KAP International Holdings Ltd

Audited group results and final distribution declaration

for the eighteen months ended 30 June 2007

CONDENSED INCOME STATEMENTS

	30 June 2007 18 months Audited Rm	30 June 2007 12 months Unaudited Rm	30 June 2006 12 months Unaudited Rm	31 Dec 2005 12 months Restated, audited Rm
Revenue	5 242,2	3 673,5	3 127,5	2 975,1
Operating profit	338,5	239,5	247,5	225,5
Pension fund surplus (net)	–	–	50,6	50,6
Discontinued operation closure cost	–	–	(10,9)	(10,9)
Net finance costs	(51,1)	(40,7)	(21,5)	(19,4)
Share of results of joint ventures	3,2	2,0	0,8	0,7
Profit before taxation	290,6	200,8	266,5	246,5
Taxation	(53,0)	(39,7)	(48,1)	(45,6)
Net profit for the period	237,6	161,1	218,4	200,9
– continuing operations	237,6	161,1	231,3	213,8
– discontinued operations	–	–	(12,9)	(12,9)
Net profit for the period				
– attributable to KAP shareholders	226,0	153,5	210,4	194,7
– attributable to minorities	11,6	7,6	8,0	6,2
Including discontinued operations				
Earnings per share (cents)	53,3	36,2	49,6	46,2
Excluding discontinued operations				
Earnings per share (cents)	53,3	36,2	52,7	49,3
Reconciliation of headline earnings				
Net profit – ordinary shareholders	226,0	153,5	210,4	194,7
Profit on sale of property, plant and equipment	(5,9)	(5,5)	(12,3)	(12,0)
Impairments	2,6	2,6	0,6	0,6
Discontinued operation closure cost	–	–	9,5	9,5
Headline earnings	222,7	150,6	208,2	192,8
Weighted average shares in issue (m)	424,1	424,5	423,9	421,5
Including discontinued operations				
Headline earnings per share (cents)	52,5	35,5	49,1	45,7
Excluding discontinued operations				
Headline earnings per share (cents)	52,5	35,5	52,2	48,8
Distribution per share (cents)	17	17	12	12

CONDENSED CASH FLOW STATEMENTS

	30 June 2007 18 months Audited Rm	31 Dec 2005 12 months Restated, audited Rm
Cash flows from operating activities	154,2	110,5
Cash generated from operations before working capital changes	397,2	218,5
Net working capital changes	(177,9)	(85,5)
Cash generated from operations	219,3	133,0
Net finance costs	(51,1)	(19,4)
Taxation paid	(14,0)	(3,1)
Cash flows from investing activities	(219,5)	(139,1)
Purchase of property, plant and equipment		
– expansion	(127,8)	(139,2)
– replacement	(54,6)	(26,0)
Other investing activities	17,3	26,1
Acquisition of subsidiaries, net of cash acquired	(54,4)	–
Cash flows from financing activities	(195,9)	(81,8)
Decrease in borrowings	(85,1)	(73,1)
Distributions to shareholders	(110,2)	(7,1)
Dividends to minorities	(0,6)	(1,6)
Net decrease in cash and equivalents	(261,2)	(110,4)
Opening cash and cash equivalents	(110,7)	(0,3)
Closing cash and cash equivalents	(371,9)	(110,7)

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	30 June 2007 18 months Audited Rm	31 Dec 2005 12 months Restated, audited Rm
Balance at the beginning of the period	1 055,2	863,6
Prior period adjustments	–	(1,7)
Balance at the beginning of the period restated	1 055,2	861,9
Shares issued during the period	4,8	13,8
Movement in share-based payment reserve	4,2	1,1
Movement in foreign currency translation reserve	0,1	–
Net profit for the period	237,6	200,9
Distributions to minorities	(0,6)	(1,6)
Distributions to KAP shareholders	(110,2)	(20,9)
Balance at the end of the period	1 191,1	1 055,2
KAP shareholders	1 166,1	1 041,2
Minorities	25,0	14,0

CONDENSED BALANCE SHEETS

	30 June 2007 Audited Rm	31 Dec 2005 Restated, audited Rm
Assets		
Non-current assets	915,1	696,2
Property, plant and equipment and investment properties	709,1	529,5
Goodwill	56,4	–
Investments and loans	36,2	26,6
Pension fund surplus	45,5	45,0
Deferred taxation	67,9	95,1
Current assets	1 474,6	1 052,1
Inventories and biological assets	789,8	535,3
Receivables and prepayments	682,4	514,6
Cash and cash equivalents	2,4	2,2
Total assets	2 389,7	1 748,3
Equity and liabilities		
Equity	1 191,1	1 055,2
Equity holders' interest	1 166,1	1 041,2
Minority interest	25,0	14,0
Non-current liabilities	114,5	118,8
Long-term borrowings – interest-bearing	71,4	75,5
Long-term borrowings – interest-free	–	5,9
Retirement benefit obligations	14,0	19,8
Deferred taxation	29,1	17,6
Current liabilities	1 084,1	574,3
Short-term borrowings – interest-bearing	73,3	46,9
Short-term borrowings – interest-free	18,0	3,8
Trade and other payables	580,6	371,0
Provisions	37,9	39,7
Bank overdrafts	374,3	112,9
Total equity and liabilities	2 389,7	1 748,3
Number of shares in issue (millions)	424,5	423,3
Net asset value per share (c)	274,5	246,0
Net interest-bearing debt to equity (%)	43,4%	22,1%

HIGHLIGHTS

- STRONG CASH FLOWS FROM OPERATING ACTIVITIES
- HEADLINE EARNINGS OF 35,5 CENTS FOR THE 12 MONTHS
- ACQUISITION OF BRENNER MILLS COMPLETE
- HOSAF PET EXPANSION PROJECT ANNOUNCED

Please see these results on
www.kapinternational.com

ACQUISITION OF SUBSIDIARIES

	Carrying value Rm	Fair value Rm
Non-current assets	92,6	78,5
Current assets	124,5	121,6
Non-current liabilities	(89,3)	(86,2)
Current liabilities	(111,4)	(115,3)
Net assets/(liabilities) acquired	16,4	(1,4)

Due to differing year-ends, it is not practicable to determine the revenue and profit after tax of the combined entities for the 18-month period ended 30 June 2007.

The acquisition of Brenner Mills (Pty) Ltd is determined on a provisional basis, as the fair value of assets and liabilities has not yet fully been determined.

The total consideration was R55,0 million, of which R4,8 million was settled by an issue of shares.

SEGMENTAL ANALYSES

	Revenue Rm	Operating profit Rm	Depreciation Rm	Assets Rm	Liabilities Rm	Capital expenditure Rm
2007 (18 months audited)						
Industrial	3 027,4	246,7	50,2	1 567,6	693,0	135,3
Consumer	2 214,5	93,5	14,7	918,7	341,6	46,8
Other	0,3	(3,8)	0,7	21,7	256,3	0,3
Intra-group	–	2,1	–	(118,3)	(96,3)	–
Total	5 242,2	338,5	65,6	2 389,7	1 194,6	182,4
2005 (12 months restated, audited)						
Industrial	1 792,4	160,2	32,6	1 238,2	480,2	132,5
Consumer	1 180,9	54,0	9,2	617,8	149,4	30,9
Other	1,8	20,8	0,4	24,7	101,2	1,8
Intra-group	–	(9,5)	–	(132,4)	(43,0)	–
Total	2 975,1	225,5	42,2	1 748,3	687,8	165,2
June 2007 (12 months unaudited)						
Industrial	2 103,5	178,4	32,6			
Consumer	1 569,8	61,1	9,6			
Other	0,2	–	0,5			
Total	3 673,5	239,5	42,7			
June 2006 (12 months unaudited)						
Industrial	1 832,6	175,7	35,7			
Consumer	1 294,0	71,8	9,4			
Other	0,9	–	0,5			
Total	3 127,5	247,5	45,6			

NOTES

	30 June 2007 18 months Audited Rm	31 Dec 2005 12 months Restated, audited Rm
1. **Net finance costs**	51,1	19,4
Interest received	(0,7)	(8,0)
Interest paid	51,8	27,4
2. **Capital expenditure commitments**	201,2	33,3
Contracted	29,8	10,3
Approved but not yet contracted	171,4	23,0
The bulk of the increase relates to approval for the Hosaf expansion project (R97,7 million).		
3. **Operating lease commitments**	23,9	16,0
4. **Guarantees and contingent liabilities**	5,8	9,1

5. **Adoption of Circular 9/2006**
The group has adopted Circular 9/2006 (Transactions giving rise to revenue/purchases adjustments), and the 2005 results have been restated accordingly.

6. **Taxation**
Taxation remains low in relation to reported profits mainly due to non-taxable income.

7. **Basis of preparation of the results**
The condensed audited results of the group for the eighteen months ended 30 June 2007 have been prepared in accordance with the accounting policies of the group, which comply with International Financial Reporting Standards (IFRS), and the presentation and disclosure requirements of IAS 34 (Interim Financial Reporting). Certain prior period adjustments (2005 earnings effect (0,4) cents) have been made in relation to biological assets and the effects of Circular 9/2006, and prior periods have been restated accordingly. Diluted earnings per share is not disclosed as the share options are anti-dilutive.

8. **Audited results**
The results for the 18 months ended 30 June 2007 have been audited by Deloitte & Touche. Their unmodified audit opinion is available for inspection at the registered office of the company.

REVIEW OF RESULTS

The board of directors reports on the results for the 18 months ended 30 June 2007. Operating profit (excluding the pension fund surplus) grew by 5% for the twelve months to June 2007 ("2006/7") compared to the twelve months to June 2006 ("2005/6"), despite significantly lower margins in Bull Brand Foods caused by adverse market conditions. Headline earnings per share decreased from 49,1 cents to 35,5 cents due also to 11,8 cents relating to the once-off pension fund surplus included in 2005/6.

Revenue for 2006/7 increased by 17% from R3,1 billion to R3,7 billion due to double-digit growth in all operations and the inclusion of R121 million of revenue from Brenner Mills. The improved performance of the leather operations and solid results of the other divisions compensated for the lower Bull Brand results.

Balance sheet and cash flow

An increased interest-bearing debt-to-equity ratio of 43% reflects the incremental debt assumed on the acquisition of Brenner Mills as well as additional investments in working capital to finance increased activity levels.

In addition to fixed assets and working capital acquired in Brenner, capital expenditure of R147,2 million was incurred during 2006/7, the bulk of which was in the automotive division for the rollout of the new Toyota Corolla, Toyota Hilux and the Mercedes Benz C Class. Capital expenditure of R201,2 million (including R144,8 million of expansionary capex, R97,7 million of which relates to the Hosaf expansion) has been approved, which will be funded out of operating cash flows and borrowings.

Industrial segment

FELTEX AUTOMOTIVE
Continued growth in sales was driven by increased market share, the improved performance of Feltex Autoleathers and the inclusion of Caravelle Carpets in the results for the first time. Although vehicle build did not grow significantly over the period due to two model change-overs, long-term growth prospects remain intact.

INDUSTRIAL FOOTWEAR
The strategic decision to import footwear has proven to be a success, and further increases in revenue and operating margins have resulted. Demand for gumboots remain strong, driven by increased volumes in mining, security and construction and the strength of the brands.

HOSAF
Profitability has continued to improve due to the increased capacity of the continuous polymerisation plant. The announced doubling of Hosaf's PET capacity in 2008/9 will ensure that Hosaf becomes a major player in the South African market.

Consumer segment

JORDAN & CO
Own manufacturing volumes were static for the period and margin pressure by the retail chains continues, but import volumes have increased significantly, particularly in the main brands of Bronx, Asics and Olympic.

BULL BRAND FOODS
The high cost of weaners and high maize prices have resulted in greater margin pressure being experienced in the fresh meat division. The cannery performed well during the period, driven by strong consumer demand for convenience products. Decisive management action has been taken to address the cost challenges.

BRENNER MILLS
Margins have increased in the 2006/7 financial year as a result of a strong marketing drive, a brand awareness campaign and synergies resulting from integration into the KAP group.

GLODINA
Margins were maintained despite pressure from retailers, and Glodina has invested further in capital expenditure to maintain its competitive edge. The potential from the hospitality sector remains largely untapped, and consumer demand remains strong.

Corporate activity

Effective 1 May 2007, the group acquired 60% of the issued share capital of Brenner Mills (Pty) Ltd, which holds significant synergistic potential with Bull Brand Foods in terms of marketing, distribution and animal feed. The group holds a call option over the remaining 40%, details of which are provided in the notes to the annual report.

Effective 1 July 2006, the group acquired 100% of the issued share capital of Caravelle Automotive Holdings (Pty) Ltd, which manufactures loose laid carpets for the South African automotive market. Synergies with Feltex Automotive Trim are substantial.

A 50/50 joint venture was formed with the Australian Futuris Automotive Group. Futuris Feltex (Pty) Ltd will produce tufted carpeting and supply Feltex Automotive Trim for the Mercedes Benz C Class and the export market.

Corporate governance

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.

Sustainability

The group recognises the impact of its operations on society and the environment, and is constantly striving to improve the well-being of all stakeholders in this regard.

Directors and officers

There were no changes to the directors and officers during the period.

Capital distribution

The board has declared a final distribution out of share premium of 3 cents per share, bringing the total distribution for the 18-month period to 17 cents (2005: 12 cents). The distribution cover is approximately 3 times (2005: 3,8 times). The policy of the group is to declare distributions annually after the year-end results have been finalised.

Outlook

The expansion of the Hosaf plant is expected to generate long-term returns for shareholders, and growth in volumes and parts penetration at Feltex Automotive is expected to continue on the basis of industry forecasts.

The consumer divisions remain well placed to maintain or improve operating margins into the future, driven by the strength of our brands and an improved performance from Bull Brand Foods. Brenner is expected to perform well and to add considerably to the operating profit of the consumer division.

For and on behalf of the board

C E Daun
Chairman

P C T Schouten
Chief executive officer

CAPITAL DISTRIBUTION

In terms of the general authority obtained by the company at the general meeting of shareholders held on Wednesday, 11 April 2007, the directors of the company have declared a final capital distribution out of share premium of 3 cents per share in respect of the period ending 30 June 2007.

The distribution will be payable on Monday, 1 October 2007 to shareholders recorded in the register at the close of business on Friday, 28 September 2007.

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

	2007
Last date to trade cum-distribution	Thursday, 20 September
Trading commences ex-distribution	Friday, 21 September
Record date	Friday, 28 September
Posting of cheques/electronic bank transfers	Monday, 1 October
Accounts credited at CSDP or broker in respect of shareholders who have dematerialised their shares	Monday, 1 October

Share certificates may not be dematerialised or rematerialised between Friday, 21 September 2007 and Friday, 28 September 2007, both days inclusive.

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

For and on behalf of the board

M Balladon
Company secretary

7 September 2007

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)
Registration number: 1978/000181/06 **Share code:** KAP **ISIN:** ZAE000059564
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Telephone: 021 872 8726. **Facsimile:** 021 872 8904
Transfer secretaries: Computershare Investor Services 2004 (Proprietary) Limited
Address: 70 Marshall Street, Johannesburg, 2001
Postal address: PO Box 61051, Marshalltown, 2107
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Sponsor: PSG Capital (Pty) Ltd

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