



REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS

FOR THE YEAR ENDED 29 FEBRUARY

2020

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*, B Bulo*

*Non-executive director

Sponsor: Investec Bank Limited

REVENUE UP 4%

R2,88bn

HEADLINE EARNINGS PER SHARE UP 22%

92,2 cents

EARNINGS PER SHARE UP 22%

89,5 cents

NET ASSET VALUE PER SHARE UP 9%

564,6 cents

CASH GENERATED BY OPERATIONS UP 12%

R599m

FINAL DIVIDEND PER SHARE DOWN 11%

24 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R000's	% change	Reviewed 2020	Restated* 2019
Revenue	4%	2 879 500	2 779 675
Cost of sales		(1 931 720)	(1 897 229)
Gross profit		947 780	882 446
Other income		32 574	45 668
Operating expenses		(722 653)	(672 830)
Operating profit	1%	257 701	255 284
Share of loss of equity-accounted investees		(14)	(13)
Fair value adjustment		(1 024)	(2 625)
Finance income		7 353	4 293
Finance costs (note 3.2)		(95 845)	(109 226)
Net profit before taxation		168 171	147 713
Taxation		(40 805)	(38 047)
Net profit for the year	16%	127 366	109 666
<i>Other comprehensive income</i>			
Foreign currency translation differences		-	(104)
Total comprehensive income for the year		127 366	109 562
Owners:		127 366	106 232
Net profit for the year		127 366	106 336
Other comprehensive income		-	(104)
Non-controlling interest:		-	3 330
Net profit for the year		-	3 330
Other comprehensive income		-	-
		127 366	109 562
Earnings per share (cents) (note 2)			
Basic	22%	89,5	73,2
Headline	22%	92,2	75,6
Diluted basic	19%	84,1	70,6
Diluted headline	19%	86,7	72,9

* Restated for the effects of IFRS 16. Refer to note 6.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R000's	% change	Reviewed 2020	Restated* 2019	Restated* 2018
Assets				
Non-current assets		1 641 041	1 797 546	1 945 295
Property, vehicles, plant and equipment		993 796	1 003 231	1 004 903
Right-of-use assets		608 646	758 330	906 223
Intangible assets		13 528	10 981	10 603
Goodwill		16 561	16 561	16 561
Loan receivable		2 636	3 001	1 575
Equity-accounted investees		63	77	380
Deferred tax asset		5 811	5 365	5 050
Current assets		697 777	599 564	553 514
Inventories		107 807	103 457	66 424
Trade and other receivables		321 184	313 110	335 532
Other financial assets		5 878	6 140	8 765
Current tax receivable		335	913	3 176
Cash and cash equivalents		262 573	175 944	139 617
Non-current assets held for sale		201	797	116
Total assets		2 339 019	2 397 907	2 498 925
Equity and liabilities				
Equity		798 167	740 980	713 591
Non-current liabilities		905 788	1 081 924	1 219 698
Interest-bearing borrowings		135 963	125 475	108 601
Lease liability		656 513	837 318	981 652
Deferred tax liability		113 312	119 131	129 445
Current liabilities		635 064	575 003	565 636
Trade and other payables		391 653	372 000	379 486
Current portion of interest-bearing borrowings		52 770	57 219	69 227
Current portion of non interest-bearing borrowings		-	-	3 268
Current portion of lease liability		189 444	144 334	112 555
Other financial liability		-	-	31
Current tax payable		377	757	464
Shareholders for dividend		820	693	605
Total equity and liabilities		2 339 019	2 397 907	2 498 925
Net asset value per share (cents)	9%	564,6	516,9	477,0

* Restated for the effects of IFRS 16. Refer to note 6.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R000's	Reviewed 2020	Restated* 2019
Ordinary share capital and premium	10 816	10 816
Balance at beginning of year	10 816	10 829
Shares cancelled	-	(13)
A ordinary shares	10	10
Treasury shares	(103 629)	(91 433)
Balance at beginning of year	(91 433)	(113 408)
Treasury shares acquired	(13 175)	(34 314)
Treasury shares sold	979	882
Treasury shares cancelled	-	55 407
Share-based payment reserve	25 282	22 108
Balance at beginning of year	22 108	20 146
Share-based payment expense	3 174	1 962
Foreign currency translation reserve	-	-
Balance at beginning of year	-	104
Foreign currency translation differences	-	(104)
Retained income	865 688	799 479
Balance at beginning of year	799 479	934 283
Effects of IFRS 16 restatement	-	(135 043)
Restated balance at the beginning of year	799 479	799 240
Dividends paid	(61 291)	(50 934)
Profit on disposal of treasury shares	134	231
Net profit for the year	127 366	106 336
Shares cancelled	-	(55 394)
Total capital and reserves attributable to owners	798 167	740 980
Non-controlling interest	-	-
Balance at beginning of year	-	(3 330)
Net profit for the year	-	3 330
Equity	798 167	740 980

* Restated for the effects of IFRS 16. Refer to note 6.

CONSOLIDATED STATEMENT OF CASH FLOWS

R000's	% change	Reviewed 2020	Restated* 2019
Cash flows from operating activities		402 220	334 709
Cash generated by operations	12%	598 748	536 608
Finance income		7 353	4 293
Finance costs (note 3.2)		(95 845)	(109 226)
Taxation paid		(46 872)	(46 120)
Cash available from operating activities		463 384	385 555
Dividends paid		(61 164)	(50 846)
Cash flows from investing activities		(83 883)	(56 990)
Purchase of property, vehicles, plant and equipment		(80 150)	(51 247)
Purchase of intangible assets		(7 728)	(5 072)
Proceeds on disposal of property, vehicles, plant and equipment		982	2 091
Proceeds on disposal of non-current assets held for sale		3 013	1 834
Payment of vendor - Key Distributors acquisition		-	(3 268)
Dividend received from equity accounted investees		-	290
Decrease in loan receivable		-	(1 618)
Cash flows from financing activities		(231 708)	(241 392)
Repayment of loans		(71 461)	(84 739)
Repayment of lease liability		(148 185)	(123 452)
Treasury shares acquired		(13 175)	(34 314)
Proceeds on disposal of treasury shares		1 113	1 113
Net change in cash and cash equivalents		86 629	36 327
Cash and cash equivalents at beginning of year		175 944	139 617
Cash and cash equivalents at end of year		262 573	175 944

* Restated for the effects of IFRS 16. Refer to note 6.

SEGMENT INFORMATION

R000's	Reviewed 2020	Restated* 2019
Total segment revenue	3 044 106	2 937 535
General distribution	1 826 869	1 740 618
Truck rental and other	427 959	419 992
Retail Logistics	670 903	660 245
Head office and other	118 375	116 680
Less: Inter-segment revenue	164 606	157 860
General distribution	4 660	3 683
Truck rental and other	47 050	45 512
Retail Logistics	-	-
Head office and other	112 896	108 665
External segment revenue	2 879 500	2 779 675
General distribution	1 822 209	1 736 935
Truck rental and other	380 909	374 480
Retail Logistics	670 903	660 245
Head office and other	5 479	8 015
Business segment results		
General distribution	201 506	178 502
Truck rental and other	55 266	65 715
Retail Logistics	2 833	12 706
Head office and other	(1 904)	(1 639)
Operating segment results	257 701	255 284
Share of profit of equity-accounted investees	(14)	(13)
Fair value adjustment	(1 024)	(2 625)
Finance income	7 353	4 293
Finance costs (note 3.2)	(95 845)	(109 226)
Net profit before taxation	168 171	147 713
Total segment assets		
General distribution	1 247 666	1 364 940
Truck rental and other	616 997	644 798
Retail Logistics	105 183	111 539
Head office and other	354 450	261 134
Segment assets	2 324 296	2 382 411
Loan receivable	2 636	3 001
Equity-accounted investees	63	77
Deferred tax asset	5 811	5 365
Other financial assets	5 878	6 140
Current tax receivable	335	913
Total assets	2 339 019	2 397 907
Total segment liabilities		
General distribution	951 415	1 062 740
Truck rental and other	254 389	258 558
Retail Logistics	64 173	50 227
Head office and other	156 366	164 821
Segment liabilities	1 426 343	1 536 346
Deferred tax liability	113 312	119 131
Current tax payable	377	757
Shareholders for dividend	820	693
Total liabilities	1 540 852	1 656 927

* Restated for the effects of IFRS 16. Refer to note 6.

SEGMENT INFORMATION

Revenue on an IFRS 15 basis is further disaggregated by timing and nature below:

R000's	General Distribution	Truck Rental and other	Retail logistics	Head office and other	Reviewed 2020
Recognised over time	1 784 712	240 336	-	474	2 025 522
Services rendered	1 784 712	240 336	-	474	2 025 522
Recognised at a point in time	37 497	51 062	670 903	5 005	764 467
Services rendered	-	27 743	-	-	27 743
Sale of goods	-	6 446	670 903	2 711	680 060
Sale of assets held for rental	37 497	16 873	-	775	55 145
Insurance commissions	-	-	-	1 519	1 519
Full maintenance leases **	-	89 511	-	-	89 511
Services rendered	-	89 511	-	-	89 511
Revenue	1 822 209	380 909	670 903	5 479	2 879 500

R000's	General Distribution	Truck Rental & other	Retail logistics	Head office and other	Audited 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
Full maintenance leases**	-	79 360	-	-	79 360
Services rendered	-	79 360	-	-	79 360
Revenue	1 736 935	374 480	660 245	8 015	2 779 675

** Lease contracts within the scope of IFRS 16: Leases

NOTES

1. Basis of preparation

The reviewed condensed consolidated financial results are prepared in accordance with the framework concepts, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these reviewed condensed consolidated financial results are in terms of International Financial Reporting Standards. Other than the adoption of IFRS 16: Leases detailed in note 6 below, the accounting standards applied are consistent with those applied in the previous consolidated financial statements. These results have been prepared under the supervision of the Group Financial Director, CL Sack.

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

This set of results focuses on the year under review, being the 12 months ended 29 February 2020. The unexpected post year-end events relating to the COVID-19 pandemic and subsequent nation-wide lockdown have been assessed as non-adjusting post-balance sheet events.

R000's	Reviewed 2020	Restated 2019
2. Headline earnings		
2.1. Reconciliation between basic and headline earnings		
Basic earnings attributable to owners	127 366	106 336
Loss on disposal of property, vehicles, plant and equipment	5 478	4 809
Less: tax effect of loss on disposal of property, vehicles plant and equipment	(1 532)	(1 339)
Headline earnings	131 312	109 806
2.2. Number of ordinary shares of R 0.001 each in issue		
Shares in issue	172 635 000	172 635 000
Treasury shares	31 257 858	29 270 820
- Shares held by other entities (BBBEE and share incentive shares)	21 870 156	22 251 224
- Shares held by subsidiary company	9 387 702	7 019 596
Shares in issue excluding treasury shares	141 377 142	143 364 180
Weighted average shares in issue	142 372 490	145 284 191
Diluted shares in issue	151 412 663	150 670 275
2.3. Number of A ordinary shares of R 0.001 each in issue		
Shares in issue	10 429 010	10 429 010
3. Supplementary information		
3.1. Depreciation and amortisation		
Depreciation of property, vehicles, plant and equipment	100 949	96 538
Depreciation of right-of-use assets	162 174	158 790
Amortisation of intangible assets	5 181	4 685
	268 304	260 013
3.2. Finance costs		
Lease liability	76 128	90 718
Long-term borrowings	19 098	18 044
Bank and short-term borrowings	-	4
Other	619	460
	95 845	109 226
3.3. Maturity analysis of lease liability		
Undiscounted contractual cashflows:		
Payable within one year	188 208	224 314
Payable within two to five years	685 640	719 316
Payable thereafter	110 465	264 997
	984 313	1 208 627

NOTES

R000's	Reviewed 2020	Restated 2019
4. Fair value measurement of financial instruments		
4.1. Financial assets/(liabilities)		
Investment in insurance cell captive (Level 2)	5 116	6 140
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)	762	-
Forward exchange contracts are marked to market at period end. The inputs used in the calculation are the foreign currency amounts stated in the contract, the equivalent Rand amount at the start of the contract and the Rand revaluation rate at period end.		
5. Related party transactions	214 919	199 619
Significant transactions with related parties comprise of market related rentals paid to companies controlled by SD Gottschalk, CEO of Value Group Limited.		

6. Adoption of IFRS 16: Leases

IFRS 16: Leases 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. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group has adopted IFRS 16 on 1 March 2019, using the full retrospective approach, therefore comparative information has been restated. The standard has had a significant impact on the Group as the majority of the premises that the Group operates out of have previously been accounted for as operating leases. The Group has recognised right-of-use assets and associated liabilities for its operating leases of premises. The nature of expenses related to those leases have now changed as the Group has recognised a depreciation charge for the right-of-use assets and interest expense on the lease liabilities. IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Previously, the Group recognised operating lease expenses on a straight-line basis over the term of the leases.

NOTES

Comparative segment information as accordingly been restated.

Actual cash outflows associated with the adoption of IFRS 16 with regards to the payment of the lease obligations have not changed. Disclosure restatements have however been made and are noted in the comparative tables that follow. Capital repayments of the lease liability are now reflected as an outflow from financing activities. Interest expense on the lease liability is now reflected as finance costs under operating activities.

The Group determined that the most appropriate interest rate to use in order to discount the lease payments and associated costs would be the interest rate that the Group could obtain, based on indicative funding rates available and granted to the Group, had it funded the purchase of the leased properties.

In calculating the relevant right-of-use assets and lease liability, the Group has taken into account options to extend where it is reasonably certain that the Group will exercise that option.

The Group has applied the following practical expedients as permitted by the standard:

- The Group has not reassessed whether a contract is, or contains, a lease at the date of initial application. The Group has applied IFRS 16 to only those contracts that were previously identified as leases under IAS 17 and IFRIC 4.
- The Group has not capitalised leases having a term of 12 months or less, or leases of low-value items, such as cellphones and printers.
- Lease and non-lease components were combined into a single lease payment.

The estimated impact of IFRS 16 as disclosed in the February 2019 integrated annual report differs from the restated numbers for February 2019 due to the inclusion of non-lease components that have now been fully quantified and accounted for as part of the lease payments in accordance with the practical expedients as noted above.

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Comparative figures have been restated as follows:

Impact of change February 2019 R000's	Previously stated	Impact of change	Restated
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Effect on consolidated statement of comprehensive income

Cost of sales	(1 945 020)	47 791	(1 897 229)
Depreciation of right-of-use assets		(158 790)	
Reversal of operating lease costs		206 581	
Other income	30 191	15 477	45 668
Finance costs	(18 508)	(90 718)	(109 226)
Taxation	(45 722)	7 675	(38 047)
Net profit for the period attributable to Owners of the Company	126 111	(19 775)	106 336

Effect on consolidated statement of financial position

Right-of-use asset	-	758 330	758 330
Lease liability	-	(837 318)	(837 318)
Current portion of lease liability	-	(144 334)	(144 334)
Deferred tax liability	(179 430)	60 299	(119 131)
Trade and other payables	(380 205)	8 205	(372 000)
Retained income at end of period	(954 297)	154 818	(799 479)

Effect on consolidated statement of cashflows

Cash generated by operations after changes in working capital	322 438	214 170	536 608
Finance costs	(18 508)	(90 718)	(109 226)
Repayment of lease liability	-	(123 452)	(123 452)

Effect on earnings per ordinary share (cents)

Basic	86,8	(13,6)	73,2
Headline	89,2	(13,6)	75,6
Diluted basic	83,7	(13,1)	70,6
Diluted headline	86,0	(13,1)	72,9

Effect on net asset value per share (cents)

624,8	(107,9)	516,9
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Impact of change February 2018 R000's	Previously stated	Impact of change	Restated
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Effect on consolidated statement of financial position

Right-of-use asset	-	906 223	906 223
Lease liability	-	(981 652)	(981 652)
Current portion of lease liability	-	(112 555)	(112 555)
Deferred tax liability	(182 069)	52 624	(129 445)
Trade and other payables	(379 803)	317	(379 486)
Retained income at end of period	(934 283)	135 043	(799 240)

Effect on net asset value per share (cents)

566,8	(89,8)	477,0
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7. Significant judgements and sources of estimation uncertainty

7.1 Adjusting versus non-adjusting post-balance sheet events

The World Health Organisation declared COVID-19 as a pandemic on 11 March 2020. On 23 March 2020, President Cyril Ramaphosa announced a nation-wide lockdown as a stricter measure to contain the spread of the virus. Both of these dates have occurred outside of the Group's reporting date, being 29 February 2020. Hence the post year-end events relating to the COVID-19 pandemic and subsequent nation-wide lockdown have been assessed as non-adjusting post-balance sheet events.

As a result, any forward looking information used for impairment assessments in terms of IAS 36: Impairment of Assets and IFRS 9: Financial Instruments only includes information that was available to the Group at the reporting date.

7.2 Going concern

While the full impact of the lockdown is yet to be seen, the Group has enough cash resources and a sound balance sheet to continue in operational existence for the foreseeable future.

Management have carefully assessed the performance of the Group in the three months since financial year end. Various scenario analyses based on actual results for these three months and budgets for the remaining nine months have been performed and the results place the Group in a favourable position. The outlook for the Group's operations regarding future trading circumstances is positive.

In addition, the Group is well positioned to meet customer requirements during the various lockdown stages, as permitted and has experienced an improvement in volumes since the beginning of the level 4 and then level 3 lockdown.

Budgeted scenario analyses have confirmed the Group's ability to service its outstanding debt commitments and that it will continue to meet its debt covenant requirements.

The going concern assumption is thus considered appropriate for the Group's results for the year under review.

7.3 Expected Credit Loss

The Group determines an impairment loss on its trade receivables by calculating an expected credit loss (ECL) as prescribed by IFRS 9, which includes the use of forward looking information. The spread of COVID-19 in South Africa and the resultant subsequent lockdown measures instituted by government were assessed as non-adjusting post-balance sheet events. Hence in calculating the ECL, the Group only took into account information that was available to it as at 29 February 2020. While it is impossible at this early stage to fully quantify the effect of the lockdown on the loss allowance, there is not expected to be any significant effect as the Group has not experienced a significant increase in credit risk. Customers have generally continued to pay in accordance with agreed credit terms.

7.4 Impairment assessments in terms of IAS 36: Impairment of Assets

The spread of COVID-19 may have wide reaching consequences on assets that are supported by forward looking information such as goodwill.

Goodwill is attributable to the acquisition of Key Distributors Proprietary Limited (Key) during the Group's 2017 financial year. Key is a distributor and wholesaler of a variety of fast moving consumer goods into the convenience, formal and informal trade. Being a provider of essential services, this area of the business has fared particularly well and has showed a remarkable improvement against past performance, even during the most restricted phases of the lockdown. As such, the impairment assessments performed confirm that no impairment is required to goodwill.

COMMENTARY

INTRODUCTION

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

FINANCIAL REVIEW

The Board is pleased to advise that the Group produced an increase in earnings for the 12 months ended 29 February 2020.

The poor economic conditions have proven to be very challenging with consumer demand, volume and pricing pressures affecting the wholesale and certain logistics divisions within the various segments. Volume decline was however partially mitigated by management's strategic initiatives of growing the customer base organically in addition to cross selling of Group services which contributed to revenue increasing by a marginal 4% from R2,78 billion to R2,88 billion.

Ongoing focus on improving operational efficiencies in addition to improved planning and maintenance cost savings contributed to gross profit margins improving from 31,7% to 32,9%. Gross profit increased by 7,4% to R947,8 million.

Although salary, marketing and other overhead inflationary increases resulted in operating costs increasing by 7,4% from R672,8 million to R722,7 million, increased gross profits and a reduction in other income resulted in operating profit increasing marginally to R257,7 million.

The Group adopted IFRS16 effective 1 March 2019 whereby a right-of-use asset and an associated liability is raised for its operating leases. The nature of these expenses relates to a depreciation charge on the right-of-use assets and an interest expense on the lease liabilities. Previously, the Group recognised operating lease expenses on a straight line basis over the term of the leases. The Group applied the full retrospective approach in its adoption of IFRS16 which requires the restatement of comparative financial information. As a result thereof, the Group benefitted from a reduced interest cost in comparison to the previous restated period due to a reduction of the capital outstanding on lease liabilities.

The Group also benefitted from a reduction in the effective tax rate from 25,8% to 24,3% due to the comparative period's inclusion of an under-provision pertaining to a prior period and the receipt in the current period of an allowance for energy efficiency savings.

The combined effects of the above has contributed to headline earnings per share increasing by 22% to 92,2 cents per share.

Notwithstanding increased working capital requirements from the accelerated payment cycle on conversion of the remaining labour broker staff to permanent employees, minor increases in inventory and receivable balances from growth in the customer base and ongoing focus on working capital management yielded improved cash flow results. Debtors collections during the second half of the financial year were very strong and exceeded expectations. In addition, the Group generated record proceeds on disposal of older vehicles amounting to R59,1 million. Consequently, cash generated by operations increased by 12% to R598,7 million.

In contrast to previous years, a substantial portion of the Group's capital expenditure was incurred in the first half in order to improve vehicle planning for the peak period. Total expenditure amounted to R165,4 million and comprised R117,1 million for vehicles, R24,6 million for materials handling equipment, R8,2 million for plant and equipment and accessories and R15,5 million for IT hardware and software. Although positive cash balances were effectively utilised to fund over 90% of the capital expenditure in addition to the R13,2 million spent on share repurchases the improvement in cash generated by operations resulted in cash resources at year end increasing by a significant R86,6 million to R262,6 million.

COMMENTARY

OPERATIONAL REVIEW

General distribution segment

The poor economic climate continues to impact a large portion of the customer base and associated volumes. This was and continues to be exacerbated by competitor and customer rate pressures. Management's ongoing focus on continuous improvement and operational changes in the freightpak and logistics divisions and procuring new customers in the warehousing, dedicated distribution and logistics divisions yielded positive benefits which curtailed general volume decline and associated rate reductions. In addition, cross selling of certain distribution services yielded positive benefits to the segment. Consequently, revenue increased by 4,9% from R1,737 billion to R1,822 billion. Revenue growth, operational savings and improved efficiencies contributed to operating profit increasing by 12,9% from R178,5 million to R201,5 million and operating margins improving from 10,3% to 11,1%.

Truck rental and other segments

The muted demand for truck rental services has resulted in a highly competitive market with rates being heavily discounted in certain areas. In contrast, the clearing and forwarding division has grown its customer base and associated revenues. As a result, revenue remained relatively static at R380,9 million. Truck rental rate pressures to improve vehicle utilisation and an increased variable and overhead cost base however, reduced operating margins from 17,5% to 14,5% with operating profit reducing from R65,7 million to R55,3 million.

Retail logistics segment

Very tough trading conditions due to reduced consumer disposable income, particularly in the informal sector, has resulted in revenue remaining relatively flat at R670,9 million. Margin pressures increased which was exacerbated by certain supplier amendments to rebate structures thus contributing to increased product procurement costs. Additional costs were incurred in growing revenue in new markets and areas. As a result, operating income reduced from R12,7 million to R2,8 million. Various corrective initiatives have been implemented to improve margins and profitability.

SHARE REPURCHASES

During the 2020 financial year, 2 368 106 shares were acquired at a cost of R13,2 million. Subsequent to February 2020, 2 607 588 shares were repurchased at a cost of R10,9 million. The average acquisition cost per share amounts to R4,80 per share. The Group's subsidiary currently holds 11 995 290 ordinary shares in treasury which represents 6,9% of ordinary shares in issue. The Group will continue to repurchase shares as the opportunities arise.

FUTURE CAPITAL EXPENDITURE

Budgeted capital expenditure for the 2021 financial year is anticipated to amount to R167,4 million and comprises R109,4 million for vehicles, R32,7 million for forklifts and accessories and R25,3 million for IT and other costs. The capital expenditure is considered necessary mainly for the replacement of older vehicles, the anticipated growth in the forklift division and the various IT upgrade projects in progress across the Group's major applications. The capital expenditure will be funded by internally generated cash flows and interest bearing debt where required.

COMMENTARY

THE GROUP'S RESPONSE TO COVID-19

The Group has implemented stringent SHEQ compliance procedures to ensure the health, safety and wellbeing of its employees in order to fulfill its part in controlling and eradicating the spread of the Covid-19 pandemic. These measures entailed the following:

- Where possible, staff have been encouraged and continue to work from home.
- COVID-19 policies have been issued covering all areas aimed at safeguarding the Group's employees against the virus.
- Ongoing electronic and visual educational communication campaigns reinforcing employee compliance with the need for social distancing and proper hygiene practices.
- Sanitizers have been placed at all exits and entrances and the provision of face masks to employees.
- Temperature screening of all individuals entering any of the Group's premises.
- Face-to-face meetings are discouraged and have been substituted by the extensive use of electronically facilitated meetings.

Aside from preventing the spread of the virus, extensive focus has been applied in safeguarding the sustainability and operations of the Group. In this regard, the Group implemented the following measures to preserve cash balances:

- Immediate reduction of fixed and variable costs to align to trading activity where possible.
- Deferral of the final dividend decision for the year ended 29 February 2020 pending trading and cash flow outcomes during level 4 and level 5 lockdown.
- Planned salary and board fee increases in March 2020 were frozen throughout the Group.
- The application for government assistance in the form of the Temporary Employer Relief Scheme (TERS) in order to compensate employees who were on unpaid leave. Where possible, employees were rotated during unpaid leave periods to ensure that a portion of their salary could be earned.

In order to assess going concern and establish the need to draw on facilities, a number of comprehensive budget scenarios were prepared in order to assess and test the effects of cash inflows and outflows using various trading scenarios. Cash flows and cash balances, essential for the sustainability of the Group during this period of uncertainty, were thus subject to stringent sensitivity analyses. To date, the extent of the Group's cash resources materially exceeds that budgeted. The Group is thus solvent, has adequate cash resources and banking facilities required to continue trading into the future.

COMMENTARY

PERFORMANCE SUBSEQUENT TO YEAR END

Trading performance subsequent to year end has been affected by Covid-19. The Group continues to deal with these challenges noting the following:

- There have been no significant increases in credit risk as customers have generally continued to pay in accordance with agreed credit terms. The Group has successfully engaged with those customers where payments were delayed.
- Trade creditors have been settled without any extension of terms. In addition, the Group's tax returns have been submitted and paid on time in accordance with regular business practice without requiring any form of financial assistance, either from financial institutions or government relief.
- Disposal of older assets has gained momentum with proceeds realised being similar to that achieved in the previous financial year.

Accordingly, no significant impairments to any of the Group's assets are currently required as a result of the Covid-19 lockdown measures.

The implementation of level 5 lockdown from 27 March 2020 to 30 April 2020, resulted in a material reduction in revenue. The Group was designated as an essential service provider and was permitted to provide services to a limited number of customers supplying essential goods. Accordingly, April 2020 revenue was 32.6 % below that of April 2019. As lockdown restrictions eased to level 4 in May 2020, more of the Group's customers were permitted to trade which resulted in a material increase in revenue compared to April 2020. Revenue in May 2020 was however only 5.3% down on May 2019. Notwithstanding the aforementioned reduction in revenue, profitability was materially better than expected albeit less than last year. From 1 June 2020, with the shift to less restrictive level 3 lockdown, the Group became almost fully operational.

PROSPECTS

The full economic impact of COVID-19 on consumer disposal income, associated demand and the economy is unknown and can be negatively affected should the country revert to the previous highly restrictive lockdown levels. Consequently, COVID-19 will have an effect on the Group's 2021 results. Despite the damaging effects of COVID-19, the Group's business characterized by low debt levels, substantial asset base and the ability to generate positive cash flows will ensure its sustainability into the foreseeable future. The challenges associated with the impact of COVID-19 will be partially negated due to the Group's profitable business model, whereby logistics services across multiple divisions are supplied to a diverse range of customers within various industrial sectors. The Group is resilient and well positioned to adapt and grow in this changing environment. In this light, the Group has been successful in growing its customer base with the onboarding of a number of new customers in the current financial year. Lastly, further improvements in certain operations should contribute to improved profitability and sustainability in the years ahead. Any reference to future financial performance included in this announcement has not been reviewed nor reported on by the Group's auditors.

COMMENTARY

DECLARATION OF DIVIDEND (NUMBER 27)

The Group's net cash position is highly positive with access to adequate banking facilities should the need arise. Accordingly, the Group has sufficient cash balances to increase its final dividend, however, due to the uncertainty of COVID-19, the Board has considered that a more conservative approach be adopted and therefore resolved to declare a reduced gross final dividend for the year ended 29 February 2020 of 24 cents per ordinary share which will be paid out of distributable reserves. This dividend is covered 2,52 times by second half headline earnings. This final dividend will result in a total dividend declared for the 2020 financial year amounting to 40 cents per share which equates to the total dividend declared for the 2019 financial year. The number of ordinary shares in issue at the date of this declaration is 172 635 000. The dividend will be subject to dividend withholding tax of 20% which amounts to 4,8 cents per share. This will result in a net dividend of 19,2 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. This dividend is payable to shareholders as follows:

Declaration date	Friday, 12 June 2020
Last day to trade cum dividend	Tuesday, 4 August 2020
Trading ex-dividend commences	Wednesday, 5 August 2020
Record date	Friday, 7 August 2020
Payment date	Tuesday, 11 August 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 5 August 2020 and Friday, 7 August 2020, both days inclusive.

For and on behalf of the Board

C D Stein
Chairman

Johannesburg
12 June 2020

S D Gottschalk
Chief Executive Officer

DEFINITIONS

Cash generated by operations	A measure of the amount of cash generated by the Group's normal business operations before finance income, finance cost, taxation and dividends.
Basic earnings per share	Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.
Dividends per share	Dividend per share is the sum of declared dividends issued by the Group for every ordinary share outstanding.
Diluted basic earnings per share	Diluted basic earnings per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential ordinary shares.
Gross profit	Gross profit is the profit generated after deducting costs associated with the selling of products and services.
Headline earnings	A measure of the Group's earnings based only on operational and capital investment activities which excludes exceptional and once-off profits and losses
Headline earnings per share	Per share value of the headline earnings attributable to the ordinary shareholders of the Group
Net asset per share	Total assets less total liabilities attributable to ordinary shareholders, divided by the number of ordinary shares in issue excluding treasury shares
Operating profit	A measure of profitability that indicates how much of each Rand of revenue is left after cost of sales and operating expenses, before finance income, finance cost and taxation.
Weighted average number of shares	The weighted average number of shares is a calculation that takes into consideration any changes in the number of shares over a specific reporting period

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