares** | | |
| Number of shares in issue at the beginning of the period | **186 427 478** | 186 427 478 |
| Shares cancelled | **(13 792 478)** | - |
| Number of shares in issue at the end of the period | **172 635 000** | 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 | **1 393 204** | 1 774 272 |
| - Opening balance | **1 774 272** | 983 450 |
| - Disposed during the year | **(381 068)** | (489 790) |
| - Transferred from Value Logistics Limited | **-** | 1 280 612 |
| *Shares held by subsidiary company (Treasury shares)* | | |
| Value Logistics Limited | **7 019 596** | 13 492 207 |
| - Opening balance | **13 492 207** | 10 440 262 |
| - Acquired during the year | **7 319 867** | 4 332 557 |
| - Shares cancelled | **(13 792 478)** | - |
| - Transferred to The Value Group Share Incentive Trust | **-** | (1 280 612) |
| | **29 270 820** | 36 124 499 |
| Average price paid for repurchased equity securities (Rands) | **4.69** | 3.80 |
| **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 330 708 shares were acquired for R1,98 million. | | |

| R'000 | 2019 | 2018 |
|---|---|---|
| **14. INTEREST-BEARING BORROWINGS** | | |
| **Instalment sales agreements** | | |
| Liabilities under instalment sale agreements, which bear interest at rates varying between 0,75% and 1,5% below the prime bank overdraft rate (2018: rates varying between the prime bank overdraft rate and 1,25% below the prime bank overdraft rate). The instalment sales agreements are repayable in monthly instalments of R6 965 000 (2018: R7 512 000) and are secured by vehicles and forklifts having a carrying value of R205 511 000 (2018: R242 444 000) as included in note 2. | **147 274** | 138 948 |
| **Mortgage bond** | | |
| Loan secured by a mortgage bond over property having a carrying value of R28 900 000 (2018: R29 354 000). The loan, which is repayable monthly, bears interest at the prime bank overdraft rate less 1% and is repayable by May 2021. Interest payments for the year totalled R3 438 000 and capital repayments of R3 461 000 (2018: interest payments of R3 635 000 and capital repayments of R nil). Capital repayments commenced in July 2018. | **35 420** | 38 880 |
| | **182 694** | 177 828 |
| Non-current portion of interest-bearing borrowings | **125 475** | 108 601 |
| Current portion of interest-bearing borrowings | **57 219** | 69 227 |
| | **182 694** | 177 828 |
| The Company and its subsidiaries have unlimited borrowing powers in terms of their memorandums of incorporation. | | |
| Interest-bearing borrowings are stated at amortised cost. As interest-bearing borrowings are carried at market-related rates, the fair value approximates the carrying amount. | | |
| **15. NON INTEREST-BEARING BORROWINGS** | | |
| **Vendor for acquisition - Key Distributors (Proprietary) Ltd** | | |
| This liability had been raised in favour of the previous owners of Key Distributors (Proprietary) Ltd. This liability which was outstanding under a contingent consideration arrangement, was settled in full in the current year | **-** | 3 268 |
| **16. TRADE AND OTHER PAYABLES** | | |
| Trade payables | **237 830** | 249 483 |
| VAT payable | **19 235** | 24 605 |
| Other payables | **72 310** | 59 072 |
| Accruals | **50 830** | 46 643 |
| | **380 205** | 379 803 |
| Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. | | |
| The average credit period taken for trade purchases is between 7 and 30 days. | | |
| The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms so as to avoid interest on overdue accounts. | | |
| Due to the short term nature of trade and other payables, the directors consider that the carrying amount approximates the fair value. | | |
| Other payables consist of payroll liabilities, in the ordinary course of business and a lease smoothing liability. | | |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

| R'000 | 2019 | 2018 |
|---|---|---|
| **17. REVENUE** | | |
| Services rendered | **2 075 389** | 1 888 857 |
| Sale of goods | **675 065** | 595 058 |
| Sale of assets held for rental | **27 168** | 27 370 |
| Insurance commission | **2 053** | 1 956 |
| | **2 779 675** | 2 513 241 |

Revenue of R10 534 000 was reclassified from sale of goods to services rendered in the prior financial year. There is no effect on the statement of comprehensive income or the statement of financial position.

Further information on the disaggregation of revenue can be found in 23.

| R'000 | 2019 | 2018 |
|---|---|---|
| **18. OPERATING PROFIT ON ORDINARY ACTIVITIES IS STATED AFTER:** | | |
| Impairment of goodwill | **-** | 3 591 |
| Depreciation | **96 538** | 96 148 |
| Amortisation of intangible assets | **4 685** | 6 976 |
| Remeasurement of trade receivables loss allowance | **(153)** | (2 942) |
| Impairment/(reversal of impairment) of inventories | **3 386** | (546) |
| Loss on disposal of property, vehicles, plant and equipment | **4 532** | 3 589 |
| Loss on disposal of non-current assets held for sale | **252** | (569) |
| Loss on disposal of intangible assets | **26** | 44 |
| Profit on disposal of rental assets | **(5 292)** | (4 262) |
| (Profit)/loss on foreign exchange | **(219)** | 107 |
| Lease rentals | **201 094** | 178 271 |
| – Premises | **193 625** | 172 144 |
| – Equipment | **7 469** | 6 127 |
| Retirement benefit costs | | |
| – Defined contribution plan expense | **37 103** | 34 235 |
| Staff costs | **681 620** | 620 360 |
| Other income | **(30 191)** | (28 354) |
| – Dividend received – insurance cell | **(5 002)** | (5 544) |
| – Recoveries | **(12 827)** | (12 242) |
| – Rent received | **(9 652)** | (7 890) |
| – Other | **(2 710)** | (2 678) |

R'000

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

| 2019 | Fees for services | Basic salaries | Bonuses | Allow-ances | Provident fund contributions | Other | Gains on exercise of share options | Total |
|---|---|---|---|---|---|---|---|---|
| **Directors remuneration** | | | | | | | | |
| **Executive** | | | | | | | | |
| SD Gottschalk | - | 4 293 | 2 290 | 127 | - | 159 | - | 6 869 |
| CL Sack | - | 4 176 | 2 315 | 78 | 226 | 151 | 812 | 7 758 |
| M Padiyachy | - | 3 660 | 2 055 | 97 | 198 | 154 | - | 6 164 |
| | - | 12 129 | 6 660 | 302 | 424 | 464 | 812 | 20 791 |
| **Non-executive** | | | | | | | | |
| CD Stein | 937 | - | - | - | - | - | - | 937 |
| IM Groves | 746 | - | - | - | - | - | - | 746 |
| NM Phosa | 543 | - | - | - | - | - | - | 543 |
| VW Mcobothi | 443 | - | - | - | - | - | - | 443 |
| | 2 669 | - | - | - | - | - | - | 2 669 |
| **Total** | 2 669 | 12 129 | 6 660 | 302 | 424 | 464 | 812 | 23 460 |

| 2018 | Fees for services | Basic salaries | Bonuses | Allow-ances | Provident fund contributions | Other | Fair value of options granted | Total |
|---|---|---|---|---|---|---|---|---|
| **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 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

| R'000 | 2019 | 2018 |
|---|---|---|
| **19. FINANCE INCOME** | | |
| Interest received on cash on call | **4 293** | 3 386 |
| **20. FINANCE COSTS** | | |
| Long-term borrowings | **18 044** | 16 844 |
| Bank and short-term borrowings | **4** | 575 |
| Tax authorities | **435** | - |
| Other | **25** | 134 |
| | **18 508** | 17 553 |
| **21. TAXATION** | | |
| South African normal tax | | |
| – Current year | **47 642** | 41 230 |
| – Withholding tax on foreign dividends | **-** | 420 |
| - Arising from prior periods | **1 034** | - |
| | **48 676** | 41 650 |
| Deferred tax | | |
| – Current year | **(2 792)** | (1 002) |
| – Arising from prior periods | **(162)** | - |
| Tax for the year | **45 722** | 40 648 |
| Reconciliation of rate of taxation | **%** | % |
| South African normal tax rate | **28.0** | 28.0 |
| Adjusted for: | | |
| – Learnership allowances and employee tax incentive | **(2.7)** | (1.5) |
| – Exempt dividend income | **(0.4)** | (1.3) |
| – Disallowed expenditure* | **0.9** | 1.1 |
| – Non-deductible share based payment expense | **0.3** | 4.9 |
| – Non-deductible goodwill | **-** | 0.8 |
| – Capital gains taxed at the CGT rate | **(0.1)** | (0.4) |
| – Shareholders tax on dividends | **0.1** | 0.4 |
| – Unrecognised computed tax losses and deferred tax assets | **(0.5)** | 1.0 |
| – Prior year underprovision of tax | **0.5** | - |
| – Effect of tax rates in foreign jurisdictions | **-** | 0.1 |
| Effective rate | **26.1** | 33.1 |

*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 R6 320 000 (2018: R14 944 000).

| Cents | 2019 | 2018 |
|---|---|---|
| **22. EARNINGS AND HEADLINE EARNINGS PER SHARE** | | |
| **Earnings per ordinary share** | | |
| - Basic | **86.8** | 54,8 |
| - Diluted basic | **83.7** | 54,8 |
| **Headline earnings per ordinary share** | | |
| - Headline | **89.2** | 58,7 |
| - Diluted headline | **86.0** | 58,7 |
| **Normalised headline earnings per ordinary share** | | |
| - Normalised headline | **89.2** | 71,1 |
| - Normalised diluted headline | **86.0** | 71,1 |
| R'000 | | |
| The calculation of the basic and diluted earnings per share is based on the following data: | | |
| IAS 33 Earnings (on which basic earnings per share is based, being net profit attributable to owners of the Company) | **126 111** | 83 406 |
| IAS 16 Loss on disposal of property, vehicles, plant and equipment, Gross: R4 532 000 (2018: R3 445 000), less taxation | **3 271** | 2 565 |
| IFRS 5 Loss / (gain) on disposal of non-current assets held for sale, Gross: R252 000 (2018: R420 000), less taxation | **181** | (326) |
| IAS 38 Loss on disposal of intangible assets, Gross: R25 000 (2018: R38 000), less taxation | **18** | 37 |
| IAS 36 Goodwill impairment, Gross: R nil (2018:R3 591 000) | **-** | 3 591 |
| Headline earnings | **129 581** | 89 273 |
| Once-off BBBEE equity transaction costs | **-** | 19 003 |
| Normalised headline earnings | **129 581** | 108 276 |
| Number of shares | | |
| **Weighted average shares outstanding** | | |
| Weighted average shares outstanding for basic and headline earnings per share | **145 284 191** | 152 191 958 |
| Potentially dilutive ordinary shares resulting from outstanding options | **5 386 084** | - |
| Weighted average shares outstanding for diluted and diluted headline earnings per share | **150 670 275** | 152 191 958 |
| Number of options that could dilute earnings per share in future periods | **29 451 224** | 28 282 292 |
| The impact of all the options issued was calculated to be anti-dilutive in the prior financial year. | | |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

## 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.

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 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) | | | | | |
| **2019** | | | | | |
| Total segment revenues | 1 740 618 | 419 992 | 660 245 | 116 680 | 2 937 535 |
| Less: Inter-segment revenues/eliminations | (3 683) | (45 512) | - | (108 665) | (157 860) |
| External revenues | 1 736 935 | 374 480 | 660 245 | 8 015 | 2 779 675 |
| Depreciation and amortisation | 49 592 | 42 486 | 978 | 8 167 | 101 223 |
| Trading profit | 128 256 | 56 817 | 12 706 | (5 763) | 192 016 |
| Goodwill impairment | - | - | - | - | - |
| Operating segment results | 128 256 | 56 817 | 12 706 | (5 763) | 192 016 |
| Share of profit of equity-accounted investees net of taxation | (13) | - | - | - | (13) |
| Fair value adjustment | - | - | - | (2 625) | (2 625) |
| Segment finance income | 2 180 | 828 | 1 315 | 37 992 | 42 315 |
| - External finance income | 5 | 154 | 17 | 4 117 | 4 293 |
| - Inter-segment finance income | 2 175 | 674 | 1 298 | 33 875 | 38 022 |
| Segment finance costs | (15 391) | (18 489) | (438) | (22 212) | (56 530) |
| - External finance costs | (3) | (2) | (438) | (18 065) | (18 508) |
| - Inter-segment finance cost | (15 388) | (18 487) | - | (4 147) | (38 022) |
| Net profit before taxation | 115 032 | 39 156 | 13 583 | 7 392 | 175 163 |
| **Assets** | | | | | |
| Property, vehicles plant and equipment | 537 027 | 436 980 | 4 336 | 24 888 | 1 003 231 |
| Intangible assets | 2 973 | 1 259 | 5 | 6 744 | 10 981 |
| Goodwill | - | - | 16 561 | - | 16 561 |
| Non-current assets held for sale | - | - | - | 797 | 797 |
| Current assets before investments and loans, deferred tax and tax in advance | 208 097 | 128 813 | 90 637 | 164 964 | 592 511 |
| | 748 097 | 567 052 | 111 539 | 197 393 | 1 624 081 |
| Loan receivable | | | | | 3 001 |
| Equity-accounted investees | | | | | 77 |
| Deferred tax asset | | | | | 5 365 |
| Current tax receivable | | | | | 913 |
| Other financial assets | | | | | 6 140 |
| Total assets | | | | | 1 639 577 |
| **Liabilities** | | | | | |
| Trade and other payables | 159 266 | 86 519 | 50 227 | 84 193 | 380 205 |
| **Capital expenditure** - property, vehicles, plant and equipment and intangible assets | 62 589 | 64 946 | 2 005 | 16 384 | 145 924 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

| 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 |

| R000's | General Distribution | Truck Rental & other | Retail logistics | Head office and other | Total |
|---|---|---|---|---|---|
| **23. SEGMENT ANALYSIS** (Continued) | | | | | |
| Revenue is further disaggregated by timing and nature below: | | | | | |
| **2019** | | | | | |
| Recognised over time | 1 726 015 | 249 495 | - | - | **1 975 510** |
| Services rendered | 1 726 015 | 249 495 | - | - | **1 975 510** |
| Recognised at a point in time | 10 920 | 45 625 | 660 245 | 8 015 | **724 805** |
| Services rendered | - | 20 519 | - | - | **20 519** |
| Sale of goods | - | 9 596 | 660 245 | 5 224 | **675 065** |
| Sale of assets held for rental | 10 920 | 15 510 | - | 738 | **27 168** |
| Insurance commissions | - | - | - | 2 053 | **2 053** |
| IFRS 15 Revenue | 1 736 935 | 295 120 | 660 245 | 8 015 | **2 700 315** |
| Full maintenance leases* | - | 79 360 | - | - | **79 360** |
| Revenue as per note 17 | 1 736 935 | 374 480 | 660 245 | 8 015 | **2 779 675** |
| 2018 | | | | | |
| Recognised over time | 1 538 070 | 247 976 | - | - | 1 786 046 |
| Services rendered | 1 538 070 | 247 976 | - | - | 1 786 046 |
| Recognised at a point in time | 12 500 | 47 981 | 583 077 | 2 398 | 645 956 |
| Services rendered | - | 21 572 | - | - | 21 572 |
| Sale of goods | 2 712 | 9 269 | 583 077 | - | 595 058 |
| Sale of assets held for rental | 9 788 | 17 140 | - | 442 | 27 370 |
| Insurance commissions | - | - | - | 1 956 | 1 956 |
| IFRS 15 Revenue | 1 550 570 | 295 957 | 583 077 | 2 398 | 2 432 002 |
| Full maintenance leases * | - | 81 239 | - | - | 81 239 |
| Revenue as per note 17 | 1 550 570 | 377 196 | 583 077 | 2 398 | 2 513 241 |

* Lease contracts within the scope of IAS 17: Leases

| R'000 | **2019** | 2018 |
|---|---|---|
| **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. | **24 714** | 26 614 |
| Included in the above are guarantees issued by First National Bank to a value of R20 776 000 (2018: R23 826 000) in favour of Nedbank, who in turn have issued guarantees in favour of various third parties. | | |
| 24.2 Claim made against a subsidiary company in respect of damages that occurred due to a motor vehicle collision. | **4 236** | 4 236 |
| 24.3 Claim made against a subsidiary company in respect of a loss of earnings. | **3 500** | 3 500 |
| The Group is of the opinion that the claims are unsubstantiated and are vigorously defending them. | | |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

| R'000 | 2019 | 2018 |
|---|---|---|
| **25. COMMITMENTS** | | |
| 25.1 **Capital commitments contracted for** | | |
| Property, vehicles, plant and equipment | **44 643** | 19 246 |

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 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| Payable within one year | **209 734** | 196 924 | (11 697) | (19 116) | **198 037** | 177 808 |
| Payable within two to five years | **728 791** | 748 505 | (2 726) | (15 150) | **726 065** | 733 355 |
| Payable thereafter | **277 131** | 428 079 | - | - | **277 131** | 428 079 |
| | **1 215 656** | 1 373 508 | (14 423) | (34 266) | **1 201 233** | 1 339 242 |

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.

25.3 **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 | 2019 | 2018 |
|---|---|---|
| Receivable within one year | **28 245** | 54 475 |
| Receivable within two to five years | **26 161** | 51 408 |
| | **54 406** | 105 883 |

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**

| | |
|---|---|
| Holding company | Value Group Limited |
| Ultimate holding company | Lougot Property Investments Proprietary Limited |
| 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 Gottschalk |
| | CL Sack |
| | M Padiyachy |
| | CD Stein |
| | IM Groves |
| | NM Phosa |
| | VW Mcobothi |
| Landlords | Various property companies controlled by SD Gottschalk |

| | | | Effective Holding | |
|---|---|---|---|---|
| **Entities within the Group** | **Issued Capital** | **Principal place of business and country of incorporation** | **2019 %** | 2018 % |
| *Investments in subsidiary companies* | | | | |
| Value Logistics Limited | R2 500 000 | South Africa | **100** | 100 |
| Value Logistics Personnel Services Proprietary Limited | R100 | 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 | R100 | South Africa | **100** | 100 |
| Key Distributors Proprietary Limited | R200 | South Africa | **100** | 100 |
| Liquid in Motion 14 Proprietary Limited | R100 | South Africa | **51** | 51 |
| Core Logistix Proprietary Limited | R100 | South Africa | **100** | 100 |
| *Investment in associate company* | | | | |
| Value SA Proprietary Limited | R100 | 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

## 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, 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 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 6,25% to 8%, 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 2020 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 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| South Africa | **198 016** | 188 481 | **207 281** | 193 835 | **1 002 837** | 1 170 419 |
| Namibia | **1 603** | 1 569 | **1 636** | 1 730 | **3 077** | 5 918 |
| | **199 619** | 190 050 | **208 917** | 195 565 | **1 005 914** | 1 176 337 |

| R'000 | **2019** | 2018 |
|---|---|---|
| Municipal accounts paid to companies controlled by SD Gottschalk in accordance with property lease agreements | **24 960** | 19 404 |
| Services rendered by the Group to companies controlled by SD Gottschalk | **596** | 3 016 |
| Assets sold by the Group to companies controlled by SD Gottschalk | **100** | - |
| Revenue earned from associate company: | | |
| - Value SA (Pty) Ltd | **153** | 1 550 |
| Included in trade receivables are amounts receivable from related parties: | | |
| - Companies controlled by a director, SD Gottschalk | **563** | 917 |
| - Equity accounted investees | **-** | 121 |
| Included in trade payables are amounts payable to related parties: | | |
| - Companies controlled by a director, SD Gottschalk | **2 860** | 3 103 |
| Loan due by related party | | |
| - SKR Marketing CC (Refer to note 5 for further information) | **3 001** | 1 575 |

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 R37 103 000 (2018: R34 235 000).

**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 R107 million, which is secured by a cession of trade receivables, R5 million of which is additionally secured by a suretyship provided by a subsidiary;
- Guarantee facility of R41 million, of which R40 million is 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 by First National Bank during the 2019 financial year to a subsidiary. The facilities subject to the covenant are:

- Working capital of R95 million;
- Guarantees of R40 million;
- Forward exchange contracts of R8 million;
- Asset based funding of R100 million; and
- Electronic funds transfer of R2 million.

The covenant conditions are 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019**(Continued)

## 28 RISK MANAGEMENT (Continued)

Subsidiaries of the Group have combined asset based funding facilities of R310,7 million (2018: R264,7 million) of which R163,4 million (2018: R125,8 million) was available at year end. To the extent utilised, these facilities are secured by vehicles and forklifts as detailed in note 14.

Loan funding facilities of R35 million granted to a subsidiary of the Group 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.

**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.

***Foreign exchange risk***

The Group is exposed to foreign exchange risk as it imports forklifts and spares. Forward exchange contracts 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 does not use forward exchange contracts for speculative purposes and does not apply hedge accounting.

There are no outstanding forward exchange contracts for the current financial year.

Details of each outstanding forward exchange contract for the previous financial year were 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 |

The risk being hedged was 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 continued to hedge the trade payable.

The Group's gain on hedging instruments for the year was R61 000 (2018: loss of R296 000).

## 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 R913 000 (2018: R889 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.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at FVTPL.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

Where necessary, the assessment for a significant increase in credit risk is made on a collective basis. Management typically adopt this approach when information relevant to the determination of credit risk is not available on an individual instrument level. Often, the only information available on individual instruments which could indicate an increase in credit risk, is "past due" information. It is typical that more forward-looking information is generally more readily available on a collective basis. Therefore, making the determination on a collective basis, helps to ensure that credit loss allowances are determined on the basis of lifetime expected credit losses before they reach the point of being past due. Forward looking, macro-economic information is applied on a collective basis when it is readily available without undue cost or effort. When loss allowances are determined on a collective basis, management determines the loss allowances by grouping financial instruments on the basis of shared credit risk characteristics.

For trade receivables which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other trade receivable, IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management have chosen as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables. Expected credit losses on trade receivables have been detailed in full in note 9.

### Cash and cash equivalents

The Group only deposits cash with major banks with high quality credit standing. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

## 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 2019** | | | |
| Interest-bearing borrowings | **78 353** | **152 355** | **-** |
| Trade payables | **237 830** | **-** | **-** |
| Shareholders for dividend | **693** | **-** | **-** |
| **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 | - | - |

## 28. RISK MANAGEMENT (Continued)

**Financial instruments by category**

| R'000 | Financial assets at amortised cost | Financial assets at FVTPL | Financial liabilities at amortised cost |
|---|---|---|---|
| **At 28 February 2019** | | | |
| Loan receivable | 3 001 | - | - |
| Investment in insurance cell captive | - | 6 140 | - |
| Trade receivables | 295 656 | - | - |
| Cash and cash equivalents | 175 944 | - | - |
| Interest-bearing borrowings | - | - | (182 694) |
| Trade payables | - | - | (237 830) |
| Other payables and accruals (excluding non financial instruments) | - | - | (99 645) |
| Shareholders for dividend | - | - | (693) |
| | 474 601 | 6 140 | (520 862) |

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities for the previous financial year.

| R'000 | Original classification under IAS 39 | New classification under IFRS 9 | Original carrying amount under IAS 39 | New carrying amount under IFRS 9 |
|---|---|---|---|---|
| **At 28 February 2018** | | | | |
| Loans receivable | Loans and receivables | Financial assets at amortised cost | 1 575 | 1 575 |
| Forward exchange contracts | Fair value through profit or loss - held for trading | Financial assets at FVTPL | (31) | (31) |
| Investments in insurance cell captive | Fair value through profit or loss - designated | Financial assets at FVTPL | 8 765 | 8 765 |
| Trade receivables* | Loans and receivables | Financial assets at amortised cost | 329 947 | 318 744 |
| Cash and cash equivalents | Fair value through profit or loss - held for trading | Financial assets at amortised cost | 139 617 | 139 617 |
| Interest-bearing borrowings | Financial liabilities at amortised cost | Financial liabilities at amortised cost | (177 828) | (177 828) |
| Non interest-bearing borrowings | Financial liabilities at amortised cost | Financial liabilities at amortised cost | (3 268) | (3 268) |
| Trade payables | Financial liabilities at amortised cost | Financial liabilities at amortised cost | (249 483) | (249 483) |
| Other payables and accruals (excluding non financial instruments) | Financial liabilities at amortised cost | Financial liabilities at amortised cost | (91 691) | (91 691) |
| Shareholders for dividend | Financial liabilities at amortised cost | Financial liabilities at amortised cost | (605) | (605) |

* Refer to note 9 for details on the reallocation of credit note provisions and prescribed legal accounts against gross trade receivables.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

## 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 2 |
|---|---|
| **At 28 February 2019** | |
| Investment in insurance cell captive | **6 140** |
| **At 28 February 2018** | |
| Forward exchange contracts | (31) |
| Investment in insurance cell captive | 8 765 |

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

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 investments 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 | 2019 | 2018 |
|---|---|---|
| *Assets* | **10 830** | 11 002 |
| Cash and investments | **7 805** | 9 653 |
| Agents balances | **1 272** | 1 298 |
| Other | **1 753** | 51 |
| *Liabilities* | **(4 690)** | (2 237) |
| Gross outstanding claims | **(3 544)** | (860) |
| Gross incurred but not reported | **(772)** | (748) |
| Other | **(374)** | (629) |
| *Net asset value of cell* | **6 140** | 8 765 |

## 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 2019 | 2018 |
|---|---|---|---|
| Friday, 21 October 2016 | Tuesday, 20 October 2026 | **1 143 206** | 1 524 274 |
| Wednesday, 21 February 2018 | Monday, 21 February 2028 | **250 000** | 250 000 |
| | | **1 393 206** | 1 774 274 |

| Date of grant | Fair value (cents) | Option exercise price (cents) | Market price (cents) | Volatility % | Dividend yield % | Risk free rate |
|---|---|---|---|---|---|---|
| Friday, 21 October 2016 | 70,5 | 292 | 290 | 54,5 | 6,21 | 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 2019 | 2018 |
|---|---|---|
| Balance at beginning of the year | **1 774 274** | 2 264 064 |
| Options granted | **-** | 250 000 |
| Options exercised | **(381 068)** | (489 790) |
| Options lapsed | **-** | (250 000) |
| Balance at end of the year | **1 393 206** | 1 774 274 |

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 the date of option exercise was 638 cents per share (2018: 420 cents).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019** (Continued)

## 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 | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| Balance at beginning of the year | **1 774 272** | 983 450 | **5 496** | 2 959 |
| Options exercised | **(381 068)** | (489 790) | **-** | - |
| Transfer from Value Logistics Limited | **-** | 1 280 612 | **-** | - |
| Repayments | **-** | - | **(1 569)** | - |
| Additional loan | **-** | - | **-** | 834 |
| Write-up of loan | **-** | - | **457** | 1 703 |
| Balance at end of the year | **1 393 204** | 1 774 272 | **4 384** | 5 496 |

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 2018 | Options granted | Options exercised / lapsed | Number of options at 28 February 2019 |
|---|---|---|---|---|---|---|
| CL Sack | 20 October 2026 | 292 | 1 524 274 | - | (381 068) | **1 143 206** |
| M Padiyachy | 21 February 2028 | 419 | 250 000 | - | - | **250 000** |
| | | | 1 774 274 | - | (381 068) | **1 393 206** |

**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 5,7% (2018: 5,3%) 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 / extension | Latest expiry date | Number of options outstanding | |
|---|---|---|---|
| | | **2019** | 2018 |
| Sunday, 23 July 2017 | Saturday, 23 July 2022 | **4 450 000** | 5 650 000 |
| Monday, 01 October 2018 | Saturday, 23 July 2022 | **2 750 000** | - |
| | | **7 200 000** | 5 650 000 |

**29. SHARE INCENTIVE SCHEMES** (Continued)

| Date of grant/extension | Fair value (cents) | Option strike price (cents) | Market price (cents) | Volatility % | Dividend yield % | Risk free rate % |
|---|---|---|---|---|---|---|
| Sunday, 23 July 2017 | 79,1 | 408 | 380 | 44,5 | 6,3 | 8,53 |
| Monday, 01 October 2018 | 152,0 | 411 | 495 | 44,4 | 6,1 | 9,05 |

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

| | Number of Options | |
|---|---|---|
| **Movement during the year** | **2019** | 2018 |
| Balance at beginning of the year | **5 650 000** | 6 350 000 |
| Units allocated | **2 750 000** | - |
| Units forfeited – resignations | **(1 200 000)** | (700 000) |
| Balance at end of the year | **7 200 000** | 5 650 000 |

A notional loan has been deemed to attach to the A ordinary shares. On the assumption that all of the units have been allocated, the notional loan amounts to R41 715 000 (2018: R41 705 000) which equates to R4,00 (2018: R4,00) 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.

| Date of grant | Fair value (cents) | Option exercise price (cents) | Market price (cents) | Volatility % | Dividend yield % | Risk free rate |
|---|---|---|---|---|---|---|
| Friday, 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 |

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 28 February 2019**(Continued)

## 30. DIRECTORS INTEREST IN SHARE CAPITAL OF THE COMPANY

| | Beneficial number of ordinary shares | | Non-beneficial number of ordinary shares | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| 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 | **2 421 068** | 2 040 000 | **-** | - |
| M Padiyachy | | | | |
| - 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 | **-** | - |
| VW Mcobothi | | | | |
| - Direct | **16 520** | - | **-** | - |
| | **24 089 178** | 23 691 590 | **95 929 020** | 95 929 020 |

Post financial year-end, NM Phosa disposed of 35 702 shares. There have been no other 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 23 of 22 cents per share was declared on 10 May 2018 and paid on 2 July 2018 to shareholders registered on 26 June 2018. The dividend was subject to a dividend withholding tax of 20% which amounted to 4,4 cents per share. This resulted in a net dividend of 17,6 cents per share to those shareholders who were not exempt from paying dividend withholding tax.

Dividend number 24 of 13 cents per share was declared on 24 October 2018 and paid on 21 January 2019 to shareholders registered on 15 January 2019. The dividend was subject to a dividend withholding tax of 20% which amounted to 2,6 cents per share. This resulted in a net dividend of 10,4 cents per share to those shareholders who were not exempt from paying dividend withholding tax.

Dividend number 25 of 27 cents per share was declared on 10 May 2019 and will be paid on 1 July 2019 to shareholders registered on 25 June 2019. The dividend will be subject to dividend withholding tax of 20% which amounts to 5,4 cents per share. This will result in a net dividend of 21,6 cents per share payable to those shareholders who are not exempt from paying dividend withholding tax.

# 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 Wednesday, 7 August 2019 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, 2 August 2019.

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 licenses 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 2019, are 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 and ethics committee will present a verbal report to shareholders on the activities of the social and 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 IM Groves;

1.2 Mr CD Stein."

Brief profiles in respect of each director offering himself for re-election are contained on pages 8 and 9 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 and 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 and 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*

*** Subject to re-election as a director pursuant to ordinary resolution number 1.2*

Mr CD Stein is currently the chairman of the board and a member of the audit and risk committee as his experience and knowledge of the Group's operations and risks are invaluable to the audit and 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 and 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; and
- shareholders will be approving the appointment of the chairman to the audit and 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 contained on pages 8 and 9.

**Ordinary resolution 3: Re-appointment of external auditor**

"Resolved that, upon the recommendation of the audit and risk committee, 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 29 February 2020, 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 40 to 45".

**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 40 to 45".

**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 172 635 000, 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 8 631 750 of the Company's issued shares; and

# NOTICE OF ANNUAL GENERAL MEETING (Continued)

- 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 affected 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 affected;
- an announcement will be published as soon as the Company has repurchased ordinary shares constituting, on a cumulative basis, 3% of the 172 635 000 ordinary shares in issue, 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 affect any repurchases on its or its subsidiaries' behalf; and
- 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; and
- the Company's and the Group's ordinary share capital and reserves will be adequate for ordinary business purposes.

**Special resolution 2: Additional Remuneration of non-executive directors for the financial year ended 2019**

"Resolved, in terms of the Company's MOI, that the additional remuneration paid, with effect from 1 March 2018 for the financial year ending 28 February 2019, to the Company's non-executive directors for their services as directors and chairman of the board of directors, respectively, be approved:

| Annual totals Rands | 2019 Approved fee | 2019 Fees earned | 2019 Additional fees earned |
|---|---|---|---|
| CD Stein | 854 630 | 936 806 | 82 176 |
| IM Groves | 683 704 | 745 859 | 62 155 |

**Special resolution 3: Additional Remuneration of non-executive directors for the financial year ended 2020**

"Resolved, in terms of the Company's MOI, that the additional remuneration to be paid, with effect from 1 March 2019 for the financial year ending 28 February 2020, to the Company's non-executive directors for their services as directors and chairman of the board of directors, respectively, be approved:

| Annual totals Rands | 2020 Approved fee | 2020 Proposed additional fees | 2020 Proposed fees total |
|---|---|---|---|
| CD Stein | 897 441 | 86 292 | 983 733 |
| IM Groves | 717 953 | 65 268 | 783 221 |
| NM Phosa | 569 680 | 56 968 | 626 648 |
| VW Mcobothi | 500 746 | 47 690 | 548 436 |

**Special resolution 4: Remuneration of non-executive directors for financial year ended 2021**

"Resolved, in terms of the Company's MOI, that the remuneration payable, with effect from 1 March 2020 for the financial year ending 29 February 2021, 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 2021 R |
|---|---|
| **Board** | |
| CD Stein, chairman (shareholder meetings) | 18 294 |
| **Board member** | |
| CD Stein | 45 735 |
| IM Groves | 34 592 |
| NM Phosa | 60 386 |
| VW Mcobothi | 25 276 |
| **Audit and risk committee** | |
| CD Stein | 45 735 |
| IM Groves | 34 592 |
| VW Mcobothi | 25 276 |
| **Remuneration and nomination committee** | |
| CD Stein | 22 868 |
| IM Groves | 17 296 |
| VW Mcobothi | 12 638 |
| **Social and ethics committee** | |
| VW Mcobothi | 12 638 |
| IM Groves | 17 296 |

| Payable to non-executive directors for participating in board committees | Proposed fee 2021 R |
|---|---|
| **Monthly retainer** | |
| CD Stein | 39 637 |
| IM Groves | 31 710 |
| NM Phosa | 25 161 |
| VW Mcobothi | 21 063 |
| **Annual totals** | |
| CD Stein | 1 042 758 |
| IM Groves | 830 215 |
| NM Phosa | 664 247 |
| VW Mcobothi | 581 344 |

**Special resolution 5: 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."

# NOTICE OF ANNUAL GENERAL MEETING (Continued)

***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 annual 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 8 and 9;
- major shareholders – page 32;
- directors interests in ordinary shares – page 126; and
- share capital of the Company – page 103.

## DIRECTORS' RESPONSIBILITY STATEMENT

The directors in office, whose names appear on pages 8 and 9 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 annual 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 annual 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, 14 June 2019;
- 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, 2 August 2019; and
- The last day to trade in order to participate and vote at the AGM is Tuesday, 30 July 2019.

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 Monday, 5 August 2019. 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.

By order of the board

**Claire Middlemiss**
Group Secretary

Representing Fluidrock Advisory (Pty) Ltd

21 June 2019

**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 2019 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 IM Groves

Mr CD Stein

Brief biographical details of each of the above directors and the remaining members of the board are contained on pages 8 and 9 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 are satisfied that the proposed members of the audit and risk committee meet all relevant requirements.

**Ordinary resolution 3: Reappointment of auditors**

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 2019. 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 SVG and the designated auditor meet the relevant requirements.

# NOTICE OF ANNUAL GENERAL MEETING (Continued)

**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 issued shares as at 28 February 2019 being 172 635 000.

Also, in terms of the JSE Listings Requirements, the authority to issue shares for cash, or to dispose of shares for cash 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, 3 and 4: 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 resolutions as included in the notice requests approval of the remuneration paid to non-executive directors for their services as directors of the Company. This includes additional fees paid for the financial year ended 28 February 2019 and additional proposed fees payable for the financial year ending 28 February 2020, due to necessary additional board and audit committee meetings. Proposed fees for the 2021 financial year has additionally 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 5: 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 WEDNESDAY, 7 AUGUST 2019 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 Wednesday, 7 August 2019 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 IM Groves | | | |
| 1.2 Mr CD Stein | | | |
| 2. Approval of election of audit & risk committee members: | | | |
| 2.1 Mr IM Groves (Chairman)* <br> * Subject to re-election as a director pursuant to ordinary resolution number 1.1 | | | |
| 2.2 Mr VW Mcobothi | | | |
| 2.3 Mr CD Stein** <br> ** Subject to re-election as a director pursuant to ordinary resolution number 1.2 | | | |
| 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 additional remuneration of the non-executive directors for the financial year ended 28 February 2019. | | | |
| 3. Approval of the additional proposed remuneration of the non-executive directors for the financial year ending 28 February 2020. | | | |
| 4. Approval of the remuneration of the non-executive directors for the financial year ending 28 February 2021. | | | |
| 5. 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 2019.

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); and
   - 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:
     - o 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;
     - o 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;
     - o the company must not require that the proxy appointment be made irrevocable; and
     - o 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; and
    - 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 10h30 on Wednesday 7 August 2019. 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

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| | GRI 102-2 | Activities, brands, products, and services | 7 and 11 |
| | GRI 102-3 | Location of the organization's headquarters. | Corporate information |
| | GRI 102-4 | Number and name of countries where the organization operates and where it has significant operations. | 7 |
| | GRI 102-5 | Nature of ownership and legal form. | 115 |
| | GRI 102-6 | Markets served, including geographic locations where products and services are offered, sectors served and types of customers. | 11 |
| | GRI 102-7 | Scale of the organisation, including: | |
| | | • Total number of employees; | 24 |
| | | • Total number of operations; | 115 |
| | | • Net sales; | 19 |
| | | • Total capitalization in terms of debt and equity; and | 20 |
| | | • Quantity of services provided. | 11 |
| | GRI 102-8 | Information on employees and other workers including: | |
| | | • Total number of employees by employment contract, gender region; | 24 and 25 |
| | | • Total number of employees by employment type; | 25 |
| | | • Whether a significant portion of the organization's activities are performed by workers who are not employees; | 24 |
| | | • Any significant variations in the numbers; and | 25 |
| | | • An explanation of how the data have been compiled. | Internally generated reports |
| | GRI 102-41 | Percentage of total employees covered by collective bargaining agreements. | 27 |
| | GRI 102-9 | A description of the organization's supply chain. | 6 |
| | GRI 102-10 | Significant changes to the organization's size, structure, ownership, or supply chain. | N/A |
| | GRI 102-11 | Whether and how the organization applies the Precautionary Principle or approach. | 2 |
| | GRI 102-12 | Externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses. | The King IV code of governance principles, DTI codes of good practice |
| | GRI 102-13 | Main memberships of industry or other associations, and national or international advocacy organizations. | |
| | | • National bargaining council for the Road Freight and Logistics Industry | |
| | | • Road Freight Association | |
| | | • The South African Association of Freight Forwarders | |

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| | GRI 103-1 | Explanation of the each material topic and its Boundary | 2 and 3 |
| | GRI 102-48 | The effect of any restatements of information given in previous reports, and the reasons for such restatements. | N/A |
| | GRI 102-49 | Changes in reporting | N/A |
| STAKEHOLDER ENGAGEMENT | GRI 102-40 | List of stakeholder groups | 22 |
| | GRI 102-42 | The basis for identifying and selecting stakeholders with whom to engage. | 22 |
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| | GRI 102-54 | Claims of reporting in accordance with the GRI Standards. | Core disclosures used but not stated as being in accordance |
| | GRI 102-55 | The reporting organization shall report the GRI content index. | 138 - 140 |
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| | | GRI 201-1 | Direct economic value generated and distributed | 23 |
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# 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

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

Fluidrock Advisory 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