

UNAUDITED INTERIM RESULTS for the six months ended 30 September 2013



REVENUE

UP BY 46%

OPERATING PROFIT

UP BY 57%

EARNINGS PER SHARE

UP BY 15%

DIVIDEND

UP BY 15%

Consolidated condensed STATEMENT OF COMPREHENSIVE INCOME

	Change %	Unaudited 6 months ended 30 Sept 2013 R'000	Unaudited 6 months ended 30 Sept 2012 R'000	Audited year ended 31 Mar 2013 R'000
Revenue	46	5 128 724	3 514 126	7 557 899
Operating profit	57	492 663	314 709	883 759
Interest and dividends received		286 062	261 980	531 673
Negative goodwill		–	–	52 066
Finance costs		(355 774)	(318 908)	(651 760)
Share of profits of associate		731	671	3 018
Profit before taxation	64	423 682	258 452	818 756
Taxation		(90 513)	(21 530)	(75 224)
Profit for the period	41	333 169	236 922	743 532
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Exchange differences on translating foreign operations		31 785	(1 706)	26 810
Total comprehensive income for the period		364 954	235 216	770 342
Profit attributable to:				
Owners of the Company		263 077	225 880	693 152
Non-controlling interest		37 490	11 042	28 468
Preference shareholders		32 602	–	21 912
		333 169	236 922	743 532
Total comprehensive income attributable to:				
Owners of the Company		304 019	223 701	741 874
Non-controlling interest		60 935	11 515	28 468
		364 954	235 216	770 342
Earnings per share (cents)	15	358	312	955
Diluted earnings per share (cents)	19	356	298	948
Determination of normalised earnings				
Attributable earnings		263 077	225 880	693 152
Adjustments		–	–	(158 172)
– Gain on partial derecognition of financial investments		–	–	(158 172)
Normalised earnings		263 077	225 880	534 980
Normalised earnings per share (cents)	15	358	312	737
Determination of headline earnings				
Attributable earnings		263 077	225 880	693 152
Adjustments		–	–	(18)
– Net impairment of property, plant and equipment		–	–	(18)
– Goodwill impaired		–	569	2 791
– Negative goodwill		–	–	(52 066)
– Profit on sale of fixed assets held for sale		(6 048)	–	–
– Net profit on disposal of property, plant and equipment		(844)	(13)	(3 551)
Total adjustments before taxation and non-controlling interest		(6 892)	556	(52 844)
Taxation		1 572	4	999
Non-controlling interest		1 489	–	769
Total adjustments		(3 831)	560	(51 076)
Headline earnings		259 246	226 440	642 076
Headline earnings per share (cents)	13	353	313	885
Diluted headline earnings per share (cents)	18	351	298	878
Shares in issue				
Weighted average (000's)		73 427	72 433	72 588
At the end of the period (000's)		73 434	72 531	73 409
Number of shares used for diluted earnings per share (000's)		73 906	75 918	73 125
Headline earnings per share (cents)	13	353	313	885
Earnings per share (cents)	15	358	312	955
Dividends per share* (cents)		102	89	268
– Interim	15	102	89	89
– Final		–	–	179

* In accordance with IAS 10, the interim dividend of 102 cents per share proposed by the directors has not been reflected in the interim results.

Consolidated condensed STATEMENT OF CASH FLOWS

	Unaudited 6 months ended 30 Sept 2013 R'000	Unaudited 6 months ended 30 Sept 2012 R'000	Audited year ended 31 Mar 2013 R'000
Cash flows from operating activities			
Cash generated from operations	386 105	275 746	732 078
Finance costs	(355 774)	(318 908)	(651 760)
Dividends paid to Group shareholders and non-controlling interest	(179 039)	(136 003)	(198 433)
Taxation paid	(89 428)	(55 895)	(161 137)
Interest and dividends received	286 062	261 980	531 673
Net cash inflow from operating activities	47 926	26 920	252 421
Cash flows from investing activities			
Net cash effects of acquisitions of property, plant and equipment and intangible assets	(114 994)	(35 531)	(131 274)
Acquisition of subsidiaries and associates	(98 028)	(255 153)	(1 496 282)
Decrease (increase) in long-term receivables including current portion	4 936	(102 489)	(1 060 115)
Increase in investments	(53 955)	(80 854)	–
Dividend received from associate	1 198	500	425
Net cash outflow from investing activities	(260 843)	(473 527)	(2 687 696)
Cash flows from financing activities			
Net cash effects of liabilities raised	260 065	356 214	1 676 334
Net settlement of share appreciation rights	–	(115 095)	(148 581)
Ordinary shares and preference shares issued	2 379	–	809 232
Net cash inflow from financing activities	262 444	241 119	2 336 985
Net increase (decrease) in cash and cash equivalents	49 527	(205 488)	(98 290)
Cash and cash equivalents at the beginning of the period	487 718	586 008	586 008
Cash and cash equivalents at the end of the period	537 245	380 520	487 718

OTHER INFORMATION

	Unaudited 6 months ended 30 Sept 2013 R'000	Unaudited 6 months ended 30 Sept 2012 R'000	Audited year ended 31 Mar 2013 R'000
Net interest-bearing debt: equity ratio (excluding long-term funding debt secured by investments and loans) (%)	34	30	39
Depreciation and amortisation (R'000)	68 003	33 869	86 814
Net asset value per share (cents)	3 867.8	2 690.3	3 664.5
Tangible net asset value per share (cents)	2 803.8	1 761.3	2 610.4
Capital expenditure (R'000)	116 912	47 491	152 276
Capital commitment (R'000)	58 640	6 200	81 770

NOTES TO THE FINANCIAL INFORMATION

Basis of preparation

The Group's condensed consolidated interim financial statements (results) are prepared in accordance with the requirements of the JSE Limited Listings Requirements for interim reports, the requirements of the Companies Act applicable to summary financial statements, the framework, measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting guides as issued by the Accounting Practices Committee, the Financial Reporting Standards Council and the requirements of IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the results are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the Group's previous summarised consolidated annual financial statements. The following accounting standards are effective from the 2014 financial year and did not have a material impact on the Group results: IFRS7, IFRS 9, IFRS10, IFRS12, IFRS13, IAS 1, IAS 19, IAS 27, IAS 28, IAS 32 and IAS 34, including Circular 2 of 2013 on Headline Earnings Per Share.

Prepared by

These interim financial statements have been prepared under the supervision of Craig Barnard CA(SA), the Executive Director – Financial and Commercial.

Acquisitions

Various acquisitions were made during the period ended 30 September 2013, amounting to R98 million of which HPE Africa (Pty) Ltd is the more significant acquisition.

Events after the reporting date

There were no reportable events from the reporting date to the date of this report.

Consolidated condensed STATEMENT OF FINANCIAL POSITION

	Unaudited 30 Sept 2013 R'000	Unaudited 30 Sept 2012 R'000	Audited 31 Mar 2013 R'000
ASSETS			
Non-current assets	6 314 650	5 202 148	6 080 956
Property, plant and equipment	1 100 676	467 616	1 010 636
Financial investments and investment in associate	2 143 118	3 167 283	2 018 353
Goodwill and other intangible assets	781 350	673 859	773 815
Financial asset, finance lease and long-term receivables	2 137 824	806 015	2 117 013
Deferred taxation	151 682	87 375	161 139
Current assets	7 076 717	3 901 746	6 123 855
Held for sale assets	3 478	–	9 957
Inventories	3 794 381	2 247 242	2 913 052
Trade and other receivables	1 865 432	1 134 491	1 619 567
Current portion of financial investments, finance lease and long-term receivables	756 360	68 134	883 599
Taxation prepaid	6 238	27 093	18 831
Bank balances and cash	650 828	424 786	688 849
Total assets	13 391 367	9 103 894	12 204 811
EQUITY AND LIABILITIES			
Capital and reserves	3 298 621	2 020 009	3 095 212
Equity attributable to the equity holders	2 840 295	1 951 319	2 690 077
Non-controlling interest	458 326	68 690	405 135
Non-current liabilities	6 453 690	4 845 376	5 679 828
Long-term borrowings, guaranteed repurchase liabilities and financial liabilities	6 426 584	4 839 789	5 654 572
Deferred taxation	27 106	5 587	25 256
Current liabilities	3 639 056	2 238 509	3 429 771
Current portion of long-term borrowings and guaranteed repurchase liabilities	592 028	124 290	1 137 908
Trade, other payables and provisions	2 895 003	2 066 646	2 070 533
Taxation liabilities	38 442	3 307	30 199
Bank overdrafts	113 583	44 266	191 131
Total equity and liabilities	13 391 367	9 103 894	12 204 811

Consolidated condensed STATEMENT OF CHANGES IN EQUITY

	Unaudited 6 months ended 30 Sept 2013 R'000	Unaudited 6 months ended 30 Sept 2012 R'000	Audited year ended 31 Mar 2013 R'000
Share capital			
Balance at the beginning of period	3 743	3 706	3 706
Ordinary shares issued	2	–	37
Balance at the end of the period	3 745	3 706	3 743
Share premium			
Balance at the beginning of period	331 515	272 320	272 320
Ordinary shares issued	2 377	–	59 195
Balance at the end of the period	333 892	272 320	331 515
Treasury shares			
Balance at the beginning of period	(80 098)	(93 931)	(93 931)
Treasury shares utilised to settle share appreciation rights	–	7 795	51 958
Treasury shares purchased	–	–	(38 125)
Balance at the end of the period	(80 098)	(86 136)	(80 098)
Preference share capital			
Balance at beginning of the year	750 000	–	–
Preference shares issued	–	–	750 000
Balance at the end of the period	750 000	–	750 000
Retained earnings			
Balance at the beginning of period	2 014 469	1 716 222	1 676 751
Earnings attributable to ordinary shareholders	263 077	225 879	693 152
Share appreciation rights exercised	(15 700)	(89 573)	(150 043)
Change in non-controlling interest	2 351	(2 166)	(12 128)
Dividends paid	(131 180)	(128 380)	(193 263)
Balance at the end of the period	2 133 017	1 721 982	2 014 469
Other reserves			
Balance at the beginning of period	(329 552)	54 020	36 385
Share appreciation rights issued	1 866	2 395	4 990
Share appreciation rights exercised	(4 360)	(18 674)	(17 361)
Fair value of put option on non-controlling interest	–	–	(380 376)
Translation of foreign operations	31 785	1 706	26 810
Balance at the end of the period	(300 261)	39 447	(329 552)
Attributable to equity shareholders	2 840 295	1 951 319	2 690 077
Non-controlling interest			
Balance at the beginning of period	405 135	59 321	59 321
Earnings attributable to non-controlling interest	37 490	11 042	28 468
Share of foreign currency translation reserve	23 445	473	–
Non-controlling interest acquired during the period	(2 351)	–	327 706
Change in non-controlling interest	2 114	(396)	–
Dividends paid	(7 507)	(1 750)	(9 730)
Balance at the end of the period	458 326	68 690	405 135

SEGMENT INFORMATION

	Engineering consumables R'000	Capital equipment R'000	Building supplies R'000	Group, financing and other operations R'000	Total R'000
Unaudited six months ended 30 September 2013					
Segment revenue	1 977 776	2 583 203	565 214	2 531	5 128 724
Segment operating profit	219 549	251 415	31 990	(10 291)	492 663
Segment assets	2 105 126	4 251 606	662 365	6 372 270	13 391 367
Segment liabilities	729 770	2 664 684	463 042	6 235 250	10 092 746
Unaudited six months ended 30 September 2012					
Segment revenue	1 635 046	1 682 982	196 098	–	3 514 126
Segment operating profit	174 099	148 466	12 270	(20 126)	314 709
Segment assets	2 011 529	1 713 103	201 088	5 178 174	9 103 894
Segment liabilities	884 159	1 283 480	141 151	4 775 095	7 083 885
Audited year ended 31 March 2013					
Segment revenue	3 424 847	3 502 965	625 141	4 946	7 557 899
Segment operating profit	390 047	339 338	38 610	115 764	883 759
Segment assets	2 189 286	3 215 154	502 070	6 298 301	12 204 811
Segment liabilities	867 637	1 874 215	325 923	6 041 824	9 109 599

COMMENTS

FINANCIAL OVERVIEW

The Group has again delivered strong results in markets characterised by labour unrest in South Africa and a marked deterioration in the rand.

The tough trading conditions in the industrial consumables market in South Africa (served by BMG) continued during the period under review. Labour unrest was particularly debilitating in the mining and automotive industries. Capital equipment markets (served by CEG) experienced mixed conditions – demand for earthmoving machinery improved while demand for agricultural machinery declined. Trading conditions in markets in South East Asia in which Kian Ann Engineering operates are extremely challenging and the results of Kian Ann reflect this. The Building Supplies Group (BSG) grew steadily in a market that is showing signs of growth.