KAP

International Holdings Ltd

Unaudited Interim Results

for the six months ended 30 June 2006

FINANCIAL HIGHLIGHTS

- HEADLINE EARNINGS UP **26% TO 17,0c PER SHARE**
- REVENUE UP **11% TO R1,569 MILLION**
- OPERATING MARGIN UP TO **6,3% FROM 5,4%**
- STRONG OPERATING CASH FLOWS

Balance sheet

	30 Jun 2006 Unaudited Rm	30 Jun 2005 Reviewed Rm	31 Dec 2005 Audited Rm
Assets			
Non-current assets	699,3	631,7	696,0
Property, plant and equipment and investment properties	540,6	483,6	529,5
Investments and loans	20,3	21,6	26,6
Pension fund surplus	45,9	–	45,0
Deferred taxation	92,5	126,5	94,9
Current assets	1 121,0	1 052,8	1 056,9
Inventories and agricultural assets	571,1	511,9	539,1
Receivables and prepayments	548,0	519,8	515,6
Cash and cash equivalents	1,9	21,1	2,2
Total assets	1 820,3	1 684,5	1 752,9
Equity and liabilities			
Equity	1 084,5	971,9	1 058,5
Equity holders' interest	1 067,0	962,3	1 044,5
Minority interest	17,5	9,6	14,0
Non-current liabilities	103,3	148,4	119,9
Long-term borrowings – Interest-bearing	51,3	95,5	75,5
Long-term borrowings – Interest-free	5,8	–	5,9

Income statement

	30 Jun 2006 Unaudited Rm	30 Jun 2005 Reviewed Rm
Revenue	1 568,7	1 416,3
Operating profit	99,0	77,0
Pension fund surplus (net)	–	–
Discontinued operation closure cost	–	–
Net finance costs	(10,4)	(8,3
Share of results of joint ventures	1,2	1,1
Profit before taxation	89,8	69,8
Taxation	(13,3)	(10,8
Net profit	76,5	59,0
Attributable to ordinary shareholders	72,5	56,8
Attributable to minorities	4,0	2,2
Reconciliation of headline earnings		
Net profit attributable to ordinary shareholders	72,5	56,8
Profit on sale of property, plant and equipment	(0,4)	(0,1
Impairment of investment property	–	–
Discontinued operation closure cost	–	–
Headline earnings	72,1	56,7
Number of shares (thousand)		
in issue	423 258	423 258
weighted average	423 258	421 477
Earnings per share (cents)	17,1	13,5
Headline earnings per share (cents)	17,0	13,5
Distribution per share (cents)	–	–

Cash flow statement

	30 Jun 2006 Unaudited Rm	30 Jun 2005 Reviewed Rm
Net cash flows from operating activities	51,4	42,9
Cash generated from operations before working capital changes	118,2	96,8
Net working capital changes	(56,4)	(44,2
Cash generated from operations	61,8	52,6
Net finance costs	(10,4)	(8,3
Taxation paid	–	(1,4
Cash flows from investing activities	(18,4)	(94,9

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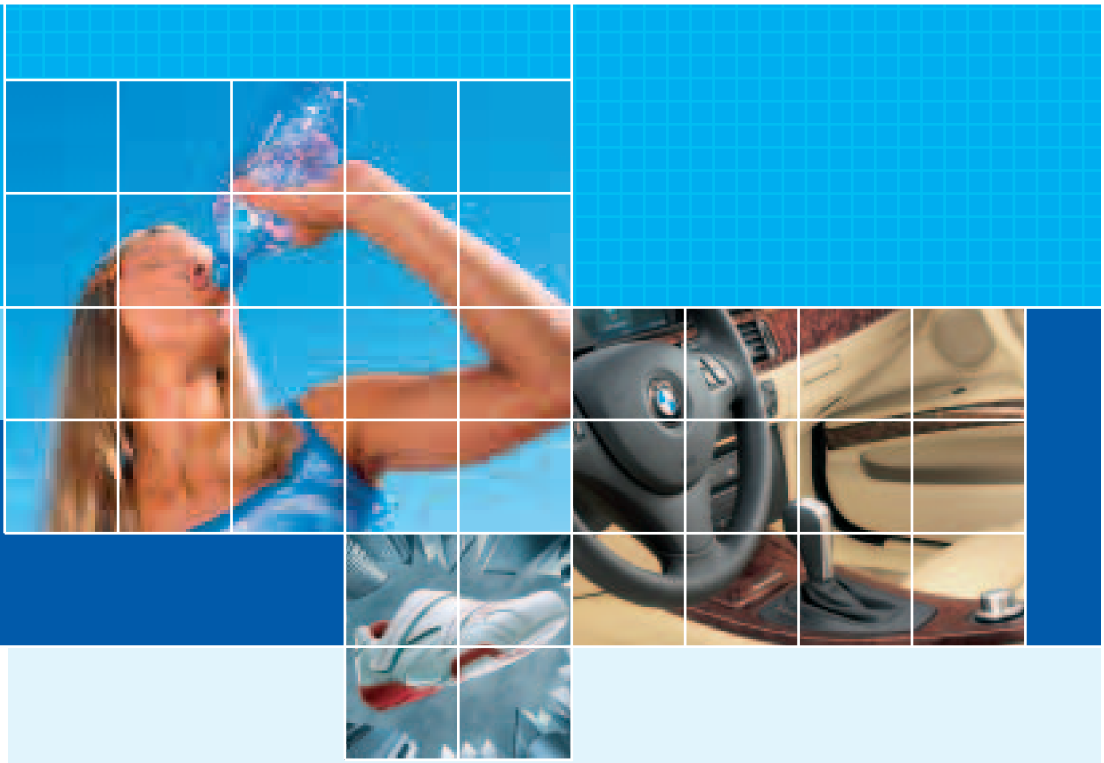

30 Jun 2005 Reviewed Rm	31 Dec 2005 Audited Rm
1 416,3	2 997,9
77,0	227,7
–	50,6
–	(10,9)
(8,3)	(19,4)
1,1	0,7
69,8	248,7
(10,8)	(46,2)
59,0	202,5
56,8	196,3
2,2	6,2
56,8	196,3
(0,1)	(12,0)
–	0,6
–	9,5
56,7	194,4
423 258	423 258
421 477	421 477
13,5	46,6
13,5	46,1
–	12,00

30 Jun 2005 Reviewed Rm	31 Dec 2005 Audited Rm
42,9	110,5
96,8	218,5
(44,2)	(85,5)
52,6	133,0
(8,3)	(19,4)
(1,4)	(3,1)
(94,9)	(139,1)

Commentary

Review of results

The directors are pleased to report on the results for the six months ended 30 June 2006. Headline earnings per share increased by 26% to 17,0 cents compared to 13,5 cents for the prior period. Revenue increased from R1 416 million to R1 569 million due to strong organic growth.

The effective tax rate of the group is lower than the statutory rate due to the reversal of deferred taxation liabilities.

Industrial segment

AUTOMOTIVE

The production of locally manufactured vehicles increased by 17,1% to a new record high of 253 591 units for the six months to June 2006 (2005: 216 560 units). Margins were maintained by the continuous improvement programme in spite of raw material price increases. The acquisition of Caravelle Carpets for R23 million on 1 July 2006 will broaden the product range of the division. The division is now preparing for the 2007 launch of the Toyota Corolla and Mercedes Benz C Class.

INDUSTRIAL FOOTWEAR

In line with the strategy of the division, imported safety footwear now accounts for 20% of revenue. Unit sales are up on 2005, and the new compounding plant for the gumboot division is now fully operational, which will result in further decreases in raw material costs. The order book of the division is extremely strong, as reflected in the performance of customers, in mining, construction and security sectors.

HOSAF FIBRES

Overall polymer volume and PET market share have increased compared to 2005, and both the Cape Town and Durban plants are performing well. The slightly weaker exchange rate has been of benefit to Hosaf's margins, and the continued increase in capacity will ensure further improvements in operating profit.

Consumer segment

JORDAN & CO

The newly-launched ladies' footwear division has had a very successful start to the year, and Asics, Bronx and Jordan brands all had double-digit growth compared to the previous period. Total sales revenue has increased by 19% and India is being developed as an additional procurement source to complement existing facilities in China.

BULL BRAND FOODS

Slightly lower sales volumes have been more than offset by significantly higher meat selling prices. Tight control of operating expenses and the realisation of economies of scale have resulted in good results for Bull Brand. The opening of the first branded butcheries marks a renewed focus on extracting down-stream benefits.

GLODINA

Following a strong offtake from major retailers, Glodina's sales are ahead of budget. Rejects and wastage have been well controlled, and an increased focus is being placed on the hospitality industry ahead of the 2010 World Cup as a growth market for the future.

Balance sheet and cash flow

The balance sheet of the group remains strong, with an interest-bearing debt to equity ratio of 23,5% (2005: 26,7%), an interest cover of 9,5 times (2005: 9,3 times) and a current ratio of 1,77 (2005: 1,86).

R35,2 million was spent on property, plant and equipment during the period, with anticipated further expenditure of R106,9 million during the second half of the year largely to ramp up for the new Toyota Corolla and the Mercedes Benz C Class. R50,8 million was distributed to KAP shareholders in May 2006.

Capital distribution

In accordance with group policy, no interim distribution will be declared.

Non-current liabilities	**103,3**	148,4	119,9
Long-term borrowings – Interest-bearing	**51,3**	95,5	75,5
Long-term borrowings – Interest-free	**5,8**	–	5,9
Retirement benefit obligations	**22,0**	40,8	19,8
Deferred taxation	**24,2**	12,1	18,7
Current liabilities	**632,5**	564,2	568,2
Short-term borrowings – Interest-bearing	**51,0**	24,7	41,1
Short-term borrowings – Interest-free	**0,7**	–	3,1
Trade and other payables	**396,2**	345,8	371,2
Provisions	**30,4**	33,6	39,7
Bank overdrafts	**154,2**	160,1	112,9
Total equity and liabilities	**1 820,3**	1 684,5	1 752,9

Net finance costs	[illegible]	[illegible]
Taxation paid	**–**	(1,4
Cash flows from investing activities	**(18,4)**	(94,9
Purchase of property, plant and equipment	**(35,2)**	(62,7
Other investing activities	**16,8**	(32,2
Cash flows from financing activities	**(74,6)**	(86,7
Decrease in borrowings	**(23,3)**	(78,0
Distributions to shareholders	**(51,3)**	(8,7
Net decrease in cash and equivalents	**(41,6)**	(138,7
Opening cash and equivalents	**(110,7)**	(0,3
Closing cash and equivalents	**(152,3)**	(139,0

Notes

	30 Jun 2006 Unaudited Rm	30 Jun 2005 Reviewed Rm	31 Dec 2005 Audited Rm
1. **Capital expenditure commitments**	**106,9**	90,1	33,3
Contracted	**41,1**	82,5	10,3
Approved but not yet contracted	**65,8**	7,6	23,0
2. **Operating lease commitments (12 months)**	**12,5**	28,1	16,0
3. **Guarantees and contingent liabilities**	**9,4**	10,6	9,1
4. **Taxation**	**13,3**	10,8	46,2
Current taxation	**5,5**	1,6	4,2
Deferred taxation – current and prior year	**7,8**	2,9	35,6
Secondary tax on companies	**–**	2,6	2,6
Effect of tax rate change	**–**	3,7	3,8

Statement of changes in equity

	30 Jun 2006 Unaudited Rm	30 Jun 2005 Reviewed Rm
Balance at the beginning of the period	**1 058,5**	921,4
Shares issued during the period	**–**	13,8
Movement in share-based payment reserve	**1,0**	–
Movement in foreign currency translation reserve	**(0,2)**	0,2
Net profit for the period	**76,5**	59,0
Distributions to shareholders	**(51,3)**	(22,5
Balance at the end of the period	**1 084,5**	971,9

Segmental analysis

	Revenue Rm	%	Operating profit Rm	%	Total assets Rm	%	Depreciation Rm
June 2006 (unaudited)	1 568,7	100	99,0	100	1 820,3	100	22,9
Industrial	923,8	59	68,5	69	1 148,8	63	16,5
Consumer	644,7	41	30,0	30	656,0	36	5,0
Other	0,2	–	0,5	1	15,5	1	1,4
June 2005 (reviewed)	1 416,3	100	77,0	100	1 684,5	100	19,5
Industrial	882,7	62	53,9	70	1 008,9	60	14,0
Consumer	532,6	38	23,0	30	587,3	35	4,9
Other	1,0	–	0,1	–	88,3	5	0,6
December 2005 (audited)	2 997,9	100	227,7	100	1 752,9	100	42,2
Industrial	1 823,9	61	160,4	70	1 129,0	64	33,6
Consumer	1 197,5	40	68,3	30	660,9	38	9,2
Other	(23,5)	(1)	(1,0)	–	(37,0)	(2)	(0,6

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(1,4)	(3,1)
(94,9)	(139,1)
(62,7)	(165,2)
(32,2)	26,1
(86,7)	(81,8)
(78,0)	(73,1)
(8,7)	(8,7)
(138,7)	(110,4)
(0,3)	(0,3)
(139,0)	(110,7)

30 Jun 2005 Reviewed Rm	31 Dec 2005 Audited Rm
921,4	863,6
13,8	13,8
–	1,1
0,2	–
59,0	202,5
(22,5)	(22,5)
971,9	1 058,5

reciation Rm	%
22,9	100
16,5	72
5,0	22
1,4	6
19,5	100
14,0	72
4,9	25
0,6	3
42,2	100
33,6	80
9,2	22
(0,6)	(2)

Capital distribution
In accordance with group policy, no interim distribution will be declared.

Change of year-end
The group has changed its financial year-end from December to June with immediate effect in order to synchronise with a significant shareholder and to facilitate administration. The next set of audited financial results will be for the 18-month period from January 2006 to June 2007.

Basis of presentation
The consolidated preliminary results have been prepared in accordance with International Financial Reporting Standards (IFRS), the Listings Requirements of the JSE Limited and Schedule 4 of the South African Companies Act. The results are presented in millions of Rands on the historical cost basis except for certain financial instruments, which are carried at either fair value or amortised cost as appropriate. The results have been prepared on the basis of IFRS and interpretation statements in issue that will be effective at the Group's revised reporting IFRS date, 30 June 2007.

Corporate governance
The group subscribes to and complies with the Code on Corporate Governance Practices and Conduct as contained in the second King Report on Corporate Governance.

Prospects
Further forecast growth in South African automotive vehicle build and government's continued commitment to the MIDP bode well for the automotive market.

As PET moves into new global markets by developing niche products, the prospects for growth of the industry in South Africa are very favourable.

The sustained strength of our brands in the consumer marketplace is underpinned by sound economic fundamentals and a restrained monetary policy.

The group is thus well placed for further growth during 2006 and into 2007.

Shareholders are reminded that the group generates the greater portion of its earnings in the July to December period.

For and on behalf of the board

C E Daun
Chairman

P C T Schouten
Chief executive officer

Paarl
11 September 2006

Corporate information

Non-executive directors: C E Daun* (Chairman), M J Jooste, J B Magwaza, I N Mkhari, F Möller*, S H Nomvete, D M van der Merwe

* German

Executive directors: P C T Schouten (CEO), J P Haveman (CFO)

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Sponsor: PSG Capital Limited