



■ Turnover down 1,6% to R2,5 billion	■ Basic and headline earnings per share down 13,9% to 472 cps	■ Net cash generated from operating activities R172 million
■ Operating profit down 15,8% to R246 million	■ Comparable earnings per share down 19,7% to 440 cps	■ Interim dividend down 5,6% to 170 cps

CONSUMER-RELATED PRODUCTS

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

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 wireless networking, VoIP and video products and the provision of strong after-sales service and technical support

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

Importer and distributor of plastic and stainless steel slat chains, modular belting and conveyor components and manufacturer of plastic engineering parts

Supply of hydraulic pumps and motors to the mining, industrial, mobile, marine and forestry industries

Manufacturer of hydraulic and pneumatic equipment

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

Manufacture and assembly of hydraulic gear pumps

Manufacturer and repairer of hydraulic cylinders and repairer of drivetrain components

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 aftermarket, power tool, security and communication equipment businesses supply products into markets with a bias towards consumer spending.
- The mechanical and electrical power transmission, diesel engine, hydraulics and pneumatics, steel, thermoplastic fittings and bearings businesses supply engineering consumables mainly to mining and manufacturing customers.

Value added includes product specification, technical advice, application and installation training and troubleshooting, combined with ready availability at a fair price.

Results
The group has delivered satisfactory first half results under exceedingly difficult economic circumstances. The group's deft positioning over the past few years to reduce dependence on the mining and manufacturing sectors has proved successful with welcome increases in revenues and earnings over time from sectors of the economy that have better prospects.

Group sales at R2,5 billion for the half year have reduced marginally from 2015 but that is after acquisitions added R122 million. Operating profit declined 15,8% to R246 million with an operating margin still at a very respectable 9,8%. Operating expenses were very well controlled, increasing only 4% even with the acquisitions. Basic and headline earnings per share declined 13,9% to 472 cents whilst comparable earnings per share (CEPS) declined 19,7% to 440 cents. 2015's first half results were boosted by approximately R50 million profits (R36 million after tax) from two sources that have not been repeated this period – sales of alternative energy products due to load shedding and a large contract for communication equipment. Had it not been for these last year, CEPS would have been down only 3% and it is notable that 2016 half-year CEPS are 6% above those of 2014. The impact on the full year results will not be as significant as it has been on the half year results.

The interim dividend has been reduced 5,6% to 170 cents per share.

The financial position is in good shape. Bank borrowings normally peak at the half year as we stock up for what is usually a busier second half and with the depreciation of the Rand, our inventory is costing us considerably more than last year. Notwithstanding this, and the fact that we paid dividends of R115 million and R135 million for acquisitions, net borrowings increased only R137 million in the half year to R1 153 million. Operating activities generated net cash of R172 million for the six months. Borrowings are still well within our self-imposed conservative guidelines and our available banking facilities and, unless we make further acquisitions, our usual strong second half cash generation should reduce them by year end.

Consumer-related products
This segment's contribution to group sales has benefited from acquisition activity over the past few years and in this half it accounted for 49% of group sales and 62% of operating profit. There are now nine businesses in this segment and they diversify our opportunities and market segment mix. The automotive aftermarket is the biggest market sector and continues to perform well. Our security businesses have also had a good start to the year, securing some quality project business. Our battery and communication businesses were well down on last year as a result of load shedding largely coming to an end and no repeat major communication equipment contract. Power tool sales felt the impact of the pressure of the economy and volumes declined in the first half.

Segment sales declined 3,7% to R1 238 million, of which R38 million was from acquisitions. Operating profit declined 17,5% to R160 million at an operating margin of 13%.

Engineering consumables
There are 20 businesses which make up this segment and the South African mining and manufacturing markets account for half of its revenue. Trading conditions were extremely tough with the drought, anaemic economy and weak commodity prices resulting in sharply lower demand. This tough environment created aggressive pricing pressure which reduced the return on sales. However, there were good performances from businesses supplying diesel engines, thermoplastic fittings, belting and electrical drives. Our filtration and hydraulics businesses, although well down on prior year, produced a very acceptable return on sales. Segment sales did very well to remain flat at R1 271 million, albeit supported by a small acquisition. Operating profit declined 18,3% to R98 million at an operating margin of 8%.

Prospects
South Africa, right now, is a difficult place to do business. We expect that trading conditions in the second half of 2016 will be much the same. Consumer spending will probably remain under pressure as the economy continues to struggle and three of the sectors we serve: mining, manufacturing and agriculture, are likely to stay depressed until such time as commodity prices increase and the drought is broken.

Notwithstanding the substantial shift in Hudaco's exposure away from mining and manufacturing over the past few years, these remain important sectors for the group and their fortunes still have a significant impact on Hudaco's trading results. Businesses heavily exposed to these markets are bound to battle to get organic growth and will have to manage the relationship between sales, gross margin and expenses even more carefully until conditions improve.

Consumer-related markets, which now account for the majority of our profit are performing well and increased emphasis will continue to be placed on growing this segment. The acquisition of Miro in May 2016 is another positive step in this direction.

Hudaco's business model, which is principally the sale of replacement parts with a high value added component; and its financial characteristics – high margin and strong cash flows with a limited requirement for investment in fixed assets; allow us to continue to deliver acceptable results in this difficult economic environment. We expect that the results for the full year to November 2016 will be closer to last year's results than those of the first half.

Declaration of interim dividend number 59
Interim dividend number 59 of 170 cents per share (gross) is declared payable on Monday, 15 August 2016 to ordinary shareholders recorded in the register at the close of business on Friday, 12 August 2016.

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

Last day to trade <i>cum</i> dividend	Monday, 8 August 2016
Trading ex dividend commences	Wednesday, 10 August 2016
Record date	Friday, 12 August 2016
Payment date	Monday, 15 August 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 10 August 2016 and Friday, 12 August 2016, both days inclusive. The certificated register will be closed for this period.

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

- the dividend has been declared out of income reserves;
- the dividend withholding tax rate is 15%;
- the net local dividend amount is 144,5 cents per share for shareholders liable to pay Dividends Tax and 170 cents per share for shareholders exempt from 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, 1 July 2016 and Monday, 4 July 2016, respectively. Anyone wishing to attend should contact Janine Yon at 011 657 5007.

The slides which form part of the presentation will be available on the company's website from Tuesday, 5 July 2016.

For and on behalf of the board

RT Vice **GR Dunford**
Independent non-executive chairman Chief executive

30 June 2016

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	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 (<i>Chairman</i>)*	
		GR Dunford (<i>Chief executive</i>)	
		CV Amoils (<i>Financial director</i>)	
		SJ Connelly*	
Transfer secretaries Computershare Investor Services Proprietary Limited PO Box 61051 Marshalltown, 2107		N Mandindi*	
		SG Morris*	
		D Naidoo*	
		* Non-executive	
		Group secretary	
		R Wolmarans	
		Sponsor	
		Nedbank Corporate and Investment Banking	

	31 May 2016	31 May 2015	30 Nov* 2015
R million			
ASSETS			
Non-current assets	1 611	1 341	1 367
Property, plant and equipment	262	264	261
Investment in joint venture	5	2	7
Goodwill	1 240	996	1 001
Intangible assets	75	79	69
Deferred taxation	29		29
Current assets	2 562	2 240	2 407
Inventories	1 612	1 356	1 369
Trade and other receivables	858	834	990
Taxation	38	3	9
Bank deposits and balances	54	47	39
TOTAL ASSETS	4 173	3 581	3 774
EQUITY AND LIABILITIES			
Equity	1 941	1 774	1 895
Equity holders of the parent	1 890	1 731	1 844
Non-controlling interest	51	43	51
Non-current liabilities	1 119	805	831
Amounts due to bankers	900	792	800
Amounts due to vendors of businesses acquired	197		17
Deferred taxation	22	13	14
Current liabilities	1 113	1 002	1 048
Trade and other payables	760	761	764
Bank overdraft	307	220	255
Amounts due to vendors of businesses acquired	34	21	22
Taxation	12		7
TOTAL EQUITY AND LIABILITIES	4 173	3 581	3 774

	Six months ended 31 May 2016	% change	Six months ended 31 May 2015	Year* ended 30 Nov 2015
R million				
Turnover	2 507	(1,6)	2 549	5 230
– Ongoing operations	2 385	(6,4)	2 549	5 216
– Operations acquired after December 2014	122			14
Cost of sales	1 605		1 625	3 313
Gross profit	902		924	1 917
Operating expenses	656		632	1 312
Operating profit	246	(15,8)	292	605
– Ongoing operations	229	(21,6)	292	604
– Operations acquired after December 2014	17			1
Adjustment to fair value of amounts due to vendors of businesses acquired	12			(2)
Profit before interest	258	(11,6)	292	603
Finance costs	48		39	76
Profit before taxation	210	(17,0)	253	527
Taxation	57		71	141
Profit after taxation	153	(15,9)	182	386
Income from joint venture	1		1	3
Profit for the period	154	(15,8)	183	389
Other comprehensive income	(1)		1	4
Movement on fair value of cash flow hedges	(3)		1	4
Exchange gain on translation of foreign operations	2			
Total comprehensive income for the period	153		184	393
Profit attributable to:				
– Equity holders of the parent	149	(13,9)	173	369
– Non-controlling shareholders	5		10	20
	154	(15,8)	183	389

Earnings per share (cents)				
– Basic	472	(13,9)	548	1 164
– Headline	472	(13,9)	548	1 163
– Comparable	440	(19,7)	548	1 169
Diluted earnings per share (cents)				
– Basic	471	(12,3)	537	1 163
– Headline	471	(12,3)	537	1 161
– Comparable	439	(18,2)	537	1 167
Calculation of headline earnings				
Profit attributable to equity holders of the parent	149	(13,9)	173	369
Adjusted for:				
Profit on disposal of property, plant and equipment				(1)
Headline earnings	149	(13,9)	173	368

Calculation of comparable earnings				
Headline earnings	149	(13,9)	173	368
Adjusted for:				
Adjustment to fair value of amounts due to vendors of businesses acquired	(12)			2
Non-controlling interest	2			
Comparable earnings	139	(19,7)	173	370

Dividends				
– Per share (cents)	170	(5,6)	180	525
– Amount (Rm)	54		57	166
Shares in issue (000)	31 646		31 646	31 646
– Total (000)	34 154		34 154	34 154
– Held by subsidiary (000)	(2 508)		(2 508)	(2 508)
Weighted average shares in issue				
– Total (000)	31 646		31 646	31 646
– Diluted (000)	31 708		32 267	31 696

	Turnover			Operating profit			Average net operating assets		
	Six months ended 31 May 2016	% change	Six months ended 31 May 2015	Six months ended 31 May 2016	% change	Six months ended 31 May 2015	Six months ended 31 May 2016	% change	Year* ended 30 Nov 2015
R million									
Consumer-related products									
– Ongoing operations	1 238	(3,7)	1 285	160	(17,5)	194	1 270	16,8	1 072
– Operations acquired after December 2014	1 200	(6,6)	1 285	156	(19,6)	194	1 219	12,1	1 087
	38			4			51		
Engineering consumables									
– Ongoing operations	1 271	0,5	1 265	98	(18,3)	120	1 759	8,2	1 625
– Operations acquired after December 2014	1 187	(6,2)	1 265	85	(29,2)	120	1 681	3,4	1 652
	84			13			78		6
Total operating segments									
Head office, shared services and eliminations	2 509	(1,6)	2 550	258	(17,8)	314	3 029	11,7	2 730
	(2)		(1)	(12)		(22)	3		(22)
Total group	2 507	(1,6)	2 549	246	(15,8)	292	3 032	15,9	2 708
* Audited									

	Six months ended 31 May 2016	Six months ended 31 May 2015	Year* ended 30 Nov 2015
R million			
Cash generated from trading	287	331	653
Increase in working capital	(29)	(3)	(157)
Cash generated from operations	258	328	496
Fair value adjustment of cash flow hedges	(3)		4
Taxation paid excluding tax settlement	(83)	(73)	(186)
Net cash from operations before tax settlement	172	255	314
Settlement of tax dispute		(192)	(192)
Net cash from operating activities	172	63	122
Net investment in new operations	(135)	(466)	(463)
Net investment in property, plant and equipment	(16)	(13)	(31)
Net cash from investing activities	(151)	(479)	(494)
Increase in non-current amounts due to bankers	100	595	603
Finance costs paid	(44)	(38)	(73)
Dividends paid	(115)	(98)	(158)
Net cash from financing activities	(59)	459	372
(Increase) decrease in net bank overdraft	(38)	43	0
Foreign exchange translation gain			
Net bank overdraft at beginning of the period	(216)	(216)	(216)
Net bank overdraft at end of the period	(253)	(173)	(216)

GROUP STATEMENT OF CHANGES IN EQUITY						
R million	Share capital and premium	Non-distributable reserves	Retained income	Equity holders of the parent	Non-controlling interest	Equity
Balance at 1 December 2015	55	75	1 733	1 863	51	1 914
Comprehensive income for the period			148	148	5	153
Movement in equity compensation reserve		8		8		8
Dividends			(110)	(110)	(5)	(115)
Balance at 31 May 2016	55	83	1 771	1 909	51	1 960
Less: Shares held by subsidiary company			(19)	(19)		(19)
Net balance at 31 May 2016	55	83	1 752	1 890	51	1 941
Balance at 1 December 2014	55	66	1 547	1 668	33	1 701
Comprehensive income for the period			174	174	10	184
Movement in equity compensation reserve		6		6		6
Dividends			(98)	(98)		(98)
Balance at 31 May 2015	55	72	1 623	1 750	43	1 793
Less: Shares held by subsidiary company			(19)	(19)		(19)
Net balance at 31 May 2015	55	72	1 604	1 731	43	1 774
Balance at 1 December 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)		(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