KAP INDUSTRY IN MOTION™

KAP is a diversified industrial business focused on growth in African markets

KAP Industrial Holdings Limited

Audited results for the year ended 30 June 2015

Financial review

These are provisional audited results for the year ended 30 June 2015.

The following operations are disclosed as discontinued operations:

- Fresh Freight in the Diversified Logistics segment, and
- Footwear, Weatherboard/Braecroft and BCM in the Diversified Industrial segment.

Revenue and operating profit before capital items

Revenue from continuing operations increased by 8% to R15 664 million from R14 471 million, with growth mainly from the Diversified Industrial segment.

Operating profit before capital items from continuing operations increased by 13% to R1 666 million from R1 480 million, resulting in margins increasing to 10.6% from 10.2%. The operating profit of the Diversified Logistics segment increased by 10% to R880 million from R801 million, resulting in margins increasing to 11.2% from 10.4%. The operating profit of the Diversified Industrial segment increased by 16% to R786 million from R679 million, resulting in margins increasing to 10.0% from 9.7%.

Tax rate

The effective tax rate increased to 27.2% from 26.5%, as a result of a change in the mix of earnings in various tax jurisdictions across the group.

Cash flow

Cash generated from operations increased by 20% to R2 275 million from R1 888 million. The conversion ratio of operating profit before capital items into cash generated from operations increased to 137% from 129%.

Replacement capital expenditure, net of disposal proceeds and government grants, of R683 million continues to be managed in relation to the depreciation charge. Expansion capital expenditure of R512 million was invested throughout the group in order to capitalise on growth opportunities within the group's strategic parameters.

During the year, R290 million was received as net proceeds on the disposal of the Footwear business, and R180 million was received as net proceeds on the disposal of the Weatherboard/Braecroft business. R142 million was paid in respect of the cash portion for the acquisition of Restonic in January 2015.

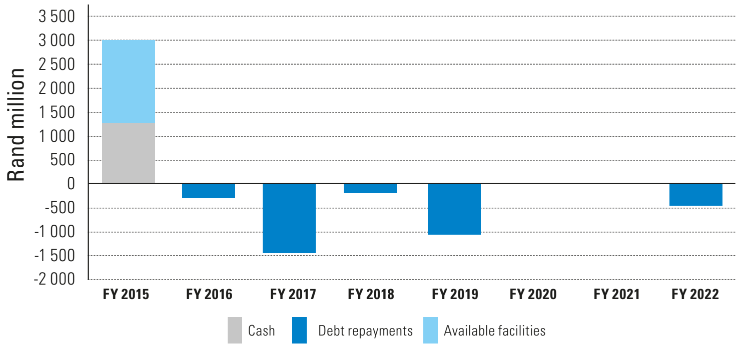
Debt structure and finance costs

Net interest-bearing debt reduced to R2 089 million from R2 676 million, which resulted in a further reduction in the gearing ratio to 27% from 40%. The debt structure and cover ratios are reflected as follows:

Debt structure	30 June 2015 Rm	30 June 2014 Rm
Interest-bearing long-term liabilities	3 129	3 436
Interest-bearing short-term liabilities	327	68
Bank overdrafts and short-term facilities	3	520
Cash and cash equivalents	(1 370)	(1 348)
Net interest-bearing debt	2 089	2 676
Total equity (excluding non-controlling interests)	7 761	6 709
Net interest-bearing debt: equity	27%	40%
EBITDA*	2 450	2 230
Net finance charges*	289	327
EBITDA: interest cover (times)	8.5	6.8
Net debt: EBITDA (times)	0.9	1.2

**From continuing operations*

The maturity profile of the net debt is reflected as follows:



Working capital

Net working capital increased to R398 million from R252 million mainly due to the reduced utilisation of creditor funding and the inclusion of Restonic. Inventories and accounts receivable were largely unchanged. The net working capital investment remains low relative to revenue of the group.

Headline earnings per share (HEPS)

HEPS including discontinued operations increased by 19% to 40.2 cents from 33.8 cents in the comparative period. HEPS from continuing operations increased by 19% to 40.6 cents from 34.1 cents in the comparative period.

Net asset value (NAV)

The NAV per share increased to 320 cents from 286 cents in the comparative period.

Outlook

Management believes that economic activity in South Africa will remain subdued for the foreseeable future and therefore continues to optimise the group's existing operations, to focus on market share growth and on growth in the rest of Africa.

To this end the group will expand its Hosaf facility in order to increase PET production and will upgrade its Piet Retief particleboard plant in order to benefit from technology advancements, including raw material savings. The installation of a gloss finishing line at PG Bison's Boksburg operation, to be commissioned in July 2016, is expected to further enhance the group's value-adding strategy. The installation of the paper impregnation line at Woodchem is progressing well with commissioning expected in November 2015. The efficiency and marketing opportunities resulting from the creation of the Integrated Bedding division are expected to bear fruit in the 2016 financial year.

The consolidation of the Unitrans divisions into a single operation is expected to yield efficiency benefits and cost savings, and to unlock growth opportunities in South Africa and the rest of Africa through a more focused approach within certain sectors.

The group continues to seek out and pursue growth opportunities in accordance with its strategy. In view of the strong cash generation and reduced gearing, the group is well positioned to take advantage of opportunities as they arise.

Appreciation

The board of directors records its appreciation for the continued support and loyalty of the group's employees, shareholders, customers and suppliers.

Final dividend announcement

The board is pleased to announce a gross dividend of 15 cents per share (prior year: 12 cents per share) for the year ended 30 June 2015 has been approved.

On behalf of the board

J de V du Toit	KJ Grové	GN Chaplin
Independent non-executive chairman	Executive deputy chairman	Chief executive officer

18 August 2015

KAP Industrial Holdings Limited
("KAP" or "the company" or "the group")
Non-executive directors: J de V du Toit (Chairman)*, MJ Jooste, AB la Grange, IN Mkhari*, SH Müller*, SH Nomvete*, PK Quarmby*, DM van der Merwe, CJH van Niekerk
Executive directors: KJ Grové (Executive deputy chairman), GN Chaplin (Chief executive officer), JP Haveman (Chief financial officer)
Registration number: 1978/000181/06
Share code: KAP
ISIN: ZAE000171963
Registered address: 28 6th Street, Wynberg, Sandton, 2090
Postal address: PO Box 18, Stellenbosch, 7599
Telephone: 021 808 0900 **Facsimile**: 021 808 0901
E-mail: info@kap.co.za
Transfer secretaries: Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001
Company secretary: Steinhoff Africa Secretarial Services Proprietary Limited
Auditors: Deloitte & Touche
Sponsor: PSG Capital Proprietary Limited
*Independent non-executive directors

Revenue from continuing operations **up by 8%**

Headline earnings per share from continuing operations **up by 19%**

Cash generated from operations **up by 20%**

Gearing reduced to 27% from 40%

Dividend per share **up by 25%**

Corporate review

The group continued to invest in strategically aligned established businesses with high barriers to entry which enhance the group's quality of earnings in respect of sustainability, solid margins and cash generation. This resulted in the following strategic initiatives being implemented during the year:

- The acquisition of Restonic was successfully concluded, and good progress was made in creating an Integrated Bedding division with a national manufacturing and distribution footprint.
- The non-core Footwear business and the Weatherboard sawmill with its associated plantations were disposed of and the Fresh Freight business discontinued.
- The rationalisation of the group's Integrated Timber and Manufacturing divisions into a single Diversified Industrial segment and the consolidation of the Fuel, Agriculture & Mining and the Freight & Logistics divisions of Unitrans into a single Unitrans Logistics division were concluded during the year. This has resulted in streamlined management structures, improved systems and controls, and greater market focus.

During the year under review the group also continued to further its strategy of strengthening its position as a market leader in the industries that it serves in Africa.

The implementation of the group's strategy produced pleasing financial results for the year.

DIVERSIFIED LOGISTICS


UNITRANS LOGISTICS

Specialised contractual supply chain and logistics services

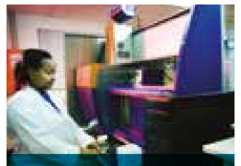

PASSENGER TRANSPORT

Personnel, commuter, intercity and tourism transport

DIVERSIFIED INDUSTRIAL


TIMBER

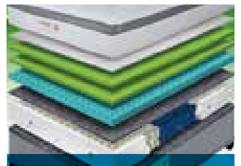
Forestry and timber operations with primary and secondary manufacturing


CHEMICAL

Manufacture of PET, resin and formaldehyde


AUTOMOTIVE COMPONENTS

Manufacture of components used in new vehicle assembly


INTEGRATED BEDDING

Manufacture of foam, fabrics, springs, bases and mattresses

Operational review

DIVERSIFIED LOGISTICS

The Diversified Logistics segment increased revenue by 2% to R7 863 million despite the subdued economic environment and the termination of certain low return contracts.

Increased logistics activity in the food, agriculture and infrastructure sectors offset reduced activity in the mining and furniture sectors. The fuel distribution sector remained stable for the year. Focus on growth in Africa continued across all sectors, including Passenger where a new personnel transport contract in Mozambique was successfully commissioned and expanded during the year.

The quality of revenue was enhanced during the year through a focused reallocation of capital to specific activities within strategic sectors where acceptable returns can be generated.

Cost-saving initiatives, efficiency improvements and the termination of low return contracts resulted in an improvement in operating margin to 11.2% from 10.4%. A lower weighted average fuel price during the year had little effect on the contractual logistics business since this benefit is contractually passed on to customers. The Passenger business however benefited from the lower weighted average fuel price.

DIVERSIFIED INDUSTRIAL

The Diversified Industrial segment increased revenue by 13% to R7 885 million for the year.

The second phase upgrade of the MDF plant in Boksburg was successfully concluded during the year. Increased MDF volumes were targeted toward import replacement, which, together with a 21% increase in particleboard exports, resulted in a 13% increase in revenue despite a contraction in domestic demand. Operating margin improved as a result of the technology and efficiency benefits of the MDF upgrade and continued operational and logistics savings.

The Chemical division (Hosaf and Woodchem) increased revenue by 3% for the year. Woodchem expanded capacity in order to benefit from market share growth. Currency and underlying raw material commodity price volatility was well managed during the year, thereby protecting margins.

Revenue in the Automotive Components division increased by 30% for the year, primarily as a result of increased build volumes in the automotive sector, the successful start-up of certain new models, and increased parts penetration by the business.

Following the acquisition of Restonic on 2 January 2015, the furniture components business was restructured in order to facilitate the formation of an Integrated Bedding division. This led to the closure of BCM and an improved performance at Vitafoam and DesleeMattex. Restonic performed to expectation for the second half of the year. The division grew revenue by 27% from continuing operations including Restonic for six months.

Summarised consolidated financial statements

SUMMARISED CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 30 June 2015 Audited Rm	Year ended 30 June 2014 Audited (*) Rm	% change
Revenue		15 664	14 471	8
Operating profit before depreciation, amortisation and capital items		2 450	2 230	10
Depreciation and amortisation		(784)	(750)	
Operating profit before capital items		1 666	1 480	13
Capital items	1	(35)	(8)	
Earnings before interest, dividend income, associate and joint venture earnings and taxation		1 631	1 472	11
Net finance charges		(289)	(327)	12
Share of loss of associate and joint venture companies		–	(5)	
Profit before taxation		1 342	1 140	18
Taxation		(361)	(309)	17
Profit for the year from continuing operations		981	831	18
Loss for the year from discontinued operations	2	(51)	(74)	
Profit for the year		930	757	23
Attributable to:				
Owners of the parent		888	724	23
Non-controlling interests		42	33	
Profit for the year		930	757	23
From continuing and discontinued operations:				
Headline earnings per ordinary share (cents)		40.2	33.8	19
Fully diluted headline earnings per ordinary share (cents)		39.6	33.4	19
Basic earnings per ordinary share (cents)		37.2	30.9	20
Fully diluted earnings per ordinary share (cents)		36.7	30.5	20
From continuing operations:				
Headline earnings per ordinary share (cents)		40.6	34.1	19
Fully diluted headline earnings per ordinary share (cents)		40.1	33.8	19
Basic earnings per ordinary share (cents)		39.4	34.0	16
Fully diluted earnings per ordinary share (cents)		38.8	33.6	15
Number of ordinary shares in issue (m)		2 423	2 346	3
Weighted average number of ordinary shares in issue (m)		2 384	2 346	2
Earnings attributable to ordinary shareholders (Rm)		888	724	23
Headline earnings attributable to ordinary shareholders (Rm)	3	959	792	21

ADDITIONAL INFORMATION

	Year ended 30 June 2015 Audited Rm	Year ended 30 June 2014 Audited (*) Rm
Note 1: Capital items		
From continuing operations:		
Loss on disposal of property, plant and equipment and investment properties	(1)	(6)
Loss on disposal of investments and impairments	(34)	(2)
	(35)	(8)
From discontinued operations:		
Loss on disposal of property, plant and equipment and investment properties	(6)	(2)
Loss on disposal of investments and impairments	(51)	(87)
	(57)	(89)
	(92)	(97)
Note 2: Loss for the year from discontinued operations		
Revenue	474	1 322
Loss before depreciation, amortisation and capital items	(1)	(2)
Depreciation and amortisation	(7)	(16)
Loss before capital items	(8)	(18)
Capital items (note 1)	(57)	(89)
Loss before interest, dividend income, associate and joint venture earnings and taxation	(65)	(107)
Net finance charges	–	(3)
Loss before taxation	(65)	(110)
Taxation	14	36
Loss for the year from discontinued operations	(51)	(74)
Note 3: Headline earnings attributable to ordinary shareholders		
Earnings attributable to owners of the parent	888	724
Adjusted for:		
Capital items (note 1)	92	97
Taxation effects of capital items	(21)	(30)
Non-controlling interests' portion of capital items (net of taxation)	1	–
Capital items of associate and joint venture companies (net of taxation)	(1)	1
	959	792

FAIR VALUES OF FINANCIAL INSTRUMENTS

	Fair value as at 30 June 2015 Audited Rm	Fair value as at 30 June 2014 Audited Rm	Fair value hierarchy Audited
Derivative financial assets	3	1	Level 2
Derivative financial liabilities	(3)	(4)	Level 2

Level 2 financial instruments are valued using techniques where all of the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data. These inputs include published interest rate yield curves and foreign exchange rates.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2015 Audited Rm	30 June 2014 Audited (*) Rm
ASSETS		
Non-current assets		
Goodwill and intangible assets	1 598	1 290
Property, plant and equipment and investment properties	7 129	6 633
Consumable biological assets	1 824	1 875
Investments in associate and joint venture companies	140	145
Investments and loans	1	26
Deferred taxation assets	85	70
	10 777	10 039
Current assets		
Inventories	1 179	1 197
Accounts receivable and other current assets	2 575	2 528
Short-term loans	23	17
Cash and cash equivalents	1 370	1 348
Assets classified as held for sale	–	428
	5 147	5 518
Total assets	15 924	15 557
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary stated share capital	7 318	6 970
Reserves	443	(261)
	7 761	6 709
Non-controlling interests	169	150
Total equity	7 930	6 859
Non-current liabilities		
Interest-bearing long-term liabilities	3 129	3 436
Deferred taxation liabilities	1 086	994
Other long-term liabilities and provisions	93	89
	4 308	4 519
Current liabilities		
Accounts payable, provisions and other current liabilities	3 356	3 473
Interest-bearing short-term liabilities	327	68
Bank overdrafts and short-term facilities	3	520
Liabilities classified as held for sale	–	118
	3 686	4 179
Total equity and liabilities	15 924	15 557
Net asset value per ordinary share (cents)	320	286
Net interest-bearing debt to equity (%)	27	40

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June 2015 Audited Rm	Year ended 30 June 2014 Audited Rm
Profit for the year	930	757
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial loss on defined benefit plans	–	(2)
Deferred taxation	–	1
	–	(1)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign subsidiaries	27	16
	27	16
Other comprehensive income for the year	27	15
Total comprehensive income for the year	957	772
Total comprehensive income attributable to:		
Owners of the parent	916	739
Non-controlling interests	41	33
Total comprehensive income for the year	957	772

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year ended 30 June 2015 Audited Rm	Year ended 30 June 2014 Audited Rm
Balance at beginning of the year	6 859	6 301
Changes in ordinary stated share capital		
Net shares issued	348	–
Changes in reserves		
Total comprehensive income for the year attributable to owners of the parent	916	739
Dividends and capital distributions paid	(286)	(232)
Share-based payments	71	33
Other reserve movements	3	3
Changes in non-controlling interests		
Total comprehensive income for the year attributable to non-controlling interests	41	33
Dividends and capital distributions paid	(22)	(12)
Shares bought from non-controlling interests	–	(6)
Balance at end of the year	7 930	6 859
Comprising:		
Ordinary stated share capital	7 318	6 970
Reverse acquisition reserve	(3 952)	(3 952)
Distributable reserves	4 212	3 598
Share-based payment reserve	128	57
Other reserves	55	36
Non-controlling interests	169	150
	7 930	6 859

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 30 June 2015 Audited Rm	Year ended 30 June 2014 Audited (*) Rm
Operating profit before capital items	1 666	1 480
Depreciation and amortisation	784	750
Operating loss before depreciation, amortisation and capital items from discontinued operations	(1)	(2)
Net fair value adjustments of consumable biological assets and decrease due to harvesting	(86)	(114)
Other non-cash adjustments	114	(43)
Cash generated before working capital changes	2 477	2 071
Decrease/(increase) in inventories	1	(39)
Increase in receivables	(17)	(249)
(Decrease)/increase in payables	(186)	105
Changes in working capital	(202)	(183)
Cash generated from operations	2 275	1 888
Dividends received	2	5
Dividends paid	(304)	(200)
Net finance charges	(290)	(330)
Taxation paid	(200)	(125)
Net cash inflow from operating activities	1 483	1 238
Additions to property, plant and equipment – expansion	(512)	(413)
Additions to property, plant and equipment – replacement, net of proceeds and government grants received	(683)	(653)
Proceeds on disposal of investments	470	278
Acquisition of investments	(142)	(2)
Other investing activities	(7)	(48)
Net cash outflow from investing activities	(874)	(838)
Net cash inflow from operating and investing activities	609	400
Net cash outflow from financing activities	(602)	(385)
Net increase in cash and cash equivalents	7	15
Effects of exchange rate changes on cash and cash equivalents	15	13
Cash and cash equivalents at beginning of year	1 348	1 320
Cash and cash equivalents at end of year	1 370	1 348

SEGMENTAL ANALYSIS

	Year ended 30 June 2015 Audited Rm	Year ended 30 June 2014 Audited (*) Rm	% change
Revenue from continuing operations			
Diversified Logistics	7 863	7 705	2
Diversified Industrial	7 885	6 967	13
	15 748	14 672	7
Intersegment revenue eliminations	(84)	(201)	
	15 664	14 471	8
Operating profit before capital items from continuing operations			
Diversified Logistics	880	801	10
Diversified Industrial	786	679	16
	1 666	1 480	13

	30 June 2015 Audited Rm	%	30 June 2014 Audited (*) Rm	%
Total assets				
Diversified Logistics	5 624	39	5 520	39
Diversified Industrial	8 616	61	8 501	61
	14 240	100	14 021	100

RECONCILIATION OF TOTAL ASSETS PER STATEMENT OF FINANCIAL POSITION TO TOTAL ASSETS PER SEGMENTAL ANALYSIS

	30 June 2015 Audited Rm	30 June 2014 Audited Rm
Total assets per statement of financial position	15 924	15 557
Less: Cash and cash equivalents	(1 370)	(1 348)
Less: Investments in associate and joint venture companies	(140)	(145)
Less: Interest-bearing long-term loans receivable	–	(26)
Less: Interest-bearing short-term loans receivable	(23)	(17)
Less: Related party receivables	(151)	–
Total assets per segmental analysis	14 240	14 021

GEOGRAPHICAL INFORMATION

	Year ended 30 June 2015 Audited Rm	%	Year ended 30 June 2014 Audited (*) Rm	%
Revenue				
South Africa	13 856	88	12 862	89
Rest of Africa	1 808	12	1 609	11
	15 664	100	14 471	100
Non-current assets				
South Africa	9 720	90	9 184	91
Rest of Africa	1 057	10	855	9
	10 777	100	10 039	100

(*) Prior period disclosure has been restated to reflect discontinued operations as well as the new segments in which the group is now structured.

KAP INDUSTRY *IN MOTION*™

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance

The summarised consolidated financial statements have been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited, the information as required by IAS 34: *Interim Financial Reporting* and the requirements of the South African Companies Act, No. 71 of 2008 as amended. The summarised consolidated financial statements have been prepared using accounting policies that comply with IFRS which are consistent with those applied in the financial statements for the year ended 30 June 2014 except for the changes mentioned in note 5 below.

2. Basis of preparation

The summarised consolidated financial statements are prepared in millions of South African Rands (Rm) on the historical cost basis, except for certain assets and liabilities which are carried at amortised cost, and derivative financial instruments and biological assets which are stated at their fair values. The preparation of the summarised consolidated financial statements for the year ended 30 June 2015 was supervised by John Haveman, the group's chief financial officer.

3. Changes to comparative results

In addition to treating the Footwear business as discontinued operations, the prior year's income statement has been re-presented to reflect the additional discontinued operations of Fresh Freight, Bedding Component manufacturers ("BCM") and Weatherboard sawmill and Braecroft plantations ("Weatherboard/Braecroft"). The comparative information in the segmental analysis was also restated in the new segments in which the group is now structured, i.e. Diversified Logistics and Diversified Industrial.

4. Financial statements

The consolidated financial statements for the year have been audited by Deloitte & Touche, and their accompanying unmodified audit report as well as their unmodified audit report on this set of summarised financial information is available for inspection at the company's registered office. Information included under the headings "Outlook" and "Operational review" and any reference to future financial information included in the summarised financial information has not been audited or reviewed. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of their report with the accompanying financial information from the company's registered office. Full details of the group's business combinations for the year, additions and disposals of property, plant and equipment as well as commitments and contingent liabilities will be included in the group's Integrated Annual Report to be published. The results were approved by the board of directors on 18 August 2015.

5. Changes in accounting policies

The accounting policies of the group have been applied consistently to the periods presented in the summarised consolidated financial statements, except for the adoption of the following standards during the year which did not affect the results of the group:

IAS 27 – Consolidated and separate financial statements – Equity method in separate financial statements

IAS 36 – Impairment of assets – Recoverable amount disclosures of non-financial assets

IAS 39 – Financial instruments: recognition and measurement – Novation of derivatives and continuation of hedge accounting

IFRIC 21 – Levies

6. Post-balance sheet events

No significant events have occurred in the period between the end of the period under review and the date of this report.

7. Changes to the board/board committees

With effect from 18 November 2014, Mr JB Magwaza, independent non-executive director, retired from the board, Mr KJ Grové stepped down as chief executive officer and was appointed executive deputy chairman and Mr GN Chaplin was appointed chief executive officer. Mr SH Müller replaced Mr Magwaza as chairman of the company's human resources and remuneration committee. With effect from 18 May 2015, Mrs IN Mkhari has been appointed as chairperson of the company's newly constituted social and ethics committee.

8. Dividend timetable

The timetable in respect of the dividend is as follows:

Day	Event
Friday, 25 September 2015	Last day to trade
Monday, 28 September 2015	Shares trade *ex* dividend
Friday, 2 October 2015	Date to be recorded in the register to receive the dividend
Monday, 5 October 2015	Payment date

Share certificates may not be dematerialised or rematerialised between Monday, 28 September 2015 and Friday, 2 October 2015.

In terms of the taxation on dividends and the amendments to section 11.17 of the JSE Listings Requirements, the following additional information is disclosed:

(1) Local dividend tax rate is 15%.
(2) Dividends are to be paid from income reserves.
(3) The withholding tax, if applicable at the rate of 15%, will result in a net cash dividend per share of 12.75 cents.
(4) The issued ordinary share capital of KAP Industrial Holdings Limited is 2 422 812 158 shares at 18 August 2015.
(5) KAP Industrial Holdings Limited's tax reference number is 9999/509/71/5.