KAP International Holdings Ltd

Unaudited Results
for the half year ended 31 December 2010

INCOME STATEMENT

KAP

- Headline earnings of 13.9 cents (2009:11.0 cents)
- Revenue growth in Hosaf and Automotive
- Tax rate high due to permanent differences on pension fund surplus
- Finance costs down due to lower gearing

	Dec 2010 Rm	Dec 2009 Rm
Continuing operations		
Revenue	**2 235.4**	2 025.9
Operating profit before restructuring costs	**107.1**	97.9
Net finance costs	**(21.1)**	(27.0)
Joint ventures	**1.3**	2.2
Profit before taxation	**87.3**	73.1
Taxation	**(25.2)**	(19.8)
Profit after taxation	**62.1**	53.3
Discontinued operations		
Revenue	**-**	27.1
Net loss from discontinued operations	**-**	(2.9)
Minorities	**(3.3)**	(2.5)
Net profit	**58.8**	47.9
HEPS	**13.9**	11.0
EPS	**13.9**	11.3

BALANCE SHEET – ASSETS

- Debt/equity ratio improved further to 18.6%
- Net asset value per share 320 cents
- Net tangible asset value per share 304 cents

	Dec 2010 Rm	Dec 2009 Rm
Assets		
Fixed assets	**933.8**	928.7
Goodwill	**66.7**	66.7
Pension fund surplus	**22.0**	27.8
Deferred taxation assets	**50.0**	99.2
Joint ventures	**26.3**	24.0
Non-current assets	**1 098.8**	1 146.4
Inventories	**626.5**	610.9
Accounts receivable	**767.4**	637.9
Cash and equivalents	**40.0**	13.8
Assets held for sale	**12.1**	47.3
Current assets	**1 446.0**	1 309.9
Total assets	**2 544.8**	2 456.3

FIXED ASSETS MOVEMENT

	Dec 2010 Rm	Dec 2009 Rm
Opening balance	**945.7**	939.9
Capital expenditure	**24.3**	25.0
Disposals	**(0.7)**	(0.6)
Depreciation	**(35.5)**	(35.6)
Closing balance	**933.8**	928.7
By category		
Land and buildings	**194.1**	192.4
Investment property	**19.5**	5.7
Plant and machinery	**686.3**	706.5
Other assets	**33.9**	24.1
Total	**933.8**	928.7

CAPITAL EXPENDITURE

- Restricted to less than depreciation charge
- No major capex planned for 2011

	Dec 2010		Dec 2009
	Capex	**Depreciation**	Capex
Industrial segment	**16.3**	**28.2**	10.3
Automotive	**11.5**	**12.8**	3.3
Industrial footwear	**1.8**	**3.1**	1.3
Hosaf	**3.0**	**12.3**	5.7
Consumer segment	**8.0**	**7.3**	14.7
Bull Brand	**0.1**	**2.0**	7.2
Brenner	**3.4**	**1.5**	2.1
Jordan	**1.2**	**2.2**	1.6
Glodina	**3.3**	**1.6**	3.8
TOTAL	**24.3**	**35.5**	25.0

BALANCE SHEET – EQUITY AND LIABILITIES

	Dec 2010 Rm	Dec 2009 Rm
Equity	**1 397.5**	1 322.5
Interest-bearing borrowings	**33.2**	39.7
Deferred taxation liabilities	**22.7**	30.8
Retirement benefit obligations	**10.5**	11.2
Long-term liabilities	**66.4**	81.7
Accounts payable and provisions	**813.9**	624.3
Short-term loans and bank overdrafts	**267.0**	420.6
Liabilities held for sale	**-**	7.2
Current liabilities	**1 080.9**	1 052.1
Total equity and liabilities	**2 544.8**	2 456.3

CASH FLOW STATEMENT

KAP

- Good operating cash flows
- Capex restricted to less than depreciation charge
- Distribution of 7c per share for June 2010
- No interim distribution

	Dec 2010 Rm	Dec 2009 Rm
EBITDA	**143.9**	139.7
Non-cash items	**2.1**	(4.9)
Decrease in working capital	**3.1**	(14.5)
Decrease in inventories	**20.3**	77.6
Increase in accounts receivable	**(146.3)**	(89.9)
Decrease/(increase) in accounts payable	**129.1**	(2.2)
Operating cash flows	**149.1**	120.3
Net finance costs	**(21.1)**	(31.0)
Cash taxation paid	**(7.0)**	(5.1)
Capital expenditure	**(24.3)**	(25.0)
Disposal of PPE	**0.7**	2.1
Free cash flow	**97.4**	61.2
Other investing activities	**(2.3)**	(0.1)
Capital distributions	**(29.7)**	-
Repayment of loans	**(13.4)**	(92.5)
Change in cash and equivalents	**52.0**	(31.3)
Free cash flow per share (cents)	**22.9**	14.4

REVENUE

	Dec 2010 Rm	Dec 2009 Rm
Industrial segment	**1 416.2**	1 242.1
Automotive	**436.4**	342.0
Automotive - discontinued	**-**	27.1
Industrial footwear	**156.2**	178.7
Hosaf	**823.6**	694.3
Consumer segment	**819.2**	810.9
Bull Brand	**156.6**	149.9
Brenner	**312.2**	365.5
Jordan	**235.3**	189.8
Glodina	**115.1**	105.7
TOTAL	**2 235.4**	2 053.0

OPERATING PROFIT BEFORE RESTRUCTURING

	Dec 2010 Rm	Dec 2009 Rm
Industrial segment	**67.8**	54.1
Automotive	**19.5**	7.2
Industrial footwear	**5.1**	19.3
Hosaf	**43.2**	27.6
Consumer segment	**39.3**	43.8
Bull Brand	**2.8**	2.7
Brenner	**11.0**	19.4
Jordan	**14.9**	13.6
Glodina	**10.6**	8.1
TOTAL	**107.1**	97.9

Automotive

1. Volumes increased to 225 000 units – expect full year build of about 440 000 units

2. Last year was about 390 000 units and peak 550 000 units

3. Turnover up 17% inclusive of JV's - good increase in margins. Turnaround from loss

4. Good performance from Fehrer, Rieter and Unifrax

5. Good cash generation and working capital management

6. Significant programs in the quotation process are Ford T6 (new bakkie) and BMW F30 (new "3" series)

Industrial Footwear and Mossop

1. United Fram had a major drop in pairs post World Cup. Construction industry struggling

2. Gum boots holding up better, but also slow

3. Markets picking up in February – new products and more aggressive marketing

4. Mossop had a difficult trading period. The exchange rate favoured the importing of shoes

5. Government initiatives to promote the industry will definitely help
    - Productivity incentive
    - Tax on exporting of hides (as per India)

Hosaf

1. PET volumes excellent and production at full capacity
2. Higher oil price will mean an increase in net working capital but should not affect volume or margin
3. Strong rand has had an effect on margins (dollar-based), but has resulted in increased volumes
4. The spike in cotton prices has affected demand for polyester
5. Decision to upgrade plant has been a great investment
6. Pursuing opportunity to dispose of Fibres and properties

1. Good cash generation and reduction in net working capital

2. Competition from imported fish
    - Strong rand
    - Sudden fish price increase in January

3. New sales team and well motivated
    - New product launch
    - Co-ordinated approach to Halaal
    - Improved deliveries

Brenner

1. High cost of advertising campaign will not be repeated

2. Maize price increasing which is a more favourable scenario

3. Steady performer and cash generator

4. Good return on investment

Jordan

1. Excellent performance by strong brands
   - Sales of pairs up by 20%
   - New retail outlets

2. Order book strong and own manufacture very busy

3. Ladies division has grown nicely, but Asics is the star performer

4. Strong rand has assisted imports

Glodina

1. Excellent performance from a textile company

2. Great product range – really trying hard to beat the opposition on product offering and customer service

3. New production incentives from DTI will allow us to further modernise the plant and be even more competitive

4. Rand and cotton price threat have been challenging