REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS

for the year ended 28 February 2017

VALUE GROUP LIMITED

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

REVENUE **R2.453bn** UP by 20%

HEADLINE EARNINGS PER SHARE **61.9 cents** UP by 66%

EARNINGS PER SHARE **57.2 cents** UP by 62%

NET ASSET VALUE PER SHARE **522.5 cents** UP by 9%

FINAL DIVIDEND PER SHARE **18 cents** UP by 50%

CASH GENERATED BY OPERATIONS **R288,3m** UP by 21%

HIGHLIGHTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R000's	% change	**Reviewed 2017**	Restated* 2016
Revenue	20%	**2 452 766**	2 043 994
Cost of sales		**(1 645 066)**	(1 245 627)
Gross profit		**807 700**	798 367
Other income		**25 092**	17 890
Operating expenses		**(697 378)**	(730 616)
Operating profit	58%	**135 414**	85 641
Share of profit of equity-accounted investees		**44**	79
Fair value adjustment		**(509)**	1 939
Investment income		**17 751**	14 060
Finance costs		**(32 353)**	(30 932)
Net profit before taxation		**120 347**	70 787
Taxation		**(36 740)**	(16 602)
Net profit for the year	54%	**83 607**	54 185
Other comprehensive income			
Foreign currency translation differences		**(192)**	355
Total comprehensive income for the year		**83 415**	54 540
Owners:		**88 149**	55 274
Net profit for the year		**88 341**	54 919
Other comprehensive income		**(192)**	355
Non-controlling interest:		**(4 734)**	(734)
Net loss for the year		**(4 734)**	(734)
Other comprehensive income		**-**	-
		83 415	54 540
Earnings per share (cents) (note 3)			
Basic	62%	**57.2**	35.4
Headline	66%	**61.9**	37.2
Diluted basic		**57.2**	35.4
Diluted headline		**61.9**	37.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R000's	% change	**Reviewed 2017**	Restated* 2016	Restated* 2015
Assets				
Non-current assets		**1 028 466**	1 074 448	1 052 840
Property, vehicles, plant and equipment		**990 573**	1 039 515	1 022 644
Intangible assets		**12 655**	17 415	25 261
Goodwill		**20 152**	10 670	-
Loan receivable		**1 568**	1 776	1 568
Equity-accounted investees		**357**	313	234
Deferred tax asset		**3 161**	4 759	3 133
Current assets		**502 371**	438 562	441 644
Inventories		**67 033**	59 993	51 743
Trade and other receivables		**298 900**	276 124	262 255
Other financial assets		**8 434**	8 983	7 004
Current tax receivable		**1 551**	2 120	2 328
Cash and cash equivalents		**126 453**	91 342	118 314
Non-current assets held for sale		**10 701**	156	951
Total assets		**1 541 538**	1 513 166	1 495 435
Equity and liabilities				
Equity		**799 598**	741 161	726 014
Non-current liabilities		**308 336**	342 956	355 447
Interest-bearing borrowings		**121 341**	163 346	181 230
Non interest-bearing borrowings		**2 535**	1 774	-
Vendor for acquisition		**3 268**	-	-
Deferred tax		**181 192**	177 836	174 217
Current liabilities		**433 604**	429 049	413 974
Trade and other payables		**345 291**	323 508	311 335
Current portion of interest-bearing borrowings		**77 703**	101 144	101 973
Vendor for acquisition		**9 804**	3 802	-
Other financial liabilities		**123**	-	317
Current tax payable		**161**	147	-
Shareholders for dividend		**522**	448	349
Total equity and liabilities		**1 541 538**	1 513 166	1 495 435
Net asset value per share (cents)	9%	**522.5**	480.8	458.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R000's	Reviewed 2017	Restated* 2016
Ordinary share capital and premium	**10 829**	10 829
Balance at beginning of year	**10 829**	10 841
Shares cancelled	**-**	(12)
A ordinary shares	**10**	10
Treasury shares	**(97 817)**	(97 021)
Balance at beginning of year	**(97 021)**	(134 777)
Treasury shares acquired	**(796)**	(16 440)
Treasury shares cancelled	**-**	54 196
Share-based payment reserve	**30 792**	27 184
Balance at beginning of year	**27 184**	23 891
Share-based payment expense	**3 608**	3 293
Foreign currency translation reserve	**179**	371
Balance at beginning of year	**371**	16
Foreign currency translation differences	**(192)**	355
Retained income	**861 345**	800 794
Previously reported balance at beginning of year	**800 794**	826 385
Effect of restatement*	**-**	(80)
Restated balance at beginning of year	**800 794**	826 305
Dividends paid	**(27 790)**	(26 246)
Shares cancelled	**-**	(54 184)
Net profit for the year	**88 341**	54 919
Previously reported	**88 341**	54 929
Effect of restatement*	**-**	(10)
Total capital and reserves attributable to owners	**805 338**	742 167
Non-controlling interest	**(5 740)**	(1 006)
Balance at beginning of year	**(1 006)**	(272)
Net loss for the year	**(4 734)**	(734)
Equity	**799 598**	741 161

CONSOLIDATED STATEMENT OF CASH FLOWS

R000's	% change	Reviewed 2017	Restated* 2016
Cash flows from operating activities		**197 435**	176 703
Cash generated by operations before movements in working capital and proceeds on disposal of rental assets		**253 188**	186 113
Proceeds on disposal of rental assets		**35 129**	52 063
Cash generated by operations	21%	**288 317**	238 176
Changes in working capital		**(14 178)**	(4 123)
Net finance costs		**(14 602)**	(16 872)
Taxation paid		**(34 386)**	(14 330)
Cash available from operating activities		**225 151**	202 851
Dividends paid		**(27 716)**	(26 148)
Cash flows from investing activities		**(95 603)**	(168 830)
Cash flows from financing activities		**(66 500)**	(35 153)
Net change in cash and cash equivalents		**35 332**	(27 280)
Translation difference		**(221)**	308
Cash and cash equivalents at beginning of year		**91 342**	118 314
Cash and cash equivalents at end of year		**126 453**	91 342

SEGMENT INFORMATION

R000's	**Reviewed 2017**	Restated* 2016**
Total segment revenue	**2 603 030**	2 215 526
General distribution	**1 586 974**	1 675 620
Truck rental and other	**400 552**	406 491
Retail Logistics	**500 786**	7 798
Head office and other	**114 718**	125 617
Less: Inter-segment revenue	**150 264**	171 532
General distribution	**6 103**	9 707
Truck rental and other	**29 850**	41 066
Retail Logistics	**-**	-
Head office and other	**114 311**	120 759
External segment revenue	**2 452 766**	2 043 994
General distribution	**1 580 871**	1 665 913
Truck rental and other	**370 702**	365 425
Retail Logistics	**500 786**	7 798
Head office and other	**407**	4 858
Business segment results		
General distribution	**96 253**	93 947
- Trading profit	**103 332**	93 947
- Goodwill impairment	**(7 079)**	-
Truck rental and other	**38 505**	31 840
Retail Logistics	**3 509**	(11 585)
Head office and other	**(2 853)**	(28 561)
Operating segment results	**135 414**	85 641
Share of profit of equity-accounted investees	**44**	79
Fair value adjustment	**(509)**	1 939
Investment income	**17 751**	14 060
Finance costs	**(32 353)**	(30 932)
Net profit before taxation	**120 347**	70 787
Total segment assets		
General distribution	**711 629**	744 916
Truck rental and other	**585 509**	618 942
Retail Logistics	**94 187**	5 204
Head office and other	**135 142**	126 153
Segment assets	**1 526 467**	1 495 215
Loan receivable	**1 568**	1 776
Equity-accounted investees	**357**	313
Deferred tax asset	**3 161**	4 759
Other financial assets	**8 434**	8 983
Current tax receivable	**1 551**	2 120
Total assets	**1 541 538**	1 513 166

* Restated for the treatment of the Group's insurance cell in terms of IFRS 10 - refer to note 6
** Restated for the introduction of a new segment - refer to note 6

NOTES

1. Basis of preparation

The reviewed condensed consolidated financial results are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the reviewed condensed consolidated financial results are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements, other than the deconsolidation of the Group's insurance operations as detailed in note 6. These results have been prepared under the supervision of the Group Financial Director, Mr CL Sack.

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

2. Business combination effected during the reporting period

The Group acquired 100% of the ordinary share capital of Key Distributors (Pty) Ltd (Key), the acquisition date being 1 March 2016 being the date on which management and ownership control passed. Key carries on the business of warehousing, distributing and wholesaling a variety of fast moving consumer goods (FMCG) into the formal and informal trade, including independent traders, fuel forecourts and small retailers. The acquisition offers the Group sought after access into the informal market and will facilitate the opportunity for the Group to diversify its business. The goodwill raised on acquisition has been confirmed by reference to the future projected cash flows of the business.

The cash consideration for the acquisition is R32.7 million, which is payable in three tranches. The first tranch of R19.6 million was paid during the financial year. The second and third payments are subject to Key achieving profit warranties and have been accrued for as vendor liabilities as they are fully expected to be achieved.

As part of the business combination, the following assets and liabilities were recognised at fair value on the acquisition date:

R000's	
- Goodwill	**16 561**
- Property, plant and equipment	**14 034**
- Inventories	**36 816**
- Fair value of trade receivables	**14 736**
- Other current assets	**9 433**
- Total liabilities	**(58 900)**
	32 680

Summary financial information for the year ended 28 February 2017:	
- Revenue	**483 969**
- Net profit before tax	**8 522**

NOTES

R000's	Reviewed 2017	Restated* 2016
3. Headline earnings		
3.1. Reconciliation between basic and headline earnings		
Basic earnings attributable to owners	**88 341**	54 919
Loss on disposal of property, vehicles, plant and equipment	**2 100**	3 672
Less: tax effect of loss on disposal of property, vehicles, plant and equipment	**(541)**	(895)
Goodwill impairment	**7 079**	-
Less: minority interest effect of goodwill impairment	**(1 416)**	-
Headline earnings	**95 563**	57 696
3.2. Number of ordinary shares of R 0.001 each in issue		
Shares in issue	**186 427 478**	186 427 478
Shares in issue excluding treasury shares	**154 145 746**	154 389 406
Weighted average shares in issue	**154 388 749**	155 216 667
Diluted shares in issue	**154 388 749**	155 356 074
3.3. Number of A ordinary shares of R 0.001 each in issue		
Shares in issue	**10 429 010**	10 429 010
4. Supplementary information		
Depreciation	**99 247**	102 911
Amortisation of intangible assets	**9 801**	11 618
Depreciation and amortisation	**109 048**	114 529

R000's	Reviewed 2017	Restated* 2016
5. Fair value measurement of financial instruments		
5.1. Financial assets/(liabilities)		
Cash and cash equivalents (Level 1)	**126 453**	91 342
Due to the short-term nature of cash and cash equivalents, and the fact that the Group only deposits cash with reputable banks with high credit ratings, the face value of the balances are considered to reflect its fair value.		
Investment in insurance cell captive (Level 2)	**8 434**	8 942
The net asset value is used as a valuation technique where the underlying assets and liabilities have been assessed to represent the fair value of the investment. Due to the nature of the investment, specifically the significant composition of the liquid assets and liabilities, the net asset value is seen to be the most appropriate representation of fair value.		
Foreign currency forward contracts (Level 2)	**(123)**	41
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.		

6. Restatement of prior period reported items

With the acquisition of Key Distributors on 1 March 2016, the Retail logistics segment has been introduced to enhance segmental reporting. The comparative segmental information has accordingly been restated for other operations involved in the wholesaling of beverage products.

The Group's insurance operations are conducted in conjunction with a registered insurer, as governed by various contractual arrangements. In the current period the Group sought clarity on certain clauses contained in this agreement, and found that clauses protecting the Group's rights from other parties in respect of the insurance operation's assets, were not as originally interpreted. These operations therefore now do not qualify for consolidation, in accordance with the requirements of IFRS 10, Consolidated Financial Statements. As a result, the Group has deconsolidated the insurance component of its operations retrospectively, and raised a financial instrument to reflect its interest therein. There was no impact on earnings or headline earnings per share, or on net asset value per share. The effect of the restatement is as follows:

NOTES

6. Restatement of prior period reported items (Continued)

Impact of change February 2016: R'000's	**Previously stated**	**Impact of change**	**Restated**
Effect on statement of comprehensive income			
Revenue	2 062 413	(18 419)	2 043 994
Cost of sales	(1 256 458)	10 831	(1 245 627)
Other income	13 967	3 923	17 890
Fair value adjustment	-	1 939	1 939
Investment income	14 631	(571)	14 060
Taxation	(18 889)	2 287	(16 602)
Net profit for the year	54 195	(10)	54 185
Effect on statement of financial position			
Trade and other receivables	276 124	-	276 124
Other financial asset	41	8 942	8 983
Current tax receivable	2 831	(711)	2 120
Cash and cash equivalents	101 279	(9 937)	91 342
Retained income at beginning of the year	826 385	(80)	826 305
Trade and other payables	325 124	(1 616)	323 508
Effect on statement of cash flows			
Cash flows from operating activities	175 702	1 001	176 703
Cash and cash equivalents at end of year	101 279	(9 937)	91 342

Impact of change February 2015: R'000's	**Previously stated**	**Impact of change**	**Restated**
Effect on statement of financial position			
Trade and other receivables	262 861	(606)	262 255
Other financial asset	-	7 004	7 004
Current tax payable	1 151	(1 151)	-
Cash and cash equivalents	127 314	(9 000)	118 314
Retained income at beginning of the year	793 694	(131)	793 563
Trade and other payables	312 706	(1 371)	311 335

COMMENTARY

INTRODUCTION

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

FINANCIAL REVIEW

In line with the Group's strategy to grow revenue organically and by acquisition, Group revenue improved by 20% to R2,453 billion as a result of the inclusion of Key Distributors (Pty) Ltd ("Key") effective 1 March 2016. Excluding revenue derived from Key, revenue reduced by 3,4% from R2,04 billion to R1,97 billion. Trading conditions in the logistics environment are tough and have impacted customer rates, volumes and growth of the customer base. The difficulties experienced necessitated an extensive restructuring exercise where operational cost savings on labour, maintenance, subcontractor and fuel costs were realised. In addition, certain smaller depots have been consolidated into existing branches. Reduced revenue, however, has had the effect of reducing pre Key gross profits by R41,7 million to R756,7 million and gross profit margins from 39,1% to 38,4%. With the inclusion of Key, gross profits increased marginally by R9,3 million to R807,7 million.

Notwithstanding the inclusion of Key in the Group's results and the R7,1 million impairment of goodwill arising on the future projected cash flows of the Core Logistix business being less than its carrying value, operating expenses reduced by R33,2 million. This sustainable cost reduction was achieved by instituting the following:

- Non replacement of staff resignations by combining and re-organising job functions;
- Restructuring of departments and responsibilities;
- Automation of previous manual processes;
- Revisiting all overhead costs in order to reduce expenditure where possible.

Consequently, net profit before tax increased by 70% from R70,8 million to R120,3 million. The effective tax rate, however, has increased from 23,5% to 30,5% due to a reduction in tax allowances derived from learnerships, the impairment of goodwill and the reversal of deferred tax assets within loss making subsidiaries. Accordingly, net profit after tax attributable to the Group improved by 61% to R88,3 million resulting in basic earnings per share increasing by 62% to 57,2 cents per share and headline earnings per share increasing by 66% to 61,9 cents per share.

Although proceeds on disposal of rental assets reduced from R52,1 million to R35,1 million, cash generated by operations increased by 21% from R238,2 million to R288,3 million. Cash available from operations increased by 11% to R225,2 million. The reduced increase arises from increased taxation payments and the Group's additional investment in working capital.

COMMENTARY

FINANCIAL REVIEW (Continued)

Capital expenditure incurred during this year was substantially reduced. Total expenditure amounted to R86,1 million and comprised R11,3 million for vehicles, R46,4 million for forklifts, R13,5 million for plant and equipment, R10,9 million for IT hardware and software and the balance of R4 million for various other assets. This expenditure was funded by R39,6 million realised on the disposal of assets and internally generated cash flows. Accordingly, cash balances improved by 38,6% to R126,5 million.

Interest bearing borrowings reduced by R65,4 million to R199 million. The Group's debt:equity ratio remains low at 26%. The Group anticipates further reductions in interest bearing debt.

OPERATIONAL REVIEW

General distribution segment

Poor trading conditions and right sizing of the logistics and freightpak break bulk operation has resulted in muted organic growth of the customer base and further volume decline. Volume was also impacted by the termination of non-profitable break bulk business due to customers demanding below market rates. Accordingly, revenue reduced by 5,1% from R1,666 billion to R1,581 billion. The extensive restructuring exercise which commenced approximately 18 months ago has yielded sustainable overhead and operating cost savings which counteracted the reduction in revenue. Notwithstanding trading losses and the R7,1 million goodwill impairment charge attributable to the Core Logistix operation which negatively affected the segment's results, operating profit improved by 2,6% to R96,3 million.

The ongoing restructuring exercise undertaken included the following:

- Customers' rates were carefully evaluated and adjusted where necessary;
- Termination of non-profitable business;
- Right sizing and downscaling of the logistics and freightpak break bulk operations in line with the reductions in activity and volumes;
- Delivery destinations and routes are continuously planned, monitored and optimised;
- Restructure of various activities and reporting lines.

The full effects of the restructuring was realised in the second half. Although volumes were below that of the prior period, the reduced cost base contributed significantly to the improvement in second half earnings.

The remaining operations comprising warehousing, dedicated distribution and express, which constituted 47% of the segment's revenue, performed to expectation due to increased activity in the second half.

COMMENTARY

Truck rental and other segments

Revenue growth in the truck rental and material handling division offset minor reductions in the clearing and forwarding division. Accordingly, the segment's revenue increased marginally by R5,3 million to R370,7 million. The strategy to grow truck rental revenue streams and provide cost effective materials handling solutions in specialised sectors has contributed to an improvement in the quality of revenue. The truck rental footprint was reviewed and necessitated the closure of smaller non-viable depots. In addition, staff reductions and the disposal of older vehicles has resulted in reduced maintenance and fixed costs. Accordingly, operating margins improved from 8,7% to 10,4% with operating profit increasing from R31,8 million to R38,5 million.

Retail logistics segment

With the acquisition of Key, the retail logistics segment has been introduced to enhance segmental reporting. Key undertakes 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. Key currently operates in the Gauteng, Polokwane, Nelspruit and Bloemfontein areas and during the 2017 financial year expanded into the Western Cape by utilising the Value infrastructure.

Segmental revenue increased by R493 million mainly due to the inclusion of Key. Notwithstanding the low margins and the additional expansionary costs incurred, the business has outperformed expectations. The results of Key, however, have been offset by wholesaling initiatives in the wine and non-alcoholic beverages sector. Losses incurred in these businesses have been addressed.

SHARE REPURCHASES

Prior to year end, the Group procured 243 660 shares for the Group's Share Incentive Scheme. No other share repurchases were made during the course of the 2017 financial year. Subsequent to year end, 1,86 million shares were acquired and are currently held in treasury. R7,3 million was spent on all the above share repurchases. The Group will continue to repurchase shares as the opportunities arise.

BLACK ECONOMIC EMPOWERMENT("BEE") TRANSACTION

The BEE ownership transactions which were concluded almost seven years ago mature in the current financial year. Due to the Group's depressed share price, however, the BEE entities' funding liabilities exceeds the equity values. Consequently, the Board intends to propose a 5 year extension to the transactions which will require shareholder approval. The remaining BEE transaction terms will remain the same. This will provide an opportunity for the BEE individuals concerned to participate in the equity of the Group once the share price improves. In addition the Group will retain its BEE ownership status. Further information will be made available to shareholders in due course.

FUTURE CAPITAL EXPENDITURE

Capital expenditure for the 2018 financial year has been reduced in comparison to previous years. This will facilitate a further reduction in interest bearing debt. Capital expenditure for the remainder of the 2018 financial year is budgeted to approximate R116 million consisting primarily of forklift and vehicle additions. This capital expenditure will be funded by internally generated cash flows and interest bearing debt.

COMMENTARY

PROSPECTS

The recent downgrade of the country's sovereign credit rating by the major credit rating agencies to junk status, political uncertainty and poor growth rates do not bode well for a short term improvement in the economy. The logistics break bulk and freightpak operations are experiencing volume decline. Management, however, is actively pursuing organic and acquisitive revenue growth opportunities to counteract the deline. The remaining divisions are operating in accordance with expectation. Further restructuring opportunities are being pursued to reduce operational and overhead costs. The significant cost cutting exercise undertaken to date, places the Group in a favourable position to benefit from any increase in revenue streams which may materialise.

Key's operations have recently been incorporated into Value's Johannesburg facility. Value's facility will provide Key with the infrastructure requirements to expand its volumes and extract synergies and cost savings between the two businesses. The existing Key facility in Johannesburg will be sold. Key has further potential to grow into areas not currently serviced.

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

DECLARATION OF DIVIDEND (NUMBER 21)

The Board resolved to declare a gross final dividend for the year ended 28 February 2017, of 18 cents (2016: 12 cents) per ordinary share which will be paid out of distributable reserves. The dividend is covered 2,64 times by second half headline earnings. The number of ordinary shares in issue at the date of this declaration is 186 427 478. The dividend will be subject to dividend withholding tax of 20% which amounts to 3,6 cents per share. This will result in a net dividend of 14,4 cents per share payable to those shareholders who are not exempt from paying dividend withholding tax. The tax reference number of Value Group Limited is 9319054715. The dividend is payable to shareholders as follows:

Declaration date	Thursday, 11 May 2017
Last day to trade cum dividend	Tuesday, 27 June 2017
Trading ex-dividend commences	Wednesday, 28 June 2017
Record date	Friday, 30 June 2017
Payment date	Monday, 3 July 2017

Share certificates may not be dematerialised or rematerialized between Wednesday, 28 June 2017 and Friday, 30 June 2017, both days inclusive.

For and on behalf of the Board

C D Stein
Chairman

S D Gottschalk
Chief Executive Officer

Johannesburg
11 May 2017

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