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" or "the group")

CONDENSED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

COMMENTARY

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 a diverse geographical presence across Southern Africa operating in Botswana, Lesotho, Mozambique, Namibia, South Africa, Swaziland, Zambia and Zimbabwe.

Financial highlights

CA Sales is pleased to announce its half year results for the period ending 30 June 2018. Revenue increased by 28% to over R 2.4 billion from R 1.9 billion in the prior interim period, through a combination of organic and acquisitive growth. In a challenging operating environment, management continued to focus on margin retention, stock management, dynamic service levels and continual cost analysis. This resulted in a healthy increase in gross profit of 23% to R 382.4 million (H1 2017: R309.3 million) and a robust 44% increase in headline earnings to R 45.7 million (H1 2017: R 31.7 million). This was also supported by the increased shareholding in major subsidiaries towards the end of last year. Headline earnings per share is up 30% to 10.25 cents per share (H1 2017: 7.83 cents).

Despite the volatile trading environment in which the businesses operate, the group is pleased with the good results produced by the major operating companies. Manufacturers' below the line marketing spend cuts have negatively impacted on the marketing and promotional operations and tough trading conditions prevailed in Namibia.

Total assets increased by 10% to R 2.3 billion mainly as a result of the acquisition of the currently occupied warehouses in Botswana at the end of June 2018. The bond over these properties increased the group's gearing to 42%, from 26% at the prior year end.

Future Strategy

CA Sales will continue its expansion by growing its principal & customer networks and making value-adding acquisitions, widening its footprint further across the African continent.

It is expected that the challenging economic environment and difficult trading conditions will prevail for the time being. The group is however well positioned with a strong balance sheet and a diverse geographical presence across Southern Africa.

The group's diversified portfolio should enable it to deliver sustainable results for the remainder of the year.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	(Unaudited) 6 months ended 30 June 2018	(Unaudited) 6 months ended 30 June 2017	(Audited) 12 months ended 31 December 2017
Revenue	2 435 837	1 902 519	4 838 511
Cost of sales	(2 053 447)	(1 593 188)	(4 114 878)
Gross profit	382 390	309 331	723 633
Other operating expenses	(300 726)	(247 603)	(520 051)
Other operating income	1 641	3 243	27 680
Operating profit	83 305	64 971	231 262
Share of profit of investments accounted for using the equity method	1 886	(802)	464
Profit before interest and tax	85 191	64 169	231 726
Finance income	2 896	3 410	13 265
Finance costs	(6 482)	(5 396)	(16 175)
Profit before income tax	81 605	62 183	228 816
Income tax	(27 869)	(19 882)	(56 969)
Profit for the period	53 736	42 301	171 847
Other comprehensive income:			
Currency translation differences net of taxation	12 635	(685)	(3 998)
Share of other comprehensive income of associated companies net of taxation	33	-	(1)
Total comprehensive income for the period	66 404	41 616	167 848
Profit attributable to:			
- Owners of the parent	46 053	32 199	144 737
- Non-controlling interest	7 683	10 102	27 110
Total profit for the period	53 736	42 301	171 847
Total comprehensive income attributable to:			
- Owners of the parent	58 638	31 514	140 760
- Non-controlling interest	7 766	10 102	27 088
Total comprehensive income for the period	66 404	41 616	167 848
Basic earnings per share (cent)	10.33	7.94	35.14
Diluted earnings per share (cent)	10.33	7.79	34.46

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000		(Unaudited) 30 June 2018	(Unaudited) 30 June 2017	(Audited) 31 December 2017
Assets				
Non current assets		1 016 889	692 188	696 141
Property, plant and equipment	6	420 370	94 667	100 807
Intangible assets		564 625	546 929	566 591
Investments accounted for using the equity method		19 344	28 149	16 273
Deferred income tax assets		12 550	6 443	12 470
Loans and advances		-	16 000	-
Current assets		1 284 952	1 057 375	1 397 805
Inventories		338 096	307 894	313 550
Trade and other receivables		757 603	591 963	878 389
Income tax receivable		10 221	10 607	1 725
Cash and cash equivalents (excluding overdrafts)		179 032	146 911	204 141
Total assets		2 301 841	1 749 563	2 093 946
Equity and liabilities				
Equity		1 203 902	1 045 175	1 183 868
Stated capital	7	841 526	708 944	841 526
Other reserves		23 639	15 457	14 398
Retained earnings		297 374	260 853	286 145
		1 162 539	985 254	1 142 069
Non-controlling interest		41 363	59 921	41 799
Non current liabilities		320 030	31 932	27 532
Borrowings	8	316 246	28 792	23 308
Deferred income tax liabilities		3 784	3 140	4 224
Current liabilities		777 909	672 456	882 546
Trade and other payables		550 727	448 296	543 120
Provisions		37 830	33 889	52 624
Income tax payable		2 640	6 673	5 557
Borrowings		186 712	183 598	281 245
Total equity and liabilities		2 301 841	1 749 563	2 093946

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Stated capital	Other reserves	Retained earnings	Total attributable to the owners	Non-controlling interest	Total
Balance as at 31 December 2016 (Audited)	708 944	14 042	236 122	959 108	66 712	1 025 820
Profit for the six months			32 199	32 199	10 102	42 301
Other comprehensive income						
Currency translation differences net of taxation		(685)		(685)	-	(685)
Transactions with owners:						
Share-based payment		2 100		2 100		2 100
Transaction with non-controlling interest			(7 468)	(7 468)	(13 192)	(20 660)
Dividends paid			-	-	(3 701)	(3 701)
Balance as at 30 June 2017 (Unaudited)	708 944	15 457	260 853	985 254	59 921	1 045 175
Profit for the six months			112 538	112 538	17 008	129 546
Other comprehensive income						
Currency translation differences net of taxation		(3 291)		(3 291)	(22)	(3 313)
Share of other comprehensive income of associated companies net of taxation		(1)		(1)		(1)
Transactions with owners:						
Shares issues net of capitalised listing fees	132 582			132 582		132 582
Share-based payment		2 233		2 233		2 233
Acquisition of subsidiary				-	3 641	3 641
Transaction with non-controlling interest			(65 959)	(65 959)	(30 958)	(96 917)
Dividends paid			(21 287)	(21 287)	(7 791)	(29 078)
Balance as at 31 December 2017 (Audited)	841 526	14 398	286 145	1 142 069	41 799	1 183 868
Profit for the six months			46 053	46 053	7 683	53 736
Other comprehensive income						
Currency translation differences net of taxation		12 552		12 552	83	12 635
Share of other comprehensive income of associated companies net of taxation		33		33		33
Transactions with owners:						
Share-based payment		(3 344)	(8 177)	(11 521)		(11 521)
Transaction with non-controlling interest			(13)	(13)	(1 273)	(1 286)
Dividends paid			(26 634)	(26 634)	(6 929)	(33 563)
Balance as at 30 June 2018 (Unaudited)	841 526	23 639	297 374	1 162 539	41 363	1 203 902

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	(Unaudited) 6 months ended 30 June 2018	(Unaudited) 6 months ended 30 June 2017	(Audited) 12 months ended 31 December 2017
Cash flows from operating activities			
Cash receipts from customers	2 562 575	1 940 735	4 610 228
Cash paid to suppliers and employees	(2 376 473)	(1 958 338)	(4 568 528)
Cash generated by operating activities	186 102	(17 603)	41 700
Interest paid	(6 482)	(5 396)	(16 174)
Income taxes paid	(41 391)	(34 084)	(59 250)
Net cash generated from/ (utilised by) operating activities	138 229	(57 083)	(33 724)
Cash flow from investing activities			
Acquisition of subsidiaries	-	(20 000)	(77 031)
Additions to property, plant and equipment	(9 756)	(9 952)	(24 367)
Additions to intangible assets	(170)	-	(3 786)
Proceeds from disposal of property, plant and equipment	2 149	1 321	3 486
Acquisition of associated companies	(421)	-	(13 369)
Investment in preference shares repaid	-	-	16 000
Dividends received	-	-	628
Interest received	2 896	3 410	13 265
Net cash outflow from investing activities	(5 302)	(25 221)	(85 174)
Cash flows from financing activities			
Shares issued	-	-	66 503
Capitalised listing fees	-	-	(5 422)
Payments to non-controlling interest to acquire shares	(40)	(20 657)	(46 013)
Dividends paid	(26 489)	-	(20 415)
Dividends paid to non-controlling interests	(6 929)	(3 701)	(11 492)
Repayments of borrowings	(139 200)	(10 729)	(37 431)
Proceeds from borrowings	166	86 127	138 046
Net cash (outflow) / inflow from financing activities	(172 492)	51 040	83 776
Net decrease in cash and cash equivalents	(39 565)	(31 264)	(35 122)
Effects of exchange rate changes on cash and cash equivalents	2 328	(369)	(690)
Cash and cash equivalents including overdrafts at beginning of the year	96 583	132 395	132 395
Cash and cash equivalents including overdrafts at end of the period	59 346	100 762	96 583

CONDENSED SEGMENTAL RESULTS

CA Sales Holdings is a multinational group which derives its revenues and profits from a variety of countries in Southern Africa. The group's strategic steering committee, consisting of the chief executive officer and the chief financial officer, considers the business from a geographical perspective. The table below shows the segment information provided to the strategic steering committee for the reportable segments for the half-year ended 30 June 2018. The strategic steering committee uses adjusted EBIT as a measure to assess the performance of the segments.

R'000	(Unaudited) 6 months ended 30 June 2018	(Unaudited) 6 months ended 30 June 2017	(Audited) 12 months ended 31 December 2017
Segmental revenue			
Botswana	1 439 109	1 258 237	3 078 832
Namibia	326 871	86 682	478 875
South Africa	358 645	279 901	642 459
Swaziland	306 879	277 699	636 288
Other countries	4 333	-	2 057
	2 435 837	1 902 519	4 838 511
Segmental EBITDA			
Botswana	38 301	30 187	111 449
Namibia	4 454	6 873	23 869
South Africa	37 615	25 336	78 629
Swaziland	25 757	24 967	60 874
Other countries	754	(429)	148
Group transactions	(7 452)	(3 914)	(7 329)
	99 429	83 020	267 640
Segmental EBIT			
Botswana	31 770	23 353	96 059
Namibia	3 843	6 694	23 095
South Africa	32 940	17 686	66 853
Swaziland	23 406	20 786	53 032
Other countries	689	(429)	30
Group transactions	(7 457)	(3 921)	(7 343)
	85 191	64 169	231 726
Segmental profit after tax			
Botswana	23 132	14 984	68 702
Namibia	642	5 287	22 400
South Africa	21 103	11 498	44 888
Swaziland	16 565	14 893	38 353
Other countries	69	(429)	(18)
Group transactions	(7 775)	(3 932)	(2 478)
	53 736	42 301	171 847
Segmental assets			
Botswana	1 438 988	1 062 068	1 162 868
Namibia	237 971	137 633	255 435
South Africa	423 759	373 225	417 892
Swaziland	196 774	194 053	231 100
Other countries	20 201	4 239	3 669
Group transactions	(15 852)	(21 655)	22 982
	2 301 841	1 749 563	2 093 946
Segmental liabilities			
Botswana	904 874	461 828	673 364
Namibia	147 845	57 067	153 426
South Africa	70 577	194 873	64 110
Swaziland	78 110	80 539	118 451
Other countries	4 228	-	3 097
Group transactions	(107 695)	(89 919)	(102 370)
	1 097 939	704 388	910 078

R'000	(Unaudited) 6 months ended 30 June 2018	(Unaudited) 6 months ended 30 June 2017	(Audited) 12 months ended 31 December 2017
Reconciliation from EBITDA to profit after tax:			
EBITDA	99 429	83 020	267 640
Depreciation & amortisation	(14 238)	(18 851)	(35 914)
Net finance cost	(3 586)	(1 986)	(2 910)
Taxation	(27 869)	(19 882)	(56 969)
Profit after tax	53 736	42 301	171 847

The significant increases in revenue, assets and liabilities for Namibia, is as a result of the step up of Wutow Trading (Pty) Ltd from an associate, equity-accounted up to 30 June 2017, to a subsidiary, consolidated from 1 July 2017.

The increases in revenue, assets and liabilities for other countries, is as a result of the acquisition of Expo Africa Group on 1 April 2017, consolidated from 1 July 2017.

RECONCILIATION BETWEEN PROFIT AFTER TAXATION ATTRIBUTABLE TO THE OWNERS OF THE PARENT AND HEADLINE EARNINGS:

R'000	(Unaudited) 6 months ended 30 June 2018	(Unaudited) 6 months ended 30 June 2017	(Audited) 12 months 31 December 2017
Profit after taxation attributable to the owners of the parent	46 053	32 199	144 737
Profit on sale of property, plant and equipment	(699)	(809)	(1 479)
Impairment of investment in associates	-	-	2 537
Fair value adjustment on step-up from associated company to subsidiary	-	-	4 886
Gain on bargain purchase	-	-	(14 221)
Tax effect on above	170	210	421
Non-controlling interest on above	168	130	-
Headline earnings attributable to owners of the parent	45 692	31 730	136 881
Headline earnings per share (cent)	10.25	7.83	33.23
Diluted headline earnings per share (cent)	10.25	7.67	32.59
Dividends paid per share (cent)	5.99	-	5.25
Issued number of shares	448 520 150	405 400 800	444 634 430
Weighted average number of shares	445 929 670	405 400 800	411 939 738
Weighted average number of diluted shares	445 929 670	413 508 900	420 047 838

Shareholders are reminded of the 1,400:1 share split that took place in October 2017 ("Share Split"). Adjusted weighted average shares of 405 400 800 (289 572 x 1 400) have therefor been used in the calculation of the 30 June 2017 results.

On 17 April 2018, share options of 3 885 720 shares were exercised by the directors.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Basis of preparation and accounting policies

The condensed consolidated financial statements for the six months ended 30 June 2018, have been prepared in accordance with International Financial Reporting Standards (IFRS) and presented according to the disclosure requirements of accounting standard IAS34 Interim Financial Reporting.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

The financial information is presented in South African Rand (rounded to the nearest thousand), which is considered the reporting currency. The condensed interim financial statements have been prepared under the supervision of the acting Chief Financial Officer, Mr FJ Reichert CA(SA) and have not been reviewed by the auditors. These condensed interim financial statements were approved for issue on 28 August 2018.

2. New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed in note 5 below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

3. Impact of standards issued but not yet applied by the entity - IFRS 16 Leases

The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of R 71.5 million. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The group does not intend to adopt the standard before its effective date.

4. 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 impairment provision of trade receivables and the nominal value of payables are assumed to approximate their fair values.

5. Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

a) Impact on the financial statements
IFRS 9 and IFRS 15 were generally adopted without restating comparative information.

b) Impact of adoption

The adoption of IFRS 9 and IFRS 15 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below under 5(d).

c) Classification and measurement

The group's management has assessed which business model for managing financial assets, applies and has classified its financial instruments into the appropriate IFRS 9 categories. The main effect resulting from this reclassification is that all financial assets that were previously classified as Loans and receivables are now classified as Amortised cost. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance as at 31 December 2017 was determined as not materially different from the bad debt provision previously reported.

d) Accounting policies applied from 1 January2018

FINANCIAL ASSETS

Classification

The group classifies its financial assets into the amortised cost category. The classification depends on the purpose for which the financial assets were acquired and the objective of the group's business model on managing financial assets according to IFRS 9. Management determines the classification of its financial assets at initial recognition.

Amortised cost

Only financial assets that pass both the Business Model test and the SPPI (solely payments of principle and interest) test are accounted for at amortised cost. The group's amortised cost category comprises 'loans to associates', 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Recognition and measurement

Financial assets are initially recognised at fair value other than trade receivables that don't have a significant financing component, which 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. Changes in fair value are recognized in profit and loss as they arise.

Trade receivables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Impairments are measured according to the "expected credit losses" model according to the simplified approach. 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. Expected losses are recognized and measured according to a simplified approach. An impairment loss is recognized at the first balance sheet date on which the receivable is recognized. After initial recognition, the impairment allowance is adjusted, up or down, through profit or loss at each balance sheet date as the probabilities of collection and recoveries change.

REVENUE RECOGNITION

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 the customer obtains control of the goods or services transferred. Revenue is either recognised at a point in time or over time.

The transaction price might include an element of consideration that is variable or contingent on the outcome of future events (settlement discounts and rebates). Variable consideration is estimated using either an expected value or most likely outcome, whichever provides the best estimate. Consideration payable by the group to a customer is accounted for as a reduction of the transaction price.

Revenue is not recognised for goods expected to be returned, and a liability is recognised for expected refunds to customers. The refund liability is updated each reporting period for changes in expected refunds. An asset and corresponding adjustment to cost of sales is recognised for the right to recover goods from customers on settling the refund liability. The asset is initially measured at the cost of inventory sold less any expected costs to recover the goods and the impact of any reduction in the value of those goods. At the end of each reporting period, the asset is remeasured (if necessary) based on changes in expectations. The group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Considerations received from customers before the performance obligations have been met by the group, and which consideration is refundable, are not recognised as revenue at that point (prepayments received).

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.

6. Property, Plant and Equipment

On 26 June 2018, Breckwick (Pty) Ltd, a subsidiary of CA Sales Holdings Ltd, purchased properties in Botswana to the value of BWP 243 million. The properties consist of land with warehouses and office buildings in Gabarone and Francistown. These properties were previously leased by subsidiaries of CA Sales Holdings Ltd.

7. Shares issued

On 17 April 2018, share options were exercised by the directors. The impact is as follows:

Issued shares	Number	R'000
Balance at beginning of the year	444 634 430	841 526
Exercise of options issued under the CA Sales Holdings Executive Share Option Scheme	3 885 720	-
Balance at 30 June 2018	448 520 150	841 526

8. Borrowings

A bond of BWP 243 million with Barclays (ABSA) Botswana is secured by a first mortgage over the land and buildings in Botswana, purchased on 26 June 2018 (note 6).

9. Revenue

The group's reportable segments are operating segments that are differentiated by the country of operation. The condensed segmental results statement shows the segment information for the reportable segments. All the segments derive their revenues from selling and distributing fast-moving consumer goods as well as services such as sales & merchandising services, marketing and promotions services and transport services.

The table below shows the segment revenue information for the half-year ended 30 June and also the basis on which revenue is recognised:

R'000 Six months ended 30 June 2018	Botswana	Namibia	South Africa	Swaziland	Other	Total
Distribution of products	1 436 940	325 580	-	297 551	-	2 060 070
Services provided	2 169	1 291	358 645	9 328	4 334	375 767
Revenue from external customers	1 439 109	326 871	358 645	306 879	4 334	2 435 837
Timing of revenue recognition						
At a point in time	1 437 956	326 191	358 193	306 623	-	2 428 962
Over time	1 153	680	452	256	4 334	6 875
	1 439 109	326 871	358 645	306 879	4 334	2 435 837

R'000 Six months ended 30 June 2017	Botswana	Namibia	South Africa	Swaziland	Other	Total
Distribution of products	1 258 237	85 681	-	268 545	-	1 612463
Services provided	-	1 001	279 901	9 154	-	290056
Revenue from external customers	1 258 237	86 682	279 901	277 699	-	1 902519
Timing of revenue recognition						
At a point in time	1 258 237	86 682	279 901	277 699	-	1 902519
Over time	-	-	-	-	-	-
	1 258 237	86 682	279 901	277 699	-	1 902519

10. Events occurring after the reporting period

On 1 July 2018, Pamstad (Pty) Ltd, a subsidiary of CA Sales Holdings Ltd, increased its shareholding in Kalahari Training Institute (Pty) Ltd from 49% to 83%. The financial effects of the above transaction have not been brought to account at 30 June 2018. The operating results and assets and liabilities of the subsidiary will be brought to account from 1 July 2018.

11. Dividends

R'000	30 June 2018	30 June 2017
Ordinary shares		
Dividends paid	21 288	-

The company has a policy of declaring dividends once a year.

For and on behalf of the board

Chairman: JA Holtzhausen

Chief Executive Officer: FW Britz

Johannesburg

28 August 2018

CORPORATE INFORMATION

Directors: Executive: FW Britz. Non-executive: JA Holtzhausen, PN de Waal, TP Rogers. Independent non-executive: B Marole, E Masilela, B Patel. Alternate non-executive: J Craven.

Registered office: 1st Floor, Ou Kollege Building, 35 Kerk Street, Stellenbosh, 7600

Transfer secretaries: Grant Thornton Botswana, Acumen Park, Plot 50370, Fairgrounds, Gaborone

Auditors: PricewaterhouseCoopers Inc. 4 Lisbon Lane, Waterfall City, Jukskei, 2090

4AX Issuer Agent: PSG Capital, 1st Floor, Ou Kollege Building, 35 Kerk Street, Stellenbosh, 7600

BSE Sponsor: African Alliance Botswana Securities Ltd, African Alliance House, Fairgrounds Office Park, Plot 64511, Gaborone