

Financial review

Impact of the acquisition of the Steinhoff Industrial assets

In terms of the reverse acquisition in 2012, the comparative figures reflect the results of the Steinhoff Industrial assets for 12 months, and the results of the traditional KAP assets for 3 months. The only segment which is affected by this is the Manufacturing division.

Revenue

Revenue from continuing operations increased by 37% due to growth experienced across all major divisions.

Operating profit before capital items

The operating profit of R1 330 million increased from R1 098 million in the comparative period due to a good operational performance. The Logistics Division's operating profit decreased from R701 million to R686 million due mainly to the impact of the strike. The repositioned Integrated Timber Division improved its operating profit, from R273 million to R347 million by increased focus on its manufacturing strategy. The Manufacturing Division's operating profit increased on a like for like basis due to a good performance from both the PET segment (Hosaf) and the automotive segment (Feltex).

Cash flow

As anticipated, the group generated healthy cash flow in the second half of the financial year.

Cash generated from operations for the full year of R2 254 million represents 169% of operating profit before capital items (2012: 174%) and includes a reduction in the working capital investment of R225 million (2012: R279 million).

Debt structure and finance costs

The group's net debt of R3 079 million (2012: R3 540 million) equates to a gearing ratio of 50% (2012: 64%). The majority of the debt is represented by a shareholder loan with predetermined maturity dates which supports the capitalisation of the group in the medium to long-term. Management remains confident in the serviceability of the debt as indicated by the improving EBITDA/interest cover ratio at 5.7 times (2012: 4.5 times).

Headline earnings per share (HEPS) and earnings per share (EPS)

HEPS increased by 20% to 29.1 cents (EPS increased by only 2% due to the inclusion of the once-off gain from bargain purchase in 2012).

Net asset value

The net asset value per share increased by 11% from 238 cents to 263 cents.

Corporate action

In line with its strategy to focus on the core strategic industrial assets within emerging markets, KAP announced on 21 June 2013 the sale of its food assets, being Bull Brand Foods and Brenner Mills.

On 23 July 2013, the Competition Commission approved the Bull Brand Foods transaction without conditions, so the effective date of the transaction was 1 August 2013. Approval is still awaited for the Brenner Mills transaction.

Outlook

The current slow economic conditions are expected to continue and have led to a focus on the containment of costs and heightened efficiencies to maintain margins in a more competitive low volume environment.

Both the Supply chain and Passenger divisions will continue to focus on expansion into Africa.

The Integrated Timber Division continues to focus on revenue growth and cost efficiencies. The commissioning of the new medium-density fibre board plant in October 2013 will lead to further cost reductions, which should benefit margins.

Demand for PET resin remains high and volumes at Hosaf are expected to grow.

Appreciation

The consolidation of the business over the last 12 months has been well received by all of our stakeholders, and bodes well for the future of KAP as an emerging market industrial group.

We would like to extend our sincere gratitude to all of our employees, shareholders, customers and suppliers for the support which they have given us.

Final dividend announcement

In light of the good cash flows for the year, the Board has increased its gross dividend declared by 33% to 8 cents per share (2012: 6 cents per share) from income reserves, for the year ended 30 June 2013.

Signed on behalf of the Board.

J de V du Toit
Non-executive Chairman

19 August 2013

K J Grové
Chief Executive Officer

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

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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

www.kap.co.za

HEADLINE EARNINGS PER SHARE

↑ by 20%

FROM 24.2 CENTS TO 29.1 CENTS

R2 254 M

CASH GENERATED FROM OPERATIONS

DIVIDEND

↑ by 33%

FROM 6 CPS TO 8 CPS

GEARING RATIO

IMPROVED

FROM 64% TO 50%

NET ASSET VALUE PER SHARE

↑

FROM 238 CENTS TO 263 CENTS



LOGISTICS

Unitrans comprises a specialist supply chain business which designs, implements and manages supply chains and logistics for a diverse customer base on a long-term contractual basis in selected African countries. In addition, this segment includes the Unitrans Passenger Division which provides transport to the public, tourist and personnel market segments throughout Southern Africa.

INTEGRATED TIMBER

PG Bison's operations comprise forestry plantations and various manufacturing and upgrading plants which manufacture and/or distribute sawn timber, poles, wood-based panel products, decorative laminates, resin and solid surfacing materials to a diverse customer base in Southern Africa.

MANUFACTURING

The Manufacturing Division produces a number of key industrial products such as polyethylene terephthalate (PET) resin, vehicle components, footwear, and furniture and bedding-related products.

INDUSTRY IN MOTION™

Operational review

LOGISTICS

Unitrans Supply Chain Solutions

The current subdued economic conditions, especially in South Africa, affected the Unitrans operations to varying degrees.

- The Agriculture and Mining Division, and its African operations have generally performed well, while operations in South Africa have been under pressure.
- The Fuel and Chemical Division had satisfactory results due mainly to new contracts secured, despite the effect of the strike in the first half of the financial year.
- The Freight and Logistics Division was susceptible to volume pressure on customers affected by current economic conditions.

Unitrans Passenger

The Passenger Division continues to perform well both from a cash flow and a profitability perspective.

- The commuter operations delivered good results, backed-up by medium to long-term contracts, and continues to gain new business in line with its organic growth strategy.
- The tourist operations continue to deliver acceptable returns as a result of increased tourism numbers.

- Intercity operations continue to see pleasing growth, with increased volumes, higher average fares and growth in market share. The Gautrain feeder and distribution services continue to perform well, with volumes increasing, and service levels being met.

INTEGRATED TIMBER

The restructuring has delivered excellent results, with increased profits and margins.

PG Bison has been successfully repositioned as a focused timber products manufacturer and primary upgrader in South Africa. This focused strategy has enjoyed widespread support across the customer base, and has enabled the division to deliver excellent cash generation and improved margins.

The new medium-density fibre board plant is on track to be commissioned in October 2013.

MANUFACTURING

The PET resin manufacturing operations (Hosaf) increased volumes and delivered growth in profits and cash flow.

The Automotive components operations (Feltex) performed well due to buoyant local vehicle sales.

The smaller divisions remained under pressure due to adverse market conditions in the retail sector.

Financial statements

SUMMARISED CONSOLIDATED INCOME STATEMENT

	Year ended 30 June 2013 Audited Rm	Year ended 30 June 2012 ⁽¹⁾ Audited Rm	% change
Revenue⁽¹⁾	14 360	10 481	37
Operating profit before depreciation, amortisation and capital items	2 083	1 727	21
Depreciation and amortisation	(753)	(629)	—
Operating profit before capital items	1 330	1 098	21
Capital items	20	81	—
Earnings before interest, dividend income, associate earnings and taxation	1 350	1 179	15
Net finance costs	(368)	(381)	—
Finance costs	(468)	(498)	—
Income from investments	100	117	—
Share of profit of associate companies	9	11	—
Profit before taxation	991	809	22
Taxation	(274)	(218)	—
Profit for the year from continuing operations	717	591	21
(Loss)/profit for the year from discontinued operations	(6)	5	—
Profit for the year	711	596	19
Attributable to:			
Owners of the parent	677	574	18
Non-controlling interests	34	22	—
Profit for the year	711	596	19
From continuing and discontinued operations:			
Headline earnings per ordinary share (cents)	29.1	24.2	20
Fully diluted headline earnings per ordinary share (cents)	29.0	24.1	20
Basic earnings per ordinary share (cents)	28.9	28.4	2
Fully diluted earnings per ordinary share (cents)	28.8	28.2	2
From continuing operations:			
Headline earnings per ordinary share (cents)	28.5	24.0	19
Fully diluted headline earnings per ordinary share (cents)	28.4	23.9	19
Basic earnings per ordinary share (cents)	29.2	28.2	4
Fully diluted earnings per ordinary share (cents)	29.1	28.0	4
Number of ordinary shares in issue (m)	2 346	2 337	—
Weighted average number of ordinary shares in issue (m)	2 342	2 019	16
Earnings attributable to ordinary shareholders (Rm)	677	574	18
Headline earnings attributable to ordinary shareholders (Rm)	682	490	39

(* Prior year figures have been re-presented to reflect discontinued operations.

(1) A reallocation of R291 million was done between revenue and cost of sales in the Logistics segment to bring prior year disclosure in line with current year disclosure.

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June 2013 Audited Rm	Year ended 30 June 2012 Audited Rm
Profit for the year	711	596
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain 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	62	(11)
	62	(11)
Total other comprehensive income/(loss) for the year, net of taxation	62	(10)
Total comprehensive income for the year, net of taxation	773	586
Total comprehensive income attributable to:		
Owners of the parent	739	564
Non-controlling interests	34	22
Total comprehensive income for the year	773	586

ADDITIONAL INFORMATION

	Year ended 30 June 2013 Audited Rm	Year ended 30 June 2012 ⁽¹⁾ Audited Rm
Note 1: Capital items		
From continuing operations:		
Profit on disposal of property, plant and equipment	49	6
Foreign currency translation reserve released on disposal of subsidiary	—	6
Gain from bargain purchase	—	93
Loss on disposal of investments and associate companies and impairments	(29)	(24)
	20	81
From discontinued operations:		
Profit on disposal of property, plant and equipment	1	—
Loss on disposal of investments and associate companies and impairments	(25)	—
	(4)	81
Note 2: Headline earnings attributable to ordinary shareholders		
Earnings attributable to owners of the parent	677	574
Adjusted for:		
Capital items (note 1)	4	(81)
Taxation effects of capital items	1	(3)
	682	490

(* Prior year figures have been re-presented to reflect discontinued operations.

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 30 June 2013 Audited Rm	Year ended 30 June 2012 Audited Rm
Cash generated before working capital changes	2 029	1 627
Changes in working capital	225	279
Increase in inventories	(136)	(11)
(Increase)/decrease in receivables	(73)	176
Increase in payables	434	114
Cash generated from operations	2 254	1 906
Net interest paid	(372)	(375)
Dividends paid	(158)	(4)
Dividends received	—	1
Taxation paid	(133)	(68)
Net cash inflow from operating activities	1 591	1 460
Additions to property, plant and equipment - expansion	(596)	(419)
Additions to property, plant and equipment - replacement	(651)	(531)
Government grants received	22	—
Proceeds on disposal of property, plant and equipment	175	211
Additions to intangible assets	(16)	(26)
Acquisition of subsidiary companies, net of cash and cash equivalents on hand at acquisition	(37)	43
Disposal of subsidiaries and businesses, net of cash disposed	(1)	—
(Increase)/decrease in investments and loans	(31)	125
Increase in short-term loans receivable	(5)	—
Other investing activities	(27)	(20)
Net cash outflow from investing activities	(1 167)	(617)
Decrease in bank overdrafts and short-term facilities	(602)	(950)
Increase in long-term interest-bearing loans and borrowings	455	611
(Decrease)/increase in short-term interest-bearing loans and borrowings	(332)	86
Shares issued	1	—
Net cash outflow from financing activities	(478)	(253)
Net (decrease)/increase in cash and cash equivalents	(54)	590
Effects of exchange rate changes on cash and cash equivalents	40	(14)
Cash and cash equivalents at the beginning of the year	1 346	770
Cash and cash equivalents at the end of the year	1 332	1 346

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2013 Audited Rm	30 June 2012 Audited Rm
ASSETS		
Non-current assets		
Intangible assets and goodwill	1 311	1 311
Property, plant and equipment, investment properties	6 413	6 129
Consumable biological assets	1 761	1 656
Investments and loans	134	83
Deferred taxation assets	68	76
	9 687	9 255
Current assets		
Inventories	1 389	1 367
Accounts receivable, short-term loans and other current assets	2 379	2 457
Cash and cash equivalents	1 332	1 346
Assets classified as held-for-sale	351	15
	5 451	5 185
Total assets	15 138	14 440
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary stated share capital	6 970	6 969
Reserves	(804)	(1 405)
	6 166	5 564
Non-controlling interests	135	119
Total equity	6 301	5 683
Non-current liabilities		
Interest-bearing long-term liabilities	3 919	3 800
Deferred taxation liabilities	853	723
Other long-term liabilities and provisions	77	101
	4 849	4 624
Current liabilities		
Accounts payable, provisions and other current liabilities	3 429	3 047
Interest-bearing short-term liabilities	351	343
Bank overdrafts and short-term facilities	141	743
Liabilities classified as held-for-sale	67	—
	3 988	4 133
Total equity and liabilities	15 138	14 440
Net asset value per ordinary share (cents)	263	238
Net interest-bearing debt to equity (%)	50%	64%

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year ended 30 June 2013 Audited Rm	Year ended 30 June 2012 Audited Rm
Balance at beginning of the year	5 683	3 999
Changes in stated share capital		
Net shares issued	1	—
Reverse acquisition adjustment: pre-reverse acquisition share capital of legal parent	—	858
Changes in reserves		
Total comprehensive income for the year attributable to owners of the parent	739	564
Dividends and capital distributions paid	(156)	(335)
Share-based payments	(25)	6
Reverse acquisition adjustment: movement in share capital of acquirer	—	24
Reverse acquisition adjustment: elimination of pre-acquisition reserves of legal parent	—	500
Other reserve movements	43	(1)
Changes in non-controlling interests		
Total comprehensive income for the year attributable to non-controlling interests	34	22
Dividends and capital distributions paid	(18)	—
Acquired on acquisition of subsidiary	—	46
Balance at the end of the year	6 301	5 683
Comprising:		
Ordinary stated share capital	6 970	6 969
Reverse acquisition reserve	(3 952)	(3 952)
Distributable reserves	3 105	2 531
Share-based payment reserve	24	49
Other reserves	19	(33)
Non-controlling interests	135	119
	6 301	5 683

SEGMENTAL ANALYSIS

	Year ended 30 June 2013 Audited Rm	Year ended 30 June 2012 Audited Rm	% change
Revenue from continuing operations			
Logistics	7 042	6 531	8
Integrated Timber	2 392	2 286	5
Manufacturing	5 076	1 747	191
	14 510	10 564	37
Intersegment revenue eliminations	(150)	(83)	—
	14 360	10 481	37
Operating profit before capital items from continuing operations			
Logistics	686	701	(2)
Integrated Timber	347	273	27
Manufacturing	297	124	140
	1 330	1 098	21

	Year ended 30 June 2013 Audited Rm	Year ended 30 June 2012 Audited Rm
Total assets		
Manufacturing	3	3 544
Logistics	1	5 139
Integrated Timber	2	4 912
	13 595	12 938
Reconciliation of total assets per statement of financial position to total assets per segmental analysis		
Total assets per statement of financial position	15 138	14 440
Less: Cash and cash equivalents	(1 332)	(1 346)
Less: Investments and loans in associate companies	(109)	(74)
Less: Investments and loans in joint-venture companies	1	—
Less: Interest-bearing loans receivable	(30)	(9)
Less: Related-party receivables	(73)	(73)
Total assets per segmental analysis	13 595	12 938

GEOGRAPHICAL INFORMATION

	Year ended 30 June 2013 Audited Rm	Year ended 30 June 2012 Audited Rm
Revenue⁽¹⁾		
Southern Africa	14 360	10 481
Non-current assets		
Southern Africa	9 687	9 255

(1) A reallocation of R291 million was done between revenue and cost of sales in the Logistics segment to bring prior year disclosure in line with current year disclosure.

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance

The summarised consolidated financial information has 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 listing 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. 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.

2. Basis of preparation

The summarised 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 2013 was supervised by John Haveman, the group's Chief Financial Officer.

The acquisition of the Steinhoff Industrial assets effective 2 April 2012, classified as a reverse acquisition under IFRS 3 Business Combinations and impacts the comparability of the June 2013 results versus those of the prior year. The results for the combined group are included for the full year to June 2013. The comparative figures, however, reflect the results of the Steinhoff Industrial assets for 12 months, and the results of the traditional KAP assets for 3 months. The only segment which is affected by this is the Manufacturing segment.

3. Financial statements

The annual 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" has not been audited or reviewed. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors 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 19 August 2013.

4. Changes in accounting policies

The accounting policies of the group have been applied consistently to the periods presented in the consolidated financial statements.

5. Post-balance sheet events

Other than the approval of the Bull Brand Foods transaction by the Competition Commission, no significant events have occurred in the period between the end of the period under review and the date of this report.

6. Dividend timetable

The timetable in respect of the dividend is as follows:

DAY	EVENT
Friday, 27 September 2013	Last day to trade
Monday, 30 September 2013	Shares trade ex dividend
Friday, 4 October 2013	Date to be recorded in the register to receive the dividend
Monday, 7 October 2013	Payment date

Share certificates may not be dematerialised or rematerialised between Monday, 30 September 2013 and Friday, 4 October 2013

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:

- Local dividend tax rate is 15%;
- No STC credits were utilised in determining the net dividend;
- The withholding tax, if applicable at the rate of 15%, will result in a net cash dividend per share of 6.8 cents;
- The issued ordinary share capital of KAP Industrial Holdings Ltd is 2 346 187 888 shares at 19 August 2013; and
- KAP Industrial Holdings Limited's tax reference number is 9999/509/71/5.

KAP

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