



# HEADLINE EARNINGS PER SHARE UP 278% CASH FLOWS FROM OPERATING ACTIVITIES UP 105%

## UNAUDITED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2008

CONSOLIDATED INCOME STATEMENT				
R000's	% change	Unaudited 31 August 2008	Unaudited 31 August 2007	Audited 29 February 2008
<b>Revenue</b>	27	<b>681 045</b>	535 056	1 164 528
Operating profit before depreciation, amortisation, impairment and finance costs	68	<b>93 380</b>	55 589	146 062
Depreciation, amortisation and impairment		<b>(32 832)</b>	(32 747)	(65 577)
<b>Operating profit</b>	165	<b>60 548</b>	22 842	80 485
Share of profit of associate net of tax		<b>138</b>	—	26
Investment income		<b>15 929</b>	11 006	26 968
Finance costs		<b>(23 764)</b>	(19 523)	(41 075)
<b>Net profit before taxation</b>		<b>52 851</b>	14 325	66 404
Taxation (note 1)		<b>(16 514)</b>	(4 591)	(17 364)
<b>Net profit for the period</b>		<b>36 337</b>	9 734	49 040
<b>Earnings per share (cents) (note 2)</b>				
– Basic		<b>19,0</b>	4,8	24,3
– <b>Headline</b>	278	<b>20,4</b>	5,4	25,8
– Diluted basic		<b>19,7</b>	4,7	24,7
– Diluted headline	300	<b>21,2</b>	5,3	26,2

CONSOLIDATED BALANCE SHEET				
R000's	% change	Unaudited 31 August 2008	Unaudited 31 August 2007	Audited 29 February 2008
<b>Assets</b>				
<b>Non-current assets</b>		<b>668 160</b>	616 974	639 696
Property, vehicles, plant and equipment		<b>649 289</b>	601 582	623 962
Intangible assets		<b>16 146</b>	12 205	14 009
Deferred tax		<b>2 158</b>	3 187	1 603
Investments		<b>567</b>	—	122
<b>Current assets</b>		<b>388 916</b>	300 568	354 014
Inventory		<b>35 992</b>	16 474	35 259
Trade and other receivables		<b>239 342</b>	213 917	216 208
Taxation in advance		<b>—</b>	10 441	—
Bank and cash		<b>113 582</b>	59 736	102 547
<b>Non-current assets held for sale</b>		<b>7 006</b>	3 843	4 661
<b>Total assets</b>		<b>1 064 082</b>	921 385	998 371
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>		<b>388 854</b>	371 101	394 316
<b>Non-current liabilities</b>		<b>237 260</b>	225 389	244 746
Interest-bearing borrowings		<b>137 244</b>	138 178	147 636
Deferred tax		<b>100 016</b>	87 211	97 110
<b>Current liabilities</b>		<b>437 968</b>	324 895	359 309
Trade and other payables		<b>356 912</b>	267 323	294 365
Current portion of interest-bearing borrowings		<b>65 372</b>	54 725	61 665
Taxation		<b>15 684</b>	2 847	3 279
<b>Total equity and liabilities</b>		<b>1 064 082</b>	921 385	998 371
Net asset value per share (cents)	16	<b>213,2</b>	184,0	203,3

CONSOLIDATED CASH FLOW STATEMENT				
R000's	% change	Unaudited 31 August 2008	Unaudited 31 August 2007	Audited 29 February 2008
<b>Cash flows from operating activities</b>	105	<b>113 340</b>	55 378	156 814
Cash generated by operations		<b>99 733</b>	60 132	154 786
Net finance costs		<b>(7 835)</b>	(8 517)	(14 107)
Changes in working capital		<b>36 388</b>	3 763	6 766
Taxation (paid)/refunds		<b>(1 758)</b>	—	9 369
<b>Cash available from operating activities</b>		<b>126 528</b>	55 378	156 814
Dividends paid		<b>(13 188)</b>	—	—
<b>Cash flows from investing activities</b>		<b>(66 814)</b>	(48 158)	(106 859)
<b>Cash flows from financing activities</b>		<b>(35 491)</b>	7 473	7 549
<b>Net change in cash and cash equivalents</b>		<b>11 035</b>	14 693	57 504
Cash and cash equivalents at beginning of period		<b>102 547</b>	45 043	45 043
Cash and cash equivalents at end of period		<b>113 582</b>	59 736	102 547

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY						
R000's	Share capital and premium	Treasury shares	Reserves	Retained earnings	Ordinary shareholders' equity	
<b>Balance at 28 February 2007</b>	21 229	(1 245)	369	343 267	<b>363 620</b>	
Treasury shares acquired	—	(2 299)	—	—	<b>(2 299)</b>	
Profit on disposal of treasury shares	—	—	—	17	<b>17</b>	
Share-based payment expense	—	—	(21)	50	<b>29</b>	
Net profit for the period	—	—	—	9 734	<b>9 734</b>	
<b>Balance at 31 August 2007</b>	21 229	(3 544)	348	353 068	<b>371 101</b>	
Treasury shares sold	—	426	—	—	<b>426</b>	
Share buyback	(7 398)	—	—	—	<b>(7 398)</b>	
Treasury shares acquired	—	(9 440)	—	—	<b>(9 440)</b>	
Profit on disposal of treasury shares	—	—	—	71	<b>71</b>	
Share-based payment expense	—	—	215	35	<b>250</b>	
Net profit for the period	—	—	—	39 306	<b>39 306</b>	
<b>Balance at 29 February 2008</b>	13 831	(12 558)	563	392 480	<b>394 316</b>	
Share buyback	(10 987)	—	—	—	<b>(10 987)</b>	
Treasury shares acquired	—	(15 010)	—	—	<b>(15 010)</b>	
Loss on disposal of treasury shares	—	—	—	(2 809)	<b>(2 809)</b>	
Share-based payment expense	—	—	87	108	<b>195</b>	
Dividends paid	—	—	—	(13 188)	<b>(13 188)</b>	
Net profit for the period	—	—	—	36 337	<b>36 337</b>	
<b>Balance at 31 August 2008</b>	2 844	(27 568)	650	412 928	<b>388 854</b>	

SEGMENTAL ANALYSIS						
R000's	External revenues	Inter-segment revenues	Total revenues	Operating profit/(loss)	Total assets	
<b>General distribution</b>	<b>551 972</b>	<b>8 082</b>	<b>560 054</b>	<b>48 018</b>	<b>474 956</b>	
<b>Truck rental and other</b>	<b>129 011</b>	<b>27 759</b>	<b>156 770</b>	<b>17 345</b>	<b>425 150</b>	
<b>Head office and other</b>	<b>62</b>	<b>34 545</b>	<b>34 607</b>	<b>(4 815)</b>	<b>161 252</b>	
<b>31 August 2008</b>	<b>681 045</b>	<b>70 386</b>	<b>751 431</b>	<b>60 548</b>	<b>1 061 358</b>	
General distribution	420 253	6 322	426 575	10 209	415 280	
Truck rental and other	114 653	39 533	154 186	16 597	372 617	
Head office and other	150	27 611	27 761	(3 964)	119 860	
31 August 2007	535 056	73 466	608 522	22 842	907 757	

**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 29 February 2008.

R000's	Unaudited 31 August 2008	Unaudited 31 August 2007	Audited 29 February 2008
<b>1. Taxation</b>			
Adjustment included in taxation:			
– Secondary tax on companies	<b>1 369</b>	—	—
– Tax rate adjustment	—	—	(3 440)
<b>2. Headline earnings</b>			
<b>2.1 Reconciliation between basic and headline earnings</b>			
Basic earnings	<b>36 337</b>	9 734	49 040
Loss on disposal of property, vehicles, plant and equipment less taxation	<b>2 725</b>	1 283	1 812
Impairment of intangible asset	—	—	1 236
<b>Headline earnings</b>	<b>39 062</b>	11 017	52 088
<b>2.2 Number of ordinary shares in issue</b>			
– Actual	<b>195 630 746</b>	205 599 040	201 487 884
– Weighted average	<b>191 688 006</b>	202 661 311	201 550 074
– Diluted	<b>184 020 269</b>	207 350 559	198 469 487

**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, clearing and forwarding, warehousing, fleet management, forklift and commercial vehicle rental and leasing.

**FINANCIAL REVIEW**  
The Board is pleased to announce an exceptional improvement in interim results for the six months ended 31 August 2008. Management's strategy to target growth industries, and to re-price and remodel certain service offerings, has contributed significantly to this improvement. Organic growth arising from services undertaken for new customers and additional services undertaken for existing customers contributed to a 27% increase in revenue from R535,1 million to R681 million. The expanded customer base has and continues to be diversified further across various industries. These two factors have contributed to improved utilisation of both infrastructure and vehicle resources. Consequently, operating margins before depreciation increased from 10,4% to 13,7%. Operating profit after depreciation increased by 165% from R22,8 million to R60,5 million. Overall, revenue growth and the associated effects of margin improvements have contributed to the 278% increase in headline earnings from 5,4 cents to 20,4 cents per share.

Once again, the Group delivered solid operating cash flow performance. Major emphasis was placed on working capital management which contributed to cash flows from operating activities improving by 105% from R55,4 million to R113,3 million. These operating cash flows, together with the proceeds on disposal of vehicles, were utilised to fund R87,4 million of capital expenditure and settle R6,7 million of interest-bearing debt.

In addition, R30 million was spent on share buybacks during the period.

**OPERATIONAL REVIEW**  
**General distribution segment**  
The major improvement in the results came about from the break bulk and chemical distribution divisions where pricing was adjusted to match the services provided. In addition, the volume growth from the expanded customer base contributed to the 31% growth in revenue and the improvement in the operating margin from 2,4% to 8,7%. The results were however negatively affected by the reduced losses incurred in the newly established express division.

**Truck rental segment**  
The truck rental division performed below expectation. Reduced vehicle utilisations due to diminishing revenues in certain branches had an adverse effect on the division's profitability, with operating margins falling from 14,5% to 13,4%. A further restructuring exercise will commence in January 2009 to ensure correct fleet allocation nationally in order to improve utilisations. Excess older vehicles will be sold.

In addition, the segment's results were also negatively affected by losses incurred in the car rental division which has been significantly scaled down.

**INFORMATION TECHNOLOGY**  
As previously reported in the 2008 year end results, all systems are now functional. The Group is actively investing in upgrading its software and hardware infrastructure which will provide a platform to manage the growth and activity levels in the years ahead. Certain existing systems will be phased out once new solutions go live.

**CAPITAL COMMITMENTS**  
Currently, approved capital expenditure amounts to R78,5 million, of which R46,5 million pertains to new vehicle requirements for replacements and contracted business. The balance is required for increasing warehousing capacity at the Durban facility and various IT software and hardware upgrades. It is expected that this expenditure will be funded out of a combination of interest-bearing borrowings and cash flows from operations.

Subsequent to period end, the Group spent an additional R7,8 million on share buybacks which were all funded out of cash flows from operations.

**PROSPECTS**  
During the last two years, the 5% increase in the prime interest rate has had a marked impact on consumer disposable income. Inflationary pressures resulting from associated price increases have exacerbated the situation, which has resulted in reduced market demand due to consumers opting to purchase necessities and affordable items. This trend was evident in the August 2008 volumes which were below those of August 2007.

Nevertheless, the combined activity from the increased customer base should ensure that volumes are at least equivalent to that achieved in the same period last year. Accordingly, although the remaining six months' volume growth may be static, the positive effects arising from the re-alignment of resources and infrastructure utilisation should contribute to earnings for the current financial year exceeding those achieved for the previous year.

**ACKNOWLEDGEMENTS**  
Mr Garth Igesund, an executive director, resigned effective 1 August 2008. The Board thanks him for his valued contribution and dedicated service to the Group since 1999 and wishes him success in his future endeavours.

**DIVIDENDS**  
The Group paid a dividend of 7 cents per ordinary share in July 2008. It is the Group's policy to pay a single dividend annually. Accordingly, no interim dividend has been declared.

For and on behalf of the Board  
**C D Stein** Chairman  
**S D Gottschalk** Chief Executive Officer  
Johannesburg  
21 October 2008



**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, I M Groves\*, N M Phosa, D A Todd, M Padiyachy \*Non-executive director

Sponsor: Investec Bank Limited