



Collaboration. Activation. Sales.

CONDENSED
AUDITED
ANNUAL
FINANCIAL
STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2019



taking brands beyond borders



CA SALES HOLDINGS LIMITED

trading as CA&S Group

(Incorporated in the Republic of South Africa)
(Registration number 2011/143100/06)
Botswana registration number EX2017/18292
Share code: CAS ISIN: ZAE400000036
("CA&S" or "the group")

CONDENSED AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

COMMENTARY

Nature of business

The CA&S group specialises in the fast-moving consumer goods industry and delivers on shelf availability to the manufacturers or owners of some of the world's leading consumer brands. The service offering includes warehousing, distribution, selling, merchandising, shopper marketing, training and debtor's administration. The group has a varied geographical presence across Southern Africa operating in Botswana, Lesotho, Mozambique, Namibia, South Africa, Swaziland, Zambia and Zimbabwe.

The group has embarked on a rebranding exercise resulting in the new brand identity of the group, namely CA&S Group, with its new logo.

Financial highlights

CA&S is pleased to announce its results for the year ended 31 December 2019. Revenue increased by 28.4% to over R7.1 billion from R5.5 billion in the prior year, through mostly organic growth. In a challenging operating environment, management continues to focus on capability building, delivering operational excellence, efficient stock management, dynamic service levels and continual cost efficiencies. This resulted in an increase in gross profit of 24.3% to R1.0 billion (2018: R0.8 billion) and a robust 28.4% increase in headline earnings to R230.4 million (2018: R179.4 million). Headline earnings per share was up 27.9% to 51.31 cents per share (2018: 40.11 cents).

Despite head winds in some of the territories in which the businesses operate, the group produced pleasing results. The growth on prior year was underpinned by a good overall performance from all the major operations for the year. The adoption of the new IFRS 16 leases accounting standard did not have a material impact on the group's results.

Goodwill of R56.9 million arising on the acquisition of SMC Namibia has been impaired by R30 million based on the reassessment of the cash-generating units' future cash flows. This impairment negatively impacted earnings per share.

Total assets increased by 22.1% to R3.1 billion mainly as a result of the adjustments from IFRS 16. The right-of-use assets, not included in the balance sheet in the prior year, increased the closing carrying value of assets by R57.3 million.

Future strategy

The group will continue its expansion by growing its principal and customer networks and making value-adding acquisitions, broadening its footprint further across the African continent.

It is expected that the challenging economic environment and difficult trading conditions will continue for the time being. The group is 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 upcoming year.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Audited) at 31 Dec 2019 R'000	(Audited) at 31 Dec 2018 R'000
Assets		
Non-current assets	1 056 250	983 210
Property, plant and equipment	511 522	419 062
Intangible assets	504 944	540 236
Investments accounted for using the equity method	13 109	13 923
Deferred income tax assets	26 675	9 989
Current assets	2 054 661	1 573 723
Inventories	483 360	335 958
Trade and other receivables	1 318 229	1 004 987
Income tax receivable	3 095	5 456
Cash and cash equivalents (excluding overdrafts)	249 977	227 322
Total assets	3 110 911	2 556 933
Equity and liabilities		
Equity	1 467 556	1 327 649
Stated capital	833 348	833 348
Other reserves	25 734	30 264
Retained earnings	551 524	411 569
Non-controlling interest	1 410 606	1 275 181
	56 950	52 468
Non-current liabilities	324 133	306 596
Borrowings	317 396	301 268
Deferred income tax liabilities	6 737	5 328
Current liabilities	1 319 222	922 688
Trade and other payables	1 003 461	691 185
Provisions	100 477	52 351
Income tax payable	5 255	2 980
Borrowings	210 029	176 172
Total equity and liabilities	3 110 911	2 556 933

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Audited) year ended 31 Dec 2019 R'000	(Audited) year ended 31 Dec 2018 R'000
Revenue	7 131 967	5 555 533
Cost of sales	(6 107 893)	(4 731 467)
Gross profit	1 024 074	824 066
Other operating expenses	(772 796)	(578 518)
Net impairment losses on financial assets	(3 510)	(625)
Other operating income	88 681	15 262
Operating profit	336 449	260 185
Share of profit of investments accounted for using the equity method	1 031	3 191
Profit before interest and tax	337 480	263 376
Finance income	8 653	8 463
Finance costs	(42 968)	(22 936)
Profit before income tax	303 165	248 903
Income tax	(94 819)	(76 897)
Profit for the year	208 346	172 006
Other comprehensive income:		
Items that will be reclassified to profit or loss net of taxation		
Foreign currency translation differences	(7 636)	17 734
Total comprehensive income for the year	200 710	189 740
Profit attributable to:		
– Owners of the parent	187 820	152 755
– Non-controlling interest	20 526	19 251
Total profit for the year	208 346	172 006
Total comprehensive income attributable to:		
– Owners of the parent	180 195	170 356
– Non-controlling interest	20 515	19 384
Total comprehensive income for the year	200 710	189 740
Basic earnings per share (cent)	41.83	34.16
Diluted earnings per share (cent)	41.79	34.01

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital R'000	Other reserves R'000	Retained earnings R'000	Total attributable to the owners R'000	Non- controlling interest R'000	Total R'000
Balance at 1 Jan 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						
Currency translation differences net of taxation	–	17 601	–	17 601	133	17 734
Transactions with owners:						
Share-based payment	(8 178)	(1 735)	–	(9 913)	–	(9 913)
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 Dec 2018 (Audited)	833 348	30 264	411 569	1 275 181	52 468	1 327 649
Profit for the year	–	–	187 820	187 820	20 526	208 346
Other comprehensive income						
Currency translation differences net of taxation	–	(7 625)	–	(7 625)	(11)	(7 636)
Transactions with owners:						
Share-based payment	–	3 095	(138)	2 957	–	2 957
Transactions with non-controlling interest	–	–	(12 025)	(12 025)	(4 655)	(16 680)
Dividends paid	–	–	(35 702)	(35 702)	(11 378)	(47 080)
Balance as at 31 Dec 2019 (Audited)	833 348	25 734	551 524	1 410 606	56 950	1 467 556

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Audited) year ended 31 Dec 2019 R'000	(Audited) year ended 31 Dec 2018 R'000
Cash flows from operating activities		
Cash generated from operations	349 440	325 980
Interest paid	(42 968)	(22 936)
Income taxes paid	(105 250)	(79 048)
Net cash generated from operating activities	201 222	223 996
Cash flow from investing activities		
Acquisition of subsidiaries	–	(275)
Additions to property, plant and equipment	(52 245)	(15 710)
Additions to intangible assets	(459)	(4 168)
Proceeds from disposal of property, plant and equipment	4 110	6 213
Acquisition of associated companies	(12 000)	(8 052)
Loans repaid by associated companies	–	1 411
Loans granted to associated companies	–	(750)
Proceeds from disposal of associated companies	200	11 995
Dividends received	943	–
Interest received	8 653	8 463
Net cash outflow from investing activities	(50 798)	(873)
Cash flows from financing activities		
Payments to non-controlling interest to acquire shares	(16 680)	–
Dividends paid	(35 685)	(29 408)
Dividends paid to non-controlling interest	(11 378)	(9 054)
Repayments of borrowings	(127 827)	(137 748)
Proceeds from borrowings	45 636	–
Net cash outflow from financing activities	(145 934)	(176 210)
Net increase in cash and cash equivalents	4 490	46 913
Effects of exchange rate changes on cash and cash equivalents	(1 659)	4 378
Cash and cash equivalents including overdrafts at beginning of the year	147 874	96 583
Cash and cash equivalents including overdrafts at end of the year	150 705	147 874

CONDENSED SEGMENTAL RESULTS

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, Zambia and Zimbabwe.

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

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

	(Audited) year ended 31 Dec 2019 R'000	(Audited) year ended 31 Dec 2018 R'000
Segmental revenue		
Botswana	4 217 718	3 364 479
Eswatini	940 660	714 014
Namibia	956 342	719 984
South Africa	1 026 461	761 434
Other countries	13 003	7 937
Group transactions	(22 217)	(12 315)
	7 131 967	5 555 533
Segmental adjusted EBITDA		
Botswana	220 236	151 027
Eswatini	83 600	66 614
Namibia	14 332	21 646
South Africa	119 255	85 725
Other countries	1 969	2 303
Group transactions	3 186	(4 346)
	442 578	322 969
Segmental EBIT		
Botswana	195 639	120 615
Eswatini	72 962	61 874
Namibia	(25 820)	20 314
South Africa	89 617	76 255
Other countries	1 894	2 164
Group transactions	3 188	(17 846)
	337 480	263 376
Segmental assets		
Botswana	1 834 825	1 599 229
Eswatini	355 470	237 285
Namibia	362 189	253 207
South Africa	698 689	602 151
Other countries	14 656	17 514
Group transactions	(154 918)	(152 453)
	3 110 911	2 556 933
Segmental liabilities		
Botswana	1 122 344	1 003 872
Eswatini	171 627	91 748
Namibia	263 863	151 845
South Africa	239 275	125 969
Other countries	3 982	7 188
Group transactions	(157 736)	(151 338)
	1 643 355	1 229 284
Reconciliation from adjusted EBITDA to profit after tax:		
Adjusted EBITDA	442 578	322 969
Depreciation and amortisation	(73 931)	(32 593)
Impairment of intangible assets	(31 167)	(27 000)
EBIT	337 480	263 376
Net finance cost	(34 315)	(14 473)
Taxation	(94 819)	(76 897)
Profit after tax	208 346	172 006

Revenues of approximately R1 676 million (2018: R1 446 million) are derived from two external customers domiciled in Botswana and are attributed to the Botswana and Namibia segments.

The EBIT loss in the Namibian segment is due to the R30 million impairment of the goodwill of the SMC Namibia investment.

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

	(Audited) year ended 31 Dec 2019 R'000	(Audited) year ended 31 Dec 2018 R'000
Profit after taxation attributable to the owners of the parent	187 820	152 755
Profit on sale of property, plant and equipment	(1 788)	(2 171)
Impairment of investment in associates	12 000	–
Loss on sale of associated companies	438	835
Impairment of intangible assets	31 167	27 000
Tax effect on above	513	654
Non-controlling interest on above	241	328
Headline earnings attributable to owners of the parent	230 391	179 401
Headline earnings per share (cent)	51.31	40.11
Diluted headline earnings per share (cent)	51.26	39.95
Dividends paid per share (cent)	7.96	5.99
Issued number of shares	449 219 484	448 520 150
Weighted average number of shares	448 986 373	447 224 910
Weighted average number of diluted shares	449 466 356	449 098 595

On 8 May 2019, share options of 699 334 shares were exercised by a director.

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The condensed consolidated financial statements for the year ended 31 December 2019, 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*. This financial report is an extract from the audited consolidated financial statements.

The accounting policies applied in the preparation of the consolidated annual financial statements are consistent with those accounting policies applied in the preparation of the previous year's consolidated annual financial statements, except for the adoption of new and amended standards as set out below, which were also reported on during the corresponding interim reporting period.

The financial information is presented in South African Rand (rounded to the nearest thousand), which is considered the reporting currency. The consolidated financial statements have been prepared under the supervision of the Chief Financial Officer, Mr FJ Reichert CA(SA) and have been audited by PricewaterhouseCoopers Inc. These condensed consolidated financial statements for the year ended 31 December 2019 were approved for issue by the board on 12 March 2020.

2. New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 *Leases*
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Long-term Interest in Associates and Joint Ventures – Amendments to IAS 28
- Interpretation 23 *Uncertainty over Income Tax Treatments*

The group also elected to adopt the following amendment early:

- Amendments to IFRS 3 – *Definition of a Business*

The group had to change its accounting policies as a result of adopting IFRS 16. The group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard, on 1 January 2019. This is disclosed in note 4. The other amendments listed above did not have a material impact on the amounts recognised in the current reporting period and are not expected to significantly affect the foreseeable future periods.

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

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 the nominal value of payables are assumed to approximate their fair values.

4. Changes in accounting policies

The group had to change its accounting policy as a result of adopting IFRS 16 *Leases*. This note explains the impact of the adoption of IFRS 16 on the group's financial statements.

The group has adopted the new rules retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provision in the standard. The reclassification and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessees' incremental borrowing rate as of 1 January 2019. The weighted average lessees' incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 10.7%.

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

(i) **Practical expedients applied**

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- accounting for low value leases of IT equipment and small items of office equipment as expenses in the statement of comprehensive income; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the group relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(ii) **Measurement of lease liabilities**

	2019 R'000
Operating lease commitments disclosed as at 31 December 2018	58 088
Less: short-term and low value leases recognised on a straight-line basis as expenses	(1 003)
Less: non-lease components included above	(8 424)
Add: adjustments as a result of a different treatment of extension options	15 726
	64 387
Discounted using the lessees' incremental borrowing rate at the date of initial application	54 654
Add: finance lease liabilities recognised as at 31 December 2018	22 603
Lease liability recognised as at 1 January 2019	77 257
Of which are:	
Current lease liabilities	30 853
Non-current lease liabilities	46 404
	77 257

(iii) **Measurement of right-of-use assets**

The associated right-of-use assets were measured at the amount equal to the lease liability.

(iv) **Adjustments recognised in the statement of financial position on 1 January 2019**

The change in accounting policy increased the following items in the statement of financial position on 1 January 2019:

• property, plant and equipment	54 654
• deferred tax assets	4 925
• deferred tax liabilities	4 925
• borrowings	54 654

5. **Shares issued**

On 8 May 2019, share options were exercised by a director on the net equity basis. The impact is as follows:

Issued shares	Number	R'000
Balance at beginning of the year	448 520 150	833 348
Exercise of options issued under the CA Sales Holdings Executive Share Option Scheme – 2015	699 334	–
Balance at 31 December 2019	449 219 484	833 348

6. Events after balance sheet date

There were no 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 2019.

7. Declaration of dividend

Notice is hereby given that the final gross ordinary share cash dividend of 10.2574 (2018: 7.9637) cents (or BWP equivalent) per share in respect of the year ended 31 December 2019 was declared on Wednesday 18 March 2020, and will be paid to the ordinary shareholders of the company, recorded in the register on Friday, 3 April 2020, at the close of business on Thursday, 9 April 2020. In line with the company's dividend policy, the dividend was maintained at 20% of the headline earnings.

The ex-dividend date for shareholders on the Botswana Stock Exchange will be Wednesday, 1 April 2020 and Monday, 6 April 2020 for shareholders on the 4 Africa Exchange. The record date to appear in the register to participate in the dividend will be Friday, 3 April 2020. The dividend will be paid on Thursday, 9 April 2020. The South African register will be closed for the purposes of dematerialisation, re-materialisation from Wednesday, 1 April 2020 to Friday, 3 April 2020, both dates inclusive, and for transfers between the South African and Botswana registers between Wednesday, 1 April 2020 and Friday, 3 April 2020, both dates inclusive. The exchange rate applicable for the conversion of ZAR to BWP, tax implications and other information on the payment to shareholders on the Botswana Stock Exchange register will be confirmed in a separate announcement to be released on BSE X-News and 4 Africa News Service on Tuesday, 24 March 2020, being the finalisation date.

The number of issued shares at the declaration date is 449 219 484. The dividend has been declared from income reserves. The tax registration number of the company is 9390266170.

As per the double tax agreement between Botswana and South Africa, the South African withholding tax of 15% is deducted from dividends distributed to shareholders registered on the Botswana Stock Exchange. This dividend is treated as a foreign dividend for Botswana shareholders. In respect of shareholders registered on the 4 Africa 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 8.2059 cents per share. Shareholders must take individual advice as to applicable taxes.

For and on behalf of the board

Chairman: **JA Holtzhausen**

Chief Executive Officer: **DS Lewis**

Johannesburg
12 March 2020

CORPORATE INFORMATION

Directors:

Executive: DS Lewis.

Non-executive: FW Britz, PN de Waal, JA Holtzhausen, TP Rogers.

Independent non-executive: LR Cronje, B Marole, E Masilela, B Patel.

Alternate non-executive: J Craven.

Registered office:

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BSE Sponsor:

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