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THE MEASURABLE LOGISTICS COMPANY

VALUE GROUP LIMITED

CORRECTIVE ACTION YIELDING POSITIVE RESULTS

STRONG CASH FLOWS

UNAUDITED INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2007

CONSOLIDATED INCOME STATEMENT

R'000's	% change	31 August 2007	Restated 31 August 2006	Audited 28 February 2007
Revenue	10	**535 056**	485 616	1 033 985
Operating profit before depreciation, amortisation and finance costs	(15)	**55 589**	65 147	102 347
Depreciation and amortisation		**(32 747)**	(31 720)	(69 308)
Operating profit		**22 842**	33 427	33 039
Investment income		**11 006**	9 099	14 788
Finance costs		**(19 523)**	(14 060)	(26 039)
Net profit before taxation		**14 325**	28 466	21 788
Taxation		**(4 591)**	(8 976)	(7 428)
Net profit for the period		**9 734**	19 490	14 360
Earnings per share (cents) (note 1)				
– **Basic**		**4,8**	9,8	7,1
– **Headline**	(46)	**5,4**	10,0	9,6
– Diluted basic		**4,7**	9,3	6,9
– Diluted headline		**5,3**	9,4	9,3

CONSOLIDATED BALANCE SHEET

Assets			
Non-current assets	**616 974**	579 502	603 242
Property, vehicles, plant and equipment	**601 582**	560 590	589 566
Intangible assets	**12 205**	16 508	12 167
Deferred tax	**3 187**	1 424	1 509
Investments	**—**	980	—
Current assets	**300 568**	277 888	246 946
Inventory	**16 474**	17 903	17 977
Trade and other receivables	**213 917**	196 787	173 465
Taxation in advance	**10 441**	349	10 461
Bank and cash	**59 736**	62 849	45 043
Non-current assets held for sale	**3 843**	6 182	2 493
Total assets	**921 385**	863 572	852 681
Equity and liabilities			
Capital and reserves	**371 101**	388 183	363 620
Non-current liabilities	**225 389**	191 666	212 732
Interest-bearing borrowings	**138 178**	111 606	129 839
Deferred tax	**87 211**	80 060	82 893
Current liabilities	**324 895**	283 723	276 329
Trade and other payables	**267 323**	226 526	221 908
Current portion of interest-bearing borrowings	**54 725**	44 659	53 291
Taxation	**2 847**	12 538	1 130
Total equity and liabilities	**921 385**	863 572	852 681
Net asset value per share (cents)	**184,0**	191,1	179,8

CONSOLIDATED CASH FLOW STATEMENT

Cash flows from operating activities	**55 378**	30 022	61 669
Cash generated by operations (9)	**60 132**	65 751	115 419
Net finance costs	**(8 517)**	(4 961)	(11 251)
Changes in working capital	**3 763**	(23 144)	(17 657)
Taxation paid	**—**	(7 618)	(24 842)
Cash available from operating activities	**55 378**	30 028	61 669
Dividends paid	**—**	(6)	—
Cash flows from investing activities	**(48 158)**	(61 783)	(118 598)
Cash flows from financing activities	**7 473**	40 637	47 999
Net change in cash and cash equivalents	**14 693**	8 876	(8 930)
Cash and cash equivalents at beginning of period	**45 043**	53 973	53 973
Cash and cash equivalents at end of period	**59 736**	62 849	45 043

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R000's	Share capital and premium	Treasury shares	Reserves	Retained earnings	Ordinary share-holders' equity
Balance at 31 August 2006 (unaudited)	41 439	(2 463)	446	348 761	**388 183**
Treasury shares sold	—	1 218	—	—	**1 218**
Loss on disposal of treasury shares	—	—	—	(522)	**(522)**
Share-based payment	—	—	84	—	**84**
Foreign currency translation differences	—	—	(161)	158	**(3)**
Capital distribution and share buy back	(20 210)	—	—	—	**(20 210)**
Net profit for the period	—	—	—	(5 130)	**(5 130)**
Balance at 28 February 2007 (audited)	21 229	(1 245)	369	343 267	**363 620**
Treasury shares acquired	—	(2 299)	—	—	**(2 299)**
Profit on disposal of treasury shares	—	—	—	17	**17**
Share-based payment	—	—	(21)	50	**29**
Net profit for the period	—	—	—	9 734	**9 734**
Balance at 31 August 2007 (unaudited)	21 229	(3 544)	348	353 068	**371 101**

SEGMENTAL ANALYSIS

R000's	General distribution*	Niche distribution	Truck rental and other	Head office	Total
Revenue – 2007	**359 991**	**60 262**	**114 653**	**150**	**535 056**
Operating profit/(loss) – 2007	**13 028**	**(2 819)**	**16 597**	**(3 964)**	**22 842**
Revenue – 2006	314 596	57 660	113 360	—	485 616
Operating profit/(loss) – 2006	14 662	1 204	20 897	(3 336)	33 427

**The general distribution segment comprises courier, break-bulk and single party distribution services.*

NOTES

The accounting policies adopted for the purpose of this report comply in all material respects with International Financial Reporting Standards (IFRS) and have been consistently applied to all periods presented.

The Group's interim results have been prepared in accordance with IAS 34: Interim Financial Reporting. The accounting policies and methods of computation applied in the preparation of the interim results are consistent with those applied in the preparation of the annual financial statements for the year ended 28 February 2007.

Comparative figures

Comparative figures have been reclassified in order to comply with Circular 9/2006 issued by SAICA where clarification was given on the interpretation of IAS 39: Financial Instruments – Recognition and Measurement, IAS 18: Revenue and IAS 2: Inventories.

When receivables or payables are raised, IAS 39 requires that the receivable or payable be initially recognised at its fair value. As a result, the effect of the time value of money in receivables and payables with extended terms have been reflected.

The effects of the reclassification are as follows:

R000's	Previously stated 31 August 2006	Fair value adjustment	Restated 31 August 2006
Revenue	**494 424**	**(8 808)**	**485 616**
Operating profit before depreciation, amortisation and finance costs	65 559	(412)	65 147
Depreciation and amortisation	(31 720)	—	(31 720)
Operating profit	33 839	(412)	33 427
Investment income	291	8 808	9 099
Finance costs	(5 664)	(8 396)	(14 060)
Net profit before taxation	28 466	—	28 466
Taxation	(8 976)	—	(8 976)
Net profit for the period	19 490	—	19 490

R000's	31 August 2007	Restated 31 August 2006	Audited 28 February 2007
1. Headline earnings			
1.1 Reconciliation between basic and headline earnings			
Basic earnings	**9 734**	19 490	14 360
Loss on disposal of property, vehicles, plant and equipment less taxation	**1 283**	373	1 572
Impairment of intangible asset	**—**	—	3 442
Headline earnings	**11 017**	19 863	19 374
1.2 Number of ordinary shares in issue			
– Actual	**205 599 040**	207 599 040	207 599 040
– Weighted average	**202 661 311**	199 321 286	201 495 411
– Diluted	**207 350 559**	210 205 822	208 402 942

COMMENTARY

Introduction

Value Group Limited and its subsidiaries provide a comprehensive range of tailored logistical solutions throughout southern Africa. The major operating divisions specialise in providing a diversified range of distribution services, warehousing, fleet management, forklift and commercial vehicle rental and leasing.

Financial and operational review

Turnover increased by 10% from R485,6 million to R535,1 million. This increase arose mainly from rate increases and organic growth of new customers in the latter half of the prior financial year. The commencement of the National Credit Act had a negative impact on vehicle utilisation and freight volumes in June and July 2007. Volumes were below May 2007 and that of the 2006 comparative months. As a result, volume growth over the period was marginal.

As mentioned in the 2007 year-end press release, management expected reduced interim profits in comparison to the previous interim period. Rate pricing pressures and increased costs reduced earnings. The operational costs of the provision of logistics services, is far exceeding inflation. In particular, wage rates have increased by 11% in the current year and similarly in the prior year. As a result, operating margins before depreciation decreased from 13,4% to 10,4%, and operating profit after depreciation was reduced by R10,6 million from R33,4 million to R22,8 million.

Increased debt levels coupled with escalating interest rates contributed to net interest costs growing by R3,6 million, to R8,5 million. Headline earnings per share declined by 46% from 10,0 cents to 5,4 cents per share.

Notwithstanding the reduction in headline earnings, cash generated by operations remained strong and was reduced by 9% from R65,8 million to R60,1 million. Strict working capital management remains a key focus. Excluding the trade receivables of the clearing and forwarding division, trade debtors days at 31 August 2007 amounted to 49.

Management has, and continues to devote substantial time, effort and resources on improving the profitability levels of the Group. This has encompassed the following:

- Re-pricing of various customers' rates. Certain rates were found to be inadequate for the services rendered and rates were adjusted accordingly, albeit not to management's satisfaction. A large portion of customers accepted increases whereas others moved to new service providers. Rate pressure within the Group's customer base is highly evident as a result of retailers imposing heavy margin pressures on our customers.
- In collaboration with certain customers, various provisions of supply chain services have been remodeled to limit rate increases by improving efficiencies and at the same time, reducing costs.
- Management has renewed its focus on improving truck rental vehicle utilisations and margins. New contracted revenue has been secured which will increase utilisations and margins. A programme of defleeting older vehicles will commence in January 2008.

Information technology

The Group has invested in improving its operational IT systems to facilitate further reporting and customer integration. The financial modules of the integrated IT solution are functional, yet have not yielded the anticipated benefits. The system has been externally evaluated and a decision regarding the direction thereof will be made shortly.

Capital commitments

Subsequent to August 2007, the Group was committed to additional vehicle capital expenditure amounting to R54,3 million. Vehicles were purchased to expand and replace the car and truck rental fleet and in addition, to fulfill contracted orders. These commitments will be funded out of borrowings.

Prospects

The recent increase in prime overdraft rates will increase borrowing costs and may curb consumer Christmas spending. Management's initiatives to address the pricing and cost pressures, have improved the earnings of the Group when comparing these results to those achieved in the second half of the 2007 financial year. The improvement however, is far short of what is required. Despite this, increased volumes from the expanded customer base in conjunction with the corrective action undertaken should result in the Group reporting improved earnings for the 2008 financial year.

Acknowledgements

The Board is pleased to announce the appointment of Mr Mano Padiyachy as an executive director effective July 2007. Mr Padiyachy is extensively involved in the operations of the Group and brings with him a wealth of operational knowledge to the Board and the business.

Dividends

Due to the material reduction in earnings and the capital expenditure commitment, it is considered prudent that no interim dividend be declared.

For and on behalf of the Board

C D Stein
Chairman

S D Gottschalk
Chief Executive Officer

Johannesburg
23 October 2007

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

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