KAP Industrial Holdings Limited

Audited Results for the year ended 30 June 2014

KAP INDUSTRY IN MOTION™

Financial review

These are provisional audited results for the year ended 30 June 2014.

Revenue and operating profit before capital items

Group revenue from continuing operations increased by 9% to R14 748 million (FY13: R13 513 million) due to growth across all segments.

During the year the Footwear and Food divisions were sold and are therefore reported as discontinued operations, which affects the Manufacturing division.

The group operating profit from continuing operations of R1 472 million increased from R1 309 million in the comparative period due to a margin increase to 10,0% from 9,7% achieved in FY13.

The Logistics division's operating profit increased to R762 million from R686 million due to 10% growth in revenue, with margins widening slightly to 9,8% from 9,7%.

The Integrated Timber division improved its operating profit to R412 million from R347 million due to a combination of an 8% growth in revenue and an increase of the operating margin to 15,9% from 14,5%.

The Manufacturing division's operating profit increased to R298 million from R276 million. Revenue grew by 9% while margins remained constant at 6,5%.

Capital items

Capital items of R14 million in the continuing operations relate mainly to the disposal of assets. In the discontinued operations, the capital items relate mainly to the disposal of the Footwear division.

Cash flow

Cash generated before working capital changes increased to R2 071 million from R2 021 million, which equates to 142% of operating profit before capital items.

During the period, R278 million was received as proceeds on the disposal of the Food divisions.

Debt structure, finance costs and maturity profile

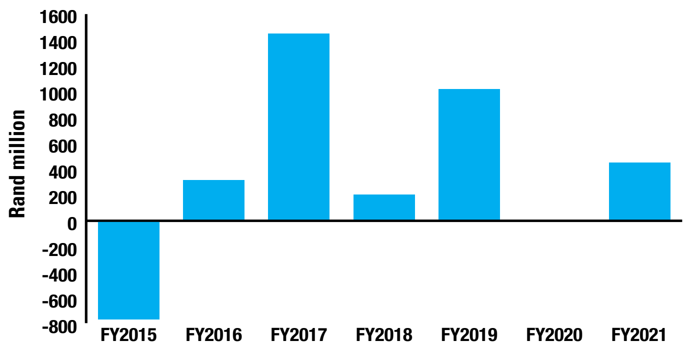
The sustained focus on strengthening the group's cash flows and balance sheet has resulted in the group's net interest-bearing debt reducing to R2 676 million from R3 090 million, which equates to a gearing ratio of 40% (FY13: 50%).

	FY14 Rm	FY13 Rm
Interest-bearing long-term liabilities	3 436	3 919
Interest-bearing short-term liabilities	68	350
Bank overdrafts and short-term facilities	520	141
Cash and cash equivalents	(1 348)	(1 320)
Net interest-bearing debt	2 676	3 090
Total equity (excluding minorities)	6 709	6 166
Net interest-bearing debt: equity	40%	50%
EBITDA	2 228	2 102
Net finance charges	330	371
EBITDA: interest cover (times)	6.8	5.7
Net debt: EBITDA	1.2	1.5

During the period, the group raised R1 000 million of listed domestic medium-term notes with a three-year and five-year tenure, as well as further term debt with maturity between two and seven years. The maturity profile of the group has therefore been extended significantly, with the debt raised at competitive rates. The proceeds of the notes and debt raised were utilised to replace the remaining balance of the Steinhoff loan (which has now been repaid in full) and to diversify funding sources.

The maturity profile of the group, net of cash on hand, is now as follows:

Maturity of net interest-bearing debt



Working capital

As indicated during interim results, the second half of the financial year has seen a release of working capital. Continuing operations' investment in net working capital was R269 million (FY13: R339 million).

Taxation

The effective tax rate of 26,5% is slightly lower than the South African statutory rate, due mainly to the effect of earnings in lower-tax rate jurisdictions in Africa.

Headline earnings per share (HEPS)

HEPS from continuing operations increased by 21% to 34.1 cents from 28.1 cents in the comparative period.

Net asset value (NAV)

The NAV per share increased by 9% to 286 cents from 263 cents.

Corporate action

In line with the group's strategy to focus on core strategic industrial assets, the group announced the disposal of its footwear interests to Bolton Footwear during the period, and consequently the footwear assets are accounted for as held-for-sale on the balance sheet and discontinued operations in the income statement. The disposal will realise approximately R290 million in cash to be paid within six months from the effective date, following approval by the Competition authorities.

Outlook

The Supply Chain Solutions and the Passenger divisions remain committed to growth in Africa in partnership with its existing strong customer base, as well as capitalising on opportunities in the South African market. The Supply Chain Solutions division will see further benefits from its restructuring, while Mozambique expansion in the Passenger division is expected to support growth.

In the Integrated Timber division, the volume and margin benefits of the new MDF plant and efficiency improvement measures are expected to continue.

The Manufacturing division has improved its focus following its disposals over the last two years. Hosaf is expected to deliver another good performance. Following a vehicle model change over of one of its customers, Feltex is expected to regain its vehicle build volumes.

The group continues to apply its strategy of focusing on its core industrial assets in emerging African markets.

Appreciation

We thank our employees, shareholders, customers and suppliers for their continued support and loyalty.

Final dividend announcement

In light of the good cash flows for the year and cash flows received from the disposal of non-core assets, the Board has approved a gross dividend of 12 cents per share (FY13: 8 cents per share) from income reserves, for the year ended 30 June 2014.

On behalf of the Board

J de V du Toit	KJ Grové
Independent non-executive Chairman	Chief Executive Officer

18 August 2014

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, JB Magwaza*, IN Mkhari*, SH Müller*, SH Nomvete*, PK Quarmby*, DM van der Merwe, CJH van Niekerk
Executive directors: KJ Grové (CEO), JP Haveman (CFO)
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

Headline earnings per share from continuing operations
up by 21%
from 28.1 cents to 34.1 cents

Dividend per share
up by 50%
from 8 cents to 12 cents

R1.9 billion
Cash generated from operations

R1 billion
Maiden bond programme launched

KAP IS AN INDUSTRIAL BUSINESS FOCUSED ON GROWTH IN EMERGING AFRICAN MARKETS.

LOGISTICS		INTEGRATED TIMBER	MANUFACTURING
A specialist logistics division that designs, implements and manages supply chain and logistics services.	A passenger transport division providing personnel, tourist and commuter transport services.	An integrated timber division incorporating timber plantations, sawmills, poles and panel related production facilities.	An industrial manufacturing division that produces a number of key industrial products such as polyethylene terephthalate (PET) resin, vehicle components, and furniture and bedding-related products.

Operational review

LOGISTICS

Unitrans Supply Chain Solutions (USCS)

Considerable progress has been made in realigning resources and intensifying focus on sustainable specialist opportunities in the market. Unitrans Supply Chain Solutions completed its restructure into two divisions during the year under review. Revenue and profit growth was experienced in both these divisions with the once-off restructuring charges being more than offset by resulting cost savings.

The Fuel, Agriculture and Mining division reported good revenue growth across its customer base, in line with the African growth strategy. The continued investment in our resources and infrastructure in Africa during the past years is now driving margin growth and increasing volumes.

Despite tough economic and operating conditions, the Freight and Logistics division improved revenue and profits. The good growth experienced was hampered by a poor performance in Fresh Freight's warehousing and distribution operations.

Unitrans Passenger

The Passenger division experienced difficult trading conditions due mainly to the increase in the fuel price and the protracted strike on the platinum mines. However, the division continues to deliver good cash flows and excellent returns on assets.

The tourism market is showing signs of a slow recovery, with the weakness of the Rand assisting volumes.

Intercity operations remained under pressure due to a fragmented market, although cross-border activity between Zimbabwe and South Africa is increasing.

The Gautrain feeder and distribution services delivered sustained growth in line with expectations.

INTEGRATED TIMBER

Revenue growth was achieved primarily through increased volumes from the new Medium Density Fibreboard (MDF) plant, an increased ratio of value added products and increased resin volumes to non-panel markets.

Margin improvement was achieved through the efficiency and cost benefits of the new MDF plant, a major restructuring of internal logistics and an increased ratio of value added products. The 2012 restructure continued to yield cost savings during this financial year.

MANUFACTURING

During the year, the division disposed of its footwear operations subject to competition authorities approval.

The PET resin manufacturing operation (Hosaf) again delivered good results, which offset the lower vehicle build due to a vehicle model change over in the Automotive components operation (Feltex). The Furniture and Bedding division delivered satisfactory performance, supported by key brands.

Summarised consolidated financial statements

SUMMARISED CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 30 June 2014 Audited Rm	Year ended 30 June 2013 Audited* Rm	% change
Revenue		**14 748**	13 513	9
Operating profit before depreciation, amortisation and capital items		**2 231**	2 050	9
Depreciation and amortisation		**(759)**	(741)	
Operating profit before capital items		**1 472**	1 309	12
Capital items	1	**(14)**	20	
Earnings before interest, dividend income, associate earnings and taxation		**1 458**	1 329	10
Net finance charges		**(325)**	(364)	
Share of (loss)/profit of associate and joint-venture companies		**(5)**	14	
Profit before taxation		**1 128**	979	15
Taxation		**(302)**	(272)	
Profit for the year from continuing operations		**826**	707	17
(Loss)/profit for the year from discontinued operations	2	**(69)**	4	
Profit for the year		**757**	711	6
Attributable to:				
Owners of the parent		**724**	677	7
Non-controlling interests		**33**	34	
Profit for the year		**757**	711	6
From continuing and discontinued operations:				
Headline earnings per ordinary share (cents)		**33,8**	29,1	16
Fully diluted headline earnings per ordinary share (cents)		**33,4**	29,0	15
Basic earnings per ordinary share (cents)		**30,9**	28,9	7
Fully diluted earnings per ordinary share (cents)		**30,5**	28,8	6
From continuing operations:				
Headline earnings per ordinary share (cents)		**34,1**	28,1	21
Fully diluted headline earnings per ordinary share (cents)		**33,7**	28,0	20
Basic earnings per ordinary share (cents)		**33,8**	28,7	18
Fully diluted earnings per ordinary share (cents)		**33,4**	28,6	17
Number of ordinary shares in issue (m)		**2 346**	2 346	–
Weighted average number of ordinary shares in issue (m)		**2 346**	2 342	–
Earnings attributable to ordinary shareholders (Rm)		**724**	677	7
Headline earnings attributable to ordinary shareholders (Rm)	3	**792**	682	16

ADDITIONAL INFORMATION

	Year ended 30 June 2014 Audited Rm	Year ended 30 June 2013 Audited* Rm
Note 1: Capital items		
From continuing operations:		
(Loss)/profit on disposal of property, plant and equipment and investment property	**(8)**	49
Loss on disposal of investments and impairments	**(6)**	(29)
	(14)	20
From discontinued operations:		
Profit on disposal of property, plant and equipment and investment property	–	1
Loss on disposal of investments and impairments	**(83)**	(25)
	(83)	(24)
	(97)	(4)
Note 2: (Loss)/profit for the year from discontinued operations		
Revenue	**1 045**	1 833
Operating (loss)/profit before depreciation, amortisation and capital items	**(3)**	52
Depreciation and amortisation	**(7)**	(16)
Operating (loss)/profit before capital items	**(10)**	36
Capital items	**(83)**	(24)
Earnings before interest, dividend income, associate earnings and taxation	**(93)**	12
Net finance charges	**(5)**	(7)
(Loss)/profit before taxation	**(98)**	5
Taxation	**29**	(1)
(Loss)/profit for the year from discontinued operations	**(69)**	4
Note 3: Headline earnings attributable to ordinary shareholders		
Earnings attributable to owners of the parent	**724**	677
Adjusted for:		
Capital items (note 1)	**97**	4
Taxation effects of capital items	**(30)**	1
Capital items of associate and joint-venture companies (net of taxation)	**1**	–
	792	682

FAIR VALUES OF FINANCIAL INSTRUMENTS

	Fair value as at 30 June 2014 Rm	Fair value as at 30 June 2013 Rm	Fair value hierarchy
Derivative financial assets	**1**	52	Level 2
Derivative financial liabilities	**(6)**	–	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 COMPREHENSIVE INCOME

	Year ended 30 June 2014 Audited Rm	Year ended 30 June 2013 Audited* Rm
Profit for the year	**757**	711
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	**16**	62
	16	62
Other comprehensive income for the year	**15**	62
Total comprehensive income for the year	**772**	773
Total comprehensive income attributable to:		
Owners of the parent	**739**	739
Non-controlling interests	**33**	34
Total comprehensive income for the year	**772**	773

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year ended 30 June 2014 Audited Rm	Year ended 30 June 2013 Audited* Rm
Balance at beginning of the year	**6 301**	5 683
Changes in ordinary stated share capital		
Net shares issued	–	1
Changes in reserves		
Total comprehensive income for the year attributable to owners of the parent	**739**	739
Dividends and capital distributions paid	**(232)**	(156)
Share-based payments	**33**	(25)
Other reserve movements	**3**	43
Changes in non-controlling interests		
Total comprehensive income for the year attributable to non-controlling interests	**33**	34
Dividends and capital distributions paid	**(12)**	(18)
Shares bought from non-controlling interests	**(6)**	–
Balance at end of the year	**6 859**	6 301
Comprising:		
Ordinary stated share capital	**6 970**	6 970
Reverse acquisition reserve	**(3 952)**	(3 952)
Distributable reserves	**3 598**	3 105
Share-based payment reserve	**57**	24
Other reserves	**36**	19
Non-controlling interests	**150**	135
	6 859	6 301

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2014 Audited Rm	30 June 2013 Audited* Rm
ASSETS		
Non-current assets		
Goodwill and intangible assets	**1 290**	1 311
Property, plant and equipment, investment properties	**6 633**	6 394
Consumable biological assets	**1 875**	1 761
Investments in associate and joint-venture companies	**145**	138
Investments and loans	**26**	25
Deferred taxation assets	**70**	68
	10 039	9 697
Current assets		
Inventories	**1 197**	1 382
Accounts receivable, short-term loans and other current assets	**2 545**	2 370
Cash and cash equivalents	**1 348**	1 320
Assets classified as held-for-sale	**428**	351
	5 518	5 423
Total assets	**15 557**	15 120
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary stated share capital	**6 970**	6 970
Reserves	**(261)**	(804)
	6 709	6 166
Non-controlling interests	**150**	135
Total equity	**6 859**	6 301
Non-current liabilities		
Interest-bearing long-term liabilities	**3 436**	3 919
Deferred taxation liabilities	**994**	852
Other long-term liabilities and provisions	**89**	77
	4 519	4 848
Current liabilities		
Accounts payable, provisions and other current liabilities	**3 473**	3 413
Interest-bearing short-term liabilities	**68**	350
Bank overdrafts and short-term facilities	**520**	141
Liabilities classified as held-for-sale	**118**	67
	4 179	3 971
Total equity and liabilities	**15 557**	15 120
Net asset value per ordinary share (cents)	**286**	263
Net interest-bearing debt to equity (%)	**40%**	50%

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 30 June 2014 Audited Rm	Year ended 30 June 2013 Audited* Rm
Operating profit before capital items	**1 472**	1 309
Depreciation and amortisation	**759**	741
Operating profit before depreciation, amortisation and capital items from discontinued operations	**(3)**	52
Net fair value adjustments of consumable biological assets and decrease due to harvesting	**(114)**	(105)
Other non-cash adjustments	**(43)**	24
Cash generated before working capital changes	**2 071**	2 021
Increase in inventories	**(39)**	(137)
Increase in receivables	**(248)**	(62)
Increase in payables	**104**	427
Changes in working capital	**(183)**	228
Cash generated from operations	**1 888**	2 249
Dividends received	**5**	–
Dividends paid	**(200)**	(158)
Net finance costs	**(330)**	(372)
Taxation paid	**(125)**	(132)
Net cash inflow from operating activities	**1 238**	1 587
Additions to property, plant and equipment – expansion	**(413)**	(599)
Additions to property, plant and equipment – replacement, net of proceeds and government grants received	**(653)**	(448)
Proceeds on disposal of investments	**278**	–
Other investing activities	**(50)**	(114)
Net cash outflow from investing activities	**(838)**	(1 161)
Net cash outflow from financing activities	**(385)**	(476)
Net increase/(decrease) in cash and cash equivalents	**15**	(50)
Effects of exchange rate changes on cash and cash equivalents	**13**	40
Cash and cash equivalents at beginning of year	**1 320**	1 330
Cash and cash equivalents at end of year	**1 348**	1 320

SEGMENTAL ANALYSIS

	Year ended 30 June 2014 Audited Rm	Year ended 30 June 2013 Audited* Rm	% change
Revenue from continuing operations			
Logistics	**7 737**	7 042	10
Integrated Timber	**2 585**	2 392	8
Manufacturing	**4 629**	4 229	9
	14 951	13 663	9
Intersegment revenue eliminations	**(203)**	(150)	
	14 748	13 513	9
Operating profit before capital items from continuing operations			
Logistics	**762**	686	11
Integrated Timber	**412**	347	19
Manufacturing	**298**	276	8
	1 472	1 309	12

	30 June 2014 Audited Rm	%	30 June 2013 Audited* Rm	%
Total assets				
Logistics	**5 520**	39	5 139	38
Integrated Timber	**5 175**	37	4 912	36
Manufacturing	**3 326**	24	3 504	26
	14 021	100	13 555	100

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

	30 June 2014 Audited Rm	30 June 2013 Audited* Rm
Total assets per statement of financial position	**15 557**	15 120
Less: Cash and cash equivalents	**(1 348)**	(1 320)
Less: Investments in associate and joint-venture companies	**(145)**	(138)
Less: Interest-bearing long-term loans receivable	**(26)**	(30)
Less: Interest-bearing short-term loans receivable	**(17)**	–
Less: Related-party receivables	–	(77)
Total assets per segmental analysis	**14 021**	13 555

GEOGRAPHICAL INFORMATION

	Year ended 30 June 2014 Audited Rm	%	Year ended 30 June 2013 Audited* Rm	%
Revenue				
South Africa	**13 139**	89	12 145	90
Rest of Africa	**1 609**	11	1 368	10
	14 748	100	13 513	100
	30 June 2014 Audited Rm	**%**	**30 June 2013 Audited* Rm**	**%**
Non-current assets				
South Africa	**9 184**	91	8 951	92
Rest of Africa	**855**	9	746	8
	10 039	100	9 697	100

* prior year disclosure has been restated to account for the adoption of new and revised accounting standards as well as to reflect discontinued operations.

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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 71 of 2008 as amended. The report has 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 2013 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 group's summarised consolidated financial results for the 12 months ended 30 June 2014 was supervised by John Haveman, the group's Chief Financial Officer.

3. Changes to comparative results

Prior years' disclosure has been restated to account for the adoption of new and revised accounting standards, in particular the required equity accounting of joint ventures. In addition, the June 2013 income statement was re-presented to reflect the discontinued Footwear division.

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 Report to be published. The results were approved by the Board of directors on 18 August 2014.

5. Changes in accounting policies

The accounting policies of the group have been applied consistently to the periods presented in the consolidated financial statements, except for the adoption of the following standards during the year:

IFRS 10 – Consolidated Financial Statements;

IFRS 11 – Joint Arrangements;

IFRS 12 – Disclosure of Interests in Other Entities;

IFRS 13 – Fair Value Measurement;

IAS 19 (revised) – Employee Benefits;

IAS 27 – Consolidated and Separate Financial Statements; and

IAS 28 – Investment in Associates and Joint Ventures.

Only IFRS 11 and IAS 28 had an effect on the group's results and required the restatement of prior periods, but the restatement is immaterial and therefore no separate disclosure of the restatement is required.

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. Dividend timetable

The timetable in respect of the dividend is as follows:

DAY	EVENT
Friday, 26 September 2014	Last day to trade
Monday, 29 September 2014	Shares trade ex dividend
Friday, 3 October 2014	Date to be recorded in the register to receive the dividend
Monday, 6 October 2014	Payment date

Share certificates may not be demateralised or remateralised between Monday, 29 September 2014 and Friday, 3 October 2014.

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) No STC credits were utilised in determining the net dividend;

(3) The withholding tax, if applicable at the rate of 15%, will result in a net cash dividend per share of 10,2 cents;

(4) The issued ordinary share capital of KAP Industrial Holdings Limited is 2 346 187 888 shares at 18 August 2014; and

(5) KAP Industrial Holdings Limited's tax reference number is 9999/509/71/5.

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