# KAP Industrial Holdings Limited

KAP INDUSTRY IN MOTION™

## UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

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

**Revenue** up by **9%**

**Headline earnings per share from continuing operations up by 14%**

**R1.2 billion** Cash generated before working capital, up by **12%**

**Gearing ratio reduced to 48%** from 54%

## Corporate review

During the period under review, the group continued to further its strategy of strengthening its position as a market leader in the industries that it serves in Africa. This has been achieved by investing in established businesses that provide high barriers to entry and which enhance the group's quality of earnings in respect of sustainability, solid margins and strong cash generation.

This resulted in the disposal of the Footwear business during the year, and the rationalisation of the group's Integrated Timber and Manufacturing Divisions into a single Diversified Industrial Division with streamlined management structures, operational systems and controls. During the year the group also concluded the acquisition of Restonic, which became effective on 2 January 2015, and which will provide a unique opportunity for the group to create a fully integrated bedding business in Africa.

| DIVERSIFIED LOGISTICS | | | DIVERSIFIED INDUSTRIAL | | | |
|---|---|---|---|---|---|---|
| FUEL, AGRICULTURE AND MINING | FREIGHT AND LOGISTICS | PASSENGER TRANSPORT | TIMBER | CHEMICAL | AUTOMOTIVE | FURNITURE COMPONENTS |
|  |  |  |  |  |  |  |
| Specialised transport, distribution and logistics services | Specialised supply chain and logistics services | Personnel, commuter, intercity and tourism transport | Forestry and timber operations with primary and secondary manufacturing | Manufacture of PET, resin and formaldehyde | Manufacture of components used in new vehicle assembly | Manufacture of foam, fabrics, springs, bases and mattresses |

## Operational review

### DIVERSIFIED LOGISTICS

The Diversified Logistics Division increased revenue by 6% to R4 158 million in a competitive market within a subdued economic environment. The restructure of Unitrans Supply Chain Solutions (USCS) resulted in cost savings and efficiencies that protected margins.

The reduction in fuel prices had little effect on the contractual logistics business as these reductions are contractually passed on to customers. However the Passenger Division benefited from the reduction in fuel price in the intercity and tourism markets.

In the Freight and Logistics Division, improved volumes in the Foods, Industrial and Freight Forwarding operations offset a poor performance in the Furniture sector. An improved performance was produced by the Fresh Freight operation.

Growth in the Passenger Division was enhanced by the start-up of the new personnel transport contract in Mozambique. In addition, the Gautrain bus feeder service continued to exceed its punctuality and availability performance targets.

### DIVERSIFIED INDUSTRIAL

During the period under review, the timber and manufacturing businesses were combined into a single focused industrial business in order to better align skills and extract group efficiencies. Solid growth in revenue and margins across this segment was impacted by poor results in the furniture components business.

The Integrated Timber Division (PG Bison) delivered solid revenue and operating profit growth over the comparative period, underpinned by the MDF upgrade at its Boksburg plant. Technology and efficiency benefits of this upgrade also contributed to improved margin for the business. Operational efficiency improvements, including freight, continued to yield cost savings for the Division during the period.

The Chemical Division (Hosaf and Woodchem) delivered strong growth in revenue and operating profit. Woodchem volumes increased over the comparative period due to market share gains, while Hosaf increased its sales volumes in line with market growth. The formation of this division has yielded operational efficiencies and improved strategic alignment of these businesses.

Feltex Automotive delivered strong growth in revenue and operating profit, with vehicle build volumes increasing. Automation initiatives and efficiency improvement programs continued during the period.

The Furniture Components Division was negatively affected by competitive trading conditions in the furniture retail sector. DesleeMattex delivered solid results, with both volume growth and margin improvement.

## Financial review

These are the unaudited results for the six months ended 31 December 2014.

During the period, the group concluded the sale of the footwear business, which has been disclosed as a discontinued operation in the Diversified Industrial segment.

### Revenue and operating profit before capital items

Group revenue from continuing operations increased by 9% to R8 114 million from R7 418 million.

The group operating profit before capital items from continuing operations increased to R777 million from R720 million.

The operating profit of the Diversified Logistics segment increased by 10% to R430 million from R392 million, with margins widening slightly to 10,3% from 10,0%.

The operating profit of the Diversified Industrial segment increased by 6% to R347 million from R328 million, with margins narrowing slightly to 8,7% from 9,1% as a result of competitive market conditions in the furniture components sector.

### Capital items

Capital items of R26 million in the continuing operations relate to the impairment of goodwill and intangible assets of the Fresh Freight operations, which were restructured during the period.

Capital items of R10 million in the discontinued operations relate mainly to the disposal of the Footwear division.

### Cash flow

Cash generated before working capital changes increased by 12% to R1 203 million from R1 070 million, which equates to a conversion of 152% of operating profit before capital items into cash.

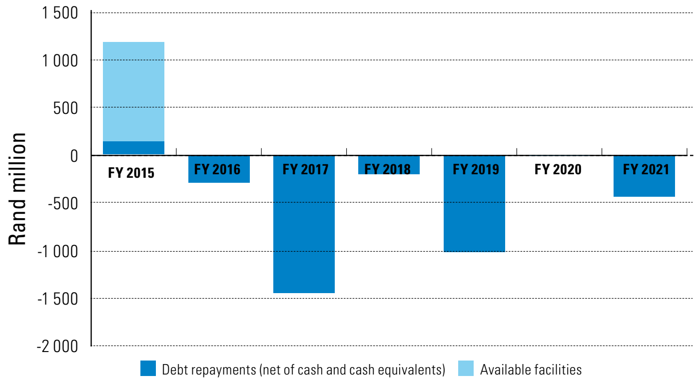
During the period, R160 million was received as proceeds on the disposal of the Footwear division, with a futher R139 million expected to be received by 31 March 2015.

### Debt structure and finance costs

The group's net interest-bearing debt reduced to R3 299 million from R3 404 million, which equates to a gearing ratio of 48% (1H14: 54%).

| Debt structure | 1H15 Rm | 1H14 Rm |
|---|---|---|
| Interest-bearing long-term liabilities | 3 431 | 2 407 |
| Interest-bearing short-term liabilities | 79 | 400 |
| Bank overdrafts and short-term facilities | 1 088 | 1 893 |
| Cash and cash equivalents | (1 299) | (1 296) |
| Net interest-bearing debt | 3 299 | 3 404 |
| Total equity (excluding minorities) | 6 876 | 6 355 |
| Net interest-bearing debt: equity | 48% | 54% |
| EBITDA including discontinued operations | 1 186 | 1 099 |
| Net finance charges including discontinued operations | 163 | 174 |
| EBITDA: interest cover (times)** | 7,3 | 6,0 |
| Net debt: EBITDA (times)** | 1,4 | 1,6 |

### Net interest-bearing debt maturity




* Net of cash and cash equivalents ** Rolling 12 months

### Working capital

Consistent with previous interim periods, the first half of the financial year saw a seasonal investment in working capital.

The net working capital of the group reduced by R37 million (3%) from the comparable period, despite a 9% increase in revenue. Inventories reduced by R65 million and accounts payable increased by R141 million, which more than offset an increase in accounts receivable of R169 million.

### Headline earnings per share (HEPS)

HEPS including discontinued operations increased by 19% to 19.1 cents from 16.1 cents in the comparative period. HEPS from continuing operations increased by 14% to 18.5 cents from 16.2 cents in the comparative period.

### Net asset value (NAV)

The NAV per share increased to 293 cents from 271 cents in the comparative period.

### Corporate action

The disposal of the Footwear division was in line with the strategic rationalisation of low return non-core assets of the group in order to improve shareholder return.

## Outlook

The Diversified Logistics Division continues to grow its African business in partnership with its customers. The expansion of the Passenger Division into Mozambique is progressing well, with new opportunities in other African countries also under investigation. The rationalisation of under-performing contracts, and the continual focus on cost savings and efficiencies will remain the focus for the Division within the current economic climate.

The Diversified Industrial Division is primarily focused on volume and margin growth opportunities through capacity expansion and process improvements, and growth of market share. The second phase upgrade of the PG Bison MDF plant at Boksburg and the installation of the paper impregnation line at Woodchem are both progressing well. The successful acquisition of Restonic, concluded on 2 January 2015, provides a unique opportunity to create a fully integrated bedding business, which should deliver improved returns to shareholders.

The continued strategic initiatives and focus, with strong operational execution, provides management with a positive outlook for the remainder of the financial year.

The group continues to apply its strategy of acquiring and optimising high barrier to entry, cash generative assets in African markets.

## Appreciation

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

## Interim dividend

In line with historical policy, the group has not declared an interim dividend.

On behalf of the Board

| J de V du Toit | KJ Grové | GN Chaplin |
|---|---|---|
| Independent Non-executive Chairman | Executive Deputy Chairman | Chief Executive Officer |

17 February 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 (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

# Condensed consolidated financial statements

## CONDENSED CONSOLIDATED INCOME STATEMENT

| | Notes | Six months ended 31 Dec 2014 Unaudited Rm | Six months ended 31 Dec 2013 Unaudited* Rm | % change | Year ended 30 Jun 2014 Audited* Rm |
|---|---|---|---|---|---|
| **Revenue** | | **8 114** | 7 418 | 9 | 14 746 |
| **Operating profit before depreciation, amortisation and capital items** | | **1 170** | 1 102 | 6 | 2 231 |
| Depreciation and amortisation | | **(393)** | (382) | | (759) |
| **Operating profit before capital items** | | **777** | 720 | 8 | 1 472 |
| Capital items | 1 | **(26)** | (18) | | (14) |
| **Earnings before interest, dividend income, associate and joint-venture earnings and taxation** | | **751** | 702 | 7 | 1 458 |
| Net finance charges | | **(162)** | (172) | | (325) |
| Share of profit/(loss) of associate and joint-venture companies | | **2** | 4 | | (5) |
| **Profit before taxation** | | **591** | 534 | 11 | 1 128 |
| Taxation | | **(162)** | (149) | | (302) |
| **Profit for the period from continuing operations** | | **429** | 385 | 11 | 826 |
| Profit/(loss) for the period from discontinued operations | 2 | **3** | (15) | | (69) |
| **Profit for the period** | | **432** | 370 | 17 | 757 |
| **Attributable to:** | | | | | |
| Owners of the parent | | **415** | 354 | 17 | 724 |
| Non-controlling interests | | **17** | 16 | | 33 |
| **Profit for the period** | | **432** | 370 | 17 | 757 |
| *From continuing and discontinued operations:* | | | | | |
| Headline earnings per ordinary share (cents) | | **19,1** | 16,1 | 19 | 33,8 |
| Fully diluted headline earnings per ordinary share (cents) | | **18,9** | 16,0 | 18 | 33,4 |
| Basic earnings per ordinary share (cents) | | **17,7** | 15,1 | 17 | 30,9 |
| Fully diluted earnings per ordinary share (cents) | | **17,5** | 15,0 | 17 | 30,5 |
| *From continuing operations:* | | | | | |
| Headline earnings per ordinary share (cents) | | **18,5** | 16,2 | 14 | 34,1 |
| Fully diluted headline earnings per ordinary share (cents) | | **18,3** | 16,2 | 13 | 33,7 |
| Basic earnings per ordinary share (cents) | | **17,6** | 15,7 | 12 | 33,8 |
| Fully diluted earnings per ordinary share (cents) | | **17,4** | 15,6 | 12 | 33,4 |
| Number of ordinary shares in issue (m) | | **2 346** | 2 346 | – | 2 346 |
| Weighted average number of ordinary shares in issue (m) | | **2 346** | 2 346 | – | 2 346 |
| Earnings attributable to ordinary shareholders (Rm) | | **415** | 354 | 17 | 724 |
| Headline earnings attributable to ordinary shareholders (Rm) | 3 | **449** | 377 | 19 | 792 |

## ADDITIONAL INFORMATION

| | Six months ended 31 Dec 2014 Unaudited Rm | Six months ended 31 Dec 2013 Unaudited* Rm | Year ended 30 Jun 2014 Audited* Rm |
|---|---|---|---|
| **Note 1: Capital items** | | | |
| *From continuing operations:* | | | |
| Loss on disposal of property, plant and equipment and investment property | **–** | (18) | (8) |
| Loss on disposal of investments and impairments | **(26)** | – | (6) |
| | **(26)** | (18) | (14) |
| *From discontinued operations:* | | | |
| Loss on disposal of investments and impairments | **(10)** | (15) | (83) |
| | **(10)** | (15) | (83) |
| | **(36)** | (33) | (97) |
| **Note 2: Profit/(loss) for the period from discontinued operations** | | | |
| **Revenue** | **232** | 632 | 1 047 |
| Operating profit/(loss) before depreciation, amortisation and capital items | **16** | (3) | (3) |
| Depreciation and amortisation | **–** | (5) | (7) |
| Operating profit/(loss) before capital items | **16** | (8) | (10) |
| Capital items | **(10)** | (15) | (83) |
| Earnings/(loss) before interest, dividend income, associate and joint-venture earnings and taxation | **6** | (23) | (93) |
| Net finance charges | **(1)** | (2) | (5) |
| **Profit/(loss) before taxation** | **5** | (25) | (98) |
| Taxation | **(2)** | 10 | 29 |
| Profit/(loss) for the period from discontinued operations | **3** | (15) | (69) |
| **Note 3: Headline earnings attributable to ordinary shareholders** | | | |
| Earnings attributable to owners of the parent | **415** | 354 | 724 |
| Adjusted for: | | | |
| Capital items (note 1) | **36** | 33 | 97 |
| Taxation effects of capital items | **(2)** | (10) | (30) |
| Capital items of associate and joint-venture companies (net of taxation) | **–** | – | 1 |
| | **449** | 377 | 792 |

## FAIR VALUES OF FINANCIAL INSTRUMENTS

| | Fair value as at 31 Dec 2014 Rm | Fair value as at 31 Dec 2013 Rm | Fair value as at 30 Jun 2014 Rm | Fair value hierarchy |
|---|---|---|---|---|
| Derivative financial assets | **16** | 33 | 1 | Level 2 |
| Derivative financial liabilities | **(5)** | – | (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.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | 31 Dec 2014 Unaudited Rm | 31 Dec 2013 Unaudited Rm | 30 Jun 2014 Audited Rm |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill and intangible assets | **1 261** | 1 302 | 1 290 |
| Property, plant and equipment and investment properties | **6 860** | 6 496 | 6 633 |
| Consumable biological assets | **1 917** | 1 811 | 1 875 |
| Investments in associate and joint-venture companies | **148** | 146 | 145 |
| Investments and loans | **22** | 33 | 26 |
| Deferred taxation assets | **66** | 66 | 70 |
| | **10 274** | 9 854 | 10 039 |
| **Current assets** | | | |
| Inventories | **1 425** | 1 490 | 1 197 |
| Accounts receivable and other current assets | **2 757** | 2 588 | 2 528 |
| Short-term loans | **159** | 5 | 17 |
| Cash and cash equivalents | **1 299** | 1 296 | 1 348 |
| Assets classified as held for sale | **–** | – | 428 |
| | **5 640** | 5 379 | 5 518 |
| **Total assets** | **15 914** | 15 233 | 15 557 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Ordinary stated share capital | **6 970** | 6 970 | 6 970 |
| Reserves | **(94)** | (615) | (261) |
| | **6 876** | 6 355 | 6 709 |
| Non-controlling interests | **154** | 142 | 150 |
| **Total equity** | **7 030** | 6 497 | 6 859 |
| **Non-current liabilities** | | | |
| Interest-bearing long-term liabilities | **3 431** | 2 407 | 3 436 |
| Deferred taxation liabilities | **1 027** | 923 | 994 |
| Other long-term liabilities and provisions | **75** | 70 | 89 |
| | **4 533** | 3 400 | 4 519 |
| **Current liabilities** | | | |
| Accounts payable, provisions and other current liabilities | **3 184** | 3 043 | 3 473 |
| Interest-bearing short-term liabilities | **79** | 400 | 68 |
| Bank overdrafts and short-term facilities | **1 088** | 1 893 | 520 |
| Liabilities classified as held for sale | **–** | – | 118 |
| | **4 351** | 5 336 | 4 179 |
| **Total equity and liabilities** | **15 914** | 15 233 | 15 557 |
| Net asset value per ordinary share (cents) | **293** | 271 | 286 |
| Net interest-bearing debt to equity (%) | **48%** | 54% | 40% |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended 31 Dec 2014 Unaudited Rm | Six months ended 31 Dec 2013 Unaudited Rm | Year ended 30 Jun 2014 Audited Rm |
|---|---|---|---|
| **Profit for the period** | **432** | 370 | 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 | **4** | (3) | 16 |
| | **4** | (3) | 16 |
| Other comprehensive income/(loss) for the period | **4** | (3) | 15 |
| **Total comprehensive income for the period** | **436** | 367 | 772 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the parent | **419** | 352 | 739 |
| Non-controlling interests | **17** | 15 | 33 |
| **Total comprehensive income for the period** | **436** | 367 | 772 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Six months ended 31 Dec 2014 Unaudited Rm | Six months ended 31 Dec 2013 Unaudited Rm | Year ended 30 Jun 2014 Audited Rm |
|---|---|---|---|
| **Balance at beginning of the period** | **6 859** | 6 301 | 6 301 |
| **Changes in reserves** | | | |
| Total comprehensive income for the period attributable to owners of the parent | **419** | 352 | 739 |
| Dividends and capital distributions paid | **(282)** | (188) | (232) |
| Share-based payments | **29** | 25 | 33 |
| Other reserve movements | **1** | – | 3 |
| **Changes in non-controlling interests** | | | |
| Total comprehensive income for the period attributable to non-controlling interests | **17** | 15 | 33 |
| Dividends and capital distributions paid | **(13)** | (8) | (12) |
| Shares bought from non-controlling interests | **–** | – | (6) |
| **Balance at end of the period** | **7 030** | 6 497 | 6 859 |
| **Comprising:** | | | |
| Ordinary stated share capital | **6 970** | 6 970 | 6 970 |
| Reverse acquisition reserve | **(3 952)** | (3 952) | (3 952) |
| Distributable reserves | **3 735** | 3 269 | 3 598 |
| Share-based payment reserve | **86** | 49 | 57 |
| Other reserves | **37** | 19 | 36 |
| Non-controlling interests | **154** | 142 | 150 |
| | **7 030** | 6 497 | 6 859 |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Six months ended 31 Dec 2014 Unaudited Rm | Six months ended 31 Dec 2013 Unaudited Rm | Year ended 30 Jun 2014 Audited Rm |
|---|---|---|---|
| **Operating profit before capital items** | **777** | 720 | 1 472 |
| Depreciation and amortisation | **393** | 382 | 759 |
| Operating profit/(loss) before depreciation, amortisation and capital items from discontinued operations | **16** | (3) | (3) |
| Net fair value adjustments of consumable biological assets and decrease due to harvesting | **(40)** | (50) | (114) |
| Other non-cash adjustments | **57** | 21 | (43) |
| **Cash generated before working capital changes** | **1 203** | 1 070 | 2 071 |
| Increase in inventories | **(214)** | (113) | (39) |
| Increase in receivables | **(306)** | (209) | (248) |
| (Decrease)/increase in payables | **(332)** | (380) | 104 |
| Changes in working capital | **(852)** | (702) | (183) |
| **Cash generated from operations** | **351** | 368 | 1 888 |
| Dividends received | **–** | – | 5 |
| Dividends paid | **(295)** | (196) | (200) |
| Net finance charges | **(163)** | (174) | (330) |
| Taxation paid | **(71)** | (61) | (125) |
| **Net cash (outflow)/inflow from operating activities** | **(178)** | (63) | 1 238 |
| Additions to property, plant and equipment – expansion | **(213)** | (197) | (413) |
| Additions to property, plant and equipment – replacement, net of proceeds and government grants received | **(384)** | (316) | (653) |
| Proceeds on disposal of investments | **160** | 280 | 278 |
| Other investing activities | **(10)** | (24) | (50) |
| **Net cash outflow from investing activities** | **(447)** | (257) | (838) |
| **Net cash inflow/(outflow) from financing activities** | **575** | 294 | (385) |
| **Net (decrease)/increase in cash and cash equivalents** | **(50)** | (26) | 15 |
| Effects of exchange rate changes on cash and cash equivalents | **1** | 2 | 13 |
| Cash and cash equivalents at beginning of period | **1 348** | 1 320 | 1 320 |
| **Cash and cash equivalents at end of period** | **1 299** | 1 296 | 1 348 |

## SEGMENTAL ANALYSIS

| | Six months ended 31 Dec 2014 Unaudited Rm | Six months ended 31 Dec 2013 Unaudited* Rm | % change | Year ended 30 Jun 2014 Audited* Rm |
|---|---|---|---|---|
| **Revenue from continuing operations** | | | | |
| Diversified Logistics | **4 158** | 3 916 | 6 | 7 737 |
| Diversified Industrial | **3 981** | 3 592 | 11 | 7 212 |
| | **8 139** | 7 508 | 8 | 14 949 |
| Intersegment revenue eliminations | **(25)** | (90) | | (203) |
| | **8 114** | 7 418 | 9 | 14 746 |
| **Operating profit before capital items from continuing operations** | | | | |
| Diversified Logistics | **430** | 392 | 10 | 762 |
| Diversified Industrial | **347** | 328 | 6 | 710 |
| | **777** | 720 | 8 | 1 472 |

| | 31 Dec 2014 Unaudited Rm | % | 31 Dec 2013 Unaudited Rm | % | 30 Jun 2014 Audited Rm | % |
|---|---|---|---|---|---|---|
| **Total assets** | | | | | | |
| Diversified Logistics | **5 734** | **40** | 5 347 | 39 | 5 520 | 39 |
| Diversified Industrial | **8 461** | **60** | 8 357 | 61 | 8 501 | 61 |
| | **14 195** | **100** | 13 704 | 100 | 14 021 | 100 |

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

| | 31 Dec 2014 Unaudited Rm | 31 Dec 2013 Unaudited Rm | 30 Jun 2014 Audited Rm |
|---|---|---|---|
| Total assets per statement of financial position | **15 914** | 15 233 | 15 557 |
| *Less:* Cash and cash equivalents | **(1 299)** | (1 296) | (1 348) |
| *Less:* Investments in associate and joint-venture companies | **(148)** | (146) | (145) |
| *Less:* Interest-bearing long-term loans receivable | **(22)** | (33) | (26) |
| *Less:* Interest-bearing short-term loans receivable | **(159)** | (5) | (17) |
| *Less:* Related party receivables | **(91)** | (49) | – |
| **Total assets per segmental analysis** | **14 195** | 13 704 | 14 021 |

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## GEOGRAPHICAL INFORMATION

| | Six months ended 31 Dec 2014 Unaudited Rm | % | Six months ended 31 Dec 2013 Unaudited* Rm | % | Year ended 30 Jun 2014 Audited* Rm | % |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| South Africa | **7 140** | **88** | 6 564 | 88 | 13 137 | 89 |
| Rest of Africa | **974** | **12** | 854 | 12 | 1 609 | 11 |
| | **8 114** | **100** | 7 418 | 100 | 14 746 | 100 |
| | **31 Dec 2014 Unaudited Rm** | **%** | 31 Dec 2013 Unaudited Rm | % | 30 Jun 2014 Audited Rm | % |
| **Non-current assets** | | | | | | |
| South Africa | **9 292** | **90** | 9 091 | 92 | 9 184 | 91 |
| Rest of Africa | **982** | **10** | 763 | 8 | 855 | 9 |
| | **10 274** | **100** | 9 854 | 100 | 10 039 | 100 |

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Statement of compliance

The consolidated interim 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 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 consolidated interim financial information 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 2014, except for the changes mentioned in note 5 below.

### 2. Basis of preparation

The condensed interim financial statements are prepared 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 and presented in millions of South African Rands (Rm) The preparation of the condensed interim financial statements for the six months ended 31 December 2014 was supervised by John Haveman, the group's Chief Financial Officer.

### 3. Changes to comparative results

The December 2013 and June 2014 income statements were re-presented to reflect the discontinued operations of the Footwear division. In addition, the comparatives in the segmental analysis were restated in the new segments in which the group is now structured, i.e. Diversified Logistics and Diversified Industrial.

### 4. Financial statements

These results have not been reviewed or reported on by the group's auditors. The results were approved by the Board of directors on 17 February 2015.

### 5. Changes in accounting policies

The accounting policies adopted in the preparation of the condensed interim financial information are consistent with those of the annual financial statements for the year ended 30 June 2014, except for the adoption of the following standards during the period 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

The acquisition of Restonic became effective on 2 January 2015. Please refer to the Outlook for more information.

### 7. Changes to the board / board committee

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.

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