KAP International Holdings Ltd

Audited Results

for the year ended 30 June 2011

Highlights

* Headline earnings from continuing operations improve by 44% to 32,7 cents per share
* Earnings improve from 20,6 cents to 30,9 cents per share
* Further improvement of interest-bearing debt/equity ratio to 9,1%
* Free cash flow of R223,5m
* Capital distribution of 10 cents per share

PERFORMANCE

We submit our report to shareholders for the year ended 30 June 2011.

Revenue and earnings

Revenue for the year from continuing operations increased to R4,22 billion (2010: R3,84 billion) due to good growth in the automotive and PET divisions.

Operating profit before restructuring costs improved by 34% to R265,9 million, which includes a profit of R41,7 million on the disposal of property, plant and equipment. Coupled with a reduction in interest, this resulted in headline earnings per share improving to 24,7 cents from 21,0 cents. Headline earnings per share from continuing operations also increased significantly to 32,7 cents from 22,7 cents in 2010.

Earnings per share increased by 49% from 20,6 cents to 30,9 cents.

Financial position and cash flow

Net interest-bearing borrowings decreased by a further R191,0 million to R134,6 million (2010: R325,6 million), and the year-end interest-bearing debt/equity ratio was 9,1% (2010:23,9%).

Focus remains on operating cash flows and strict control of capital expenditure.

Capital distribution

In light of the improved cash flow, the board has declared a final capital distribution of 10 cents per share, (2010:7 cents).

Operational overview

Industrial segment

Feltex Automotive

Globally, vehicle sales have recovered but are still off their peak, particularly in Europe and the USA. South African vehicle sales are showing a trend towards imported vehicles which now comprise 51% of local sales. However, South African produced vehicles for the financial year have increased from 392 299 to 471 847 units. Exports account for 56% of the vehicles produced in South Africa. Most vehicles exported are destined for customers in Europe and North America – markets where sustained future economic growth is uncertain.

Industrial Footwear

Wayne Plastics continued to deliver satisfactory returns. United Fram remains under pressure, but management is confident that the initiatives put in place will counter the reduced demand. Mossop is still feeling the effects of the downturn in the global leather market.

Hosaf

The Polymer Plant in Durban continues to run at targeted production capacities giving consistent yields and quality. Sales increased by 10% over the previous period as a result of favourable market conditions and further market penetration. Margins were supported by gains on inventory due to rising commodity prices over the period.

Consumer segment

Bull Brand Foods

Although strong cost control and improved plant efficiencies offset some of the increased input costs, margins remained under pressure.

Brenner Mills

2011 was a challenging year for the maize industry as a whole, and for Brenner. Although local yields were reasonable, world foods stocks are low. Global demand is out-pacing production, which has resulted in the depletion of stocks and rising prices. Sales in the white maize division are still under pressure, and Brenner has rationalised its cost base to compensate.

Jordan

Pairs sold increased by some 21% from 2,085 million in 2010 to 2,530 million in 2011. Increased sales occurred across all divisions, with our strong brands performing well, particularly in the Sports, Ladies and Corporate divisions.

Glodina

Glodina improved operating profit despite the price of cotton escalating by nearly 400% over the past twelve months and the slowdown in consumer spending. Operating expenses were cut by 10% and investments in capital upgrades ensured that costs were further reduced and efficiencies improved.

Corporate activity

During the period under review the group sold its polyester staple fibre business in Cape Town. As a consequence of this sale the recycling plant in Alrode, which supplied feedstock to Cape Town Fibres, was closed.

Outlook

The group will continue to focus on strong cash generation and strict cost control. We are confident that our investment in the PET division, coupled with the good competitive positioning of our industrial businesses will continue to support earnings growth in future.

Appreciation

As always, we are grateful to our shareholders, employees and other stakeholders, and thank them for their continued support.

Claas Daun
Non-executive chairman

Paul Schouten
Chief executive officer

John Haveman
Chief financial officer

5 September 2011

CAPITAL DISTRIBUTION

The directors of the company have declared a final capital distribution out of share premium of 10 cents per share in respect of the period ended 30 June 2011.

Prior to declaring the final capital distribution, the board complied with all relevant provisions of section 46 of the Companies Act 71 of 2008, as amended ("the Companies Act"). In particular, the board applied the solvency and liquidity test in accordance with section 46 of the Companies Act and reasonably concluded that the company will satisfy the solvency and liquidity test immediately after completing the capital distribution.

The distribution will be payable on Monday, 3 October 2011 to shareholders recorded in the register at the close of business on Friday, 30 September 2011.

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

Last day to trade cum-distribution	Friday, 23 September 2011
Trading commences ex-distribution	Monday, 26 September 2011
Record date	Friday, 30 September 2011
Posting of cheques/electronic bank transfers	Monday, 3 October 2011
Accounts credited at CSDP or broker in respect of shareholders who have dematerialised their shares	Monday, 3 October 2011

Share certificates may not be dematerialised or rematerialised between Monday, 26 September 2011 and Friday, 30 September 2011, both days inclusive.

Any changes to the above dates will be advised by notification on SENS and in the press.

Condensed Statements of Comprehensive Income

	Jun 2011 12 months Rm	Jun 2010 12 months Rm
Continuing operations		
Revenue	4 217,1	3 842,9
Operating profit before restructuring costs	231,6	202,8
Restructuring costs	(2,9)	(0,6)
Operating profit	228,7	202,2
Net finance costs	(25,6)	(52,8)
Share of results of joint ventures	2,0	3,0
Profit before taxation	205,1	152,4
Taxation	(59,1)	(51,4)
Profit after taxation from continuing operations	146,0	101,0
Discontinued operations		
Revenue	134,6	157,3
Operating profit/(loss) before restructuring costs	34,3	(4,1)
Restructuring costs	(31,4)	(7,1)
Operating profit/(loss) after restructuring costs	2,9	(11,2)
Net finance costs	(7,1)	(1,4)
Loss after taxation from discontinued operations	(7,8)	(7,3)
Total profit for the period	138,2	93,7
Other comprehensive income		
Movement in foreign currency translation reserve	0,2	–
Total comprehensive income	138,4	93,7
Total profit for the period	138,2	93,7
Owners of the company	131,0	87,4
Non-controlling interest	7,2	6,3
Total comprehensive income	138,4	93,7
Owners of the company	131,2	87,4
Non-controlling interest	7,2	6,3
	Rm	Rm
Reconciliation of headline earnings		
Net profit attributable to owners of the company	131,0	87,4
Profit on sale of property, plant and equipment	(39,0)	(2,2)
Impairment of sale assets	12,7	4,0
Headline earnings	104,7	89,2
Loss after taxation from discontinued operations	7,8	7,3
Profit on sale of property, plant and equipment – discontinued operations	38,8	–
Impairment – discontinued operations	(12,7)	–
Headline earnings – continuing operations	138,6	96,5
Weighted average shares in issue	424,5	424,5

Earnings Per Share

	Jun 2011 cents	Jun 2010 cents
Earnings per share (basic and diluted)	30,9	20,6
Earnings per share – continuing operations	32,7	22,4
Headline earnings per share (basic and diluted)	24,7	21,0
Headline earnings per share – continuing operations	32,7	22,7

Condensed Statements of Financial Position

	Jun 2011 Rm	Jun 2010 Rm
ASSETS		
Non-current assets	1 017,9	1 128,5
Property, plant and equipment and investment properties	902,6	945,7
Goodwill	66,7	66,7
Interest in joint ventures	24,4	22,7
Pension fund surplus	3,8	25,1
Deferred taxation assets	20,4	68,3
Current assets	1 617,7	1 381,7
Inventories	729,8	646,3
Receivables, prepayments and other receivables	750,0	621,1
Bank balances and cash	128,7	101,8
Assets held for sale	9,2	12,5
Total assets	2 635,6	2 510,2
EQUITY AND LIABILITIES		
Capital and reserves	1 471,8	1 364,7
Equity holders' interest	1 429,7	1 327,0
Non-controlling interest	42,1	37,7
Non-current liabilities	56,6	61,7
Long-term interest-bearing borrowings	22,5	30,5
Retirement benefit obligations	9,7	10,6
Deferred taxation liabilities	24,4	20,6
Current liabilities	1 107,2	1 083,8
Short-term interest-bearing borrowings	22,2	72,7
Trade and other payables	813,1	636,8
Provisions	53,3	50,1
Bank overdrafts	218,6	324,2
Total equity and liabilities	2 635,6	2 510,2
Number of shares in issue (millions)	424,5	424,5
Net asset value per share (cents)	336,8	312,6
Net interest-bearing debt to equity (%)	9,1%	23,9%

Condensed Statements of Cash Flow

	Jun 2011 12 months Rm	Jun 2010 12 months Rm
Cash flows from operating activities	223,5	233,9
Cash generated by operations before working capital changes	288,3	268,6
Net working capital changes	(18,3)	28,4
Cash generated from operations	270,0	297,0
Net finance costs	(32,7)	(54,2)
Taxation paid	(13,8)	(8,9)
Cash flows to investing activities	–	(42,5)
Purchase of property, plant and equipment		
Expansion	(11,9)	(29,1)
Replacement	(49,6)	(34,2)
Government capital incentives	4,5	–
Proceeds on disposals	56,6	18,4
Other investing activities	0,4	2,4
Cash flows from operating and investing activities	223,5	191,4
Cash flows to financing activities	(91,0)	(130,3)
Dividends paid to minorities	(2,8)	(2,1)
Capital distribution to shareholders	(29,7)	–
Decrease in borrowings	(58,5)	(128,2)
Net increase in cash and cash equivalents	132,5	61,1
Cash and cash equivalents at the beginning of the period	(222,4)	(283,5)
Cash and cash equivalents at the end of the period	(89,9)	(222,4)

Condensed Statements of Changes in Equity

	Jun 2011 12 months Rm	Jun 2010 12 months Rm
Balance at the beginning of period	1 364,7	1 272,1
Other comprehensive income	0,2	–
Movement in share-based payment reserve	1,2	1,0
Total profit for the period	138,2	93,7
Distribution to shareholders	(29,7)	–
Dividends to minorities	(2,8)	(2,1)
Balance at the end of the period	1 471,8	1 364,7
Owners of the company	1 429,7	1 327,0
Non-controlling interest	42,1	37,7

Notes

	Jun 2011 12 months Rm	Jun 2010 12 months Rm
1 Net finance costs – continuing operations	25,6	52,8
Interest received	(3,3)	(3,7)
Interest paid	28,9	56,5
Net finance costs – discontinued operations	7,1	1,4
2 Capital expenditure commitments	110,9	57,4
Contracted	30,0	8,0
Approved but not yet contracted	80,9	49,4
3 Operating lease commitments	81,6	72,8
4 Guarantees and contingent liabilities	10,9	11,1

5 Taxation

The taxation rate is higher than the statutory rate mainly due to permanent differences in respect of the group's pension fund surplus and derecognition of deferred tax assets of discontinued operations. Tax cash paid is less than the tax charge due to utilisation of assessed losses.

6 Basis of preparation of results

The condensed financial information has been prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS, the AC 500 Standards as issued by the Accounting Practices Board and the information as required by IAS 34 – Interim Financial Reporting. The report has been prepared using accounting policies that comply with International Financial Reporting Standards which are consistent with those applied in the financial statements for the year ended 30 June 2011. The preparation of the group's consolidated final results for the year ended 30 June 2011 was supervised by JP Haveman, the chief financial officer.

7 Audit opinion

The auditors, Deloitte & Touche, have issued their opinion on the group's annual financial statements for the year ended 30 June 2011. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion. These condensed financial statements have been derived from the group financial statements and are consistent in all material aspects, with the group financial statements. A copy of their audit report is available for inspection at the company's registered office. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the company's auditors.

Condensed Segmental Analyses

	Revenue Rm	Operating profit before restructuring costs Rm	Depreciation Rm	Total assets Rm
June 2011 (12 months)	4 351,7	265,9	69,9	2 635,6
Industrial	2 847,3	224,6	51,2	1 841,7
Consumer	1 504,4	41,3	18,7	779,4
Other	–	–	–	14,5
June 2010 (12 months)	4 000,2	198,7	70,8	2 510,2
Industrial	2 495,2	142,4	56,0	1 675,3
Consumer	1 505,0	56,3	14,8	721,8
Other	–	–	–	113,1

These results can be viewed on: www.kapinternational.com

Corporate information

Non-executive directors: C E Daun* (Chairman), M J Jooste, J B Magwaza (Lead Independant Director), I N Mkhari, F Möller*, S H Nomvete, U Schäckermann*, K E Schmidt, D M van der Merwe * German **Executive directors:** P C T Schouten (CEO), J P Haveman (CFO) **Registration number:** 1978/000181/06 **Share code:** KAP **ISIN:** ZAE000059564 **Registered address:** 1st Floor, New Link Centre, 1 New Street, Paarl, 7646 **Postal address:** PO Box 3639, Paarl, 7620 **Telephone:** 021 872 8726 **Facsimile:** 021 872 9064 **Transfer secretaries:** Computershare Investor Services (Proprietary) Limited **Address:** 70 Marshall Street, Johannesburg, 2001 **Postal address:** PO Box 61051, Marshalltown, 2107 **Telephone:** 011 370 5000 **Facsimile:** 011 688 7710 **Sponsor:** PSG Capital (Proprietary) Limited

ince.motiv