CA SALES HOLDINGS

2018

ANNUAL REPORT

Contents

About this report

The board of directors of CA Sales Holdings Limited ("CA Sales" or "the group" or "the company") is pleased to present the group's annual report, for the year ended 31 December 2018. The company has been trading as a listed company, with shares listed on the 4 Africa Exchange ("4AX") and the Botswana Stock Exchange ("BSE") since November 2017.

The report has been prepared taking into consideration the principles and practices contained in the South African King Code of Governance Principles 2017 ("King IV"). The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the South African Companies Act, as well as considering the listings requirements of the BSE and 4AX.

The primary objective of this report is to provide a greater understanding of the group's strategy, governance, performance and prospects in the context of its external environment as well as its creation of value over the short, medium and long term.

This report offers stakeholders a more holistic view of CA Sales' operations and provides insight on both financial and non-financial matters for the year ended 31 December 2018.

As the concepts and practices of reporting develop, management will continue to improve disclosures and application as deemed appropriate.

Material issues

CA Sales Holdings defines materiality of issues for reporting purposes as issues that substantially affect the group's ability to create and sustain value over the short, medium and long term. The group continues to identify and prioritise material issues as part of the strategy development of the group.

The material issues identified are, not in order of priority:

- Consumer spending and confidence in constrained economic environments
- Foreign exchange fluctuations
- Key management retention
- Retention of major principals and customers
- Working capital management

Responsibility and approval

The audit and risk committee ("ARC") and board of directors ("board") acknowledge their responsibility to ensure the integrity of the report. The board has accordingly applied its mind to the report and in the opinion of the ARC and the board, the report addresses all material issues and fairly presents the performance of the organisation and its impact. The board authorised this report for release.

Who we are and what we do

CA Sales Holdings is the parent company of a collection of fast-moving consumer goods ("FMCG") businesses that operate across the Southern African region, offering a route-to-market service to blue chip manufactures.

Our service offering includes selling, merchandising, warehousing, distribution, marketing and promotions, training and debtor's administration. We partner with clients to grow their brands by increasing their market share and volume.

Guiding values

- Service excellence
- Integrity
- Reliability
- Stakeholder value

Value proposition

We build on shelf visibility, optimising brand positioning. We react to fluctuating demand by implementing category flows and ensuring sufficient stock is on hand.

Our excellent storage solutions and distribution network ensure that our client's products are safely stored, maintained and readily available.

We specialise in training, empowering and motivating work forces to improve productivity through practical modules which are tailored to customers' needs.

We offer shopper promotions in and out of store, bringing brands to life where it counts. This extends to community and school programmes as well as clubs and commuter hubs.

Important events and acquisitions

2012

Founded CA Sales Holdings

- CA Sales and Distribution (Mar)
- Diverse Distributions (Mar)
- Ansel (Mar)
- Logico Unlimited (35% – Jun)
- Monteagle Merchandising Services (50% – Jun)
- Ansel (Dec)

2013

- Pack 'n Stack (40% – Jun)
- Bullred Distribution (30% – Sep)
- Kawena Distributions (35% – Nov)
- Monteagle Merchandising Services (50% – Oct)

2014

- SMC Brands (49% – Jan)
- Smithshine (48% – Jul)
- Wutuw (50% – Aug)
- Logico Unlimited (20% – Oct)
- Pack 'n Stack (27% – Jun)
- SMC Brands (51% – Sep)
- Bullred Distribution (19% – Nov)

2015

- Whitakers Agency (45% – Dec)

2016

- Edge Logistics (30% – Jan)
- Array Marketing (80% – May)
- Smithshine (12% – Jul)
- Smithshine (34% – Nov)
- Kalahari Training Institute (49% – Jul)
- Kawena Distributions (35% – Jun)

2017

Listed on 4AX (6 Nov)

Listed on BSE (9 Nov)

- Expo Africa (90% – Apr)
- PEO Promotions (50% – Jul)
- Surapaxs (51% – Sep)
- Warbrands (49% – Nov)
- Logico Unlimited (6% – Mar)
- Wutow (50% – Jul)
- Logico Unlimited (19% – Nov)
- Pack 'n Stack (17% – Nov)

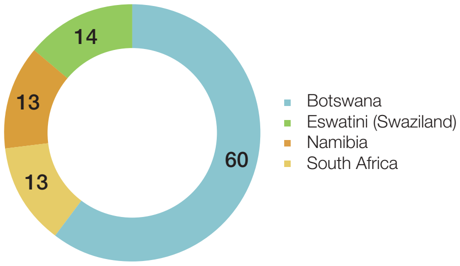
2018

- Acquisition of warehouses in Botswana
- Kalahari Training Institute (34% – Jul)
- PEO Promotions (20% – Aug)
- Promexs (35% – Aug)
- Agility Instore (70% – Oct)
- Warbrands (49% – Nov)

Acquisitions
Increased shareholding
Startups
Disposals

Operating structure

Revenue contribution per country %



CA SALES AND DISTRIBUTION (100%)
est 1988
A sales and distribution business.

SMC BRANDS (100%)
est 1999
A wholesale liquor distributor providing warehousing, distribution and marketing services.

PACKnSTACK (84%)
est 1976
A national sales, merchandising and field marketing operator in South Africa across FMCG and hardware retail channels.

LOGICO (80%)
est 2003
A sales and distribution business.

WUTOW TRADING (100%)
est 1999
A sales and distribution business.

SMITHSHINE (94%)
est 2007
Core services are sales, warehousing and distribution of products within the FMCG industry with a focus on frozen products.

BULLRED DISTRIBUTION (49%)
est 2009
Offers an end-to-end service of sales, merchandising, distribution and debtor administration.

PEO PROMOTIONS (70%)
est 2016
Offers marketing and promotional services.

EXPO AFRICA (90%)
est 2004
Offers marketing and promotional services.

KALAHARI TRAINING INSTITUTE (83%)
est 2016
Accredited training, educating, empowering and motivating work forces.

WHITAKERS AGENCIES (45%)
est 1930
Sales and merchandising services.

PROMEXS (35%)
est 2006
A national sales, merchandising and promotions business.

Botswana | Lesotho | Mozambique | Namibia | South Africa | Swaziland | Zambia | Zimbabwe

Business model

Inputs

Financial

Debt financing and cash generated from operations.

Intellectual

Our know-how, procedures, processes and in-house developed technology.

Manufactured

Our warehouses, fleet and IT equipment.

Natural Resources

Water, electricity, land and fuel.

Relationships

Long-standing relationships with suppliers, customers and the communities.

Human

Employees' skills and experience, loyalty and enthusiasm.

Resource allocation considerations

We consider our strategic objectives, value proposition and risk environment when determining how we deploy the resources into our business. To that end, our distributor model and sales-driven activities ensure resources are used optimally to generate favourable outcomes.

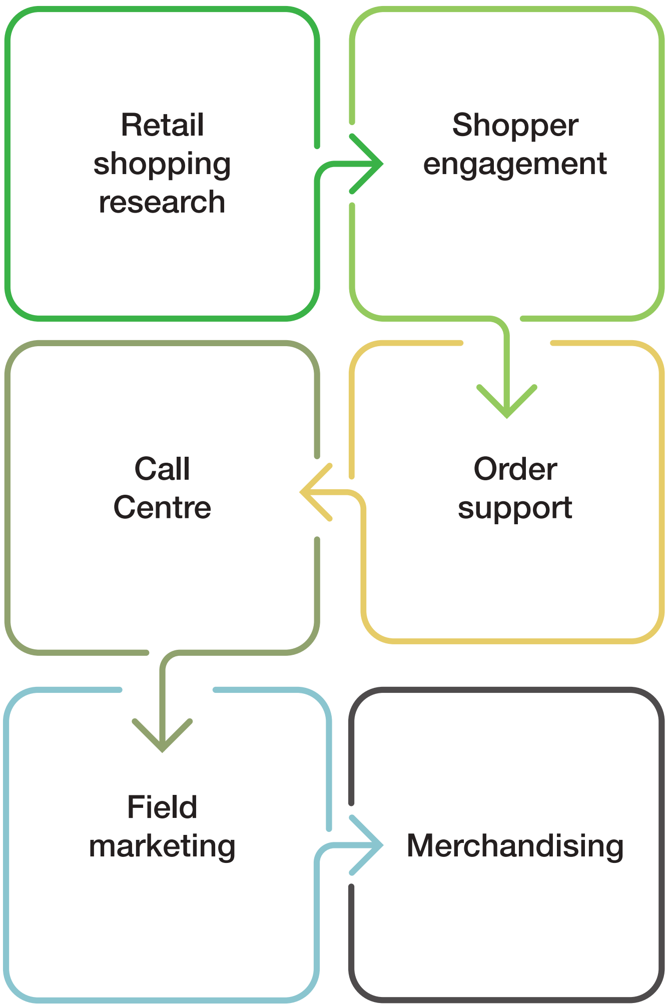
Distributorship model

The core distributorship model includes full representation in the countries outside of South Africa. Customers include all major retailers and wholesalers.

Driving sales

Our distributorship model includes our full-service retail execution business model which includes sales, merchandising, field marketing, call centre and order support, retail, shopper research and shopper engagement programmes to multi-national brand owners in the FMCG and hardware industry.

Marketing and promotional activities include a wide range of services from in-store activation, mall activations, out-of-store activation, road show events, school educational and community engagement programmes, market research and pricing surveys, mystery shopping and event management to multi-national or national brand owners in Southern Africa.



Outcomes achieved

Shareholders

7.96 cents dividend per share declared

7.7% increase in the share price

Employees

R761 million paid in wages and salaries

8 485 employment opportunities in Southern Africa

Government

R234 million paid to governments in the form of direct and indirect taxes and government levies

Community

Financial support to various charity organisations and community drives

Suppliers and customers

15% revenue increase

Operating environment

Sub-Saharan Africa growth
(source: WEF and IMF database)

- GDP has grown 4.4% in the 2010 to 2015 period – excluding oil producing countries
- The continent has 1.1 billion citizens which will likely double by 2050
- The sub-Saharan Africa population growth rate in 2017 was 1.84% per annum
- Africa will account for 54% of the 2.4 billion global population growth in coming decades
- More than 80% of the continent's population increase by 2050, will come from cities
- By the year 2025, there will be 100 African cities with more than 1 million inhabitants
- In 100 years, the world's biggest cities will be in Africa

Growing consumer market
(source: WEF and IMF database, LGT Analysis, McKinsey & Company)

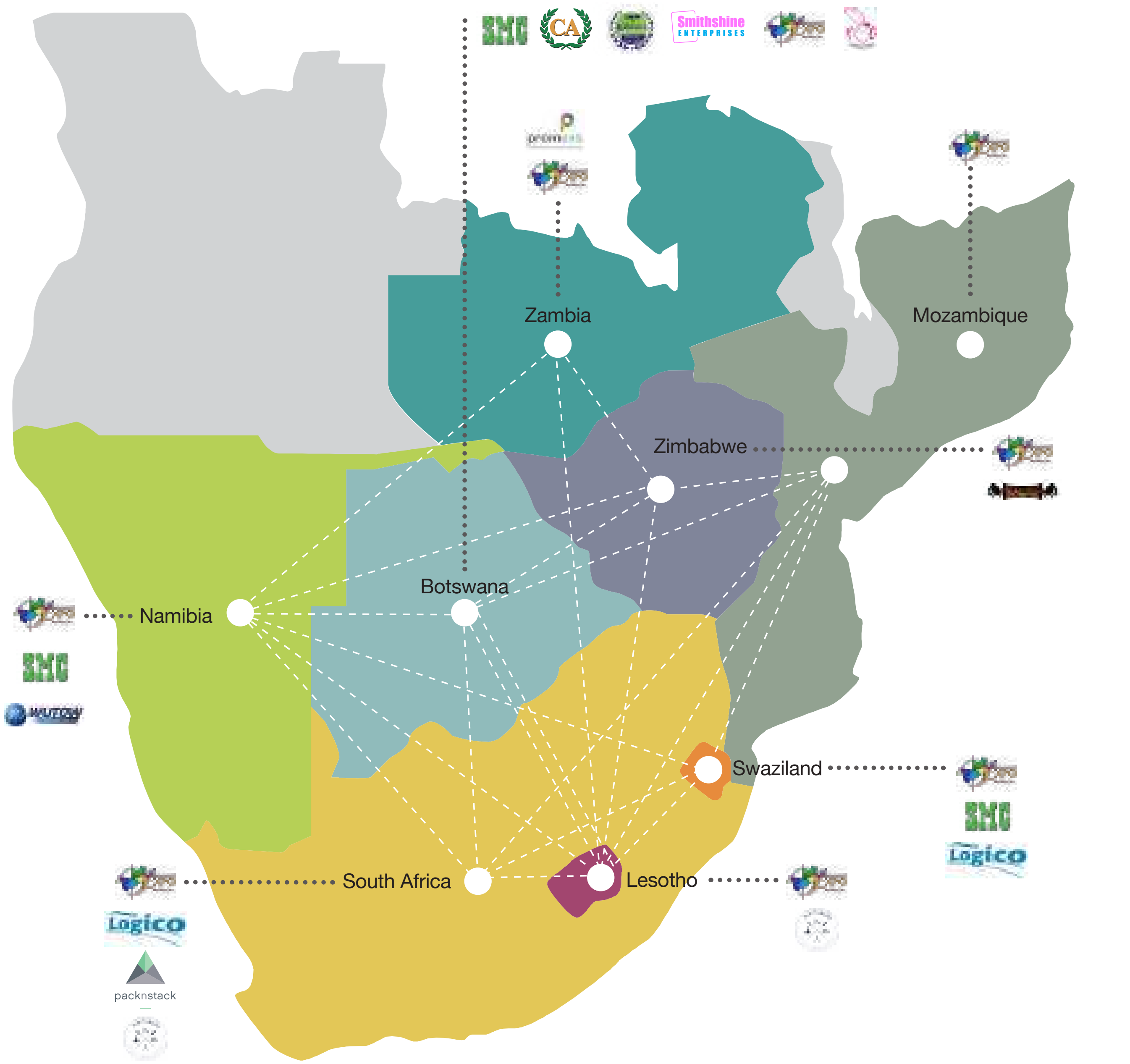
- Household consumption grew at a 3.9% CAGR between 2010 and 2015, to reach USD1.4 trillion
- Household consumption was expected to grow at a rate of 3.8% until 2015 where it was expected to reach USD2.1 trillion
- Africa's consumption growth has been the second fastest of any region after emerging Asia (7%)
- Some 313 million people, 34% of the continent's population, spend USD2.2 a day, a 100% rise in less than 20 years
- Africa now has the fastest growing middle class in the world
- By 2060 there will be 1.1 billion expected middle class
- Middle class income is between USD5 000 and USD20 000 a year
- They are cost-aware but willing to pay a premium for quality products

Opportunities of the above trends, for the group

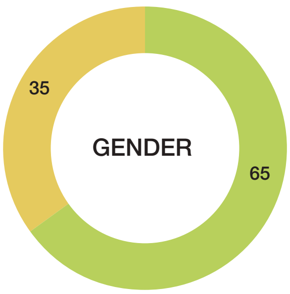
The above population and GDP growth projections indicate organic growth opportunities for the group's businesses in Africa.

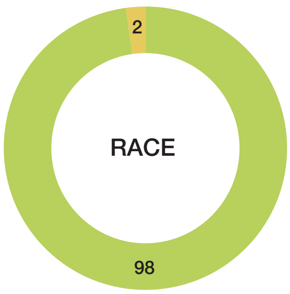
The urbanisation trends indicate increased formalised markets which reduces the complexity of doing business in informal markets and distribution to rural, often inaccessible areas.

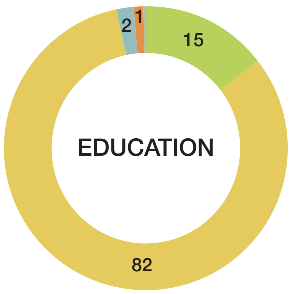
The growing middle class creates opportunities for increased consumption of the group's basket of products.

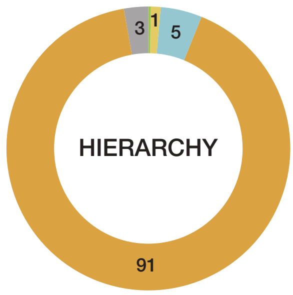


Group employee profile %









- Male
- Female

- Black (African, Coloured and Indian)
- White

- Up to grade 11
- Grade 12
- Post grade 12 (diploma/certificate)
- University and post-graduate degree

- Executive directors (CEOs, CFOs, MDs, FDs)
- Senior management
- Middle/Junior management
- Operational
- Support

Chairman's letter

14.8%
Revenue

31%
Headline earnings

We are encouraged to see our share price has outperformed the BSE Domestic Company Index.

13.9%
Gross profit

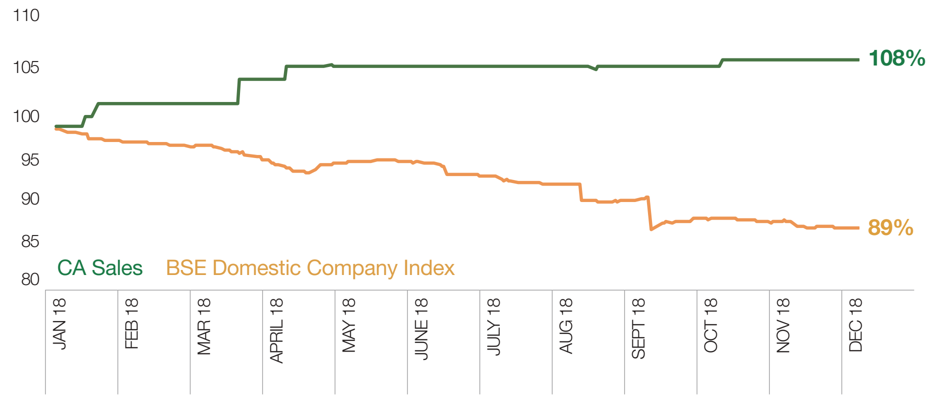
Dear Shareholder

I am extremely pleased with the good results achieved in 2018. All stakeholders benefitted from such good results and from our diverse geographical presence across Southern Africa, including, Botswana, Lesotho, Mozambique, Namibia, South Africa, Swaziland, Zambia and Zimbabwe.

According to the ratings agencies, S&P and Moody's, Botswana has the best credit rating in Africa. CA Sales Holdings is also listed on the Botswana Stock Exchange and maintained its local asset status.

We are encouraged to see our share price has outperformed the BSE Domestic Company Index. The share price increased with 7.7% from BWP3.51 in January 2018 to BWP3.78 in December 2018, and 52 million shares have traded on the BSE during the year.

CA Sales vs BSE %



It is well known that Africa has major challenges relating to economic volatility, geographic complexity, corruption and political instability. In light of all the challenges, Africa brings opportunities for entrepreneurial energy throughout the continent that has a massive and fast-growing population. I am proud of the manner in which our management teams across the eight jurisdictions have turned challenges into opportunities in line with the quote by Olufemi Odeleye, Nigeria founder of Tryctor; "There is always an alternative way to doing things and it might end up being simpler, easier and cheaper than conventional ways. So as long as you have that mindset, you will be able to innovate. And if you have passion, it will drive you through the whole difficult process of bringing it to success".

We are pleased with the robust 20.7% increase in headline earnings per share of 40.1 cents per share from 33.2 cents per share. Revenue increased by 14.8% to over R5.5 billion through a combination of acquisitions, addition of principals, growth in product offerings and new business development.

A continued focus on margins and cost containment assisted in attaining a pleasing increase of 13.9% in gross profit to R824 million. The partial roll up of non-controlling interest in two major operations

at the end of last year contributed to the 31% growth in headline earnings to R179.4 million.
All major operating companies produced solid results.

As a leading FMCG business in Southern Africa, we cemented our presence in Botswana through capital investment by acquiring the warehouses and offices, previously leased by CA Sales and Distributions, and ensuring a sustainable infrastructure for the future. As part of the group strategy, CA Sales intends to continue its expansion by growing its principal and customer networks and making value-adding acquisitions, widening its footprint further into new markets and continents in a responsible manner. I also believe that the group will remain resilient against challenges that may arise.

All stakeholders are important to us and we value the communities in which we operate. A social and ethics committee was formed to act as the company's social conscience and take into account public and stakeholder interests in the company's operations. Being ethical is a virtue irrespective of what opportunities or challenges one may face.

The group, through the initiatives at grass roots, is involved in social and economic development to positively impact the lives of the underprivileged and impoverished people within the communities we operate. Some of the initiatives include; being a participant to the Botswana president's Housing appeal which goes towards building houses for the needy; the Lady Khama Charitable Trust initiatives in supporting the vulnerable women, children and people living with disabilities in Botswana; the Potato Foundation (Gauteng) contributing towards groceries for underprivileged families; the Tshwane place of Safety (Gauteng) contributing towards medical care, baby toiletries and feeding of orphaned and abandoned children; the Boys & Girls Town (SA National) educational sponsorship of five matric students; the Door of Hope Village (Gauteng) Hole in the wall concept – caring for abandoned and abused orphans while seeking an adoptive family, or a permanent home for those not adopted (119 babies in three facilities); the Thand'usana (Eastern Cape) Safe haven for abandoned HIV babies (maximum six babies); the Restore the Trust – Breath of life (Eastern Cape) Safe haven for abandoned HIV babies (maximum six babies) and assistance for mothers with crisis pregnancies; the Sunflower Fund (National) creating awareness and recruitment of stem cell donors for treatment of cancer patients with bone marrow and blood related cancers; the Philani Maswati's Charity Organisation (Eswatini) the brain child of her majesty the Queen Mother registered as a non-profit making organisation to aid the elderly and destitute children; the Brave The Breast Cancer Walk (SBCCN) was founded in 2001, and works to providing quality clinical and support services for breast and cervical cancer patients and targeted community health education to reduce deaths from these increasingly common conditions in the Swazi community; youth projects; leadership development; humanitarian projects and social health events in various jurisdictions.

It is imperative to have a succession plan in place at all levels in the group. Successors are identified by the board for all key positions and discussed at every board meeting. Management at operational level are continually developing and training individual talent. We value our human capital as "our people" are one of the main drivers of CA Sales' success. We have therefore implemented a share incentive scheme through a share incentive trust as part of the remuneration committee's approved remuneration strategies and policies designed to attract, motivate and retain employees and senior management in achieving the group strategy to create value.

Duncan Lewis was appointed by the board as a non-executive director on 9 April 2019 and will assume the role of CEO of CA Sales with effect from 1 June 2019.

I would also like to thank all the individuals within the broader group for their contribution, dedication and passion. To our clients, shareholders and other stakeholders, thank you for your continued support of CA Sales and continuing the journey with us. I foresee, despite challenges there may be, a bright future!

JA Holtzhausen
Chairman

The group strategy

Strategic objective	Implementation	Resources
Supplier relationships		
• Maintain and grow the supplier portfolio • Enable and assist suppliers to grow their businesses	Long-standing relationships with major South African and multi-national manufacturers of up to 30 years. During 2018, the following categories were added through suppliers or customers: – Multi-national cereal business – Eswatini – Multi-national luxury spirits business – Zimbabwe – Multi-national branded coffee business – distribution in Namibia – South African spreads business – Eswatini (Swaziland) – South African carbonated beverage business – Botswana With support from the manufacturers we present, we are able to grow and maintain their current regional market share.	Human, manufactured and financial capital is needed to maintain and grow the supplier and customer portfolio. Our available intellectual capital, human capital and social and relationship resources are utilised with manufacturers' support to grow their market share. Available infrastructure and fleet assist with increased volume distribution.
Economies of scale		
• Developing scale in each country by investing in infrastructure for group companies • Grouping and centralising supporting services to reduce costs through increased synergies	Previously leased warehouses and offices in Botswana were acquired to extract cost savings for the group and ensure sustainable infrastructure for the future. Continuous replacement of fleet ensuring optimal efficient distribution. Warehousing and distribution in Francistown, Botswana, were consolidated.	Financial and intellectual capital used to invest and upgrade facilities and fleet at the right time.
Innovations		
• Staying ahead by investing in innovative technologies that enhance effectiveness and efficiency • Investment in technology	A field marketer software solution to automate the ordering process of sales and merchandising, monitoring, reporting and effective utilisation of manpower was developed in-house. Continually upgrade to latest software used and new available software evaluated or developed to integrate in current business processes to benefit all suppliers and customers.	Financial capital and intellectual capital used in developing the software.
Acquisitions		
• Source, acquire and integrate earnings, accretive acquisitions to increase the group's footprint in Southern Africa	– Increased shareholding in Kalahari Training institute to 83% – Increased shareholding in PEO Promotions to 70% – Acquired 35% in Promexs Limited (sales, merchandising and promotions business in Zambia) – Started Agility-in-store in KwaZulu-Natal (sales and merchandising)	Financial capital used to acquire or increase shareholding.

Chief Executive Officer's review

9.3%
Revenue in Botswana

12.2%
Revenue in Eswatini

We are pleased that all major operations again performed above expectation.

50.3%
Revenue in Namibia

18.5%
Revenue in South Africa

Overview

Our product portfolio represents world-class brands across the region. We are privileged to be trusted by brand owners to manage these brands on their behalf in our markets. These brands are market leaders in their respective categories and assisted us in achieving top line growth despite difficult trading conditions.

Even when faced with sluggish or recessionary GDP growth rates in many of our markets that resulted in constrained consumer demand, the group was again able to achieve and even exceed its operational and financial objectives during the year. Focus on cost containment continue to pay dividends.

Due to lower consumer demand we had to find innovative new ways to improve our service offering in the most cost-effective manner. Service delivery in a depressed economic environment is crucial to grow category market share. Our experience and expertise in sales, merchandising and distribution enable us to provide innovative and integrated solutions with increased operational efficiency to add value to our clients.

The strategy remains to grow by means of organic and acquisitive growth, combined with new service offerings by existing businesses. The increased shareholding in major operations towards the end of 2017, also paid off this year. We will continue to evaluate our shareholding in group companies to strengthen our position going forward.

Although the marketing and promotions operations experienced a very difficult year, we remain committed to these businesses and it will create unique opportunities within the group going forward.

Financial performance

We are pleased that all major operations again performed above expectation. The group's excellent performance during the year illustrates how uniquely it is positioned to have enabled us to produce excellent results, notwithstanding the economic headwinds in most of the markets we operate in.

Operational performance

Distributorships

Botswana and Eswatini (Swaziland)

The major businesses in Botswana and Eswatini have performed above expectation during the year. Margins have continued to come under pressure, particularly due to the increased costs of distribution in order to maintain service levels to customers. This has been offset to some degree by good top line growth during the period. Cost focus remained a key issue and several innovative plans were implemented in order to manage costs going forward. The importance of economy of scale in these low margin operations assisted in maintaining acceptable levels of operating margin.

The operations were able to fully capitalise on any stock buying opportunities that were available due to low percentage price increases linked to inflation. The realignment of certain alcoholic beverages within the businesses in Botswana also delivered good results.

The volatile political environment in South Africa during 2018 lead to large exchange rate movements between the Rand and Botswana Pula, which again resulted in significant foreign exchange losses during the year.

Namibia

The continued recessionary conditions in Namibia have further hampered consumer spending during 2018.

Branded goods, especially in the liquor segment, were severely affected by consumers switching to lower priced brands and buying on lower priced deals, eroding the brand equity of high-quality liquor products. Brand owners had to review their pricing policies as discounted prices eroded brand equity. Repositioning brands and pricing to stop this erosion together with product rationalisation had a negative effect on our top line sales.

Chief Executive Officer's review continued

Management at Wutow Trading Company were able to deliver a positive trading result for the year, notwithstanding the tough trading environment. This was a vast improvement over the previous year.

Being part of the larger group assisted the Namibian operations to sustain the required service delivery required by our clients, that in turn has resulted in new opportunities presenting themselves to the businesses which should bode well going forward.

Zimbabwe

The foreign exchange crises continue in Zimbabwe. Distributors are not able to import goods as currency is seldom available to pay for such goods. Nonetheless a new major liquor principal was secured during the year.

Lesotho

Lesotho remains a relatively small market and most goods are traded cross border from South Africa. Nonetheless, our businesses performed well, and we are busy integrating some of the businesses to enhance our service offering even further.

Zambia

The group acquired a 35% shareholding in Promexs in Zambia. This business focusses on sales, merchandising and promotional activities and are well positioned in the market. The group sold its shareholding in Warbrands Zambia during the year, as it was not aligned with Warbrands on the way forward.

Sales and merchandising

The quality brands produced by the blue-chip customer base of Pack 'n Stack assisted it to maintain its profitability during 2018 in a volatile and depressed South African economy. Realignment of the business took place during the year to deliver realistic cost-effective solutions to meet the ever-changing client needs and demands.

Several category leading clients were successfully added, and all major contracts were renewed during 2018. Pack 'n Stack represents the top three global FMCG manufacturers. This provides an extremely solid base for Pack 'n Stack going forward.

Pack 'n Stack successfully broadened its service offering in the pharmacy and hardware channels during 2018. This has opened a major source of new income for the group.

Capability building, in terms of Human Resources and Technology, remains a serious challenge facing the sales and merchandising industry in general. Therefore, it remains a strategic imperative and a dedicated team with sufficient resources have been allocated to evolve our people and systems to ensure Pack 'n Stack remains an integral part of its client's success going forward.

Promotions and brand activations

The promotions and brand activations businesses were hit hard by the worsening economic conditions during the year. Customers reduced or stopped below the line promotional activity spending due to the slowing sales and pressure on margins. Almost no spend was allocated to markets outside South Africa where our businesses operate. We have seen some spend coming through towards the end of 2018 going into 2019, and together with new business gained in 2019 these businesses remain well positioned to add value to our clients and assist with the overall growth of our group.

Prospects

The group's diversified portfolio should enable it to deliver sustainable results going forward. The regional footprint, diversified businesses in several markets and experienced management team enables the group to take advantage of any opportunity that might present itself. This is illustrated by the recent decision by the leading soft drink producer in Southern Africa to appoint the group as distribution partner in Eswatini (Swaziland). The group is well positioned to strengthen its position in the region as certain markets continue to consolidate.

Consumers are likely to remain under pressure due to sluggish regional growth which might lead to decreased spend in certain categories. Renewed optimism in South Africa due to leadership changes should lead to more stable markets and hopefully increases consumer spend in general. Elections in several countries we operate in might lead to some political uncertainty that might affect trading in the short term. We are hopeful that all the elections will be peaceful.

It remains a strategic imperative to continue along the acquisition and expansion trail to enhance shareholder returns while focusing on extracting optimum value from the existing portfolio of businesses. The group will continue to invest in Africa and will actively seek further acquisitions, also in countries and even continents we do not currently operate in.

Appreciation

My gratitude is due to all our staff throughout the group whose resolve in dealing with difficult conditions during the year was outstanding. We believe and trust they will prove to be resilient in the year ahead.

A particular thanks to my executive committee colleagues that assisted and supported me during the period. It was a privilege to work with such a dedicate and committed group of people.

FW Britz
Chief Executive Officer

Chief Financial Officer's review

20.7%
EBITDA

10.7%
Net asset value per share

Working capital remains a focus area for the Group.

32.9%
Dividend per share

Financial performance

The following review of the group's financial performance should be read together with the annual financial statements on pages 31 to 77.

Income statement

Revenue increased by 15% to over R5.5 billion from R4.8 billion, through a combination of organic and acquisitive growth. A continued focus on margin retention, stock management and continued cost analysis assisted in attaining a double digit increase in gross profit of 14% to R824.0 million and over 31% in headline earnings to R179.4 million from R136.8 million.

The acquisition of 35% of Promexs (Zambia) in August 2018 contributed to the increase in income from associates.

Goodwill of R90.5 million that arose from the acquisitions of the Expo Africa Group and SMC Namibia has been impaired by R27 million based on the reassessment of the cash generating units' future cash flows, negatively impacting the profit for the year.

Finance income decreased to R8.5 million from R13.2 million as a result of the once-off preference dividend of R6.1 million received in the prior year. Finance costs of R22.9 million increased by 42% compared to the prior year due to the financing of the recently acquired properties in Botswana.

The effective group tax rate increased from 24.9% to 30.9% partly due to the non-taxable impairment cost relating to goodwill in the current year and the utilisation of assessed tax losses in the prior year.

The decrease in non-controlling interest from the previous year related to the increased shareholding in major subsidiaries towards the end of previous year.

The depreciation of the South African Rand, to the Botswana Pula resulted in a foreign currency translation gain on the translation of foreign operations of R17.7 million.

Financial position

The increase of property, plant and equipment relates mainly to the acquisition of property in Botswana, previously leased by a subsidiary of the group. The property was acquired for BWP243 million through a 100% bond from Barclays Bank Botswana.

Intangible assets declined to R540.2 million primarily due to the goodwill impairment of Expo Africa Group of R13.5 million and SMC Brands Namibia of R13.5 million, as mentioned above.

Investments accounted for using the equity method include the acquisition of Promexs Limited in Zambia for R8.1 million and the reversal of the sale agreement of Warbrands Limited in Zambia for R12.0 million.

Focus on turning working capital assets quicker, paid off with the net working capital level remaining stable at R649.8 million compared to R648.8 million in the prior year. Working capital remains a focus area for the group.

Net borrowings (total borrowings less cash and cash equivalents) increased to R250.1 million. The bond over the Botswana property contributed to the increase with R321.1 million. It was partly offset by repayments of other short-term borrowings and increased cash balances to the value of R177.0 million.

The share capital of the group decreased with options exercised by directors on the net equity settlement basis, to the value of R8.2 million.

The non-controlling interest in the group increased to R52.5 million from R41.8 million due to the group's share in the profits of mainly Logico Unlimited and Pack 'n Stack.

Chief Financial Officer's review continued

Five year review

for the year ended 31 December 2017

	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000
Consolidated income statements					
Revenue	**5 555 533**	4 838 511	4 030 606	3 585 284	2 491 915
Profit before tax and income from associates	**272 712**	228 352	183 924	139 811	101 433
Share of results from associated companies	**3 191**	464	(5 274)	12 187	16 345
Profit before income tax	**275 903**	228 816	178 650	151 998	117 778
Income tax	**(76 897)**	(56 969)	(42 227)	(34 739)	(15 155)
Impairments and investment losses or gains	**(27 000)**	6 798	(9 757)	–	–
Profit for the year from continuing operations	**172 006**	171 847	136 423	117 259	102 623
Attributable to:					
– Owners of the parent	**152 755**	144 737	109 882	87 257	93 056
– Non-controlling interests	**19 251**	27 110	26 541	30 002	9 567
Headline earnings	**179 401**	136 883	106 439	86 560	52 240

Cash flow

Cash generated from operating activities increased to R224.0 million from an outflow of R33.7 million in the previous year due to the increased cash profits and net inflow from working capital at year-end of R16.6 million compared to the prior year outflow of R222.4 million.

Cash outflow from borrowings of R137.7 million relates to the repayments of the prior year short term borrowings utilised to finance seasonal working capital.

Dividend

As a result of the group's performance as well as its solvency and liquidity position, the company was able to declared a dividend, in line with the dividend policy, of 7.96 cents per share on 20 March 2019.

Outlook

CA Sales is confident that the strong set of financial results for the year ending 31 December 2018, together with a healthy balance sheet, sets a solid platform for future growth, despite the economic challenges facing the region in the coming year.

Acknowledgements

I would like to thank all the individuals involved in the checks and balances who contributed to the 2018 reporting and disclosure and your continued commitment as gatekeepers of the group assets. Thank you as well to our shareholders for your continued investment in our group.

FJ Reichert
Chief Financial Officer

Value-added statement

	2018 R'000	2017 R'000
Turnover	**5 555 533**	4 838 511
Less: Cost of products and services	**4 373 628**	3 834 536
Value added by operations	**1 181 905**	1 003 975
Add: Income from investments and associates	**11 654**	13 729
Wealth created	**1 193 559**	1 017 704
Applied to:		
Employees		
Salaries, wages and other benefits	**760 668**	633 550
Governments		
Corporate and indirect taxation (note 1)	**204 872**	165 065
Levies (note 2)	**29 600**	36 102
Providers of capital	**58 624**	48 954
Interest on borrowings	**22 936**	16 175
Dividends to non-controlling interests	**9 054**	11 492
Dividends to ordinary shareholders	**26 634**	21 287
Retained in the group	**139 795**	134 033
Wealth distributed	**1 193 559**	1 017 704
Note 1	**204 872**	165 065
Income taxation (excluding deferred tax)	**73 420**	62 004
Customs duties, import surcharges etc.	**131 452**	103 061
Note 2	**29 600**	36 102
Training levies	**6 765**	5 602
Skills development levy	**5 207**	3 936
Alcohol levy	**16 896**	25 754
Tobacco levy	**536**	810
Flour levy	**196**	–
Contribution to governments	**234 472**	201 167
Employee statistics		
Average number of employees	**8 485**	8 366
Turnover per employee	**655**	578
Value added per employee	**139**	120
Wealth created per employee	**141**	122

Summary of ratios and statistics

		2018	2017
Ordinary share performance			
Number of ordinary shares upon which headline earnings per share is based	('000)	**447 225**	411 940
Headline earnings per ordinary share	(cents)	**40.11**	33.23
Dividends paid per ordinary share	(cents)	**5.99**	5.25
Dividend cover	(times)	**4.28**	5.43
Net asset value per ordinary share	(rand)	**2.84**	2.57
Profitability and asset management			
Asset turnover	(times)	**2.17**	2.31
Working capital per R1 000 turnover	(rand)	**116.96**	123.22
Operating margin	(%)	**4.68**	3.55
Effective taxation rate	(%)	**30.89**	24.90
Return on equity	(%)	**12.96**	14.52
Financing			
Current ratio		**1.94**	2.00
Interest cover	(times)	**11.48**	14.33
Economic indicators			
Key closing exchange rates at 31 December vs ZAR			
– USD		**14.3467**	12.3828
– Botswana pula (BWP)		**1.3407**	1.2580
– Mozambican metical (MZN)		**0.2333**	0.2112
– Zambian kwacha (ZMW)		**1.2056**	1.2486
Stock exchange statistics (since 9 November 2017)			
Market price per share (Botswana thebe)			
– year end		**378**	351
– highest		**378**	351
– lowest		**351**	345
Number of transactions		**133**	41
Number of shares traded	('000)	**52 432 208**	8 916 547
Value of shares traded	(BWP'000)	**195 346**	30 778
Number of shares traded as a percentage of total issued shares	(%)	**11.69**	2.01
Price earnings ratio at year-end		**12.63**	13.29
Market capitalisation at year-end	(BWP'000)	**1 695 406**	1 560 667

Our board of directors

Frans Britz (52)

CA(SA)

South African

Chief Executive Officer

Appointed 8 December 2011

Frans has been the financial director of JSE listed companies and involved in FMCG related businesses for more than 17 years.

Johan Holtzhausen (48)

B.Iuris (Cum Laude) LLB, HDip Tax

South African

Non-executive Chairman

Appointed 8 December 2011

Johan has been involved with numerous listings, mergers and acquisitions, cross border transactions (including most SADC countries), and prominent BEE and private equity transactions in South Africa and abroad.

Trevor Rogers (67)

South African

Non-executive director

Appointed 6 June 2012

Trevor has over 40 years of experience in the FMCG industry as managing director and chief executive officer with extensive knowledge of manufacturing, managing brand leaders, as well as distribution agencies in African markets.

Badal Patel (37)

CA(UK)

British

Independent non-executive director

Appointed 6 November 2014

Badal has over 16 years of extensive business experience ranging from banking, mergers and acquisitions, investment management, financial analysis, audit and assurance, business and compliance consulting.

Elias Masilela (54)

BA (Social Sciences), MSc (Economic Policy and Analysis)

South African

Independent non-executive director

Appointed 7 November 2017

Elias currently holds various positions including executive chairman and director. Previously he held various senior positions including chief executive officer of the Public Investment Commission, director of the South African Reserve Bank and deputy director general of the South African National Treasury.

Nico de Waal (43)

B.Eng (Mech) Cum Laude, MBA

South African

Non-executive director

Appointed 8 December 2011

Nico served as a management consultant for eight years, specialising in strategy and operations for eight years. Prior to joining PSG Group, he was an executive at SABMiller plc. Currently he serves as the CEO of PSG Alpha Investments (Pty) Ltd.

Jean Craven (46)

B.Com Accounting

South African

Alternate director to B Patel

Appointed 17 April 2012

Jean has more than 18 years of experience in building and managing commodity trading businesses at leading South African financial institutions.

Blackie Marole (63)

MA (Economics)

Motswana

Independent non-executive director

Appointed 7 November 2017

Blackie spent 21 years of his career in the civil service where he reached the highest post in the Ministry of Energy, Water and Minerals Resources as its Permanent Secretary. He was also the CEO of Debswana and provided oversight as director and/or chairman of various national and international boards.

- Audit and Risk Committee
- Social and Ethics Committee
- Remuneration Committee

How our board enables and preserves the creation of value

Roles and responsibilities of the board

The board's key roles and responsibilities include, *inter alia,* the following:

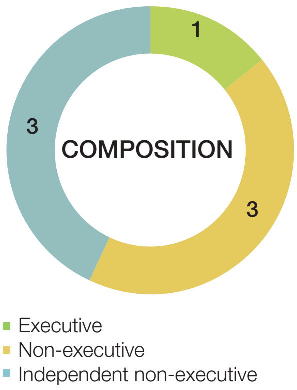
- Ultimate accountability and responsibility for the performance and affairs of the group
- Leading ethically, by example, and governing the corporate citizenship of the group
- Setting the group's strategic objectives with a focus on value-creation
- Ensuring an effective control environment including risk management and compliance with applicable laws, codes and standards
- Promoting the interests and expectations of stakeholders

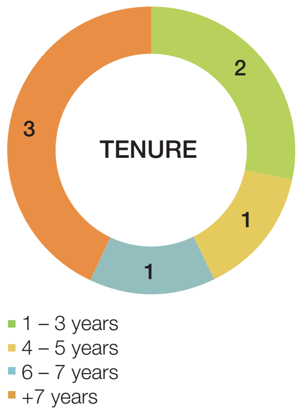
Board composition

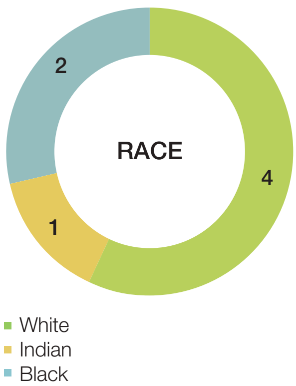
The board has seven directors, comprising six non-executive directors and one executive director. Board composition is of enormous importance and there are three critical dimensions:

- Creating the right balance of skills and experience;
- Maintaining a strong level of independence and objectivity; and
- Ensuring that all directors have sufficient knowledge of the company and the context in which it operates.

Board diversity







Audit and risk committee

The audit and risk committee (ARC) oversees financial reporting and the effectiveness of the risk management process, as well as policies and internal controls.

Social and ethics committee

The social and ethics committee's primary role is to supplement, support, advise and provide guidance on the company's value system surrounding ethical standards and social responsibility.

Remuneration committee

The remuneration committee approves remuneration strategies and recommends the remuneration policies for non-executive directors' fees.

Corporate governance review

Sound corporate governance is an integral part of the group's success in achieving its strategic objective to create sustainable value. The board plays a pivotal role in strategy planning and establishes clear benchmarks to measure the group's strategic objectives. The board is accountable and responsible for the performance and affairs of the company. CA Sales' board of directors is committed to implementing sound corporate governance principles.

Board of directors

The board comprises directors who bring a diverse range of industry knowledge and experience to the board and exercise their judgement freely and independently. The board sets strategic objectives, monitors and reviews management's performance, and embeds a culture of ethical leadership in the group. It delegates to management and committees, certain functions to assist it in properly discharging its duties.

Every committee has terms of reference and a work plan that are reviewed annually, and the directors confirm that all committees functioned in line with these terms of reference during the year. Committee members have the required skills to execute each mandate.

The board met four times during the year.

Director changes

The names of the directors serving at the end of the year under review and their biographical details are set out on page 17.

The board appointed Duncan Lewis as director on 9 April 2019.

The chief executive officer

The CEO, Frans Britz, reports to the board. He is responsible for overseeing execution of the board-approved strategic direction and objectives of CA Sales. The CEO is not a member of the audit and risk or the remuneration committees but attends meetings by invitation.

Audit and risk committee

The audit and risk committee (ARC), executes all statutory duties in terms of section 94 of the South African Companies Act, and complies with all legislative and regulatory requirements. It operates in accordance with the South African Companies Act, and the King Code on corporate governance.

The ARC currently comprises three non-executive directors. Badel Patal, Blackie Marole and Elias Masilela have been appointed by the shareholders at the annual general meeting held on 25 June 2018.

The ARC met twice during the year.

Continual focus areas

- Considering principles of King IV
- Mandatory audit firm rotation proposal
- Appointment of an internal audit and risk compliance officer
- Risk management

Company secretary

All directors have unlimited access to the services of the company secretary.

The company secretary ensures proper administration of proceedings and matters relating to the board, the company and shareholders, in line with applicable legislation and procedures.

The company secretary is responsible for the submission of the annual compliance certificate to the BSE and 4AX.

The company secretary is the secretary at all meetings of the board, audit and risk committee, and social and ethics committee.

Internal audit and compliance officer

The group is in the process of determining the structure of the internal audit function and the appointment of an internal audit and risk compliance officer. The internal audit function will provide independent assurance on the adequacy and effectiveness of the system of internal controls that maintain significant business risks at an acceptable level. The purpose, authority and responsibility of the internal audit function will be consistent with the Institute of Internal Auditors' definition of internal auditing and to the principles of King IV.

External audit

PricewaterhouseCoopers Inc., the external auditors, provide stakeholders with an independent opinion on the annual financial statements of the group and company.

Social and ethics committee

In line with the requirements of the South African Companies Act, CA Sales has established a social and ethics committee to act as the company's social conscience and take into account public and stakeholder interests in the company's operations. The committee's chairman is Nico de Waal and the two members are Frans Reichert and Frans Britz, as appointed by the board.

The committee has an independent role, operating as an overseer and a maker of recommendations to the board for its consideration and final approval of social and ethical matters, and in ensuring that the company is a committed socially responsible corporate citizen. The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

The commitment to sustainable development involves ensuring that the company conducts business in a manner that meets existing needs without knowingly compromising the ability of future generations to meet their needs.

The committee's primary role is to supplement, support, advise and provide guidance on the effectiveness or otherwise of management's efforts in respect of social and ethics and sustainable development related matters which, *inter alia*, include the following:

- Environmental management
- Climate change
- Ethics management
- Safety and occupational hygiene
- Health and wellness, including occupational health

Corporate governance review continued

Social and ethics committee continued

- Social Labour Plans (SLP) as well as any Corporate Social Investment (CSI)
- HR development, employment equity and transformation
- Stakeholder engagement
- The protection of company assets

Remuneration committee

The remuneration committee comprises Johan Holtzhausen and Elias Masilela both being non-executive directors. The committee members are responsible for assisting the board to ensure the group's reward and remuneration policies are aligned to its objective of value creation and benchmarked to ensure fairness and competitiveness.

In line with the requirements of King IV, CA Sales is in the process of refining the current remuneration policy for the company. This will be included in the next annual report, including the implementation report.

The committee, on the board's behalf:

- Approve remuneration strategies and policies designed to attract, motivate and retain employees, senior management and directors in achieving the group strategy to create value
- Recommend the remuneration policy and implementation reports to shareholders
- Recommend non-executive directors' fees for approval by shareholders

The committee met once during the year.

Member attendance	Board	Audit and risk	Remuneration
Number of meetings	4	2	1
Johan Holtzhausen	4		1
Frans Britz	4		
Nico de Waal	3	1	
Trevor Rogers	4		
Badal Patel	4	2	
Elias Masilela*	4	1	1
Blackie Marole*	4	1	

** Appointed in June 2018 after the first ARC meeting*

Statement of compliance

(i) Botswana Stock Exchange Limited and 4 Africa Exchange

The company is subject to and remains compliant with the listings requirements of the BSE and 4AX.

(ii) Companies Act 71 of 2008

The company ensures compliance to the Act.

(iii) King IV report on corporate governance for South Africa, 2016 (The Code)

The company is committed to the highest standards of business integrity and ethical leadership and wholly subscribes to the principles of good corporate governance as articulated in the Code.

The group is committed to achieve an ethical culture, good performance, an effective control environment and legitimacy as advocated in the King IV Report on Corporate Governance for South Africa, 2016 ("King IV").

References to the annual report ("AR"), explaining the company's compliance with the applicable 16 principles in King IV are set out on the following page:

Principle	Application
1. The governing body should lead ethically and effectively.	• Corporate governance section in the AR, page 19
2. The governing body should govern the ethics of the group in a way that supports the establishment of an ethical culture.	• Corporate governance section in the AR, page 19
3. The governing body should ensure that the group is and is seen to be a responsible corporate citizen.	• Chairman's letter, page 8 • Corporate social investment section in the AR, page 19 • Corporate governance section in the AR, page 19
4. The governing body should appreciate that the group's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	• Organisational overview section, page 4 • CEO's report, page 11 • CFO's report, page 13 • Corporate governance section in the AR, page 19
5. The governing body should ensure that reports issued by the group enable stakeholders to make informed assessments of the group's performance, and its short, medium and long-term prospects.	• AR in its entirety • All other announcements published on the Botswana Stock Exchange and 4 Africa Exchange News Services
6. The governing body should serve as the focal point and custodian of the corporate governance in the group.	• Corporate governance section in the AR, page 19
7. The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	• Details of the board of directors, page 17 • Corporate governance section in the AR, page 19
8. The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.	• Corporate governance section in the AR, page 19
9. The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members support continued improvement in its performance and effectiveness.	• Corporate governance section in the AR, page 19
10. The governing body should ensure that the appointment of, and delegation to management contribute to role clarity and effective exercise of authority and responsibilities.	• Corporate governance section in the AR, page 19
11. The governing body should govern risk in a way that supports the group in setting and achieving its strategic objectives.	• Chairman's letter, page 8 • CEO's report, page 11 • CFO's report, page 13 • Corporate governance section in the AR, page 19
12. The governing body should govern technology and information in a way that supports the group setting and achieving its strategic objectives.	• Corporate governance section in the AR, page 19
13. The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the group being ethical and a good corporate citizen.	• AR in its entirety • Corporate governance section in the AR, page 19
14. The governing body should ensure that the group remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	• Corporate governance section in the AR, page 20
15. The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the group's external reports.	• Corporate governance section in the AR, page 19 • Audit and risk committee report in the AR, page 22
16. In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interest of the group over time.	• AR in its entirety • All other announcements published on the Botswana Stock Exchange and 4 Africa Exchange News Services

Report of the audit and risk committee

for the year ended 31 December 2018

The audit and risk committee ("the committee") reports that it has considered the matters set out in the South African Companies Act, and is satisfied with the independence and objectivity of the external auditor, PricewaterhouseCoopers Inc. The committee has considered and recommended the fees payable to the external auditor and is satisfied with the extent of non-audit related services performed.

The committee has satisfied itself that the financial function, including the chief financial officer, have the appropriate expertise, experience and resources, and is satisfied that the internal financial controls of the company are working effectively.

A board-approved audit and risk committee charter stipulating, *inter alia,* the committee's composition and duties and responsibilities, has been adopted. The committee is satisfied that it complied with the responsibilities as set out in the audit and risk committee charter as well as relevant legal and regulatory responsibilities.

Based on the information and explanations given by management and discussions with the independent external auditor regarding the results of their audit, the committee is satisfied that there was no material breakdown in the internal financial controls during the financial year under review.

The committee has evaluated the annual financial statements of the company and group for the year ended 31 December 2018, and based on the information provided to the committee, considers that the company and group companies comply, in all material respects, with the requirements of the South African Companies Act, and International Financial Reporting Standards (IFRS).

B Patel
Chairman of Audit and Risk Committee

Preparation of annual financial statements

for the year ended 31 December 2018

These annual financial statements have been prepared under the supervision of FJ Reichert CA(SA) group Chief Financial Officer.

Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Certificate by company secretary

for the year ended 31 December 2018

NOTICE IN TERMS OF SECTION 29 OF THE COMPANIES ACT, ACT 71 OF 2008 AS AMENDED ("THE ACT")

These annual financial statements have been audited in compliance with the Act. These annual financial statements have been prepared under the supervision of FJ Reichert CA(SA), group Chief Financial Officer.

SECRETARIAL CERTIFICATION

In accordance with section 88 of the Companies Act, for the year ended 31 December 2018, it is hereby certified that the company and its subsidiaries have lodged with the Companies and Intellectual Property Commission all such returns that are required of a public company in terms of the Act ,and that such returns are true, correct and up to date.

FJ Reichert
Company secretary

14 March 2019

Directors' responsibility and approval

for the year ended 31 December 2018

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 financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended in conformity with International Financial Reporting Standards (IFRS). The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with IFRS 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 place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities the directors set 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated the company endeavours to minimise it by ensuring that appropriate infrastructure controls systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The code of Corporate Practice and Conduct has been integrated into the group's strategies and operations.

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 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 company's cash flow forecast for the year under review to 31 December 2019 and in the light of this review and the current financial position they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 27 to 30.

The external auditors were given unrestricted access to all financial records and related data including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The annual financial statements set out on pages 25 to 77 which have been prepared on the going concern basis were approved by the directors on 14 March 2019 and are signed on its behalf by:

JA Holtzhausen
Chairman

FW Britz
Chief executive officer

14 March 2019

Directors' report

Nature of business

CA Sales operates within the fast-moving consumer goods industry and delivers route-to-market services to blue chip manufacturers. The service offering includes selling, merchandising, warehousing, distribution, shopper promotions, training and debtor's administration. The group has diverse geographical presence across Southern Africa including in Botswana, Lesotho, Mozambique, Namibia, South Africa, Swaziland, Zambia and Zimbabwe.

Operating results

Revenue increased by 14.8% to over R5.5 billion through a combination of acquisitions, addition of principals growth in product offerings and new business development. A continued focus on margin retention and cost containment assisted in attaining a robust increase of 13.9% in gross profit to R824 million. Net profit after taxation of R172 million showed effectively no growth on the prior year of R171.8 million due to the impairment of goodwill to the total value of R27 million, relating to the investments in SMC Namibia and Expo Africa Group. Headline earnings, however, increased by 31.1% to R179.4 million (2017: R136.9 million).

The operating results and state of affairs of the company are fully set out in the attached statements of comprehensive income, statements of financial position, statements of cash flows, statements of changes in equity and notes thereto.

An equity accounted investment in Zambia was disposed of during the year resulting in a loss on disposal of R0.8 million. In addition, another acquisition in Zambia in the marketing and promotions industry ensured continuation of the group's presence in that market. For details of the disposal and acquisition see note 6.

On 26 June 2018 Breckwick (Pty) Ltd, a fully owned subsidiary of CA Sales Holdings Ltd, purchased properties in Botswana to the value of BWP243 million (R321 million). The properties consist of land with warehouses and office buildings in Gaborone and Francistown. These properties were previously leased by subsidiaries of CA Sales Holdings Ltd. For details see note 3. This property is financed through a bond with Barclays Bank of Botswana at 100% of the value. See note 12 for the detail.

Share capital

Details of the authorised and issued share capital appear in note 10 to the financial statements. Additional shares were issued on 17 April 2018 to directors of the company upon the exercise of their share options.

Dividends

A final dividend of 7.96 cents (2017: 5.99) (or BWP equivalent) per share in respect of the year ended 31 December 2018, was declared on Wednesday, 20 March 2019, for payment to the ordinary shareholders of the company at the close of business on Friday 12 April 2019. In line with the company's dividend policy, the dividend was maintained at 20% of the headline earnings. The number of issued shares at the declaration date is 448 520 150. The dividend has been declared from income reserves.

As per the double tax agreement between Botswana and South Africa, withholding tax of 15% is deducted from dividends distributed to shareholders registered on the BSE. This dividend is treated as a foreign dividend for Botswana shareholders. In respect of shareholders registered on the 4AX Stock Exchange, the dividends payable is subject to a 20% withholding tax as required under the South African Income Tax Act, resulting in a net dividend of 6.368 cents per share.

The last date to trade was Friday, 5 April 2019, and trading ex-dividend commenced on Monday, 8 April 2019.

Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Director’s report continued

Directors

Detail of the directors are listed in note 25.

The shareholding of directors in the ordinary issued share capital of CA Sales Holdings Ltd as at 31 December 2018, was as follows:

	2018		2017	
Indirect shareholding	**Number**	**%**	**Number**	**%**
FW Britz	**4 097 940**	**0.9**	4 097 940	0.9
TP Rogers	**–**	**–**	4 097 940	0.9
Total	**4 097 940**	**0.9**	8 195 880	1.8

Board committees and attendance

Regular board and audit and risk committee meetings were held during the reporting year. A social and ethics committee was established and will be fully functional this year. Social and ethics items were previously addressed by the board. Refer to page 19 of this annual report.

Events after balance-sheet date

On 18 January 2019, CA Sales Investments (Pty) Ltd, a fully owned subsidiary of CA Sales Holdings Ltd, acquired 30% of the share capital of IBP Africa Trading (Pty) Ltd, an agency that supplies a solution to manufacturers to service the bottom end of the fast-moving consumer goods market in South Africa. There were no other significant events that occurred after the reporting date that require adjustment to or disclosure in the consolidated annual financial statements for the year ended 31 December 2018.

Auditor

PricewaterhouseCoopers Inc., will continue in office in accordance with section 90 of the South African Companies Act.

Secretary

The secretary of the company is FJ Reichert.

Independent auditor's report

To the Shareholders of CA Sales Holdings Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of CA Sales Holdings Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

CA Sales Holdings Limited's consolidated and separate financial statements set out on pages 23 to 77 comprise:

- the consolidated and separate statements of financial position as at 31 December 2018;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 and separate financial statements section of our report.

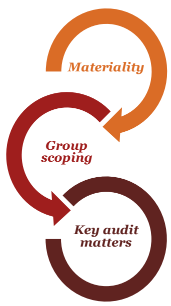
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

Our audit approach

Overview



Overall group materiality

- Overall group materiality: R13.8 million which represents 5% of consolidated profit before tax, adjusted for once off Goodwill impairments to the value of R27 million.

Group audit scope

- We have performed full scope audits over the 6 financially significant components.

Key audit matters

- Impairment assessment of Goodwill.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent auditor’s report continued

Overall group materiality	R13.8 million.
How we determined it	5% of consolidated profit before tax, adjusted for once off Goodwill impairments to the value of R27 million.
Rationale for the materiality benchmark applied	We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Each of the 6 financially significant components was subject to a full scope audit of its financial reporting information submitted to the Group. These component audits and materiality were aligned to their statutory work to avoid duplication of audit effort. In aggregate these full scope audits account for more than 90% of the consolidated revenue, consolidated profit before tax and consolidated total assets of the Group.

The group engagement team met with the component auditors of each of the 6 financially significant components and inspected their working papers and required reporting documents which included a comprehensive memorandum of work performed. In order to obtain audit evidence in respect of insignificant components, the group engagement team inspected the management accounts and performed analytical review procedures.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We communicate the key audit matter that relates to the audit of the consolidated financial statements of the current period in the table below. We have determined that there are no key audit matters in respect of the separate financial statements to communicate in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of Goodwill	
Refer to note 4 to the consolidated financial statements: Intangible Assets IAS 36: Impairment of Assets requires Goodwill to be tested annually for impairment, or more frequently if impairment indicators are identified. As at year end, the Group had goodwill amounting to R556 million. Management applied the value in use method to determine the recoverable amount of each CGU to which goodwill has been allocated. In determining the value in use of the CGUs, management makes key assumptions and significant estimates. These include future revenue growth rates, gross margin, operating cost increases, the long-term growth rate and the discount rate. We considered this to be matter of most significance to our current year audit due to the following: • estimates and judgments applied by management in assessing whether the carrying value of goodwill allocated to the CGUs are impaired; and • the magnitude of the goodwill impairment recognised by management which amounted to R27 million.	Our audit procedures included, among others, testing of the principles and integrity of management’s value in use calculation. We tested the accuracy of management’s calculation by: • Challenging and testing the reasonability of the key assumptions used by management in the calculations, which included future revenue growth rates, gross margin, operating cost increases, long-term growth rate and the discount rate. We compared these key assumptions to industry benchmarks and future market volume forecasts. We found management’s key assumptions to be reasonable. We compared the process followed by management in determining these cash flow forecasts to past practice and found the process to be consistent with past practice. We then considered the historical accuracy of forecasts by comparing the 2017 and 2018 actual results to the forecasts for those years. Where variances were noted, we followed up with management and assessed the reasonability of the variances. We found management’s forecasts to be reasonable. We made use of our valuation expertise to test the appropriateness and reasonability of the discount rate by independently calculating the discount rates, taking into account independently obtained data. We found the discount rates used by management to be within a reasonable range. We compared the long term growth rates used by management to economic and industry forecasts in South Africa and found the long term growth rates to be within a reasonable range. We tested the mathematical accuracy of management’s valuation model and made use of our valuation expertise to assess whether the valuation methodology applied by management was consistent with industry practice. We found management’s valuation model to be in line with industry practice and no material differences were noted. We performed independent sensitivity calculations on the impairment assessments in order to determine the degree by which the key assumptions needed to change in order to trigger an impairment. We discussed these with management and considered the likelihood of such changes occurring. In two of the CGUs where the carrying value of the CGU exceeded the recoverable amount, we concurred with management’s conclusion that a portion of goodwill in these CGUs should be impaired.

Other information

The directors are responsible for the other information. The other information comprises the information included in the CA Sales Holdings Consolidated Financial Statements for the year ended 31 December 2018 , which includes the Directors' Report, the Report of the Audit and Risk Committee and the Certificate by Company Secretary as required by the Companies Act of South Africa, and the CA Sales Holdings Limited Annual Report 2018, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company'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 and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 and separate financial statements.

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 and separate 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 and the Company'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 and the Company'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 and separate 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 and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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.

Independent auditor's report continued

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 and separate 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 PricewaterhouseCoopers Inc. has been the auditor of CA Sales Holdings Limited for 6 years.

PricewaterhouseCoopers Inc.

Director: Thomas Howatt
Registered Auditor

4 Lisbon Lane, Waterfall City
Jukskei, 2090
17 March 2019

Consolidated and separate statements of financial position

as at 31 December 2018

	Notes	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Assets					
Non-current assets		**983 210**	696 141	**800 982**	797 051
Property, plant and equipment	3	**419 062**	100 807	**–**	–
Intangible assets	4	**540 236**	566 591	**–**	–
Investment in subsidiaries	5	**–**	–	**798 329**	795 148
Investments accounted for using the equity method	6	**13 923**	16 273	**2 653**	1 903
Deferred income tax assets	13	**9 989**	12 470	**–**	–
Current assets		**1 573 723**	1 397 805	**142 003**	151 680
Inventories	7	**335 958**	313 550	**–**	–
Trade and other receivables	8	**1 004 987**	878 389	**91 623**	82 718
Income tax receivable		**5 456**	1 725	**–**	–
Cash and cash equivalents (excluding overdrafts)	9	**227 322**	204 141	**50 380**	68 962
Total assets		**2 556 933**	2 093 946	**942 985**	948 731
Equity and liabilities					
Stated capital	10	**833 348**	841 526	**833 348**	841 526
Other reserves	11	**30 264**	14 398	**6 526**	8 261
Retained earnings		**411 569**	286 145	**102 473**	96 862
		1 275 181	1 142 069	**942 347**	946 649
Non-controlling interest		**52 468**	41 799	**–**	–
Total equity		**1 327 649**	1 183 868	**942 347**	946 649
Non-current liabilities		**306 596**	27 532	**–**	–
Borrowings	12	**301 268**	23 308	**–**	–
Deferred income tax liabilities	13	**5 328**	4 224	**–**	–
Current liabilities		**922 688**	882 546	**638**	2 082
Trade and other payables	14	**691 185**	543 120	**476**	1 914
Provisions	15	**52 351**	52 624	**–**	–
Income tax payable		**2 980**	5 557	**162**	168
Borrowings	12	**176 172**	281 245	**–**	–
Total liabilities		**1 229 284**	910 078	**638**	2 082
Total equity and liabilities		**2 556 933**	2 093 946	**942 985**	948 731

Consolidated and separate statements of comprehensive income

for the year ended 31 December 2018

	Notes	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Continuing operations					
Revenue from contracts with customers	16	**5 555 533**	4 838 511	**–**	–
Dividend income		**–**	–	**32 431**	29 758
Cost of sales		**(4 731 467)**	(4 114 878)	**–**	–
Gross profit		**824 066**	723 633	**32 431**	29 758
Other operating expenses	17	**(579 143)**	(520 051)	**(1 575)**	(19 743)
Other operating income	17	**15 262**	27 680	**188**	16
Operating profit		**260 185**	231 262	**31 044**	10 031
Share of profit of investments accounted for using the equity method		**3 191**	464	**–**	–
Profit before interest and tax		**263 376**	231 726	**31 044**	10 031
Finance income	19	**8 463**	13 265	**2 813**	7 703
Finance costs	19	**(22 936)**	(16 175)	**–**	(14)
Profit before income tax		**248 903**	228 816	**33 857**	17 720
Income tax	20	**(76 897)**	(56 969)	**(1 612)**	(2 097)
Profit for the year		**172 006**	171 847	**32 245**	15 623
Other comprehensive income to be subsequently reclassified to profit or loss:					
Currency exchange differences on translation of foreign operations net of taxation		**17 734**	(3 999)	**–**	–
Total comprehensive income for the year		**189 740**	167 848	**32 245**	15 623
Profit attributable to:					
– Owners of the parent		**152 755**	144 737	**32 245**	15 623
– Non-controlling interests		**19 251**	27 110	**–**	–
		172 006	171 847	**32 245**	15 623
Total comprehensive income attributable to:					
– Owners of the parent		**170 356**	140 760	**32 245**	15 623
– Non-controlling interests		**19 384**	27 088	**–**	–
Total comprehensive income for the year		**189 740**	167 848	**32 245**	15 623
Earnings per share for profit attributable to the owners of the parent:					
Basic earnings per share	(cents)	**34.16**	35.14		
Diluted earnings per share	(cents)	**34.01**	34.46		

Consolidated and separate statements of changes in equity

for the year ended 31 December 2018

	Notes	Stated capital R'000	Other reserves R'000	Retained income R'000	Total attrib-utable to the owners R'000	Non-con-trolling interest R'000	Total equity R'000
Group							
Balance at 1 January 2017		708 944	14 042	236 122	959 108	66 712	1 025 820
Profit for the year		–	–	144 737	144 737	27 110	171 847
Other comprehensive income for the year:							
Currency translation differences net of taxation	11	–	(3 977)	–	(3 977)	(22)	(3 999)
Transactions with owners:							
Shares issued net of capitalised listing fees	10	132 582	–	–	132 582	–	132 582
Share-based payment – 2015 scheme	11	–	4 333	–	4 333	–	4 333
Acquisition of subsidiary		–	–	–	–	3 641	3 641
Transaction with non-controlling interest		–	–	(73 427)	(73 427)	(44 150)	(117 577)
Dividends paid		–	–	(21 287)	(21 287)	(11 492)	(32 779)
Balance as at 31 December 2017		841 526	14 398	286 145	1 142 069	41 799	1 183 868
Balance at 1 January 2018		**841 526**	**14 398**	**286 145**	**1 142 069**	**41 799**	**1 183 868**
Profit for the year		**–**	**–**	**152 755**	**152 755**	**19 251**	**172 006**
Other comprehensive income for the year:							
Currency translation differences net of taxation	11	**–**	**17 601**	**–**	**17 601**	**133**	**17 734**
Transactions with owners:							
Share-based payment cost of share options exercised – 2015 scheme	11	**(8 178)**	**(5 932)**	**–**	**(14 110)**	**–**	**(14 110)**
Share-based payment costs relating to the 2018 scheme	11	**–**	**3 809**	**–**	**3 809**	**–**	**3 809**
Share-based payment costs relating to the 2015 scheme		**–**	**388**	**–**	**388**	**–**	**388**
Acquisition of subsidiary		**–**	**–**	**–**	**–**	**445**	**445**
Transactions with non-controlling interest		**–**	**–**	**(697)**	**(697)**	**(106)**	**(803)**
Dividends paid		**–**	**–**	**(26 634)**	**(26 634)**	**(9 054)**	**(35 688)**
Balance as at 31 December 2018		**833 348**	**30 264**	**411 569**	**1 275 181**	**52 468**	**1 327 649**

	Notes	Stated capital R'000	Other reserves R'000	Retained income R'000	Total equity R'000
Company					
Balance at 1 January 2017		708 944	3 928	102 526	815 398
Profit for the year		–	–	15 623	15 623
Transactions with owners:					
Shares issued net of capitalised listing fees	10	132 582	–	–	132 582
Share-based payment costs – 2015 scheme	11	–	4 333	–	4 333
Dividends paid				(21 287)	(21 287)
Balance as at 31 December 2017		841 526	8 261	96 862	946 649
Balance at 1 January 2018		**841 526**	**8 261**	**96 862**	**946 649**
Profit for the year		**–**	**–**	**32 245**	**32 245**
Transactions with owners:					
Share-based payment cost of share options exercised – 2015 scheme	10 & 11	**(8 178)**	**(5 932)**	**–**	**(14 110)**
Share-based payment costs relating to the 2018 scheme	11	**–**	**3 809**	**–**	**3 809**
Share-based payment costs relating to the 2015 scheme	11	**–**	**388**	**–**	**388**
Dividends paid		**–**	**–**	**(26 634)**	**(26 634)**
Balance as at 31 December 2018		**833 348**	**6 526**	**102 473**	**942 347**

		Company 2018	Company 2017
Dividends paid per share	(cents)	**5.99**	5.25

Consolidated and separate statements of cash flows

for the year ended 31 December 2018

	Notes	Group 2018 R'000	Group restated 2017 R'000	Company 2018 R'000	Company 2017 R'000
Cash flows from operating activities					
Cash generated from/(utilised by) operations	22.1	**325 980**	41 700	**(23 550)**	(33 053)
Interest paid		**(22 936)**	(16 174)	**–**	(14)
Income taxes paid	22.5	**(79 048)**	(59 250)	**(1 618)**	(1 950)
Net cash generated from/(utilised by) operating activities		**223 996**	(33 724)	**(25 168)**	(35 017)
Cash flows from investing activities					
Acquisition of subsidiaries	23	**(275)**	(77 031)	**–**	–
Additions to property, plant and equipment		**(15 710)**	(10 669)	**–**	–
Additions to intangible assets	4	**(4 168)**	(3 786)	**–**	–
Proceeds from disposal of property, plant and equipment	22.2	**6 213**	3 486	**–**	–
Acquisition of associated companies	6	**(8 052)**	(13 369)	**–**	–
Loan repaid by associated companies		**1 411**	–	**–**	–
Loans granted to associated companies		**(750)**	–	**(750)**	–
Proceeds from disposal of associated companies		**11 995**	–	**–**	–
Investments in preference shares repaid		**–**	16 000	**–**	16 000
Dividends received		**–**	628	**32 431**	29 758
Interest received		**8 463**	13 265	**2 813**	7 703
Net cash (outflow)/inflow from investing activities		**(873)**	(71 476)	**34 494**	53 461
Cash flows from financing activities					
Shares issued		**–**	66 503	**–**	66 503
Capitalised listing fees		**–**	(5 422)	**–**	(5 422)
Payments to non-controlling interest to acquire shares		**–**	(46 013)	**–**	(25 355)
Dividends paid		**(29 408)**	(20 415)	**(27 908)**	(20 415)
Dividends paid to non-controlling interest		**(9 054)**	(11 492)	**–**	–
Repayments of borrowings		**(137 748)**	(37 431)	**–**	–
Proceeds from borrowings		**–**	124 348	**–**	–
Net cash (outflow)/inflow from financing activities		**(176 210)**	70 078	**(27 908)**	15 311
Net increase/(decrease) in cash and cash equivalents		**46 913**	(35 122)	**(18 582)**	33 755
Effects of exchange rate changes on cash and cash equivalents		**4 378**	(690)	**–**	–
Cash and cash equivalents at beginning of the year		**96 583**	132 395	**68 962**	35 207
Cash and cash equivalents at end of the year	9	**147 874**	96 583	**50 380**	68 962

Notes to the consolidated and separate financial statements

for the year ended 31 December 2018

1. Accounting policies

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated. The accounting policies of the company are the same as those of the group.

BASIS OF PREPARATION

The consolidated financial statements of CA Sales Holdings Limited, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) interpretations issued by the IFRS Interpretations Committee (IFRIC) and the South African Companies Act, No. 71 of 2008. The Botswana Stock Exchange (BSE) listings requirements were also taken into consideration in the presentation. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the note on "Critical accounting estimates and judgements".

INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- Annual Improvements 2014 – 2016 cycle
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The group had to change its accounting policies following the adoption of IFRS 9 and IFRS 15.

Title of standard	Key requirements and nature of change
IFRS 9 – Financial Instruments	This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The standard was adopted without restating comparative information. The requirements for classification and measurement for the group did not change significantly. The group applies the IFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As trade receivables do not have a significant financing component the group used a provision matrix to determine lifetime expected credit losses. The only financial asset that is subject to the expected credit loss model is trade receivables. The credit loss allowance is higher because of the requirement to recognise impairment earlier and incorporate forward-looking information. See note 8.
IFRS 15 – Revenue from Contracts with Customers	Revenue is recognised based on the satisfaction of performance obligations which occurs when control of goods or services transfers to a customer. No restatements were done for prior periods as the adoption of IFRS 15 had no impact on prior periods for the group. There was no significant change in how the group identifies its customers. Additional disclosure on the disaggregation of revenue was implemented including the basis on which revenue is recognised, i.e. at a point in time or over time. See below under the Revenue policy and note 16.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods, and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations which are considered significant to the group, is set out on the following page.

1. Accounting policies continued

Title of standard	Key requirements and nature of change	Effective date
IFRS 16 – Leases	IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Under IFRS 16 a contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The group elects to apply this standard without restating comparative information. The group will: (a) recognise a lease liability at the date of initial application for leases previously classified as an operating lease. It shall measure that lease liability at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate at the date of initial application. (b) recognise a right-of-use asset at the date of initial application for leases previously classified as an operating lease at an amount equal to the lease liability. The group will use the following practical expedients and will not apply this standard to: • contracts that were not previously identified as containing a lease; • leases with a value below R50 000; and • short-term leases, i.e. leases with remaining periods of 12 months or less. It will account for these leases on a straight-line basis as expenses in the statement of comprehensive income. The standard will be adopted in the 2019 financial year. As at the reporting date, the group has non-cancellable operating lease commitments of R58 million, see note 29. For the remaining lease commitments, the group expects to recognise right-of-use assets and corresponding lease liabilities of approximately R55.5 million on 1 January 2019. The group expects that operating profit before tax will decrease by approximately R1.7 million. EBITDA used to measure segment results is expected to increase by approximately R26.8 million as the operating lease payments were included in EBITDA, but the depreciation of the right-of-use assets and interest on the lease liability are excluded from this measurement. Cash outflows from investing activities will increase by R22 million and cash inflows from operating activities will increase by R22 million approximately. The group's activities as a lessor are not material and hence the group does not expect any significant impact on the financial statements.	1 January 2019

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

CONSOLIDATION

Group financial statements

The group annual financial statements comprise those of the company, its subsidiaries and associated companies.

Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group 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. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. On an acquisition-by-acquisition basis the group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

If the business combination is achieved in stages the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

1. Accounting policies continued

Investments in subsidiaries in the company's stand alone financial statements are accounted for at cost less impairment. Where intergroup loans are receivable from a subsidiary, the loan receivable will only represent a further investment in the subsidiary where the subsidiary classifies this loan as equity in the subsidiary's stand alone financial statements. If there are instances where the subsidiary treats the loan as a financial liability, the company will treat this loan as a financial asset. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Direct attributable costs of investment are capitalised as part of the investment as incurred.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. In addition, unrealised losses are considered to be an indicator of impairment. Accounting policies of subsidiaries have been changed, where necessary to ensure consistency with the policies adopted by the group.

Transactions and non-controlling interests
The group treats transactions with non-controlling interests that do not result in loss of control, as transactions with equity owners of the group. Purchases from non-controlling interests are recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is re-measured at its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Associated companies
Associated companies are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. Any difference between the cost of the investment and the group's share of the fair values of the identifiable assets and liabilities acquired is accounted for as notional goodwill which is included in the carrying amount of the investment.

Upon gaining control (step acquisition), the group re-measures its previously held equity interest in the associate, at its acquisition-date fair value and recognise the resulting gain or loss if any in profit or loss. Goodwill is calculated during a step acquisition, as the excess of the consideration paid, any non-controlling interest and the acquisition-date fair value of the group's previously held equity interest over the acquisition-date fair value of the identifiable net assets of the aquiree.

Certain associated companies have year-ends that differ from that of the group. The results of associated companies are accounted for according to the equity method based on their most recent published audited financial statements or latest management information. Equity accounting involves recognising the group's share of its associated companies' post-acquisition profits or losses in the statement of comprehensive income and, its share of post-acquisition movements in other comprehensive income and movements in other reserves in the statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associated company equals or exceeds its interest in the associated company including any other unsecured receivables, the group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the group and its associated companies are eliminated to the extent of the group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Cross-holdings between the group and its associates are eliminated in accordance with normal consolidation procedure. Associates' accounting policies have been changed where necessary, to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investment in associated companies are recognised in the statement of comprehensive income.

After applying the equity method, investments in associated companies are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1. Accounting policies continued

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Loans to associated companies are disclosed as part of the carrying amount of the investment.

The company accounts for investment in associated companies at cost less provision for impairment.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African Rand which is the company's functional and the group's presentation currency. All financial information presented in South African Rand has been rounded to the nearest thousand.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or expense'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'Other operating income or expenses – net'.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates in which case income and expenses are translated at the dates of the transactions)
- Assets and liabilities are translated at the closing rate at the date of the statement of financial position
- All resulting exchange differences are recognised in the statement of comprehensive income and as a separate component of equity

SEGMENT REPORTING

The group has reportable segments that comprise the structure used by the chief operating decision maker (CODM) to make key operating decisions and assess performance. The group's reportable segments are operating segments that are differentiated by the country in which it operates.

The group evaluates the performance of its reportable segments based on earnings before interest and tax (EBIT), as well as earnings before interest, tax, depreciation and amortisation (EBITDA). The group accounts for intersegment sales and transfers as if the sales and transfers were entered into under the same terms and conditions as would have been entered into in a market-related transaction.

The financial information (including revenue EBIT, EBITDA, total assets and total liabilities) of the group's reportable segments is reported to the CODM for purposes of making decisions about allocating resources to the segment and assessing its performance.

A number of segments are included in the 'Other countries' segment as they individually do not meet the qualitative thresholds indicated in IFRS 8 *Operating Segments*.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method at rates considered appropriate to reduce book values to estimated residual values over the useful lives of the assets as follows:

Office equipment	three to10 years
Computer equipment	three to five years
Vehicles, plant and machinery	four to 10 years

1. Accounting policies continued

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Any gain or loss on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associated company undertaking at the date of acquisition. Goodwill is reported in the statement of financial position as an intangible asset. The notional goodwill that arises in the notional purchase price allocation of associates is included in the carrying amount of the associate and not shown as a separate asset. Goodwill is tested annually for impairment, or more frequently, if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The groups of cash-generating units are not larger than operating segments.

An excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities arises where the net assets of a subsidiary or associate at the date of acquisition, fairly valued, exceed the cost of the acquisition. This excess arising on acquisitions is taken directly to income.

Customer lists

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their estimated useful lives ranging between two and five years or using an attrition rate ranging between three and five years, which reflect the expected life of the book of business acquired. The carrying amount is reviewed for impairment when an impairment indicator is identified.

Computer software and other internally generated intangible assets

Costs associated with maintaining computer software programmes and other internally generated intangible assets are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique items controlled by the group, are recognised as intangible assets when all of the following criteria are met:

- it is technically feasible to complete the item so that it will be available for use;
- management intends to complete the item and use or sell it;
- there is an ability to use or sell the item;
- it can be demonstrated how the item will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the item are available; and
- the expenditure attributable to the item during its development can be reliably measured.

Directly attributable costs that are capitalised as part of such items include development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. These intangible assets are amortised using the straight-line method over their estimated useful lives, which range between two and five years.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1. Accounting policies continued

FINANCIAL ASSETS

Classification

The group classifies its financial assets into the financial assets at amortised cost category from 1 January 2018. The classification depends on the objective of the group's business model. Management determines the classification of its financial assets at initial recognition.

Financial assets at amortised cost

The group classifies its financial assets as financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows (Business model test), and
- the contractual terms give rise to cash flows that are solely payments of principal and interest (SPPI).

The group's financial assets at amortised cost category comprises 'trade and other receivables' in the statement of financial position (note 8). The company's financial assets at amortised cost category comprises 'loans to related parties' in the statement of financial position (note 8). Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Contractual cash flows will be collected as trade receivables and related parties repay their outstanding balances and the repayments on the outstanding balances represent payments that consist of the principal outstanding amount and related interest amount if applicable. Collection is expected in one year or less and therefore classified as current assets.

Recognition and measurement

Trade receivables and loans to related parties are recognised initially at the amount of consideration that is unconditional. The group has made use of the practical expedient where the group presumes that a receivable does not have a significant financing component as the expected term is less than one year. The group holds the trade receivables and related party loans with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less expected allowance.

Due to the short-term nature of the trade receivables and related party loans, the carrying amounts are considered to be the same as the fair value. Payment terms are agreed as part of the trading or loan agreement and any amounts outstanding beyond the terms are considered overdue.

Impairment of financial assets

Assets carried at amortised cost

From 1 January 2018, the group assesses on a forward-looking basis the expected credit loss associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The group applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. As a practical expedient, the group uses a provision matrix based on the group's historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. The historical default rates have been assessed using a 24-month period. Forward-looking estimates include the economic outlook of the country in which the customer resides. A significant depreciation of the local currency as well as civil unrest increase the risk of defaults on customer accounts. Trade receivables are grouped based on shared risk characteristics and days past due. For loans to related parties, management applies the 3-stage general impairment methodology model which requires the company to measure the expected credit loss at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs.

A loss allowance is recognised at the first statement of financial position date on which the receivable is recognised. After initial recognition, the loss allowance is adjusted, up or down, through profit or loss at each statement of financial position date as the forward-looking estimates change.

Receivables are considered to be in default when the payment terms have been exceeded with more than 60 days without any reason or subsequent arrangement to extend the payment terms.

Receivables are credit impaired if there is no reasonable expectation of recovery. This will be the case with outstanding amounts over 180 days where there has been no communication received from the debtor. Credit-impaired receivables are written off.

Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

Refer to note 8, trade and other receivables, for further information.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost is substantially determined on the first-in first-out basis and includes expenditure in acquiring and transporting the inventory to its present location net of discount and rebates received.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

1. Accounting policies continued

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and other deposits held at call with banks. Bank overdrafts are included within borrowings in current liabilities on the statement of financial position.

STATED CAPITAL

Stated capital consists solely of ordinary share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

SHARE-BASED PAYMENT RESERVE

The group transfers amounts from this reserve upon the exercise or lapse of options to share capital.

FINANCIAL LIABILITIES

Financial liabilities include borrowings, accrual for other liabilities and charges, contingent considerations and trade and other payables.

Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective-interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

PROVISIONS

Provisions are recognised when:

- the group has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre–tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges are included in borrowings. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Notes to the consolidated and separate financial statements continued

for the year ended 31 December 2018

1. Accounting policies continued

CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Dividend withholding tax is not levied on the company but on the beneficial owner of the share and accordingly does not require recognition in profit or loss. Dividends tax withheld by the company on dividends paid to its shareholders (who do not qualify for an exemption from dividends tax) and payable at the reporting date to the South African Revenue Service (where applicable) is included in trade and other payables in the statement of financial position.

EMPLOYEE BENEFITS

Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated annual leave as a result of services rendered by employees up to the reporting date.

Profit-sharing and bonus plans

The group recognises a liability and an expense for bonus plans and profit-sharing, where contractually obliged, or where there is a past practice that has created a constructive obligation.

Botswana severance benefits

For employees who are citizens of Botswana, the group has implemented the requirements of the Botswana Labour Act relating to a severance benefit scheme. For employees who are non-citizens of Botswana, the group pays gratuity in accordance with the respective contracts of employment.

Share-based compensation

CA Sales Holdings Limited operates two equity-settled share-based payment schemes.

The fair value of the executive services received in exchange for the grant of the share options less the amount paid by the executive is recognised as an expense. The total amount to be expensed over the vesting period see note 10, is determined by reference to the grant date fair value of the share options granted. Vesting conditions are included in assumptions about the number of share options that are expected to become exercisable. At each reporting date, the entity revises its estimates of the number of share options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period.

If the group cancels or settles a grant of equity instruments during the vesting period the group accounts for the cancellation or settlement of the grant and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

The share-based payment costs are recognised in the statement of comprehensive income and a share-based payment reserve is recognised as part of equity and represents the fair value at grant date of the shares/share options that will be delivered on vesting. The grant date fair value will not be subsequently re-measured.

1. Accounting policies continued

REVENUE RECOGNITION

Revenue is derived either from the sale of fast-moving consumer goods, delivering of transport services, merchandising services, promotional services or training services. Revenue is recognised to depict the transfer of goods or services to customers at an amount that the group expects to be entitled to in exchange for those goods or services to the extent that it is highly probable that there will be no significant reversal. Revenue is recognised when performance obligations are satisfied upon transferring control of the goods and services.

Revenue is recognised at a point in time for the delivery of goods, transport services and merchandising services. A customer obtains control when he signs the proof of delivery document. Revenue is recognised over time when promotional services are delivered as these are agreed projects. When milestones depicted in the service delivery contract are achieved a customer accepts the invoice presented and obtain control of the service.

The transaction price might include an element of consideration that is variable on the outcome of future events in the form of settlement discounts. It is considered to be variable consideration because there is uncertainty as to whether the customer will pay the invoice within the discount period. The terms of settlement discounts are stipulated in the trade agreements with customers. The expected settlement value is based on experience with similar customers with similar transactions.

The group uses the practical expedient to disregard the time value of money as the period between transfer of the goods or services and payment is less than one year.

DIVIDEND INCOME

Dividends are recognised as income, when:

- the group's right to receive payment has been established;
- it is probable that the economic benefits associated with the dividend will flow to the group; and
- the amount of the dividend can be measured reliably.

INTEREST INCOME

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

DIVIDEND DISTRIBUTION

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's board of directors.

HEADLINE EARNINGS AND EARNINGS PER SHARE

Headline earnings is earnings as determined by IAS 33, excluding 'separately identifiable re-measurements' (as defined in SAICA Circular 04/2018), net of related tax (both current and deferred) and related non-controlling interest, other than re-measurements specifically included in headline earnings 'included re-measurements' (as defined in SAICA Circular 04/2018).

Basic earnings per share is expressed in cents and is based on the net profit attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year, excluding ordinary shares purchased by the company (treasury shares).

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (incentive shares).

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy on goodwill. The recoverable amounts of cash-generating units have been determined based on the higher of value-in-use and fair value less cost to sell calculations. These calculations require the use of estimates (see note 4 for further detail and disclosure of estimates used).

2. Financial risk management

2.1 FINANCIAL RISK FACTORS

The group's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest rate risk), credit risk and liquidity 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.

Risk management is carried out by each major entity within the group under policies approved by the respective boards of directors. Each major entity's board of directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

Financial instruments are grouped into the following classes in order to facilitate effective financial risk management and disclosure in terms of IFRS 7 *Financial Instruments: Disclosures.*

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Classes of financial assets				
Trade receivables	**971 041**	842 364	**–**	–
Loans receivable from related parties	**–**	–	**91 623**	82 718
Sundry debtors	**6 686**	9 252	**–**	–
Total receivables	**977 727**	851 616	**91 623**	82 718
Cash and cash equivalents	**227 322**	204 141	**50 380**	68 962
Total financial assets – IFRS 7	**1 205 049**	1 055 757	**142 003**	151 680
Classes of financial liabilities				
Bank overdrafts	**79 448**	107 558	**–**	–
Loans	**397 992**	196 995	**–**	–
Total borrowings	**477 440**	304 553	**–**	–
Accounts payable and accruals	**671 189**	523 408	**122**	159
Contingent consideration	**4 537**	4 073	**–**	–
Amount due to related parties	**407**	132	**354**	481
Total trade and other payables	**676 133**	527 613	**476**	640
Total financial liabilities – IFRS 7	**1 153 573**	832 166	**476**	640

Financial instruments by category	Group		Company	
Assets as per statement of financial position	Assets measured at amortised cost R'000	Total R'000	Assets measured at amortised cost R'000	Total R'000
2018				
Receivables	**977 727**	**977 727**	**91 623**	**91 623**
Cash and cash equivalents	**227 322**	**227 322**	**50 380**	**50 380**
	1 205 049	**1 205 049**	**142 003**	**142 003**
	Loans and receivables R'000	Total R'000	Loans and receivables R'000	Total R'000
2017				
Receivables	851 616	851 616	82 718	82 718
Cash and cash equivalents	204 141	204 141	68 962	68 962
	1 055 757	1 055 757	151 680	151 680

On 1 January 2018 (the date of initial application of IFRS 9), the group's management has assessed which business models apply to the financial assets held by the group and has classified its financial assets into the appropriate IFRS 9 categories. All financial assets previously classified as loans and receivables are reclassified as financial assets at amortised cost as the assets are held with the objective to collect the contractual cash flows which are solely payments of principle and interest. No changes were made to the classification of financial liabilities. There were no changes to the group's equity. The new accounting policies are set out in note 1.

2. Financial risk management continued

2.1 FINANCIAL RISK FACTORS CONTINUED

	Group		Company	
Liabilities as per statement of financial position	Liabilities measured at amortised cost R'000	Total R'000	Liabilities measured at amortised cost R'000	Total R'000
2018				
Borrowings	**477 440**	**477 440**	**–**	**–**
Contingent consideration	**4 537**	**4 537**	**–**	**–**
Trade and other payables	**671 596**	**671 596**	**476**	**476**
	1 153 573	**1 153 573**	**476**	**476**
2017				
Borrowings	304 553	304 553	–	–
Contingent consideration	4 073	4 073	–	–
Trade and other payables	523 540	523 540	640	640
	832 166	832 166	640	640

Excluding the contingent consideration and non-current borrowings, carrying values approximate fair values due to the short term nature of these financial instruments.

(a) Market risk

The group reviews its foreign currency exposure, including commitments on an ongoing basis.

(i) Foreign exchange risk

The group operates in Southern Africa and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Botswana Pula and the South African Rand. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has set up a policy that require group companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Natural hedging is applied to minimise the exposure. Management monitors this exposure and forward exchange contracts are entered into where appropriate. The forex profit and loss recognised in the group's profit and loss for the year is disclosed in note 17.

The group's financial assets and liabilities denominated in foreign currency are analysed in the following table:

	Pula R'000	Other R'000	Total R'000
2018			
Financial assets			
Receivables (note 8)	**302 334**	**4 443**	**306 777**
Cash and cash equivalents (note 9)	**31 808**	**253**	**32 061**
Financial liabilities			
Trade and other payables (note 14)	**(256 323)**	**(1 339)**	**(257 662)**
Borrowings (note 12)	**(404 794)**	**–**	**(404 794)**
	(326 975)	**3 357**	**(323 618)**
2017			
Financial assets			
Receivables	247 574	1 576	249 150
Cash and cash equivalents	155 978	974	156 952
Financial liabilities			
Trade and other payables	(343 602)	(3 257)	(346 859)
Borrowings	(225 047)	–	(225 047)
	(165 097)	(707)	(165 804)

Other currencies include USD (United States Dollar), MZN (Mozambique Metical) and ZMK (Zambia Kwatcha).
The company had cash at bank of R0.3 million (2017: R61.2 million) denominated in Botswana Pula at year-end.

2. Financial risk management continued

2.1 FINANCIAL RISK FACTORS CONTINUED

(i) Foreign exchange risk continued

The table below shows the sensitivity of post-tax profits of the group to a 20% move in the Rand exchange rates (representing the Rand strengthening or weakening against the foreign currencies).

			Group	
	Pula 20% appreciation	Other 20% appreciation	20% appreciation R'000	20% depreciation R'000
Impact on post-tax profit				
2018	**(17 913)**	**(262)**	**(18 175)**	**18 175**
2017	(2 766)	(12)	(2 778)	**2 778**
Impact on equity				
2018	**(46 251)**	**470**	**(45 781)**	**45 781**
2017	(32 127)	–	(32 127)	32 127

(ii) Cash flow and fair value interest rate risk

The group's interest rate risk arises from interest-bearing investments and receivables and long-term and short-term borrowings.

The group's exposure to floating rates, fixed rates and non-interest-bearing financial instruments are as follows:

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Borrowings				
Floating rate	**(477 440)**	(304 553)	**–**	–
	(477 440)	(304 553)	**–**	–
Cash and cash equivalents				
Floating rate	**224 479**	59 502	**50 058**	68 962
Fixed rate and non-interest-bearing	**2 843**	144 639	**322**	–
	227 322	204 141	**50 380**	68 962
Trade and other receivables				
Fixed rate and non-interest-bearing	**977 727**	851 616	**91 623**	82 718
Total				
Floating rate	**(252 961)**	(245 051)	**50 058**	68 962
Fixed rate and non-interest-bearing	**980 570**	996 255	**91 945**	82 718
	727 609	751 204	**142 003**	151 680

The group companies manage their cash flow interest rate risk by monitoring interest rates on a regular basis and engaging in discussions with financial institutions in relevant countries to obtain the optimum rate.

Based on simulations performed, the impact on post-tax profit of a 1% shift in interest rates is analysed in the table below:

	Group		Company	
	1% increase R'000	1% decrease R'000	1% increase R'000	1% decrease R'000
Impact on post-tax profit				
2018	**(1 355)**	**1 355**	**343**	**(343)**
2017	(492)	492	185	(185)

The increase in the interest rate risk is due to the increased borrowings with regards to the purchase of the properties in Botswana. See note 3 and 12.

2. Financial risk management continued

2.1 FINANCIAL RISK FACTORS CONTINUED

(b) Credit risk

Credit risk is managed on a group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated financial institutions with a high credit quality are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or with major credit cards.

Management responsible for risk control, assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by the boards of the subsidiaries. The compliance with credit limit by customers is regularly monitored by management.

The table below shows the group's maximum exposure to credit risk by class of asset:

	Group		Company	
	Balance R'000	Maximum exposure R'000	Balance R'000	Maximum exposure R'000
2018				
Receivables	**977 727**	**977 727**	**91 623**	**91 623**
Cash and cash equivalents	**227 322**	**227 322**	**50 380**	**50 380**
	1 205 049	**1 205 049**	**142 003**	**142 003**
2017				
Receivables	851 616	851 616	82 718	82 718
Cash and cash equivalents	204 141	204 141	68 962	68 962
	1 055 757	1 055 757	151 680	151 680

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Receivables				
Group 1	**3 535**	19 339	**–**	–
Group 2	**961 184**	824 392	**–**	–
Group 3	**13 008**	7 884	**–**	–
Non-rated	**–**	1	**91 623**	82 718
Cash and cash equivalents				
F1+	**21 264**	2 131	**–**	–
F1	**–**	2 424	**–**	
A–1	**3 218**	817	**–**	–
BB+	**35**	–	**–**	–
Baa3	**33 088**	33 289	**–**	7 719
P–3	**77 262**	31 268	**50 058**	–
Botswana – not rated	**81 216**	127 949	**322**	61 243
Not rated	**11 239**	6 263	**–**	–
	1 205 049	1 055 757	**142 003**	151 680

2. Financial risk management continued

2.1 FINANCIAL RISK FACTORS CONTINUED

(b) Credit risk continued

Receivables

Group 1 – new customers/related parties (less than six months).

Group 2 – existing customers/related parties (more than six months) with no defaults in the past.

Group 3 – existing customers/related parties (more than six months) with some defaults in the past. All defaults were fully recovered.

No credit limits were set for loans to related parties.

The above balances are shown after loss allowances of R3.6 million (2017: R2.9 million). See note 8 for more detail.

Trade receivables of R62.4 million (2017: R46.6 million) were past due but not impaired. These relate to customers for whom there is no recent history of default. The ageing analysis of these trade receivables are as follows:

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
30 days	**42 603**	43 887	**–**	–
91 to 120 days	**3 631**	2 714	**–**	–
120 days plus	**16 167**	–	**–**	–
	62 401	46 601	**–**	–

Cash and cash equivalents

A1–Baa3 – Moody's rating.

F1 – Fitch's rating.

Bot – There are no credit ratings available in Botswana. The bank is a listed company and has reported sound financial results and continued compliance with minimum capital adequacy requirements.

(c) Liquidity risk

Liquidity risk arises from the seasonal fluctuations in short-term borrowing positions. A material and sustained shortfall in cash flows could undermine investor confidence and restrict the group's ability to raise funds. The group manages its liquidity risk by monitoring weekly cash flows and ensuring that adequate cash is available or borrowing facilities maintained. The group has no significant concentration of liquidity risk with any other single counterparty.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, each entity aims to maintain flexibility in funding by keeping committed credit lines available.

Total undrawn facilities available is R205.5 million (2017: R87.6 million). For detail on undrawn facilities available, refer to note 12.

2. Financial risk management continued

2.1 FINANCIAL RISK FACTORS CONTINUED

(c) Liquidity risk continued

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying value R'000	Less than one year R'000	Between one and five years R'000	Over five years R'000
Group				
2018				
Borrowings	**477 440**	**176 172**	**129 338**	**171 930**
Contingent consideration	**4 537**	**4 537**	**–**	**–**
Trade and other payables	**671 596**	**671 596**	**–**	**–**
	1 153 573	**852 305**	**129 338**	**171 930**
2017				
Borrowings	304 553	280 223	24 261	69
Contingent consideration	4 073	4 073	–	–
Trade and other payables	523 540	523 540	–	–
	832 166	807 836	24 261	69
Company				
2018				
Trade and other payables	**476**	**476**	**–**	**–**
	476	**476**	**–**	**–**
2017				
Trade and other payables	640	640	–	–
	640	640	–	–

2.2 CAPITAL RISK MANAGEMENT

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group's capital comprises total equity as shown in the consolidated statement of financial position plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents as shown in the consolidated statement of financial position. When funding is required, management will consider the various forms of paper available for issue, taking into account current market conditions, anticipated trends in market indicators and the financial position of the group at the time. Management will accordingly consider issuing ordinary shares by the group's holding company, perpetual preference shares, short- long- or medium-term borrowings with variable or fixed rates.

The group monitors capital on the basis of the gearing ratio. Increased long-term debt is approved by the board based on the impact on the gearing ratio. This ratio is calculated as debt divided by the total capital. The gearing ratios at 31 December 2018 and 31 December 2017 were as follows:

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Total borrowings	**477 440**	304 553	**–**	–
Less: Cash and cash equivalents	**(227 322)**	(204 141)	**(50 380)**	(68 962)
Net debt	**250 118**	100 412	**(50 380)**	(68 962)
Total equity	**1 327 649**	1 183 868	**942 347**	946 649
Total capital	**1 577 767**	1 284 280	**891 967**	877 687
Gearing ratio	**16%**	8%	**(6%)**	(8%)

2.3 FAIR VALUE ESTIMATION OF FINANCIAL INSTRUMENTS

Financial instruments consist of trade receivables, bank and cash balances and other payables resulting from normal business operations. The nominal value less loss allowance of trade receivables and payables are assumed to approximate their fair values. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Notes to the consolidated and separate financial statements continued

for the year ended 31 December 2018

3. Property, plant and equipment

	Vehicles plant and machinery R'000	Office equipment and other R'000	Computer equipment R'000	Land and buildings R'000	Total R'000
Group					
2018					
At the end of the year					
Cost or valuation	248 137	30 202	35 577	326 154	640 070
Accumulated depreciation	(172 196)	(18 029)	(27 102)	(3 681)	(221 008)
Net book value	75 941	12 173	8 475	322 473	419 062
Reconciliation of net book value					
Opening net book value	78 547	12 533	9 707	20	100 807
Exchange differences	2 499	292	366	4 601	7 758
Additions	15 578	2 069	3 356	321 396	342 399
Disposals	(3 918)	(18)	(106)	–	(4 042)
Subsidiaries acquired	36	152	99	–	287
Transferred to intangibles – software	–	–	(589)	–	(589)
Depreciation	(16 801)	(2 855)	(4 358)	(3 544)	(27 558)
Closing net book value	75 941	12 173	8 475	322 473	419 062
Leased assets included above comprise					
Cost of capitalised finance leases	55 372	954	–	–	56 326
Accumulated depreciation	(25 858)	(355)	–	–	(26 213)
Net book value	29 514	599	–	–	30 113
2017					
At the end of the year					
Cost or valuation	243 448	26 934	33 498	38	303 918
Accumulated depreciation	(164 901)	(14 401)	(23 791)	(18)	(203 111)
Net book value	78 547	12 533	9 707	20	100 807
Reconciliation of net book value					
Opening net book value	74 812	12 617	9 700	–	97 129
Exchange differences	262	(1 184)	(62)	–	(984)
Additions	18 824	837	4 668	38	24 367
Disposals	(1 815)	(7)	(185)	–	(2 007)
Subsidiaries acquired	4 001	2 798	484	–	7 283
Depreciation	(17 537)	(2 528)	(4 898)	(18)	(24 981)
Closing net book value	78 547	12 533	9 707	20	100 807
Leased assets included above comprise					
Cost of capitalised finance leases	36 993	954	4 480	38	42 465
Accumulated depreciation	(19 695)	(288)	(2 856)	(18)	(22 857)
Net book value	17 298	666	1 624	20	19 608

The company does not have any property, plant and equipment.

During the year, the group purchased properties in Botswana which are financed through a bond and serves as security. See note 12.

The group companies lease various vehicles and machinery under non-cancellable finance lease agreements. The lease terms are between three and five years, and the assets are owned by the group companies. See note 12.

A register with full detail of property, plant and equipment is available at each company's registered office.

No major change in the nature of property, plant and equipment or change in the policy regarding the use thereof took place during the financial year.

4. Intangible assets

	Goodwill R'000	Customer lists R'000	Computer software R'000	Total R'000
Group				
2018				
At the end of the year				
Cost or valuation	556 460	113 266	8 906	678 632
Accumulated amortisation	–	(108 332)	(3 064)	(111 396)
Impairment	(27 000)	–	–	(27 000)
Net book value	529 460	4 934	5 842	540 236
Reconciliation of net book value				
Opening net book value	555 115	6 740	4 736	566 591
Business combinations	1 091	–	–	1 091
Additions	–	2 000	2 168	4 168
Amortisation	–	(3 841)	(1 194)	(5 035)
Impairment	(27 000)	–	–	(27 000)
Exchange differences	254	35	132	421
Closing net book value	529 460	4 934	5 842	540 236
2017				
At the end of the year				
Cost or valuation	555 115	111 107	5 148	671 370
Accumulated amortisation	–	(104 367)	(412)	(104 779)
Net book value	555 115	6 740	4 736	566 591
Reconciliation of net book value				
Opening net book value	522 292	10 323	1 324	533 939
Business combinations	32 891	6 986	–	39 877
Additions	–	–	3 786	3 786
Amortisation	–	(10 557)	(374)	(10 931)
Exchange differences	(68)	(12)	–	(80)
Closing net book value	555 115	6 740	4 736	566 591

Impairment test for goodwill

Goodwill arising from a business combination is allocated, at acquisition, to the group's cash-generating units (CGUs) that are expected to benefit from the business combination.

The carrying amounts of SMC Namibia and Expo Africa Group have been reduced to their recoverable amounts through recognition of an impairment against goodwill. Current cashflows were used as an indication of future cashflows. The re-assessment of future cash flows resulted in a decrease in the carrying amounts of these cash generating units. The goodwill impairment relating to SMC Namibia and Expo Africa Group of R13.5 million respectively is included in expenses (note 17).

The CGUs to which the amount of goodwill has been allocated, are presented below.

	2018 R'000	2017 R'000
CA Sales and Distribution (Pty) Ltd and subsidiaries (CA Sales)	262 097	262 097
Pack 'n Stack Investment Holdings (Pty) Ltd and subsidiaries (PnS)	112 060	112 060
SMC Brands Namibia (Pty) Ltd (SMC Namibia)	56 855	70 355
Logico Unlimited (Pty) Ltd and subsidiaries (Logico)	42 858	42 858
SMC Brands Botswana (Pty) Ltd (SMC Botswana)	17 971	17 971
Surapax (Pty) Ltd (Surapax)	12 530	12 530
Array Marketing (Pty) Ltd (Array)	7 640	7 640
Expo Africa Group (Expo)	6 644	20 144
SMC Brands Swaziland (Pty) Ltd (SMC Swaziland)	5 855	5 855
Smithshine Enterprises (Pty) Ltd (Smithshine)	3 614	3 390
Kalahari Training Institute (Pty) Ltd (KTI)	1 107	–
Peo Capital (Pty) Ltd (Peo)	229	215
	529 460	555 115

4. Intangible assets continued

The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions. These calculations use pre-tax cash flow projections based on financial budgets approved by management, covering a five-year period.

Management has determined the values assigned to each of the below key assumptions as follows:

Assumption	Approach used to determining values
Revenue average annual growth rate over the five-year period	Based on past performance and management's expectations of market development as well as current industry trends, including long-term inflation forecasts for each territory.
Budgeted gross margin	Based on past performance and management's expectations for the future.

	CA Sales %	PnS %	SMC Botswana %	SMC Namibia %	Logico %	Expo %	Surapax %
2018							
Revenue growth	**6**	**6**	**6**	**6**	**8**	**6**	**7**
Gross margin	**11**	**27**	**17**	**19**	**24**	**70**	**46**
Operating cost increases	**6**	**6**	**5**	**6**	**6**	**6**	**6**
Long-term growth rate	**5**	**5**	**5**	**5**	**5**	**5**	**5**
Discount rate	**17.5**	**23.4**	**19.4**	**22.3**	**22.5**	**21.5**	**26.5**
2017							
Revenue growth	6	7	6	6	8	7	7
Gross margin	10	32	17	20	20	65	46
Operating cost increases	6	6	6	6	6	6	6
Long-term growth rate	5	5	5	5	5	5	6
Discount rate	15.9	26.5	18.5	20.8	21.3	24.6	25.6

The results of the group's impairment tests are dependent upon estimates and judgements made by management, particularly in relation to the key assumptions described above. Sensitivity analysis to potential changes in key assumptions has therefore been reviewed.

The table below shows the discount rate and long-term growth rate assumptions used in the calculation of value-in-use and the percentage by which each assumption must change in isolation in order for the estimated recoverable amount to equal the carrying value.

Sensitivity analysis of assumptions used in the goodwill impairment tests of CGUs indicating low safety margins:
Change required for the carrying value to equal the recoverable amount:

		CA Sales
Discount rate	%	**17.5**
Basis points movement – increase	%	**0.4**
Long-term growth rate	%	**5.0**
Basis points movement – decrease	%	**(0.7)**
Recoverable amount	R'000	**535 352**
Carrying value	R'000	**518 654**
Low safety margin	R'000	**16 698**

5. Investments in subsidiaries

	Company 2018 R'000	Company 2017 R'000
Ordinary shares at cost	**795 148**	795 148
Share based payments allocated to subsidiaries	**3 181**	–
Carrying value of ordinary share investments	**798 329**	795 148

The group's subsidiaries at 31 December 2018 are set out below. They have share capital consisting solely of ordinary shares that are held directly and indirectly by the company. The proportion of ownership interests held equals the voting rights held by the group. The country of incorporation is also their principle place of business.

Direct holding	Indirect holding	Country of incorporation	Effective holding %	Stated capital R'000	Shares at cost R'000	Shares at cost R'000
CA Sales & Distribution (Pty) Ltd		**Botswana**	**100**	**798.7**	**336 422**	336 422
	Dafin Sales and Distribution (Pty) Ltd	Botswana	100			
	Warehousing Services Botswana (Pty) Ltd	Botswana	100			
Logico Unlimited (Pty) Ltd		**Eswatini**	**80**	**0.1**	**107 081**	107 081
	Biotrace Trading 338 (Pty) Ltd	South Africa	80			
Pack 'n Stack Investment Holdings (Pty) Ltd		**South Africa**	**84**	**2.0**	**179 407**	179 407
	Pack 'n Stack (Pty) Ltd	South Africa	63			
	Magnet Marketing (Pty) Ltd	South Africa	84			
	Pack 'n Stack IT (Pty) Ltd	South Africa	42.8			
	Array Marketing (Pty) Ltd	South Africa	84			
	PnS Retail Solutions Namibia (Pty) Ltd	Namibia	84			
	Surapax (Pty) Ltd	South Africa	42.8			
	Agility-in-store KZN (Pty) Ltd	South Africa	58.8			
SMC Brands SA (Pty) Ltd		**South Africa**	**100**	**100.0**	**158 017**	158 017
	SMC Brands Botswana |(Pty) Ltd	Botswana	100			
	SMC Brands Namibia (Pty) Ltd	Namibia	100			
	SMC Brands Swaziland (Pty) Ltd	Eswatini	100			
Wutow Trading (Pty) Ltd		**Namibia**	**100**	**0.0**	**14 221**	14 221
Diverse Distribution (Pty) Ltd		**Namibia**	**100**	**0.1**	**0**	0
Private Label Sales and Merchandising Services (Pty) Ltd		**South Africa**	**100**	**0.1**	**0**	0
CAS Marketing (Pty) Ltd		**South Africa**	**100**	**1.0**	**–**	–
CA Sales Investments (Pty) Ltd		**South Africa**	**100**	**1.0**	**–**	–
	Expo Africa Marketing Ltd	Mauritius	90			
	Expo Africa (Pty) Ltd	Botswana	90			
	Expo Zambia Marketing Ltd	Zambia	90			
	Expo Mozambique Ltd	Mozambique	90			
	Africa Marketing and Promotions (Pty) Ltd	South Africa	90			
	Expo Africa Marketing Swaziland (Pty) Ltd	Eswatini	90			
	Expo Africa Marketing (Lesotho) (Pty) Ltd	Lesotho	90			

Notes to the consolidated and separate financial statements continued

for the year ended 31 December 2018

5. Investments in subsidiaries continued

Direct holding	Indirect holding	Country of incorporation	Effective holding %	Stated capital R'000	Shares at cost R'000	Shares at cost R'000
Pamstad (Pty) Ltd		**Botswana**	**100**	**0.0**	**–**	–
	Smithshine Enterprises (Pty) Ltd	Botswana	94			
	Kalahari Training Institute (Pty) Ltd	Botswana	83			
	Peo Capital (Pty) Ltd	Botswana	70			
	Breckwick Holdings (Pty) Ltd	Botswana	100			
Ordinary shares at cost					**795 148**	795 148

The investments of the holding company increased with the share based payment expense allocation as per IFRS 2. The holding company has an obligation to settle the transaction with the subsidiaries' employees by providing its own equity instruments. The CA Sales Holdings Share Incentive Trust was incorporated by the company and the first trustees. The Trust is set up to facilitate and govern the implementation of the Executive Share Option Scheme 2018. The Trust is consolidated by the company and is seen as an extension of the company and therefore the actions of the Trust are viewed as those of the company. In the current year no funding was provided to the Trust.

Non-controlling interests (NCI)

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Pack 'n Stack		Logico Unlimited	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Summarised statement of financial position				
Current assets	**170 614**	143 891	**172 128**	149 940
Current liabilities	**(68 550)**	(67 281)	**(80 679)**	(92 578)
Current net assets	**102 064**	76 610	**91 449**	57 362
Non-current assets	**49 140**	50 339	**32 901**	34 405
Non-current liabilities	**(873)**	(2 206)	**(5 918)**	(11 781)
Non-current net assets	**48 267**	48 133	**26 983**	22 624
Net assets	**150 331**	124 743	**118 432**	79 986
Accumulated NCI	**23 501**	28 006	**23 616**	36 464
Summarised statement of comprehensive income				
Revenue	**724 827**	614 163	**670 893**	598 912
Profit for the period	**46 107**	47 539	**47 952**	39 612
Total comprehensive income	**46 107**	47 539	**47 952**	39 612
Profit allocated to NCI	**9 156**	13 338	**9 590**	13 262
Dividends paid to NCI	**6 517**	3 701	**1 980**	7 791
Summarised cash flows				
Cash flows from operating activities	**35 028**	26 484	**22 211**	29 093
Cash flows from investing activities	**(2 985)**	(19 455)	**374**	(2 871)
Cash flows from financing activities	**(23 678)**	(11 968)	**(23 650)**	(45 230)
Net increase/(decrease) in cash and cash equivalents	**8 365**	(4 939)	**(1 065)**	(19 008)

Transactions with non-controlling interests

Transactions with non-controlling interests and the effect on the equity attributable to the owners of CA Sales Holdings Limited during the year, were insignificant.

	Total 2018 R'000	Total 2017 R'000
Carrying amount of non-controlling interests acquired	**–**	30 900
Consideration in the form of equity instruments	**–**	(71 502)
Cash consideration paid to non-controlling interests	**–**	(25 354)
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**–**	(65 956)

Transactions with non-controlling interests in 2017 related to the investments in Pack 'n Stack and Logico.

6. Investments accounted for using the equity method

Set out below are the associates of the group as at 31 December 2018. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

		Percentage of ownership interest		Group Carrying amount		Company Carrying amount	
Name of entity	**Place of business**	**2018 %**	2017 %	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
Warbrands Ltd	Zambia	**–**	49	**–**	11 074	**–**	–
Whitakers Agencies	South Africa and Lesotho	**45**	45	**3 401**	2 957	**1 903**	1 903
Edge Logistics (Pty) Ltd	South Africa	**30**	30	**548**	495	**–**	–
Kalahari Training Institute (Pty) Ltd	Botswana	**–**	49	**–**	420	**–**	–
Promexs Ltd	Zambia	**35**	–	**9 224**	–	**–**	–
Bullred Farming (Pvt) Ltd	Zimbabwe	**49**	49	**–**	–	**–**	–
Private Label Sales and Merchandising Cape Town (Pty) Ltd	South Africa	**49**	–	**–**	–	**–**	–
				13 173	14 946	**1 903**	1 903
Loans							
Unlisted							
Private Label Sales and Merchandising Cape Town (Pty) Ltd				**750**	–	**750**	–
Unsecured interest-free loan. Repayment is not expected to be within the next 12 months.							
Warbrands Ltd				**–**	1 327	**–**	–
Unsecured interest-free loan.							
Carrying value of ordinary share investments in unlisted associated companies				**13 923**	16 273	**2 653**	1 903

The table below provides summarised financial information of the associates that are material to the group. The information disclosed reflects the amounts presented in the financial statements or management accounts of the relevant associates and not CA Sales Holdings Limited's share of those amounts.

	Promexs	Whitakers		Immaterial aggregated		Total	Total
	2018 R'000	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
Summarised statement of financial position							
Current assets	**8 000**	**2 656**	2 560				
Non-current assets	**979**	**348**	522				
Current liabilities	**–**	**110**	1 043				
Non-current liabilities	**2 485**	**108**	240				
Net assets	**6 494**	**2 786**	1 799				
Reconciliation to carrying amounts:							
Opening net assets	**–**	**1 799**	883				
At acquisition	**4 568**	**–**	–				
Profit for the period	**2 421**	**987**	916				
Foreign currency translation and other adjustments	**(495)**	**–**	–				
Closing net assets	**6 494**	**2 786**	1 799				
Group's share %	**35%**	**45%**	45%				
Group's share R'000	**2 273**	**1 254**	810				
Goodwill	**6 456**	**2 147**	2 147				
Foreign currency translation differences and other adjustments	**495**	**–**	–				
Carrying amount	**9 224**	**3 401**	2 957	**548**	11 989	**13 173**	**14 946**

6. Investments accounted for using the equity method continued

	Promexs 2018 R'000	Whitakers 2018 R'000	Whitakers 2017 R'000	Immaterial aggregated 2018 R'000	Immaterial aggregated 2017 R'000	Total 2018 R'000	Total 2017 R'000
Summarised statement of comprehensive income							
Revenue	13 573	6 880	5 960				
Profit for the period	2 421	987	916	3 946	190	7 354	1 106
Group's share %	35%	45%	45%				
Share of profit of investments accounted for using the equity method	847	444	412	1 900	52	3 191	464

The year end for Whitakers Agencies South Africa (Pty) Ltd and Whitakers Agencies Lesotho (Pty) Ltd is February. The management accounts for the period 1 January to 31 December were used to include the associates profit after tax in the group's statement of comprehensive income.

Whitakers provides clients with merchandisers, field managers and sales representatives to the FMCG trade in Lesotho.

2018

Additions

35% of Promexs Ltd was acquired on 1 August 2018 for R8.1 million. Promexs is an established retail marketing and merchandising company based in Zambia. The latest management accounts of the company were used to equity account the investment for the five months from 1 August 2018 to 31 December 2018. Control and power to make executive decisions reside with the other shareholders as per the shareholders agreement.

Private Label Sales and Merchandising Cape Town (Pty) Ltd ("Private Label") was a dormant fully-owned subsidiary of CA Sales Holdings Ltd. 51% of Private Label was disposed of for no consideration as the net asset value was zero. Shareholders each injected R0.75 million in the form of a shareholders loan. The purpose of Private Label is to facilitate trade in Zimbabwe.

Disposals

On 31 July 2018 the group disposed of its investment of 49% in Warbrands Ltd for R12.0 million. A loss on disposal of R0.8 million was recorded in the statement of comprehensive income.

Transfers to subsidiaries

The group obtained control over the following equity accounted associate during the year and the investment was transferred to subsidiaries:

Kalahari Training Institute (Pty) Ltd. See note 23 for more detail.

2017

Impairment

On 31 August 2017 the group impaired its investment of 49% in Bullred Farming (Pvt) Ltd by R2.5 million.

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
7. Inventories				
Finished goods held for re-sale	335 958	313 550	–	–

Inventories are measured at the lower of cost or net realisable value. Inventories are ceded against bank overdraft facilities as disclosed in note 12.

Amounts written off during the year due to stock losses and damages amounted to R0.9 million.

8. Trade and other receivables

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Trade receivables	974 630	845 279	–	–
Less: Loss allowance	(3 589)	(2 915)	–	–
Trade receivables	971 041	842 364	–	–
Loans to related parties	–	–	91 623	82 718
VAT receivable	23 927	24 664	–	–
Deposits	4 111	4 882	–	–
Prepayments	3 333	2 109	–	–
Staff loans	838	–	–	–
Other receivables	1 737	4 370	–	–
	1 004 987	878 389	91 623	82 718
Current portion	1 004 987	878 389	91 623	82 718

Trade receivables

The group's business model is to collect contractual cash flows from its trade receivables. As per IFRS 9, trade receivables therefore qualify as financial assets held at amortised cost.

Trade receivables are amounts due from customers for goods sold or services rendered in the ordinary course of business. They are generally due for settlement between 30 and 90 days and therefor are all classified as current. Trade receivables are measured at undiscounted invoice price. As a practical expedient, the group presumes that a trade receivable does not have a significant financing component as the expected term is less than one year. Trade receivables outstanding for 90 days are not seen as credit impaired as it is normal practise to extend credit to certain customers at those terms. Details about the group's loss allowance policy are provided in note 1.

Trade receivables of R971.7 million (2017: R842.4 million) were fully performing.

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Rand (ZAR), Namibian Dollar (NAD) and Emalangeni (SZL)	695 468	629 239	91 623	82 718
Botswana Pula (BWP)	305 076	247 574	–	–
Other (incl.US Dollar, Mozambique Metical, Zambia Kwatcha)	4 443	1 576	–	–
	1 004 987	878 389	91 623	82 718

The Namibian Dollar (NAD) and Emalangeni (SZL) is currently at a ratio of one to one to the Rand.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The group does not hold any collateral as security.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical default rates over the expected life. The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. The historical default rates have been assessed using a 24-month period. Forward-looking estimates include the economic outlook of the country in which the customer resides. A significant depreciation of the local currency as well as civil unrest increase the risk of defaults on customer accounts. See the accounting policies (note 1) for more information.

8. Trade and other receivables continued

The loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows:

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
31 December 2018					
Gross carrying amount	678 090	246 355	24 785	25 400	974 630
Expected loss rate (%)	0.01	0.25	1.50	9.81	0.37
Loss allowance	101	623	371	2 493	3 589
1 January 2018					
Gross carrying amount	516 334	243 905	52 033	33 006	845 279
Expected loss rate (%)	0.02	0.10	0.61	6.86	0.34
Loss allowance	100	234	316	2 265	2 915

The closing loss allowance for trade receivables as at 31 December 2018 reconciles to the opening loss allowance as follows:

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
At 31 December – calculated under IAS 39	2 915	2 260	–	–
Amounts restated through opening retained earnings	–	–	–	–
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	2 915	2 260	–	–
Increase in loss allowance recognised in statement of comprehensive income during the year	625	673	–	–
Unused amount reversed and other movements	49	(18)	–	–
At 31 December	3 589	2 915	–	–

The creation and release of the loss allowance have been included in "other operating expenses" in the statement of comprehensive income (note 17) and the criteria for the write-off is explained in the accounting policies (note 1).

The other classes within trade and other receivables do not contain impaired assets.

Book debts of certain subsidiaries have been pledged as security for overdraft facilities. See note 12.

Loans to related parties
These loans are repayable on demand at an interest rate of 0%. Management applied the estimated credit loss model on these balances and are satisfied that these amounts are recoverable through a recover strategy that is in place.

Deposits
Deposits consist mostly of deposits made to landlords for leased properties. These are repayable upon cancellation of the lease agreements.

Prepayments
Prepayments consist mostly of payments made on annual software licences as well as annual insurance premiums.

9. Cash and cash equivalents

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Cash at bank and in hand	**211 736**	202 935	**50 380**	68 962
Short-term bank deposits	**15 586**	1 206	**–**	–
	227 322	204 141	**50 380**	68 962
Cash and cash equivalents include the following for the purposes of the statement of cash flows:				
Cash and cash equivalents	**227 322**	204 141	**50 380**	68 962
Bank overdrafts (note 12)	**(79 448)**	(107 558)	**–**	–
	147 874	96 583	**50 380**	68 962
The carrying amounts of the group's cash and cash equivalents are denominated in the following currencies:				
Rand (ZAR), Namibian Dollar (NAD) and Emalangeni (SZL)	**195 261**	47 189	**50 058**	7 719
Botswana Pula (BWP)	**31 808**	155 978	**322**	61 243
Other (incl.US Dollar, Mozambique Metical, Zambia Kwatcha)	**253**	974	**–**	–
	227 322	204 141	**50 380**	68 962

10. Stated capital

	2018 Number	2017 Number
Authorised shares		
Ordinary shares with no par value	**2 000 000 000**	2 000 000 000

	2018 Number of shares	2017 Number of shares	2018 R'000	2017 R'000
Movements in ordinary shares:				
Balance at beginning of the year	**444 634 430**	289 572	**841 526**	708 944
Share split	**–**	405 111 228	**–**	–
Shares issued	**–**	39 233 630	**–**	138 004
Transaction costs arising on shares listing	**–**	–	**–**	(5 422)
Share options exercised	**3 885 720**	–	**(8 178)**	–
Balance at end of the year	**448 520 150**	444 634 430	**833 348**	841 526

Options in the 2015 scheme were exercised in April 2018. R5.9 million of the cost relating to the employee tax of R14 million was debited to the share-based payment reserve. The reserve, on the net equity settled basis, was depleted and the remaining R8.2 million was debited to share capital.

On 8 August 2017 the shareholders resolved to split the number of shares in issue on a ratio of 1 400 shares for every share held. Information relating to share options exercised is set out below.

Notes to the consolidated and separate financial statements continued

for the year ended 31 December 2018

10. Stated capital continued

Substantial shareholders above 5%

Pursuant to the provisions of section 56 of the South African Companies Act, the following shareholders held directly and indirectly equal to or in excess of 5% of the issued share capital as at 31 December 2018:

Shareholder name	Total shareholding	%
PSG Alpha Investments (Pty) Ltd	214 057 200	47.7
Botswana Public Officers Pensions Fund	75 592 421	16.9
Export Marketing Investments (Pty) Ltd	42 200 690	9.4
Total	**331 850 311**	**74.0**

Share-based payments

Executive share option scheme – 2015

CA Sales Holdings Limited operated an executive share option scheme under which share options were granted to executive directors of the holding company.

In terms of the aforementioned scheme, share options are allocated to participants on the grant date at fair value. The settlement of the purchase consideration payable by the director in terms of the shares granted, occurs when options are exercised. Options are equity settled and there are no performance conditions.

The equity-settled share based payment charge, recognised in the statement of comprehensive, income amounted to R0.4 million. This charge, net of the related tax effect, was debited to the statement of comprehensive income and credited to other reserves (refer note 11).

	Executive share option scheme (2015)	
		Before share split
Date granted	1 January 2015	
Number granted	16 216 200	11 583
Contractual life	4 years	
Vesting conditions	25% per year	
Fair value of each share option granted	R2.42	R3 384

The fair value was calculated by applying the Binomial option pricing model.

Option pricing model input:		
Share price at grant date	R1.86	R2 604.00
Exercise price	R1.86	R2 604.00
Expected volatility	29.46%	
Expected dividend yield	2.03%	
Contractual life	4 years	
Risk free interest rate	6.59%	

To allow for the effects of early exercise, it was assumed that the directors would exercise the options after vesting date when the share price was the same as the exercise price. Volatility was calculated using the share average volatility of similar businesses listed on the JSE (Johannesburg Stock Exchange).

Executive share option scheme – 2018

CA Sales Holdings Limited operated a second equity-settled share incentive scheme under which the share options were granted to selected executive management of the group's subsidiaries and holding company. The share option scheme was approved by shareholders at the 2018 annual general meeting. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

In terms of the aforementioned scheme, share options are allocated to participants on the grant date at fair value. The settlement of the purchase consideration payable by the executive in terms of the shares granted, occurs when options are exercised. The options are equity settled and have no performance conditions. The benefit to the employees is the growth potential in the value of the shares to which the options relate.

The equity-settled share-based payment charge recognised in the statement of comprehensive income amounted to R3.8 million. This charge, net of the related tax effect, was debited to the statement of comprehensive income and credited to other reserves (refer note 11).

10. Stated capital continued

	Executive share option scheme (2018)
Date granted	13 April 2018
Number granted	13 128 000
Contractual life	5 years
Vesting conditions	25% per year from year 2
Fair value of each share option granted	R5.94

The fair value was calculated by applying the Black-Scholes option pricing model.

Option pricing model input:	
Share price at grant date	R4.53
Exercise price	R4.53
Expected volatility	38.67%
Expected dividend yield	1.55%
Contractual life	5 years
Risk free interest rate	7.39%

To allow for the effects of early exercise, it was assumed that the executives would exercise the options after vesting date when the share price was the same as the exercise price. Volatility was calculated using the share average volatility of similar businesses listed on the JSE.

Below is the reconciliation of the number of shares for the two schemes and the share options relating to the directors of the company.

	Number of shares				Number of shares		
	F Britz 2018	T Rogers 2018	Employees 2018	Total 2018	F Britz 2017	T Rogers 2017	Total 2017
Granted – scheme 2015	8 107 400	8 108 800	–	16 216 200	5 791	5 792	11 583
Granted – scheme 2018	1 818 400	–	11 309 600	13 128 000	–	–	–
Share split	–	–	–	–	8 101 609	8 103 008	16 204 617
Forfeited	–	(2 027 200)	–	(2 027 200)	–	–	–
Exercised – scheme 2015	(6 080 550)	(6 081 600)	–	(12 162 150)	–	–	–
Balance at the end of the year	3 845 250	–	11 309 600	15 154 850	8 107 400	8 108 800	16 216 200
Exercisable at the end of the year	–	–	–	–	4 053 700	4 054 400	8 108 100

No options expired during the period.

T Rogers retired in 2018 and forfeited 2 027 200 unvested shares under scheme 2015.

The options outstanding for scheme 2015 at year-end had an exercise price of R1.86 and an average remaining contractual life of one year.

The options outstanding for scheme 2018 at year-end had an exercise price of R4.53 and an average remaining contractual life of four years.

Notes to the consolidated and separate financial statements continued

for the year ended 31 December 2018

11. Other reserves

The following table shows a breakdown of the other reserves and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

	Foreign currency translation R'000	Share-based payment R'000	Total R'000
Group			
2018			
Opening carrying value	**6 137**	**8 261**	**14 398**
Currency translation adjustments	**17 601**	**–**	**17 601**
Share based payment cost of share options exercised – 2015 scheme	**–**	**(5 932)**	**(5 932)**
Share-based payment cost – 2015 scheme		**388**	**388**
Share-based payment cost – 2018 scheme	**–**	**3 809**	**3 809**
Closing carrying value	**23 738**	**6 526**	**30 264**
2017			
Opening carrying value	10 114	3 928	14 042
Currency translation adjustments	(3 977)	–	(3 977)
Share-based payment cost – 2015 scheme	–	4 333	4 333
Closing carrying value	6 137	8 261	14 398
Company			
2018			
Opening carrying value	**–**	**8 261**	**8 261**
Share based payment cost of share options exercised – 2015 scheme	**–**	**(5 932)**	**(5 932)**
Share-based payment cost – 2015 scheme	**–**	**388**	**388**
Share-based payment cost – 2018 scheme	**–**	**3 809**	**3 809**
Closing carrying value	**–**	**6 526**	**6 526**
2017			
Opening carrying value	–	3 928	3 928
Share-based payment cost – 2015 scheme	–	4 333	4 333
Closing carrying value	–	8 261	8 261

Nature and purpose of other reserves

Share-based payment

The share-based payment reserve is used to recognise the grant date fair value of options issued to employees, but not exercised.

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

12. Borrowings

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Non-current				
Secured loans	289 220	–	–	–
Unsecured loans	–	6 242	–	–
Finance lease liabilities	12 048	17 066	–	–
Total non-current borrowings	301 268	23 308	–	–
Current				
Bank overdrafts	79 448	107 558	–	–
Unsecured loans	2 978	4 817	–	–
Secured loans	83 191	157 422	–	–
Finance lease liabilities	10 555	11 448	–	–
Total current borrowings	176 172	281 245	–	–
Total borrowings	477 440	304 553	–	–
The carrying amount of total borrowings is a reasonable approximation of the fair value.				
The carrying amounts of the group's borrowings are denominated in the following currencies:				
Rand (ZAR) Namibian Dollar (NAD) and Emalangeni (SZL)	72 646	79 506	–	–
Botswana Pula (BWP)	404 794	225 047	–	–
	477 440	304 553	–	–

The group has the following loan and overdraft facilities with the accompanied securities:

Secured loan facilities

- Invoice financing of P32 million (2017: P32 million) and P100 million (2017: P100 million) obtained from Standard Chartered Bank Botswana Limited.

  Secured by the assignment of receivables for P141.8 million.

- Loan with Standard Bank of Swaziland Limited of E5 million (2017: E2 million) at prime rate. The facility is subject to review on 20 April 2019.

  Subordination Agreement by Biotrace Trading 338 (Pty) Ltd not to let shareholders loan reduce to less than E2.7 million without the bank's consent, dated 11 February 2012.

  Unlimited suretyship by Biotrace Trading (Pty) Ltd dated 11 January 2012.

  Lien over financed assets and cession of book debts limited to E2 million.

- Bond with Barclays Botswana of P243 million (R321.1 million) at a rate of prime less 0.25% repayable in monthly instalments over 10 years.

  The bond is secured by a first mortgage over the land and buildings in Botswana purchased on 26 June 2018.

Overdraft facilities

- Overdraft facility of P60 million (2017: P60 million) obtained from Standard Chartered Bank Botswana Limited.

  Secured by deed of hypothecation no HA9 dated 12 January 2010 for P40 million over moveable assets and book debts.

  Unlimited corporate guarantee by Dafin Sales & Distribution (Pty) Ltd.

- Overdraft facility with First National Bank of Swaziland Limited of E10 million (2017: E10 million) at prime rate. The facility is subject to review on 31 March 2019.

  Unlimited suretyship by Biotrace Trading (Pty) Ltd dated 27 March 2017.

  Cross suretyship between Logico Unlimited and Biotrace Trading 338 (Pty) Ltd.

  Cession of debtors by Logico Unlimited (Pty) Ltd of any and all of its rights which Logico Unlimited (Pty) Ltd has towards its debtors from time to time upon terms and conditions acceptable to the bank.

  1st, 2nd, 3rd, 4th, 5th & 6th Deed of Hypothecation in favour of the bank totalling E19 million over moveable assets, stock and debtors situated at Lot No. 490 Matsapha Township. A fire policy for an adequate amount is ceded to the Bank and this cession is to be noted in the books of the relevant insurance company.

- Overdraft facility with ABSA Limited of R6 million (2017: R6 million) at the prime rate less 0.2%.

  Trade receivables were pledged as security for overdraft facilities.

12. Borrowings continued

Overdraft facilities continued

- Overdraft facility with Stanbic Botswana Limited of P1.5 million (2017: P1.5 million) at a rate of prime plus 3%.

  Inventories and book debts serve as security for overdraft facilities.
- Overdraft facility with Standard Bank of Namibia Limited of N2 million at prime rate.

  Inventories and book debts serve as security for overdraft facilities.

  Suretyship by SMC Brands SA (Pty) Ltd.
- Overdraft facility with Standard Bank of Namibia Limited of N3 million at prime rate.

  Inventories and book debts serve as security for overdraft facilities.
- Overdraft facility with First National Bank of Namibia Limited of N48 million (2017: N48 million) at prime rate.

  Suretyship given by CA Sales Holdings Ltd for N48 million as well as session of the debtors book of Wutow Trading (Pty) Ltd.

Finance leases

- Fleet cards facility with ABSA Limited of R5 million (2017: R3 million) at the prime rate.
- Vehicle and asset finance credit line facility with Nedbank Limited of R5 million (2017: R5 million) at prime rate.

  Secured by the underlying asset.
- Vehicle and asset finance credit line facility with ABSA Limited of R3 million at prime rate.

  Secured by the underlying asset.

The effective interest rates per annum at the balance sheet date were as follows:

	Group 2018 %	Group 2017 %
Finance lease liabilities	**6.0 – 12.5**	6.0 – 12.3
Secured loans	**6.25 – 10.25**	8.8 – 10.2
Overdrafts	**6.0 – 10.75**	6.0 – 11.0

The present value of finance lease liabilities may be analysed as follows:	Group 2018 R'000	Group 2017 R'000
Gross finance lease liabilities – minimum lease payments		
Not later than one year	**11 886**	13 284
Later than one year not later than five years	**13 091**	18 054
Later than five years	**–**	35
	24 977	31 373
Less future finance charges on finance leases	**(2 374)**	(2 859)
Present value of finance lease liabilities	**22 603**	28 514
The present value of finance lease liabilities is as follows:		
Not later than one year	**10 555**	11 448
Later than one year not later than five years	**12 048**	17 066
	22 603	28 514

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. Details of assets secured are disclosed in note 3.

These leases have no renewal or purchase options and escalation clauses. There are no restrictions imposed by the lease arrangements such as those concerning dividends, additional debt and further leasing.

13. Deferred income tax

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Deferred tax assets				
Deferred tax assets to be recovered after more than 12 months	5 140	3 839	–	–
Deferred tax assets to be recovered within 12 months	4 849	8 631	–	–
	9 989	12 470	–	–
Deferred tax liabilities			–	–
Deferred tax liabilities to be recovered after more than 12 months	4 481	1 356		
Deferred tax liabilities to be recovered within 12 months	847	2 868	–	–
	5 328	4 224	–	–
Deferred tax asset (net)	(4 661)	(8 246)	–	–

Deferred income taxes are calculated on all temporary differences under the liability method using the principal tax rate of the country of incorporation as applied. Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The gross movement on the net deferred income tax assets is as follows:

Group	Capital allowances R'000	Provisions R'000	Tax losses R'000	Unrealised profits R'000	Intangibles assets and other differences R'000	Total R'000
2018						
At 1 January	(1 242)	4 618	6 648	60	(1 838)	8 246
Subsidiaries acquired	(8)	9	–	–	–	1
Charged to statement of comprehensive income	(1 881)	(617)	(1 903)	(81)	1 005	(3 477)
Prior year adjustment	34	–	–	–	–	34
Other movements	(2 783)	2 760	(8)	–	(112)	(143)
At 31 December	(5 880)	6 770	4 737	(21)	(945)	4 661
2017						
At 1 January	–	4 364	–	(64)	(2 959)	1 341
Subsidiaries acquired	–	(451)	5 470	–	(1 956)	3 063
Charged to statement of comprehensive income	(603)	1 426	1 182	25	3 005	5 035
Prior year adjustment	–	(1 210)	–	–	–	(1 210)
Other movements	(639)	489	(4)	99	72	17
At 31 December	(1 242)	4 618	6 648	60	(1 838)	8 246

The group did not recognise deferred income tax assets of R3.2 million (2017: R3.0 million) in respect of losses amounting to R11.4 million (2017: R10.7 million) that can be carried forward against future taxable income.

Notes to the consolidated and separate financial statements continued

for the year ended 31 December 2018

14. Trade and other payables

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Trade payables	621 675	480 375	31	5
Amounts due to related parties (note 24)	407	132	354	481
Dividends payable	–	2 774	–	1 274
VAT payable	15 052	15 507	–	–
Deferred payments	2 199	5 470	–	–
Contingent consideration	4 537	4 073	–	–
Employee benefits	8 413	7 977	–	–
Accrued expenses	38 902	26 812	91	154
	691 185	543 120	476	1 914
Current portion	691 185	543 120	476	1 914

There are no liabilities from contracts with customers.

The contingent consideration relates to:

- The acquisition of 90% of Expo Africa in 2017 to the value of R3.7 million (2017: R3.7 million). This was calculated as five times the profit after tax for the year ended 31 December 2017; and
- PEO Capital – R0.8 million (2017: R0.3 million).

The carrying amounts of the group's trade and other payables are denominated in the following currencies:

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Rand (ZAR), Namibian Dollar (NAD) and Emalangeni (SZL)	433 523	196 261	476	1 914
Botswana Pula (BWP)	256 323	343 602	–	–
Other (incl.US Dollar, Mozambique Metical, Zambia Kwatcha)	1 339	3 257	–	–
	691 185	543 120	476	1 914

15. Provisions

Movements in each class of provision during the financial year are set out below:

Group	Severance benefit R'000	Bonuses R'000	Leave pay R'000	Other R'000	Total R'000
Opening balance	10 553	27 180	13 547	1 344	52 624
Charged to statement of comprehensive income	2 788	16 105	5 163	3 683	27 739
Utilised during the year	(13)	(26 961)	(2 525)	–	(29 499)
Other	807	245	381	54	1 487
Closing balance	14 135	16 569	16 566	5 081	52 351

Severance benefit scheme

For employees who are citizens of Botswana, the group has implemented the requirements of the Botswana Labour Act relating to a severance benefit scheme. For employees who are non-citizens of Botswana, the group pays gratuity in accordance with the respective contracts of employment.

Bonus provisions

The group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Leave pay provision

The leave obligations cover the group's liability for annual leave. The current portion of this liability includes all of the provided annual leave.

Other

The group recognises a provision for stock write down.

16. Revenue from contracts with customers

Disaggregation of revenue from contracts with customers

The group derives revenue from selling and distributing fast-moving consumer goods as well as services such as sales and merchandising services, marketing and promotions services, transport services and training services. The group's reportable segments are operating segments that are differentiated by the country of operation. The intersegment transactions have not been eliminated in the segments but shown separately as group elimination entries. The table below shows the segment revenue information as well as the basis on which revenue is recognised:

	Botswana R'000	Eswatini (Swaziland) R'000	Namibia R'000	South Africa R'000	Other Countries R'000	Total R'000
2018						
Distribution of products	3 349 039	652 084	714 025	36 768	–	4 751 916
Services provided	15 440	61 930	5 959	724 666	7 937	815 932
Revenue from external customers	3 364 479	714 014	719 984	761 434	7 937	5 567 848
Intersegmental revenue	(8 632)	(71)	(1 544)	(644)	(1 424)	(12 315)
Total revenue	3 355 847	713 943	718 440	760 790	6 513	5 555 533
Timing of revenue recognition						
At a point in time	3 355 083	713 670	714 025	760 951	–	5 543 729
Over time	9 396	344	5 959	483	7 937	24 119
Revenue from external customers	3 364 479	714 014	719 984	761 434	7 937	5 567 848
Intersegmental revenue	(8 632)	(71)	(1 544)	(644)	(1 424)	(12 315)
Total revenue	3 355 847	713 943	718 440	760 790	6 513	5 555 533
2017						
Distribution of products	3 066 232	572 638	476 459	26 121	–	4 141 450
Services provided	12 600	63 650	2 416	616 338	2 057	697 061
Revenue from external customers	3 078 832	636 288	478 875	642 459	2 057	4 838 511
Timing of revenue recognition						
At a point in time	3 070 124	635 916	476 459	640 284	–	4 822 783
Over time	8 708	372	2 416	2 175	2 057	15 728
Revenue from external customers	3 078 832	636 288	478 875	642 459	2 057	4 838 511

There were no costs incurred to obtain contracts and no assets and liabilities related to contracts with customers.

17. Operating profit

	Notes	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
The following items have been credited/charged in arriving at the operating profit:					
(i) Other operating income					
Gain on bargain purchase		–	14 221	–	–
Profit on sale of property, plant and equipment		2 640	1 580	–	–
Foreign exchange gains		664	152	188	16
Rental income		2 803	2 940	–	–
Botswana training levy refund		6 183	6 702	–	–
Sundry income		2 972	2 085	–	–
		15 262	27 680	188	16
(ii) Expense by nature					
Amortisation of intangible assets	4	5 035	10 931	–	–
Auditors' remuneration – audit fees		5 088	4 459	–	–
Auditors' remuneration – other services		464	598	–	–
Bank charges		5 426	2 767	20	16
Depreciation	3	27 558	24 981	–	–
Directors remuneration	25	9 065	9 533	–	–
Employee benefit expenses	18	231 256	218 478	1 017	4 332
Fair value adjustment on step-up from associated company to subsidiary		–	4 886	–	9 259
Foreign exchange losses		3 566	14 041	1	4 735
Impairment of interest in associated company	6	–	2 537	–	–
Impairment of intangible assets	4	27 000	–	–	–
Increase in loss allowance of trade receivables	8	625	673	–	–
Information technology cost		11 628	11 460	–	–
Insurance		11 502	11 038	–	–
Loss on disposal of interest in associated company	6	835	–	–	–
Loss on sale of property, plant and equipment		469	101	–	–
Marketing and advertising		4 865	2 228	–	–
Operating lease payments		56 861	64 219	–	–
Pallet hire		14 437	11 279	–	–
Professional fees		7 961	6 500	40	469
Repairs and maintenance		9 263	6 946	–	–
Security, fumigation and sanitation		3 355	2 300	–	–
Staff training		8 976	13 138	–	–
Stationary, printing and office expenses		5 243	7 739	–	–
Telephone and communication		11 763	9 918	–	–
Third party transport expenses		12 097	–	–	–
Travel and entertainment		14 059	13 743	–	10
Vehicle expenses – fuel and maintenance		63 876	50 622	–	–
Water and electricity		8 393	6 634	–	–
Write off of debt		49	1 356	–	–
Other expenses		18 428	6 946	497	922
		579 143	520 051	1 575	19 743

18. Employee benefit expenses

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Wages and salaries, including restructuring costs and other termination benefits:				
Salaries, wages and allowances	227 059	214 146	–	–
Share-based payment expenses	4 197	4 332	1 017	4 332
	231 256	218 478	1 017	4 332

19. Finance income and costs

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Finance income				
Bank deposits	**7 956**	7 059	**2 804**	1 577
Related party – note 24	**507**	6 206	**9**	6 126
	8 463	13 265	**2 813**	7 703
Finance costs				
Bank overdrafts and CFD facilities	**8 902**	5 914	**–**	–
Secured loans	**12 010**	9 020	**–**	–
Finance leases	**1 837**	1 227	**–**	–
Other	**187**	14	**–**	14
	22 936	16 175	**–**	14
Net finance costs	**14 473**	2 910	**(2 813)**	(7 689)

20. Income tax expense

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Current tax				
Current tax on profits for the year	**69 254**	58 872	**820**	499
Adjustments for current tax of prior periods	**1 456**	435	**–**	377
Withholding tax	**2 710**	2 697	**792**	1 221
Total current tax expense	**73 420**	62 004	**1 612**	2 097
Deferred income tax				
Current year movement	**2 983**	(5 035)	**–**	–
Adjustments for deferred tax of prior periods	**494**	–	**–**	–
Total deferred tax expense/(benefit)	**3 477**	(5 035)	**–**	–
Income tax expense	**76 897**	56 969	**1 612**	2 097
Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	**248 903**	228 816	**33 857**	17 720
Tax at the South African tax rate of 28%	**69 693**	64 068	**9 480**	4 962
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Assessed tax losses	**296**	(5 989)	**–**	–
Capital gains tax rate differential	**–**	6	**–**	–
Foreign tax rate differential	**(6 640)**	(4 045)	**–**	–
(Income)/loss from associated companies	**(608)**	17	**–**	–
Non-deductible charges[1]	**13 853**	6 503	**421**	2 864
Non-taxable income[2]	**(4 235)**	(6 606)	**(9 081)**	(7 455)
Tax adjustments of prior periods	**1 949**	435	**–**	377
Other	**(121)**	(117)	**–**	128
Dividend withholding taxation	**1 425**	1 221	**792**	1 221
Withholding taxation	**1 285**	1 476	**–**	–
Income tax expense	**76 897**	56 969	**1 612**	2 097
[1]Non-deductible charges include the tax impact of:				
Share-based payment expenses	**962**	1 213	**285**	1 213
Dividends paid to employees by the Trust	**3 239**	3 102	**–**	3 102
Apportionment of expenses to non-taxable income	**157**	1 473	**157**	1 473
Impairment of intangible assets	**7 560**	–	**–**	–
Other non-deductible expenses, including legal expenses and capital losses	**1 935**	715	**(21)**	(2 924)
	13 853	6 503	**421**	2 864

20. Income tax expense continued

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
[2]Non-taxable income include the tax impact of:				
Gain on bargain purchase	**–**	(3 982)	**–**	–
Preference share dividends received	**–**	(1 715)	**–**	(1 715)
Learnership rebates	**(3 990)**	(1 963)	**–**	–
Dividends received	**(141)**	–	**(9 081)**	(8 332)
Fair value gains and losses	**–**	1 368	**–**	2 593
Profit on sale of fixed assets	**–**	(154)	**–**	–
Other non-taxable income including currency translation differences	**(104)**	(160)	**–**	(1)
	(4 235)	(6 606)	**(9 081)**	(7 455)

21. Earnings per share

	Group 2018 cents	Group 2017 cents
Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	**34.16**	35.14
Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	**34.01**	34.46
Headline earnings per share		
Profit attributable to ordinary equity holders of the company, adjusted as required by SAICA Circular 04/2018	**40.11**	33.23
Diluted headline earnings per share		
Profit attributable to ordinary equity holders of the company, adjusted as required by SAICA Circular 04/2018	**39.95**	32.59

Reconciliation of earnings used in calculating earnings per share	2018 R'000	2017 R'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating the basic earnings per share		
From continuing operations	**152 755**	144 737
Diluted earnings per share		
The company does not have any potentially dilutive transactions		
Profit attributable to the ordinary equity holders of the company used in calculating the diluted earnings per share		
From continuing operations	**152 755**	144 737

	Gross		Net	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Headline earnings per share				
Profit attributable to ordinary equity holders of the company			**152 755**	144 737
Adjustments as per SAICA Circular 04/2018:				
Loss on sale of associated companies	**835**	–	**835**	–
Impairment of intangible assets	**27 000**	–	**27 000**	–
Impairment of investment in associates	**–**	2 537	**–**	2 537
Profit on sale of property, plant and equipment	**(2 171)**	(1 479)	**(1 189)**	(1 058)
Fair value adjustment on step-up from associated company to subsidiary	**–**	4 886	**–**	4 886
Gain on bargain purchase	**–**	(14 221)	**–**	(14 221)
Headline earnings used in calculating headline earnings per share			**179 401**	136 881
Diluted headline earnings per share				
The company does not have any potentially dilutive transactions				
Headline earnings used in calculating diluted headline earnings per share			**179 401**	136 881

21. Earnings per share continued

Weighted average number of shares used as the denominator	2018 Number	2017 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and headline earnings per share	**447 224 910**	411 939 738
Adjustments for calculation of diluted earnings per share and diluted headline earnings per share:		
Share options	**1 873 685**	8 108 100
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share and diluted headline earnings per share.	**449 098 595**	420 047 838

22. Notes to the cash flow statement

		Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
22.1	**Cash generated from operations**				
	Profit before income tax	**248 903**	228 816	**33 857**	17 720
	Adjustments for:				
	Depreciation	**27 558**	24 981	**–**	–
	Amortisation	**5 035**	10 931	**–**	–
	Profit on disposal of property, plant and equipment	**(2 171)**	(1 479)	**–**	–
	Impairment of intangible assets	**27 000**	–	**–**	–
	Dividends received	**–**	–	**(32 431)**	(29 758)
	Finance income	**(8 463)**	(13 265)	**(2 813)**	(7 703)
	Finance costs	**22 936**	16 175	**–**	14
	Fair value adjustment on step-up from associated company to subsidiary	**–**	4 886	**–**	9 259
	Gain on bargain purchase	**–**	(14 221)	**–**	–
	Impairment of equity accounted investments	**–**	2 537	**–**	–
	Loss on disposal of interest in associated company	**835**	–	**–**	–
	Share of profits from associated companies	**(3 191)**	(464)	**–**	–
	Share-based payments	**4 197**	4 333	**1 017**	4 333
	Other	**887**	844	**–**	152
	Payment on share options exercised	**(14 110)**	–	**(14 110)**	–
		309 416	264 074	**(14 480)**	(5 983)
	Changes in working capital				
	Inventories	**(9 888)**	(6 142)	**–**	–
	Trade and other receivables	**(93 573)**	(183 767)	**(101)**	–
	Intergroup loans payable – loans paid	**–**	–	**–**	(27 229)
	Trade and other payables	**120 025**	(32 465)	**(8 969)**	159
		16 564	(222 374)	**(9 070)**	(27 070)
	Cash generated from/(utilised by) operations	**325 980**	41 700	**(23 550)**	(33 053)
22.2	**Proceeds from disposal of property, plant and equipment**				
	In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:				
	Net book value	**4 042**	2 007	**–**	–
	Profit on disposal of property, plant and equipment	**2 171**	1 479	**–**	–
		6 213	3 486	**–**	–
22.3	**Non-cash investing and financing activities**				
	Acquisition of vehicles and equipment by means of finance leases	**5 611**	13 698	**–**	–
	Acquisition of buildings by means of secured borrowings (note 3 and 12)	**321 078**	–	**–**	–
		326 689	13 698	**–**	–

22. Notes to the cash flow statement continued

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
22.4 Net debt reconciliation				
Cash and cash equivalents excluding bank overdraft	**227 322**	204 141	**50 380**	68 962
Bank overdrafts	**(79 448)**	(107 558)	**–**	–
Current borrowings	**(86 169)**	(162 239)	**–**	–
Non-current borrowings	**(289 220)**	(6 242)	**–**	–
Current finance leases	**(10 555)**	(11 448)	**–**	–
Non-current finance leases	**(12 048)**	(17 066)	**–**	–
Net debt	**(250 118)**	(100 412)	**50 380**	68 962

	Other assets	Liabilities from financing activities				
Group	Cash including overdraft R'000	Current finance leases R'000	Non-current finance leases R'000	Current borrowings R'000	Non-current borrowings R'000	Total R'000
Net debt as at 1 January 2018	**96 583**	**(11 448)**	**(17 066)**	**(162 239)**	**(6 242)**	**(100 412)**
Cash flows	**46 913**	**6 160**	**6 306**	**107 831**	**17 451**	**184 661**
Foreign exchange adjustments	**4 378**	**(371)**	**(573)**	**(7 133)**	**(3 979)**	**(7 678)**
Other non-cash movements	**–**	**(4 896)**	**(715)**	**(24 628)**	**(296 450)**	**(326 689)**
Net debt as at 31 December 2018	**147 874**	**(10 555)**	**(12 048)**	**(86 169)**	**(289 220)**	**(250 118)**
Net debt as at 1 January 2017	132 395	(14 573)	(22 719)	(51 785)	(1 765)	41 553
Cash flows	7 862	9 818	14 816	51 785	(163 335)	(79 054)
Acquisitions	(42 985)	–	(2 158)	–	(7 091)	(52 234)
Foreign exchange adjustments	(690)	–	–	3 710	–	3 020
Other non-cash movements	–	(6 693)	(7 005)	(165 949)	165 949	(13 698)
Net debt as at 31 December 2017	96 583	(11 448)	(17 066)	(162 239)	(6 242)	(100 412)

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
22.5 Taxation paid				
Charge to profit and loss	**(76 897)**	(56 969)	**(1 612)**	(2 097)
Movement in deferred taxation	**2 983**	(5 035)	**–**	–
Movement in net taxation	**(5 134)**	2 754	**(6)**	147
	(79 048)	(59 250)	**(1 618)**	(1 950)

23. Business combinations

ACQUISITION OF SUBSIDIARIES

Kalahari Training Institute (Pty) Ltd (KTI)

On 1 May 2016, Pamstad (Pty) Ltd, a fully owned subsidiary of CA Sales Holdings Limited, started a new company KTI, with a third party and held 49% of the share capital. KTI is a training services business in Botswana. On 1 July 2018 the group acquired a further 34% of the share capital and obtained control of KTI. As a result of the acquisition the group is expected to obtain synergies with regards to employee training.

There were no acquisition related costs incurred.

The following table summarises the purchase consideration paid for KTI, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	2018
Purchase consideration at 1 July 2018	
Cash paid	1 982
Fair value of equity interest in KTI held before the business combination	1 283
Total purchase consideration	3 265
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1 707
Property plant and equipment	287
Trade and other receivables	844
Trade and other payables	(149)
Income tax liability	(70)
Total identifiable net assets	2 619
Non-controlling interest	(445)
Goodwill	1 091
Net assets acquired	3 265
Cash flow on acquisition	
Purchase consideration – cash portion	1 982
Cash and cash equivalents acquired	(1 707)
Net cash outflow – investing activities	275

The assets and liabilities recognised are the final amounts. The fair value of acquired trade receivables is R0.8 million which equals the gross contractual amount and is expected to be fully collectable.

The non-controlling interest in KTI, an unlisted company, was estimated by using the proportionate share of the acquired net identifiable assets.

The goodwill arose as a result of the business value, derived from the net present value of expected future cash flows, exceeding the carrying value of net assets acquired. Goodwill is attributable to the current relationships with suppliers and customers. Goodwill is not expected to be deductible for tax purposes.

The revenue included in the consolidated statement of comprehensive income since 1 July 2018, contributed by KTI was R4.2 million. KTI also contributed profit of R1.1 million over the same period.

Had KTI been consolidated from 1 January 2018, the consolidated statement of comprehensive income would show *pro forma* revenue of R5 560.5 million and profit of R172.8 million.

24. Related party transactions

Parent entities

The group's parent entities are the following:

	Type	Place of incorporation	Ownership interest 2018	Ownership interest 2017
PSG Alpha Investments (Pty) Ltd	Immediate parent entity	South Africa	**47.7%**	48.1%
PSG Group Ltd	Ultimate parent entity and controlling party	South Africa	**46.7%**	47.1%

PSG Group Ltd holds 98% of the issued ordinary shares of PSG Alpha Investments (Pty) Ltd.

Subsidiaries

Interests in subsidiaries are set out in note 5.

Associated companies

Interests in associates are set out in note 6.

Subsidiaries of PSG Group Ltd

PSG Capital (Pty) Ltd

PSG Corporate Services (Pty) Ltd

PSG Alpha Investments (Pty) Ltd

Key management personnel

Key management personnel include the members of the board, members of the group's executive committee, divisional general managers as well as the immediate subordinates of such managers. Non-executive directors are included in the definition of key management personnel as well as any close family members of such persons and any entity over which key management exercise control, joint control or significant influence. Close members of family are those family members who may be expected to influence or be influenced by that person in their dealings with CA Sales Group. They include the person's domestic partner and children, the children of the person's domestic partner and dependants of the person or the person's domestic partner.

Transactions and balances

During the financial year the company and its subsidiaries conducted the following transactions with associates and parties exercising significant influence and key management personnel.

		Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Finance Income					
Wutow Trading (Pty) Ltd		**–**	–	**9**	–
Repassen 21 (Pty) Ltd		**–**	3 063	**–**	3 063
Rose Bridge 15 (Pty) Ltd		**–**	3 063	**–**	3 063
PSG Konsult Ltd		**507**	80	**–**	–
Other operating expenses					
PSG Capital (Pty) Ltd	Rent	**375**	412	**–**	–
PSG Corporate Services (Pty) Ltd	IT Services	**83**	81	**–**	–
PSG Capital (Pty) Ltd	Professional fees	**60**	54	**–**	–
CAS Marketing (Pty) Ltd	Management fees	**–**	–	**–**	684
Grayston Elliot (Pty) Ltd	Professional fees	**85**	–	**81**	–
Stated capital					
PSG Capital (Pty) Ltd	Capitalised listing expenses	**–**	5 422	**–**	5 422
Amounts due from related parties					
Loan to associates – equity accounted					
Warbrands Ltd		**–**	1 327	**–**	–
Private Label Sales & Merchandising (Cape Town) (Pty) Ltd		**750**	–	**750**	–
Trade and other receivables: Loans to related parties					
CA Sales and Distribution (Pty) Ltd		**–**	–	**35 191**	35 991
CAS Marketing (Pty) Ltd		**–**	–	**16 956**	15 539

24. Related party transactions continued

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Wutow Trading (Pty) Ltd	–	–	**11 188**	11 188
CA Sales Investments (Pty) Ltd	–	–	**20 000**	20 000
Pamstad (Pty) Ltd	–	–	**8 288**	–
Amounts due to related parties				
Trade payables				
Private Label Sales and Merchandising Services (Pty) Ltd	–	–	**354**	354
Pack 'n Stack Investment Holdings (Pty) Ltd	–	–	–	127
PSG Capital (Pty) Ltd	**41**	123	–	–
PSG Corporate Services (Pty) Ltd	**7**	9	–	–
T Swanepoel	**359**	–	–	–
Key management compensation				
Salaries and other short-term employee benefits	**11 174**	11 056	–	–
Share options exercised	**31 355**	–	–	–
Detailed remuneration disclosures are provided in note 25				

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

25. Directors remuneration

	Salary (R'000)	Bonus (R'000)	Share options exercised (R'000)	Board (R'000)	Audit committee (R'000)	Remuneration committee (R'000)	Total (R'000)
Executive directors							
2018							
F Britz	**3 285**	**3 500**	**15 676**	–	–	–	**22 461**
T Rogers	–	**1 750**	**15 679**	–	–	–	**17 429**
	3 285	**5 250**	**31 355**	–	–	–	**39 890**
2017							
T Rogers	3 723	1 500	–	–	–	–	5 223
F Britz	2 810	1 500	–	–	–	–	4 310
	6 533	3 000	–	–	–	–	9 533
Non-executive directors							
2018							
N de Waal	–	–	–	**60**	**10**	–	**70**
J Holtzhausen	–	–	–	**80**	–	**10**	**90**
B Marole	–	–	–	**80**	**10**	–	**90**
E Masilela	–	–	–	**80**	**10**	**10**	**100**
B Patel	–	–	–	**80**	**20**	–	**100**
T Rogers	–	–	–	**80**	–	–	**80**
	–	–	–	**460**	**50**	**20**	**530**
Key management personnel							
F Reichert							
2018	**1 509**	**600**	–	–	–	–	**2 109**
2017	1 323	200	–	–	–	–	1 523

See note 10 for share options granted to directors.

T Rogers received a bonus and exercised share options in the current year relating to his tenure as executive director in the prior year. He resigned in the current year and is now serving as non-executive director.

The directors fees for N de Waal and J Holtzhausen were paid to PSG Corporate Services (Pty) Ltd.

No payments were made to non-executive directors during the prior year.

26. Changes in accounting policies

IFRS 9 was adopted from 1 January 2018 without restating comparative information. Financial assets are reclassified as financial assets held at amortised cost. There were no amounts restated through retained income with regards to the new impairment rules as the bad debt provision of the prior year were not materially different from the calculated credit loss allowance. See note 2 on reclassification and note 8 on the credit loss allowance.

IFRS 15 was adopted from 1 January 2018 which resulted in changes in accounting policies but with no adjustments to the amounts recognised in the financial statements. See note 16 for the detail on disaggregation of revenue. There is no asset or liability from contracts with customers. The new accounting policies are set out in note 1.

27. Contingent liabilities

There were no contingencies and commitments which require adjustments to or disclosure in these financial statements.

28. Events after balance sheet date

On 18 January 2019, CA Sales Investments (Pty) Ltd, a fully owned subsidiary of CA Sales Holdings Limited, acquired 30% of the share capital of IBP Africa Trading (Pty) Ltd, an agency that supplies a solution to manufacturers to service the bottom end of the fast-moving consumer goods ("FMCG") market in South Africa. There were no other significant events that occurred after the reporting date that require adjustment to or disclosure in the consolidated annual financial statements for the year ended 31 December 2018.

29. Operating lease commitments

The group leases various offices, warehouses, equipment and vehicles under non-cancellable operating leases, expiring within one to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The future aggregate minimum lease payments under non-cancellable operating lease commitments are as follows:

	Group 2018 R'000	Group 2017 R'000
Operating leases – premises		
Not later than one year	**16 694**	50 634
Later than one year and not later than five years	**19 752**	29 084
	36 446	79 719
Operating leases – office and computer equipment		
Not later than one year	**384**	473
Later than one year and not later than five years	**611**	112
	995	585
Operating leases – vehicles and plant		
Not later than one year	**14 029**	14 152
Later than one year and not later than five years	**6 618**	25 432
	20 647	39 584

The company does not have any operating lease commitments.

There are no purchase options or restrictions imposed by the lease arrangements such as those concerning dividends, additional debt and further leasing.

30. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

31. Prior period error

In the cash flow for the prior period, assets acquired through finance leases and new finance leases entered into for the year were recorded in the cash flow statement as having a cash flow impact. These non-cash movement entries have now been reversed from the cash flow prior period. There is no adjustment to the total cash outflow for the year but there is a corresponding adjustment on cash flows from investing activities and cash flows from financing activities. Cash outflows from investing activities have decreased by R13.7 million from R85.2 million to R71.5 million. Cash inflows from financing activities have decreased by R13.7 million from R83.8 million to R70.1 million.

Segmental review

for the year ended 31 December 2018

The group's chief operating decision makers (CODM) consisting of the chief executive officer and the chief financial officer examine the group's performance from a geographic perspective. The group's reportable segments are operating segments that are differentiated by the country of operation. Countries with insignificant results have been aggregated under the heading "other countries" and include Lesotho, Mauritius, Mozambique and Zambia.

The group evaluates the performance of its reportable segments based on revenue and operating profit (EBIT and EBITDA). The intersegment sales and transfers are included in the values per segment and eliminated on the intersegmental transactions line.

The segments derive their revenues from either selling and distributing fast-moving consumer goods or transport, merchandising, promotional or training services.

	Revenue		EBIT		EBITDA	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Botswana	**3 364 479**	3 078 832	**120 615**	96 059	**151 027**	111 449
Eswatini (Swaziland)	**714 014**	636 288	**61 874**	53 032	**66 614**	60 874
Namibia	**719 984**	478 875	**20 314**	23 095	**21 646**	23 869
South Africa	**761 434**	642 459	**76 255**	66 853	**85 725**	78 629
Other countries	**7 937**	2 057	**2 164**	30	**2 303**	146
Intersegmental transactions	**(12 315)**	–	**(17 846)**	(7 343)	**(4 346)**	(7 329)
Total	**5 555 533**	4 838 511	**263 376**	231 726	**322 969**	267 638
Reconciliation from EBITDA to profit after tax:						
EBITDA					**322 969**	267 638
Depreciation and amortisation					**(32 593)**	(35 912)
Impairment of intangible assets					**(27 000)**	–
EBIT					**263 376**	231 726
Net finance cost					**(14 473)**	(2 910)
Taxation					**(76 897)**	(56 969)
Profit after tax					**172 006**	171 847

Revenues of approximately R1 446 million (2017: R1 186 million) are derived from two external customers domiciled in Botswana and are attributed to the Botswana and Namibia segments.

Segment assets and liabilities are measured in the same way as in the financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset.

	Total assets		Non-current assets excluding deferred tax and financial assets		Total liabilities		Capital expenditure and intangibles acquired	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Botswana	**1 599 229**	1 162 868	**646 206**	328 131	**1 003 872**	673 364	**331 269**	38 549
Eswatini (Swaziland)	**237 285**	231 100	**62 923**	65 628	**91 748**	118 451	**2 059**	3 655
Namibia	**253 207**	255 435	**5 192**	45 509	**151 845**	153 426	**1 298**	526
South Africa	**602 151**	569 572	**246 620**	281 702	**125 969**	90 408	**13 319**	25 299
Other countries	**17 514**	3 669	**12 280**	1 063	**7 188**	3 097	**–**	1
Intersegmental transactions	**(152 453)**	(128 698)	**–**	–	**(151 338)**	(128 668)	**–**	–
Total	**2 556 933**	2 093 946	**973 221**	722 033	**1 229 284**	910 078	**347 945**	68 030

Analysis of shareholders

Registered shareholder spread
Dated 31 December 2018

	Number of holders	% of total shareholders	Number of shares	% of share issued capital
Shareholder spread				
1 – 10 000 shares	232	59.34	604 910	0.13
10 001 – 100 000 shares	88	22.51	3 310 250	0.74
100 001 – 1 000 000 shares	47	12.02	19 362 618	4.32
1 000 001 – 100 000 000 shares	23	5.88	211 185 172	47.08
100 000 001 shares and above	1	0.25	214 057 200	47.43
Total	391	100.00	448 520 150	100.00
Non-public shareholders				
Shareholder holding more than 10%	1	0.26	214 057 200	47.73
Directors and directors of subsidiaries	6	1.53	28 838 816	6.43
Public shareholders	384	98.21	205 624 134	45.84
Total	391	100.00	448 520 150	100.00
Shares held by Botswana citizens (individuals and institutions)			152 684 254	34.04
Shares on the 4AX share register			295 835 896	65.96

Shareholders' diary

Financial year-end		31 December
Annual general meeting		25 June 2019
Reports and accounts		
Announcement of interim results for the six months ending 30 June 2019		September 2019
Announcement of annual results and final dividend for the year ending 31 December 2019		March 2020
Annual report		May 2020
Dividends 2019	**Declaration**	**Payment**
Ordinary shares		
Final dividend	20 March 2019	12 April 2019

Notice of annual general meeting

CA SALES HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2011/143100/06)
Botswana registration number: EX2017/18292
Share code: CAS ISIN: ZAE400000036
("**CA Sales**" or "**the company**")

CA SALES HOLDINGS

Notice is hereby given of the annual general meeting of shareholders of CA Sales Holdings Ltd ("CA Sales" or "the company") to be held at the offices of CA Sales and Distribution, 2nd Floor, Boardroom, Portion 867, Commerce Park, Gaborone, Botswana, on 25 June 2019, at 11h00 ("the AGM").

PURPOSE

The purpose of the AGM is to transact the business set out in the agenda below.

AGENDA

Presentation of the audited annual financial statements of the company, including the reports of the directors for the year ended 31 December 2018. The annual report, of which this notice forms part, contains the summary consolidated financial statements and the aforementioned reports. The annual financial statements, including the unmodified audit opinion, are available on CA Sales' website at www.casholdings.co.za, or may be requested and obtained in person, at no charge, at the registered office of CA Sales during office hours.

To consider and, if deemed fit, approve, with or without modification, the following ordinary resolutions:

Note: *For any of the ordinary resolutions numbers 1 to 7 (inclusive) to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof. For ordinary resolution number 8 to be adopted, at least 75% of the voting rights exercised on such ordinary resolution must be exercised in favour thereof.*

1. RETIREMENT AND RE-ELECTION OF DIRECTORS

ORDINARY RESOLUTION NUMBER 1

"Resolved that Mr B Patel, who retires by rotation in terms of the memorandum of incorporation of the company and, being eligible, offers himself for re-election, be and is hereby re-elected as director."

The reason for ordinary resolution number 1 is that the memorandum of incorporation of the company and to the extent applicable, the South African Companies Act, 71 of 2008, as amended ("the Companies Act"), require that a component of the non-executive directors rotate at every annual general meeting of the company and, being eligible, may offer themselves for re-election as directors.

A summary of Mr B Patel's curriculum vitae has been included on page 17 of the annual report.

ORDINARY RESOLUTION NUMBER 2

"Resolved that Mr T Rogers, who retires by rotation in terms of the memorandum of incorporation of the company and, being eligible, offers himself for re-election, be and is hereby re-elected as director."

The reason for ordinary resolution number 2 is that the memorandum of incorporation of the company and to the extent applicable, the South African Companies Act, 71 of 2008, as amended ("the Companies Act"), require that a component of the non-executive directors rotate at every annual general meeting of the company and, being eligible, may offer themselves for re-election as directors.

A summary of Mr T Rogers' curriculum vitae has been included on page 17 of the annual report.

2. CONFIRMATION OF APPOINTMENT OF DIRECTORS

ORDINARY RESOLUTION NUMBER 3

"Resolved that shareholders confirm the appointment of Mr D Lewis as a director of the Company in terms of the Company's memorandum of incorporation."

The reason for ordinary resolution number 3 is that the memorandum of incorporation of the Company and the Companies Act require that any director appointed by the Board be confirmed by the shareholders at the annual general meeting of the company.

Below a summary of Mr D Lewis' curriculum vitae:

Duncan began his career in industrial marketing doing expert business development for mineral processing business, where he was a director and shareholder. He joined PacknStack in 2003 and has spent the past 16 years from various operational and management roles, to being appointed CEO in September 2013, with a deep knowledge of the workings and challenges of the FMCG industry and competitive landscape. Duncan is well versed in conceiving, developing and executing strategies that drive market differentiation, sustainable growth, profit and shareholder value. He has the distinction of being able to transcend current challenges and obstacles to envision a future, while being practical about what it will take to get there.

3. APPOINTMENT AND RE-APPOINTMENT OF THE MEMBERS OF THE AUDIT AND RISK COMMITTEE OF THE COMPANY

Note: For avoidance of doubt, all references to the audit and risk committee of the company is a reference to the audit committee as contemplated in the Companies Act.

3.1 ORDINARY RESOLUTION NUMBER 4

"Resolved that Mr B Patel, being eligible, be and is hereby appointed as a member of the audit and risk committee of the company, as recommended by the board of directors of the Company, until the next annual general meeting of the Company."

3.2 ORDINARY RESOLUTION NUMBER 5

"Resolved that Mr E Masilela, being eligible, be and is hereby re-appointed as a member of the audit and risk committee of the company, as recommended by the board of directors of the company, until the next annual general meeting of the company."

3.3 ORDINARY RESOLUTION NUMBER 6

"Resolved that Mr B Marole, being eligible, be and is hereby re-appointed as a member of the audit and risk committee of the company, as recommended by the board of directors of the company, until the next annual general meeting of the company."

The reason for ordinary resolutions numbers 4 to 6 (inclusive) is that the company, being a public listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be appointed, or re-appointed, as the case may be, at each annual general meeting of a company.

Brief curriculum vitaes of each of the directors up for re-appointment to the audit and risk committee appear on page 17 of the annual report.

4. RE-APPOINTMENT OF AUDITOR

ORDINARY RESOLUTION NUMBER 7

"Resolved that PricewaterhouseCoopers Inc be and is hereby re-appointed as auditor of the company for the ensuing year on the recommendation of the audit and risk committee of the company."

The reason for ordinary resolution number 7 is that the company, being a public listed company, must have its financial results audited and such auditor must be appointed or re-appointed each year at the annual general meeting of the company as required by the Companies Act.

5. GENERAL AUTHORITY TO ISSUE ORDINARY SHARES FOR CASH

ORDINARY RESOLUTION NUMBER 8

"Resolved that the directors of the company be and are hereby authorised, by way of a general authority, to allot and issue any of the company's unissued shares for cash as they in their discretion may deem fit, without restriction, subject to the provisions of the company's memorandum of incorporation, the Companies Act and the Listings Requirements of the BSE and 4AX ("Listings Requirements"), provided that:

- the approval shall be valid until the date of the next annual general meeting of the company, provided it shall not extend beyond fifteen months from the date of this resolution;
- the general issues of shares for cash in the aggregate in any one financial year may not exceed 10% of the Company's issued share capital (number of securities) of that class. As at the date of this notice of AGM, 10% of the company's issued ordinary share capital (net of treasury shares) amounts to 44 852 015 ordinary shares;
- in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities. The 4AX and BSE will be consulted for a ruling if the securities have not traded in such 30 business day period;
- any such issue will only be made to public shareholders as defined in the Listings Requirements and not to related parties;
- any such issue will only be comprised of securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue; and
- in the event that the securities issued represent, on a cumulative basis, 5% or more of the number of securities in issue prior to that issue, an announcement containing the full details of such issue shall be published on BSE X-News and 4AX News Services."

For listed entities wishing to issue shares for cash (other than issues by way of rights offers, in consideration for acquisitions and/or to duly approved share incentive schemes, it is necessary for the board of the company to obtain the prior authority of the shareholders in accordance with the Listings Requirements and the memorandum of incorporation of the company. Accordingly, the reason for ordinary resolution number 8 is to obtain a general authority from shareholders to issue shares for cash in compliance with the Listings Requirements and the memorandum of incorporation of the company.

For this resolution to be adopted, at least 75% of the shareholders present in person or by proxy and entitled to vote on this resolution at the AGM must cast their vote in favour of this resolution.

- To consider and, if deemed fit, pass, with or without modification, the following special resolutions:

Note: For any of the special resolutions numbers 1 to 4 to be adopted, at least 75% of the voting rights exercised on each special resolution must be exercised in favour thereof.

6. REMUNERATION OF NON-EXECUTIVE DIRECTORS

SPECIAL RESOLUTION NUMBER 1

"Resolved, in terms of section 66(9) of the Companies Act, that the company be and is hereby authorised to remunerate its directors for their services as directors on the basis set out below, provided that this authority will be valid until the next annual general meeting of the company:

	Fee per meeting
Board meeting[1]	R25 000
Audit committee meeting	R10 000
Remuneration committee meeting	R10 000

[1] If the company holds more than three Board Meetings a year, the fee due per additional meetings attended for that year will be R20 000 per meeting attended.

The reason for special resolution number 1 is for the company to obtain the approval of shareholders by way of a special resolution for the payment of remuneration to its non-executive directors in accordance with the requirements of the Companies Act.

The effect of special resolution number 1 is that the Company will be able to pay its non-executive directors for the services they render to the Company as directors without requiring further shareholder approval until the next annual general meeting of the company.

7. INTER-COMPANY FINANCIAL ASSISTANCE

7.1 SPECIAL RESOLUTION NUMBER 2: INTER-COMPANY FINANCIAL ASSISTANCE

"Resolved, in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval, that the board of the company be and is hereby authorised to approve that the company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in section 45(1) of the Companies Act) that the board of the company may deem fit to any company or corporation that is related or inter-related ("related" or "inter-related" will herein have the meaning attributed to it in section 2 of the Companies Act) to the company, on the terms and conditions and for amounts that the board of the company may determine, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the company."

The reason for and effect of special resolution number 2 is to grant the directors of the company the authority, until the next annual general meeting of the company, to provide direct or indirect financial assistance to any company or corporation which is related or inter-related to the company. This means that the company is, *inter alia,* authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

7.2 SPECIAL RESOLUTION NUMBER 3: FINANCIAL ASSISTANCE FOR THE SUBSCRIPTION AND/OR PURCHASE OF SHARES IN THE COMPANY OR A RELATED OR INTER-RELATED COMPANY

"Resolved, in terms of section 44(3)(a)(ii) of the Companies Act, as a general approval, that the board of the company be and is hereby authorised to approve that the company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in sections 44(1) and 44(2) of the Companies Act) that the board of the company may deem fit to any company or corporation that is related or inter-related to the company ("related" or "inter-related" will herein have the meaning attributed to it in section 2 of the Companies Act) and/or to any financier who provides funding by subscribing for preference shares or other securities in the company or any company or corporation that is related or inter-related to the company, on the terms and conditions and for amounts that the board of the company may determine for the purpose of, or in connection with the subscription of any option, or any shares or other securities, issued or to be issued by the company or a related or inter-related company or corporation, or for the purchase of any shares or securities of the company or a related or inter-related company or corporation, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the company."

The reason for and effect of special resolution number 3 is to grant the directors the authority, until the next annual general meeting of the company, to provide financial assistance to any company or corporation which is related or inter-related to the company and/or to any financier for the purpose of or in connection with the subscription or purchase of options, shares or other securities in the company or any related or inter-related company or corporation. This means that the company is authorised, *inter alia,* to grant loans to its subsidiaries and to guarantee and furnish security for the debt of its subsidiaries where any such financial assistance is directly or indirectly related to a party subscribing for options, shares or securities in the company or its subsidiaries.

A typical example of where the company may rely on this authority is where a subsidiary raised funds by way of issuing preference shares and the third-party funder requires the company to furnish security, by way of a guarantee or otherwise, for the obligations of its subsidiary to the third-party funder arising from the issue of the preference shares. The company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

In terms of and pursuant to the provisions of sections 44 and 45 of the Companies Act, the directors of the company confirm that the board will satisfy itself, after considering all reasonably foreseeable financial circumstances of the company, that immediately after providing any financial assistance as contemplated in special resolution numbers 2 and 3 above:

- the assets of the company (fairly valued) will equal or exceed the liabilities of the company (fairly valued) (taking into consideration the reasonably foreseeable contingent assets and liabilities of the company);
- the company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months;
- the terms under which any financial assistance is proposed to be provided, will be fair and reasonable to the company; and
- all relevant conditions and restrictions (if any) relating to the granting of financial assistance by the company as contained in the company's memorandum of incorporation have been met.

8. SHARE REPURCHASES BY THE COMPANY AND ITS SUBSIDIARIES

SPECIAL RESOLUTION NUMBER 4: SHARE BUY-BACK BY CA SALES AND ITS SUBSIDIARIES

"Resolved, as a special resolution, that the company and the subsidiaries of the company be and are hereby authorised, as a general approval, to repurchase any of the shares issued by the company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the memorandum of incorporation of the company and the 4AX and BSE Listings Requirements, including, *inter alia,* that:

- the general repurchase of the shares may only be implemented through the open market using a single agent;
- this general authority shall only be valid until the next annual general meeting of the company, provided that it shall not extend beyond 15 months from the date of this resolution;
- an announcement must be published as soon as the company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- the general authority to repurchase is limited to a maximum of 80 million shares;
- a resolution has been passed by the board of directors approving the purchase, that the company has satisfied the solvency and liquidity test as defined in the Companies Act and that, since the solvency and liquidity test was applied, there have been no material changes to the financial position of the company and its subsidiaries ("the group");
- the general repurchase is authorised by the company's memorandum of incorporation;
- repurchases must not be made at a price more than the lower of R6 or a premium of 10% to the five day value weighted average price ("VWAP") preceding the repurchase or the BWP equivalent; and
- the company may not effect a repurchase which will result in the company not complying with the 4AX minimum number and percentage of securities held by the public on the date of the repurchase, as contemplated in terms of paragraph 6.26 of the 4AX Listings Requirements."

The reason for and effect of special resolution number 4 is to grant the directors a general authority in terms of its memorandum of incorporation and the 4AX and BSE Listings Requirements for the acquisition by the company or by a subsidiary of the company of shares issued by the company on the basis reflected in special resolution number 4. The company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

In terms of section 48(2)(b)(i) of the Companies Act, subsidiaries may not hold more than 10%, in aggregate, of the number of the issued shares of a company. For the avoidance of doubt, a *pro rata* repurchase by the company from all its shareholders will not require shareholder approval, save to the extent as may be required by the Companies Act.

9. OTHER BUSINESS

To transact such other business as may be transacted at an annual general meeting or raised by shareholders with or without advance notice to the company.

INFORMATION RELATING TO THE SPECIAL RESOLUTIONS

1. The directors of the company or its subsidiaries will only utilise the general authority to repurchase shares of the company as set out in special resolution number 4 to the extent that the directors, after considering the maximum number of shares to be purchased, are of the opinion that the position of the group would not be compromised as to the following:
    - the group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of the AGM and for a period of 12 months after the repurchase;

Notice of annual general meeting continued

- the consolidated assets of the group will at the time of the AGM and at the time of making such determination be in excess of the consolidated liabilities of the group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the group;
- the ordinary capital and reserves of the group after the repurchase will remain adequate for the purpose of the business of the group for a period of 12 months after the AGM and after the date of the share repurchase; and
- the working capital available to the group after the repurchase will be sufficient for the group's requirements for a period of 12 months after the date of the notice of the AGM.

General information in respect of major shareholders, material changes and the share capital of the company is contained in the annual report of which this notice forms part, as well as the full set of annual financial statements, being available on CA Sales' website at www.casholdings.co.za or which may be requested and obtained in person, at no charge, at the registered office of CA Sales during office hours.

2. The directors, whose names appear on page 17 of the annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information given 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 this notice of AGM contains all information required by the Listings Requirements
3. Special resolutions numbers 2, 3 and 4 are renewals of resolutions taken at the previous annual general meeting held on 25 June 2018.

VOTING

1. The date on which shareholders must be recorded as such in the share register maintained by the transfer secretary of the company ("the share register") for purposes of being entitled to receive this notice is 17 May 2019.
2. The date on which shareholders must be recorded in the share register for purposes of being entitled to attend and vote at the AGM is 31 May 2019, with the last day to trade being 28 May 2019.
3. Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the AGM and must accordingly bring a copy of their identity document, passport or driver's licence to the AGM. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretary for guidance.
4. Shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a shareholder of the company. A form of proxy, which sets out the relevant instructions for its completion, is enclosed for use by a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the AGM. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the AGM.
5. The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretary of the company at the address provided on the inside back cover of this annual report by not later than 12:00 on 21 June 2019 provided that any form of proxy not delivered to the transfer secretary by this time may be handed to the chairman of the AGM at any time before the appointed proxy exercises any shareholder rights at the AGM.
6. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the AGM in person, will need to request their central securities depository participant ("CSDP") or broker to provide them with the necessary authority (i.e. letter of representation) in terms of the custody agreement entered into between such shareholders and the CSDP or broker.
7. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the AGM and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.
8. Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.

By order of the board

FJ Reichert
Company secretary

Stellenbosch
24 May 2019

Form of proxy

CA SALES HOLDINGS

CA SALES HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2011/143100/06)
Botswana registration number: EX2017/18292
Share code: CAS ISIN: ZAE400000036
("**CA Sales**" or "**the company**")

FORM OF PROXY – FOR USE BY CERTIFICATED AND OWN-NAME DEMATERIALISED SHAREHOLDERS ONLY

For use at the annual general meeting of ordinary shareholders of the company to be held at 11h00 at the offices of CA Sales and Distribution, 2nd Floor, Boardroom, Portion 867, Commerce Park, Gaborone, Botswana, on 25 June 2019 ("the AGM").

I/We (full name in print)

of (address)

being the registered holder of (number) ordinary shares hereby appoint:

1. or failing him/her,

2. or failing him/her,

3. the chairman of the AGM,

as my proxy to vote for me/us at the AGM for purposes of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions and special resolutions to be proposed thereat and at each 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 (see notes):

		Number of shares		
		In favour	Against	Abstain
1.	**Ordinary resolution number 1:** To re-elect Mr. B Patel as director			
2.	**Ordinary resolution number 2:** To re-elect Mr. T Rogers as director			
3.	**Ordinary resolution number 3:** To elect Mr. D Lewis as director			
4.	**Ordinary resolution number 4:** To elect Mr. B Patel as a member of the audit and risk committee			
5.	**Ordinary resolution number 5:** To elect Mr. E Masilela as a member of the audit and risk committee			
6.	**Ordinary resolution number 6:** To elect Mr. B Marole as a member of the audit and risk committee			
7.	**Ordinary resolution number 7:** To re-appoint PricewaterhouseCoopers Inc as the auditor			
8.	**Ordinary resolution number 8:** General authority to issue ordinary shares for cash			
9.	**Special resolution number 1:** Remuneration of non-executive directors			
10.	**Special resolution number 2:** Inter-company financial assistance			
11.	**Special resolution number 3:** Financial assistance for acquisition of shares in a related or inter-related company			
12.	**Special resolution number 4:** Share buy-back by CA Sales and its subsidiaries			

Please indicate your voting instruction by way of inserting the number of shares or by a cross in the space provided should you wish to vote all of your shares.

Signed at on this day of 2019.

Signature(s)

Assisted by (where applicable) (state capacity and full name)

Each CA Sales shareholder is entitled to appoint one or more proxy/(ies) (who need not be a shareholder(s) of the company) to attend, speak and vote in his/her stead at the AGM.

Notes to the form of proxy

1. A CA Sales shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairman of the AGM". The person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. A CA Sales shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided or by the insertion of a cross if all shares should be voted on behalf of that shareholder. Failure to comply with the above will be deemed to authorise the chairman of the AGM, if he/she is the authorised proxy, to vote in favour of the resolutions at the AGM, or any other proxy to vote or to abstain from voting at the AGM as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.
3. When there are joint registered holders of any shares, any one of such persons may vote at the AGM in respect of such shares as if he/she was solely entitled thereto, but, if more than one of such joint holders be present or represented at any AGM, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder, in whose name any shares stand, shall be deemed joint holders thereof.
4. Forms of proxy must be completed and returned to be received by the transfer secretary of the company:

   Shares listed on BSE
   Grant Thornton, Botswana
   Acumen Park, Plot 50370
   Fairground, Gaborone
   (PO Box 1157, Gaborone, Botswana)

   Shares listed on 4AX
   4 Africa Exchange Registry
   Postnet Suite 532
   Private Bag X51, Bryanston, 2021
   Email: operations@4aregistry.co.za

   by no later than 12h00 on 21 June 2019, provided that any form of proxy not delivered to the transfer secretary by this time may be handed to the chairman of the AGM at any time prior to the commencement of the AGM.
5. Any alteration or correction made to this form of proxy must be initialled by the signatory/(ies).
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretary or waived by the chairman of the AGM.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

Notes

Notes

Corporate information

Company registration number	2011/143100/06
Country of incorporation	South Africa
Date of incorporation	7 December 2011
Tax residency	South Africa
Registered office	1st Floor, Ou Kollege Building 35 Kerk Street Stellenbosch 7600 South Africa
Auditor and Reporting Accountants	PricewaterhouseCoopers Inc. 4 Lisbon Lane Waterfall City, Juskei, 2090 South Africa
Corporate Advisor and 4AX Issuer Agent	PSG Capital Proprietary Limited (Registration number 2006/015817/07) 1st Floor, Ou Kollege Building 35 Kerk Street Stellenbosch, 7600 South Africa (PO Box 7403, Stellenbosch, 7599) and at 2nd Floor, Building 3 11 Alice Lane, Sandown Sandton, 2196 South Africa (PO Box 650957, Benmore, 2010)
Majority Shareholder	PSG Alpha Investments Proprietary Limited 1st Floor, Ou Kollege Building 35 Kerk Street Stellenbosch 7600 South Africa
Company Secretary	Frans Reichert CA(SA) 2nd Floor, Building 3 11 Alice Lane, Sandown Sandton, 2196 South Africa (PO Box 650957, Benmore, 2010)
BSE Sponsor	African Alliance Botswana Securities Limited African Alliance House Fairgrounds Office Park Plot 64511 Gaborone Botswana
Transfer Secretaries	Grant Thornton Botswana Acumen Park Plot 50370 Fairgrounds Gaborone Botswana
Principle banker	First National Bank Limited
Website	www.casholdings.co.za