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Comparable earnings up 19%

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Turnover up 17% to over R5 billion

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Operating profit up 23%

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Dividends up 13%

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Return on average equity up from 18% to 22%

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Consumer-related products becomes largest segment

CONSUMER-RELATED PRODUCTS

Distributor of Makita power tools, Mercury marine engines and survey instrumentation

Distributor of electronic security equipment, including intruder detection, access control, CCTV, fire detection, electric fencing and specialised products, as well as related consumables

Distributor of integrated security and life safety solutions, including CCTV, access control, fire detection, public address and perimeter detection products

Distributor of professional mobile radio communication equipment and radio systems integrator

Distributor of automotive clutch kits and ignition leads, rotary oil and hydraulic seals

Importer and distributor of automotive spares and accessories

Distributor of maintenance free batteries and provider of custom designed energy solutions

Importer and distributor of stand-by and solar batteries

ENGINEERING CONSUMABLES

Distributor of bearings, chains, seals, electric motors, transmission and allied products

Distributor of Deutz diesel engines and Deutz spare parts and the provision of service support

Distributor of engineering steels, solid, round, square, hexagonal and hollow bar steel

Distributor of specialised thermoplastic pipes, fittings and Keymak PVC hose

Distributor of geared motors, helical gearboxes, frequency inverters and electric motors

Distributor of conveyor belting, industrial hose, fluid sealing and process control products

Importer and distributor of pneumatic and process components

Manufacturer of conveyor drive pulleys, forgings and rollings

Manufacturer of hydraulic and pneumatic equipment

Supplier of filtration solutions, customised exhaust systems, kits and accessories

Manufacture and assembly of hydraulic gear pumps

Manufacturer of ferrous and non-ferrous castings

Distributor of electric cabling, plugs, sockets, electric feeder systems and crane materials

Manufacturer and distributor of mining connectors and lighting systems

Distributor of special steels and heat treatment to the tool making and general engineering industries

Distributor of electrical cable accessories

Distributor of controllers, monitors and regulators of the speed of standard AC motors

Hudaco Industries is a South African group specialising in the importation and distribution of high-quality branded automotive, industrial and electrical consumable products, mainly in the southern African region. Hudaco businesses serve markets that fall into two primary categories. The automotive after-market, power tool and security businesses supply products into markets with a bias towards consumer spending whilst the bearings, power transmission and diesel engine businesses supply engineering consumables mainly to mining and manufacturing customers. The value-added includes product specification, technical advice, application and installation training and troubleshooting, combined, with ready availability at a fair price.

RESULTS
The results, which we consider excellent, were achieved under the most challenging economic environment. 2015 has been another particularly difficult year for the mining, manufacturing and agricultural sectors in South Africa.

Fundamental to our success in 2015 was a focused move into more resilient market segments through successful acquisitions that supplemented the performance of Hudaco's traditional businesses. The first half results were very good with CEPS up 32% over the prior period but we cautioned that this was measured against a period of protracted mining strikes in 2014 and included profits from a large project which we knew would not be repeated in the second half. In line with the economic malaise, sales in the months of August, September and October 2015 were most disappointing as business confidence in the country reached an all-time low.

Annual sales were up 17% to R5.2 billion whilst operating profit rose 23% to R605 million, reflecting disciplined cost and margin management. Headline earnings per share were 1 163 cents whilst comparable earnings per share (which we regard as a more reliable indicator of ongoing earnings) were up 18,6% to 1 169 cents, compared with last year's 986 cents. The return on equity was a highly respectable 22%.

CONSUMER-RELATED PRODUCTS
Consumer-related products made up 50% of Hudaco's sales and 59% of operating profit. Partquip, our biggest business in this segment, has bedded down well and had an excellent first year in the group. Partquip distributes three product ranges, wheels (A-Line), specialised branded automotive after-market products (Partquip) and hardy offroad suspension and related automotive products (Ironman 4x4). Rutherford, the second biggest business in this segment also had a good year in an environment where construction activity and disposable income have been under considerable pressure. The primary brand distributed by Rutherford is Makita (power tools and garden equipment), a market leader in lithium ion battery technology. The alternative energy businesses had a rewarding year with Specialised Battery Systems and Deltec growing sales considerably. Global Communications secured and delivered a major project in the first half of the year, which contributed to them being well up on last year. The disappointment in this segment came from our security businesses. Elvey Security Technologies had a difficult year but the main decrease was in the project business, Pentagon. The segment increased sales by 52% to R2,6 billion and operating profit by 77% to R380 million.

ENGINEERING CONSUMABLES
Engineering consumables made up the other 50% of sales but its contribution to the operating profit was down to 41%. The alternative energy side of this business – Deutz Dieselpower – which supplies alternators and engines for stand-by and continuous use electricity generators performed well. However, the bearings and power transmission businesses, which serve the mining and manufacturing sectors, had a challenging year with low commodity prices, policy uncertainty, labour tribulations and a business unfriendly policy environment making it extremely difficult to do business. Ambro Sales, Bearings International, Bosworth, Ernest Lowe and Powermite were the most heavily impacted by the depressed conditions. All businesses in this segment performed adequately considering the economic circumstances with no business reporting a loss. We recognise that trading in this segment will remain depressed for the time being and that it will be near impossible to get meaningful organic growth in a segment of the economy that is clearly in decline. We have taken steps over the last 18 months to right size certain businesses to carry us through to the time when mining and manufacturing turn, and they will turn. We believe if we can continue to deliver a 10% return on sales in this segment as we have this year, we will have managed the business well in the meantime.

FINANCIAL POSITION
Our financial position remains healthy after the cash paid for acquisitions and the tax settlement of R312 million, of which the last R192 million was paid in 2015. Hudaco's operations remain cash generative. The group had R1 016 million in net borrowings at year end representing gearing of 54%, up from 25% in 2014. More importantly, interest payments were covered eight times by operating profits against our internal covenant of at least five times. The decline in the Rand exchange rate this year will result in sharply higher inventories as we replace stock at higher cost but much of this should be covered by the higher prices we receive on selling the current inventory. Although there is still capacity for acquisitions we will exercise caution as we expect interest rates to increase in the months ahead.

INITIATION OF LEGAL PROCEEDINGS
The Hudaco group has instituted legal proceedings against Bravura Equity Services Proprietary Limited ("BES") (a part of the Bravura group in South Africa), Cadiz Specialised Asset Management Proprietary Limited and certain other entities, executives and certain former executives of the Bravura and Cadiz groups. These legal proceedings are aimed at recovering alleged secret profits of R180 million and the payment made by Hudaco to SARS in the amount of R312 million, in settlement of a challenge under the general anti-avoidance rule, and pertaining to the financing arrangements for Hudaco's prospective transaction.

PROSPECTS
We are very concerned about the South African economy. The manufacturing and mining sectors have been shrinking for some years now. Partly this is due to low commodity prices for our mineral exports but it is also partly due to policy choices. Wide unemployment, a deteriorating infrastructure and poor governance, despite promises, are not being decisively tackled. If South Africa's debt is downgraded to junk status the situation will only be exacerbated.

Against this background, Hudaco remains a well-managed business and will continue to do what it has always done well, which is to manage the things over which it has control, whilst seeking out acquisitions and opportunities for growth.

Until economic circumstances improve we foresee at best only modest organic volume sales growth in South Africa and Africa (although volume sales to mining and manufacturing customers may decline further). Earnings in 2016 should nevertheless be impacted positively by a combination of factors: pricing to replacement on account of the weaker Rand, strict management of the relationship between margins, costs and the level of working capital, continuing growth in our alternative energy businesses, and the contribution from acquisitions. We continue to explore opportunities to acquire good businesses in our chosen markets.

CHANGES IN DIRECTORS' ROLES
The following changes in the roles of non-executive directors will be effective after the forthcoming annual general meeting on 9 March 2016: Stuart Morris will step down as chairman of the audit and risk management committee but will remain a member of the committee and chairman of the remuneration committee; Daisy Naidoo will become chairman of the audit and risk management committee and will step down as chairman of the social and ethics committee but will continue to serve as a member; and Nyami Mandindi will assume the chairmanship of the social and ethics committee.

DECLARATION OF INTERIM DIVIDEND NUMBER 58
Final dividend number 58 of 345 cents per share (2014: 310 cents per share) is declared payable on Monday, 7 March 2016 to ordinary shareholders recorded in the register at the close of business on Friday, 4 March 2016.

The timetable for the payment of the dividend is as follows:

Last day to trade cum dividend	Friday, 26 February 2016
Trading ex dividend commences	Monday, 29 February 2016
Record date	Friday, 4 March 2016
Payment date	Monday, 7 March 2016

Share certificates may not be dematerialised or rematerialised between Monday, 29 February 2016 and Friday, 4 March 2016, both days inclusive. The certificated register will be closed for this period.

In terms of the Listings Requirements of the JSE Limited regarding the Dividends Tax, the following additional information is disclosed:

- the dividend has been declared from income reserves;
- the dividend withholding tax rate is 15%;
- the net local dividend amount is 293,25 cents per share for shareholders liable to pay the Dividends Tax and 345 cents per share for shareholders exempt from the Dividends Tax;
- Hudaco Industries Limited has 34 153 531 shares in issue (which includes 2 507 828 treasury shares); and
- Hudaco Industries Limited's income tax reference number is 9400/159/71/2.

RESULTS PRESENTATION
Hudaco will host presentations on the financial results in Johannesburg and Cape Town on Friday, 29 January 2016 and Monday, 1 February 2016, respectively. Anyone wishing to attend should contact Janine Yon at +27 11 657 5000.

The slides which form part of the presentation will be available on the company's website from Tuesday, 2 February 2016.

APPROVAL OF FINANCIAL STATEMENTS
The financial statements have been approved by the board and abridged for the purposes of this report. Grant Thornton Johannesburg Partnership has signed and affixed its opinion on the audited financial statements. Both the financial statements and the auditor's report are available for inspection at the company's registered office.

This abridged report is extracted from audited information. The auditor's report does not necessarily cover all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of the report together with the accompanying financial information from the registered office of the company.

For and on behalf of the board

RT Vice <i>Independent non-executive chairman</i>	GR Dunford <i>Chief executive</i>
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Nedbank Corporate and Investment Banking
Sponsor

These results are available on the internet: www.hudaco.co.za

COMPANY INFORMATION
Hudaco Industries Limited
Incorporated in the Republic of South Africa
Registration number: 1985/004617/06
JSE share code: HDC
ISIN code: ZAE000003273

Transfer secretaries
Computershare Investor Services Proprietary Limited
PO Box 61051
Marshalltown, 2107

Registered office
1st Floor, Building 9
Greenstone Hill Office Park
Emerald Boulevard,
Greenstone Hill, Edenvale
Tel +27 11 657 5000
Email: info@hudaco.co.za

Directors
RT Vice (*Chairman*)*
GR Dunford (*Chief executive*)
CV Amols (*Financial director*)
SJ Connelly*
N Mandindi*
SG Morris*
D Naidoo*
* Non-executive

Group secretary
R Wolmarans

GROUP STATEMENT OF FINANCIAL POSITION			
R million	30 Nov 2015	30 Nov 2014	
Assets			
Non-current assets	1 367	1 024	
Property, plant and equipment	261	257	
Investment in joint venture	7		
Goodwill	1 001	730	
Intangible assets	69	36	
Deferred taxation	29	1	
Current assets	2 407	2 045	
Inventories	1 369	1 141	
Trade and other receivables	990	856	
Taxation	9	6	
Bank deposits and balances	39	42	
Total assets	3 774	3 069	
Equity and liabilities			
Equity	1 895	1 682	
Interest of shareholders of the group	1 844	1 649	
Non-controlling interest	51	33	
Non-current liabilities	831	209	
Amounts due to bankers	800	197	
Amounts due to vendors of businesses acquired	17	12	
Deferred taxation	14		
Current liabilities	1 048	1 178	
Trade and other payables	764	711	
Bank overdraft	255	258	
Amounts due to vendors of businesses acquired	22	17	
Taxation	7	192	
Total equity and liabilities	3 774	3 069	

GROUP STATEMENT OF COMPREHENSIVE INCOME			
R million	30 Nov 2015	% change	30 Nov 2014
Turnover	5 230	17	4 480
Ongoing operations	4 548	2	4 480
Operations acquired in 2015	682		
Cost of sales	3 313		2 845
Gross profit	1 917	17	1 635
Operating expenses	1 312		1 141
Operating profit	605	23	494
Ongoing operations	482	(2)	494
Operations acquired in 2015	123		
Adjustment to fair value of amounts due to vendors of businesses acquired	(2)		3
Profit before interest	603	21	497
Finance costs	76		39
Profit before taxation	527	15	458
Taxation excluding tax settlement	141		128
Profit before tax settlement	386	17	330
Settlement of tax dispute			312
Profit after taxation	386		18
Income from joint venture	3		
Profit for the year	389		18
Other comprehensive income			
Movement on fair value of cash flow hedges	4		(1)
Total comprehensive income for the year	393		17
Profit attributable to:			
– Shareholders of the group	369		3
– Non-controlling shareholders	20		15
	389		18
Total comprehensive income attributable to:			
– Shareholders of the group	372		2
– Non-controlling shareholders	21		15
	393		17

Earnings per share (cents)			
– Basic	1 164		8
– Headline	1 163		6
– Comparable	1 169	19	986
Diluted earnings per share (cents)			
– Basic	1 163		8
– Headline	1 161		6
– Comparable	1 167	19	984
Calculation of headline earnings			
Profit attributable to shareholders of the group	369		3
<i>Adjusted for:</i>			
Profit on disposal of property, plant and equipment	(1)		(1)
Headline earnings	368		2
Calculation of comparable earnings			
Headline earnings	368		2
<i>Adjusted for:</i>			
Settlement of tax dispute			312
Adjustment to fair value of amounts due to vendors of businesses acquired	2		(3)
Non-controlling interest			1
Comparable earnings	370	19	312
Dividends			
– Per share (cents)	525	13	465
– Amount (Rm)	166		147
Share in issue	31 646		31 646
– Total (000)	34 154		34 154
– Held by subsidiary (000)	(2 508)		(2 508)
Weighted average shares in issue			
– Total (000)	31 646		31 646
– Diluted (000)	31 696		31 691

SEGMENT INFORMATION

R million	Turnover			Operating profit			Average net operating assets		
	30 Nov 2015	% change	30 Nov 2014	30 Nov 2015	% change	30 Nov 2014	30 Nov 2015	% change	30 Nov 2014
Consumer-related products	2 603	52	1 718	380	77	215	1 072	59	673
– Ongoing operations	1 947	13	1 718	261	21	215	928	38	673
– Operations acquired in 2015	656			119			144		
Engineering consumables	2 635	(5)	2 767	260	(14)	302	1 658	3	1 605
– Ongoing operations	2 609	(6)	2 767	256	(15)	302	1 639	2	1 605
– Operations acquired in 2015	26			4			19		
Total operating segments	5 238		4 485	640		517	2 730		2 278
Head office, shared services and eliminations	(8)		(5)	(35)		(23)	(22)		105
Total group	5 230	17	4 480	605	22	494	2 708	14	2 383

GROUP STATEMENT OF CASH FLOWS			
R million	30 Nov 2015	30 Nov 2014	
Cash generated from trading	653	525	
Increase in working capital	(157)	(44)	
Cash generated from operations	496	481	
Fair value adjustment of cash flow hedges	4	(1)	
Taxation paid excluding tax settlement	(186)	(141)	
Net cash from operations before tax settlement	314	339	
Settlement of tax dispute	(192)	(80)	
Net cash from operating activities	122	259	
Net investment in new operations	(463)	(224)	
Net investment in property, plant and equipment	(31)	(58)	
Net cash from investing activities	(494)	(282)	
Increase in non-current amounts due to bankers	603	197	
Finance costs paid	(73)	(38)	
Dividends paid	(158)	(148)	
Net cash from financing activities	372	11	
Increase in net bank overdraft	0	(12)	
Net bank overdraft at beginning of the year	(216)	(204)	
Net bank overdraft at end of the year	(216)	(216)	

GROUP STATEMENT OF CHANGES IN EQUITY

R million	Share capital and premium	Non-distributable reserves	Retained income	Interest of shareholders of the group	Non-controlling interest	Equity
Balance at 30 November 2013	55	70	1 710	1 835	19	1 854
Comprehensive income for the year			2	2	15	17
Movement in equity compensation reserve		(4)	(18)	(22)	(22)	(66)
Dividends			(147)	(147)	(1)	(148)
Balance at 30 November 2014	55	66	1 547	1 668	33	1 701
Less: Shares held by subsidiary company			(19)	(19)		(19)
Net balance at 30 November 2014	55	66	1 528	1 649	33	1 682
Balance at 30 November 2014	55	66	1 547	1 668	33	1 701
Comprehensive income for the year		4	368	372	21	393
Movement in equity compensation reserve		5	(27)	(22)	(3)	(22)
Dividends			(155)	(155)	(3)	(158)
Balance at 30 November 2015	55	75	1 733	1 863	51	1 914
Less: Shares held by subsidiary company			(19)	(19)		(19)
Net balance at 30 November 2015	55	75	1 714	1 844	51	1 895

SUPPLEMENTARY INFORMATION

The consolidated financial statements have been prepared in accordance with IAS 34: Interim Financial Reporting, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the South African Companies Act and the JSE Listings Requirements. The same accounting policies, presentation and measurement principles have been followed in the preparation of the abridged report for the year ended 30 November 2015 as were applied in the preparation of the group's annual financial statements for the year ended 30 November 2014. These results have been compiled under the supervision of the financial director, CV Amols, CA (SA). The directors of Hudaco take full responsibility for the preparation of the abridged report and ensuring that the financial information has been correctly extracted from the underlying annual financial statements.

R million	30 Nov 2015	30 Nov 2014
Average net operating assets (NOA) (Rm)	2 708	2 383
Operating profit margin (%)	11,6	11,0
Average NOA turn (times)	1,9	1,9
Return on average NOA (%)	22,4	20,7
Average net tangible operating assets (NTOA) (Rm)	1 650	1 616
PBITA margin (%)	12,1	11,5
Average NTOA turn (times)	3,2	2,8
Return on average NTOA (%)	38,5	31,8
Net asset value per share (cents)	5 827	5 210
Return on average equity (%)	21,8	1,0
Comparable return on average equity (%)	21,9	17,9
Operating profit has been determined after taking into account the following charges (Rm)		
– Depreciation	40	33
– Amortisation	29	20
Capital expenditure (Rm)		
– Incurred during the year	37	64
– Authorised but not contracted for	58	56
Commitments		
– Operating lease commitments on properties (Rm)	245	237
– Commitment to purchase businesses: Hydraulic Engineering Repair Services (HERS) and All-Trade Distributors, for a maximum consideration of R133 million payable over three years.		

Acquisition of businesses
On 1 December 2014 the group acquired 100% of the shares in Partquip Group Pty Ltd for R531 million and 100% of the business of Bertel for a total consideration based on future profits and which is estimated to be R15 million and on 1 September 2015 100% of the business of Sanderson Special Steels for a total consideration based on future profits and which is estimated to be R38 million.

Plant and equipment of R12 million, investment in joint venture of R6 million, inventories of R142 million, trade and other receivables of R128 million, trade and other payables of R118 million, cash of R110 million, taxation of R32 million, intangible assets of R62 million and goodwill of R271 million were recognised at date of acquisition. These values approximate the fair values determined under IFRS 3.

Turnover of R682 million and profit after tax of R89 million were included in the group results since the acquisition date. Had these acquisition all been made at the beginning of the year the turnover and profit after tax for the group would have been R5 270 million and R392 million, respectively.

Events after reporting date

On 1 December 2015 the group acquired 100% of the business of HERS and on 1 January 2016 100% of the business of All-Trade Distributors for a combined consideration based on future profits and which is estimated to be a maximum of R133 million.

Plant and equipment of R4 million, inventories of R28 million, trade and other receivables of R23 million, trade and other payables of R12 million, cash of R7 million, taxation of R2 million, intangible assets of R7 million and goodwill of R34 million will be recognised at dates of acquisition. These values approximate the fair values as provisionally determined under IFRS 3.

Had these acquisitions been made at the beginning of the year turnover of R140 million and profit after tax of R8 million would have been included in the group results and the turnover and profit after tax for the group would have been R5 370 million and R394 million, respectively.