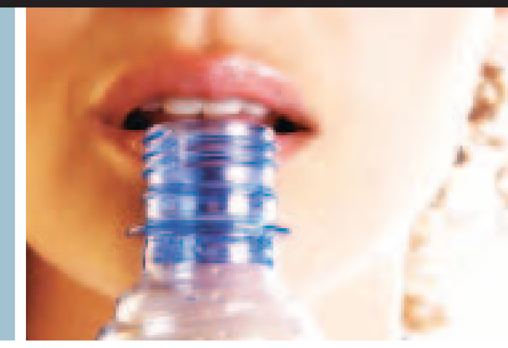
KAP

International Holdings Ltd



Unaudited Group Results

for the six months ended 31 December 2009

Highlights

Restructuring delivers benefits

Further improvement in debt/equity ratio to 34%

Strong cash flows generated for the period

Headline earnings grow from 3 cents to 11 cents

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	31 Dec 2009 6 months Unaudited Rm	31 Dec 2008 6 months Unaudited Restated Rm	30 Jun 2009 12 months Audited Rm
Continuing operations			
Revenue	2 025,9	2 136,3	3 839,0
Operating profit before restructuring costs	97,9	99,1	152,5
Restructuring costs	–	(4,7)	(19,9)
Operating profit	97,9	94,4	132,6
Net finance costs	(27,0)	(34,5)	(59,3)
Other costs	–	–	(4,1)
Share of results of joint ventures	2,2	3,7	2,7
Profit before taxation	73,1	63,6	71,9
Taxation	(19,8)	(17,0)	(20,5)
Profit after taxation from continuing operations	53,3	46,6	51,4
Discontinued operations			
Revenue	27,1	444,5	725,2
Operating loss before restructuring costs	–	(29,9)	(15,3)
Restructuring costs	–	–	(69,5)
Operating loss	–	(29,9)	(84,8)
Net finance costs	(4,0)	(12,3)	(18,2)
Loss on remeasurement of disposal group	–	–	(15,9)
Loss before taxation	(4,0)	(42,2)	(118,9)
Taxation	1,1	11,8	34,8
Loss after taxation from discontinued operations	(2,9)	(30,4)	(84,1)
Total profit/(loss) for the period	50,4	16,2	(32,7)
Other comprehensive income			
Movement in foreign currency translation reserve	–	(0,1)	(0,3)
Total comprehensive income for the period	50,4	16,1	(33,0)
Total profit/(loss) for the period	50,4	16,2	(32,7)
Attributable to KAP shareholders	47,9	12,8	(37,3)
Attributable to minorities	2,5	3,4	4,6
Total comprehensive income	50,4	16,1	(33,0)
Attributable to KAP shareholders	47,9	12,7	(37,6)
Attributable to minorities	2,5	3,4	4,6
Reconciliation of headline earnings/(loss)			
Net profit/(loss) attributable to KAP shareholders	47,9	12,8	(37,3)
Profit on sale of property, plant and equipment	(1,0)	–	(1,9)
Impairments	–	–	14,0
Loss on remeasurement of disposal group	–	–	11,4
Headline earnings/(loss)	46,9	12,8	(13,8)
Weighted average shares in issue	424,5	424,5	424,5
Earnings and diluted earnings per share			
Earnings per share (cents)			
Including discontinued operations	11,3	3,0	(8,8)
Excluding discontinued operations	12,0	10,2	11,0
Headline earnings per share (cents)			
Including discontinued operations	11,0	3,0	(3,2)
Excluding discontinued operations	11,7	10,2	11,4

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	31 Dec 2009 6 months Unaudited Rm	31 Dec 2008 6 months Unaudited Rm	30 Jun 2009 12 months Audited Rm
Balance at the beginning of the period	1 272,1	1 308,7	1 308,7
Other comprehensive income	–	(0,1)	(0,3)
Net profit/(loss) for the period	50,4	16,2	(32,7)
Distributions to minorities	–	(3,6)	(3,6)
Balance at the end of the period	1 322,5	1 321,2	1 272,1
KAP shareholders	1 286,5	1 288,9	1 238,6
Minorities	36,0	32,3	33,5

CONDENSED STATEMENTS OF CASH FLOW

	31 Dec 2009 6 months Unaudited Rm	31 Dec 2008 6 months Unaudited Rm	30 Jun 2009 12 months Audited Rm
Cash flows from operating activities	84,2	53,7	276,4
Cash generated by operations before working capital changes	134,8	102,2	136,3
Net working capital changes	(14,5)	0,8	231,8
Cash generated from operations	120,3	103,0	368,1
Net cash finance costs	(31,0)	(45,1)	(77,5)
Taxation paid	(5,1)	(4,2)	(14,2)
Cash flows to investing activities	(23,0)	(95,4)	(230,5)
Purchase of property, plant and equipment			
Expansion	(5,6)	(69,3)	(189,0)
Replacement	(19,4)	(26,0)	(68,4)
Other investing activities	2,0	(0,1)	26,9
Cash flows from/(to) operating and investing activities	61,2	(41,7)	45,9
Cash flows to financing activities	(92,5)	(47,4)	(144,6)
Dividends and distributions paid to minorities	–	(3,6)	(3,6)
Decrease in borrowings	(92,5)	(43,8)	(141,0)
Net decrease in cash and cash equivalents	(31,3)	(89,1)	(98,7)
Cash and cash equivalents at the beginning of the period	(283,5)	(184,8)	(184,8)
Cash and cash equivalents at the end of the period	(314,8)	(273,9)	(283,5)

CONDENSED STATEMENTS OF FINANCIAL POSITION

	31 Dec 2009 Unaudited Rm	31 Dec 2008 Unaudited Rm	30 Jun 2009 Audited Rm
ASSETS			
Non-current assets	1 146,4	1 095,5	1 166,4
Property, plant and equipment and investment properties	928,7	891,5	939,9
Goodwill	66,7	60,5	66,7
Investments and loans	24,0	18,8	22,1
Pension fund surplus	27,8	34,6	30,4
Deferred taxation	99,2	90,1	107,3
Current assets	1 309,9	1 512,6	1 342,2
Inventories and biological assets	610,9	787,5	675,8
Receivables and prepayments	637,9	695,0	547,9
Cash and cash equivalents	13,8	30,1	58,5
Assets held for sale	47,3	–	60,0
Total assets	2 456,3	2 608,1	2 508,6
EQUITY AND LIABILITIES			
Capital and reserves	1 322,5	1 321,2	1 272,1
Equity holders' interest	1 286,5	1 288,9	1 238,6
Minorities' interest	36,0	32,3	33,5
Non-current liabilities	81,7	125,0	64,7
Long-term borrowings	39,7	80,2	29,6
Retirement benefit obligations	11,2	12,6	11,3
Deferred taxation	30,8	32,2	23,8
Current liabilities	1 052,1	1 161,9	1 171,8
Short-term interest-bearing borrowings	92,0	212,8	193,5
Short-term interest-free borrowings	–	27,0	–
Trade and other payables	605,5	593,4	591,0
Provisions	18,8	24,7	37,0
Bank overdrafts	328,6	304,0	342,0
Liabilities directly associated with assets held for sale	7,2	–	8,3
Total equity and liabilities	2 456,3	2 608,1	2 508,6
Number of shares in issue (millions)	424,5	424,5	424,5
Net asset value per share (cents)	303,1	303,6	291,8
Net interest-bearing debt to equity (%)	34,3%	42,9%	40,5%

CONDENSED SEGMENTAL ANALYSES

	Revenue Rm	Operating profit before restructuring costs Rm	Depreciation Rm	Total assets Rm
December 2009 (six months, unaudited)	2 053,0	97,9	35,6	2 456,3
Industrial	1 241,7	54,1	28,1	1 576,6
Consumer	810,9	43,8	8,3	779,1
Other	0,4	–	(0,8)	100,6
December 2008 (six months, unaudited)	2 580,8	69,2	32,0	2 608,1
Industrial	1 305,2	37,2	23,2	1 569,7
Consumer	1 275,2	32,0	8,6	984,1
Other	0,4	–	0,2	54,3
June 2009 (twelve months, audited)	4 564,2	137,2	59,3	2 508,6
Industrial	2 242,0	73,5	43,4	1 718,5
Consumer	2 321,1	64,7	15,4	752,1
Other	1,1	(1,0)	0,5	38,0

NOTES

		31 Dec 2009 6 months Unaudited Rm	31 Dec 2008 6 months Unaudited Rm	30 Jun 2009 12 months Audited Rm
1	**Net finance costs – continuing operations**	27,0	34,5	59,3
	Interest paid	27,1	34,5	62,4
	Interest received	(0,1)	–	(3,1)
	Net finance costs – discontinued operations	4,0	12,3	18,2
2	**Capital expenditure commitments**	33,4	138,1	50,9
	Contracted	10,6	113,6	15,7
	Approved but not yet contracted	22,8	24,5	35,2
3	**Operating lease commitments**	36,4	59,8	41,0
4	**Guarantees and contingent liabilities**	11,2	12,9	9,6

5 **Taxation**

Taxation expense reflected in the statements of comprehensive income approximates South African normal taxation at 28%.

6 **Basis of preparation of results**

The unaudited results of the group for the six months ended 31 December 2009 have been prepared in accordance with the accounting policies of the group, which comply with International Financial Reporting Standards (IFRS), the presentation and disclosure requirements of IAS 34 (Interim Financial Reporting) and the Companies Act of South Africa, 1973 (as amended), and are consistent with those of the prior year, except for IAS 1 (Presentation of Financial Statements), which was implemented during the period. The restatements of the 31 December 2008 period relate to the Feltex Automotive Leathers division, which has now been accounted for as a discontinued operation.

7 **Unaudited results**

The results for the six months ended 31 December 2009 have not been audited or reviewed by the company's auditors.

PERFORMANCE

Revenue and earnings

The board of directors reports on the results for the six months ended 31 December 2009. The group underwent major restructuring in the previous financial year and the benefits are evident in the results for the current period. This restructuring, together with an intense focus on cost reduction and cash generation, have resulted in an improvement in profitability. Headline earnings per share increased from 3 cents per share to 11 cents per share.

Revenue from continuing operations for the six months ended December 2009 decreased marginally compared to the prior period due to a decline in sales of automotive and consumer products.

Balance sheet and cash flow

The debt/equity ratio has improved further to 34,3% as a result of strong operating cash flows and excellent working capital management, and we continue to focus on this area. Net asset value per share remains above R3,00 despite restructuring in the previous year.

OPERATIONAL OVERVIEW

Industrial segment

Feltex Automotive

Vehicle production for the period from July to December 2009 reduced by approximately 30% compared to the previous period. The restructuring of the division completed in the 2009 financial year has aligned its cost base to the revised vehicle build volumes.

Industrial footwear

In United Fram, import competition will be countered by the release of the division's new range of products. Wayne Plastics has seen an increase in the demand for gumboots across all sectors. Despite recent increases of international hide prices due to the revival of the automotive leather industry, Mossop is still delivering pleasing results.

Hosaf

The expanded Hosaf plant is producing according to plan amid strong demand for PET, which is expected to continue with the World Cup soccer tournament. The fibres division has been proactively downsized in line with reducing volumes.

Consumer segment

Bull Brand Foods

The cannery experienced slow demand during the period, but volumes started to pick up towards the end of 2009. The new Bull Brand management team has commenced various initiatives, including improved production flow and the targeting of new markets such as exports and Halaal.

Brenner Mills

Brenner continued to deliver a good performance despite the reduction in the maize price over the period, by focusing on efficiencies at the milling operations.

Jordan

Sales volumes remain under pressure, although there has been a slight improvement in the retail environment and in margins since 2009. Improved information systems and warehousing/distribution integration will assist Jordan to pursue more profitable business.

Glodina

Due largely to the hospitality sector, Glodina has nearly maintained sales into the 2010 financial year, and has generated reasonable margins during the period.

CORPORATE ACTIVITY

During the period, the group settled the outstanding consideration in respect of the Brenner Mills acquisition.

Corporate goverance

The directors subscribe to the principles incorporated in the Code of Corporate Practices and Conduct as set out in the King Report on Corporate Governance (King II) and comply therewith.

Directors and officers

Karl Schmidt and Ulrich Schäckermann were appointed as independent non-executive directors on 1 March 2010.

Outlook

A gradual improvement in vehicle build coupled with the increased volumes in Hosaf should result in overall revenue growth. The consumer operations should improve in line with consumer sentiment. Responsible cost-cutting across the group has positioned us to benefit once trading conditions improve.

Appreciation

We appreciate the support of our shareholders, employees, bankers, suppliers and customers.

CE Daun
Chairman

PCT Schouten
Chief executive officer

Paarl

1 March 2010

Corporate information

KAP International Holdings Limited
("the company" or "the group")
Non-executive directors: C E Daun* (Chairman), M J Jooste, J B Magwaza, 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
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Postal address: PO Box 61051, Marshalltown, 2107
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Sponsor: PSG Capital (Proprietary) Limited

View these results on: www.kapinternational.com

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