Hudaco

Integrated Report

for the year ended 30 November 2014

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Refers to additional information in the report

Refers to additional information on our website: www.hudaco.co.za

PROFILE

Hudaco Industries is a South African group specialising in the importation and distribution of high-quality branded industrial and electronic products, mainly in the southern African region.

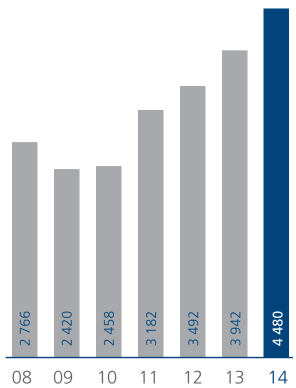
Hudaco businesses serve markets that fall into two primary categories. The bearings, power transmission and diesel engine businesses supply engineering consumables mainly to mining and manufacturing customers whilst the security, power tool and automotive after-market businesses supply products into markets with a bias towards consumer spending.

Hudaco sources branded products, mainly on an exclusive basis, directly from leading international manufacturers and to a lesser extent from local manufacturers. Hudaco seeks out niche areas in markets where customers need, and are prepared to pay for, the value Hudaco adds to the products it distributes. The value-added includes product specification, technical advice, application and installation training and troubleshooting, combined with ready availability at a fair price. The group has a network of specialised branches and independent distributors throughout southern Africa to ensure product availability to its customers. With the exception of DD Power, in which Deutz AG has a 30% share, all Hudaco businesses are 15% owned directly by BEE shareholders.

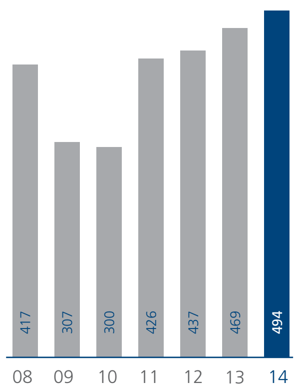
RESULTS IN BRIEF

30 November	2014	2013
Turnover (Rm)	4 480	3 942
Operating profit (Rm)	494	469
Comparable earnings (Rm)	312	311
Headline earnings (Rm)	2	294
Attributable earnings (Rm)	3	294
Comparable earnings per share (cents)	986	983
Headline earnings per share (cents)	6	928
Dividends per share (cents)	465	465

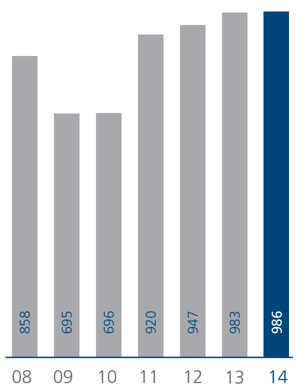
Turnover (Rm)



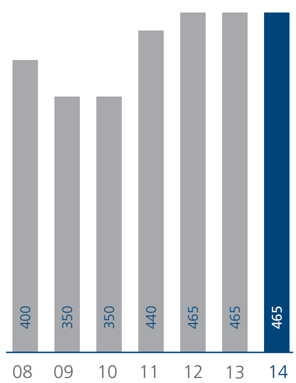
Operating profit (Rm)



Comparable earnings per share (cents)



Dividends per share (cents)



HIGHLIGHTS AND CHALLENGES

Tax dispute settled
at R312 million

Sales into Africa grew
by 39%

Partquip acquisition concluded
at R550 million

Comparable earnings per share up
to 986 cents from 983 cents

Sales up 14%
to R4,5 billion

Final dividend maintained
at 310 cents per share

- **60** bursaries granted to staff and their family members
- **90** successful technical trainees
- **20** employees graduate from Wits Business School
- New CEO and Exco members **appointed**
- Elvey Security Technologies moves to **new Elvey Techno Park**
- Businesses severely **impacted by mining strikes** for full year
- NUMSA strike had **devastating effect** for a whole month
- **Lack of military contracts** in communication equipment business
- **Disappointing performance** from Bearings International

ABOUT THIS REPORT

Scope and boundary

The integrated annual report (IAR) of Hudaco Industries covers the period 1 December 2013 to 30 November 2014. The group's financial year ends on 30 November, and unless otherwise indicated or described, the information included in this report refers for the years ended 30 November 2014 and 30 November 2013. The previous IAR covered the period 1 December 2012 to 30 November 2013.

The entities reported on include Hudaco Industries Limited, and its subsidiaries.

Their businesses are described on page 4 of this IAR.

Basis of preparation

This IAR is prepared in terms of the JSE's Listings Requirements for integrated reporting and the King III Code on Corporate Governance. It also meets all the other legal requirements to which the company must adhere (such as the Companies Act). This IAR is used as a vehicle to communicate Hudaco's evolving business model and the quality of the decisions that have led to the financial results.

Our revenue, profits, social and environmental impacts and benefits accrue from our many business units that do not report independently in the public domain. In this report we try to strike a balance between adequate composite reporting at a group level, and communicating sufficient detail of the underlying operations.

This report tries to integrate the operational, financial and sustainability (environmental, social and governance) issues relating to the key drivers of the business. In the report, we explain how the executives of Hudaco have applied their minds to considering these issues while developing the business' strategy.

In compiling this integrated report, the following were taken into consideration:

- the Hudaco mission;
- our strategic objectives to achieve the mission;
- the Hudaco business model;
- input received from the stakeholder engagement process;
- reporting requirements for a listed company, including legislation;
- various relevant guidelines;
- King III and JSE Listings Requirements;
- performance and developments during the year; and
- matters we believe are of relevance to stakeholders.

Hudaco continues to apply the principles of King III and has reviewed its practices against these principles. The board is satisfied with the group's compliance with King III and its explanation of instances where alternative governance had been put in place. Where King III practices or principles are not applied within the business, this is clearly explained to stakeholders and, where necessary, other controls are put in place to ensure good governance.

Guidelines used in compiling the separate elements of the IAR include:

Report element	Guidelines	Reference
Corporate governance and risk management report	King III	Pages 28 to 37
Black economic empowerment status report	Codes of Good Practice, issued by the Department of Trade and Industry (dti)	Page 49
Sustainability report	Various relevant guidelines, including those contained in the global reporting initiative (GRI) G3 indicators	Pages 57 to 64 and throughout as well as website
Annual financial statements	International Financial Reporting Standards (IFRS), Financial Reporting Guides, issued by the South African Institute of Chartered Accountants, South African Companies Act and the JSE Listings Requirements	Pages 65 to 103

While we acknowledge that there are still areas to be improved upon in Hudaco's reporting and we remain committed to addressing these in subsequent reports, we believe that, building on our previous reports, this 2014 report moves us yet closer towards best international practice, provides stakeholders with a more detailed view of our activities for the past year and outlines our approach to these issues in the years ahead. Hudaco's reporting complies with application level C of the GRI (G3) sustainability guidelines on economic, environmental and social performance, adopted by the group in 2010.

Approval of financial statements

The financial statements have been approved by the board. Grant Thornton has signed an unqualified audit opinion on the annual financial statements.

Hard copy and report feedback

This integrated report is available in hard copy from the group secretary at +27 11 657 5000 or info@hudaco.co.za. Any questions regarding this report or its contents should also be channelled through the group secretary.

Feedback on this report is welcomed and similarly can be made directly to the group secretary.

HISTORY

1890s

Formation

In 1891, just five years after the discovery of gold on the Witwatersrand, J Hubert Davies started an industrial equipment supply business in Johannesburg. By the turn of the century, the business was a major player in the distribution of mechanical and electrical industrial products. In 1917 it was converted into a private company, which facilitated the introduction of senior managers as shareholders and directors.

1930s

First JSE listing

In September 1938, Hubert Davies and Company Limited listed on the Johannesburg Stock Exchange. It delisted almost four decades later, in 1977, when it became a wholly-owned subsidiary of Blue Circle Limited. The United Kingdom-based industrial group had already acquired a substantial interest in the company three years earlier.

1970s

Expansion and decentralisation

In the 1970s, Hubert Davies expanded its product offering and branch network to extend across southern Africa. Then a strategic decision was made to specialise by product and activity, in order to provide more focused customer service and achieve improved market penetration. Following on from this, a management philosophy of decentralising decision-making and responsibility was introduced. This philosophy is still in place today.

1980s

Second JSE listing

In line with the specialisation trend amongst businesses at that time, Hudaco Industries was established as a separate autonomous company in 1981, owning the group's distribution businesses. In May 1984, with banks as partners, management, under the leadership of Bruce MacInnes, acquired control of Hudaco Industries from Blue Circle, in what was then the largest South African private equity leveraged buyout. On 14 November 1985, Hudaco Industries Limited listed on the Johannesburg Stock Exchange at a subscription price of R1,50 per share, with a market capitalisation of R29 million. Several large acquisitions followed, including listed companies Frencorp, Valard and Elsec.

2000s

B-BBEE shareholding and growth

In 2007, the group sold 15% of the majority of its operating businesses to black, previously disadvantaged shareholders as part of a B-BBEE initiative. The 2000s also saw the group's annual turnover increase to R4 billion.

Today

A quality diversified industrial distributor

Recent years have seen Hudaco make several significant acquisitions, including Filter and Hose Solutions, Global Communications, the Dosco group and now Partquip. These have enabled the group to weather very difficult conditions in its core markets and to diversify the sectors it serves.

Today, with a proud history of over 120 years since J Hubert Davies saw the long-term business potential of the initial gold rush, the group remains true to its roots. The group now employs nearly 3 000 people and has a market capitalisation of about R3 billion. Its shareholders include many blue-chip players in the South African retirement investment industry.

Alternate Current Watt meter, dating back to 1903

GROUP AT A GLANCE

ENGINEERING CONSUMABLES

Ernest Lowe – hydraulic and pneumatic products

Principal activities	Businesses
Bearings	**Bearings International**
The distribution of bearings, chain, seals, geared motors, electric motors, transmission products and alternators.	Has over 40 branches across South Africa. The main bearing brands distributed are FAG from Germany and KOYO from Japan.
Diesel engines and spares	**Deutz Dieselpower**
The distribution of Deutz diesel engines and Deutz spares and the provision of service support.	Represents Deutz AG – one of the world's leading independent manufacturers of diesel engines.
Power transmission	**Power transmission**
The distribution of geared motors, belting, hydraulics, filtration solutions, kits and accessories, pneumatics, industrial hose, conveyor drive pulleys, variable speed drives, special solid and hollow round steel, specialised thermoplastic pipes and fittings, gear pumps, ferrous and non-ferrous castings, electrical cabling, plugs and related products to the manufacturing, mining and agricultural after-markets.	Ambro Sales, Astore Africa, Belting Supply Services, Bosworth, Dosco, Ernest Lowe, Filter and Hose Solutions, GPM, Joseph Grieveson, Midrand Special Steels, Powermite, Proof Engineering, Three-D and Varispeed.

CONSUMER-RELATED PRODUCTS

Rutherford – power tools for industry

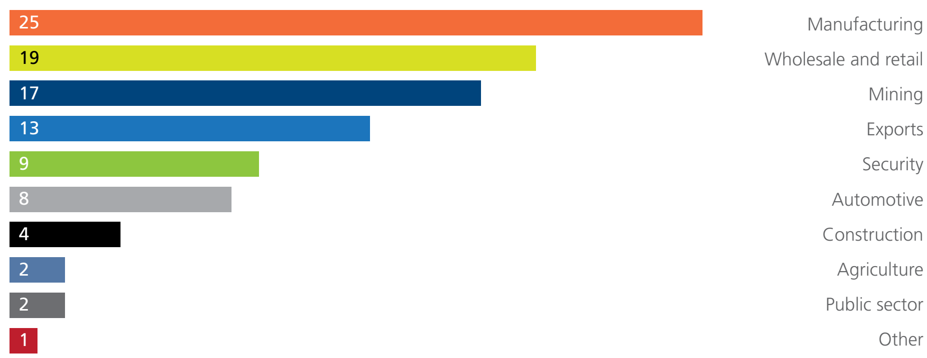
Principal activities	Businesses
Automotive products	**Abes Technoseal and Partquip**
The distribution of clutch kits, automotive ignition leads, oil and hydraulic seals, wheels, brake and clutch hydraulics, mountings, bushes, hydraulic repair kits, cylinders, hose, CV joints, wheel hubs, suspension components and 4X4 vehicle components to the automotive and industrial after-market.	Distribute seals and Valeo clutch kits and a variety of passenger and 4X4 vehicle parts, respectively.
Security equipment	**Elvey Security Technologies and Pentagon**
The distribution of intruder detection, access control and related CCTV equipment, including design and integration of systems, fibre-optics, fire detection and video over IP installations.	Distribute Bosch, DSC, Optex and Risco security equipment.
Communication equipment	**Global Communications**
The distribution of professional mobile radio equipment and radio systems integrator.	Distributes Kenwood and JVC communication equipment.
Power tools	**Rutherford**
The distribution of power tools, marine engines and survey equipment.	Distributes Makita power tools and Mercury marine engines.
Batteries	**Deltec and Specialised Battery Systems**
Distribution of lead acid, stand-by and solar batteries.	Distribute maintenance free batteries, stand-by and solar batteries respectively.

GROUP

Partquip – automotive spares and accessories

Group

Sales by market sector – 2014 (%)



Key drivers
GDP growth
Mining activity
Mining investment
Mining mechanisation
Manufacturing activity
Electricity usage management

R million	2014	2013
Sales	2 767	2 478
– Ongoing	2 423	2 412
– Acquired 2013 and 2014	344	66
Operating profit	302	292
– Ongoing	248	286
– Acquired 2013 and 2014	54	6
Average NOA*	1 605	1 394
Number of permanent employees	2 146	1 983

** Net operating assets.*

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Key drivers
Consumer spending
Building activity
Employment levels
Vehicle sales
Analogue to digital migration

R million	2014	2013
Sales	1 718	1 470
– Ongoing	1 536	1 440
– Acquired 2013 and 2014	182	30
Operating profit	215	199
– Ongoing	189	194
– Acquired 2013 and 2014	26	5
Average NOA*	673	601
Number of permanent employees	666	685

** Net operating assets.*

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Key drivers
Exchange rates
Acquisitions

R million	2014	2013
Sales	4 480	3 942
– Ongoing	3 954	3 846
– Acquired 2013 and 2014	526	96
Operating profit	494	469
– Ongoing	414	458
– Acquired 2013 and 2014	80	11
Average NOA*	2 383	2 119
Number of permanent employees	2 835	2 688

** Net operating assets.*

SEVEN-YEAR REVIEW

R million	2014	2013	2012	2011	2010	2009	2008
Group statement of income							
Turnover	**4 480**	3 942	3 492	3 182	2 458	2 420	2 766
Profit before interest and tax	**497**	446	445	426	300	307	417
Net finance costs less dividends received	**39**	21	48	42	17	28	40
Profit before taxation	**458**	425	397	384	283	279	377
Taxation excluding tax settlement	**128**	120	47	46	26	24	57
Profit before tax settlement	**330**	305	350	338	257	255	320
Settlement of tax dispute	**312**						
Profit for the year	**18**	305	350	338	257	255	320
Non-controlling interest	**15**	11	11	13	5	6	23
Headline earnings	**3**	294	339	325	252	249	297
Capital items			1	(1)	(18)	(6)	10
Attributable earnings	**3**	294	340	324	234	243	307
Shares in issue (000) (weighted average)	**31 646**	31 646	31 646	31 617	31 466	31 023	30 836
Earnings per share (cents)							
– comparable	**986**	983	947	920	695	695	858
– headline	**6**	928	1 071	1 024	800	801	964
– basic	**8**	930	1 074	1 026	745	784	995
Dividends per share (cents)	**465**	465	465	440	350	350	400
Group statement of financial position							
Property, plant and equipment	**257**	214	205	182	131	91	92
Goodwill	**730**	619	594	516	331	117	131
Intangible assets	**36**	39	49	49	34	18	25
Deferred taxation – net	**1**	10	11	11	23	11	(5)
Inventories	**1 141**	1 104	919	813	663	597	780
Trade and other receivables	**856**	780	684	616	423	356	507
Trade and other payables	**(711)**	(673)	(592)	(586)	(420)	(326)	(488)
Taxation – net	**(186)**	37	(6)	(8)	(6)	(10)	(33)
Net operating assets	**2 124**	2 130	1 864	1 593	1 179	854	1 009
Investment in preference shares			2 181	2 181	2 181	2 181	2 181
Net (borrowings) cash	**(413)**	(204)	(17)	166	262	335	69
Employment of capital	**1 711**	1 926	4 028	3 940	3 622	3 370	3 259
Interest of shareholders of the group	**1 649**	1 816	1 670	1 494	1 287	1 150	1 015
Non-controlling interest	**33**	19	26	31	27	34	40
Equity	**1 682**	1 835	1 696	1 525	1 314	1 184	1 055
Subordinated debenture			2 181	2 181	2 181	2 181	2 181
Amounts due to vendors on acquisitions	**29**	91	151	234	127	5	23
Total capital employed	**1 711**	1 926	4 028	3 940	3 622	3 370	3 259
Group statement of cash flows							
Cash generated from trading	**525**	513	458	458	327	333	450
(Increase) decrease in working capital	**(44)**	(138)	(121)	(129)	12	166	(235)
Cash generated from operations	**481**	375	337	329	339	499	215
Taxation paid	**(222)**	(169)	(54)	(46)	(49)	(63)	(56)
Net cash from operating activities	**259**	206	283	283	290	436	159
Investment in new operations	**(224)**	(181)	(229)	(164)	(184)	(7)	(140)
Investment in property, plant and equipment	**(58)**	(32)	(39)	(64)	(50)	(17)	(20)
Disposal of preference shares		2 181					
Discontinuation of business						7	
Dividends and interest received		50	202	205	218	203	212
Net cash from investing activities	**(282)**	2 018	(66)	(23)	(16)	186	52
Proceeds from issue of shares				2	7	8	4
(Decrease) increase in finance leases			(3)	3			
Subordinated debenture repurchased		(2 181)					
Finance costs paid	**(38)**	(66)	(237)	(234)	(234)	(235)	(249)
Dividends paid	**(148)**	(164)	(163)	(124)	(120)	(129)	(214)
Net cash from financing activities	**(186)**	(2 411)	(403)	(353)	(347)	(356)	(459)
Net (decrease) increase in cash and cash equivalents	**(209)**	(187)	(186)	(93)	(73)	266	(248)

MISSION

Hudaco has been an important part of the South African business landscape for more than a century. Our mission is to develop and manage a sustainable business for the benefit of all stakeholders, in both current and future generations.

Accordingly, we welcome the initiative of the King Commission and the JSE to place at the centre of our decision-making processes the creation of sustainable and long-term value for all our stakeholders, not just our shareholders.

Achieving Hudaco's mission

Shareholders	We aim to produce superior returns for our **shareholders** by efficiently managing our business and by taking advantage of acquisitive and organic growth opportunities
Customers	We safeguard our strong market shares by offering quality products and ready availability to our **customers**
Suppliers	We establish enduring partnerships with our **suppliers**, combining their leading world brands and our distribution strengths in southern Africa
People	We ensure that a significant part of Hudaco's strength – its **people** – thrive in a decentralised, dynamic and challenging business environment
Trans-formation	We are committed to playing a part in the **transformation** of South Africa's society and economy to help redress the inequities of the past
Communities Environment	We aim to achieve our objectives in a manner governed by the highest standards of ethical conduct, sensitive to the needs of the **communities** in which our businesses operate and conscious of our responsibilities for safety and the **environment**

Measurement of success

We measure success through financial and non-financial assessments:

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- **Shareholders** – the primary measures are financial and are detailed in the financial review.
- **Customers** – growth in market share, measured where information is available and using customer satisfaction reviews;
- **Suppliers** – retention of significant brands, principal relationship reviews, benchmarking the market position of a brand in South Africa with its market position internationally;

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- **Our people** – retention record; success on educational programmes; health and safety records; support for wellness initiatives;

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- **Transformation** – employment equity: appointment and promotion of black people to more senior positions; proportion and success of black people on our educational programmes; Black Economic Empowerment: empowering previously disadvantaged South Africans to own equity in the company; and
- **Communities** – success of students on our BEE bursary programme, support for and success of our corporate social investment initiatives.

BUSINESS MODEL

SOURCE

- Hudaco sources products from more than 700 international suppliers scattered across the industrialised world.
- We carry more than 200 000 line items in stock. Demand is relatively inelastic, with low line item sales predictability, whilst supplier lead times can range from three months to well over a year, in extreme cases. Stock holding is therefore Hudaco's most important asset as our key competitive advantage is the ability to offer availability on demand.

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Our suppliers rely on our understanding of the specific challenges of doing business in Africa, particularly the political and regulatory risks and the limitations which the size of these economies pose, and appoint us to represent their brands in markets which they would not ordinarily have been able to access.

Crucially, we must adapt continually to the dynamics of doing business in Africa.

Technical support is provided from South Africa until we have developed locals with managerial and technical skills.

GROUP VALUE-ADD

Our objective is to offer customers more than just a product in a box. In addition we offer advice on product selection, quick availability and technical advice and training. In our acquisition efforts we seek to acquire agencies for products where customers either already require these characteristics or, by introducing them, we think we can increase customer loyalty to the brand.

Hudaco's value-add offering is in demand by our customers. Hudaco is in the fortunate position of being able to maintain its technical skills base through loyal and motivated employees. We are also able to quickly and easily train new staff through training offered internationally by our suppliers and our own in-house training programmes.

ACQUISITIONS

Hudaco's first priority is to take advantage of organic growth opportunities within the markets it serves. However, after funding organic growth and paying dividends to shareholders, Hudaco's high cash-generating characteristics mean that funds are still available to fund the acquisition of new businesses. We use acquisitions of successful (and usually privately held) businesses to provide an additional platform for future growth.

Our board has agreed on a strategy to pursue acquisitions with the aim of:

- ideally closing one major acquisition of at least R300 million turnover every two years;
- continuing to acquire smaller usually bolt-on businesses; and
- concluding a major, R1 billion-plus acquisition, if such an opportunity can be found.

Where practicable, Hudaco seeks to:

- purchase the business not the company;
- enter into service agreements with management;
- include earn-out arrangements; and
- purchase for cash, unless the acquisition is large enough to warrant issuing shares.

Our success factors

- The quality of the personal relationships between Hudaco and the seller of the business is the most important factor for a successful acquisition. We don't impose joint purchasing or tendering, preferring to preserve each business' route to market. Managing directors of businesses that come into the group may be invited to play a wider role within the group once they have completed their three-year earn-out and they have proved to us and to themselves that they are comfortable in a corporate environment. We benefit greatly from the presence of the seller of a successful business on our team as they often bring with them experience and ideas worth sharing across the broader group.
- Our decentralised structure helps to ensure that the businesses that we buy remain intact (ie the brand, the staff and the reputation). Hudaco only intervenes when performance requires it.

Principals/suppliers

Hudaco's businesses distribute top-quality branded products and have represented their major principals for many years. The dates the relationships commenced are set out with the brand logos on pages 38 to 56. The following factors strengthen our ability to retain existing distribution rights:

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- Market share is key. If our local market share is similar to what our principal enjoys internationally, distribution rights are unlikely to be disturbed.
- The local southern African market is small in world terms making entering it directly not worthwhile.
- South Africa is heavily regulated with unique laws (for example BEE) not well understood by the international community. Further, the regulatory and compliance landscape is not stable – new BEE and labour requirements are now a regular occurrence. This tends to dissuade suppliers from entering the market directly.
- Corruption. South Africa is steadily climbing international corruption tables. Overseas suppliers perceive that rights to conduct business are increasingly subject to government patronage and that awarding government business is sometimes accompanied by demands for pay-offs. For legal and reputational risk reasons international corporations avoid doing business in such environments themselves.
- Long-term relationships (frequently on a personal level) and a well-established distribution footprint – both of which are hard if not impossible to replicate.

We believe that there are many private business owners in South Africa who are aware of Hudaco, like our management style and consider our buyout formula attractive. When the time is right, we hope they will approach us directly with a view to possibly selling their businesses to us.

Target criteria

Our acquisition target criteria are businesses that mostly are/have:

- Customers which require value-added distribution.
- An identifiable competitive advantage, e.g. strong brand/s.
- Already profitable and earning good returns.
- In growth markets.
- Distribution rights for products which are not currently offered by any business within the group.
- Strong general and financial management and good controls.
- A presence in non-capital, industrial or electronic products.
- Selling to markets in southern Africa.
- Preferably head-quartered in Gauteng.

Hudaco's core activity is the importation and distribution of high-quality branded industrial and electronic consumable products.

The three main objectives we seek to achieve are as follows:

- We seek out and secure exclusive distribution rights from leading international manufacturers with a global brand presence and a commitment to maintaining market leadership, particularly through technical innovation.
- We look for products with which we can add value through the distribution chain through stock holding, product availability and providing technical support. Typically these would be technical specification, advice on usage or installation and customer training. The amount of value-add is established by determining whether the customer's purchasing decision could be influenced by the addition of a technical support function.
- We focus on offering engineering consumable products. These would typically be maintenance spares for critical customer equipment. Purchasing decisions for these items are made easily and quickly without onerous tender procedures.

Key elements of our success:

Only selling products which require **value to be added** and our **decentralised management** style.

Value-add can be some or all of the following:

- availability;
- product identification, specification and supply;
- advice on usage or installation;
- customer training; and
- provision of credit to customers.

Decentralising management has the following advantages:

- allows faster decision-making;
- empowers employees; and
- leads to high standards and disciplines.

DISTRIBUTION

Principal activities/Product range

- Products are distributed throughout southern Africa by our 26 businesses.
- We supply some 22 000 active customers from over 150 southern African branches (most of which are in South Africa).
- In most countries we supply through local distributors, but we have branches in Namibia, where we have a longer track record of doing business, and more recently in Zambia and Zimbabwe.

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Engineering consumables

- Bearings
- Diesel engines and spares
- Power transmission products

Consumer-related products

- Automotive products
- Batteries
- Communication equipment
- Power tools
- Security equipment

JOINT REPORT OF THE CHAIRMAN AND CHIEF EXECUTIVE

2014 was a good year of foundational growth for Hudaco with the acquisition and integration of the Dosco, GPM and Joseph Grieveson businesses effective 1 December 2013 and the conclusion of the Partquip acquisition.

2014 Overview

This has been a very difficult year for the mining and manufacturing sectors in South Africa. Hudaco, which normally has a 50% exposure to those sectors, has been particularly affected. The mining sector has borne the brunt with its proportion of Hudaco's group turnover decreasing from 23% in 2013 to 17% in 2014. In the first half of the year there was a five-month strike in the platinum mining sector and we reported at half year that we were 5% down in comparable earnings per share (CEPS). In the beginning of the second half we had to contend with the far more pervasive NUMSA strike, which affected us and our customers and where we had to close five of our businesses completely due to intimidation and violence. In addition, the end of the platinum sector strike has had a long tail, with several mines still not back to full production. With four months left in the financial year, CEPS was 13,4% down on 2013.

In spite of the prolonged labour unrest Hudaco has recovered well in the remaining months of the financial year, which are generally Hudaco's busiest months, to close the gap and deliver comparable earnings in line with last year. This result, which we consider excellent under the most challenging circumstances, was achieved thanks to the contribution from successful acquisitions that supplemented the performance of the existing businesses.

Sales were up 13,6% to R4,5 billion whilst operating profit rose 5,3% to R494 million. Headline earnings per share were wiped out by the tax settlement (refer page 24) but comparable earnings per share ended relatively flat at 986 cents versus last year's 983 cents.

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The total dividend for 2014 has been maintained at 465 cents, covered 2,1 times by comparable earnings. Our policy is to pay a dividend of around 40% of comparable earnings but in the past two years we have been paying a slightly higher percentage until earnings increase enough to compensate for the increase in effective tax rate resulting from the unwinding of the financial arrangements around the group's BEE arrangements.

The financial position is respectable. The group had R413 million in net borrowings at year end (last year: R204 million) with a further R450 million borrowed early in the new financial year for the acquisition of Partquip, which was effective from 1 December 2014. There is still some capacity left for smaller acquisitions in the level of gearing. Inventories have been well managed considering the 13% decline in the value of the Rand against our basket of currencies. They are up only 3% to R1 141 million and this includes the acquisition of the Dosco group (Dosco, GPM and Joseph Grieveson). The return on net tangible operating assets (RONTA) in 2014 is 31%, down on the 37% of last year but still well above our pre-tax cost of capital, which is approximately 14%.

Engineering consumables

Engineering consumables, our biggest segment at 62% of sales, was the most severely affected by the strikes in the mining and manufacturing sectors. Ambro Sales, Bearings International, Bosworth, Ernest Lowe and Keymak businesses were heavily impacted by the depressed conditions in mining and manufacturing. Our other businesses in this segment performed well, but it was our acquisitions that helped produce a 12% increase in sales to R2,8 billion and a 3,4% increase in operating profit to R302 million. We recognise that much of the disappointing performance from Bearings International cannot be solely attributed to economic and labour issues alone so we have bolstered the management team and have taken steps to right-size that business so as to restore its returns to an acceptable level. Deutz Dieselpower was heavily affected by the platinum mining strikes but it has responded by increasing its footprint in other markets. Filter and Hose Solutions continued to deliver sterling results but growth was constrained.

Consumer-related products

Consumer-related products make up the other 38% of Hudaco's sales. Rutherford, our biggest business in this segment had a remarkable year in an environment where construction activity and disposable income have been under tremendous pressure. The primary brand distributed by Rutherford is Makita (power tools and garden equipment), the market leader in lithium ion technology. Elvey Security Technologies, our security business, had a good year, despite paying a much higher rental charge in sophisticated new premises. The move positions the business for strong growth as a clear market leader. Bolstered by Specialised Battery Systems, acquired late in the 2013 financial year, the segment increased sales by 17% to R1,7 billion and operating profit by 8% to R215 million.

Royden Vice
Chairman

Graham Dunford
Chief executive

The disappointment in this segment came from the lack of military contracts in our communication equipment business, Global Communications. By all accounts, this should just be a matter of timing as the issuing of these contracts has been delayed and Global is confident that it will secure the business in 2015. Notwithstanding this setback, Global still managed to produce a very healthy return on sales of 11,5%.

Exports

Our exports are targeted at two regions: Africa (all business units) and the rest of the world (GPM & Bosworth).

Growth rates in some African countries are exciting in percentage terms, but we need to be mindful that the percentage growth is often big because the base is small. We are working on building cohesion between our engineering consumables businesses in tackling African markets with a comprehensive product offering. The security and communication equipment businesses have been very successful in securing significant contracts in Africa. Hudaco group sales into Africa grew 39% in 2014 off a 40% growth in 2013.

GPM manufactures and assembles a complete range of hydraulic SAE mounted cast iron pumps (rear, piston and PTO range, and associated components) which are known around the world for high quality and competitive pricing. Acquired by Hudaco in December 2013, it complements Hudaco's strategy to increase the group's revenue outside of South Africa's borders. Approximately 70% of GPM's production is exported to 37 countries around the world and 70% of those exports go to the United States of America. Importantly some customers are OE manufacturers which bolster the credibility of the brand. Total revenue increased by 20% year on year and operating profit grew 39%. This was a combination of volume sales, plant efficiencies and profit margin. GPM will continue to focus on increasing export sales in 2015 as it rolls out a new marketing strategy in the USA, as well as working on increasing sales into Africa.

Exports accounted for 13% of Hudaco's sales in 2014, compared with 9% in 2013 and 7% in 2012.

CEO appointment

The board was pleased to announce the appointment of Graham Dunford as CEO effective from 1 July 2014. Graham is well qualified to lead the organization. He was previously CEO of the Bearings and Power Transmission division, having joined the group in 2001 when he sold his business to Hudaco. As part of the senior leadership team, he has been extensively involved in the development and implementation of the group's strategy over the past few years.

We thank Stephen Connelly, who retired at the end of June 2014, for his 32 years of service to the group, 22 of which were in the position of CEO of Hudaco. He played a fundamental role in building the group into what it is today and leaves a very experienced, decentralised management team to continue where he left off. Stephen has not deserted us as he remains on the board as a non-executive director.

Acquisitions

Acquisitions continue to play an important role in Hudaco's growth, with businesses acquired in 2013 and 2014 financial years having contributed 117 cents to CEPS in the current financial year while all acquisitions made since 2010 contributed 454 cents.

2014 was a good year of foundational growth for Hudaco with the acquisition and integration of the Dosco, GPM and Joseph Grieveson businesses effective 1 December 2013 and the conclusion of the Partquip acquisition.

Dosco, GPM and Joseph Grieveson had a very good year, despite the fact that Joseph Grieveson was closed for the entire month of the NUMSA strike and the others for part thereof.

The Partquip acquisition, announced on 4 September 2014, was effective from 1 December 2014. This is the largest acquisition made by Hudaco to date and fulfils the board's target of at least one large acquisition every two years. It is a very significant development for the group and brings exciting prospects for growth. Partquip is expected to contribute 137 cents to earnings in the 2015 financial year.

JOINT REPORT OF THE CHAIRMAN AND CHIEF EXECUTIVE (continued)

Partquip is an outstanding business with an excellent and experienced management team. It is involved in the distribution in southern Africa of automotive components sold under the established brands of Partquip, A-Line, Brake Part and Ironman 4x4.

Partquip is an ideal fit for Hudaco in that its main business is the distribution of branded products, an area of core competency for Hudaco. It will complement Hudaco's existing automotive after-market businesses, which distribute clutches, seals, automotive bearings and ignition leads and further reduces the dependence of the group on the mining and manufacturing sectors.

Particularly, we see growth potential in the nascent Ironman 4x4 division, which includes all recreational equipment for 4x4 vehicles as well as suspension systems for recreational, industrial and military vehicles. Ironman is the biggest manufacturer of suspension systems in Australia and the Australian principal owns 50% of the South African Ironman wholesale business.

Several small acquisitions are currently being considered and it is likely that some of these will reach finality in the second quarter of 2015.

Tax settlement

As announced on 23 January 2015, the dispute with SARS over the financing arrangements pertaining to the Hudaco BEE transaction entered into in 2007 has been settled for an amount of R312 million. Further details are set out in the financial review on page 24.

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The board recognises that the settlement represents a large sum of money but is of the view that, given the benefit Hudaco received, the negative impact of protracted litigation on Hudaco and the risks involved, it is an appropriate solution. We are delighted that this will allow Hudaco management to move forward with its full focus on growing the business in the current difficult trading environment.

Most importantly, the BEE shareholders are not affected and the group's BEE credentials remain in place.

Strategic focus

With continued difficulties of doing business in South Africa, in particular ongoing strikes, and problems with the electricity and rail infrastructure, we do not expect significant organic growth in the year ahead.

Our immediate focus is on the bedding down and integration of the Partquip acquisition. There are also opportunities for better results and increased profits from some of our existing businesses through a combination of more disciplined management and taking advantage of new opportunities. Focus will be different for the different businesses, with priority areas being margins, inventories, costs and markets, including exports.

To supplement the pedestrian expected growth in the current economic environment, we remain acquisitive. For the time being we continue to seek acquisition opportunities within South Africa rather than abroad as we believe that we can get better returns from local businesses. The thrust of our initiatives in Africa is around servicing customers and appointing reliable distributors, rather than setting up significant operations in a myriad of African countries.

Much importance is attached to succession planning within the group. To this end, Barry Fieldgate, Brian Constancon and David Allman were appointed to the Executive Committee during 2014. We look forward to working with them and to their positive input in the years ahead.

Business model

Hudaco has a tried and tested business model that has stood the group in good stead for an extended period. The new chief executive has been an integral part of the senior management team that developed that model and remains committed thereto. No quantum shift in the business model or strategy should be expected from the change in leadership.

Prospects

Notwithstanding the considerable challenges arising from the economic and political environment within which our businesses operated in the financial year under review, Hudaco is a well-managed business and will continue to do what it has always done well, which is to manage the things over which we have control, whilst seeking out acquisitions and opportunities for growth.

We have three wishes for 2015:

Wish 1: that the labour unrest experienced in 2014 will not be repeated. Everyone suffered, there were no winners and we hope that those behind it realise the futility of such actions. At least for 2015 we are reasonably confident that there will not be significant labour unrest in our primary market segments as most unions have negotiated arrangements for three years.

Wish 2: that the electricity and rail infrastructure required to allow the economy to recover and grow in the medium term is given the urgent attention and level of skills required. We urge the government to put the interests of the entire nation ahead of those with vested interests. To achieve this, key positions must be filled with people who have the skills and experience to do these vital jobs well and they must be given the resources and flexibility required to achieve the tasks at hand. A major shortage of electricity represents a real threat to the growth of several of our businesses but also creates opportunities for some others.

Wish 3: the world economy grows, causing commodity prices to increase. South Africa has historically been a resource-reliant country and, although it has diversified since, minerals and metals still account for more than half of its export revenues. South Africa's trade deficit, reflecting billions more in imports than exports, is already a worry. Ratings agencies have expressed concern over the widening gap last reported in November as R21 billion – its highest level in four years.

Until economic circumstances improve, we foresee only modest organic volume sales growth in South Africa although exports into Africa should grow faster. Earnings in 2015 will nevertheless be impacted positively by a combination of factors: pricing to replacement on account of the weaker Rand, cost reductions effected in 2014 and the contribution from the acquisition of Partquip, which came into the group from 1 December 2014. We are also confident that the focus on exports of proprietary brands (GPM, Ampco and Bosworth) to other parts of the world will continue to bear fruit. Our businesses are extremely well positioned to benefit from any improvement in market conditions and we will continue to explore opportunities for acquisitions in all markets.

Appreciation

Hudaco has a well functioning board of directors. We value their sound advice and their contribution to the governance of the group.

Our thanks go to our excellent and experienced management team who have shown once again that even under the most trying of circumstances, Hudaco continues to produce solid, resilient results. Our sincere appreciation also goes to our staff for all the hard work and dedication, in this most difficult year. Furthermore, to our loyal suppliers and customers, a big thank you for your support and we look forward to working with you in the years ahead.

RT Vice
Chairman

GR Dunford
Chief executive

29 January 2015

Strategic focus

2014

Integrate acquisitions SBS, Dosco, GPM, Joseph Grieveson	✓	
Make another significant acquisition	✓	Partquip
Reduce dependency on mining industry	✓	Down to 17% of turnover
Increase sales into Africa	✓	39%
Manage succession	✓	New CEO, Exco members
Resolve tax challenge	✓	Settled

2015

- Integrate Partquip acquisition
- Improve returns from Bearings International
- Increase sales into Africa
- Make small acquisitions
- Further reduce dependency on mining industry

STAKEHOLDER ENGAGEMENT

In terms of the requirements of sustainability reporting standards, we ask stakeholders what material information they required to maintain a mutually successful and sustainable business relationship. Stakeholders we are accountable to are: investors, shareholders, principals/suppliers, staff, customers and communities in the vicinity of our premises. In this report, we aim to provide each with information on material issues as identified in the table below.

We have rated the following stakeholders as the most significant (in no particular order) based on the likelihood that they will access and use this report, our ability to provide information that will be useful to them and their level of interaction with the group:

- Shareholders and investors, current and future, private and institutional;
- Staff: the 2 835 people in Hudaco's 26 businesses; and
- Principals/suppliers.

The table below details the issues considered by stakeholders to be material. These were determined through our stakeholder engagement process, which included discussions with members from each of the stakeholder groups, either directly or through executives of our businesses. At interim results discussions, the investment community is invited to suggest further disclosure where they identify a need for specific information, as are bankers during annual review meetings. Not surprisingly, the status of the challenge by SARS relating to the financing arrangements of our BEE transaction was a major topic of interest again this year for several categories of stakeholders, as was succession planning with the retirement of the CEO. The relevance of the various sections of this report to the different classes of stakeholders is set out on the inside front cover.

Stakeholders' material issues

Stakeholders	Relationship	Reason	Material issues	Communication forum
Private shareholders and institutional investors	Shareholders	Derive dividend income from trading performance and capital appreciation from market value of Hudaco shares.	■ Compliance, governance ■ Share price, dividend policy, return on investment, profitability ■ Management competence ■ Succession planning ■ Growth strategy ■ Business model ■ Acquisitions – deal flow and success of outcomes ■ Management remuneration ■ Status of tax risk ■ Other risks	■ Integrated and interim reports ■ Informal discussions ■ Results presentations ■ Hudaco website ■ Annual general meeting ■ Press interviews
Bankers	Financiers	Take credit risk on and derive interest and fee income from Hudaco. They would like Hudaco to introduce more gearing.	■ Statements of financial position, comprehensive income and cash flows ■ Status of the tax risk ■ Succession planning	■ Integrated and interim reports ■ Annual credit review meetings ■ Capital raising and other discussions
End users of products	Customers	Hudaco supplies them with quality products at reasonable prices and technical support to sustain their operations.	■ BEE credentials ■ Brand ■ Product quality ■ Technical support ■ Service turnaround ■ Pricing ■ Reputation	■ Personal contact ■ Product marketing ■ Service levels ■ BEE scorecard ■ Business unit websites

Stakeholders	Relationship	Reason	Material issues	Communication forum
Management of businesses	Management, potential vendors	Rely on Hudaco for their livelihood and meeting career aspirations as well as for investment-related returns through the share appreciation bonus scheme.	■ Hudaco brand, association with quality products, endorsement in market through association ■ Treasury function, insurance, company secretarial functions, internal audit ■ Synergies within group ■ Management and resource support from centre for growth ■ Company structure, relevance of Hudaco group issues to operations ■ Business model ■ Leadership succession planning, careers, knowledge management systems ■ Functional relationships with group management ■ Cash position during earn-out process ■ Remuneration	■ Integrated report ■ Results presentations (internal) ■ Management conferences ■ Personal contact ■ Retirement fund reports ■ CFO meetings
Owners of privately-owned businesses	Potential vendors	Hudaco provides a potential exit strategy or a means of realising the value in their businesses and building a career within the group.	■ Acquisition and earn-out process ■ Exit opportunities ■ BEE credentials ■ Support for growth opportunities ■ Status of tax risk	■ Integrated report ■ BEE scorecards ■ Personal contact
Principals	Suppliers	Rely on Hudaco for a route to market without them having to establish a presence in SA, a relatively small market which has significant regulatory complexities.	■ Market shares ■ Sales forecasts ■ Stock holding and ordering processes ■ Distribution strengths ■ Customer penetration ■ Cultural barriers in dealing with local buyers ■ Credit-worthiness ■ Status of tax risk	■ Personal contact ■ Integrated report ■ Business unit websites
Employees of Hudaco and businesses	Staff	Rely on Hudaco for their livelihood (during and post-employment) and personal development to meet career aspirations. Black employees and their close family may be eligible for bursaries from the BEE Staff Education Trust.	■ Career development ■ Leadership succession planning ■ Remuneration ■ Skills retention and development ■ B-BBEE ■ BEE Staff Education Trust ■ Status of the tax risk ■ Health and safety	■ Integrated report ■ Policy documentation ■ Personal contact ■ Retirement fund reports ■ BEE Staff Education Trust communications ■ Wellness days
Government	Tax collector, transformation regulator	Rely on Hudaco to collect and remit indirect taxes, to pay direct taxes and to progress B-BBEE.	■ VAT ■ PAYE ■ Income tax ■ Dividends tax ■ Customs duty ■ B-BBEE	■ Statutory returns ■ Integrated reports ■ Results presentations ■ Correspondence ■ B-BBEE certification

RISKS AND MITIGATION

Key risks

In the table below, we highlight the key risks faced by the group and how these risks are mitigated:

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49

Risk	Explanation	Potential exposure	Mitigation	Residual risk assessment	Associated opportunity
Foreign exchange rate risk – significant strengthening of the Rand	If the Rand strengthens, the purchase prices of our products drop and selling prices must be reduced to remain competitive. This reduces gross profit and since our expenses are Rand-based, they do not decline. Net operating profit decreases.	For each 10% by which the Rand strengthens, operating profit could decrease by R130 million per annum.	Management of quantities and lead times helps to delay the impact. Management intervention to increase gross margins. The primary risk cannot be mitigated.	Variable depending on extent. This risk is integral to our strategy of holding inventory to provide customers with ready availability of imported goods with long lead times.	A sustained weakening of the Rand by more than the inflation rate without significant volatility would result in gross profits rising faster than expenses, increasing the operating profit margin.
Inadequate supply of electricity and diesel	The lack of electricity is a constraint on GDP, a significant driver for Hudaco, and is likely to remain an issue for several years. The mining industry, in particular, tends to be affected when electricity is in short supply. Diesel supplies may not be adequate to meet the additional demand.	Unable to quantify.	Geographic diversification to other southern African countries. Acquiring businesses that serve different sectors, some of which are less dependent on electricity supply.	Some impact is being felt. This risk is integral to our strategy of supplying to industries that happen to have high electricity requirements.	Potential to sell batteries and generators to industry.
Credit risk	Although credit risk is well spread and larger debtors are usually blue chip, government now awards large contracts to new BEE entities, on which we have to take credit risk.	R40 million.	We manage the delivery process as closely as possible and strive to find other ways to minimise this risk.	Unlikely. This risk is a consequence of BEE procurement.	If managed well, there are significant opportunities in supplying the requirements of government.
Not meeting BEE requirements	Although Hudaco has put in place an appropriate BEE shareholding structure and targets on the dti scorecard have been achieved, this is against a backdrop of ever changing requirements. Certain industries (e.g. mining) have their own charters with different requirements. Sales may be lost through not having adequate BEE credentials.	Unable to quantify.	The group transformation and human resources executive monitors legislation and charter requirements to keep our businesses abreast of new requirements. He helps to ensure the necessary certifications have been obtained by each business. Aspects such as ownership requirements are escalated to board level.	Less than even chance. This strategic risk is part of doing business in South Africa and is always front of mind in operations.	We have been able to grow the group through acquisitions because we offer strong BEE credentials to vendors. Also, competitors are faced with the same BEE challenges so we are able to attract business from those that fall short of requirements.
Natural disaster at supplier or customer	A natural disaster could cripple a factory of a major supplier or the operations of a major customer.	R20 million.	We carry up to six months' stock which gives time to react to such an event. Major suppliers generally operate from several factories in different cities and/or countries. The loss of a factory could be disruptive to the supply of certain products but production would be quickly moved to other factories. The group has a widespread supplier and customer base and is not overly reliant on any single one. Insurance is held against supply interruptions.	Less than even chance. This is always a risk in a supply chain environment.	Natural disasters do not represent an opportunity to the group, except to the extent that those competitors whose suppliers do not have the same level of geographic diversification as ours may be affected more heavily.

Risk	Explanation	Potential exposure	Mitigation	Residual risk assessment	Associated opportunity
Loss of key executives in businesses or at group level	Several members of the executive team retired within the past two years and another reaches retirement age within the next two years. The risk is that transition could have a significant negative effect on the group. Some businesses are sold to us as an exit strategy for some of the existing owners. Succession planning and integration into the group is therefore vital for sustainability of the business.	Unable to quantify.	The group has a formal succession policy. Succession plans are considered annually by the remuneration and nomination committee. Other members of the group executive team have developed in-depth knowledge of each business. The replacements for the executives who retired were able to spend several months working under the guidance of their predecessors and experienced people have been appointed to the executive committee. Earn-out periods keep vendors in acquired businesses to facilitate transition.	Highly unlikely. The risk is always prevalent but arises specifically through the strategy of growing the group by acquiring entrepreneurial businesses.	Retirement of members of the executive team creates visible opportunities to which the next level of management can aspire. This provides them with an incentive to prove their value through superior performance.
Loss of a major brand	While the portfolio of brands is diverse, there are two major brands the loss of which could have a significant effect on the results of the group. These brands, each of which contributes 8% to 15% of group operating profit, would be hard to replace.	Up to R70 million in operating profit per annum per brand.	Maintaining strong relationships with principals and serving them well in the South African market. This is monitored by the audit and risk management committee. The relationships with these brands are managed by the group chief executive. Acquisitions increase the number of suppliers and dilute exposure to these two brands. The element we cannot mitigate is the risk that a major principal ceases to exist.	Highly unlikely. This risk follows from the strategy of representing quality major international brands.	There would not be an opportunity associated with the loss of one of the group's two major brands. The loss of a lesser brand may present an opportunity to bring into the portfolio a brand that has something more to offer.
Poor acquisition	Acquired business performs well below expectations or exposes the group to significant unexpected risks.	R150 million.	Approving acquisitions on the basis of thorough due diligence reviews conducted by professionally qualified advisors and by our own experienced acquisitions team.	Unlikely. This risk is introduced by the strategy to grow the group by acquisition.	Quality acquisitions add significant value to the group.
Sustained labour unrest in the mining or manufacturing sectors	Of group turnover, currently 17% is sold directly to the mining industry and 25% into manufacturing, much of which is to service the mining industry.	R40 million.	The group has a diverse customer base both within and outside of mining. It is unlikely that all types of mining will be affected.	Better than even chance.	This provides an incentive to further diversify the customer base through extending our range of products and customer geographies.
Ineffective insurance	The risk that there is a major loss (e.g. through fire) and that the insurance claim is not met because the policy was defective or the insurer fails.	R100 million.	Insuring through reputable long-established underwriters and engaging high-quality insurance brokers as advisors.	Will not occur.	No associated opportunity.
Increase in interest rates	Acquisitions have been funded through borrowings, which introduces the risk that finance costs will go up if market interest rates increase.	R20 million per annum if the JIBAR increases by 2% per annum.	Effective management of working capital to minimize exposure. Other forms of raising funds for acquisitions can be considered.	Even chance.	Higher interest rates could have the effect of reducing prices of businesses for sale.

BOARD OF DIRECTORS




Non-executive directors

Royden Vice (67)

BCom, CA (SA)

Independent non-executive chairman of the board and the nomination committee and member of the remuneration committee

Royden is chairman of Waco International, having retired as its CEO in 2011. He joined Waco in 2002. He is a non-executive director of Murray & Roberts Holdings and Life Healthcare Group Holdings, chairman of Puregas as well as a governor of Rhodes University. Royden was CEO of Industrial and Special Products at the UK-based BOC group. He was also chairman of Consol Glass and chairman and CEO of African Oxygen Limited (Afrox) and Afrox Healthcare.

Royden joined the board in 2007 and became its chairman in 2009.

Paul Baloyi (57)

MBA (University of Bangor Manchester), MDP, AMP (INSEAD), SEP (Harvard)

Independent non-executive director, member of the audit and risk management committee and nomination committee and chairman of the remuneration committee

Paul is currently the executive chairman of Talent 10 Holdings.

He has spent some 33 years in the financial services sector, with institutions such as The Development Bank of Southern Africa, Standard Bank and the Nedbank Group.

Paul has been an independent non-executive director on many boards locally and internationally. He is currently a member of the Institute of Directors, chairman of The African Capacity Building Foundation and serves on the boards of Old Mutual South Africa, Basil Read Holdings, Bidvest Group, Bidvest Bank and enX Group.

Paul joined the board in 2013.

Stuart Morris (69)

BCom, CA (SA)

Independent non-executive director, chairman of the audit and risk management committee and member of the remuneration and the nomination committee

Stuart is a non-executive director of City Lodge, Group Five, Mwana Africa plc, Rolex Watch (SA), Zurich Insurance (RSA) and chairman of Sasol Pension Fund and Wits Donald Gordon Medical Centre. He worked for KPMG South Africa for over 30 years, ultimately becoming senior partner and a member of the KPMG International executive and board.

He was Nedbank Group financial director from 1999 until he retired in 2004.

Stuart joined the board in 2009.

Dhanasagree "Daisy" Naidoo (42)

Masters in Accounting (Taxation), CA (SA)

Independent non-executive director, member of the audit and risk management committee and chairman of the social and ethics committee

Daisy serves as an independent non-executive director on the boards of Anglo American Platinum, Mr Price Group, Marriott Unit Trust Management Company, Old Mutual Unit Trust Managers, Old Mutual Alternative Risk Transfer, Old Mutual Wealth, STRATE and Omnia Holdings. She is also a member of the Tax Court of South Africa and a trustee of the Discovery Medical Aid Scheme and the South African Investors Protection Fund.

She spent nine years with Sanlam Capital Markets, including as head of the Debt Structuring Unit.

Daisy joined the board in 2011.

Executive directors

Stephen Connelly (63)

ACMA

Non-executive director

Stephen immigrated to South Africa in 1976. In 1982 he was a founding partner of Valard Limited where he was managing director. Valard was acquired by Hudaco in 1992. Stephen was Hudaco's chief executive for 22 years until his retirement in June 2014. He continues to serve on the board in a non-executive capacity.

Stephen joined the board in 1992.

Graham Dunford (50)

N Dip: Mechanical Engineering

Chief executive, executive committee chairman and member of the social and ethics committee

Graham joined Hudaco in 2001 when it purchased Bauer Geared Motors, where he was the managing director. He became CEO: Electrical power transmission in 2005, CEO: Power transmission in 2009 and CEO: Bearings and power transmission in 2010. He succeeded Stephen Connelly as group chief executive in July 2014.

Graham joined the board in 2009 in the capacity as alternate director and became a full board member in 2010.

Clifford Amoils (53)

BCom, BAcc (Cum laude)
CA (SA)

Group financial director and member of the executive committee and social and ethics committee

Clifford was a partner at Grant Thornton for 21 years and headed its audit division. He was a member of its National Council and served on Grant Thornton International's Audit Advisory Committee. He is a member of the Financial Reporting Investigation Panel of the JSE.

Clifford joined the board in 2009.

EXECUTIVE COMMITTEE

GROUP SERVICES

Finance

2

Finance
Accounting
Risk
Treasury
Tax

Human Resources

3 2 4

Transformation
Human resources

Occupational Health and Safety

Compliance

5 2

Group secretarial

CONSUMER-RELATED PRODUCTS

Power tools

1

Rutherford

Security equipment

6

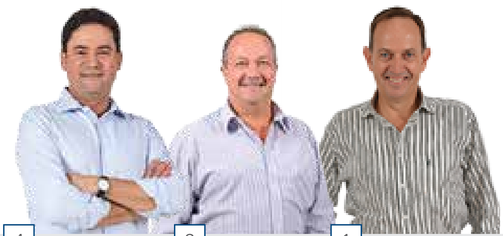
Elvey Security Technologies
Pentagon

Communication equipment

7

Global Communications

Automotive



4 8 1

Deltec
Specialised Battery Systems

Abes Technoseal

Partquip

Chief executive

1

1. Graham Dunford **(50)**
   N Dip: Mechanical Engineering
   Chief executive
   26 years' service

2. Clifford Amoils **(53)**
   BCom, BAcc (Cum laude), CA (SA)
   Financial director
   Six years' service

3. Jonny Masinga **(37)**
   N Dip: HR Management, B Tech: HR Management, B Tech: HR Development, MAP
   Group executive: Transformation and human resources
   Four years' service

4. Ossie Carstens **(49)**
   N Dip Mechanical Engineering; GCC (Mechanical) MBA
   CEO Deutz Dieselpower and executive responsible for Belting Supply Services, Deltec and SBS
   Six years' service

5. Reana Wolmarans **(48)**
   BProc, LLB, H.Dip: Labour Law
   Group secretary
   Six years' service

6. Jack Edery **(63)**
   BCompt (Hons), CA (SA)
   CEO Elvey Security Technologies and Pentagon
   19 years' service

7. Barry Fieldgate **(53)**
   CEO Filter and Hose Solutions and executive responsible for Global Communications
   Seven years' service

8. David Allman **(56)**
   S.A.I.M. Dip: Marketing Management / Production Management
   Executive responsible for Abes Technoseal, Astore Africa, Keymak and Bearings International incorporating Bauer
   28 years' service

9. Brian Constancon **(61)**
   BCom, BAcc, CA (SA)
   CEO Electrical Power Transmission and Steel
   32 years' service

Service is with Hudaco and businesses acquired.

Africa

1

Africa development

ENGINEERING CONSUMABLES

Bearings and Power Transmission

7

Filter and Hose Solutions

4

Belting Supply Services

8

Astore Africa

Keymak

Bearings International

9

Ambro Sales

Powermite

Varispeed

Proof Engineering

Three-D Agencies

Midrand Special Steels

1

Bosworth

Dosco Precision Hydraulics

Ernest Lowe

Gear Pump Manufacturing

Joseph Grieveson

Diesel Engines and Spares

4

Deutz Dieselpower

DD Power

FINANCIAL REVIEW

The key financial characteristics of the group are high returns on net operating assets and strong cash flows. These are used to fund additional working capital as our businesses grow, pay market-related dividends and invest in new businesses when opportunities are found.

Measurement of financial performance

Our overriding financial objective is to achieve long-term growth in earnings and dividends per share, and our internal operating measures and incentive programmes are geared towards this goal. We measure our financial performance based on comparable earnings because we believe it is more representative of the ongoing results of the group. Comparable earnings exclude the impact of the following:

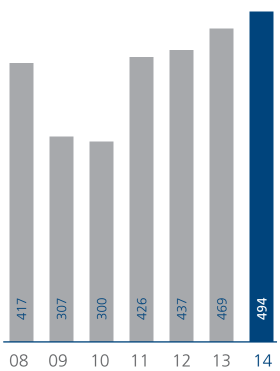
- Settlement of the tax challenge of R312 million, representing 986 cents per share.
- The restructuring of the financing arrangements relating to our BEE structure on 28 February 2013. Prior to the restructure, there was a tax advantage from preference dividends that then fell away. This had positively affected the first quarter earnings per share for 2013 by 44 cents.
- A profit that arose because the results of businesses acquired in recent years were lower than the estimate we made at acquisition for initial recognition, resulting in a smaller earn-out payment than estimated. This appears counter-intuitive but the revised IFRS 3 requires that, where a business is acquired on the basis of a contingent purchase consideration, changes to the estimated purchase price be recognised in profit for the year. This profit increased earnings per share by 7 cents, compared with a decrease of 63 cents in 2013.

Comparable earnings have been calculated as if the restructuring of the financing of the BEE transaction had taken place before the start of the 2013 financial year and also exclude the effect of the tax settlement and fair value adjustments for earn-out payments on acquisitions.

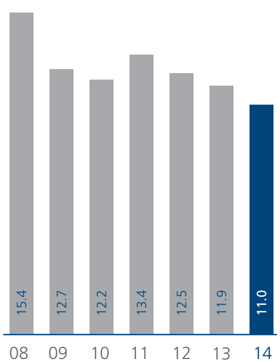
We measure our financial performance as follows:

- We target real growth in comparable earnings per share over the medium and long term. Comparable eps for 2014 is 986 cents as compared to 983 cents in 2013. Compound growth in comparable eps over the past 10 years has been 10,3%, from 371 cents in 2004.
- Hudaco aims to achieve earnings growth at a rate at least in line with the earnings of the All Share Industrial Index (J257). Since 2004, earnings in the J257 showed compound growth of 14,4%. To achieve this, we encourage our businesses to grow while producing a return over time exceeding the cost of capital. Our failure to outperform or at least match the growth in the industrial index is indicative of the difficulties in achieving growth with the turmoil in our core markets of mining and manufacturing.

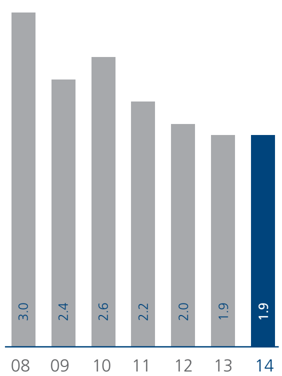
Operating profit (Rm)



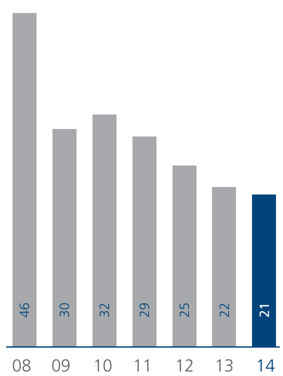
Operating profit margin (%)
Operating profit/Turnover



NOA* turn (times)
Turnover/Average NOA



Return on NOA* (%)
Operating profit/
Average NOA



** Net operating assets.*

Clifford Amoils
Financial director

- The main operating performance measure used by the group is RONTA – the return (PBITA) on average net tangible operating assets (NTOA) employed during the year. NTOA is total assets excluding investments, goodwill, intangibles and cash, less current liabilities excluding interest-bearing debt. Each business is measured against its own benchmark – its objective being to maximise its RONTA by managing the balance between the operating profit margin (%) and net operating asset turn (times). The lower the operating profit margin, the higher the net operating asset turn has to be to achieve a return exceeding the cost of capital.

Industrial distribution businesses such as ours typically generate an operating profit margin of between 8% and 15%. A NTOA turn of between three and four times is usual and requires management to achieve the right balance between the elements of working capital, ie inventory, receivables and supplier credit.

A RONA of 14% roughly equates to the pre-tax cost of capital at current interest and income tax levels. We use this as the 'hurdle rate' for new investments. We have set an internal target of RONTA of no less than 30% for the group as a whole. In 2014 the return on net tangible operating assets was 31% (2013: 37%).

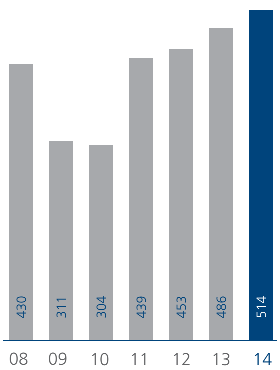
Dividends

Hudaco's long-term dividend policy is to pay interim and final cash dividends to shareholders totaling approximately 40% of comparable earnings, resulting in dividends being covered by earnings by about 2,5 times. This year's dividends per share total 465 cents, the same as last year, notwithstanding the additional tax burden borne by the group, and are made up of an interim dividend of 155 cents and a final dividend of 310 cents. The result of maintaining the dividend in spite of the increased tax charge is that the dividend represents 47% of comparable earnings. The same was done in 2013. It is the intention of the board not to decrease the dividend, even though the cover is lower than usual and to rather allow the cover to reach normal levels through growth in earnings.

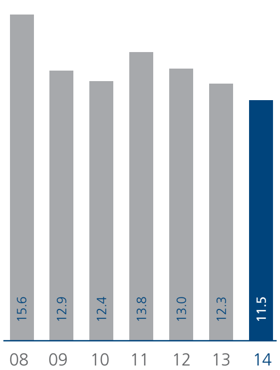
Cash flow

Hudaco businesses are cash generative. The decline in the Rand this year against the basket of currencies we purchase has meant that our imports are costing approximately 13% more than at the end of 2013. This has absorbed cash into inventories but will release cash with added margin when the goods are sold in due course. The platinum mining and metalworkers strikes and slow recovery temporarily put the brakes on the generation of cash but that has been restored.

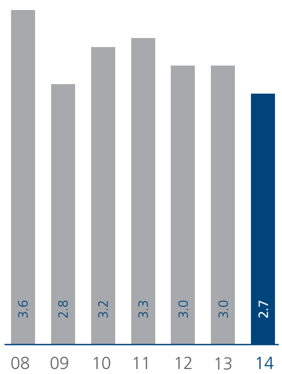
PBITA** (Rm)



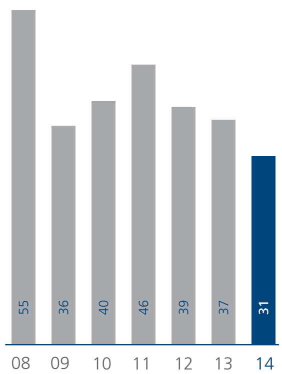
PBITA margin (%)
PBITA**/Turnover



NTOA*** turn (times)
Turnover/Average NTOA



Return on NTOA*** (%)
Operating profit/
Average NTOA



*** Operating profit before amortisation.*

**** Net tangible operating assets.*

FINANCIAL REVIEW (continued)

Cash flow from operating activities of R339 million, after investing R44 million in working capital and paying R142 million in taxation (excluding payments of R80 million towards the tax settlement), was strong and once again demonstrates the cash generative nature of Hudaco's businesses. R148 million was paid out as dividends, finance costs were R38 million and R58 million was spent on property, plant and equipment. R224 million was invested in new businesses, which included earn-out payments and this was funded by an increase in long-term borrowings of R197 million and net short-term borrowings of R12 million to R216 million.

Borrowings

For several years Hudaco was accused of having a "lazy balance sheet" and hence was keen to introduce significant but conservative financial gearing. It sought acquisition opportunities accordingly. At 30 November 2014, net borrowings amounted to R413 million, after the acquisitions of Dosco, Joseph Grieveson and Specialised Battery Systems. Since year end, Hudaco contracted for a R600 million evergreen revolving credit facility, 50% thereof with each of Rand Merchant Bank and Standard Bank, at an interest rate of JIBAR plus 1.6%. Most of this has been used to finance the acquisition of Partquip but there will be a net R150 million of the facility available for further acquisitions. The banks are required to provide 367 days' notice should they wish to call up the facility but Hudaco has full flexibility to make repayments and to redraw funds.

Hudaco has the capacity to take on more senior debt and our acquisition strategy may create the opportunity to do this in future. There is also a need to pay the remaining R192 million of the tax settlement. Perhaps more important than managing gearing is an objective to ensure that interest on senior debt is covered at least five times by operating profit. We also aim to operate with EBITDA being at least 50% of net senior debt. We have been mindful of the potential impact on our capacity to borrow of perceptions arising from the challenge by SARS and are pleased that this cloud has now been lifted.

Taxation

Excluding the tax settlement, the group's effective rate of taxation this year is 28% (2013: 28%). There are no existing factors that would result in the rate varying significantly from the standard rate.

The gross contribution to government in South Africa, comprising direct and indirect taxation, amounts to R719 million (2013: R407 million) for the year ended 30 November 2014.

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The composition of this figure is set out in the value added statement on page 27.

Settlement of tax challenge

During 2007 the Hudaco group entered into a leveraged empowerment transaction that enabled empowerment shareholders to acquire a 15% unencumbered interest in the main operating subsidiary, Hudaco Trading Pty Ltd. A key objective of the empowerment transaction was to introduce the empowerment shareholders in such a way so as to avoid the need for them to have to borrow money on onerous terms wherein their ability to repay such debt would have been dependent on the receipt of dividends from Hudaco Trading. The corporate advisor of Hudaco to the transaction was Bravura Equity Services (BES), part of the Bravura group ("Bravura") in South Africa. The Hudaco management at the time sought extensive expert advice as to whether the empowerment transaction would stand up to tax scrutiny. They were advised by, amongst others, senior counsel that it would do so.

To the great surprise of Hudaco, SARS informed it in November 2012 that, after extensive investigations both locally and internationally, SARS had uncovered a highly elaborate web of arrangements that were established at the time by various Bravura-related entities, individuals related to BES and its associates ("the Bravura Transactors").

BES prepared the brief to the tax advisors at the time on behalf of Hudaco. Bravura representatives, including their executive directors, attended meetings Hudaco had with senior counsel. At no time during these meetings or in the copious briefings was any reference made to the complex structure that existed behind the transaction entered into by Hudaco or to the role played by the various Bravura Transactors.

During February 2013 SARS issued revised assessments against Barbara Road Investments, a Hudaco subsidiary, for the years ended 30 November 2007 to 2011 on the basis, amongst others, of the transactions being simulated and falling foul of the general anti-avoidance rule. These assessments totaled R1,9 billion, including interest to January 2013 and penalties. After receiving these assessments, Hudaco took steps that resulted in the termination of the financing arrangements on 28 February 2013. In the announcement of the interim results at 31 May 2014 the contingent liability for the worst case scenario up to that date was disclosed at R1,4 billion.

The Hudaco board remained confident in its legal position, given Hudaco's ignorance of the wider transaction and non-participation therein. However, it recognised that, as a result of the role of the Bravura Transactors, there were significant risks associated with the transaction that were not apparent at the time the transaction was entered into in 2007. These now include so-called round tripping and simulated transactions. Furthermore, having the tax challenge hanging over Hudaco for an extended period has been a negative factor for Hudaco in many aspects of its activities and for its shareholders. The Hudaco board believes that there is considerable value in having the matter closed.

A compromise was reached with SARS whereby the parties agreed that Hudaco will pay, in full and final settlement, an amount of R312 million in respect of the tax challenge to the financing arrangements for the empowerment transaction, up to and including the termination of these financing arrangements in 2013. This approximates the present value of the benefit received by Hudaco over the five and a half years concerned. R120 million has already been paid under the "pay now, argue later" provisions and the balance of R192 million is payable by 31 March 2015.

It is important to note that Hudaco Trading's BEE shareholders are not affected by this settlement and that Hudaco Trading's BEE credentials remain in place.

Further details are contained in an announcement released on SENS on 23 January 2015 and available on the company's website.

Financial risk management

16, 17

Significant financial risks in the group have been identified and are considered at each board, executive committee and audit and risk management committee meeting. These are described on pages 16 and 17. The impact of each risk is quantified and its probability is assessed. Measures are put in place to manage the risk, after which the residual risk is assessed. A risk tolerance line helps to ensure that any risks potentially greater than an acceptable level are identified early and avoided or mitigated. The ways in which the group manages foreign currency risk, interest rate risk, credit risk and liquidity risk are fully set out in note 23 to the financial statements.

Each business has its own financial team in place which operates substantially independently but to group prescribed standards and policies. The size and strength of the team depends on the size of the business. Smaller businesses are provided with appropriate support from within the group.

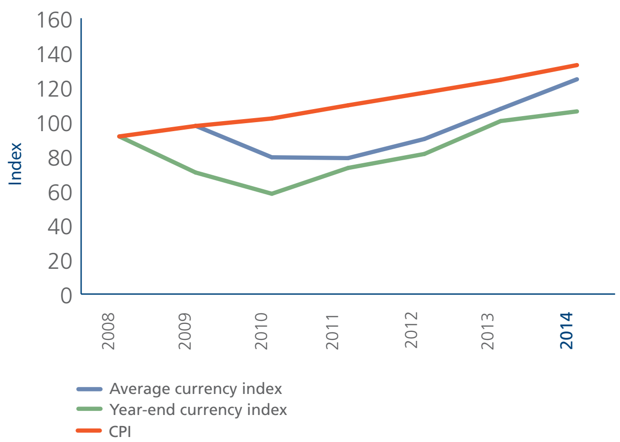
Group services

Services currently handled at head office, and provided free of charge to operating businesses, are tax, company secretarial, treasury (including foreign exchange), insurance, employee benefits and group risk (including internal audit and IT governance). Buying foreign exchange through head office is easier and cheaper for a business than dealing directly with a bank. Businesses enjoy lower bank charges, rates of interest and insurance premiums as well as better risk benefits for employees by being part of the Hudaco group.

Impact of changes in foreign exchange rates

As Hudaco is predominately an importer, prices charged are linked to the Rand exchange rate. While Hudaco's sales line is affected by exchange rate movements, the group's expense line is affected by the local rate of inflation. This imbalance represents a real risk that sales could fall in response to a strengthening Rand whilst expenses, driven by local inflation, continue to rise. The result would be a margin squeeze. We estimate that a 10% strengthening of the Rand could, without management intervention, result in a R130 million fall in operating profit over a full financial year. Similarly, sustained weakness in the Rand creates the opportunity for higher operating margins but currency volatility can either negate or postpone any favourable impact on earnings.

Historical movement in foreign exchange rates for Hudaco's basket of currencies



Over time, one would expect the Rand to weaken by the inflation differential between South Africa and its trading partners, allowing us to pass on imported inflation to our customers at roughly the same rate as the local inflation rate. As we are well aware, the Rand is volatile and does not follow the inflation rate differential in the short term. As an importer of our particular portfolio of products, we find ourselves exposed primarily to the Rand-Dollar and Rand-Euro exchange rates. Many of our suppliers manufacture from plants positioned all over the globe, and are therefore able to hedge themselves against currency exposures by shifting production capacity over time between currency regions.

The Rand depreciated significantly against the US dollar over the 2014 financial year, which has been most welcome, but it has appreciated against currencies of other developed economies. In 2013 it depreciated against most of our basket of currencies. The volatility the currency has experienced has made pricing a challenge and margins have been kept under pressure but these began to improve once the older inventory, ours and that of our competitors, worked its way out of the system. The graph below shows how the weighted exchange rate index for the basket of currencies that Hudaco purchases has moved relative to the consumer price index (CPI). On average for the year, our basket of currencies cost 13% more in 2014 than in 2013.

We have taken out forward exchange contracts to meet future payment obligations in accordance with our hedging policies. Management of our foreign currency exposure is based on the principle of avoiding speculation. All foreign currency liabilities are hedged by the time ownership of the asset passes to Hudaco. In addition, approximately 30% of orders on suppliers are also hedged to guard against spikes in exchange rates.

Response times to exchange rate fluctuations through pricing changes, both up and down, have traditionally been fairly quick (about three weeks to a month) but there is a built-in cushion in our five-month stock holding so prices on all products may not change at the same time.

Illustration of the impact on the group of a 10% change in the exchange rate without management intervention

Scenario	Base case	Rand strengthens 10%	Rand weakens 10%
Sales	100	90	110
Cost of goods	60	54	66
Gross profit	40	36	44
Operating costs	30	30	30
Operating profit	10	6	14

IT systems

In line with our decentralised business model, the management team at each business is free to select whichever IT platform it considers most appropriate for the business concerned. There is no centralised IT platform and standardisation is not imposed but businesses are encouraged to take a lead from those most satisfied with their reporting systems. Generally, little modification is required to off-the-shelf software. The IT Governance Committee provides input where appropriate and maintains an oversight role regarding control and best practice. For more information on how IT is governed in the group, refer to the corporate governance report, specifically pages 34 and 35.

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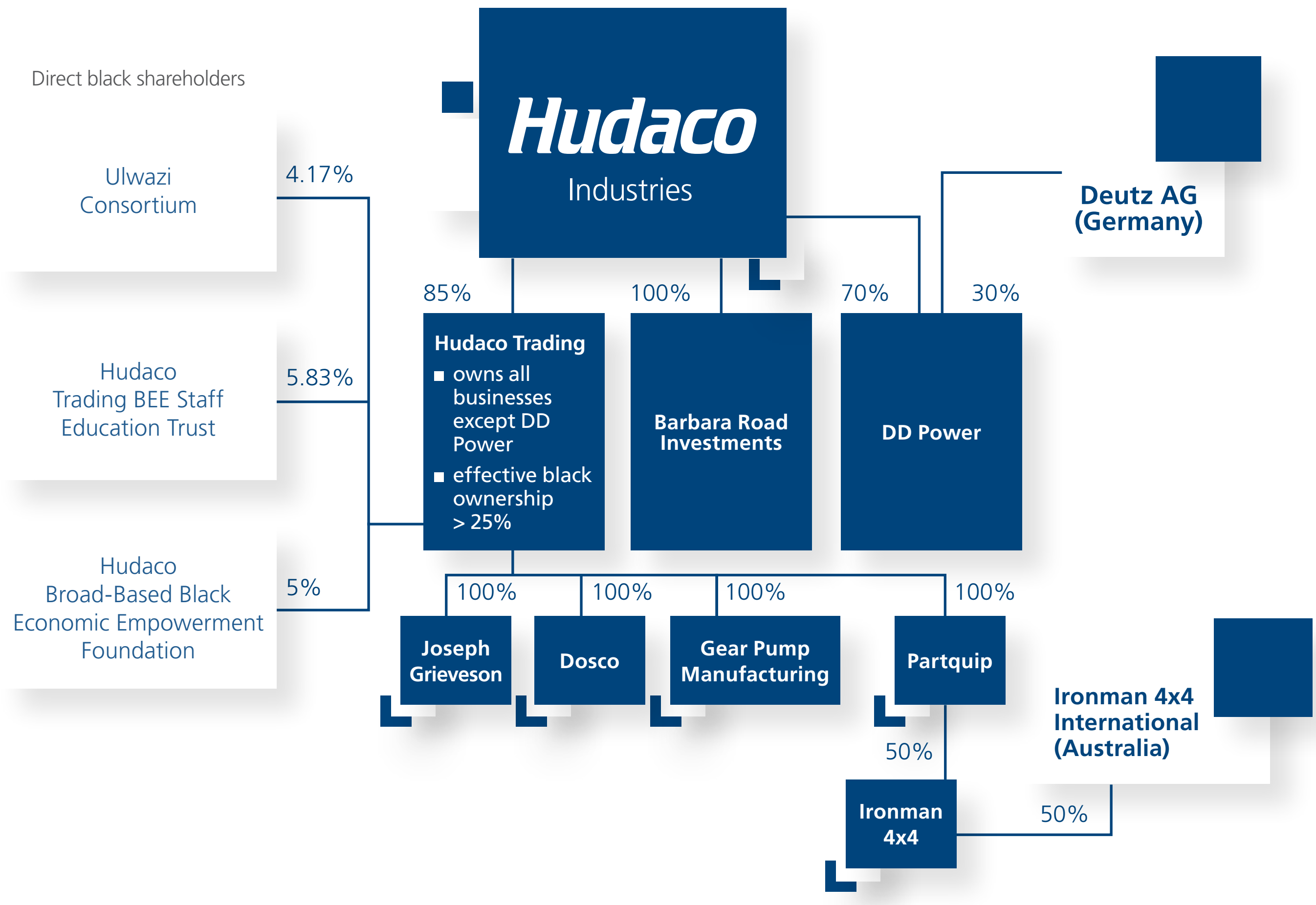
FINANCIAL REVIEW (continued)

Abridged group structure



VALUE-ADDED STATEMENT

The group value-added statement measures the wealth the group has created in its operations by "adding value" to the cost of raw materials, products and services purchased. The statement below summarises the total wealth created and shows how it has been shared by the stakeholders who contributed to its creation. Also set out below is the amount retained and re-invested in the group for the replacement of assets and the further development of operations.

Group value-added statement

R million	2014	2013
Turnover	4 480	3 942
Less: Cost of materials, facilities and services from outside	3 113	2 710
Value-added	1 367	1 232
Capital items	2	(23)
Dividends received on preference shares		50
Total wealth created	1 369	1 259
Distributed to:		
Employees – salaries, wages and other benefits	819	719
Government (gross contributions)	719	407
Indirect contributions, duties and levies	(280)	(286)
Net finance costs	39	70
Shareholders – dividends	148	164
Maintain and expand the group		
– profits (applied) retained	(130)	141
– depreciation and amortisation	54	44
Total wealth distributed	1 369	1 259

Statement of gross contributions to the Government in South Africa

R million	2014	2013
Company income tax	127	121
Settlement of tax dispute	312	
Customs and excise duty	49	38
Skills development levies and assessment rates	10	7
Value-added tax not recognised as input credit	5	1
Direct contribution to Government	503	167
Add the following collected on behalf of the Government:		
Value-added tax (net)	106	112
Employees' tax	110	128
	719	407

CORPORATE GOVERNANCE

Introduction

Hudaco is committed to maintaining a high standard of corporate governance and to creating value for stakeholders in a balanced, ethical and sustainable manner. The board seeks to ensure that good governance is practised at all levels in the group and that it is an integral part of Hudaco's operations.

The board is the focal point of the group's corporate governance system and remains ultimately accountable and responsible for its performance and affairs.

A corporate culture of compliance with applicable laws, regulations, internal policies and procedures has been established within the group. Responsible corporate citizenship and accountability for stewardship of assets have played a key role in securing sustainable returns and serve to provide stakeholders with the assurance that the group's businesses are managed appropriately.

Application of and compliance with King III

Integral to Hudaco's commitment to good governance is compliance with the King Code of Governance for South Africa (King III) that is recognised as the definitive code for listed and unlisted companies in South Africa and is, therefore, the main code of conduct to which Hudaco subscribes.

Exceptions to King III

While the head of internal audit reports functionally to the audit committee, he reports administratively to the group financial director. The committee believes that the group financial director respects and encourages the independence of the internal audit head and his department and is satisfied that the required independence is maintained.

Because of the nature of the information presented, the board has not considered it necessary to obtain independent assurance on sustainability reporting. The entire report is reviewed by the audit and risk management committee and recommended by it to the board.

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An internal assessment of the application of King III and levels of compliance is set out in table form on page 37 of this integrated report. A detailed report of Hudaco's application of and compliance with the 75 King III principles is set out on the Hudaco website.

Board of directors

Board composition

18, 19

Hudaco has a unitary board structure, comprising seven directors. Four are independent non-executive directors, one a non-executive and the remaining two are executive directors. A short curriculum vitae of each of the directors appears on pages 18 and 19 of the integrated report. Hudaco does not have or allow shadow directors.

No individual has unfettered powers of decision-making and there is a clear division of responsibilities at board level to ensure an appropriate balance of power and authority.

The board has an appropriate balance, with the majority being independent directors. In line with King III, the roles of the chairman and the chief executive are separate. The board is led by Royden Vice, an independent non-executive chairman. The chief executive is Graham Dunford.

The chairman's role is to set the ethical tone for the board and to ensure that the board remains efficient, focused and operates as a unit. The chairman provides overall leadership to the board without limiting the principle of collective responsibility for board decisions. He also ensures appropriate communication with shareholders and facilitates constructive relations between the executive and non-executive directors.

The chief executive's principal role is to provide leadership to the executive team in running the group's businesses. The board defines the group's levels of authority, reserving specific powers for the board while delegating others to management. The collective responsibility of management vests in the chief executive, who regularly reports to the board on the group's objectives and strategy.

The group financial director is Clifford Amoils. The audit and risk management committee is satisfied that he has the appropriate expertise and experience for this position.

The role of the board and board procedures

The board directs the group towards and facilitates the achievement of Hudaco's strategy and operational objectives. It is accountable for the development and execution of the group's strategy, operating performance and financial results. Its primary responsibilities include: determining the group's purpose and values, providing strategic direction to the group, appointing the chief executive, identifying key risk areas and key performance indicators of Hudaco's businesses, monitoring the performance of the group against agreed objectives, deciding on significant financial matters and reviewing the performance of executive management against defined objectives and, where applicable, industry standards. A range of non-financial information is also provided to the board to enable it to consider qualitative performance factors that involve broader stakeholder interests. There is a formal schedule of material matters especially reserved for the board's approval.

The board, which meets at least quarterly, retains full and effective control over all the operations. Additional board meetings, apart from those planned, are convened as circumstances dictate. The number of meetings held during the year under review (including meetings of board-appointed committees) and the attendance of each director are set out below.

The board has unrestricted access to all company information, records, documents and resources to enable it to properly discharge its responsibilities. Management is tasked with ensuring that board members are provided with all relevant information and facts to enable the board to reach objective and informed decisions.

Board meetings are scheduled well in advance and board documentation is provided timeously. Tabling documents at board meetings is the exception rather than the rule. The board agenda and meeting structure assist the board in focusing on corporate governance, its legal and fiduciary duties, group strategy and performance monitoring, thus ensuring that the board's time and energy is appropriately applied.

Directors are kept informed of key developments affecting the group between board meetings. Non-executive directors have access to management and may meet separately with management without the attendance of executive directors.

Board charter

The board has adopted a written charter to assist it to conduct its business in accordance with the principles of good corporate governance and legislation. This charter is reviewed annually and sets out the specific responsibilities to be collectively discharged by the board members as well as the individual roles expected of board members.

The purpose of the board charter is to ensure that all the directors are aware of their powers, duties and responsibilities when acting on behalf of the company. The board charter is subject to the provisions of the Companies Act, JSE Listings Requirements, the company's Memorandum of Incorporation and all other applicable legislation. The salient features thereof are:

- role and function of the board;
- detailed responsibilities;
- discharge of duties;
- board composition; and
- establishment of committees.

Board meeting attendance

2014	Jan	Mar	Jun	Oct
RT Vice	✓	✓	✓	✓
CV Amoils	✓	✓	✓	✓
PC Baloyi	✓	✓	✓	✓
SJ Connelly	✓	✓	✓	✓
GR Dunford	✓	✓	✓	✓
SG Morris	✓	✓	✓	✓
D Naidoo	✓	✓	✓	✓

Board appointments

A third of the directors retire by rotation annually. If eligible, available and recommended for re-election by the nomination committee, their names are submitted for re-election at the annual general meeting accompanied by an appropriate curriculum vitae set out in the integrated report. Shareholders also approve the initial appointment of each new director at the first annual general meeting of shareholders following that director's appointment.

The nomination committee assists the board with the assessment, recruitment and nomination of new directors, subject to the whole board approving these appointments. Board members are also invited to interview any potential appointees.

A formal and transparent procedure applies to all board appointments, which are subject to confirmation by the shareholders at the annual general meeting. A formal policy has been adopted in this respect by the board.

Prior to appointment, potential board appointees are subject to a fit and proper test as required by the JSE Listings Requirements.

Board committees

A number of board-appointed committees have been established to assist the board in discharging its responsibilities. The membership and principal functions of the standing committees appear on the ensuing pages. Specific responsibilities have been delegated to the board committees and they operate under written terms of reference approved by the board. Each committee's terms of reference is reviewed annually by the board. Board committees are free to take independent outside professional advice as and when deemed necessary and a formal policy is in place. The group secretary provides secretarial services for the committees, except the remuneration committee and the nomination committee.

Notwithstanding the establishment of various board committees, the board reserves for itself a range of key matters to ensure that it retains proper direction and control of the company.

There is transparency and full disclosure from board committees to the board. The committee chairpersons report formally to the board on its proceedings after each meeting and attend the annual general meeting to respond to any questions from shareholders regarding the committees' areas of responsibility. The minutes of committees chaired by independent non-executive directors are submitted to the board for noting and discussion. In addition, directors have full access to all board committee documentation and committee chairpersons provide the board with verbal reports on recent committee activities.

The board is of the opinion that all the board committees have effectively discharged their responsibilities, as contained in their respective terms of reference.

Report of the remuneration committee

Introduction

The members of the committee for the year under review were: Paul Baloyi, Stuart Morris and Royden Vice, all of whom are independent non-executive directors. Paul Baloyi chairs the meetings.

The chief executive attends meetings by invitation and is not present during discussions on his own remuneration. The committee meets twice a year, unless additional meetings are required.

The committee operates under a board-approved mandate and terms of reference, which were reviewed in 2014. The committee does not assume the functions of management, which remain the responsibility of the executive directors and other members of senior management.

Remuneration committee meeting attendance

2014	Jan	Jun
PC Baloyi	✓	✓
SG Morris	✓	✓
RT Vice	✓	✓

Role of the committee

The remuneration report is intended to provide an overview and understanding of the group's remuneration policy and practices with specific detail provided for the chief executive, executive and non-executive directors.

The mandate of the committee continues to comprise the following responsibilities:

- oversee the implementation of the remuneration policy of the group;
- annually review and approve the remuneration packages for executive directors and determine and approve annual bonuses, performance-based incentives and share appreciation bonus scheme awards;
- determine any criteria necessary to measure the performance of executives in discharging their functions and responsibilities;
- recommend fees for non-executive directors (including chairman and committee membership) to the shareholders;
- issue guidelines for general salary increases; and
- review the remuneration report and disclosure of directors' remuneration that appears in the company's integrated report.

Group remuneration policy

Hudaco has an integrated approach to remuneration strategy, in which remuneration components are aligned to strategic direction and financial returns.

The board promotes a culture that supports enterprise and innovation with appropriate short- and long-term rewards that are fair and achievable. It seeks to align the interests of the executive directors with those of the shareholders, while not diluting the equity stake of existing shareholders. In this regard its remuneration policy is aimed at encouraging sustainable performance and at providing incentives to achieve employee performance, motivation and retention. Senior management remuneration policy places a significant portion of total remuneration "at risk" whilst not encouraging behaviour contrary to the company's approach to risk management.

The total remuneration mix consists of base salary and benefits (fixed guaranteed remuneration) and short- and long-term incentives. The ratios within the remuneration mix differ depending on seniority levels and responsibilities.

Overview of senior management remuneration

The group's remuneration structure for senior management, including the executive directors, has three elements:

- fixed guaranteed remuneration on a cost to company basis;
- short-term performance-related remuneration, based on annual results and the achievement of non-financial objectives; and
- long-term (three to five years) remuneration linked to share price appreciation and therefore long-term earnings performance.

In order to ensure remuneration is market related, all elements of remuneration are subject to regular benchmarking exercises.

The remuneration policy starting point is for fixed guaranteed remuneration to be close to the median of comparable positions as a general guideline. The committee then exercises discretion to place individuals above or below the median.

Generally similar types of benefits are offered to all permanent employees, but defensible differentiation is applied in terms of the size and complexity of the position, the need to attract and retain certain skills and individual performance.

The committee believes that the remuneration policy aligns senior management's interests with those of the stakeholders by promoting and measuring performance that drives long-term sustained shareholder wealth.

At the annual general meeting held on 27 March 2014, the majority of shareholders endorsed, through a non-binding advisory vote to ascertain shareholders' views, Hudaco's remuneration policy and its implementation. Discussions with larger shareholders have revealed differing requirements for measurement criteria and other aspects. Whilst it is a challenge to satisfy the disparate preferences, the board will continue to engage with shareholders to try to reach consensus.

Fixed guaranteed remuneration

Benefits within the total cost-to-company fixed remuneration package include a retirement scheme with risk benefits and medical aid cover. Past and expected future performance of each executive is used as a basis for remuneration reviews.

At least every two years the committee engages independent remuneration consultants to benchmark executives' remuneration against an appropriate peer group and to provide input on recent trends. This was done in June 2014 by Khokhela Consulting. No executive receives remuneration outside the band recommended by our consultants.

Short-term performance-based remuneration

Short-term performance-related remuneration for the chief executive and the financial director is currently based primarily on the achievement of earnings per share growth and a pre-determined return on equity range, which is capped. For 2015, no ROE bonus will be paid if ROE is below 14%. As a stretch target, the cap will be reached at a ROE of 24%. The payment for earnings per share growth is not capped but is subject to partial claw-back.

Twenty five percent of the executive directors' possible performance-related earnings are subject to the achievement of non-financial objectives, determined from year to year.

For senior managers, performance-based remuneration is linked to a combination of the achievement of appropriate returns on operating assets (capped) and annual growth in operating profit (uncapped) in the businesses under their direction. Fifteen percent of senior managers' potential performance-related earnings are subject to the achievement of non-financial objectives, determined annually.

For 2015, in respect of the chief executive up to 152% and the financial director up to 125% of fixed remuneration (if the stretch target is met) is paid as performance-related remuneration in the year in which it is earned. Half of the payment for achieving earnings per share growth above 20% is paid in the year in which it is earned whilst the other half is carried forward and paid the following year but will be "clawed-back" if certain conditions have not been met. For senior managers the percentage is up to 80% – otherwise the same rules apply.

Where considered appropriate (which is rare), the committee may pay discretionary bonuses based on an assessment of personal performance. As a retention strategy executives are required to invest a portion of their bonuses in Hudaco shares. Refer to long-term remuneration below.

At its meeting in January 2015, the committee reviewed the performance of its businesses and executives and approved the payment of bonuses in accordance with the parameters for 2014. It also set the above parameters for the 2015 incentive schemes.

Long-term remuneration

Long-term performance-related remuneration is linked to the appreciation of the Hudaco share price.

In 2006 the group introduced a share appreciation bonus scheme. Share appreciation bonus rights are awarded every year. Participants in the scheme are paid a bonus, settled in Hudaco shares (which Hudaco acquires on the open market for that purpose) and equal to the appreciation in the market value of a predetermined number of Hudaco shares following each of the third, fourth and fifth years after the award. Participants may elect to defer the right to the bonus for up to four years after vesting. The number of rights awarded to directors and senior managers is based on their level of seniority and fixed guaranteed remuneration. The performance requirement for awards to vest is set by the committee and normally requires the achievement of a cumulative increase in comparable headline earnings per share of CPI plus 5% per annum between the date of the award and the vesting date.

Share appreciation rights are awarded to executive directors, senior managers and the level of employees directly below the senior managers. In 2014, share appreciation rights were awarded to a total of 171 people in 23 businesses and head office.

In order to serve as a retention strategy, align better the interests of the executives with those of shareholders and to ensure that the executives have capital at risk in Hudaco, a share matching arrangement was introduced for executives who are three years or more from retirement. Executives are required to invest in Hudaco shares a minimum of 12,5% and up to a maximum of 50% of their pre-tax short-term incentive based remuneration. These shares are to be acquired on the open market. Provided the executive holds these shares for three years and remains in the employ of Hudaco for that period, the company will match the value of the shares by acquiring an equal number of shares on the open market for the benefit of the executive, at the end of the three years. For 2014 this arrangement applied to executive directors only but from 2015 it has been expanded to include 11 senior managers.

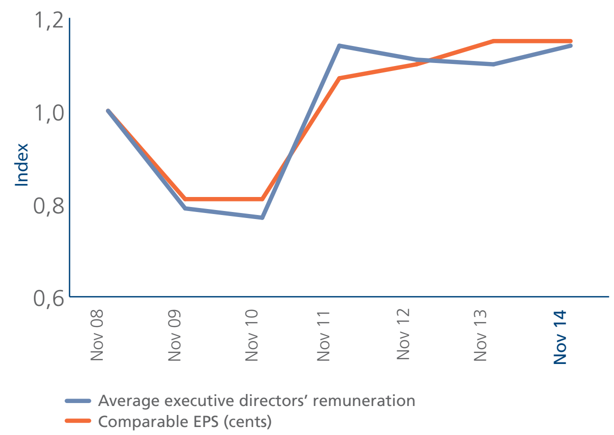
No *ex gratia* payment was made to any member of senior management.

Executive directors' remuneration

Details of executive directors' remuneration are set out in note 26.3 to the financial statements. A graph showing the correlation between executive directors' remuneration and earnings per share is set out below.

Hudaco does not have prescribed officers as defined in Regulation 38 of the Companies Regulations, 2011.

Average Directors' Remuneration vs Earnings



Directors' interests in the share appreciation bonus scheme and share matching scheme

Details of the directors' interests can be found in note 26.2 to the financial statements.

Service contracts

Executives are appointed for an unspecified open-ended period subject to Hudaco's standard terms and conditions of employment, which provide for retirement at age 65. For all executives the notice period is at least three months.

No contractual payments are due to any of the executives on termination of employment. If there is a change in control of the company, share appreciation rights vest, but there are no other contractual payments due.

Graham Dunford (chief executive) has a restraint of trade agreement.

Non-executive directors' remuneration

Non-executive directors are appointed to the Hudaco Industries Limited board based on their specific skills and their ability to contribute competence, insight and experience appropriate to assisting the group to achieve its objectives. Non-executive directors are remunerated for their membership of the board of Hudaco and board committees.

The non-executive directors are paid a base fee and are required to forfeit a specific penalty for non-attendance of a meeting. The fees and penalty amounts were approved by the shareholders on 27 March 2014 for the period 1 April 2014 until 31 March 2015.

Non-executive directors do not participate in any of Hudaco's long- or short-term incentive arrangements.

The board recommends the fees payable to the chairman and non-executive directors for approval by the shareholders. Proposals for fees are prepared by management, for consideration by the remuneration committee and the board. Consideration has been given to the significant responsibility placed on non-executive directors due to the progressively burdensome legal and regulatory requirements and the commensurate risks assumed. Benchmarking information of companies of similar size and complexity are factors considered when reviewing the annual fees. At Hudaco's annual general meeting to be held on 27 March 2015, shareholders will be requested to approve the non-executive directors' fees for the period 1 April 2015 until 31 March 2016 as outlined in the notice of the annual general meeting.

Non-executive directors' fees for the year ended 30 November 2014 are reflected in note 26.3 to the financial statements.

The nomination committee

In 2014, the nomination committee was split from the remuneration committee. Its members for the period under review were Royden Vice (chairman), Paul Baloyi and Stuart Morris.

The committee functions under written terms of reference and meets at least twice a year, unless otherwise required. It is chaired by the chairman of Hudaco Industries, as required by the JSE Listings Requirements.

The committee assists the board in ensuring that:

- the board has the appropriate composition to execute its duties effectively;
- directors are appointed through a formal process;
- induction and ongoing training and development of directors takes place; and
- formal succession plans for the board, chief executive and senior management are in place.

Aspects that are considered with regard to board composition include whether the candidates would enable the company to:

- maintain a mixture of business skills and experience relevant to the company and balance the requirements of transformation, continuity and succession planning; and
- comply with corporate governance requirements in respect of matters such as the balance between executive, non-executive and independent non-executive directors on the board.

The committee also provides assurance to the Hudaco board that the independent non-executive directors offering themselves for election as members of the Hudaco audit and risk management committee, collectively:

- are independent non-executive directors as contemplated in King III and the JSE Listings Requirements;
- are suitably qualified and experienced for audit committee membership;
- have an understanding of integrated reporting (including financial reporting), internal financial controls, external and internal audit processes; risk management, sustainability issues and the governance process (including information technology governance) within the company;
- possess skills which are appropriate to the company's size and circumstances, as well as industry;
- have an understanding of International Financial Reporting Standards and other financial and sustainability reporting standards, regulations and guidelines applicable to the company; and
- adequately keep up to date with the key developments affecting their required skills set.

Board and committee assessments are conducted annually in the form of written responses and/or a one-on-one interview conducted by the chairman with each member of the board. The chairman's assessment is conducted by the board while the chief executive's assessment is conducted first by the nomination committee and then the board. Issues identified by individual board or committee members will be addressed during 2015.

Nomination committee meeting attendance

2014	Jan	Jun
RT Vice	✓	✓
PC Baloyi	✓	✓
SG Morris	✓	✓

Audit and risk management committee

The members of the committee during the 2014 financial year were Stuart Morris (chairman), Paul Baloyi and Daisy Naidoo.

The audit and risk management committee comprises independent non-executive directors only, as required by the Companies Act. All the members have the requisite financial and/or commercial skills and experience to contribute to the committee's deliberations.

Meetings are held at least three times a year and the chairman of the board, the chief executive, financial director, the head of internal audit and representatives from the external auditors attend committee meetings by invitation. The committee functions under written terms of reference which were most recently reviewed in March 2014.

From an audit oversight perspective, the committee is primarily responsible for:

- considering and monitoring the independence of the external auditors and the appropriate rotation of the lead audit partner and to make recommendations to the board on the appointment and dismissal of the external auditor;
- overseeing the effectiveness of the group's internal control systems, ensuring that they are designed in response to identified key business and control risks, and have been effective throughout the year;
- reviewing the scope and effectiveness of the external and internal audit functions;
- ensuring that adequate books and records have been maintained;
- monitoring proposed changes in accounting policy;
- considering the accounting and taxation implications of major transactions;
- reviewing and reporting on compliance with IFRS, King III and the JSE Listings Requirements;
- testing that the group's going-concern assertion remains appropriate;
- reviewing the interim and annual financial statements to ensure that they give fair presentation consistent with information known to the committee, before submission to the board;
- considering the appropriateness of the expertise and experience of the financial director on an annual basis;
- evaluating the independence of the internal audit function; and
- evaluating the activities and the effectiveness of the internal audit function.

The Companies Act imposes further duties and responsibilities upon the committee including the following:

- nominate for appointment a registered auditor who is independent of the company;
- determine the fees to be paid to the auditor and the auditor's terms of engagement;
- ensure that the appointment of the auditor complies with the Companies Act and any other legislation relating to the appointment of auditors;
- determine the nature and extent of any non-audit services which the auditor may provide to the company;
- pre-approve any contract with the auditor for the provision of non-audit services to the company;
- prepare a report, to be included in the annual financial statements for that year;
  - describing how the committee carried out its functions;
  - stating whether the committee was satisfied that the auditor was independent of the company; and
  - commenting in any way the committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the company; and
- receive and deal appropriately with any complaints relating to the accounting practices and internal audit of the company, the content or auditing of the financial statements, the internal financial controls of the company or any other related matter.

In response to these requirements and its terms of reference, the committee reports that it has discharged all of its obligations. Specifically:

- It nominated the audit firm Grant Thornton and audit partner Christo Botha for appointment by the shareholders at the forthcoming annual general meeting as the auditor for the 2015 financial year. The committee is satisfied that the firm and the individual auditor are independent of the company and are accredited as auditors on the JSE's Register of Auditors.
- Budgeted audit fees for the financial year ended 30 November 2014 were approved and the scope of the proposed audit work was agreed.
- Any non-audit-related services to be performed by the external auditors require the approval of the audit committee on a case-by-case basis. The overarching criterion for approval being that the independence of the external auditors should not be impaired through the provision of services under consideration. It was agreed that there will be a rebuttable presumption that non-audit fees totalling up to 25% of the budgeted annual audit fees will not alone impair the independence of the auditors.
- The committee confirmed the independence of the internal audit function and satisfied itself that internal audit is functioning effectively.
- The internal and external auditors have unrestricted access to this committee. Members of the committee are also afforded the opportunity to meet with the head of internal audit and the external auditors without management being present.
- The committee reviewed the interim and annual financial statements and approved them for submission to the board. This review included a consideration of the estimates, judgements and assumptions set out in note 2 to the financial statements.
- No complaints have been received relating to the accounting practices and internal audit of the company or to the content or auditing of the company's financial statements or its internal financial controls, or to any related matter.
- In terms of paragraph 3.84(h) of the JSE Listings Requirements, the committee has satisfied itself that the expertise and experience of the financial director are appropriate.

The committee further ensures that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities. Through formal reports in committee papers and the attendance of all key executives involved with assurance, the committee is provided with a thorough review of the group's assurance activities. These reports include the principles of combined assurance through reports from management, internal and external audit. Attendees at committee meetings include the chairman of the company, both executive directors, the head of internal audit and external audit representatives.

From a risk management perspective, the committee's main responsibilities include overseeing the group's risk management programme. The responsibility for identifying, evaluating and managing risk resides with management. The risk management process involves a formalised system to identify and assess risk, both at strategic and operational levels. The process includes the evaluation of the mitigating controls and other assurances in identifying and assessing the risks.

Risks are continually being identified and mitigated in terms of a process that involves allocating responsibility, developing action plans and monitoring compliance with these action plans. Every employee has a role to play in this endeavour and in achieving the group's goals and objectives.

During the year under review the committee discharged all of its duties in respect of risk management. Specifically it:

- ensured that appropriate systems were in place to identify and monitor risks affecting the group;
- evaluated the adequacy of the effectiveness of the risk management process;
- reviewed and assessed issues such as compliance with legislation and corporate governance matters, the impact that significant litigation could have on the group, the adequacy of the insurance cover as well as the effectiveness of controls over areas of risks;
- provided board level oversight of the management of sustainability issues; and
- ensured that IT governance and risk management continued to form an integral part of the company's risk management processes.

16, 17

The key risks faced by the group are described on pages 16 and 17 of this integrated report.

Audit and risk management committee meeting attendance

2014	Jan	Jun	Oct
SG Morris	✓	✓	✓
PC Baloyi	✓	✓	✓
D Naidoo	✓	✓	✓

CORPORATE GOVERNANCE (continued)

Financial control and risk management

The board recognises its responsibility to report a balanced and accurate assessment of the group's financial results and financial position in terms of International Financial Reporting Standards, its business, operations and prospects.

Hudaco has an established system of controls and procedures to ensure the accuracy and integrity of the accounting records and to effectively monitor the group's businesses and their performance. The system encompasses a wide range of checks and balances, as well as interactive controls. These include:

- decentralised and self-accounting operational and financial management;
- an approval framework with defined authority limits;
- a detailed budgeting system;
- the preparation of forecasts, which are regularly reviewed and updated;
- monthly reporting of income and financial position together with written reports highlighting areas of particular risk or opportunity;
- a centralised treasury, which incorporates foreign currency and cash management functions;
- regular reporting on treasury, legal, pension, medical aid and insurance matters;
- regular meetings of the boards of the individual operating businesses; and
- risk registers at operating and group level, which are monitored on a regular basis.

Internal control framework

Hudaco has adopted specific levels of authority and the required approvals necessary for all major decisions at both group and divisional levels. Through this framework, operational and financial responsibility is formally and clearly delegated to the chief executive, the group financial director and the executives of the principal operating businesses. This is designed to maintain an appropriate control environment within the constraints of board-approved strategies and budgets, whilst providing the necessary local autonomy for day-to-day operations.

Internal audit

A group risk and internal audit department, which functions under a written charter, provides the role and functions as envisaged in the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. The department's work is designed to ensure that all aspects of each business, including internal control procedures, are subject to professional risk assessment on a continuous basis. These controls and procedures provide reasonable assurance that assets are safeguarded from material loss or unauthorised use and that the financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities.

This department has complied with its brief, which is to conduct a formal review of the effectiveness of all the group's systems of internal control over a three-year cycle, with major systems in all businesses reviewed annually.

The department reports any material findings and matters of significance to the audit and risk management committee on a regular basis. The reports highlight whether actual or potential risks to businesses are being appropriately managed and controlled. Progress in addressing previously unsatisfactory findings is monitored until proper resolution of the problem area has been reported.

The annual audit plan, which is pre-approved by the audit and risk management committee, is determined through an assessment and understanding of risks.

The scope of the internal audit and external audit are co-ordinated in order to provide efficient and effective assurance to the group's audit and risk management committee.

Risk

The board assesses the risks in the group's business environment with a view to eliminating or reducing them in the context of the group's strategies, operations and risk appetite. The board has confirmed its acceptance of the group's risk management processes and is satisfied that all risks are appropriately governed. The key risks faced by the group are described on pages 16 and 17 of this integrated report. The group's annual internal audit plan incorporates the outcomes of the risk management process. The group risk and internal audit department provides a risk identification facilitation role. Management is responsible for managing risks on a daily and operational basis. The board is responsible for determining the group's appetite and risk levels. The group risk map, examined by the board at each meeting, includes a risk tolerance line to highlight whether any residual risks fall beyond the risk tolerance level.

16, 17

Litigation and legal

In the normal course of business, Hudaco is subject to various proceedings, actions and claims. These matters are subject to risks and uncertainties that cannot be reliably predicted.

There are currently no matters that require the attention of the board. The tax challenge that has been prevalent for the past two years has been settled.

Information technology

Protecting electronic assets is increasingly complex as networks, systems and electronic data expand. Depending on the internet for communication attracts additional risk. Ensuring proper system security, data integrity and business continuity is the responsibility of the board, but is overseen by the executive committee and the audit and risk management committee. IT systems at Hudaco are decentralised with each business determining the most appropriate system for its own operations. This reduces the group's exposure to any IT system failure.

The board is of the opinion that the systems of internal control over information technology are adequate and effective and is not aware of any material breakdown in the functioning of the internal control systems during the year.

An IT governance committee, which is chaired by the group financial director, has an IT professional from outside the group and includes representatives from the IT departments of all but the smaller businesses in the group, assists the board in ensuring the effective and efficient management of IT resources to facilitate the achievement of Hudaco's objectives. The IT governance committee functions under a written IT governance charter. Its purpose is to define and deliver the overall IT strategy approved by the group's executive committee and the audit and risk management committee. It is responsible for the development and functionality of IT governance at businesses, IT strategy at functional level, monitoring compliance and measuring progress against plans. Through the delivery of the IT goals, the IT governance committee is responsible for the primary focus areas of IT governance at Hudaco:

- value for money in operational IT spend;
- effective selection and control of IT capital projects;
- recovery from business interruption;
- security of information;
- physical security of IT assets;
- risk from intellectual property infringement (unauthorised or under licensed software);
- risk from failure to keep the Hudaco IT systems up to date; and
- appropriate standardisation.

Executive committee

The members of the committee are: Graham Dunford (chairman), David Allman, Clifford Amoils, Ossie Carstens, Brian Constancon, Jack Edery, Barry Fieldgate, Jonny Masinga and Reana Wolmarans. Stephen Connelly retired at the end of June 2014.

The executive committee is chaired by the chief executive, Graham Dunford, and meets quarterly. Its principal terms of reference are to advise the chief executive on the formulation of operating policy, the implementation of group strategy and the management of key group risks. The committee incorporates a safety, health and environment sub-committee which has its own written terms of reference.

Executive committee meeting attendance

2014	Jan	Mar	Jun	Oct
GR Dunford	✓	✓	✓	✓
DL Allman	✓	✓	✓	✓
CV Amoils	✓	✓	✓	✓
JO Carstens	✓	✓	✓	✓
SJ Connelly*	✓	✓	✓	n/a
BJM Constancon**	n/a	n/a	✓	✓
J Edery	✓	✓	✓	✓
BWJ Fieldgate	✓	✓	✓	✓
KJ Masinga	✓	✓	✓	✓
R Wolmarans	✓	✓	✓	✓

** Retired at end of June 2014.*
*** Appointed June 2014.*

Report of the social and ethics committee

Composition and terms of engagement

The members of the committee during the 2014 financial year were Daisy Naidoo (chairman), Clifford Amoils and Graham Dunford.

The chairman of the committee is an independent non-executive director, while the other two members are both executive directors. The committee meets twice a year and reports to the board. Meetings are also attended by the Hudaco group secretary, transformation and human resources executive and the executive responsible for the environment, health and safety, Ossie Carstens. Furthermore, the committee is entitled to invite other executives and senior managers of Hudaco to attend meetings as required in order to fulfil its mandate.

Hudaco's social and ethics committee monitors and oversees Hudaco's activities in relation to:

- social and economic development, including the principles of the UN Global Compact, Broad-based Black Economic Empowerment, Employment Equity and the OECD's recommendations on corruption;
- good corporate citizenship, including the promotion of equality, prevention of unfair discrimination, corporate social responsibility, ethical behaviour and managing environmental impacts;
- consumer relations; and
- labour and employment, including skills development.

In 2014, each business within the Hudaco group established its own social and ethics sub-committee. They are required to meet twice a year prior to the main committee meeting and provide feedback and input on social and ethics activities.

Role and responsibilities

During the 2014 financial year the committee met twice at which meetings performance in the following areas were reviewed on a rotational or core agenda basis, in response to the requirements of the Companies Act:

- anti-corruption compliance;
- human capital management;
- transformation;
- regulatory and compliance matters;
- stakeholder relations;
- socio-economic development; and
- environmental impact.

The committee confirms that no material issues were identified during this review. At the forthcoming annual general meeting, scheduled to take place on 27 March 2015, the chairman will be available to report to shareholders on the matters within its mandate in accordance with regulation 43(5)(c) of the Companies Act on Hudaco's performance with respect to the key focus areas of this committee.

Social and ethics committee meeting attendance

2014	Mar	Oct
D Naidoo	✓	✓
CV Amoils	✓	✓
GR Dunford	✓	✓

CORPORATE GOVERNANCE (continued)

Group secretary

The group secretary, who is subject to a "fit and proper" test, assists the board in fulfilling its functions and is empowered by the board to perform her duties. The group secretary, directly or indirectly:

- assists the chairman, chief executive and financial director with the induction of new directors;
- assists the board with director orientation, development and education;
- where practical ensures the group complies with legislation applicable and/or relevant to Hudaco;
- monitors the legal and regulatory environment and communicates new legislation and any changes to existing legislation to the board and the operating businesses; and
- provides the board with a central source of guidance and assistance.

The group secretary also assists the chairman and chief executive in determining the annual board plan and board agendas and in formulating governance and board-related matters.

In October 2014 the board considered and was satisfied with the competence, qualifications and experience of the group secretary, Reana Wolmarans. They concluded that, an arm's length relationship had been maintained between the board members and the group secretary as required by the JSE Listings Requirements. This conclusion was based on the fact that she performs her role and duties independently from the board or any individual board member and without the directors having an undue influence or any control over her

66

The certificate required to be signed by the group secretary in terms of section 88(2)(e) of the Companies Act appears in the annual financial statements on page 66.

Share dealings

Hudaco has adopted a closed-period policy, which precludes directors, officers, participants and staff who may have access to price-sensitive information from dealing in Hudaco shares prior to the release of interim and final results as well as during other price sensitive periods.

All the directors, the members of the executive committee and their personal assistants are required to obtain written clearance from the chief executive before dealing in Hudaco's securities. The chief executive requires prior clearance from the chairman.

Details of share dealings by directors and the group secretary are disclosed through the Securities Exchange News Service (SENS).

The group secretary maintains a record of all dealings in Hudaco shares by directors and affected employees.

The major subsidiaries do not have any directors who are not also directors of Hudaco.

Relationship with stakeholders

14, 15

Hudaco's relationship with stakeholders is dealt with in the section on stakeholder engagement on pages 14 and 15.

The Hudaco group has various policies governing communication, relationships and conduct with its stakeholders, which comprise shareholders, employees, customers, suppliers, bankers, the community and government.

Nedbank Capital, a division of Nedbank Limited, acted as the company's sponsor during the year under review.

Hudaco acknowledges the importance of its shareholders attending the company's annual general meetings as these meetings offer an opportunity for the shareholders to participate in discussions relating to general meeting agenda items and to raise additional issues. Explanatory notes setting out the effects of all proposed resolutions have been included in the notice of annual general meeting. The company's transfer secretaries attend every meeting of shareholders to assist with the recording of shareholders' attendance and to tally the votes.

The chairmen of board appointed committees, as well as the executive directors, are required to attend annual general meetings or other general meetings to respond to questions from shareholders.

Notwithstanding the requirement by King III that the company should engage in transparent and effective communication with its stakeholders, shareholders are allowed to vote anonymously by proxy which makes it impossible for Hudaco to engage with a particular shareholder with a view to understanding the reasons for a negative/abstaining vote or to explain why the particular resolution is required. In some instances it also inhibits management's ability to review existing group policies to bring it in line with shareholder expectation.

During the period under review, Hudaco did not make any donations to political parties.

King III gap analysis

As required by the JSE Listings Requirements, the following table discloses the status of Hudaco's compliance with King III and reasons for non-compliance, if applicable.

	Comply
Ethical leadership and corporate citizenship	
Effective leadership based on an effective ethical foundation	✓
Responsible corporate citizen	✓
Effective management of ethics	✓
Assurance statement on ethics in the integrated report	✓
Board and directors	
The board is the focal point for and custodian of corporate governance	✓
Strategy, risk, performance and sustainability are inseparable	✓
Directors act in the best interest of the company	✓
The chairman of the board is an independent non-executive director	✓
A framework for the delegation of authority has been established. The board comprises a balance of power, with a majority of non-executive directors who are independent	✓
Directors are appointed through a formal process	✓
Formal induction and ongoing training of directors is conducted	✓
The board is assisted by a competent, suitably qualified and experienced company secretary	✓
Annual performance evaluations of the board, its committees and individual members	✓
Appointment of well-structured committees	✓
An agreed governance framework between the group and its subsidiary boards is in place	✓
Directors and executives are fairly and responsibly remunerated	✓
Remuneration of directors and prescribed officers is disclosed	✓
The company's remuneration policy is approved by the shareholders	✓
Audit committee	
Effective and independent	✓
Suitably skilled and experienced independent non-executive directors	✓
Chaired by an independent non-executive director	✓
Oversees integrated reporting	✓
A combined assurance model is applied to improve efficiency in assurance activities	✓
Satisfies itself of the expertise, resources and experience of the company's finance function	✓
Oversees internal audit	✓
Integral to the risk management process	✓
Oversees the external audit process	✓
Reports to the board and shareholders on how it has discharged its duties	✓
Governance of risk	
The board is responsible for the governance of risk	✓
The board determines the levels of risk tolerance	✓
The audit and risk management committee assists the board in carrying out its risk responsibilities	✓
The board has delegated the process of risk management to management. The board ensures that risk assessments are performed on a continual basis. Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	✓
The board ensures that management implements appropriate risk responses	✓
The board receives assurance regarding the effectiveness of the risk management process	✓
Sufficient risk disclosure to stakeholders	✓

	Comply
Governance of information technology	
The board is responsible for the governance of information technology (IT)	✓
IT is aligned with the performance and sustainability objectives of the company	✓
Management is responsible for the implementation of an IT governance framework	✓
The board monitors and evaluates significant IT investments and expenditure	✓
IT is an integral part of the company's risk management. IT assets are managed effectively	✓
The audit and risk management committee assists the board in carrying out its IT responsibilities	✓
Compliance with laws, rules, codes and standards	
The board ensures that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓
The board and each individual director and senior manager has a working understanding of the effect of laws, rules, codes and standards applicable to the company and its business	✓
Compliance risk forms an integral part of the company's risk management process	✓
The implementation of an effective compliance framework and process has been delegated to management	✓
Internal audit	
The board ensures that there is an effective risk-based internal audit	✓
Internal audit follows a risk-based approach to its plan	✓
Internal audit provides a written assessment of the effectiveness of the company's system of internal controls and risk management	✓
The audit committee is responsible for overseeing internal audit	✓
Internal audit should be strategically positioned to achieve its objectives	✓
Governing stakeholder relationships	
The board appreciates that stakeholders' perceptions affect the company's reputation	✓
Management pro-actively deals with stakeholder relationships	✓
There is an appropriate balance between its various stakeholder groupings	✓
Equitable treatment of shareholders	✓
Transparent and effective communication with stakeholders	✓
Disputes are resolved effectively, efficiently and as expeditiously as possible	✓
Integrated reporting and disclosure	
The board ensures the integrity of the company's integrated report	✓
Sustainability reporting and disclosure should be integrated with the company's financial reporting	✓
Sustainability reporting and disclosure should be independently assured	1

1 The entire integrated report is reviewed by the audit and risk management committee and recommended to the board. The board has not found it necessary to obtain independent assurance for sustainability reporting as it is comfortable with the accuracy of the sustainability reporting. Environmental issues are not material in the group.

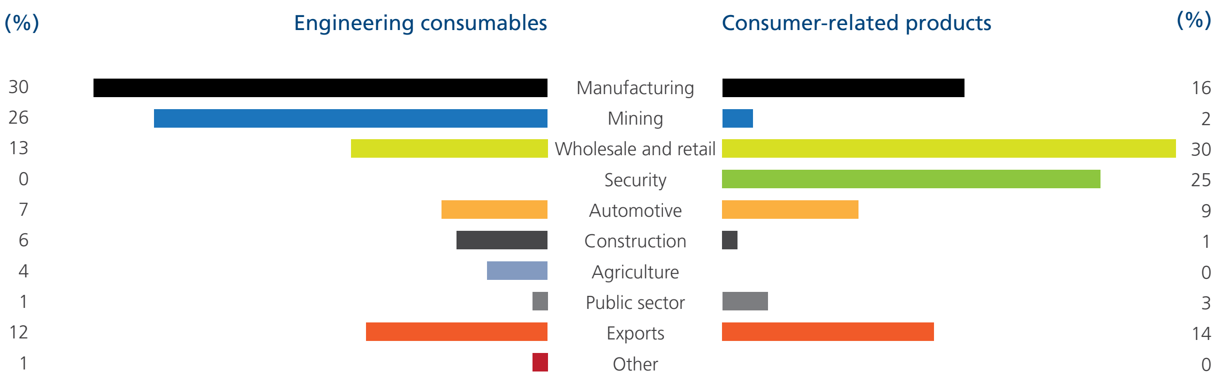
REVIEW OF OPERATIONS

Dosco Precision Hydraulics – hydraulic gear pump service and distribution

We hold distribution rights mainly on an exclusive basis for excellent product brands. These rights usually cover Africa, south of the equator. Our most important group objective is to optimise growth within our existing portfolio of businesses through improving their geographic spread, expanding their product offering and increasing market share. Growth is augmented by the acquisition of additional agencies, mainly through business acquisitions.

As Hudaco is principally an importer, the main determinant of prices is exchange rates. The significant fall in the Rand rate of exchange (by 9% against the US Dollar) in 2014 (following on 15% in 2013) and by 13% against Hudaco's basket of currencies will inevitably result in price increases of the same magnitude. The full impact of any decline in the Rand on prices generally takes about six months to be fully effective.

Sales by market sector – 2014



Engineering consumables

Businesses

DEUTZ DIESELPOWER

JOSEPH GRIEVESON

The primary business of this segment is the supply of replacement parts for industrial machinery used in the mining and manufacturing sectors. This segment is being particularly affected by the labour unrest and electrical power shortages in South Africa. In the first half of the year we had a five-month strike in the platinum mining sector, which has still not fully recovered. As we came out of that strike, we went into a devastating month-long NUMSA strike.

This segment comprises the following main businesses and activities:

- Bearings International (BI) has over 40 branches across southern Africa. The main bearing brands distributed are FAG and KOYO.
- Deutz Dieselpower represents Deutz AG – one of the world's leading independent manufacturers of air-cooled and liquid cooled medium-sized compact diesel engines.
- Filter and Hose Solutions (FHS) is a leading distributor of Donaldson filters and filtration solutions, kits and accessories for heavy duty and automotive applications.
- Mechanical Power Transmission products, which consists of: Ambro Sales, Astore Africa, Belting Supply Services, Bosworth, Ernest Lowe, Midrand Special Steels, Powermite, Dosco (including GPM) and Joseph Grieveson.
- Electrical Power Transmission products, constituted by: Ampco, Powermite, Three-D Agencies, Proof Engineering and Varispeed.

Performance

In 2014 the engineering consumables segment comprised 62%; (last year: 63%) of group turnover and 58% (last year: 59%) of group operating profit. Turnover grew by 12% to R2,8 billion and operating profit grew 3,4% to R302 million.

Hudaco's engineering consumables businesses are geared towards general economic activity (GDP). Fixed investment (GDFI) spending is important to our businesses but mostly because it creates more economic activity. This characteristic makes earnings of this segment less cyclical compared with, for instance, sellers of capital equipment. During economic downturns customers do reduce activity and often mothball capital equipment from which they can strip replacement parts. This obviously impacts on our sales but it generally does not last long and demand soon resumes. Being low value, critical items, our products are generally not very price sensitive.

The main brands stocked by Hudaco are of European, USA or Japanese origin or design but are manufactured in many countries around the world including China. We are often asked if there is a threat of cheaper Chinese and Indian brands taking market share from Hudaco. Clearly there is if we are not alert. However, currently, copy machines sourced from these countries are of inconsistent quality with spare parts often not readily available. Customers are still reluctant to gamble by buying cheaper machines or copy parts with an unknown brand because the downtime consequences of fitting substandard parts significantly outweighs the cost saving. When manufacturers in these countries reach the appropriate quality to price standard – as they eventually will – we believe Hudaco will be a logical and sought-after local distributor. We do already carry many brands from these countries alongside our more established brands and increasingly offer them to customers when we are confident that quality matches the application.

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Refer to page 44 for a geographic analysis of the source of supply of the engineering consumables product range.

REVIEW OF OPERATIONS (continued)

Bearings International

Bearings International has a broader exposure to the general economy through its 40+ branch network than other businesses in this segment. The mining and NUMSA strikes negatively affected business for most of the year under review.

Sales increased 6% year on year but the depressed market, volatile rand and competitive environment led to a slip in the gross margin. One of the focus areas for 2014 was on right sizing and right staffing the business appropriately for the future. The costs associated with this increased the expense line in 2014. The slip in margin coupled with increased expenses and a relatively flat sales line led to a very disappointing financial result for 2014.

That is all behind us now and with a restructured management team in place for 2015, a reduced expense line, an increase in gross margin, and hopefully no disruptive strikes this year, we are looking to a much better result in 2015. A remaining task is to achieve the right balance between inventory and current sales levels.

Bearings International – keeping the wheels of industry moving

Principal brands: Bearings International

INA FAG	Koyo	KAYDON	COOPER
Precision bearings from Germany.	Ball and roller bearings from Japan.	Thin section bearings from USA.	Split roller bearings from UK.
Distributor since 2005	Sole distributor since 1962	Distributor since 2008	Sole distributor since 1937


Belting Supply Services – instrumentation used for controlling and detection of process parameters like moisture, flow, level, pressure, temperature, etc.

Dosco group

Joseph Grieveson

Joseph Grieveson was established in 1915 and, with a 100 years of experience, has developed a strong reputation for delivering quality castings timeously, throughout Africa and abroad. The foundry is able to produce both ferrous and non-ferrous castings of any size, from half a kilogram to six tons. It offers a full range of services from jobbing to high production runs, from creating a drawing through to final machining, making it a truly "one stop shop" foundry. The business' strengths lie in the diversity of the varied markets it serves, a highly qualified and experienced management team and the quality of the products it produces.

Despite a four-week strike, Joseph Grieveson increased its gross profit by 2% and operating profit by 7%. While the sugar industry was soft in 2014, due to cheaper imports and poor rainfall during the year, the valve industry was very buoyant, due to recent government legislation calling for 70% local content for projects. The mining industry in 2014 was very difficult due to the protracted platinum strike, but sales started to improve in the last quarter of 2014 and we expect a recovery during 2015. With the depreciating Rand, the prospects for 2015 are favourable as imports become less attractive to the local market.

Gear Pump Manufacturing (GPM)

GPM was established in 1985 to manufacture and assemble a complete range of hydraulic SAE mounted cast iron pumps, offering a bearing, piston and PTO range, and associated components. GPM is synonymous with high quality, well priced hydraulic pumps around the world. The business fits well with Hudaco's strategy to increase the group's revenue outside of South Africa's borders, as approximately 70% of GPM's total production is exported to 37 countries around the world, but primarily to the USA. GPM does everything in-house, including the production of cast iron, SG iron, compact graphite iron and bronze castings from its foundry for its own consumption, giving them total control over the complete manufacturing process.

Total revenue increased by 20%. The business focused on increasing sales in hard currencies, and made good progress in a sluggish world economy, increasing dollar sales by 7% in 2014, despite low contributions from Australia and Asia Pacific. The Rand has lost 9% on average against the dollar over the last year, which stimulated new local sales as the cost to import increased. PBIT grew by 39%, mainly due to higher gross profit, which increased by 7%, driven by increased volumes through the plant, Rand weakness and good recoveries.

GPM will continue to focus on increasing dollar-based sales in 2015 as it rolls out a new marketing strategy in the USA, and will work on improving sales into Africa.

Dosco Precision Hydraulics (Dosco)

Dosco is the market leader in the re-manufacturing of hydraulic pumps and motors, with a state of the art workshop and testing facilities, and is well entrenched in the mining, industrial and mobile sectors of the South African economy. Dosco has been an official distributor of Kawasaki axial piston pumps and Kawasaki staffa radial piston motors since 2000 as well as an official distributor for GPM, hydraulic SAE mounted cast iron pumps, offering a comprehensive bearing, bushing and PTO range. Dosco boasts one of the largest inventories of pumps, motors and their parts in southern Africa. The business is also a supplier and re-manufacturer of Vickers, Sundstrand, Rexroth, Parker, David Brown and Tyrone equipment.

Marred by the protracted platinum mining strikes and then the four-week metal industries strike, 2014 proved to be a difficult year, which resulted in an increase of only 6% in sales on 2013. Nevertheless, Dosco fared well, increasing its gross profit margin by 3,4% and its PBIT by 36%, largely due to a reduction in operating expenses. With the expectation that the platinum mines will be back to full production early in 2015, Dosco is expecting an even better year in 2015. Priority will be given to growing sales into Africa, as well as becoming more actively involved in the marine and forestry markets within South Africa.

Gear Pump Manufacturing – high quality hydraulic pumps for the world market

Principal brands: Dosco group

KPM Staffa	KPM	GPM	Joseph Grieveson
Kawasaki Staffa Radial Piston Motors.	Kawasaki Axial Piston Pumps.	Hydraulic SAE mounted Cast Iron Pumps.	Ferrous and non-ferrous castings.
Distributor since 2000	Distributor since 2000	Manufacturer and distributor since 1985	Manufacturer and distributor since 1915

REVIEW OF OPERATIONS (continued)

Deutz Dieselpower (DDP)

Deutz diesel engines are designed (and priced) for constant load applications and the main market is the mining industry. Underground mining (gold and platinum) accounts for 63% of sales. Most Deutz engines sold in the southern equatorial African region – broadly the geographical area for which DDP has responsibility – are fitted to equipment manufactured in other parts of the world and imported by original equipment distributors such as Sandvik and Atlas Copco.

DDP's principal activity therefore is providing support for Deutz engines through service and parts, the sale of replacement engines to those customers and supplying new engines to the few small OE manufacturers in this region. The margin on parts is higher than on new engines, so a key strategy to grow profitability is to grow the engine population. This is achieved by offering excellent support for Deutz engines wherever they are located and however they arrived in our territory.

Principal brand: Deutz Dieselpower

Air and liquid-cooled engines from Germany 12 – 520Kw.

Sole distributor since 1969

DDP was again badly affected by the strikes in 2014 that impacted platinum mining production for most of the year. The reduction in costs in 2013 stood it in good stead through another year of depressed market conditions.

The outlook for 2015 is reasonably positive. It is expected that the genset market will grow markedly as Eskom struggles to keep up with the demand for electricity and hopefully mining activity will return to normality. The Department of Mineral Resources is planning to take steps to regulate the level of diesel particulate emissions underground, which will be an advantage for Deutz engines which already comply with European emission regulations, the most stringent in the world. The new branch in Zambia has been trading since July 2014 and, although it is not yet profitable, all indications are that it is well poised to take advantage of the growth in underground copper mining there.

Deutz Dieselpower – Tier 4 engines: the driving force behind progress

Filter and Hose Solutions – sophisticated filtration solutions

Filter and Hose Solutions (FHS)

FHS continued to build its reputation as a filtration specialist in the heavy duty automotive filtration industry despite numerous challenges during the past year. Turnover was only slightly higher than in the previous year. With profitability in the mining industry, which is FHS' main market, under pressure it proved difficult to grow the business. Nevertheless, FHS' methodology of customised filtration solutions and technical support demonstrated the resilience of its business model. The focus on increasing business with neighbouring countries resulted in our first two industrial filtration projects outside South Africa to the value of R4,4 million.

The major risks we will be facing in 2015 are the uncertainty in the mining industry and global economic limitations. A new system in Zambia that will allow the Zambian government to increase its share of revenue from the mining industry could represent a risk to FHS if other African countries follow suit as 30% of total sales are to neighbouring counties.

Water scarcity represents an opportunity for FHS as pressure increases for better water resource management. With Filtrec as industrial filtration partners, FHS should be able to take advantage of greater focus on process filtration for water. In 2015 FHS will aim to maintain market share in the mining and construction industries and will look to grow its industrial process filtration business.

Power Transmission Businesses

Electrical Power Transmission

The division includes Powermite, Varispeed, Ampco, Proof Engineering and Three-D Agencies.

Sales were up 12% and gross profit up 12%. Varispeed and Proof Engineering were the stand out performers, with Proof taking advantage of Powermite's distribution and Varispeed gaining market share in the medium voltage space.

Powermite – industrial power cables

Principal brands: Electrical power transmission

YASKAWA	BAUER	TFKable	AMPCO	MENNEKES®	Conductix Wampfler
Variable speed drives from Japan.	Geared motors from Germany.	Cable from Poland.	Own range of electrical plugs and sockets.	Plugs and sockets from Germany.	Electrical feeder systems from Europe.
Sole distributor since 1992	Sole distributor since 1989	Distributor since 1998	Since 1974	Sole distributor since 1974	Distributor since 1970

Astore Africa – specialised thermoplastic pipes and fittings

Mechanical Power Transmission

This division includes Ambro Sales, Astore Africa, Belting Supply Services, Bosworth, Ernest Lowe, Midrand Special Steels, Powermite, Dosco (including GPM) and Joseph Grieveson.

Sales were 19% up and gross profit 24% up. Dosco and GPM were the stand out performers, with GPM taking advantage of increased export demand resulting from the declining $/Rand exchange rate and Dosco gaining local market share and increasing gross profit.

Principal brands: Mechanical power transmission

NORGREN	agru	UNIDELTA	NCR	habasit rossi	Donaldson	FILTREC
Pneumatic equipment from Europe.	Thermoplastic pipe & fittings from Austria.	Mechanical seal compression fittings from Italy.	Industrial hose from Thailand.	Transmission and conveyor belting from Switzerland.	Heavy duty filtration systems from USA.	High performance hydraulic filtration from Italy.
Sole distributor since 1959	Sole distributor since 1995	Sole distributor since 1997	Sole distributor since 2002	Distributor since 1970	Distributor since 1994	Sole distributor since 2003

Outlook for the engineering consumables segment

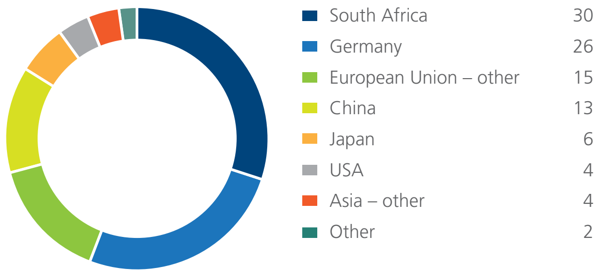
There are two macro-economic factors that affect the performance of the engineering consumables segment:

- Activity (output) in the mining and manufacturing sectors; and
- Rand strength or weakness, which impacts pricing.

Labour unrest and the lack of electricity are, each year, having a bigger and bigger negative impact on the South African economy and this segment.

The mining sector in South Africa is heavily dependent on support from the local manufacturing industry. These two market sectors are significant users of engineering consumables and represent 56% of this segment's sales. The outlook for mining in South Africa remains muted and is likely to remain so until the resumption in growth in the world economies fully takes hold and commodity prices rise in response to recovering demand. Infrastructure constraints (electricity and rail capacity mainly) look as though they will be with us for the foreseeable future.

Engineering consumables
Source of products (%)



Filter and Hose Solutions – sophisticated filtration solutions

Consumer-related products

Businesses

The main business of this segment is the distribution and supply of products to intermediates (retailers or installers) for ultimate use by consumers or in applications driven by consumer spending. Activity in light construction (houses and commercial premises) also impacts demand, particularly for security products and power tools.

This segment comprises the following main businesses and activities:

- Rutherford distributes Makita industrial power tools, Mercury marine engines, survey equipment and nuclear gauges.
- Elvey Security Technologies distributes intruder detection, access control and related CCTV equipment.
- Pentagon supplies and installs sophisticated CCTV systems, offering system design, integration into access control, intruder, fire detection systems and video over IP.
- Global Communications is a designer of integrated analogue and digital telecommunications infrastructure and a distributor of Kenwood telecommunication and radio equipment.
- Abes Technoseal distributes light and heavy duty clutches, ignition leads and oil seals.
- Deltec and Specialised Battery Systems distribute automotive, stand-by and solar battery systems.

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Refer to page 48 for a geographic analysis of the source of supply of the consumer-related products range.

Performance

In 2014 the consumer-related products segment comprised 38% (last year: 37%) of group turnover and 42% (last year: 41%) of group operating profit. Turnover grew by 17% to R1,7 billion whilst operating profit grew 8% to R215 million.

Businesses in this segment supply products, which either wear out and need to be replaced in reasonably predictable timeframes, or require upgrading as more efficient products with additional features are introduced. Usage, with the exception of the Global Communications product range, is generally more dependent on economic activity (GDP) than fixed investment (GDFI). This tends to make the earnings of this segment, as with the engineering consumables segment, less cyclical than businesses solely dependent on investment spending.

Rutherford

Rutherford enjoyed a reasonably good sales year in 2014 in markets which were impacted by declining growth in consumer spending and strikes in the mining and manufacturing sectors. Margins improved and costs were contained, resulting in a pleasing increase in profits. The new managing director of the business has settled in well.

The power tool market is divided into "industrial" – tools designed for everyday use and used mainly by manufacturing or installation businesses; and "DIY" (do it yourself) – tools designed to be used only occasionally, mainly for household use. Rutherford represents Makita Japan, which produces high quality (and hence high cost) power tools mainly for the industrial market. Over the past years high volume retailers worldwide have made inroads into the industrial segment of the market despite not offering application advice or after sales service but by using price as a drawcard. Their increasing market shares and buying power has enabled them to put pressure on industrial power tool suppliers to reduce prices. Experience shows that suppliers who yield to this pressure inevitably reduce the quality (and cost of manufacture) of their offering – which, in the long run is noted by customers and results in a degrading of the brand. Makita has resisted such price pressure and maintained quality levels but this has resulted in a declining trend in unit sales to these stores. We believe this will eventually reverse as customers realise that cheaper products do not perform as well or last as long as they are accustomed to. Further progress was made in expanding Makita's footprint into neighbouring territories with sales up 22% this year.

Sales of marine products, which are mainly a discretionary purchase, declined as consumer spending came under pressure. Sales of survey equipment were flat this year, which must be considered a good performance given that their main customer base, the mining industry, suffered from extensive strike activity.

Principal brands: Rutherford

makita	MERCURY	MERCURY MerCruiser	TOPCON SOKKIA	TROXLER
Japanese designed industrial power tools.	Outboard motors from USA.	Petrol inboards and sterndrives from USA.	Global positioning systems and survey instrumentation from Japan and USA.	Nuclear gauges used for compaction control of soil, concrete, asphalt and aggregate from USA.
Distributor since 1968 Sole distributor since 1985	Sole distributor since 1986	Sole distributor since 1986	Sole distributor since 1969	Sole distributor since 1974

Elvey Security Technologies and Pentagon

Elvey produced a fair set of results in very challenging trading conditions while it embarked on bold initiatives to invest in the future operating capacity and growth of the business. These include the relocation of its head office and distribution centre to sophisticated new premises (see page 50) and the introduction of new products and product categories, which enabled it to take advantage of its nationwide footprint to increase sales and gain market share. Once again there was evidence of both competitors and customers having to downsize operations in response to the tough market environment. There is a little more by way of new housing and commercial premises coming on-stream which supports Elvey's main business – replacement systems and upgrades. We rely on our main suppliers to keep up to date with technology and put a lot of pressure on them when we feel they are falling behind. Changing suppliers is a last resort but in a fast moving IP world we will do so if it is in our best interests.

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Pentagon, our systems design and supply business, had a solid year in spite of a fairly muted tender market. Pentagon continues to be awarded a number of new projects with its expanded offering, which includes building integration systems and intelligent video analysis. The security businesses increased turnover by 15% and operating profits by 4%. The fall in margin is due to a combination of factors, including the introduction of accessories to the product range at lower margins, moving costs, more expensive infrastructure and market pressures.

Elvey Security Technologies – providing complete peace of mind

Principal brands: Elvey Security Technologies and Pentagon

DSC	OPTEX	NetworX	CEM SYSTEMS	impro technologies	VISION LINE	BOSCH	RISCO
Canadian manufacturer of intrusion detection products and holder of distribution rights on complimentary Tyco brands.	Japanese intrusion detection devices.	USA manufacturer of intrusion control panels and equipment.	Innovative and unique range of access control products manufactured in Ireland.	South African Manufacturer of access control systems.	Range of locally and internationally sourced security accessories and CCTV products.	Specialised German-designed IP and analogue CCTV products.	Israeli producers of high quality and reliable security products e.g. intrusion alarm systems, access control and integrated security and building management platforms.
Sole distributor since 1990	Sole distributor since 1987	Sole distributor since 1987	Distributor since 2010	Distributor since 2011	Sole distributor since 1994	Distributor since 2005	Sole distributor since 2014

Principal brands: Deltec and SBS

VARTA	CSB	ROYAL	SBS SOLAR
Maintenance free lead-acid batteries from Germany.	Back-up power in UPS, telecoms, security etc.	Back-up power (UPS), engine start and solar systems.	Custom solar systems using the SBS Solar products.
Sole distributor since 2007	Sole distributor since 2000	Sole distributor since 2000	Sole distributor since 2009

Abes Technoseal, Deltec and Specialised Battery Systems (SBS)

Abes Technoseal had a good year. Assembly of heavy-duty Valeo clutches came online in the closing months of 2014, opening up a new market for the business. Valeo has given the approval for the assembly of eight commercial clutches and we will expand the range in 2015. Clutch sales increased 27%. Exports into Africa increased 9%. Deltec performed reasonably this year but is still too dependent on the automotive battery market and needs to make more progress in diversifying into underground mining applications. SBS had an excellent year, benefiting from load shedding as it has a significant presence in the standby battery market.

Deltec – lead-acid batteries for the automotive after-market

Principal brands: Abes Technoseal

simrit CORTECO	BOUGICORD	Valeo	EXEDY	PHC Valeo
Oil seals from Germany.	Ignition cables from France.	Light duty clutch kits from France.	Clutch kits from Japan.	Clutch kits from Korea.
Preferred distributor since 1950	Exclusive distributor since 2007	Exclusive distributor since 2005	Sole distributor since 2014	Exclusive distributor since 1994

Global Communications

Global Communications had an acceptable year considering there were no SANDF contracts awarded. It is expected that these contracts will come through in 2015. We are very proud of the work done in the Kruger Park in fighting rhino poaching using our communication equipment (see page 56). The specialised systems integration part of the business continues to take advantage of the migration from analogue to digital communication throughout Africa but 70% of sales are still of analogue equipment.

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Sales into Africa grew by 52%. A significant customer grouping is in the public sector, including municipalities, hospitals, police, and defence forces. This year, however, there was significant demand from private sector customers mainly in the mining industry. All these customers require sophisticated and reliable communication equipment for control and monitoring purposes.

Principal brands: Global Communications

KENWOOD	JVC
PMR equipment and radio networks.	CCTV cameras and video systems.
Sole distributor for southern Africa since 1987	Distributor since 2009

Outlook for the consumer-related products segment

The major macroeconomic factors affecting the performance of the consumer-related products segment are:

- consumer spending;
- light construction activity;
- Rand strength or weakness; and
- analogue to digital migration of communication equipment.

Because most sales are to resellers or installers, we do not know accurately the final use of our product range and therefore it is hard to say which sector drives growth in a particular year. For example when we sell intruder detection equipment to installers we do not know whether it is for residential or commercial use, for new developments or for upgrades to existing systems. We therefore look at general trends, such as consumer spending and GDP growth, to indicate the outlook for this segment.

Trading conditions in this segment are expected to continue being muted in 2015. The rapid growth in consumer spending in South Africa over the past decade has been mainly fuelled by growth in public sector employment; above inflation wage increases across the economy; and the expansion of the social grant programme.

Although this growth has largely come to an end (above inflation increases excepted) general consumer spending will remain high, supporting new car sales and housing construction, markets important to Hudaco.

The significant decline in the Rand exchange rate against the US Dollar in 2014 will have limited effect on pricing in 2015 as most products in this segment are sourced in other currencies.

Consumer-related products
Source of products (%)

	(%)
China	26
Japan	11
Asia – other	10
USA	9
South Africa	9
Korea	9
Germany	9
European Union	6
Canada	6
Other	5

Abes Technoseal – clutches, seals and ignition leads for the automotive after-market

Neighbouring country outlook

Growth rates in some African countries are exciting in percentage terms, but we need to be mindful that this is often because the base is small. We are working on building cohesion between our engineering consumables businesses in tackling African markets with a comprehensive product offering. The security and communication equipment businesses have been very successful in securing significant contracts in Africa.

Activity in neighbouring countries, particularly Mozambique, Zambia and southern Congo, is still strong, benefiting from the momentum of the resumption of investment, particularly in mining. However, lower commodity prices and rumblings from governments about new, more stringent, indigenisation requirements for new investment constrict investment. In the case of Zambia, the government has threatened increased mining taxes, which surely will frighten off investors. Zimbabwe has resources and so much potential but a Government and indigenisation laws that restrict investment. Our businesses are however extremely well positioned to benefit from any improvement in neighbouring countries.

Notwithstanding these uncertainties, significantly lower costs of doing business in neighbouring countries and less stringent and less militant labour will support investment for some time to come. In 2012 we set ourselves an objective to grow sales into Africa from R256 million to R650 million by 2015. In 2014 it had grown to R503 million, up 39% on the year before.

Global Communications – reaching you wherever you are

Black economic empowerment

During 2014, all businesses were again audited by independent verification bodies and most of our businesses achieved a level 4 status with some doing better against the dti codes. Bearings International achieved level 2, meaning that its customers are able to claim 156% of their spend with us for the purpose of their own scorecards. Elvey Security Technologies, Pentagon and Dosco achieved level 3, meaning that their customers are able to claim 138% of their spend with us for the purpose of their own scorecards. Level 4 businesses with value added supplier status contribute 125% of the spend value towards their customers' rating.

While it is difficult to quantify, we are of the opinion that our enhanced BEE standing has resulted in the following benefits:

- business won;
- customers retained; and
- attracting potential acquisitions – the acquisitions we have made in the last three years were previously 100% owned by white shareholders. Our BEE status has become critical to our acquisitive success.

See pages 58 and 59 for further details of our transformation programme.

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The Department of Trade and Industry published revised codes for B-BBEE in October 2013. Companies are required to comply with the new codes by 30 April 2015. Our BEE ratings may drop initially, but if they do, we expect those of our competitors will do the same. We have developed a strategy to address the new requirements and ensure that we maximise our scores.

HUDACO BUSINESS UNITS B-BBEE SCORES

Business	B-BBEE Level	Value adding supplier	BEE procurement recognition
Bearings International	2	Yes	156%
Elvey Security Technologies, Pentagon and Dosco	3	Yes	138%
Abes Technoseal, Ambro Sales, Astore Africa, Belting Supply Services, Bosworth, Deutz Dieselpower, Ernest Lowe, Filter and Hose Solutions, Global Communications, Varispeed, Midrand Special Steels, Rutherford and Powermite	4	Yes	125%
Deltec, Joseph Grieveson, Three-D Agencies, Proof Engineering and Specialised Battery Systems	4	No	100%

Elvey Security Technologies – Walking the Talk

Elvey Security Technologies recently moved to its new state-of-the-art facilities in Greenstone Park, Edenvale, after spending almost 40 years in Benrose. Not only is the move a strategic business decision, but it allows Elvey to better showcase the brands it sells to its customer base.

"We have pulled out all the stops on the installation of a fully integrated holistic building management system, which is precedent setting in terms of the combination of technologies used," says sales director Ingo Mutinelli. Matt Short from Pentagon adds, "Our aim was to develop an integrated system in the building that allows us to manage all security sub-systems from a single user interface. The system uses customisable action plans that allow the operator to respond to events in a coordinated and efficient manner."

This building management solution comprises internationally recognised brands including the world's first fully digital public address and emergency sound system – Bosch Plena Matrix and the well-known Bosch Praesideo; Impro Portal Enterprise access control system; the Bosch BVMS Enterprise system with Bosch HD IP CCTV cameras, all integrated onto BIS (Bosch Integrated System).

BIS is extremely modular, allowing customers to select specific elements for integration. For example, a company could upgrade their CCTV system and as budget allows, they can add in other elements like access control, intrusion detection and fire detection.

There are 85 Bosch HD surveillance cameras situated throughout the facilities to ensure that all company assets and employees are in a secure monitored environment. Not only does the network of IP cameras monitor any possible threats, but it will also be useful in maintaining a working environment that harbours maximised health and safety practices.

The Bosch Video Management System is an enterprise IP video security solution that provides seamless management of digital video, audio and data across any IP network. Short explains that Bosch video analytics (IVA) will be used on selected cameras in areas such as the warehouse and offices.

The Impro Portal Enterprise access control system has also been deployed throughout the facilities on 120 door openings, using a combination of proximity readers, time & attendance readers and biometric fingerprint readers. The latter are installed at what the company considers the more sensitive areas, where the protection of intellectual property is of concern, such as the accounts and IT departments.

A further backup to the security system comes in the form of the wireless Visonic visual verification intrusion system. The Visonic wireless range covers the entire site. Instant pictures are generated by the integrated camera PIRs verifying alarm conditions so that Elvey can ascertain the alarm's source and authenticity.

Known as Elvey Techno Park, these new facilities truly encapsulate the ideal of full integration. In addition to seamlessly tying the access control, surveillance and fire detection systems together, the electric fencing and intrusion detection also form part of the holistic building management solution.

Strategically positioned cameras are trained on sensitive areas on the perimeter and should an alarm on the fence be activated, the camera's position will swivel to the correct position. Video verification completes the picture and allows the control room operators to ascertain the nature and size of a potential threat.

Mutinelli explains that the company took a decision when considering the relocation to equip the facilities in such a way that high level security was top of mind. "By equipping our own facilities with cutting edge technology, we are literally walking the talk with our customers. This investment adds impetus to the solution recommendations we make to customers and adds integrity to our product capability claims."

Short believes that the project is the only one of its kind within South Africa. Elvey's facilities are a perfect example of what can be achieved by using the right products, combined with the project specification capabilities of Pentagon.

Environmental impact

Our businesses are generally not involved in manufacturing, but operate warehouses and branch networks with low direct environmental and social impacts. We are, however, aware that our choice and location of suppliers have important consequences on our collective environmental impact.

Opportunities to minimise our environmental and social impacts are therefore primarily by consideration of the environmental and social performance of our suppliers, through:

- The origin of raw material inputs and the recycled content of products;
- Pollution abatement in manufacturing processes;
- Environmental performance of product (such as in the case of our diesel engines);
- The energy intensity of manufacturing and transportation methods;
- Fair labour practices; and
- Social contributions.

We do not screen new businesses for their environmental and social performance, nor do we formally assess suppliers. However, all of our businesses are required to be certified against environmental, health and safety, quality and social management systems for internal risk management – respectively, the ISO 14 001, OHSAS 18 001, ISO 9 001 and ISO 26 000 standards. Where we acquire businesses without these ISO certifications, we put in place a programme to ensure they obtain the certifications within an appropriate timeframe.

As importers, we understand that our products generally travel long distances before they eventually reach our customers. This is a consequence of our business model and our geographic location at the southern tip of Africa. We aim to achieve economies of scale by scheduling orders efficiently and streamlining our logistics operations, thus minimising our carbon footprint.

Owing to our comparatively low purchases from global suppliers as a proportion of their total sales, our ability to influence their manufacturing methods is small. For example, our total annual Makita power tools purchases are about two days' production from Makita's factories globally.

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Most of our brands are manufactured according to the stringent environmental standards of Japan and Europe, which generally exceed the requirements of the countries where their products are used (e.g. the relatively poor South African emissions standards on diesel engines). Examples of the environmental management efforts of some of our major suppliers are set out on pages 52 and 53.

Environmental and social performance of suppliers is being driven by the largest markets which they supply (such as the EU and the US). As these markets tend to be progressive leaders in the environmental and social landscape, they will have much more influence on the production standards of our suppliers than we could ever have.

In those few instances where we source unbranded products directly from manufacturers, we visit the factories concerned and assess informally whether there are any evident reasons, such as inappropriate labour practices or pollution, why we should not buy from that supplier.

Similarly, there is limited opportunity for us to develop post-consumer collection, recycling or recovery of our used products. Generally, our products are either serviceable (as in the case of diesel engines or power tools) or are disposed of post-use by our customers (as in the case of filters and hoses). Certain of our products contain hazardous components such as circuit boards, but the volumes are too small to formalise collection, recycling or disposal systems. Metal components from power tools are sent for recycling, and contaminated water from diesel engine workshops is treated prior to disposal.

During 2014 divisional social and ethics committees were established at all of our businesses with, *inter alia*, the view to developing environmental initiatives. In most instances it led to the businesses becoming more environmentally aware. Electricity saving, waste management and recycling have been implemented by some of the businesses. As an example, Proof Engineering is in the process of installing a new extraction unit at their foundry which would decrease harmful emissions by about 95%. Proof Engineering is also, where possible, converting sand casting to gravity die casting, minimising sand waste and gas usage.

As was done in 2013, in support of protecting our environment through the saving of paper and decreasing our carbon footprint, a summarised report was printed and sent to our shareholders.

In line with our approach to integrated reporting and increased transparency of disclosure, we recognise that it would be appropriate for us to collect more information about the environmental and social impacts of both our suppliers' and our businesses' activities. We also, however, need to be practical, recognising that our ability to influence change will be small. For the near future therefore, our efforts regarding supply chain sustainability will be limited to information gathering alone, followed by a determination as to where and how interventions may be possible and productive.

REVIEW OF OPERATIONS (continued)

Environment-friendly design concepts – Makita Corporation

"Makita's concept for environment-friendly products began with an assessment of the recyclability of the product range in 1992, and environment-friendly design began in earnest with the launch of Makita's global environment charter in 1993. Today they improve the energy efficiency of products, reduce weight and extend product life, and use environment-friendly materials to develop, manufacture and sell products that are recyclable or safe for disposal.

Makita will endeavour to fully understand environmental impacts we may cause and periodically review the environmental objectives and goals within the technically and economically possible range.

Makita will comply with applicable laws, regulations and standards concerning the environment. Moreover, Makita will take preventive action against environmental pollution, based on their environmental principles.

Notable among the new products launched in 2014 by Makita is a series of cordless gardening equipment powered by two 18V batteries, which combine to provide the motor with 36V of power, the highest of any Makita's cordless tools. This series delivers power comparable to engine-powered equipment, but with no exhaust, low noise, and low vibration."

For more on Makita's commitment to the environment see www.makita.biz/environment

Rutherford – distribution of environmentally friendly Makita power tools

Elvey Security Technologies – suppliers adhere to global environmental standards

DSC – offering environmentally responsible products

DSC is committed to ensuring their products adhere to all global environmental standards and legislation. In the absence of a set of universal standards, they work with the governing bodies and across the globe to ensure their operations meet or exceed the requirements for each market. DSC took a leading role in achieving RoHS (Restriction of Hazardous Substances) compliance by eliminating identified environmentally unfriendly compounds from the manufacturing process.

DCS' product offering to Europe and Korea is 100% RoHS compliant and their commitment to offering environmentally responsible products also extends to their customers in other parts of the world. To this end, they have succeeded in converting 90% of their remaining portfolio.

Source: DSC website (Environmental Responsibility)

Mercury Marine – fuel and emissions efficiency

Mercury Marine is committed to creating a line of products that enhance their environmental position and make boating more enjoyable. They continue to develop products that reduce emissions, improve fuel efficiency, are made from higher content recycled materials and have a greater ability of being recycled.

Sustainability progress during past two years include

- Reduction of global energy consumption by 10% even as production activity increased;
- Global water consumption was reduced by 7,9%;
- Introduction of a new paint system reducing VOC (Volatile Organic Compound) emissions and hazardous waste generation by 50%;
- Introduction of a fully integrated exhaust catalyst technology for inboard and sterndrive gasoline engines that meets or exceeds current EPA emission standards; and
- 100% of the aluminium in the newly created engines is recyclable.

Goals for 2015

- Reduce outboard emissions by more than 70%;
  - transition from two-stroke to four-stroke technology;
  - offer 3-Star emissions on a broader range of engines;
  - promote more-sustainable products;
- Reduce sterndrive emissions by 60%;
  - complete line of catalyzed engines; and
- Launch 25 products, each of which will increase fuel efficiency by at least 5%.

Results

- The emission certification level of the Mercury 150 FourStroke is 25% below that of Verado150hp;
- The development of The Fuel Demand Valve, which prevents fuel from being forced into the engine through the fuel line due to pressure in the tank, and provides fuel to the engine only when the engine demands it. The valve prevents engine flooding, fuel leaks and spillage. Mercury previously won the West Marine Green Product of the Year award for this efficient ECO-Screen gauge;
- The introduction of fuel injection and catalyst technology reduced hydrocarbons (HC) and nitrogen oxide emissions (NOx) by approximately 80% and carbon monoxide (CO) emissions by 50% in Mercury sterndrive and inboard motors;
- Mercury outboard-engine technology has produced a dramatic reduction in exhaust emissions (combined HC + NOx) in all product categories;
- Mercury implemented the use of RPET (Recycled Polyethylene Terephthalate) in clamshell packaging. RPET uses recycled plastic while allowing the packaging to be fully curbside recycled; and
- Eco mode, previously an optional feature now comes standard with VesselView and VesselView 7 displays, which utilise advanced customer learning algorithms for optimised speed and trim set points to reduce fuel consumption.

Source: Mercury website – Mercury 2013 Sustainability Report

Rutherford Marine – supplies reduced emissions Mercury engines

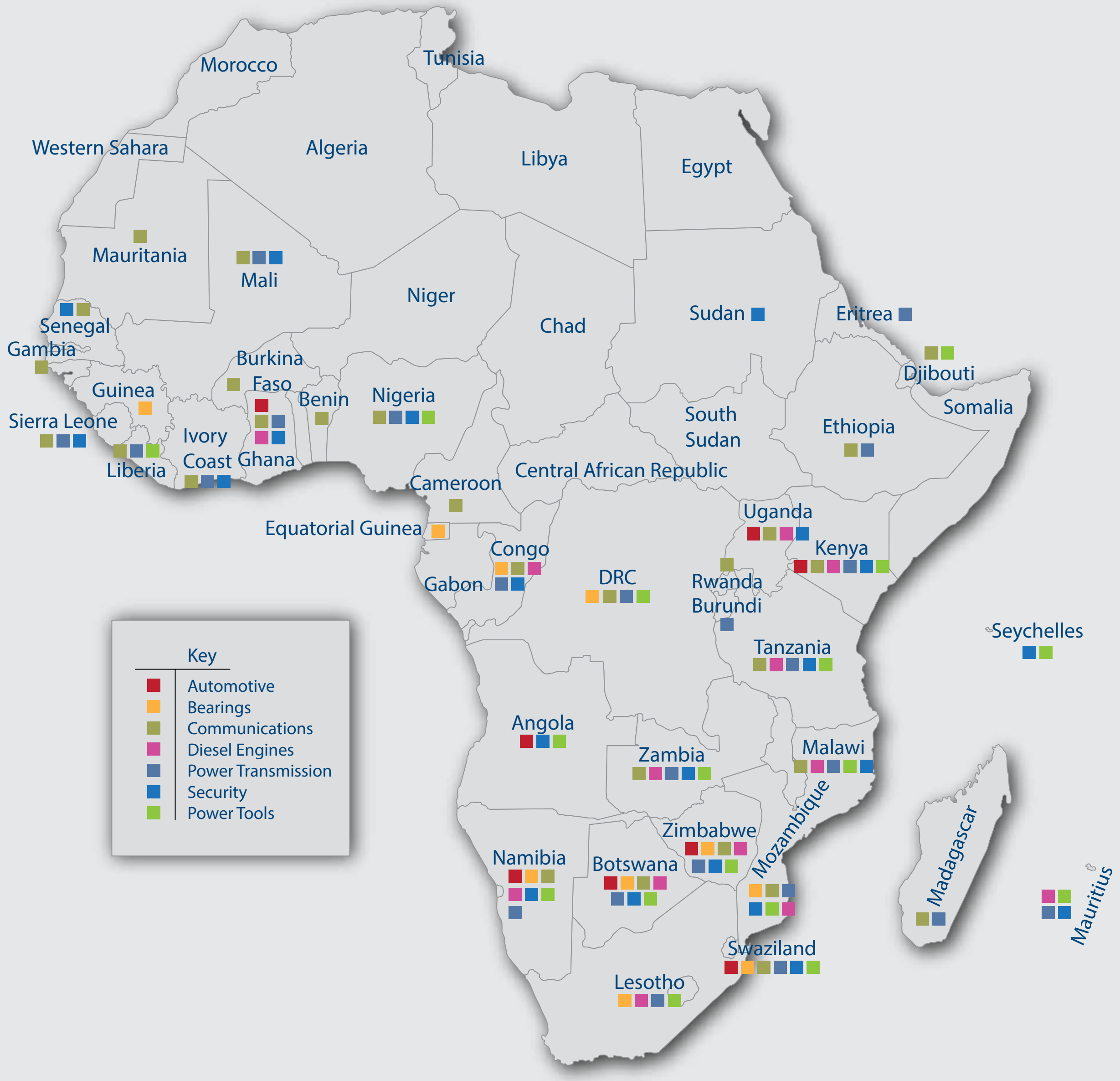
REVIEW OF OPERATIONS (continued)

Location of businesses

	Number of employees 2014	Number of employees 2013		Number of employees 2014	Number of employees 2013
Gauteng	1 849	1 858	Limpopo	54	68
Western Cape	347	239	Eastern Cape	50	54
KwaZulu-Natal	301	229	Namibia	19	17
North West	74	84	Northern Cape	5	
Mpumalanga	69	74	Zambia	3	
Free State	64	65			

We also operate franchises in Mozambique and Zimbabwe.

Business with Africa – 2014



South Africa as the portal to Africa

One of Hudaco's key strategies is to increase its footprint in Africa. Notwithstanding that we are already selling into much of the continent, the growing potential in this region requires a more dedicated and focused approach to best promote our substantial market offering. We think we can make better use of existing distribution channels and networks to create synergies within our group to better penetrate these markets.

The following steps have been taken to achieve this strategy:

- A senior manager is focusing on developing business in Africa.
- We are initially targeting countries that are growing fast and have a relatively settled regulatory environment.
- The initial target zone is predominantly sub-equatorial countries strong in mining.
- While our preference is to appoint and support high quality distributors, we will set up Hudaco branches in partnership with local entities (or even on our own) in the identified locations.
- To ensure customer satisfaction and loyalty, the branches carry sufficient stock and offer comprehensive technical support.

The map above reflects the African countries into which we already sell directly or in which our local customers use the products bought from us.

Global Communications – state of the art Digital Trunked Radio system assists in on-going battle against rhino poaching

Global Communications has strengthened its relationship with the SANDF by rolling out a state of the art Digital Trunked Radio system for Op Corona in the Kruger National Park, south of the Olifants River. This radio system has as its aim the need to provide mission critical communications for the troops deployed on border security in the Kruger National Park. Additional to the task of Op Corona is the ability to provide assistance in the on-going battle against rhino poaching. Operation Rhino has had many successes and an important factor has been the radio communications system that allows for the effective co-operation between the Game Rangers, SANDF, SAPS and other parties engaged in anti-rhino poaching activities. It enables the troops on the ground and in various aircraft to co-ordinate their response to incidents of poaching. Having a single network allows for dramatically reduced response times, which is critical because poachers need only seven minutes from the first shot to de-horn the rhino and disappear with their bounty.

Although this network is the first one of its kind, Global Communications has previously been involved in the roll-out of a conventional repeater network for Op Corona. All in all 11 areas have been covered, with great success in the roll-out and the results that are being attained. It is hoped that, with the success achieved in the Kruger National Park, more Digital Trunked Radio systems will be installed in the future and that the strong co-operation that exists between Global Communications and the SANDF will continue to grow.

EMPLOYEE REPORT

Our employees are critical to the achievement of our strategic objectives. Many of the business-critical skills that we require are in short supply and we recognise the importance of attracting, developing, rewarding and retaining the best people to deliver on our business goals.

Our key focus areas include attracting and developing core skills, implementing sustainable leadership development and succession plan strategies, achieving transformation and maintaining our B-BBEE rating. However, we also continue to manage other areas important to human capital success, including employee engagement, health and safety, organised labour relations, performance management and salary benchmarking.

Workforce profile

	2014	2013
Total workforce	2 888	2 742
Less: Non-permanent employees	53	54
Total permanent workforce	2 835	2 688
Racial and gender profile		
White males	713	717
White females	353	349
Black, Indian and Coloured males	1 398	1 258
Black, Indian and Coloured females	371	364
Occupational level profile		
Top and senior management	91	80
Middle management	357	339
Junior management	923	888
Non-management	1 464	1 381
Management profile by gender		
Females	300	279
Males	1 071	1 028
Management profile by race		
White	841	847
Black, Indian and Coloured	530	460
Non-management profile by gender		
Females	424	434
Males	1 040	947
Non-management profile by race		
White	225	219
Black, Indian and Coloured	1 239	1 162
Disability profile by gender		
Female	7	7
Male	8	6
Disability profile by race		
White	8	8
Black, Indian and Coloured	7	5

Decentralised management

Hudaco has developed a decentralised management style that has proven successful over many years.

Placing decision-making responsibility into the hands of people at all levels of the organisation offers the following benefits to independently minded employees:

- Delegating authority and responsibility empowers employees and allows them to respond quickly to customers' requirements and changing circumstances; and
- It instils self-discipline and encourages leadership, initiative and innovation.

To those of our employees, both current and future, who choose to invest in their careers, work hard and see their future within the Hudaco group, we will continue to provide them with our full support.

It is an important function of group management to put in place remuneration structures to ensure decentralised management personnel keep a strong focus on the contribution they need to make to enable the group to meet group strategic objectives.

Talent management

Although members of senior management are remunerated primarily according to financial performance, they are also responsible for people management. Annual performance reviews include a rating of their achievements in the following:

- Ability to appreciate and articulate the broad picture of the business relative to the sector within which they operate, as well as within Hudaco;
- Achievement of budgets, plans and agreed personal objectives;
- Ability to attract and retain star employees; and
- Communication ability, both oral and written.

One of the consequences of investing in skills development in South Africa, especially in black professionals, is that as these employees develop and gain experience and skills, they become a prime target for head-hunting by larger organisations who can offer more attractive packages. The alternative, ie not investing in staff development, would, however, be a far more serious threat to the continuity and sustainability of our business model.

EMPLOYEE REPORT (continued)

As far as possible, we try to maximise retention of key talent by providing incentives in the form of performance bonuses, developing long-term career path opportunities for our staff within the broader group and consultation with a view to identifying staff with potential for growth.

We have improved communication to our staff of the opportunities for lateral movement between our businesses, and internal promotions within the group. We feel that the group is diverse enough to be able to accommodate individual career aspirations without losing talent to competitors.

Transformation

We acknowledge that a key area of opportunity to improve our BEE rating is in management. Although we have made meaningful progress, too many of our senior management are white males. The need for developing future black, female and disabled management talent is receiving significant priority.

As an important step in driving transformation in the group, Jonny Masinga, group transformation and human resources executive, who has more than 13 years' experience in human resources management, organisational development and transformation, has as one of his key tasks in Hudaco is to accelerate the appointment of black senior managers.

Our strategy with regard to transformation is largely unchanged:

- Black representation in management is a core focus for all management appointments. All senior appointments in the group – the designated top 80 or so people – are monitored at Exco and board level to ensure that every endeavour is made to find qualified black candidates to fill vacant positions, while ensuring that the consequences of this policy do not result in a diminution of the high standards to which we aspire.
- BEE has been incorporated into succession planning. The retirement process offers an opportunity to identify the date when positions will become vacant and gives time to develop black candidates at middle-management level and below, for these senior management posts.
- Hudaco is also concentrating on a better gender balance across its workforce. Recruitment and development processes throughout the organisation focus on female as well as black recruits to ensure a balanced "pipeline of talent".

Skills development and training

Successfully taking advantage of opportunities for growth, both acquisitive and organic, depends on the quality of our people. Given the shortage of technical and engineering skills in general in South Africa and in particular amongst the black population, we put special focus and resources on building these skills. We have identified the building of the following skill sets within Hudaco as being our key focus areas:

- The senior management team: We have identified members of the senior management team whom we believe have the qualities required for growth to executive level in due course. These people have been given expanded responsibilities and are being nurtured with a view to their being able to step into the breach as more senior managers reach retirement age. Most members of the senior management team have attended a Wits Business School Advanced Management Development Programme. During 2014, two black woman at the next levels identified as having potential to grow into higher management positions graduated from programmes presented by Wits Business School, a Management Advance Programme.
- Technical expertise: Critical relationships in the field are with the technical and maintenance teams of our customers. They place the orders for the engineering consumables upon which the bulk of our turnover depends. We need a constant supply of new sales staff with the right technical skills to be able to adapt to and service our customers' changing needs. The demise of the apprenticeship system in local industry as a pipeline of skills into this area is regrettable. Although we are essentially a group of distribution businesses we run in-house apprenticeships where we can and technical traineeships where we can't.

Under the auspices of the group transformation and human resources executive and with the assistance of the Wits Business School which is internationally recognised, the group conducted a future leaders development programme (FLDP). The aim of this programme is to provide a steady flow of leadership talent for the group, with particular emphasis on developing black leadership. We are already having successes in bringing potential black leaders through the ranks and preparing them for future middle and senior management positions. The 2014 FLDP programme had 26 participants, of whom 20 were black.

Customer interaction occurs primarily through our technical sales team. As they are the face of the business and the drivers of organic growth in revenue, we invest heavily in their training. New appointees are sent for training prior to being placed in the field. The board also supports training and skills development initiatives through bursary programmes, management training schemes (as described above), experiential trainee programmes, mentorships, apprenticeships, educational assistance and learnerships. Extensive in-house and external training is given in a wide range of practical and theoretical subjects to better equip employees with the skills required for senior positions. The apprenticeship programme content includes financial administration, human resources administration, inventory management and warehousing courses, as well as technical product training. 90 (2013: 51) staff members successfully completed their courses in 2014.

Powermite, GPM, Joseph Grieveson, Ernest Lowe, Bosworth, Deltec, Astore, Keymak, Rutherford, Deutz Dieselpower and Bauer run a SETA accredited apprenticeship programme in terms of which trainees are being trained in various trades. In 2014, 24 (2013: 11) technical and semi-skilled employees participated in the programme.

Additionally, Hudaco provides financial assistance to the University of Johannesburg with the objective of maintaining the international standard of qualifications awarded by its mechanical engineering department. In terms of a subvention agreement, the salary of a senior lecturer is supplemented by Hudaco. Students of the university are offered practical training at businesses in the group, and some subsequently find full-time employment in the group. Hudaco also provides financial support to the Thuthuka Bursary Fund, which develops and trains black chartered accountants.

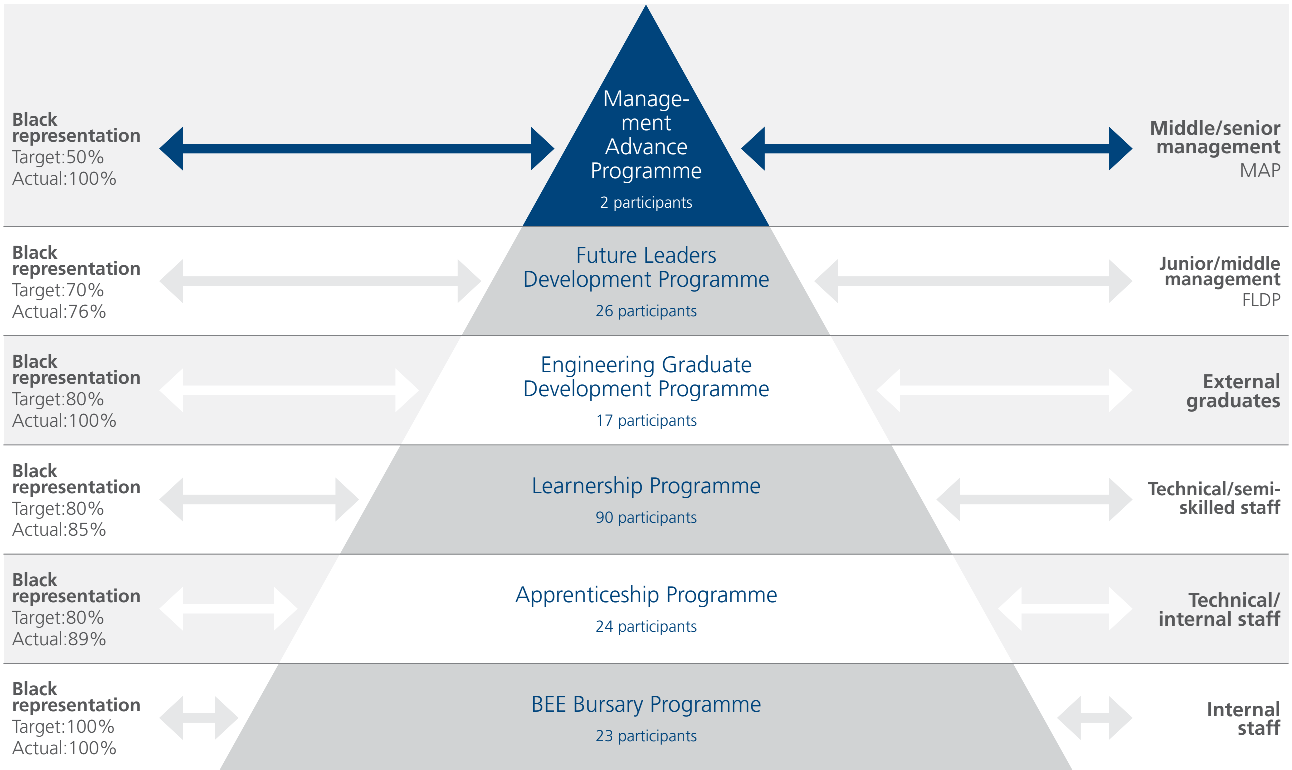
During the year under review, group expenditure on employee training amounted to approximately R7,3 million (2013: R7,0 million).

We also invest in developing product knowledge in our customers or the installers of the products that we distribute, which results in deep brand loyalty. As a policy, we don't charge for this training of the installers or our agents – we believe that as we are in the business of distributing high-quality brands, the more the clients understand the value of the product, the more loyal they will be.

In 2012 Hudaco introduced an engineering graduate development programme with the aim of addressing skills shortages in the technical side of our business. Currently 100% of the participants are black. This programme grew from eight participants in 2012 to 17 in 2014 (2013: 12 participants). Every effort is made to absorb the graduates in our employ as they qualify. Our target is to have at least 20 participants in this programme on an annual basis. We are delighted that thus far 13 of our programme participants have qualified as engineers through the University of Johannesburg.

Below is a graphic depicting the overall training initiatives implemented by Hudaco during 2014 as well as the targets set. Employment equity and skills development committees exist at the group's various businesses to drive the various skills development programmes.

Growing our own talent 2014



Succession planning

A formal performance management and succession policy is in place. We employed three black female managers and are planning to recruit a fourth one in 2015 to take advantage of the opportunities that may arise due to retirement of senior executives. We continued to focus on communicating our succession plans with senior management during the year and ensuring that our training and development efforts and employment equity plans are in alignment.

Corporate ethics and governance

It is a fact that the cost of compliance in corporate South Africa is increasing every year. The introduction of new legislation, new reporting standards, listings requirements, BEE, environmental, social and governance issues etc. are all potential distractions from the core business of running profitable businesses.

While compliance with all these requirements is compulsory, it is common for the seller of a business to be discouraged by too much corporate governance red tape. As former owners of private businesses themselves, many members of the executive of Hudaco are sensitive to these concerns. We therefore try to ensure that only the essentials are dealt with at business unit level, and that, as far as possible, compliance is head office driven.

The Hudaco Code of Ethics is in line with King III (refer to the summary below). The code applies to all employers and employees in the group. It is communicated as part of every new employee's induction, is included in all training programmes, and guides us in the determination of our corporate values. These values include: fairness, respect and dignity, tolerance of alternative views, protection from victimisation, encourage healthy relationships, mutual support and loyalty. Employees are not inhibited in any way with regard to collective bargaining or union membership but levels of unionisation in our businesses are low. During the year, no incidents of discrimination were reported.

To facilitate enforcement of our Code of Ethics, Hudaco has established a fraud and ethics hotline, which is managed by an external service provider. This hotline enables employees to communicate sensitive information securely, confidentially

EMPLOYEE REPORT (continued)

and anonymously if they suspect that a criminal act or any contravention of the code has been committed by another employee. Some of our suppliers run compliance programmes which are extended to us – for example, Deutz AG's global policies on anti-corruption, money laundering, emissions, labour safety and compliance with Germany's federal office of economics and export control legislation.

Potential exposure to bribery and corruption is mitigated through internal controls within our businesses, by taking strong action against transgressors, closely scrutinising sales reports, conducting regular stock counts, using undercover security personnel, reviews by group internal audit and encouraging honesty and professionalism in the day-to-day activities of the businesses. After making regular enquiries, the board is not aware of any significant non-compliance with legislation, including anti-competitive behaviour, during the year.

Organised labour and employee rights

524 employees are covered by collective bargaining agreements and belong to either the National Union of Metalworkers of South Africa (NUMSA) or the Transport and Allied Workers Union (TAWU).

In addition to union representation, employee rights are protected through full compliance of all the businesses with relevant labour and employment related legislation.

Copies of the Basic Conditions of Employment Act, Skills Development Act and the Employment Equity Act are displayed in all workplaces. Formal grievance procedures are in place through which employees can raise issues. There were no grievances relating to human rights during the year. There were 76 (2013: 69) dismissals for misconduct.

While certain countries from which Hudaco sources products have been identified as posing a potential risk to human rights, none of our businesses has specifically been identified as posing a risk for incidents of forced or compulsory labour, child labour or for undermining the right to exercise freedom of association and collective bargaining.

Remuneration

An important aspect of our management philosophy is to establish in our remuneration structures a clear link between performance of the group (delivering value to shareholders) and the performance of the underlying businesses (delivering value to customers). To achieve this, executive remuneration at the group level, as well as senior management within each business, is structured on three levels:

- Guaranteed pay and benefits: This level of remuneration applies to all employees within the group. In addition, employees are required to join a group negotiated medical aid scheme (unless they are below a certain earnings threshold) and a pension or provident fund if they are not on an industry fund.
- Formula-based short-term incentives: This level of remuneration applies to the top 80 or so senior managers in the group. For those employed in business units, this is comprised roughly equally of two annually measured performance criteria: RONA, and growth in profits in the businesses under their control. The group chief executive and financial director are remunerated on primarily ROE and growth in comparable headline earnings per share. A portion of their short term incentives is based on the achievement of non-financial key objectives.

Corporate Code of Ethics

All Hudaco group companies and their employees are to strive conscientiously to act with honesty and integrity in accordance with a high level of moral and ethical standards in their business and inter-personal dealings.

All employees in the Hudaco group companies will be assumed to commit themselves to know, understand and support these values. Some specific values are listed below:

- Compliance with laws, rules and regulations
- Fairness, respect and dignity
- Tolerance of alternative views
- Mutual trust, honesty and respect for colleagues
- Support and loyalty
- Superior performance
- Providing a safe and healthy working environment for all employees
- Management of performance and recognition
- Customer satisfaction
- Proper communication and transparency
- Confidentiality
- Non-corruption
- Avoiding any conflicts of interest

- Long-term share based arrangements
  - Share appreciation rights scheme: This level of remuneration applies only to the top 170 managers in the group. It comprises a reward for share price appreciation realised through share appreciation rights that vest between three to five years after award. It is designed to ensure that management takes a medium to long-term view when acting on matters which may affect business performance and share price.
  - Share matching scheme: In order to align better the interests of the executives with those of shareholders and to ensure that the executives have capital at risk in Hudaco, a share matching arrangement was introduced for executive directors and eleven senior managers who are three years or more from retirement. Executives are required to invest in Hudaco shares a minimum of 12,5% and up to a maximum of 50% of their after-tax short-term incentive based remuneration. These shares are to be acquired on the open market. Provided the executive holds these shares and remains in the employ of Hudaco for three years, the company will match the value of the shares by acquiring an equal number of shares on the open market for the benefit of the executive.

29 Further information on executive remuneration is set out in the report of the remuneration committee, commencing on page 29.

Retirement funds

The group's defined contribution pension and provident fund schemes for all employees who do not belong to an industry fund (ie unionised staff) were transferred from the separate Hudaco funds to the Evergreen umbrella funds administered by Old Mutual during the first half of 2013. This move resulted in administrative costs being lower, leaving more funds to be invested for retirement and greater expertise is now brought to bear on corporate governance aspects. No risk benefits or flexibility were sacrificed on account of the transfer.

Health and safety

Health and safety is important in that we need to protect those assets, ie our people, in whom we have invested so heavily and upon whom we depend for our success. More importantly, it is an integral part of responsible employment practice.

Our sales and managerial teams spend many hours each day on the road and in factories, mines, workshops etc. and hence place themselves in situations where their health and, most importantly, their safety, requires constant attention. In accordance with the OHS Act, each Hudaco business has a health and safety committee, which meets once a month to discuss OHS issues. These committees comprise health and safety representatives, people trained in first aid and fire team members. Comprehensive safety training is conducted alongside measures such as fire drills and evacuation procedures, buddy support systems, driver training, regular servicing and inspection of machinery, hazard reduction and safety awareness signage.

Hudaco Group has a life-threatening diseases policy, as well as a separate HIV/Aids policy, the purpose of which is to:

- ensure a working environment where employees living with HIV/Aids are protected from unfair discrimination and stigmatisation and are treated with dignity, compassion and respect;
- ensure stability and productivity in the workplace;
- encourage disclosure by HIV/Aids employees without fear of victimisation or prejudice; and
- empower employees to prevent the spread of HIV and Aids through training and education.

Our health and safety record for 2014 shows no fatalities, 59 disabling injuries (2013: 42) and a disabling injury frequency rate (DIFR) per 200 000 hours worked of 1,97 (2013: 1,47). The injury rate remains low compared to industry averages.

SHEQ systems

All business units are required to be certified against the applicable standards for environmental, health and safety, quality and social risk management, ie ISO 14001, OHSAS 18001, ISO 9001 and ISO 26000. Most of our businesses have already achieved certification against at least three of the standards. ISO 26000 (a social responsibility standard) is relatively new to the business arena, and will be rolled out in due course. No incidences of non-compliance, prosecution or fines relating to environmental performance or health and safety were reported during 2014.

Wellness

Hudaco acknowledges the importance of belonging to an accredited, stable and sustainable medical aid scheme and therefore provides all permanent employees with a medical aid subsidy to assist members financially.

As a condition of employment, all permanent employees earning more than R9 500 per month are required to join the preferred medical aid scheme of the company unless proof can be supplied of membership of another scheme as a dependent. Employees earning less than R9 500 per month can also join the medical scheme and similarly qualify for the subsidy. The current preferred medical aid scheme is Discovery Health.

Hudaco's subsidy policy is to fund 50% of the total medial scheme contribution up to a maximum of the Classic Priority option, while the member is responsible for the balance of the total premium including optional Vitality membership. Members can select a higher ranking option, but pay the full upgrade cost. All in-service employees who belong to the preferred scheme, their spouse and child dependants up to age 21 qualify to receive the subsidy from Hudaco. By definition, members whose remuneration is based on total cost to company (senior management) do not benefit from this subsidy.

In addition to the medical aid subsidy, Hudaco also provides a 50% subsidy for all medical scheme members who belong to Xelus Gap Insurance. This insurance covers members who experience shortfalls on their hospital claims as a result of co-payments or tariff differences charged by medical professionals.

There were, on average, 994 employees on the medical scheme during the year to November 2014. Contributions totalled R41 million, of which R15 million was covered by the Hudaco subsidy, which was limited to 50% of Classic Priority. Gap insurance cost a further R1,2 million, of which Hudaco paid half.

With the support of Alexander Forbes Health and Discovery Health Medical Scheme, we ran Employee Wellness programmes at our locations in Gauteng, Durban and Cape Town. Employees, irrespective of whether they were covered by medical aid or not, were offered, at no cost to themselves:

EMPLOYEE REPORT (continued)

- Health risk assessment: height, weight, blood pressure, cholesterol, glucose and BMI
- HIV voluntary counselling and testing
- Questionnaire on lifestyle habits
- Immediate feedback of the results including information on risk factors, healthy eating and exercise habits.

All businesses that participate in the wellness programme receive a report indicating certain risk factors within the organisation. In total, 738 (2013: 736) Hudaco employees of whom 469 (2013: 525) are not on medical aid, took advantage of the opportunity and had a health risk assessment, while 418 (2013: 363) employees checked their HIV status. Twenty five (2013: 11) employees tested positive for HIV. (Although the percentage of members who tested positive increased from 3% to 6%, the sample size of members who checked their HIV status increased from 2013. In 2012 there were 30 who tested positive.) They received counselling and were referred to the most appropriate channel to seek medical treatment. The major risk factor identified consistently across the group was Body Mass Index (BMI). In total, 57% of Hudaco employees tested were overweight, indicating an increase of 5% compared to 2013. Without intervention, this could lead to the development of high blood pressure, high cholesterol and diabetes. Even though elevated blood pressure was identified as another risk factor (prevalent within 20% of employees tested), this had decreased by 14% compared to 2013. This may indicate that employees are receiving treatment after being identified at wellness days and that they are controlling their blood pressure levels with appropriate medication.

The wellness days provided the opportunity for employees who are not on medical aid, and who would otherwise not take the time to be tested for these potentially life threatening conditions, to have their assessment done on-site and free of charge. The relevant employees have been given the appropriate advice to address their conditions. Some Hudaco businesses, like Filter and Hose Solutions, sponsors two doctors' visits per annum (which includes medication) to their employees or their family members, who are not on a medical aid. Once a month, DDP runs a mobile clinic, staffed by a qualified nurse, offering medical advice to employees not covered by medical aid.

Enterprise development and socio-economic development

Hudaco favours suppliers that have good BEE scorecard ratings and uses SMMEs (small, medium and micro enterprises) wherever possible, working closely with them to improve their service delivery.

Overall Hudaco spent R9,2 million (2013: R5,0 million) on various enterprise development initiatives during its 2014 financial year. Some of these included:

- Bosworth employed BEE companies to provide cleaning services and to do scrap removal;
- Belting Supply Services outsourced its splicing work to a BEE company;
- Proof Engineering supported SMMEs in business development;
- Deutz Dieselpower continued its system of early payments to level 4 B-BBEE contributors;
- Dosco supported SMMEs in business development;
- Deltec provided products at special rates for SMMEs;
- Ambro provided a facility for a black female optometrist on their premises;
- Astore and Abes Technoseal subsidised canteen facilities, owned by black women at their respective premises; and
- Bearings International continued to offer business support ie assistance through training and mentorship arrangements with various SMMEs.

Each year the board sets aside a specific amount for socio-economic development. Through financial and non-financial contributions, Hudaco is involved with a number of specific projects aimed at improving the lives of previously disadvantaged communities.

These funds are managed and distributed by Hudaco's head office on behalf of business units. In 2014, Hudaco donated approximately R2,1 million (2013: R2,4 million) to a variety of socio-economic development initiatives.

Hudaco, in partnership with Afrika Tikkun, continued to honour Nelson Mandela Day. This year, Hudaco got involved in a "Shack Building Project" in Gauteng. In 2014 Hudaco supported two families who were most in need in Orange Farm by building new homes for them. Previously, the two families lived in poorly built shacks with limited space and leaking roofs. Hudaco made a difference in the lives of these families as they were provided with a better sense of belonging and a sense of dignity. With these kinds of initiatives we are hoping to establish meaningful annual activities which celebrate Nelson Mandela Day, pay tribute to the life and legacy of our global peace icon, Nelson Mandela, create awareness amongst future generations of the role he played in securing peace for South Africa and make a difference to the lives of those in need.

The Hudaco Trading BEE Staff Education Trust, a 5,8% shareholder in Hudaco Trading, has been established with a mandate to empower current and future black employees, their spouses and their children by granting tertiary education scholarships, bursaries and study loans to eligible applicants. Beneficiaries may study towards any career of their choice and, on completion of their studies, are under no obligation to work for Hudaco. As the trust has not yet built up sufficient reserves to fund these bursaries, Hudaco provides the required resources. In 2014, 60 (2013: 45) students were granted bursaries, of whom 34 were women. For the 2015 academic year 72 students have been identified for bursaries, of whom 41 are women.

Nelson Mandela Day
Hudaco, together with Afrika Tikkun – striving to empower communities

2014 Hudaco FLDP graduates at Wits Business School

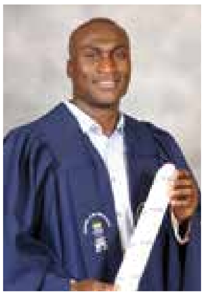
Meagan Botha
Varispeed

Claire Coutanche
Deutz Dieselpower

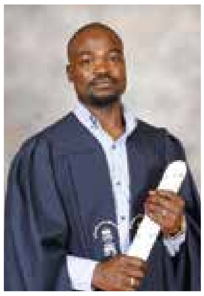
Megan De Kock
Global Communications

Joyce Hlelani
Ambro Sales

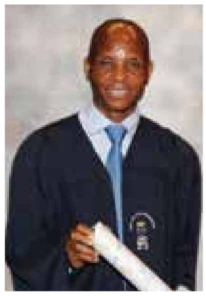
Mark Mackintosh
Bosworth



Raymond Mafafo
Hudaco Trainee



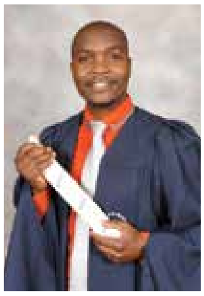
Kenneth Mathibela
Bearings International



Rooi Mazibuko
Elvey Security Technologies

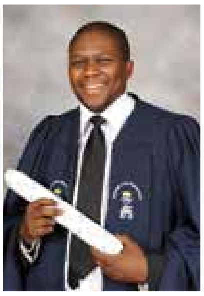
Charmaine Mnguni
Bearings International

Lebo Mogoje
Varispeed



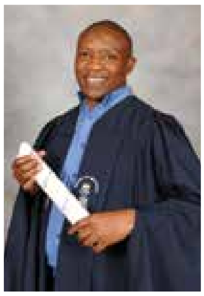
James Molepo
Ampco

Dick Mollo
Hudaco Trainee

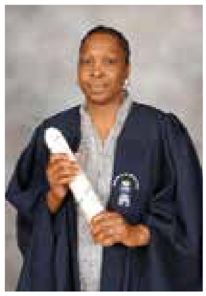


Mxolisi Msibi
Ernest Lowe

Deirdre Neaves
Global Communications



Bennie Sepako
Bearings International

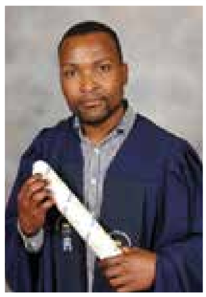


Lebogang Sethoane
Bearings International

Wilma Schoultz
Ambro Sales

Juanita Van Niekerk
Global Communications

Alicia Yabo
Bearings International



Sandile Zungu
Bearings International

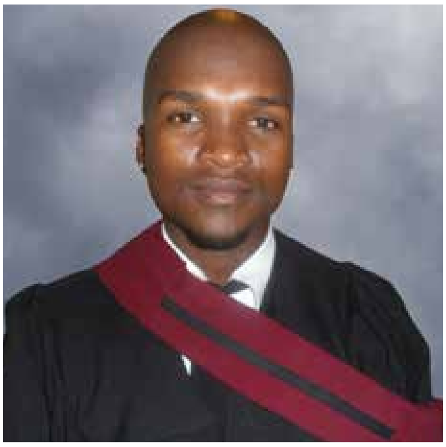
Rooi Mazibuko: FLDP Graduate

"I am so grateful for the opportunity that was afforded to me by Hudaco.

Through this experience I have learned a lot about myself, my potential and capabilities. I feel like the FLDP was designed especially for me. I have used the tools I have gained from the programme in my everyday tasks, especially in problem solving and team work. I would recommend the Future Leaders Development Programme to anyone who is lucky enough to get the opportunity to undergo this life changing experience."

Thembelani Siyoyo (Dip. IT Systems Analysis): Hudaco Bursary Student

"I would like to express my sincere appreciation and many thanks for the amazing opportunity the Hudaco Trading BEE Staff Education Trust has given me to further my studies after high school. Being one of the lucky few to have received the bursary made reaching my goal in life to pursue a career in system analysis a reality. Through the bursary, I have managed to obtain a Diploma in IT Systems Analysis at CTI College and graduated in May 2014. My plan is to continue my studies further and obtain a degree in the IT field. Thanks to the Hudaco Trading BEE Staff Education Trust Bursary Scheme, I am now one step closer to reaching my goals."



Bonike Mtetwa (MBChB student – University of KwaZulu-Natal): Hudaco Bursary Student

"This year I was privileged to be awarded a Hudaco bursary for which I am ever so grateful. Nothing has given me greater joy than knowing that I'm studying what I am passionate about. The bursary amount enabled me to acquire a stethoscope: my dream of becoming a doctor has never felt so close. This bursary has alleviated the financial burden on my parents and given me more reason to work harder towards pursuing my life-long dream of becoming a medical doctor. Consequently my academic performance has earned me exemption from the year end exams. Thank you Hudaco!"

AUDITED ANNUAL FINANCIAL STATEMENTS

AUDIT AND RISK MANAGEMENT COMMITTEE'S REPORT

The audit and risk management committee has pleasure in submitting this report, as required in terms of the South African Companies Act.

The audit and risk management committee consists of three directors who act independently. During the year under review, three meetings were held. At these meetings the members fulfilled their functions as prescribed by the South African Companies Act and the JSE Listings Requirements. Details of the functions of the audit and risk management committee are contained in the corporate governance section on pages 32 and 33.

The audit and risk management committee has satisfied itself that:

- the auditors are independent of the company and are thereby able to conduct their audit without any influence from the company; and
- the accounting practices and systems of internal control are appropriate, adequate and monitored effectively.

The audit and risk management committee has evaluated the group annual financial statements for the year ended 30 November 2014 and considers that they comply, in all material aspects, with the requirements of the Companies Act and International Financial Reporting Standards. The committee therefore recommended the annual financial statements for approval by the board. The board has subsequently approved the financial statements which will be presented at the forthcoming annual general meeting.

SG Morris

Chairman of the audit and risk management committee

29 January 2015

CERTIFICATE BY THE GROUP SECRETARY

In accordance with the provisions of section 88(2)(e) of the South African Companies Act, I certify that, to the best of my knowledge and belief, the company has filed for the financial year ended 30 November 2014 all such returns and notices as are required of a public company in terms of the said Act, and that all such returns and notices appear to be true, correct and up to date.

Reana Wolmarans

Group secretary

29 January 2015

DIRECTORS' REPORT

Reporting period

The directors have pleasure in presenting their report for the company's financial year ended 30 November 2014. The annual financial statements for the year ended 30 November 2014 were authorised for issue in accordance with a resolution of the directors on 29 January 2015. Hudaco Industries Limited is a public company incorporated and domiciled in South Africa whose shares are publicly traded. The principal activities of the group are described below:

Nature of business

Hudaco is a South African group that imports and distributes branded industrial and electronic consumables, power tools and security, automotive and professional mobile radio communication products. Its customer base is mainly within the southern African manufacturing, mining, construction, automotive after-market and security industries. Adding value to the product sold by offering technical advice, prompt availability and training is a key part of Hudaco's business model.

Financial results

Earnings attributable to shareholders of the group for the year ended 30 November 2014 were R3 million (2013: R294 million) after charging the settlement of a long running dispute with SA Revenue Service (see Taxation below). Before the tax settlement, earnings attributable to shareholders of the group were R314 million. This represents basic earnings per share of 8 cents (2013: 930 cents). Headline earnings per share were 6 cents (2013: 928 cents) and comparable earnings per share were 986 cents (2013: 983 cents).

The results of the company and the group are set out in these financial statements.

Dividends

R million	2014	2013
Dividend number 54 of 310 cents per share declared on 30 January 2014	106	106
The record date was 7 March 2014 and the dividend was paid on 10 March 2014		
Dividend number 55 of 155 cents per share declared on 26 June 2014	53	53
The record date was 15 August 2014 and the dividend was paid on 18 August 2014		

On 29 January 2015 the directors declared dividend number 56 of 310 cents per share, being the final dividend in respect of the year ended 30 November 2014. The record date will be Friday, 6 March 2015 and the dividend will be paid on Monday, 9 March 2015.

Subsidiaries

Particulars of the principal subsidiaries of the company are set out on page 103 of the financial statements.

Acquisitions and disposals

There were no disposals during the financial year.

The following acquisitions were made during the year:

Acquisition of 100% of the shares of Dosco Precision Hydraulics, Gear Pump Manufacturing, Joseph Grieveson and Engineering Technology Services

With effect from 1 December 2013, Hudaco acquired 100% of the shares of Dosco Precision Hydraulics Pty Ltd, Gear Pump Manufacturing Pty Ltd, Joseph Grieveson Pty Ltd and Engineering Technology Services Pty Ltd, which together have two main areas of business:

- machining, repair and sale of hydraulic pumps for the local and export market; and
- production of ferrous and non-ferrous castings for a diversity of industries in South Africa.

The total purchase consideration of R154,2 million was settled in cash.

The following acquisitions were made after the reporting date:

Acquisition of the trading assets and liabilities of Berntel

With effect from 1 December 2014, Hudaco acquired the trading assets and liabilities of Berntel as a bolt-on operation to Ernest Lowe, a manufacturer of hydraulic and pneumatic equipment.

The purchase consideration, subject to a maximum of R18,9 million, is to be settled as follows: an initial amount of R11 million was paid in cash on 4 December 2014 and the balance is payable in cash in two tranches on 5 February 2016 and 5 February 2017 based on actual levels of average profitability achieved in the years to 30 November 2015 and 30 November 2016.

Acquisition of 100% of the shares of Partquip Group Pty Ltd

With effect from 1 December 2014, Hudaco acquired 100% of the shares of Partquip Group Pty Ltd, which distributes automotive components under the established brands of Partquip, A-Line, Brake Part and Ironman 4x4.

The purchase consideration was R550 million, settled in cash on 1 December 2014.

DIRECTORS' REPORT (continued)

Taxation

The group has settled a long running dispute with SARS for an amount of R312 million. For more information on this matter refer to page 24 of the integrated report.

Resolutions

No special resolutions, the nature of which might be significant to shareholders in their appreciation of the state of the affairs of the Hudaco group, were passed during the period covered by this integrated report.

Authority to buy back shares

At the forthcoming annual general meeting in March 2015, shareholders will be asked to provide the directors with authority to purchase up to 1 582 285 (5%) of Hudaco's issued shares. If approved, this authority will be valid until the following year's annual general meeting and subject to the Listings Requirements of the JSE Limited, allowing the Hudaco group to purchase its own shares up to 1 582 285 of the issued shares, at a price not greater than 10% above the preceding five-day weighted average.

During the year, Hudaco continued to hold indirectly, through a wholly-owned subsidiary, a total of 2 507 828 Hudaco shares, representing approximately 7,3% of its issued capital, by way of treasury shares.

Share capital

The authorised share capital and issued share capital remained unchanged during the year.

Full details of the authorised and issued capital of the company at 30 November 2014 are contained in notes 16.1 and 16.2 to the financial statements.

Share-based remuneration scheme

Full details of the company's share-based remuneration scheme are set out in note 16.5 to the financial statements.

Directorate

Information on the directors of the company in office at the date of this report appears on pages 18 and 19 of the integrated report.

Mr SJ Connelly, who has been chief executive of Hudaco for 22 years, retired as executive director on 30 June 2014. Mr GR Dunford was appointed chief executive in his stead on 1 July 2014. Mr SJ Connelly will remain on the Hudaco board as a non-executive director.

In terms of the company's Memorandum of Incorporation, Mr CV Amoils and Ms D Naidoo retire by rotation at the forthcoming annual general meeting.

Both these directors are available, eligible and recommended for re-election. Their profiles appear on pages 18 and 19.

Directors' interests

The directors' interests in the issued shares of the company are set out in note 26.1.

Details of the executive directors' interests in the Hudaco share appreciation bonus scheme and share matching scheme are provided in note 26.2 to these financial statements.

Directors' remuneration and details of their service agreements

The remuneration of executive and non-executive directors are determined by the company's remuneration committee. Further information relating to the remuneration of the directors, together with details relating to share appreciation right and share matching right allocations are set out in note 26 to the financial statements.

Secretary

Reana Wolmarans is the secretary of the company. The address of the secretary is set out on page 113.

Borrowing powers

The borrowing powers of the Hudaco group are unlimited. At 30 November 2014, unutilised borrowing facilities amounted to R924 million (2013: R63 million).

Events after reporting date

Financing arrangements for the acquisition of Partquip and notice in terms of Section 45(5) of the South African Companies Act

In December 2014 Hudaco Trading Pty Ltd, a subsidiary of Hudaco Industries Limited entered into an agreement whereby Rand Merchant Bank and Standard Bank will provide an evergreen revolving credit facility for R600 million (50% each) to finance the acquisition of Partquip. The banks will have the right to call up the facility on 367 days' notice (referred to as "the Facility Agreement").

Shareholders are accordingly advised that Hudaco Industries Limited will provide a guarantee to Rand Merchant Bank and Standard Bank in terms of which it guarantees the performance by Hudaco Trading Pty Ltd (the borrower under the Facility Agreement) of its obligations and liabilities under the Facility Agreement ("the Guarantee").

We refer to the special resolution which was approved by the shareholders at the Company's annual general meeting on 27 March 2014 in accordance with Section 45(3) of the Companies Act, pursuant to which the shareholders of Hudaco Industries Limited resolved to provide "financial assistance" as defined in Section 45(1) of the Companies Act, to the entities contemplated in therein.

Acquisitions

As described above Berntel SA and Partquip were acquired with effect from 1 December 2014.

Statement of directors' responsibility

The directors of the company are responsible for the preparation of the annual financial statements and related financial information that fairly presents the state of affairs and the results of the company and the group.

The annual financial statements set out in this report have been prepared under the supervision of CV Amoils CA (SA), financial director, in accordance with statements of International Financial Reporting Standards and in the manner required by the South African Companies Act and the JSE Listings Requirements. These are based on appropriate accounting policies, consistently applied, which are supported by reasonable and prudent judgements and estimates.

The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing and reporting their findings thereon. The auditor's report is set out on page 70.

To enable the board to meet its responsibilities, systems of internal control and accounting and information systems have been implemented. These are aimed at providing reasonable assurance that risk of error, fraud or loss is reduced. The group's internal audit function, which has unrestricted access to the group's audit and risk management committee, evaluates and, if necessary, recommends improvements to the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business.

The audit and risk management committee, together with the internal auditors, plays an oversight role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of its knowledge and belief, based on the above and after making enquiries, the board of directors confirms that it has every reason to believe that the company and the group have adequate resources in place to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the annual financial statements.

The annual financial statements for the year ended 30 November 2014, which appear on pages 66 to 103, were approved by the board on 29 January 2015 and are signed on its behalf by:

RT Vice	GR Dunford
Chairman	*Chief executive*

29 January 2015

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Hudaco Industries Limited

We have audited the consolidated and separate financial statements of Hudaco Industries Limited, as set out on pages 71 to 103, which comprise the consolidated and separate statements of financial position as at 30 November 2014, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair representation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Hudaco Industries Limited as at 30 November 2014, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 November 2014, we have read the directors' report, audit and risk management committee's report and company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Grant Thornton

Grant Thornton
Chartered Accountants (SA)
Registered Auditors

C Botha
Partner
Chartered Accountant (SA)
Registered Auditor

29 January 2015

42 Wierda Road West
Wierda Valley, 2196
Johannesburg

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 November 2014

R000	Notes	2014	2013
Turnover		4 479 794	3 942 216
Ongoing operations		3 953 440	3 846 236
Operations acquired in 2013 and 2014		526 354	95 980
Cost of sales		2 844 504	2 462 903
Gross profit		1 635 290	1 479 313
Operating expenses	5	1 140 987	1 010 098
Operating profit	5	494 303	469 215
Ongoing operations		414 001	457 878
Operations acquired in 2013 and 2014		80 302	11 337
Reversal of impairment on property			160
Adjustment to fair value of amounts due to vendors of businesses acquired		2 237	(23 410)
Profit before interest		496 540	445 965
Dividends received on investment in preference shares			49 550
Finance costs	6	(39 404)	(70 346)
Profit before taxation		457 136	425 169
Taxation excluding tax settlement	8	127 323	120 169
Profit before tax settlement		329 813	305 000
Settlement of tax dispute	8	312 000	
Profit for the year		17 813	305 000
Other comprehensive income			
Movement on fair value of cash flow hedges		(1 197)	(459)
Exchange gains on translation of foreign operations		175	
Total comprehensive income for the year		16 791	304 541
Profit attributable to:			
– Shareholders of the group		2 626	294 235
– Non-controlling shareholders		15 187	10 765
		17 813	305 000
Total comprehensive income attributable to:			
– Shareholders of the group		1 798	293 742
– Non-controlling shareholders		14 993	10 799
		16 791	304 541

Basic earnings per share (cents)	9	8	930
Diluted basic earnings per share (cents)	9	8	918
Headline earnings per share (cents)	9	6	928
Diluted headline earnings per share (cents)	9	6	917
Comparable earnings per share (cents)	9	986	983
Diluted comparable earnings per share (cents)	9	984	970

GROUP STATEMENT OF FINANCIAL POSITION

at 30 November 2014

R000	Notes	2014	2013
Assets			
Non-current assets		1 024 547	922 119
Property, plant and equipment	10	257 124	214 295
Goodwill	11	730 466	618 684
Intangible assets	12	36 117	39 108
Taxation			40 000
Deferred taxation	13	840	10 032
Current assets		2 043 817	1 902 356
Inventories	14	1 141 107	1 104 418
Trade and other receivables	15	855 519	780 627
Taxation		5 567	1 791
Bank deposits and balances	21.6	41 624	15 520
Total assets		3 068 364	2 824 475
Equity and liabilities			
Equity		1 681 913	1 834 871
Interest of shareholders of the group		1 648 746	1 815 647
Non-controlling interest		33 167	19 224
Non-current liabilities		208 754	29 955
Amount due to bankers	17.1	197 000	
Amounts due to vendors of businesses acquired	17.2	11 754	29 955
Current liabilities		1 177 697	959 649
Trade and other payables	18	710 618	672 663
Bank overdraft	21.6	257 164	219 660
Amounts due to vendors of businesses acquired	17.2	17 915	62 599
Taxation	8.3	192 000	4 727
Total equity and liabilities		3 068 364	2 824 475

GROUP STATEMENT OF CASH FLOWS

for the year ended 30 November 2014

R000	Notes	2014	2013
Cash flow from operating activities			
Operating profit		494 303	469 215
Adjusted for:			
Settlement of share based payments		(21 546)	(753)
Depreciation less profit on disposal of property, plant and equipment		32 802	28 043
Amortisation of intangible assets		19 893	16 475
Increase in working capital	21.1	(44 063)	(138 331)
Cash generated from operations		481 389	374 649
Fair value adjustment of cash flow hedges		(1 197)	(459)
Taxation paid excluding tax settlement	21.2	(141 174)	(128 613)
Net cash from operating activities before tax settlement		339 018	245 577
Tax settlement – payments made	21.2	(80 000)	(40 000)
Net cash from operating activities		259 018	205 577
Cash flow from investing activities			
Additions to property, plant and equipment	10	(63 527)	(37 894)
Proceeds from disposal of property, plant and equipment		5 638	5 686
Acquisition of businesses	19	(161 449)	(41 857)
Acquisition of non-controlling interest			(836)
Payments to vendors of businesses acquired	21.3	(62 632)	(137 990)
Proceeds from disposal of preference shares			2 180 966
Dividends received			49 550
Net cash from investing activities		(281 970)	2 017 625
Cash flow from financing activities			
Repurchase of subordinated debenture			(2 180 966)
Increase in long term borrowings		197 000	
Finance costs paid	21.4	(37 420)	(65 804)
Dividends paid	21.5	(148 203)	(163 953)
Net cash from financing activities		11 377	(2 410 723)
Net decrease in cash and cash equivalents		(11 575)	(187 521)
Foreign exchange translation gain		175	
Cash and cash equivalents at beginning of the year		(204 140)	(16 619)
Cash and cash equivalents at end of the year	21.6	(215 540)	(204 140)

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 November 2014

R000	Share capital	Share premium	Non-distributable reserves	Retained income	Interest of shareholders of the group	Non-controlling interest	Equity
Note	16.2		16.6	16.4			
Balance at 30 November 2012	3 415	51 533	67 027	1 566 542	1 688 517	26 061	1 714 578
Comprehensive income for the year			(541)	294 283	293 742	10 799	304 541
Movement in equity compensation reserve			3 578	(4 331)	(753)		(753)
Non-controlling interest acquired						(836)	(836)
Dividends (note 20)				(147 153)	(147 153)	(16 800)	(163 953)
Balance at 30 November 2013	3 415	51 533	70 064	1 709 341	1 834 353	19 224	1 853 577
Less: Shares held by subsidiary company	(251)		(41)	(18 414)	(18 706)		(18 706)
Net balance at 30 November 2013	3 164	51 533	70 023	1 690 927	1 815 647	19 224	1 834 871
Balance at 30 November 2013	3 415	51 533	70 064	1 709 341	1 834 353	19 224	1 853 577
Comprehensive income for the year			(947)	2 745	1 798	14 993	16 791
Movement in equity compensation reserve			(3 179)	(18 367)	(21 546)		(21 546)
Dividends (note 20)				(147 153)	(147 153)	(1 050)	(148 203)
Balance at 30 November 2014	3 415	51 533	65 938	1 546 566	1 667 452	33 167	1 700 619
Less: Shares held by subsidiary company	(251)		(41)	(18 414)	(18 706)		(18 706)
Net balance at 30 November 2014	3 164	51 533	65 897	1 528 152	1 648 746	33 167	1 681 913

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 November 2014

1. Accounting policies

1.1 Basis of preparation

The group and separate annual financial statements are prepared on the historical cost basis adjusted for certain financial instruments measured at fair value, and incorporate the following principal accounting policies, which conform with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee and the requirements of the South African Companies Act and the JSE Listings Requirements. These policies have been consistently applied.

1.2 Basis of consolidation

The group financial statements incorporate all the assets, liabilities and results of the company and all entities that are controlled by the company. In all cases results are reported from the effective date of acquisition or to the effective date of disposal using the acquisition method. The identifiable assets and liabilities of entities acquired are assessed and recognised in the statement of financial position at their fair values at dates of acquisition.

The company controls an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity.

Non-controlling interests in the net assets of consolidated entities are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

1.3 Business combinations

The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition date fair values in terms of IFRS 3.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of:

- fair value of consideration transferred;
- the recognised amount of any non-controlling interest in the acquiree; and
- acquisition date fair value of any existing equity interest in the acquiree, over the acquisition date fair values of identifiable net assets.

If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at the acquisition date.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date, and subsequently carried at amortised cost. Subsequent changes to the fair value of the contingent consideration, which is deemed to be a liability, is recognised in accordance with IAS 39 in profit or loss.

1.4 Revenue

Revenue is recognised when the amount of revenue can be measured reliably, collection is probable, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the group's different activities have been met. The specific recognition criteria for these activities are described below:

Turnover

Turnover represents the invoiced value of goods and services sold outside the group less both settlement discounts and VAT. Turnover is recognised at the fair value of the consideration received or receivable when the risks and rewards pass to the customer. Significant risks and rewards are generally considered to be passed to the customer when the customer has taken undisputed delivery of goods and services.

Dividend income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Income from investments

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 November 2014

1.5 Cost of sales

When inventories are sold, the carrying amount is recognised as part of cost of sales. Any write-down of inventories to net realisable value and all losses of inventories or reversals of previous write-downs or losses are recognised in cost of sales in the period the write-down, loss or reversal occurs.

1.6 Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care) is recognised in the period in which the service is rendered and is not discounted.

The expected cost of incentive payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.7 Operating leases

Rentals payable under operating leases are charged to profit on a straight-line basis over the term of the relevant lease.

1.8 Share-based payments

Employee remuneration

The group operates equity-settled share-based compensation plans for senior and middle management including executive directors. The costs of these arrangements are measured by reference to their fair value at the dates on which they were granted. The fair values are charged as an expense in determining operating profit, with a corresponding credit to equity, on a straight-line basis over the initial vesting period of each grant. The costs take into account the best estimate of the number of rights that are expected to vest, taking into account non-market conditions such as exits from the schemes prior to vesting and operating performance compared to target for vesting, where applicable. These estimates are revised at each reporting date and the impact of the revision is to spread the new estimated remaining cost over the balance of the vesting periods, including the current year.

BEE shareholding

The cost of introducing BEE shareholding is measured by reference to the fair value of the rights granted at the time. The fair value is expensed in determining profit before taxation at the date the grant was made, with a corresponding credit to equity.

1.9 Retirement benefits

Defined contribution pension or provident schemes are operated by all group companies. Contributions made to these schemes are charged to profit in the year in which they are payable.

By virtue of the types of schemes operated in the group, no past service costs or experience adjustments will arise in the retirement funding arrangements.

1.10 Borrowing costs

Borrowing costs are recognised in profit in the period in which they are incurred.

1.11 Current taxation

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income as it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's tax liability is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

1.12 Property, plant and equipment

Land is stated at cost to the group.

Buildings, plant and equipment are carried at cost less accumulated depreciation and impairment. They are depreciated on a straight-line basis to their expected residual values over their estimated useful lives. Both their residual values and useful lives (note 10) are re-assessed annually. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit when the item is derecognised.

1.13 Capitalisation of leased assets

Assets subject to finance lease agreements are capitalised at inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance leasing liability.

Lease finance charges are written off over the period of the lease using the effective interest rate method.

1.14 Investments in subsidiaries

Investments in subsidiaries are carried at cost. The cost of the investment in a subsidiary is the aggregate of the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the company.

1.15 Goodwill

Goodwill is initially measured and carried at cost. It represents the excess of the purchase consideration over the fair value of the group's share of the net fair value of identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition. Goodwill is reviewed for impairment at least annually. Any impairment is immediately recognised as an expense and not reversed in future years.

1.16 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance and is initially recognised at fair value if acquired as part of a business combination and at cost if acquired separately or internally generated.

If assessed as having a finite life, it is amortised over its useful life using the straight-line basis and tested for impairment if there is an indication that it may be impaired. Both their residual values and useful lives (note 12) are re-assessed annually.

If assessed to have an indefinite useful life, the intangible asset is not amortised but tested for impairment at least annually and impaired immediately if necessary.

1.17 Deferred tax

A deferred tax liability is recognised for all temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which these unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

1.18 Inventories

Inventories are valued at the lower of cost and net realisable value. The basis of determining cost is first-in-first-out or weighted average, and includes direct costs and where applicable, a proportion of manufacturing overheads.

1.19 Financial instruments

Financial instruments are initially measured at fair value when the related contractual rights or obligations arise.

Subsequent to initial recognition these instruments are measured as follows:

- Investments – where the group has the positive intention and ability to hold the securities to maturity, investments are stated at amortised cost using the effective interest rate method, less any impairment loss, recognised to reflect irrecoverable amounts.
- Trade and other receivables are stated at cost less impairment for doubtful debts.
- Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at the reporting date.
- Financial liabilities – non-derivative financial liabilities are recognised at amortised cost, comprising net proceeds from original debt less principal payments. Interest is imputed on amounts due to vendors of businesses acquired.
- Derivative instruments, including forward exchange contracts, are measured at fair value.

Hedge accounting transactions are classified into two categories:

- Fair value hedges, which hedge exposure to changes in the fair value of a recognised asset or liability, ie forward exchange contracts in respect of foreign trade liabilities.
- Cash flow hedges, which hedge exposure to variability in future cash flows attributable to forecasted transactions, ie forward exchange contracts in respect of orders placed with foreign suppliers but not yet shipped.

Gains and losses on subsequent measurements are treated as follows:

- Any gains or losses on fair value hedges are recognised in profit for the year.
- Gains or losses on effective cash flow hedges are recognised in other comprehensive income. These gains or losses are transferred to profit in the same period in which the hedged future transaction affects profit.
- The ineffective portion of any cash flow hedge is recognised in profit for the year.
- Gains and losses from a change in the fair value of financial instruments that are not part of a hedging relationship are included in profit for the period in which they arise.

1.20 Impairment

On an annual basis the group reviews all tangible and intangible assets, except those intangible assets with a finite life, carried on the statement of financial position for impairment. Where the recoverable amount of an asset or cash-generating unit is estimated to be lower than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are charged against profit in the period in which they are identified.

Except in the case of goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount. Such increases in carrying amounts shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit in the period in which such reversal is identified.

1.21 Foreign currency transactions

The functional currency of all the entities in the group is Rand, except for the foreign operation in Zambia.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction.

All assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate ruling at the reporting date.

Exchange differences arising on the settlement of transactions at rates different from those at the transaction date, and unrealised exchange differences on unsettled foreign currency monetary assets and liabilities, are recognised in profit for the year.

1.22 Contingencies

After initial recognition, contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and liabilities that do not form part of a business combination are not recognised, but are disclosed in the notes to the financial statements.

1.23 Segment reporting

Hudaco's businesses have been divided into two primary reportable segments serving distinct markets. Our bearings and power transmission and diesel engine businesses supply engineering consumables mainly to mining and manufacturing customers whilst the security, power tool, marine engine, communication equipment, automotive and battery businesses supply products into markets influenced to a great degree by consumer spending. As a result, Hudaco's segment information differentiates between the engineering consumables and consumer-related products reportable segments. These operating segments are monitored by the individuals as set out on pages 20 and 21.

The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its financial statements. Corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. In the financial period under review, this primarily applies to the group's headquarters.

2. Use of estimates, judgements and assumptions made in the preparation of the financial statements

In preparing the financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of financial instruments and contingent liabilities.

Use of available information and the application of judgement are inherent in the formation of estimates.

Significant estimates and judgements are made in the following areas:

Property, plant and equipment – useful lives and residual values – note 10

Impairment of goodwill – note 11

Fair value, impairment, useful lives and residual values of intangible assets – note 12

Deferred taxation – the extent to which it is probable that taxable profit will be available against which deductible temporary differences can be utilised – note 13

Inventories – allowance for slow-moving and obsolete inventory – note 14

Trade receivables – allowance for doubtful debts – note 15

Fair value of share-based payments – note 16.5

Fair value of vendor liabilities – amount and timing of contingent consideration – note 17.2

Fair value of financial instruments – note 23

Actual results could differ from the estimates made by management from time to time.

3. Changes in accounting policies

During the year the group did not change any accounting policies but adopted the new IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and the consequential amendments to IAS 27 Consolidated and Separate Financial Statements and IFRS 13 Fair Value Measurement. This had no effect on the measurement or recognition of any item but introduced additional disclosure.

4. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the group. Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. None of these new standards and interpretations that have been issued are expected to have any significant impact on the group's financial statements.

R000	2014	2013

5. Operating profit

Operating expenses comprise:		
Staff costs	**819 072**	719 134
Property rentals under operating leases	**79 868**	76 275
Depreciation	**34 116**	28 589
Amortisation	**19 893**	16 475
Profit on disposal of property, plant and equipment	**(1 314)**	(546)
Acquisition costs – new businesses	**2 141**	800
Other expenses	**323 222**	252 251
Less: Allocated to cost of sales	**(136 011)**	(82 880)
	1 140 987	1 010 098
Included in other expenses and cost of sales are:		
Cost of fair value hedges	**19 272**	16 537

6. Finance costs

Interest paid on subordinated debenture		57 579
Interest on amounts due to bankers and other payables	**37 420**	8 225
Interest imputed on amounts due to vendors of businesses acquired	**1 984**	4 542
	39 404	70 346

7. Auditor's remuneration

Audit fees – current year	**6 502**	5 478
Fees for other services	**81**	301
	6 583	5 779

8. Taxation

8.1 Taxation comprises

South African normal taxation		
Current year	**125 738**	117 033
Prior years (over) under provision	**(889)**	86
Deferred taxation		
Current year	**2 713**	(1 908)
Prior years over provision	**(1)**	(123)
Foreign normal taxation	**(243)**	(404)
Securities transfer tax		5 452
Capital gains tax	**5**	33
Total taxation excluding tax settlement	**127 323**	120 169
Settlement of tax dispute	**312 000**	
Total taxation including tax settlement	**439 323**	120 169

	%	%
8.2 Reconciliation of rate of taxation		
Normal rate	28,0	28,0
Exempt income	(0,3)	(3,3)
Disallowable expenditure	0,4	2,3
Securities transfer tax		1,3
Prior year over provision	(0,2)	
Effective rate of taxation excluding tax settlement	27,9	28,3
Settlement of tax dispute	68,2	
Effective rate of taxation including tax settlement	96,1	28,3

8.3 Settlement of tax dispute

A long-running dispute with SARS arising from the financing arrangements pertaining to Hudaco's empowerment transaction entered into in 2007 has been settled for an amount of R312 million. R120 million has already been paid under the "pay now, argue later" provisions and the balance of R192 million is payable by 31 March 2015. At 30 November 2013, the dispute was reflected as a contingent liability at a worst case scenario of R1,7 billion. Further information is set out on page 24 of the integrated report.

9. Comparable earnings, headline earnings and basic earnings per share

R000	2014	2013
Calculation of headline earnings		
Profit attributable to shareholders of the group	2 626	294 235
Adjusted for:		
Reversal of impairment and profit on disposal of property, plant and equipment	(1 314)	(706)
Tax effect	367	197
Non-controlling interest	138	71
Headline earnings	1 817	293 797
Calculation of comparable earnings		
Headline earnings as per above	1 817	293 797
Adjusted for:		
Preference dividend received		(49 550)
Interest on debenture		57 579
Tax effect		(16 121)
STT on redemption of preference shares		5 452
Settlement of tax dispute	312 000	
Fair value adjustments on amounts due to vendors	(2 237)	23 410
Non-controlling interest	336	(3 512)
Comparable earnings	311 916	311 055

The calculation of comparable, headline and basic earnings per share is based on comparable earnings, headline earnings (both set out above) and earnings attributable to shareholders of the group (as set out in the statement of comprehensive income), divided by the weighted average of 31 645 703 (2013: 31 645 703) shares in issue during the year, taking account of shares held by a subsidiary.

Comparable earnings and comparable earnings per share is calculated as the directors of the company believe this is a more reliable measure of the ongoing trading performance of the group.

The calculation of diluted earnings per share is based on 31 690 546 (2013: 32 053 606) shares, being the weighted average number of shares in issue of 31 645 703 plus 44 843 deemed free issue shares. This assumes that any bonus due in terms of the share appreciation bonus scheme is settled in shares at the year end price of R95,90 per share. The number of deemed free issue shares is the difference between the number of shares assumed to have been taken up and the number of shares that could have been acquired with such proceeds less the future IFRS 2 charge on the unvested rights, at the average market price per share.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 November 2014

10. Property, plant and equipment

R000	Freehold land and buildings	Plant	Computers	Motor vehicles	Other assets	2014 Total
Cost						
Opening balance	77 738	86 987	79 539	85 388	39 733	369 385
Acquisition of businesses		42 375	1 245	4 170	396	48 186
Additions	12 246	15 865	8 330	15 687	11 399	63 527
Disposals		(1 622)	(1 293)	(12 859)	(201)	(15 975)
Closing balance	89 984	143 605	87 821	92 386	51 327	465 123
Accumulated depreciation						
Opening balance	6 288	40 272	45 465	40 287	22 778	155 090
Acquisition of businesses		28 363	680	1 135	266	30 444
Depreciation for the year	1 541	8 463	8 601	10 666	4 845	34 116
Disposals		(1 336)	(1 132)	(8 991)	(192)	(11 651)
Closing balance	7 829	75 762	53 614	43 097	27 697	207 999
Net book value	82 155	67 843	34 207	49 289	23 630	257 124

R000	Freehold land and buildings	Plant	Computers	Motor vehicles	Other assets	2013 Total
Cost						
Opening balance	79 545	79 543	68 283	76 456	35 537	339 364
Acquisition of businesses		1 534	765	6 284	415	8 998
Additions	338	8 427	11 660	13 217	4 252	37 894
Disposals	(2 145)	(2 517)	(1 169)	(10 569)	(471)	(16 871)
Closing balance	77 738	86 987	79 539	85 388	39 733	369 385
Accumulated depreciation						
Opening balance	5 860	35 119	38 873	34 687	19 199	133 738
Acquisition of businesses		736	501	3 066	191	4 494
Depreciation for the year	1 535	6 091	7 178	10 038	3 747	28 589
Disposals	(1 107)	(1 674)	(1 087)	(7 504)	(359)	(11 731)
Closing balance	6 288	40 272	45 465	40 287	22 778	155 090
Accumulated impairment						
Opening balance	160					160
Reversal during the year	(160)					(160)
Closing balance						
Net book value	71 450	46 715	34 074	45 101	16 955	214 295
The initial expected useful lives are set within these ranges (years):	25 – 60	25 – 30	1 – 10	5 – 15	5 – 10	

As the residual values and remaining useful lives are re-assessed on an annual basis, there are assets outside these ranges. Details of freehold land and buildings are available at the registered office of the group.

R000	2014	2013

11. Goodwill

11.1 Goodwill comprises:

Goodwill at cost	752 555	640 773
Accumulated impairment	(22 089)	(22 089)
	730 466	618 684

11.2 Movement for the year

Balance at beginning of the year	618 684	593 761
Acquisitions during the year	111 782	24 923
	730 466	618 684

The net book value of goodwill has been allocated to the following cash generating units (CGUs):

Filter and Hose Solutions	225 680	225 680
Global Communications	127 685	127 685
Keymak	58 520	58 520
Joseph Grieveson	55 834	
Pentagon	43 088	43 088
Dosco Precision Hydraulics	34 937	
Powermite	26 589	26 589
Ambro Sales and Midrand Special Steels	37 370	37 370
Gear Pump Manufacturing	21 011	
Specialised Battery Systems	14 955	14 955
Abes Technoseal	14 435	14 435
Elvey Security Technologies	12 955	12 955
Varispeed	11 586	11 586
Proof Engineering	10 483	10 483
Three-D Agencies	9 968	9 968
Astore Africa	8 453	8 453
Deltec	8 114	8 114
Other	8 803	8 803
	730 466	618 684

Goodwill arising in business combinations is allocated, at acquisition, to the CGUs acquired and those expected to benefit from that business combination. The group tests goodwill for impairment at least annually by estimating the recoverable amount of any CGU to which goodwill has been allocated. The recoverable amount of all significant amounts of goodwill are estimated by using the higher of the value in use method and the fair value less cost to sell. During the current year, all recoverable amounts were based on value in use.

A discounted cash flow valuation model is applied using five year forecasts. Detailed budgets, prepared by the management of the CGU and approved by the Hudaco board, are used to determine the cash flow for the first year and are the quantification of strategies of the specific CGU. The process ensures that all significant risks and sensitivities are appropriately considered and factored into these forecasts. Key assumptions are based on industry specific performance levels as well as economic indicators approved by the executive and their impact on turnover and operating margins. Currency movements are also an important factor in the ultimate accuracy of forecasts. These assumptions are generally consistent with external sources of information and with past experience of the impact thereof on the group's cash flow.

Cash flows for the second and third years are forecasted by applying individual estimated sustainable levels of growth for the specific businesses, taking into account the drivers of the economic sectors in which they operate and their expected impact on turnover and margins, their business strategies and the risks they face. For the fourth and fifth years and terminal value, cash flows are determined by using estimated sustainable growth levels for CGUs ranging from 5% to 10% and 5% to 7% per annum, respectively. Beyond the short-term, they are derived from the use of a common forecasting process followed across the group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 November 2014

11. Goodwill (continued)

Discount rates applied to cash flow projections are based on a South African specific weighted average cost of capital (WACC), which takes into account appropriate risk free rates adjusted for market risk, company specific risk, effective rates of taxation, cost of debt and the relevant weighting between debt and equity. The WACC applied to all CGUs is 14,0% (2013: 14,1%). Consideration was given as to whether the factors pertaining to any of the CGUs warranted the use of an adjusted rate, but it was not considered necessary.

No impairment losses were required to be recognised during the current year.

Goodwill arising on the acquisition of Pentagon, Proof Engineering, Three-D Agencies and Specialised Battery Systems includes an element of purchase consideration based on the attainment of targeted levels of profitability for the respective earn-out periods. Adjustments to the purchase consideration are debited or credited to profit.

12. Intangible assets

R000	Customer relationships	Trade names	Supplier Contracts	2014 Total
Cost				
Opening balance	69 887	26 842	9 287	106 016
Acquisition of businesses	14 091	2 811		16 902
Closing balance	83 978	29 653	9 287	122 918
Accumulated amortisation				
Opening balance	40 079	10 166	6 164	56 409
Amortisation for the year	16 151	1 913	1 829	19 893
Closing balance	56 230	12 079	7 993	76 302
Accumulated impairment				
Opening and closing balance	6 083	4 416		10 499
Net book value	21 665	13 158	1 294	36 117

R000	Customer relationships	Trade names	Supplier Contracts	2013 Total
Cost				
Opening balance	65 414	25 129	9 287	99 830
Acquisition of businesses	4 473	1 713		6 186
Closing balance	69 887	26 842	9 287	106 016
Accumulated amortisation				
Opening balance	30 414	7 249	2 271	39 934
Amortisation for the year	9 665	2 917	3 893	16 475
Closing balance	40 079	10 166	6 164	56 409
Accumulated impairment				
Opening and closing balance	6 083	4 416		10 499
Net book value	23 725	12 260	3 123	39 108
The initial expected useful lives are set within these ranges (years):	3 – 6	10 – 14	3 – 5	

Intangible assets were acquired as part of the acquisition of businesses. The costs attributable to these assets have been determined by valuation specialists and management, applying recognised valuation techniques.

R000	2014	2013
13. Deferred taxation		
13.1 Deferred taxation comprises temporary differences arising from:		
Accelerated capital allowances	(21 479)	(15 588)
Intangible assets	(10 312)	(11 099)
Doubtful debt allowances	4 068	4 254
Leave pay and bonus accruals	29 093	34 460
Calculated tax loss	2 999	
Other	(3 529)	(1 995)
Net deferred taxation asset	840	10 032
The deferred tax asset has been raised as it is probable that taxable profit will be available against which deductible temporary differences can be utilised.		
13.2 Movement for the year		
Balance at beginning of the year	10 032	10 541
Arising on acquisitions during the year		
Accelerated capital allowances	(3 949)	
Intangible assets	(4 733)	(1 732)
Doubtful debt allowances	49	103
Leave pay and bonus accruals	1 880	
Other	273	(911)
(Utilised) raised during the year		
Accelerated capital allowances	(1 941)	(914)
Intangible assets	5 520	4 563
Doubtful debt allowances	(234)	1 269
Leave pay and bonus accruals	(7 247)	10 549
Calculated tax loss	2 999	(11 267)
Other	(1 809)	(2 169)
	840	10 032
14. Inventories		
Merchandise	1 090 490	1 055 678
Raw materials and components	20 410	19 991
Work in progress	30 207	28 749
	1 141 107	1 104 418
Cost of inventory recognised as an expense in cost of sales	2 708 493	2 380 023
Inventory that is expected to be sold after more than 12 months	177 000	141 000
Write-down of inventory to net realisable value and losses of inventory	8 062	5 832
Amounts removed during the year from the cash flow hedging reserve and included in the initial cost of inventories	408	949
The group policy is to estimate, at zero net realisable value, the inventory that will eventually be scrapped, as it is rare for price reductions to result in the sale of obsolete inventory.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 November 2014

R000	2014	2013

15. Trade and other receivables

Trade receivables	789 740	716 886
Allowance for doubtful receivables	(18 021)	(17 389)
Other receivables	62 681	65 718
Pre-payments	21 119	14 913
Fair value of forward exchange contracts		499
	855 519	780 627
Per category:		
At amortised cost	855 519	780 128
Derivatives used for hedging		499
	855 519	780 627
Allowance for doubtful receivables:		
Balance at beginning of the year	17 389	12 122
Additional allowance charged to profit	6 751	10 410
Allowance reversed to profit	(2 556)	(2 174)
Allowance utilised	(3 737)	(3 439)
Acquisitions during the year	174	470
	18 021	17 389

Receivables are reviewed for impairment on an individual basis and factors considered include the nature and credit quality of counter-parties as well as disputes regarding price, delivery and quality of product.

At year end, trade receivables of R155 million (2013: R146 million) were past due but not impaired, being customers of whom there is no recent history of default and are aged as follows:

Less than 30 days since date due	71 038	65 675
Between 31 and 60 days	40 987	28 084
Between 61 and 90 days	28 678	32 543
More than 90 days	13 877	20 061
	154 580	146 363

16. Shareholders' equity

16.1 Authorised share capital

40 000 000 ordinary shares of 10 cents each	4 000	4 000

16.2 Issued share capital

34 153 531 ordinary shares	3 415	3 415
Less: 2 507 828 ordinary shares held by subsidiary company – 7,3%	(251)	(251)
Net 31 645 703 ordinary shares	3 164	3 164

16.3 Unissued shares

4 003 000 unissued shares have been made available to the employee share incentive scheme (see note 16.5).

16.4 Retained income

Income retained in:		
Company	170 471	331 945
Subsidiary companies	1 357 681	1 358 982
	1 528 152	1 690 927

16. Shareholders' equity (continued)

16.5 Employee share-based remuneration schemes

Senior employees, including executive directors, participate in two equity-settled share-based remuneration schemes. They are the share appreciation bonus scheme and the share matching scheme, in which only executive directors have participated to date but is to be extended to certain senior managers from 2015.

000	Number of shares 2014	2013
Total specifically authorised to be issued in terms of all schemes	8 000	8 000
Less:		
Shares issued under the now defunct share option scheme	3 997	3 997
Shares available to be granted in terms of share appreciation bonus scheme in the future	4 003	4 003
Less:		
Shares required to meet obligations in terms of the share appreciation bonus scheme[(1)]	299	559
	3 704	3 444

(1) The number of shares varies in accordance with the Hudaco share price. This number has been calculated using the share price at year end.

Share appreciation bonus scheme

The following share appreciation bonus rights have been granted in terms of the scheme that was approved by shareholders in May 2006:

	Weighted average strike price in cents		Number of rights (000)	
	2 014	2 013	2 014	2 013
Rights not taken up at beginning of the year	7 748	7 198	2 127	1 833
Rights granted during the year	9 204	9 080	932	464
Forfeited during the year	(9 131)	(7 413)	(211)	(23)
Rights exercised during the year	(5 871)	(5 177)	(490)	(147)
Rights not taken up at end of the year	8 590	7 748	2 358	2 127
First exercisable in the financial years ending:				
November 10		3 975		52
November 11	4 847	5 789	63	107
November 12	5 486	5 689	83	206
November 13	6 006	5 988	154	316
November 14	6 389	6 282	211	331
November 15	9 091	9 042	233	308
November 16	9 528	9 523	311	395
November 17	9 497	9 912	557	266
November 18	9 167	9 080	450	146
November 19	9 204		296	
	8 590	7 748	2 358	2 127

Participants in this scheme will receive a bonus, settled in Hudaco shares at market price, equal to the appreciation in the Hudaco share price between the date of grant (strike price) and the date of exercise, multiplied by the number of rights granted. It is Hudaco's policy to acquire these shares on the open market and not to issue new shares. Tranche 1 vests three years after grant, tranche 2 vests four years after grant and tranche 3 vests five years after grant. Each tranche must be taken up within four years of vesting. The number of rights that may be taken up in each tranche is subject to a performance test generally based on the growth in Hudaco's comparable earnings per share during the period exceeding inflation plus 5%.

16. Shareholders' equity (continued)

Share matching scheme

The following share matching rights have been granted in terms to the scheme that was approved in January 2014.

	Weighted average share price in cents		Number of rights (000)	
	2014	2013	2014	2013
Rights granted during the year	10 279		8	

They are all first exercisable in the financial year ending November 2017.

Participants in the scheme will get an equal number of Hudaco shares if they remain in Hudaco's employ and hold on to these shares for three years after the date on which they were acquired.

Cost of share-based payments

The estimated fair value of these rights was calculated using the Black-Scholes option pricing model with the following inputs:

Share appreciation bonus scheme	Grant 1	Grant 3	Grant 4	Grant 5	Grant 6	Grant 7	Grant 8	Grant 9	Grant 10
Date of grant	7 Jun 06	15 Feb 08	18 Nov 08	1 Jul 09	7 Aug 10	13 Jul 11	27 Jul 12	12 Jul 13	25 Jul 14
Number of rights granted	793 500	404 767	120 800	578 500	276 333	277 534	405 433	464 250	932 080
Rights forfeited	(79 500)	(89 998)	(20 000)	(52 413)	(50 501)	(66 834)	(82 833)	(59 600)	
Rights taken up	(668 330)	(252 101)	(100 800)	(289 960)	(58 916)	(23 567)			
Rights still outstanding	45 670	62 668		236 127	166 916	187 133	322 600	404 650	932 080
Vested rights	93 387	194 835	20 200	236 127	106 755	60 000			
Unvested rights					60 161	127 133	322 600	404 650	932 080
Exercise price (R) – strike price	39,75(1)	71,45	55,40	50,50	68,09	81,05	109,26	90,80	92,04
Share price at grant date (R)	47,50	72,00	55,50	55,00	68,99	80,85	108,49	90,30	91,92
Expected volatility (%)(2)	25	25	25	28	27	34	25	21	21
Expected dividend yield (%)	3,8	4,0	4,0	4,0	6,0	5,4	5,2	4,7	4,6
Risk-free rate (%)	8,2	8,6	8,7	8,6	7,3	7,1	5,9	7,4	7,6
Vesting period (years)	3 to 5	3 to 5	3 to 5	3 to 5	3 to 5	3 to 5	3 to 5	3 to 5	3 to 5
Estimated fair value per right (R)	13,83	19,83	10,77	16,71	12,84	21,66	20,00	18,26	19,00

Share matching scheme	2014
Number of rights granted	8 168
Unvested rights	8 168
Share price at grant date (R)	102,79
Expected volatility (%)(2)	21
Expected dividend yield (%)	4,6
Risk-free rate (%)	7,10
Vesting period (years)	3
Estimated fair value per right (R)	90,32

(1) Weighted average price for 10 trading days prior to grant – subsequently reduced by R3,30 in terms of the scheme rules following a special dividend of R3,30 in 2007.

(2) Taking into account the expected term of the option, the Hudaco Industries Limited historical weekly volatility information was used to estimate expected future volatility, as there is nothing to indicate that this would not be an appropriate proxy for the forecast volatility.

R000	2014	2013
Employee share-based payment expense included in operating profit arising from:		
Share appreciation bonus scheme	7 684	6 237
Share matching scheme	110	
	7 794	6 237

16. Shareholders' equity (continued)

16.6 Non-distributable reserves

R000	Special reserve account*	Cash flow hedging reserve	Foreign currency translation reserve	Equity compensation reserves	BEE transaction share-based payments	Total
Note		23.2.1				
Balance at 30 November 2012	332	949		28 420	37 326	67 027
Increase in equity compensation reserves				3 578		3 578
Decrease in fair value of cash flow hedges		(541)				(541)
Balance at 30 November 2013	332	408		31 998	37 326	70 064
Less: shares held by subsidiary company	(41)					(41)
Net balance at 30 November 2013	291	408		31 998	37 326	70 023
Balance at 30 November 2013	**332**	**408**		**31 998**	**37 326**	**70 064**
Exchange gains on translation of foreign operations			**123**			**123**
Decrease in equity compensation reserves				**(3 179)**		**(3 179)**
Decrease in fair value of cash flow hedges		**(1 070)**				**(1 070)**
Balance at 30 November 2014	**332**	**(662)**	**123**	**28 819**	**37 326**	**65 938**
Less: shares held by subsidiary company	**(41)**					**(41)**
Net balance at 30 November 2014	**291**	**(662)**	**123**	**28 819**	**37 326**	**65 897**

** Represents an amount formerly held in share premium account transferred in 2001.*

R000	2014	2013

17. Non-current liabilities

17.1 Amount due to bankers

Unsecured borrowings on a R300 million three-year revolving credit facility from ABSA Bank Limited. The full outstanding amount is repayable on 6 December 2016. The facility bears interest, calculated monthly and paid quarterly, at rates that vary from JIBAR plus 1,55% to JIBAR plus 1,85%, depending on the extent of utilisation. Permission is required from the lender for any acquisition with a consideration exceeding R200 million.	**197 000**	
	197 000	

17.2 Amounts due to vendors of businesses acquired

Estimated amount due to the vendors of Specialised Battery Systems acquired in 2013.The amount includes imputed interest at 8,5% per annum. The amount finally payable (maximum R28,5 million) is subject to adjustment based on earnings of the business, up to February 2016.	**23 440**	48 741
Estimated amount due to the vendors of Three-D Agencies acquired in 2013. The amount includes imputed interest at 4,7% per annum. The amount finally payable (maximum R6,1 million) is subject to adjustment based on earnings of the business, up to February 2016.	**2 513**	3 142
Estimated amount due to the vendors of Proof Engineering acquired in 2012. The amount includes imputed interest at 5,3% per annum. The amount finally payable (maximum R2,3 million) is subject to adjustment based on earnings of the business, up to February 2015.	**2 216**	10 645
Amount due to the vendors of Pentagon acquired in 2011. The amount includes imputed interest at 5,2% per annum.	**1 500**	26 784
Amount due to the vendors of Global Communications acquired in 2011.		3 242
Total interest-bearing liabilities	**29 669**	92 554
Less: payable within 12 months	**17 915**	62 599
	11 754	29 955

These liabilities are estimated based on available information. Any adjustments is debited or credited to profit when the adjustment is determined.

R000	2014	2013

18. Trade and other payables

Trade payables	505 402	519 632
Fair value of forward exchange contracts	6 804	
Other payables	198 412	153 031
	710 618	672 663
Included in other payables are payroll and other accruals.		
Per category:		
At amortised cost	703 814	672 663
Derivatives for hedging	6 804	
	710 618	672 663

19. Acquisition of businesses

R000	Dosco Precision Hydraulics	Gear Pump Manufacturing	Engineering Technology Services	Joseph Grieveson	Total 2014	Total 2013
Effective date of control	01 Dec 13	01 Dec 13	01 Dec 13	01 Dec 13		
Fair value of assets acquired:						
Plant and equipment	4 323	4 806	2 254	6 359	17 742	4 504
Goodwill	34 937	21 011		55 834	111 782	24 923
Intangible assets	4 706	1 910		10 286	16 902	6 186
Bank (overdraft) balances	(8 893)	(2 801)		4 465	(7 229)	(15 579)
Inventories	16 568	12 793		2 139	31 500	34 869
Trade and other receivables	11 161	15 347	345	13 735	40 588	42 133
Trade and other payables	(11 652)	(7 311)		(23 562)	(42 525)	(13 634)
Taxation	(2 239)	(4 329)	2	(1 494)	(8 060)	(3 077)
Deferred taxation	(1 425)	(660)	(629)	(3 766)	(6 480)	(2 540)
Net operating assets acquired	47 486	40 766	1 972	63 996	154 220	77 785
Bank overdraft (balances) assumed	8 893	2 801		(4 465)	7 229	15 579
Balance owed to vendors						(51 507)
Net cash outflow on acquisitions	56 379	43 567	1 972	59 531	161 449	41 857

R000	2014	2013
Profit after tax since acquisition date included in the consolidated results for the year	32 251	7 479
Turnover since acquisition date included in the consolidated results for the year	239 656	95 980
Group profit after tax had the business combinations been included for the entire year	17 813	315 037
Group turnover had the business combinations been included for the entire year	4 479 794	4 080 685

Hudaco Trading Pty Ltd acquired 100% of the share capital of all the businesses acquired during 2014 from a company controlled by Graham Dunford, a director of Hudaco.

20. Dividends

Dividend number 54 of 310 cents per share declared on 30 January 2014	105 876	105 876
The record date was 7 March 2014 and the dividend was paid on 10 March 2014		
Dividend number 55 of 155 cents per share declared on 26 June 2014	52 938	52 938
The record date was 15 August 2014 and the dividend was paid on 18 August 2014		
Dividends paid to subsidiary company	(11 661)	(11 661)
	147 153	147 153

On 29 January 2015, the directors declared dividend number 56 of 310 cents per share, being the final dividend in respect of the year ended 30 November 2014. The record date will be 6 March 2015 and the dividend will be paid on 9 March 2015. This dividend has not been included as a liability in these financial statements.

R000	2014	2013

21. Notes to the statement of cash flows

21.1 Increase in working capital

Increase in inventories	(5 189)	(150 881)
Increase in trade and other receivables	(34 304)	(54 616)
(Decrease) increase in trade and other payables	(4 570)	67 166
	(44 063)	(138 331)

21.2 Taxation paid

Amounts owed at beginning of the year	(2 936)	(6 272)
Current tax charge	(125 738)	(117 033)
Prior year over (under) provision	889	(86)
Securities transfer tax		(5 452)
Foreign tax charge	243	404
Capital gains tax	(5)	(33)
Acquired during the year	(8 060)	(3 077)
Amounts (paid in advance) owed at end of the year	(5 567)	2 936
Tax paid excluding tax settlement	(141 174)	(128 613)
Amounts paid in advance at beginning of year pertaining to tax dispute	40 000	
Tax settlement charge for the year	(312 000)	
Amounts owed (paid in advance) at end of year in terms of settlement of tax dispute	192 000	(40 000)
Tax settlement paid	(80 000)	(40 000)
	(221 174)	(168 613)

21.3 Payments to vendors of businesses acquired

Amounts owed at beginning of the year	(92 554)	(151 085)
Interest imputed on amounts owed	(1 984)	(4 542)
Acquisitions during the year		(51 507)
Adjustment to purchase price credited (debited) to statement of income	2 237	(23 410)
Amounts owed at end of the year	29 669	92 554
	(62 632)	(137 990)

21.4 Finance costs paid

Finance costs	(39 404)	(70 346)
Imputed on amounts due to vendors of businesses acquired	1 984	4 542
	(37 420)	(65 804)

21.5 Dividends paid

To shareholders of the group	(147 153)	(147 153)
To non-controlling shareholders	(1 050)	(16 800)
	(148 203)	(163 953)

21.6 Cash and cash equivalents

Bank deposits and balances	41 624	15 520
Bank overdraft	(257 164)	(219 660)
	(215 540)	(204 140)

R000	2014	2013

22. Commitments

22.1 Operating lease arrangements

The group has entered into numerous operating leases in respect of fixed property used for warehousing, offices and branch trading facilities. The leases generally have an initial three to five-year term with options to renew at market-related rentals. Annual escalations ranging from 4% to 9% are common to all leases. No leases contain contingent rent provisions or covenants.

At the reporting date the group had outstanding commitments under these operating leases in respect of fixed properties which fall due as follows:

R000	2014	2013
Within one year	67 004	65 590
Payable in second to fifth years	137 897	109 812
Payable thereafter	32 159	26 192
	237 060	201 594

22.2 Property, plant and equipment

The group has budgeted to spend R56 million to acquire property, plant and equipment in 2015, none of which is committed or contracted for. Total capital expenditure will be financed by net cash flow from operations and the utilisation of unutilised borrowing facilities.

22.3 Acquisitions

After year end the group acquired Partuip Group Pty Ltd and the business of Berntel SA for considerations totaling a maximum of R569 million. Refer note 25.

23. Financial instruments

Details of the group's financial instruments are set out below:

23.1 Summary of financial instruments

23.1.1 Carrying value of financial instruments

R000	2014	2013
Financial assets by class:		
Trade receivables	771 719	699 497
Other receivables	62 681	65 718
Fair value of forward exchange contracts		499
Bank deposits and balances	41 624	15 520
	876 024	781 234
Financial assets by category:		
At amortised cost	876 024	780 735
Derivatives used for hedging at fair value		499
	876 024	781 234
Financial liabilities by class:		
Amounts due to vendors of businesses acquired	29 669	92 554
Amount due to bankers	197 000	
Bank overdraft	257 164	219 660
Trade payables	505 402	519 632
Fair value of forward exchange contracts	6 804	
Other payables	198 412	153 031
	1 194 451	984 877
Financial liabilities by category:		
At amortised cost	1 187 647	984 877
Derivatives used for hedging at fair value	6 804	
	1 194 451	984 877

Only forward exchange contracts are recognised at fair value in the statement of financial position. The fair value is indirectly derived from prices in active markets for similar liabilities, which means it is classified as a level 2 fair value measurement.

R000	2014	2013

23. Financial instruments (continued)

23.1 Summary of financial instruments (continued)

23.1.2 Fair value of financial instruments

	2014	2013
Financial assets by class:		
Trade receivables	771 719	699 497
Other receivables	62 681	65 718
Bank deposits and balances	41 624	15 520
Fair value of forward exchange contracts		499
	876 024	781 234
Financial liabilities by class:		
Amounts due to vendors of businesses acquired	29 669	92 554
Amount due to bankers	197 000	
Bank overdraft	257 164	219 660
Trade payables	505 402	519 632
Fair value of forward exchange contracts	6 804	
Other payables	198 412	153 031
	1 194 451	984 877

All financial instruments are carried at fair value or amounts that approximate fair value, except for the amounts due to bankers and vendors of businesses acquired, which are carried at amortised cost. The fair values for bank deposits and balances, receivables, payables, forward exchange contracts and bank overdraft approximate their carrying values due to the short-term nature of these instruments. The fair values have been determined by using available market information and appropriate valuation methodologies.

23.2 Market risk

23.2.1 Foreign currency risk

The group imports more than 60% of its cost of sales and consequently has a significant exposure to currency risk. Group policy is to take forward cover on all foreign currency liabilities (which effectively changes them from foreign to local currency liabilities) and on a portion (determined from time to time and generally between 20% and 30%) of orders placed but not yet shipped. Order lead times vary between a few days and 12 months. The objective is to have forward cover in place well before goods are shipped.

Cash flow hedges – at 30 November 2014 the group had entered into the following forward exchange contracts relating to forecast purchase transactions, ie orders placed on suppliers but not yet shipped. These contracts for the purchase of foreign currency will be utilised for settlement of shipments received during the next two months:

	Year end spot rate	Foreign amount 000	Contract rate	Rand equivalent R000
Japanese Yen	10,69	93 586	10,04	9 324
US Dollar	11,12	2 882	11,06	31 860
Singapore Dollar	8,50	13	8,48	111
Pound Sterling	17,36	265	17,68	4 682
Euro	13,84	2 540	13,96	35 461
Total cost of contracts				81 438
Fair value – Rand equivalent of the above contracts at year end spot rates				80 649
Loss recognised directly in equity on import orders *				(789)
Attributable to non-controlling shareholders				127
Attributable to shareholders of the group (note 16.6)				(662)

** To be reclassified to profit or loss in subsequent accounting periods.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 November 2014

23. Financial instruments (continued)

Hudaco's central treasury is responsible for the management of foreign currency exposure throughout the group. This is done within clear guidelines set by the board, and exposure and limits are reviewed at quarterly board meetings. There has been no change during the year to the group's approach to managing foreign currency risk.

23.2.2 Interest rate risk

The group may use bank finance to purchase inventories and has been reluctant to fix interest rates for extended periods on borrowings that finance working capital.

The interest rate profile of long-term borrowings is as follows:

	Year of repayment	Interest rate %	2014 R000	2013 R000
Amount due to bankers	2016	JIBAR plus premium	**197 000**	
Amounts due to vendors of businesses acquired				
– Specialised Battery Systems	2014 – 2016	8,5	**23 440**	48 741
– Three-D Agencies	2014 – 2016	4,7	**2 513**	3 142
– Proof Engineering	2013 – 2015	5,3	**2 216**	10 645
– Pentagon	2015	5,2	**1 500**	26 784

23.3 Credit risk

Credit risk is present in trade receivables and short-term cash investments.

At group level trade receivables consist of a large, widely-spread customer base with no significant concentration of risk to any one customer or industry. Each business in the group is responsible for the management of credit risk in receivables and does so through ongoing credit evaluations and credit control policies and procedures. Management does not consider there to be any material credit risk exposure that is not already covered by an impairment for doubtful debts.

It is group policy to deposit short-term cash investments with major banks, within limits approved by the board, where security rather than yield is the overriding consideration.

The maximum credit risk (disregarding collateral held) to which the group is exposed is as follows:

R000	2014	2013
Trade receivables	**771 719**	699 497
Other receivables	**62 681**	80 631
Fair value of forward exchange contracts		499
Bank deposits and balances	**41 624**	15 520
	876 024	796 147

23.4 Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Unutilised facilities plus available cash resources at 30 November 2014 were R924 million.

There is no restriction on borrowing powers in terms of the memorandum of incorporation and at 30 November 2014 the group's banking facilities substantially exceeded its forecast requirements for the forthcoming year.

The maturity profile of financial liabilities is as follows:

R000	Total owing 2014	Repayable during the year ending 30 November 2015	30 November 2016
Amount due bankers	**197 000**		197 000
Amounts due to vendors of businesses acquired	**29 669**	17 915	11 754
Bank overdraft	**257 164**	257 164	
Trade payables	**505 402**	505 402	
Other payables	**198 412**	198 412	

R000	2014	2013

23. Financial instruments (continued)

23.5 Fair value of financial instruments

The profit arising on the fair value adjustment on all forward exchange contracts is set out below:

	2014	2013
Cash flow hedges (note 23.2.1)	(789)	489
Fair value hedges (on contracts of R334 million at year end spot rates)	(6 015)	10
	(6 804)	499

The book value of all non-derivative financial instruments approximates their fair value at 30 November 2014.

23.6 Capital management

The group seeks to ensure that it and each separate entity has sufficient capital to support its activities and its medium-term growth objectives.

In setting the ideal mix between debt and equity, the group seeks to optimise its return on shareholders' equity while maintaining prudent financial gearing. Generally, the objective is to operate with net debt not exceeding 2,5 times EBITDA.

Excess capital will be returned to shareholders in the form of special dividends when appropriate.

In setting the maximum amount of unsubordinated debt the group would carry, the group's objective would also be to have net interest covered at least five times by operating profit; net interest being interest paid on debt less interest received.

24. Retirement benefits

It is the policy of the group to provide for employees' retirement benefits by contributing to separate, defined contribution pension or provident plans which are independent entities managed by trustees and subject to the Pension Funds Act, 1956. Membership is of umbrella funds administered by Old Mutual.

Contributions to retirement funding during the year amounted to R39,6 million (2013: R33,5 million). All permanent employees are required to become members of one of these plans unless they are obliged by legislation to be members of various industry funds.

The group does not contribute to post-retirement medical costs for current or future pensioners.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 November 2014

25. Events after reporting date

25.1 Acquisitions

On 1 December 2014 Hudaco acquired the trading assets and liabilities of Berntel SA, a business involved in pneumatic products complementing an existing operation, Ernest Lowe. On the same date Hudaco acquired 100% of the issued shares of Partquip Group Pty Ltd, a company that distributes automotive after-market components in Southern Africa sold under the established brands of Partquip, A-Line and Ironman 4x4.

Berntel SA was acquired on an earn-out and the final consideration is dependent on the average profit for the two years ending 30 November 2016 with a maximum consideration of R18,9 million.

The shares of Partquip Group Pty Ltd were acquired for a consideration of R550 million, of which R35 million was placed into escrow pending the resolution of certain matters. No earn-out was applied to this business as the shareholders have exited and there is an experienced management structure in place.

Hudaco constantly seeks out opportunities to expand operations and these businesses were acquired in order to increase the revenue earning capacity of the group.

The businesses were valued using a price-earnings multiple and the excess of the consideration paid over the net assets acquired is attributable to goodwill.

The estimated fair values of assets acquired, subject to a final purchase price allocation are:

R000	Partquip	Berntel	Total
Plant and equipment	10 000	89	10 089
Goodwill	239 744	6 840	246 584
Intangible assets	56 192	1 858	58 050
Cash and cash equivalents	110 619	301	110 920
Inventories	144 083	6 109	150 192
Trade and other receivables	112 320	1 705	114 025
Trade and other payables	(92 706)	(1 429)	(94 135)
Borrowings	(4 424)		(4 424)
Taxation	(11 267)		(11 267)
Deferred taxation	(14 561)	(865)	(15 426)
Net operating assets acquired	550 000	14 608	564 608

Had these businesses been acquired at the beginning of the year, additional turnover of R628 million and profit after tax of R80 million would have been included in the consolidated statement of comprehensive income. The consolidated turnover, including these results, would have been R5 108 million and the profit before tax settlement R409 million.

25.2 Banking facilities

In December 2014 Hudaco Trading Pty Ltd, a subsidiary of Hudaco Industries Limited entered into an agreement whereby Rand Merchant Bank and Standard Bank will provide an evergreen revolving credit facility for R600 million (50% each) to finance the acquisition of Partquip and other businesses. The banks will have the right to call up the facility on 367 days' notice.

26. Directors' interests and remuneration

26.1 Interests of directors in the share capital of the company

The total direct interests of directors in the shares of the company are:

	Beneficial		Non-beneficial	
	2014	2013	2014	2013
RT Vice	4 000	4 000		
SJ Connelly	274 139	207 639	1 680	1 680
CV Amoils	3 717		7 500	7 500
GR Dunford	36 490	19 309	934 000	
	318 346	230 948	943 180	9 180

The shareholdings above have not changed between 30 November 2014 and the date of the notice of the annual general meeting.

26. Directors' interests and remuneration (continued)

26.2 Directors' interests in the share appreciation bonus scheme and the share matching scheme

26.2.1 The directors have the following rights in terms of the share appreciation bonus scheme:

	Outstanding rights beginning of year	Strike price R	Granted during the year	Forfeited during the year	Taken up during the year	Outstanding rights end of year	Date granted	Number of tranches	Date benefit to be determined	Gains on rights taken up[(1)] R000
2014										
SJ Connelly	425 500			112 808	312 692					11 617
	100 000	71,45			100 000		15 Feb '08	3	Feb '11 – Feb '17	2 616
	155 000	50,50		3 307	151 693		01 Jul '09	3	Jul '12 – Dec '17	7 455
	62 500	68,09		20 834	41 666		07 Aug '10	3	Aug '13 – Dec '17	1 244
	58 000	81,05		38 667	19 333		13 Jul '11	3	Jul '14 – Dec '17	302
	30 000	109,26		30 000			27 Jul '12	2	Jul '15 – Dec '17	
	20 000	90,80		20 000			12 Jul '13	1	Jul '16 – Dec '17	
CV Amoils	179 000		74 100			253 100				
	65 000	50,50				65 000	01 Jul '09	3	Jul '12 – Jul '18	
	30 000	68,09				30 000	07 Aug '10	3	Aug '13 – Aug '19	
	27 000	81,05				27 000	13 Jul '11	3	Jul '14 – Jul '20	
	30 000	109,26				30 000	27 Jul '12	3	Jul '15 – Jul '21	
	27 000	90,80				27 000	12 Jul '13	3	Jul '16 – Jul '22	
		92,04	74 100			74 100	25 Jul '14	3	Jul '17 – Jul '23	
GR Dunford	219 833		208 500		21 667	406 666				1 208
	43 333	39,75			21 667	21 666	06 Jul '06	3	Jul '09 – Jul '15	1 208
	20 000	71,45				20 000	15 Feb '08	3	Feb '11 – Feb '17	
	45 000	50,50				45 000	01 Jul '09	3	Jul '12 – Jul '18	
	25 500	68,09				25 500	07 Aug '10	3	Aug '13 – Aug '19	
	26 000	81,05				26 000	13 Jul '11	3	Jul '14 – Jul '20	
	32 000	109,26				32 000	27 Jul '12	3	Jul '15 – Jul '21	
	28 000	90,80				28 000	12 Jul '13	3	Jul '16 – Jul '22	
		92,04	208 500			208 500	25 Jul '14	3	Jul '17 – Jul '23	
	824 333		282 600	112 808	334 359	659 766				12 825
2013										
SJ Connelly	405 500		20 000			425 500				
	100 000	71,45				100 000	15 Feb '08	3	Feb '11 – Feb '17	
	155 000	50,50				155 000	01 Jul '09	3	Jul '12 – Dec '17	
	62 500	68,09				62 500	07 Aug '10	3	Aug '13 – Dec '17	
	58 000	81,05				58 000	13 Jul '11	3	Jul '14 – Dec '17	
	30 000	109,26				30 000	27 Jul '12	2	Jul '15 – Dec '17	
		90,80	20 000			20 000	12 Jul '13	1	Jul '16 – Dec '17	
CV Amoils	152 000		27 000			179 000				
	65 000	50,50				65 000	01 Jul '09	3	Jul '12 – Jul '18	
	30 000	68,09				30 000	07 Aug '10	3	Aug '13 – Aug '19	
	27 000	81,05				27 000	13 Jul '11	3	Jul '14 – Jul '20	
	30 000	109,26				30 000	27 Jul '12	3	Jul '15 – Jul '21	
		90,80	27 000			27 000	12 Jul '13	3	Jul '16 – Jul '22	
GR Dunford	213 500		28 000		21 667	219 833				1 116
	65 000	39,75			21 667	43 333	06 Jul '06	3	Jul '09 – Jul '15	1 116
	20 000	71,45				20 000	15 Feb '08	3	Feb '11 – Feb '17	
	45 000	50,50				45 000	01 Jul '09	3	Jul '12 – Jul '18	
	25 500	68,09				25 500	07 Aug '10	3	Aug '13 – Aug '19	
	26 000	81,05				26 000	13 Jul '11	3	Jul '14 – Jul '20	
	32 000	109,26				32 000	27 Jul '12	3	Jul '15 – Jul '21	
		90,80	28 000			28 000	12 Jul '13	3	Jul '16 – Jul '22	
	771 000		75 000		21 667	824 333				1 116

Participants in the scheme will receive a bonus, settled in Hudaco shares, equal to the appreciation in the Hudaco share price between the date of grant (strike price) and the date exercised, multiplied by the number of rights granted. It is Hudaco's policy to acquire these shares on the open market and not to issue new shares. Tranche 1 vests three years after grant, tranche 2 vests four years after grant and tranche 3 vests five years after grant. Each tranche must be taken up within four years of vesting. The number of rights that may be taken up in each tranche is subject to a performance test based on the growth in Hudaco's comparable earnings during the period, generally of CPI plus 5%.

(1) This represents the difference between the market price and the strike price on the date the rights were taken up.

26. Directors' interests and remuneration (continued)

26.2.2 The directors have the following rights in terms of the share matching scheme:

000	Granted during the year
CV Amoils	4
GR Dunford	4
	8

Participants in the scheme will receives an equal number of Hudaco shares if they remain in the employ of Hudaco and hold on to these shares for three years after the date they were acquired.

26.3 Directors' remuneration

Non-executive directors R000	Base fee	Attendance fee (1)	Consulting fee	Total Remuneration
2014				
RT Vice	797			797
PC Baloyi	395			395
SJ Connelly(2)			936	936
SG Morris	454			454
D Naidoo	418			418
	2 064		936	3 000
2013				
RT Vice	714	77		791
PC Baloyi	82			82
DD Mokgatle	266	72		338
SG Morris	369	77		446
D Naidoo	340	77		417
	1 771	303		2 074

(1) From 1 April 2013 no attendance fees were paid but penalties would have been incurred for non-attendance.
(2) Appointed as non-independent non-executive director on 1 July 2014.

Executive directors paid by subsidiaries for managerial services R000	Fixed remuneration	Retirement fund contributions	Other benefits	Performance-related remuneration	Total before share-based payments	Share-based payments(1)	Total remuneration	Bonus on share appreciation rights exercised(2)
2014								
SJ Connelly(3)	2 214	250	454	1 100	4 018		4 018	11 617(5)
CV Amoils	2 215	254	199	1 800	4 468	887	5 355	
GR Dunford(4)	2 696	344	278	1 700	5 018	971	5 989	1 208
	7 125	848	931	4 600	13 504	1 858	15 362	12 825
2013								
SJ Connelly	3 448	414	520	2 500	6 882	1 026	7 908	
CV Amoils	1 853	230	337	1 559	3 979	562	4 541	
GR Dunford	1 953	277	295	1 834	4 359	517	4 876	1 116
	7 254	921	1 152	5 893	15 220	2 105	17 325	1 116

(1) The fair value of share appreciation bonus rights granted is the annual expense in terms of IFRS 2.
(2) This represents the difference between the market price and the strike price on the date the rights were exercised. The fair value of the rights has been expensed in prior years in terms of IFRS 2 so there is an element of double counting.
(3) Retired as chief executive on 30 June 2014 and remained on the board as a non-executive director.
(4) Appointed chief executive on 1 July 2014.
(5) SJ Connelly remains entitled to an award determined by the increase in the Hudaco share price on 312 692 shares from R95,30 to a 10-day volume weighted average price at a date no later than 30 June 2015, being one year after his retirement.

27. Related party transactions

Related parties are those that control or have a significant influence over the group (including holding companies, major investors and key management personnel) and parties that are controlled or significantly influenced by the group (including subsidiaries, joint ventures, associates and retirement benefit plans).

Hudaco has no holding company, nor is there a major shareholder that has a significant influence over the group. Group companies have entered into transactions in the ordinary course of business with certain financial institutions that are also shareholders, or their affiliates. In the main, these transactions relate to property leases and financial services. All such transactions have been concluded under terms that are consistent with those entered into with third parties.

Hudaco has no associates or joint venture partners. The company and its subsidiaries do have dealings with each other but these are eliminated on consolidation and are not dealt with in this note. A list of principal subsidiaries is provided on page 103.

Details of transactions between the group and other related parties are disclosed below.

Key management personnel are defined as executive directors of the company and members of the executive committee and include partners and children.

Hudaco does not have prescribed officers as defined in Regulation 38 of the Companies Regulations, 2011.

R000	2014	2013
Compensation of key management personnel		
Short-term employee benefits	29 681	28 813
Share-based payments[1]	3 584	2 905
	33 265	31 718

(1) The fair value of the share appreciation rights granted is the annual expense in terms of IFRS 2.

In addition to the above, key management personnel have exercised share appreciation rights during the year with a difference between the market price at exercise date and the strike price amounting to R15,3 million (2013: R1,7 million). The fair value of these rights has been expensed in terms of IFRS 2 in prior years so there is an element of double counting.

Directors

Details of directors' remuneration, share-based payments and shareholdings are set out in note 26.

GR Dunford, chief executive of Hudaco, is a 82% shareholder of the landlord of premises occupied by Bauer, Dosco Precision Hydraulics, Gear Pump Manufacturing and Joseph Grieveson. Rental paid in respect of Bauer amounted to R1 531 896 (2013: R1 397 498). This lease expires on 31 December 2016. Rental paid in respect of Dosco Precision Hydraulics amounted to R1 186 264, Gear Pump Manufacturing amounted to R1 313 904 and Joseph Grieveson amounted to R2 111 720. These leases expire on 30 March 2019, 30 June 2018 and 30 June 2017, respectively.

The terms of all the above lease agreements are consistent with those entered into with third parties.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 November 2014

28. Segment information

R million	Group 2014	Group 2013	Head office, shared services and eliminations 2014	Head office, shared services and eliminations 2013	Engineering consumables 2014	Engineering consumables 2013	Consumer-related-products 2014	Consumer-related-products 2013
Statement of net income								
Turnover	**4 480**	3 942	**(5)**	(6)	**2 767**	2 478	**1 718**	1 470
– Ongoing operations	**3 954**	3 846	**(5)**	(6)	**2 423**	2 412	**1 536**	1 440
– Operations acquired in 2013 and 2014	**526**	96			**344**	66	**182**	30
EBITDA	**547**	514	**(22)**	(20)	**339**	322	**230**	212
Depreciation less recoupments	**33**	28	**1**	2	**23**	19	**9**	7
Amortisation of intangible assets	**20**	17			**14**	11	**6**	6
Operating profit	**494**	469	**(23)**	(22)	**302**	292	**215**	199
– Ongoing operations	**414**	458	**(23)**	(22)	**248**	286	**189**	194
– Operations acquired in 2013 and 2014	**80**	11			**54**	6	**26**	5
Fair value adjustments to amounts due to vendors	**3**	(23)			**5**	(22)	**(2)**	(1)
Profit before interest	**497**	446	**(23)**	(22)	**307**	270	**213**	198
Statement of financial position								
Property, plant and equipment	**257**	214		1	**213**	179	**44**	34
Goodwill	**730**	619			**511**	399	**219**	220
Intangible assets	**36**	39			**27**	23	**9**	16
Deferred taxation – net	**1**	10	**9**	7	**(5)**	3	**(3)**	
Inventories	**1 141**	1 104			**775**	740	**366**	364
Trade and other receivables	**856**	780	**2**	5	**486**	438	**368**	337
Trade and other payables	**(711)**	(673)	**(2)**	(16)	**(391)**	(354)	**(318)**	(303)
Taxation	**(186)**	37	**(124)**	124	**(32)**	(48)	**(30)**	(39)
Net operating assets	**2 124**	2 130	**(115)**	121	**1 584**	1 380	**655**	629
Additional information								
Average net operating assets	**2 383**	2 119	**105**	124	**1 605**	1 394	**673**	601
Capital expenditure	**64**	38		1	**42**	28	**22**	9
Operating profit margin (%)	**11,0**	11,9			**10,9**	11,8	**12,5**	13,5
Return on average net operating assets (%)	**20,5**	22,1			**18,8**	20,9	**31,9**	33,1
Number of permanent employees	**2 835**	2 688	**23**	20	**2 146**	1 983	**666**	685

No secondary segment information has been prepared as revenue and assets outside South Africa are less than 10% of the group total.

The performance of operating segments is measured at operating profit level. Management of interest is centralised.

COMPANY FINANCIAL STATEMENTS

for the year ended 30 November 2014

Hudaco Industries Limited

Statement of financial position

at 30 November 2014

R000	2014	2013
Assets		
Non-current assets		
Interest in subsidiaries (note 1)	226 705	387 898
Current assets	256	286
Receivables and taxation	256	284
Bank deposits and balances		2
Total assets	226 961	388 184
Equity and liabilities		
Shareholders' equity	225 751	387 225
Current liabilities		
Payables and taxation	1 210	959
Total equity and liabilities	226 961	388 184

Statement of comprehensive income

for the year ended 30 November 2014

	2014	2013
Dividends received from subsidiaries		751
Operating costs	2 663	2 618
Loss before interest	(2 663)	(1 867)
Finance revenue (cost)	3	(8)
Loss before taxation	(2 660)	(1 875)
Taxation – South African normal tax		48
Loss after taxation	(2 660)	(1 923)

Statement of changes in equity

for the year ended 30 November 2014

R000	Share capital	Share premium	Special reserve account*	Retained income	Share-holders' equity
Balance at 30 November 2012	3 415	51 533	332	492 682	547 962
Loss after taxation				(1 923)	(1 923)
Dividends to shareholders				(147 153)	(147 153)
Dividends to subsidiary				(11 661)	(11 661)
Balance at 30 November 2013	3 415	51 533	332	331 945	387 225
Loss after taxation				(2 660)	(2 660)
Dividends to shareholders				(147 153)	(147 153)
Dividends to subsidiary				(11 661)	(11 661)
Balance at 30 November 2014	3 415	51 533	332	170 471	225 751

** Represents an amount formerly held in share premium account transferred in 2001.*

COMPANY FINANCIAL STATEMENTS (continued)

for the year ended 30 November 2014

Statement of cash flows

for the year ended 30 November 2014

R000	2014	2013
Cash generated from operating activities		
Dividends and interest received		751
Interest received (paid)	3	(8)
Operating costs paid	(2 663)	(2 618)
Decrease in working capital	142	5
Cash utilised in operating activities	(2 518)	(1 870)
Taxation refunded (paid)	137	(48)
Cash flow from operations	(2 381)	(1 918)
Dividends	(158 814)	(158 814)
Net cash applied	(161 195)	(160 732)
Cash applied to investment activities		
Decrease in loans to subsidiary companies	161 193	160 732
Net cash retained	(2)	
Cash flow from financing activities		
Decrease in bank deposits and balances	2	
Net financing raised	2	

Notes to the company financial statements

R000	2014	2013
1. Interest in subsidiaries		
Shares at cost less amounts written off	92 275	92 275
Loans to subsidiaries	134 430	295 623
	226 705	387 898

These loans are unsecured, interest-free and repayable at the discretion of the subsidiary.

The investment in a subsidiary company is carried at cost less impairment losses where applicable.

2. Auditor's remuneration

	2014	2013
Audit fees for the current year	105	100

3. Contingent liability

The company has guaranteed the senior banking facilities of Hudaco Trading Pty Ltd. The maximum exposure in this regard is approximately R1 612 million and the exposure is R568 million at year end.

PRINCIPAL SUBSIDIARIES

at 30 November 2014

	Issued share capital Rand	Interest of holding company: Group's effective interest		Book value of shares		Loans owing by	
		2014 %	2013 %	2014 R000	2013 R000	2014 R000	2013 R000
Dosco Precision Hydraulics Pty Ltd	100	**85**(2)					
Gear Pump Manufacturing Pty Ltd	100	**85**(2)					
Hudaco Trading Pty Ltd	2 000	**85**(1)	85(1)	**2**	2		
Operating businesses							
Abes Technoseal							
Ambro Sales and Midrand Special Steels							
Astore Africa							
Bauer Geared Motors							
Bearings International							
Belting Supply Services							
Bosworth							
Deltec							
Deutz Dieselpower							
Donsteel							
Elvey Security Technologies							
Ernest Lowe							
Filter and Hose Solutions							
Global Communications							
Keymak							
Pentagon							
Powermite							
Proof Engineering							
Rutherford							
Specialised Battery Systems							
Three-D Agencies							
Varispeed							
Hudaco Investment Company Limited	26 160	**100**	100	**48 158**	48 158	**134 430**	295 623
Barbara Road Investments Pty Ltd	100	**100**	100				
DD Power Holdings Pty Ltd	300 000	**70**(3)	70(3)				
DD Power Pty Ltd	7 450 000	**70**	70				
Joseph Grieveson Pty Ltd	100 000	**85**(2)					
Valhold Ltd	959 841	**100**	100	**37 692**	37 692		
Valard Ltd	874 149	**100**	100	**6 423**	6 423		
Interest in subsidiaries				**92 275**	92 275	**134 430**	295 623

(1) 15% of the shares in Hudaco Trading Pty Ltd are held by the following BEE shareholders: Ulwazi Consortium – 4,17%; The Hudaco Trading BEE Staff Education Trust – 5,83%; The Hudaco Broad Based BEE Foundation – 5%.

(2) Subsidiary of Hudaco Trading Pty Ltd – see note 1.

(3) 30% of the shares in DD Power Holdings Pty Ltd are held by Deutz AG.

A complete list of subsidiaries is available to shareholders on request at the registered office of the company.

SHAREHOLDER ANALYSIS

as at 28 November 2014

Shareholder analysis	Number of shares	% of issued shares	Number of shareholders
Portfolio size			
1 – 1 000 shares	793 266	2,51	2 316
1 001 – 5 000 shares	1 178 192	3,72	494
5 001 – 10 000 shares	931 357	2,94	125
10 001 – 100 000 shares	6 623 878	20,93	196
Over 100 000 shares	22 119 010	69,90	58
Total[(1)]	31 645 703	100,00	3 189
Category			
Banks and nominee companies	1 832 376	5,79	24
Financial institutions and pension funds	24 113 491	76,20	221
Individuals	4 654 001	14,71	2 890
Other corporate bodies	1 045 835	3,30	54
Total[(1)]	31 645 703	100,00	3 189
Shareholder spread			
Public	30 343 939	95,89	3 178
Non-public	1 301 764	4,11	11
Directors and associates[(2)]	1 297 564	4,10	10
Share trust	4 200	0,01	1
Total[(1)]	31 645 703	100,00	3 189

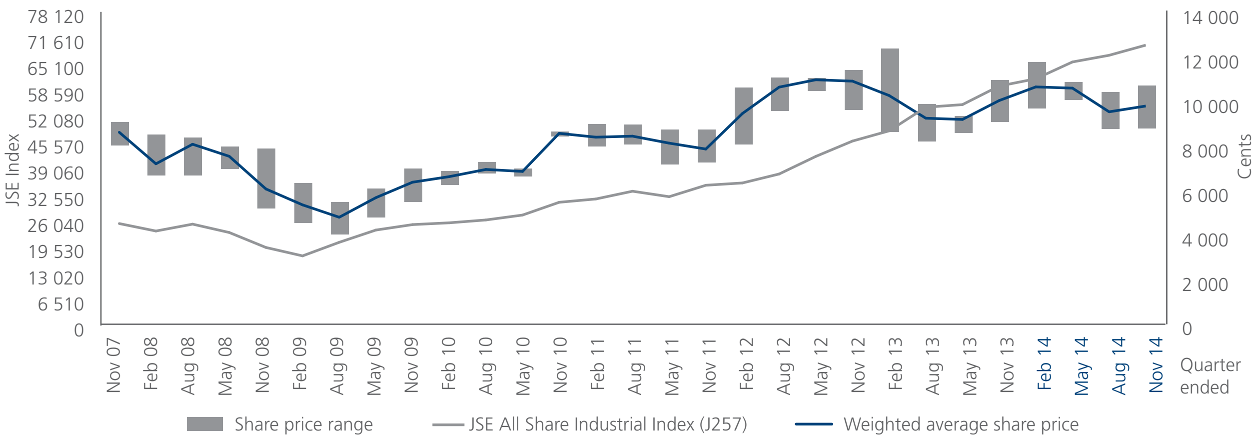
Major shareholders	Number of shares held	% of issued share capital
Beneficial shareholders holding more than 3%		
Government Employees Pension Fund	3 683 268	11,64
Old Mutual Life Assurance	2 626 877	8,30
Government of Norway	1 379 692	4,36
Nedgroup Investments Value Fund	1 288 715	4,07
Foord Balanced Fund	1 022 844	3,23
Fund managers holding more than 3%		
Old Mutual Investment Group (South Africa)	6 894 140	21,79
Public Investment Corporation	3 284 633	10,38
Prudential Group	3 088 959	9,76
Foord Asset Management	2 690 945	8,50
Sanlam Investment Management	1 707 097	5,39
Investec Asset Management	1 039 159	3,28
Bateleur Capital	1 034 982	3,27
Argon Asset Management	957 564	3,03

(1) Excludes 2 507 828 shares held by a subsidiary company.

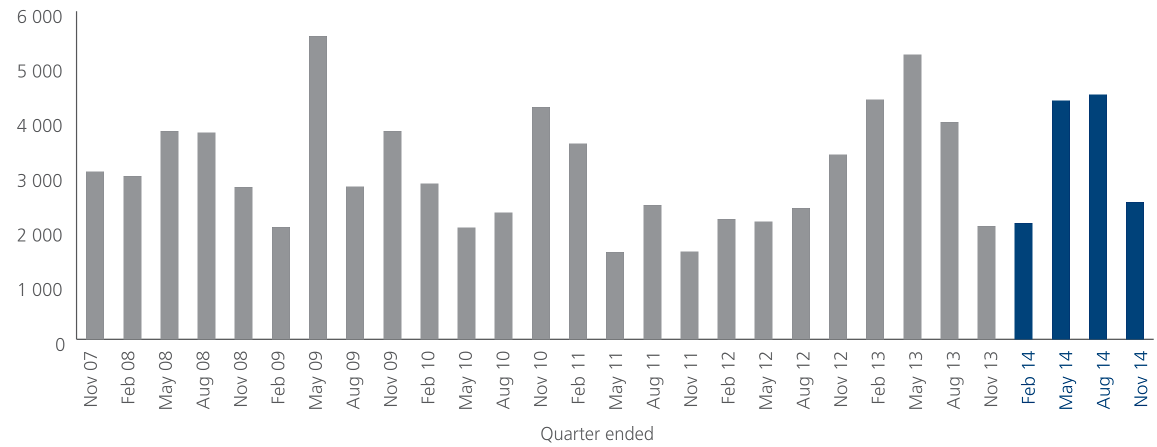
(2) Directors' shareholdings are set out in note 26.1 to the financial statements. A list of shareholdings of senior management is available on request from the group secretary.

SHARE INFORMATION

Share price history



Volume traded on JSE (000)



JSE statistics	2014	2013	2012	2011	2010	2009	2008
Market price (cents)	**9 590**	10 365	11 200	8 475	8 501	6 600	5 600
NAV per share (cents)	**5 210**	5 737	5 277	4 721	4 080	3 681	3 282
Number of shares in issue (000)*	**31 646**	31 646	31 646	31 646	31 540	31 240	30 923
Market capitalisation (Rm)*	**3 035**	3 280	3 544	2 682	2 681	2 062	1 732
Price: earnings ratio (times)	**10,3**	9,6	10,4	10,1	10,9	7,2	8,1
All Share Industrial Index PE ratio (J257)	**21,6**	21,0	18,7	17,4	17,3	15,9	11,4
Dividend yield (%)	**4,8**	4,5	4,2	4,3	4,1	5,8	5,8
All Share Industrial Index dividend yield (J257) (%)	**2,2**	2,2	2,4	2,6	2,1	2,2	3,6
Annual trade in Hudaco shares							
Number of transactions recorded	**22 549**	23 223	12 034	7 427	5 506	4 963	4 966
Volume of shares traded (000)	**13 475**	15 638	10 121	9 242	11 461	15 113	13 355
% of issued shares traded*	**43**	48	32	29	36	48	43
Value of shares traded (Rm)	**1 354**	1 496	1 062	757	822	791	974

** Excludes 2 507 828 shares held by a subsidiary company.*

NOTICE OF ANNUAL GENERAL MEETING

Hudaco Industries Limited

(Incorporated in the Republic of South Africa)
(Registration number 1985/004617/06)
Share code: HDC ISIN code: ZAE000003273
("Hudaco" or "the company")

Notice to shareholders of the 30th Annual General Meeting (AGM) of Hudaco Industries Limited

Notice is hereby given that the 30th AGM of shareholders of the company for the year ended 30 November 2014 will be held at 11:00 on Friday, 27 March 2015 in the boardroom at Hudaco's corporate offices situated at Building 9, Greenstone Hill Office Park, Emerald Boulevard, Greenstone Hill, Edenvale. Registration for attendance will commence at 10:30.

Important dates and times [1], [2]	2015
Record date for determining which shareholders are entitled to receive the AGM notice	Friday, 6 February
Notice posted to shareholders[3]	Friday, 13 February
Record date for attending and voting at the AGM	Friday, 20 March
Last day for shareholders to lodge forms of proxy for the AGM by 11:00	Wednesday, 25 March
AGM to be held at 11:00	Friday, 27 March
Results of AGM to be released on SENS	Friday, 27 March

Notes

(1) All times referred in this notice are local times in South Africa.

(2) Any material variation of the above dates and times will be announced on SENS and published in the press.

(3) The Hudaco board of directors ("the board") has determined that the record date for the purpose of determining which shareholders are entitled to receive the AGM notice is Friday, 6 February 2015, and the record date for purposes of determining which shareholders of the company are entitled to participate and vote at the AGM is Friday, 20 March 2015. Accordingly, only shareholders who are recorded as such in the register maintained by the transfer secretaries of the company on Friday, 20 March 2015 will be entitled to participate in and vote at the AGM.

(4) Kindly note that AGM participants (including shareholders and proxies) are required to provide satisfactory picture identification before being entitled to attend or participate at the AGM. Forms of satisfactory identification include valid identity documents, driver's licences and passports.

Business to be transacted

The purpose of the AGM is for the following business to be transacted and the following resolutions to be proposed, all of them ordinary resolutions unless the contrary appears:

1. To present the audited consolidated financial statements of the company (as approved by the board), as well as the external auditor, audit and risk management committee, social and ethics committee and directors' reports for the financial year ended 30 November 2014, distributed as required.

   Copies of the integrated report which contains the full audited consolidated annual financial statements for the year ended 30 November 2014 are obtainable from the company's website: www.hudaco.co.za or from the group secretary.

2. Ordinary Resolution Number 1: To re-elect directors retiring by rotation

To re-elect as directors, each by way of a separate vote the following directors who are required to retire in terms of clause 21.6.1 of the company's Memorandum of Incorporation (MOI) and who are eligible and have offered themselves for re-election:

2.1 Ordinary Resolution Number 1.1: Re-election of Mr CV Amoils; and

2.2 Ordinary Resolution Number 1.2: Re-election of Miss D Naidoo.

The nomination committee of the board has reviewed the composition of the board against corporate governance and transformation requirements and has recommended the re-election of the directors listed in 2 above. It is the view of the board that re-election of the candidates referred in 2 above would enable the company to:

- responsibly maintain a mixture of business skills and experience relevant to the company and balance the requirements of transformation continuity and succession planning; and
- comply with corporate governance requirements in respect of matters such as the balance of executive, non-executive and independent directors on the board.

Note

In terms of clause 21.6.1 of the company's MOI at least one third of the directors must retire each year and are eligible for re-election. The directors who shall retire shall be the longest serving directors since their last election. Brief curricula vitae of directors who have offered themselves for re-election are included on pages 18 and 19 of the Hudaco integrated report, which is available on the company's website: www.hudaco.co.za or from the group secretary.

3. Ordinary Resolution Number 2: To approve the re-appointment of external auditors

To re-appoint Grant Thornton as independent auditors of Hudaco and to note that the individual registered auditor who will undertake the audit for the financial year ending 30 November 2015 is Mr C Botha.

The audit and risk management committee of the company has concluded that the appointment of Grant Thornton will comply with the requirements of the Companies Act, 71 of 2008 (the Companies Act) and the Companies Regulations 2011, and has accordingly nominated Grant Thornton for re-appointment as auditors of the company.

4. Ordinary Resolution Number 3: Appointment of the members of the audit and risk management committee

To elect each by way of a separate vote, the members of the audit and risk management committee of the company, with effect from the end of the AGM:

4.1 Ordinary Resolution Number 3.1: To elect Mr SG Morris as member;

4.2 Ordinary Resolution Number 3.2: To elect Mr PC Baloyi as member, and

4.3 Ordinary Resolution Number 3.3: To elect Ms D Naidoo as member, subject to the passing of Ordinary Resolution Number 1.

Under the Companies Act the audit committee is a committee elected by the shareholders at each AGM. A brief curriculum vitae of each of the independent non-executive directors mentioned above appears on page 18 of the Hudaco integrated report.

The board has reviewed the proposed composition of the audit and risk management committee against the requirements of the Companies Act and the Companies Regulations 2011 and has confirmed that the proposed audit and risk management committee will comply with the relevant requirements and have the necessary knowledge, skills and experience to enable the committee to perform its duties in terms of the Companies Act. Accordingly, the board recommends the election of the directors listed above as members of the audit and risk management committee.

5. Special Resolution Number 1: Approval of non-executive directors' remuneration

That the remuneration payable to the non-executive directors of Hudaco for their services as directors for the period 1 April 2015 until 31 March 2016, be and it is hereby approved as set out below:

	Proposed 2015		2014	
Rand	**Base fee**	**Penalty for non-attendance**	**Base fee**	**Penalty for non-attendance**
Board				
Chairman of the board	860 000*	16 000	800 000	16 000
Board member	230 000	11 000	215 000	11 000
Audit and risk management committee				
Chairman of the committee	200 000	16 000	185 000	16 000
Committee member	110 000	11 000	100 000	11 000
Remuneration committee				
Chairman of the committee	140 000	16 000	130 000**	16 000
Committee member	35 000	5 500	64 000**	11 000
Nomination committee				
Chairman of the committee	*			
Committee member	35 000	5 500		
Social and ethics committee chairman	120 000	16 000	112 000	16 000

The penalty incurred for non-attendance as chairman of a meeting would be paid to the member who stood in as chairman at that meeting.

The fee for additional meetings would be: Chairman – R23 500 (2014: R22 000), Member – R17 000 (2014: R16 000).

* *All inclusive fee.*

** *In 2014 the remuneration and nomination committee was a single committee with different chairmen for the two parts.*

Reason and effect of Special Resolution Number 1

This resolution is proposed in order to comply with the requirements of the Companies Act. In terms of section 65(11)(h) of the Companies Act, read with sections 66(8) and 66(9), remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders within the previous two years, and, only if this is not prohibited in terms of the company's MOI.

NOTICE OF ANNUAL GENERAL MEETING
(continued)

Therefore the reason for and effect of Special Resolution Number 1 is to approve the payment of and the basis for calculating the remuneration payable by Hudaco to its non-executive directors for their services as directors of the company for the period 1 April 2015 until 31 March 2016. The fees payable to the non-executive directors are detailed above. Further details on the basis of calculation of remuneration are included in the remuneration report on pages 31 and 32 of the Hudaco integrated report.

6. Non-binding Resolution Number 1: Endorsement of Hudaco's remuneration policy

That shareholders endorse, through a non-binding advisory note to ascertain the shareholders' view, Hudaco's remuneration policy and its implementation. Hudaco's remuneration report is set out on pages 30 and 31 of its integrated report.

In terms of the King Code of Governance for South Africa 2009, an advisory vote should be obtained from shareholders on the company's annual remuneration policy. The vote allows shareholders to express their view on the remuneration policies adopted and their implementation, but will not be binding on the company.

7. Special Resolution Number 2: Authorising the provision of financial assistance to subsidiaries

That the board of directors of the company be and they are hereby authorised, to the extent required by and subject to section 45 of the Companies Act and the requirements, if applicable of: (i) the MOI; and (ii) the JSE Limited (JSE) Listings Requirements, to cause the company to provide direct or indirect financial assistance to a subsidiary of Hudaco, provided that no such financial assistance may be provided at any time in terms of this authority after the expiry of two years from the adoption of this Special Resolution Number 2.

Reason and effect of Special Resolution Number 2

In the normal cause of business the company is often required to grant financial assistance to subsidiary companies. This assistance includes but is not limited to loans and guarantees for banking facilities. If this authorisation is not granted, it could inhibit the group from making acquisitions or obtaining banking facilities without having to call a general meeting of shareholders on each occasion. Special Resolution Number 2 will enable the company to provide financial assistance to subsidiaries in the Hudaco group for any purpose in the normal course of business.

Section 45 of the Companies Act provides, among others, that financial assistance to subsidiaries must be provided only pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance whether for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board of directors must be satisfied that: (a) immediately after approving the financial assistance, the company would satisfy the solvency and liquidity test, and (b) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

8. Special Resolution Number 3: General authority to repurchase up to 1 582 285 (5%) of the shares in issue

That Hudaco or any of its subsidiaries be and is hereby authorised, by way of a general approval, to acquire up to 1 582 285 (5%) of Hudaco ordinary shares ("ordinary shares") in terms of section 48 of the Companies Act and the JSE Listings Requirements, being that:

- any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between Hudaco and the counterparty;
- this general authority shall be valid until Hudaco's next AGM, provided that it shall not extend beyond 15 months from the date of passing of this special resolution;
- an announcement will be published as soon as Hudaco or any of its subsidiaries have acquired ordinary shares constituting, on a cumulative basis, 3% of the number of ordinary shares in issue and for each 3% in aggregate of the initial number acquired thereafter, in compliance with Rule 11.27 of the JSE Listings Requirements;
- acquisitions of ordinary shares in aggregate in any one financial year may not exceed 5% of Hudaco's ordinary issued share capital as at the date of passing of this Special Resolution Number 3;
- ordinary shares may not be acquired at a price greater than 10% above the weighted average of the market value at which such ordinary shares are traded on the JSE as determined over the five business days immediately preceding the date of repurchase of such ordinary shares by Hudaco or any of its subsidiaries;
- Hudaco has been given authority by its MOI;
- at any point in time, Hudaco may only appoint one agent to effect any repurchase on its behalf;
- prior to entering the market to repurchase the company's shares, a company resolution authorising the repurchase will have been passed in accordance with the requirements of section 46 of the Companies Act, stating that the board has applied the solvency and liquidity test as set out in section 4 of the Companies Act, and has reasonably concluded that the company will satisfy the solvency and liquidity test immediately after the repurchase; and
- Hudaco and/or its subsidiaries may not repurchase any ordinary shares during a prohibited period as defined by the JSE Listings Requirements unless a repurchase programme is in place, where the dates and quantities of ordinary shares to be traded during the prohibited period are fixed and full details of the programme have been submitted to the JSE in writing detailed in an announcement over SENS prior to the commencement of the prohibited period.

Before entering the market to effect the general repurchase, the directors, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of the aforegoing general authority, will ensure that for a period of 12 months after the date of this notice of AGM:

- Hudaco and the group will be able, in the ordinary course of business, to pay its debts;
- the consolidated assets of Hudaco and the group, fairly valued in accordance with statements of International Financial Reporting Standards, will exceed the consolidated liabilities of Hudaco and the group; and
- Hudaco and the group's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes.

The following additional information, which appears in the integrated report as published on Hudaco's website, is provided in terms of the JSE Listings Requirements for purposes of the general authority to repurchase shares;

- major shareholders – page 104;
- directors' interests in securities – pages 96 to 98; and
- share capital of the company – note 16 on page 86.

Directors' responsibility statement

The directors, whose names appear on pages 18 and 19 of this integrated report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this Special Resolution Number 3 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Special Resolution Number 3 contains all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in this integrated report, there have been no material changes in the affairs or financial position of Hudaco and its subsidiaries since the date of signature of the audit report and up to the date of this AGM notice.

Reason and effect of Special Resolution Number 3

The reason for and effect of this special resolution is to grant the directors of Hudaco a general authority in terms of the Companies Act and the JSE Listings Requirements for the repurchase by Hudaco, or a subsidiary of Hudaco, of up to 1 582 285 (5%) of its ordinary shares.

The directors have no specific intention, at present, for Hudaco to repurchase any of its ordinary shares but consider that such a general authority should be put in place should an opportunity to do so and which is and which would be in the best interests of Hudaco and its shareholders, present itself during the year.

9. Ordinary Resolution Number 4 – General authority to directors to allot and issue authorised but unissued ordinary shares up to 1 582 285 (5%) of the shares in issue

That, as required by and subject to the MOI and the requirements of the Companies Act and the JSE Listings Requirements, from time to time, the directors be and they are, as a general authority and approval, authorised, as they in their discretion think fit, to allot and issue unissued ordinary shares of the company, subject to the following:

- the authority shall be valid until the date of the next AGM of the company, provided that it shall not extend beyond 15 months from the date of this AGM; and
- issues in terms of the authority will not, in any financial year, in aggregate, exceed 5% of the number of ordinary shares in the company's issued share capital as at the date of the AGM.

As explanation for the passing of ordinary resolution number 4, please note that clause 10.3 of the company's MOI, read with the JSE Listings Requirements, provides that shareholders may authorise directors to allot and issue the authorised but unissued shares, as the directors in their discretion think fit.

The authority in ordinary resolution 4 will be subject to the Companies Act and the JSE Listings Requirements. The aggregate number of ordinary shares able to be allotted and issued in terms of this authority is limited as set out in the resolutions.

10. Ordinary Resolution Number 5 – Signature of documents

That any one director or the group secretary of Hudaco be and is hereby authorised to do all such things and sign all documents and take all such action as they consider necessary to implement the resolutions set out in the notice convening the AGM at which this ordinary resolution will be considered.

NOTICE OF ANNUAL GENERAL MEETING
(continued)

Voting and proxies

To record the votes more effectively and give effect to the intentions of shareholders, voting on all resolutions will be conducted by way of a poll. Any shareholder entitled to attend and vote at the AGM may appoint a proxy to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the company. For the convenience of registered members of the company, a form of proxy is enclosed herewith.

The attached form of proxy is to be completed only by those shareholders who are:

- holding the company's ordinary shares in certificated form, or
- recorded on the electronic sub-register in "own name" dematerialised form.

Shareholders who have dematerialised their ordinary shares through a Central Securities Depositary Participant (CSDP) or broker and wish to attend the AGM must instruct their CSDP or broker to provide them with their voting instruction in terms of the relevant custody agreement/mandate entered into between them and the CSDP or broker.

Completed forms of proxy should be returned to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), so as to reach them by no later than 11:00 on Tuesday, 25 March 2015.

By order of the board

R Wolmarans
Group secretary

29 January 2015

Transfer secretaries
Computershare Investor Services Proprietary Limited
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

FORM OF PROXY

To: Computershare Investor Services Proprietary Limited
70 Marshall Street, Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)
Fax +27 11 370 5390

Hudaco Industries Limited
(Incorporated in the Republic of South Africa)
(Registration number 1985/004617/06)
Share code: HDC **ISIN:** ZAE000003273
("Hudaco" or "the company")

Proxy form for the 30th annual general meeting – for use by certificated Hudaco ordinary shareholders and dematerialised shareholders with own name registration only (see note 1)

To be received by no later than 11:00 on Wednesday, 25 March 2015

For use by Hudaco shareholders at the annual general meeting of Hudaco to be held on Friday, 27 March 2015 at Hudaco's corporate offices situated at Building 9, Greenstone Hill Office Park, Emerald Boulevard, Greenstone Hill, Edenvale, Gauteng at 11:00 (the annual general meeting).

I/We ___

of (address) ___

(please print)

being the holder(s) of [ ] ordinary shares in the capital of the company, do hereby appoint (see note 2):

1 ___ or failing him

2 ___ or failing him

3 the chairman of the annual general meeting

as my/our proxy to act on my/our behalf at the annual general meeting, which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of all the above ordinary shares registered in my/our name/s, in accordance with the following instructions:

Please indicate with an "X" in the appropriate box below how you wish to vote.

	Number of ordinary shares		
Resolution	For	Against	Abstain
Ordinary Resolution Number1: To re-elect directors retiring by rotation			
1.1 CV Amoils			
1.2 D Naidoo			
Ordinary Resolution Number 2: To approve the re-appointment of external auditors			
Ordinary Resolution Number 3: Appointment of the members of the audit and risk management committee:			
3.1 SG Morris			
3.2 PC Baloyi			
3.3 D Naidoo			
Special Resolution Number 1: Approval of non-executive directors' remuneration			
Non-binding Resolution Number 1: Endorsement of Hudaco's remuneration policy			
Special Resolution Number 2: Authorising the provision of financial assistance to subsidiaries			
Special Resolution Number 3: General authority to repurchase shares – up to 1 582 285 (5%) of its shares			
Ordinary Resolution Number 4: General authority to directors to allot and issue authorised but unissued ordinary shares – up to 1 582 285 shares (5%)			
Ordinary Resolution Number 5: Signature of documents			

Signed at ___ on ___ 2015

Signature(s) ___

Assisted by me (where applicable) ___

PROXY NOTES

1. Shareholders who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker must either inform their CSDP or broker of their intention to attend the annual general meeting to provide them with the necessary authority to attend or provide the CSDP or broker with their voting instruction in terms of the custody agreement entered into between the beneficial owner and the CSDP or broker.
2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided. The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A shareholder's instructions to the proxy must be indicated by "X" in the appropriate box provided on the proxy form. Failure to comply with the above will be deemed to authorise a proxy to vote or abstain from voting at the annual general meeting as he/she deems fit in respect of all the members' votes exercisable at the meeting.
4. The completion and lodging of this form of proxy will not preclude the shareholder from attending the annual general meeting and speaking and voting thereat to the exclusion of any proxy appointed in terms hereof should the shareholder wish to do so (see note 1 above).
5. The chairman of the annual general meeting may reject or accept any proxy form that is completed and/or received, other than in accordance with these notes. Proxy forms received by way of facsimile will be acceptable.
6. Each shareholder is entitled to appoint one or more proxies (none of whom needs to be a shareholder of Hudaco) to attend, speak and vote in place of the shareholder at the annual general meeting.
7. Any alteration to this form of proxy, other than a deletion of alternatives, must be initialled by the signatories.
8. Documentary evidence establishing the authority of the person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by Hudaco.
9. Where there are joint shareholders:
   (a) Any one shareholder may sign the form of proxy;
   (b) The vote of the senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in Hudaco's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote/s of the other joint shareholder/s.
10. Forms of proxy should be lodged with or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), so as to reach them by no later than Wednesday, 25 March 2015 at 11:00.

Additional forms of proxy are available from the transfer secretaries on request.

CORPORATE INFORMATION

Hudaco Industries Limited

(Incorporated in the Republic of South Africa)
(Registration number 1985/004617/06)
JSE share code: HDC
ISIN code: ZAE000003273

Registered and business address

1st Floor, Building 9
Greenstone Hill Office Park
Emerald Boulevard
Greenstone Hill, Edenvale
(Private Bag 13, Elandsfontein, 1406)

Tel +27 11 657 5000
Fax +27 11 690 0350
Email: info@hudaco.co.za
Website: www.hudaco.co.za

Secretary

Reana Wolmarans
Contact details as above

Transfer secretaries

Computershare Investor Services Proprietary Limited
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)
Tel + 27 11 370 5000

Auditors

Grant Thornton
42 Wierda Road West
Wierda Valley, 2196
(Private Bag X28, Benmore, 2010)

Bankers

Absa Bank Limited
FirstRand Bank Limited
Nedbank Limited
The Standard Bank of South Africa Limited

Sponsor

Nedbank Capital
135 Rivonia Road, Sandton, 2196
(PO Box 1144, Johannesburg, 2000)

SHAREHOLDERS' DIARY

Financial year end	30 November
Annual general meeting	27 March 2015
Reports and financial statements	
Abridged report and final dividend announcement	30 January 2015
Summarised report and notice of annual general meeting (mailed to shareholders)	second week in February
Integrated report, including annual financial statements available on website	last week in February
Interim report and interim dividend announcement	last week in June
Dividend payment details	
Payment of final dividend	9 March 2015
Payment of interim dividend	third week in August

GROUP DIRECTORY

Division	Business name	Principal activities	Address
Engineering consumables			
Bearings	Bearings International	Distributor of bearings, chain, seals, geared motors, electric motors, transmission products and alternators	Lancaster Commercial Park (off Atlas Rd) Cnr Merlin Rose & Lancaster Ivy Drives Parkhaven Ext 5, Boksburg
Diesel engines and spares	Deutz Dieselpower	Distributor of Deutz diesel engines and Deutz spare parts and the provision of service support	5 Tunney Road Elandsfontein
Power transmission			
	Ambro Sales	Distributor of engineering steels, solid, round, square, hexagonal and hollow bar steel	Corner Lamp and Snapper Roads Wadeville
	Astore Africa	Distributor of specialised thermoplastic pipes, fittings and Keymak PVC hose	46 Paul Smit Street Anderbolt Boksburg
	Bauer Geared Motors	Distributor of geared motors, hellical gearboxes, frequency inverters and electric motors	72 Acacia Road Cnr Barbara Road Primrose, Germiston
	Belting Supply Services	Distributor of conveyor belting, industrial hose, fluid sealing and process control products	15 Fortune Street City Deep
	Berntel	Importer and distributor of pneumatic and process components	Unit 3 25 Fransen Street Chamdor Krugersdorp
	Bosworth	Manufacturer of conveyor drive pulleys, forgings and rollings	Corner Vereeniging and Juyn Roads Alrode
	Dosco Precision Hydraulics	Supply and repair of hydraulic gear pumps and motors	6 Impangela Road Sebenza Ext 6 Edenvale
	Ernest Lowe	Manufacturer of hydraulic and pneumatic equipment	6 Skew Road Boksburg North
	Filter and Hose Solutions	Supplier of filtration solutions, kits and accessories	160 Francis Road Anderbolt Boksburg North
	Gear Pump Manufacturing	Manufacture and assembly of hydraulic gear pumps	15 Moody Avenue Epping 1 Cape Town
	Joseph Grieveson	Manufacturer of ferrous and non-ferrous castings	332 Aberdare Drive Phoenix Industrial Park Phoenix, Durban
	Midrand Special Steels	Distributor of engineering steels, solid, round, square, hexagonal and hollow bar steel	Corner Lamp and Snapper Roads Wadeville
	Powermite	Distributor of electrical cabling, plugs, sockets, electric feeder systems and crane materials	2754 Albertina Sisulu Road (previously: 92 Main Reef Road) Technikon Roodepoort
	Proof Engineering	Manufacturer and distributor of mining connectors and lighting systems	28 Nagington Road Wadeville Germiston
	Three-D Agencies	Distributor of electrical cable accessories	Unit B1, Route 24 50 Herman Street Meadowdale
	Varispeed	Distributor of controllers, monitors and regulators of the speed of standard AC motors	4 Clovelly Business Park 342 Old Pretoria Main Road, Midrand

Contact		Executives				
Tel	011 899 0000	Burtie Roberts	Chief executive	Danie Louw	Director	Bearings International
Fax	011 899 6586	Robin Briggs	Managing director	Knocks Ngema	Director	
Email	info@bearings.co.za					
Tel	011 923 0600	Ossie Carstens	Chief executive	Maurice Pringle	Sales director	DEUTZ DIESELPOWER
Fax	011 923 0611	Avinash Ramnarain	Financial director	Rowan Michelson	Marketing director	
Email	info@deutz.co.za					
Tel	011 824 4242	Lynette Anderson	Chief executive	Johan Maritz	General manager	AmbroSales
Fax	011 824 4864	David da Silva	Financial manager			
Email	johanm@ambro.co.za					
Tel	011 892 1714	Cindy Dixon	Managing director	Andrew Smith	Financial director	Astore
Fax	011 892 2781					
Email	info@astore.co.za					
Tel	011 828 9715	Knocks Ngema	General manager			BAUER
Fax	011 828 0116					
Email	home@gbauer.co.za					
Tel	011 610 5600	Piet Swanepoel	Managing director	Stephan Boshoff	Technical director	BELTING SUPPLY SERVICES
Fax	011 610 5700	Mark Knight	Financial director	Tanja Henderson	Procurement director	
Email	info@belting.co.za	Mark Vorster	Sales director	Tom Harrison	Human resources director	
Tel	011 762 1840	Neil Champion	General manager			BERNTEL
Fax	011 762 2185					
Email	info@berntel.co.za					
Tel	011 864 1643	Mark Tarboton	Chief executive	Anton Dedekind	General manager	Bosworth
Fax	011 908 5728	Gary Howell	Managing director designate	Russell Mac Gregor	Financial manager	
Email	pulleys@bosworth.co.za					
Tel	011 452 5843	Thomas Dunford	Chief executive	Wimpie Potgieter	Sales director	DOSCO
Fax	011 609 7955	Deon Krieger	Managing director	Trevor Dyker	Director	
Email	dosco@dosco.co.za	Elma Lottering	Financial manager			
Tel	011 898 6600	Mark Tarboton	Chief executive	Widor Grobbelaar	Financial manager	Ernest Lowe ELCO
Fax	011 918 3974	Marie Kirsten	Operations director			
Email	corporate@elco.co.za					
Tel	0861 347 789	Barry Fieldgate	Chief executive	Philip Venter	Operations director	FHS
Fax	011 894 5832	Reena Magan	Financial director			
Email	info@fhs.za.net					
Tel	021 531 9330	Thomas Dunford	Chief executive	Valdor Dudley	Financial director	GPM
Fax	021 531 7096	Gerry Coward	Managing director			
Email	sales@gearpumps.co.za					
Tel	031 507 3640	Thomas Dunford	Chief executive	Megan Slater	Financial manager	JOSEPH GRIEVESON
Fax	031 500 2687	Vishnu Partab	Operations director			
Email	sales@josgrieveson.co.za					
Tel	011 824 2910	Lynette Anderson	Chief executive	Johan Maritz	General manager	
Fax	011 824 4864	David da Silva	Financial manager			
Email	johanm@ambro.co.za					
Tel	011 271 0000	Mike Allnutt	Chief executive	Tommie Koeries	Financial director	POWERMITE
Fax	011 271 0265	Rolf Lung	Managing director	Donovan Marks	Sales director	
Email	info@powermite.co.za					
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Fax	011 824 1237					
Email	sales@proofholdings.co.za					
Tel	011 392 3804	Ian Downard	Managing director	Mark Jenkins	Sales director	THREE-D
Fax	011 392 3812	Tommie Koeries	Financial director			
Email	sales@three-d.co.za					
Tel	011 312 5252	Rolf Lung	Managing director	Ralph Real	General manager	VARISPEED
Fax	011 312 5262	Erika van de Velde	Financial director			
Email	drives@varispeed.co.za					

GROUP DIRECTORY (continued)

Division	Business name	Principal activities	Address
Consumer-related products			
Power tools	Rutherford	Distributor of Makita power tools, Mercury marine engines and survey instrumentation	77 Smits Street Industries West Germiston
Security equipment	Elvey Security Technologies	Distributor of intruder detection, access control and related CCTV equipment	27 Greenstone Place Greenstone Hill Edenvale
	Pentagon	Value added distributor of integrated security and life safety solutions. Including CCTV, access control, fire detection, public address and perimeter detection products	27 Greenstone Place Greenstone Hill Edenvale
Communication equipment	Global Communications	Distributor of professional mobile radio communication equipment and radio systems integrator	Highway Business Park Park Street Rooihuiskraal Centurion
Automotive	Abes Technoseal	Distributor of automotive clutch kits and ignition leads, rotary oil and hydraulic seals	10 Wankel Street Jet Park
	Partquip	Importers and distributors of automotive spares and accessories	61 Trump Street Selby Johannesburg
Batteries	Deltec Power Distributors	Distributor of maintenance free batteries	6 Liebenberg Street Alrode Alberton
	Specialised Battery Systems	Importers and distributors of stand-by and solar batteries	23 Golden Drive Morehill Benoni
Group head office	Hudaco Industries Hudaco Trading		Building 9 Greenstone Hill Office Park Emerald Boulevard Greenstone Hill Edenvale

Contact		Executives				
Tel	011 878 2600	Martin Peterson	Chief executive	Neil Black	Divisional director	Rutherford
Fax	011 873 1689	Arusha Asari	Financial director	Shaun van Rooyen	Divisional director	
Email	info@rutherford.co.za	Carol Caunter	Divisional director			
Tel	011 401 6700	Jack Edery	Chief executive	Ingo Mutinelli	Sales director	ELVEY Security Technologies
Fax	011 401 6753	Dave Waywell	Key accounts director	Zane Greeff	Technical director	
Email	info@elvey.co.za	Gary Lowe	Commercial director			
Tel	011 401 6700	Jack Edery	Chief executive	Matthew Short	Divisional director	PENTAGON
Fax	011 401 6753	Brendon Hall	Managing director	Tim Russel	Divisional director	
Email	info@pentgon.co.za	Elmar Snyman	Divisional director	Gary Lowe	Commercial director	
Tel	087 310 0400	Sean Mervitz	Managing director	Errol Baker	Non-exec director	global communications
Fax	011 661 0387	Barbara Smith	Financial director			
Email	info@globalcomms.co.za					
Tel	011 397 4070	Danie Venter	Managing director	Juan Radley	Financial manager	ABES Technikeel
Fax	011 397 4326	Jayne Kyte	Logistics director			
Email	info@abes.co.za					
Tel	011 634 7600	Carl Rogers	Managing director	Chris de Kock	Financial director	PARTQUIP
Fax	011 493 3131	Johan Hay	Director			
Email	linda@partquip.co.za					
Tel	011 864 7930	Colin Eddey	Managing director	Peter Greenwood-Selby	Technical director	Deltec
Fax	011 908 4859					
Email	sales@deltecpower.co.za	Dave Roby	Export director	Mavuto Mhone	Financial manager	
		John Stroebel	Sales director			
Tel	011 425 3447	Tom Orren	Managing director	Bradley Orren	Commercial director	SPECIALISED BATTERY SYSTEMS
Fax	011 425 4433	Natasha Jasmin	Financial manager	Sheldon Orren	Sales director	
Email	sheldon@special-battery.co.za					
Tel	011 657 5000	Graham Dunford	Group chief executive	Cassie Lamprecht	Group accountant	Hudaco
Fax	011 690 0350	Clifford Amoils	Group financial director	Rika Wessels-Bouwer	Group treasurer	
Email	info@hudaco.co.za					
Website	www.hudaco.co.za	Reana Wolmarans	Group secretary	Gary Walters	Acquisitions manager	
		Eli Karpen	Group risk and internal audit manager	Jonny Masinga	Transformation and human resources executive	

Hudaco

www.hudaco.co.za