KAP

International Holdings Ltd

HEADLINE EARNINGS PER SHARE INCREASE BY 44%
CASH FLOW GENERATED BY OPERATIONS OF R114 MILLION (2003: R18 MILLION)
REVENUE OF R1,9 BILLION (2003: R0,6 BILLION)
NET PROFIT FOR THE PERIOD OF R301 MILLION (2003: R8 MILLION)
HEADLINE EARNINGS OF R105 MILLION (2003: R9 MILLION)
FINAL DIVIDEND OF 5 CENTS PER SHARE (2003: NIL)

AUDITED RESULTS AND FINAL DIVIDEND DECLARATION FOR THE YEAR ENDED 31 DECEMBER 2004

Abridged group balance sheet

	31 December 2004 R'000	31 December 2003 R'000
Assets		
Non-current assets		
Property, plant and equipment and investment properties	399 483	50 333
Investments	25 366	21 320
Deferred taxation	134 806	–
	559 655	71 653
Current assets	998 105	285 545
Inventories and agricultural assets	456 101	152 559
Receivables and prepayments	496 991	95 741
Cash and cash equivalents	45 013	37 245
Total assets	1 557 760	357 198
Equity and liabilities		
Capital and reserves		
Ordinary shareholders' equity	879 125	203 707
Minority interest	8 841	72
Non-current liabilities		
Long term borrowings	78 558	185
Retirement benefit obligation	40 649	9 922
Deferred taxation	5 740	–
Current liabilities	544 847	143 312
Trade and other payables	350 162	70 025
Bank overdrafts	45 313	–
Short term borrowings	118 655	69 895
Provisions	30 717	3 392
Total equity and liabilities	1 557 760	357 198
Number of shares		
– in issue (000)	418 720	168 120
– weighted average (000)	293 412	34 882
Net asset value per share (cents)	210,0	121,2
Net interest bearing debt to equity (%)	22,2	16,0

Abridged group cash flow statement

	Year ended 31 December 2004 R'000	8 months ended 31 December 2003 R'000
Cash flows from operations		
Cash generated from operations before working capital changes	162 294	24 063
Net working capital changes	(48 161)	(5 820)
Cash generated from operations	114 133	18 243
Net finance costs	(10 597)	(13 636)
Taxation paid	(13 560)	(199)
Cash flows from operating activities	89 976	4 408
Cash flow from investing activities		
Acquisition of subsidiaries, net of cash acquired	(444 244)	–
Other investing activities	(29 879)	11 043
Net cash (outflow)/inflow from investing activities	(474 123)	11 043
Cash flows from financing activities		
Decrease in borrowings	(27 243)	(125 874)
Proceeds on share issue	373 845	138 693
Net cash inflow from financing activities	346 602	12 819
Net (decrease)/increase in cash and equivalents	(37 545)	28 270
Opening cash and equivalents	37 245	8 975
Closing cash and equivalents	(300)	37 245

Abridged group income statement

	Year ended 31 December 2004 R'000	8 months ended 31 December 2003 R'000
Revenue	1 911 873	616 524
– continuing operations	1 911 873	539 276
– discontinued operations	–	77 248
Operating profit	138 414	22 704
– continuing operations	138 414	30 532
– discontinued operations	–	(7 828)
Negative goodwill from acquisitions	190 039	–
Net finance costs	(10 597)	(12 635)
Share of results of joint ventures	1 247	(1 964)
Profit before tax	319 103	8 105
Taxation	(15 676)	(9)
Profit after taxation	303 427	8 096
Minority interest	(1 958)	(28)
Net profit for the period	301 469	8 068
Reconciliation of headline earnings		
Net profit for the period	301 469	8 068
Adjusted for the after tax effect of:		
Profit on sale of property plant and equipment	(3 104)	(2 250)
Restructuring costs	–	1 450
Sale of subsidiaries	(3 111)	1 400
Negative goodwill	(190 039)	–
Headline earnings	105 215	8 668
Earnings per ordinary share (cents)	102,75	23,13
Headline earnings per ordinary share (cents)	35,86	24,85
Dividend per share – declared (cents)	5,00	–

Abridged statement of changes in equity

	Year ended 31 December 2004 R'000	8 months ended 31 December 2003 R'000
Balance at beginning of the period	203 707	56 167
Shares issued during the period	375 900	140 100
Share issue costs	(2 049)	(1 407)
Movement in foreign currency translation reserve	98	779
Net profit for the period	301 469	8 068
Balance at the end of the period	879 125	203 707

Notes

1. Net financing costs		
Interest paid	19 435	22 618
Interest received	8 838	9 983
	10 597	12 635
2. Capital expenditure commitments		
Contracted	24 485	–
Approved but not contracted	20 238	11 037
3. Operating lease commitments	67 232	35 535
4. Guarantees and contingent liabilities	4 398	–

5. Taxation
Taxation is low in relation to reported profits mainly due to the utilisation of assessed losses and non-taxable income.

6. Basis of preparation of the results
The group's accounting policies conform with South African Statements of Generally Accepted Accounting Practice. The results for the year ended 31 December 2004 have been prepared on a basis consistent with that of the previous year except for the following changes in accounting policies:

- Adopted IFRS3, business combinations which resulted in negative goodwill of R190,039 million accounted for in income for the year ended 31 December 2004
- Joint ventures accounted for using the equity method.

The above changes had no effect on the results for the prior period.

7. Audited results
The results for the year ended 31 December 2004 have been audited by Deloitte & Touche. Their unqualified audit opinion is available for inspection at the registered office of the company.

Segmental analysis

	Revenues R'000	%	Operating profit R'000	%	Total assets R'000	%
2004						
Industrial	1 022 294	53	84 010	61	925 623	59
Consumer	894 740	47	52 104	38	540 407	35
Other	(5 161)	–	2 300	1	91 730	6
	1 911 873	100	138 414	100	1 557 760	100
2003						
Industrial	355 547	58	525	2	135 308	38
Consumer	260 977	42	11 713	52	193 250	54
Other	–	–	10 466	46	28 640	8
	616 524	100	22 704	100	357 198	100

Corporate information
Non-executive directors: C E Daun* (Chairman), M J Jooste, J B Magwaza, I N Moloto, F Möller*, S H Nomvete **Executive directors:** P C T Schouten (CEO), R D Radford

Registration number: 1978/000181/06 **Share code:** KAP **ISIN number:** ZAE 000059564 *German
Registered address: 3 Condale Road, Krugersdorp, 1739
Postal address: PO Box 3639, Paarl, 7620 **Telephone:** 021 872 8726
Business address: New Link Centre, 1 New Street, Paarl, 7646 **Facsimile:** 021 872 8904

Transfer secretaries: Computershare Investor Services 2004 (Proprietary) Limited **Telephone:** 011 370 5000
Address: 70 Marshall Street, Johannesburg, 2001 **Facsimile:** 011 327 3003
Postal address: PO Box 61051, Marshalltown, 2107 **Sponsor:** PSG Capital Limited

Group profile

Division	Operating entity	Product/service
Industrial	Feltex Automotive Leather	Automotive leather manufacturer
	Feltex Automotive Trim	Integrated automotive trim and acoustic manufacturer
	Rieter Feltex Automotive (49%)	Automotive acoustics and thermal management
	Feltex Fehrer (74%)	Moulded polyurethane manufacturer for seating and other foam products for the automotive industry
	Feltex Foam Converting	Manufacturer of slabstock and peeled foams used for lamination in the automotive industry
	Feltex Unifrax	Supplier of mats for catalytic converters for exhausts of motor vehicles
	Wayne Rubber	Manufacturer of pre-cured tread and industrial rubber products
	United Fram	Manufacturer of industrial leather footwear
	Wayne Plastics	Manufacturer of gumboots and safety footwear
	Mossop Western Leathers	Tannery supplying bovine leather to footwear and leather goods industry
	Hosaf Fibres	Manufacturer of polyester fibre and PET bottle resin
Consumer	Jordan & Co	Branded fashion footwear and sport shoe manufacturer and distributor
	Bull Brand Foods	Fresh and canned meal manufacturer
	Glodina	Branded terry towel manufacturer

Commentary

Review of results
The board of directors is pleased to report the successful integration of the new businesses and a 44% increase in headline earnings per share to 35,86 cents for the financial year to 31 December 2004. Existing businesses generated 69% growth in revenue and a 95% increase in operating profit. Acquired businesses added R1 billion to revenue and R79 million to operating profit for the six month period from 1 July 2004.

Industrial division
Automotive
Car and light commercial vehicle sales in South Africa hit a record high of 450 000 units for 2004, a 22% increase over the previous year. Local vehicle build increased by 7% to 434 000 units. Market growth has had a positive impact on the results of the division. Annualised turnover increases and efficiency improvements produced a substantially higher contribution to profits. All divisions except Wayne Rubber increased their profit contributions. Total investment in new plant and equipment amounted to R24 million representing a major investment in the 2004 and 2005 new car models.

Industrial footwear
This division continues to generate above average returns through tight cost control and excellent marketing of its brands.

Hosaf Fibres
Difficult conditions were experienced in the polyester industry worldwide. The division achieved a modest profit, but the board is satisfied with the results. Long term plans have been put into place to reduce operating and raw material input costs.

Consumer division
Fashion and sport footwear
This division has achieved increased profits mainly as a result of improved margins and buoyant consumer demand for fashion footwear. The strong Rand has benefited the division by allowing it to import materials and product cheaper. A consistent focus on nurturing and developing strong brands has been a core driver of this division.

Bull Brand Foods
Operating results for the year reflected a significant improvement. The cannery continued its acceptable growth in earnings. The fresh meat division recorded a pleasing turnaround after the collapse of local red meat prices in 2003. The turnaround was as a result of meat prices stabilising, reduced costs in purchasing cattle for the feedlots, and increased volume which generated economies of scale, improved operating efficiencies and cost control.

Glodina
Over the last three years Glodina has consistently improved its financial performance.
This has been achieved mainly through:

- an introduction of new capital to invest in new plant and equipment
- improvement in operating efficiencies
- significant improvement in staff morale
- cost cutting and effective raw material sourcing.

Corporate action
The group has been successfully transformed with the formation of a solid base of diversified industrial and consumer companies capable of maintaining an acceptable growth in earnings per share. The automotive and footwear operating entities of Feltex, Jordan & Co, Hosaf and Glodina were acquired with effect from 1 July 2004.

Corporate governance
The directors endorse the principles advocated by the Code of Corporate Practice and Conduct set out in the King report on Corporate Governance (King II). During the period under review the board has made significant progress in its efforts to comply with the Code in full and by year end complied in all material aspects.

Social responsibility
Social responsibility programmes are in place at operating entity level aimed at benefiting the community from which labour is drawn.

Black economic empowerment
The group continued its black economic empowerment initiatives and Motseng Investment Holdings (Proprietary) Limited acquired an initial 14 million shares (3,35% equity stake).

Directorate
Messrs C L Campher and A Z Keyser have resigned with effect 12 November 2004. The board thanks both directors for their valuable contribution and looks forward to their continued positive input in their respective operational responsibilities as chief executives of Bull Brand Foods and Feltex Automotive Leathers. Messrs M J Jooste, J B Magwaza, F Möller, I N Moloto and S H Nomvete were appointed as non-executive directors with effect 12 November 2004. Mr C E Daun was appointed non-executive chairman and P C T Schouten remains as chief executive officer.

Dividend
The board has resolved to declare a capitalisation share award with a cash alternative of 5 cents per share. The dividend policy of the group is to have a payout ratio of 20% of headline earnings and to declare dividends annually, with no interim dividend.

Prospects
The industrial business is anticipated to grow in line with further volume growth in vehicle build in South Africa. The consumer business is expected to continue to benefit from strong retail demand. KAP International is thus well placed to achieve further growth in earnings for 2005.

For and on behalf of the board

C E Daun — Chairman
P C T Schouten — Chief executive officer

Declaration of capitalisation share award with dividend election option
The board has resolved to award capitalisation shares to shareholders recorded in the register at the close of business on Friday, 20 May 2005 ("the share award"). Shareholders will, however, be entitled to decline the share award or any part thereof and instead elect to receive a cash dividend of 5 cents per share. The terms of the share award will be announced on Thursday, 28 April 2005 and a circular regarding the share award incorporating an election form will be posted to registered shareholders on the same date.

To comply with the requirements of STRATE the following dates are applicable:

Last day to trade cum-dividend	Friday, 13 May 2005
Trading commences ex-dividend	Monday, 16 May 2005
Closing date for the election of cash or capitalisation shares, at 12:00	Friday, 20 May 2005
Record date	Friday, 20 May 2005
Payment of dividend/issue of shares	Monday, 23 May 2005
Announcement of the results of the share award – on SENS	Monday, 23 May 2005
– in the press	Tuesday, 24 May 2005

Share certificates may not be dematerialised or rematerialised between Monday, 16 May 2005 and Friday, 20 May 2005, both days inclusive.

All dematerialised shareholders should, in accordance with their relevant custody agreement, timeously inform their CSDP's or brokers of their choice.
For and on behalf of the board

M Balladon
Company secretary
14 March 2005

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