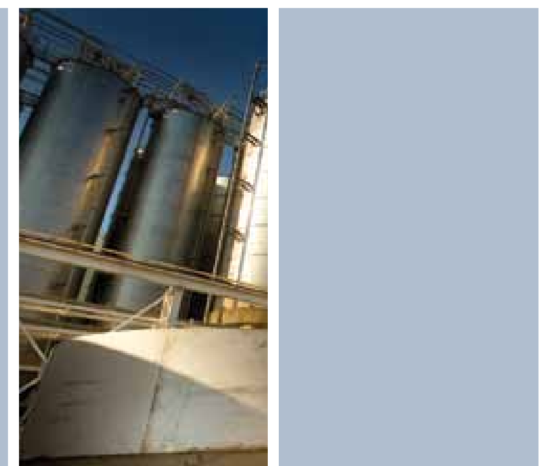
KAP

International Holdings Ltd



Audited Group Results

for the year ended 30 June 2009

Highlights

* Strong operating cash flow and improved working capital
* Net asset value of R2,92 per share and a healthy balance sheet
* Hosaf PET expansion project completed and operational
* Automotive Leather operation sold
* Restructuring of Bull Brand fresh meat and Durban Fibres completed

Condensed Income Statements

	30 Jun 2009 12 months Rm	30 Jun 2008 12 months Rm
Continuing operations		
Revenue	3 839,0	3 700,8
Operating profit before restructuring costs	152,5	206,0
Restructuring costs	(19,9)	–
Operating profit	132,6	206,0
Net finance costs	(59,3)	(64,6)
Other costs	(4,1)	(5,8)
Share of results of joint ventures	2,7	3,7
Profit before taxation	71,9	139,3
Taxation	(20,5)	3,2
Net profit from continuing operations	51,4	142,5
Discontinued operations		
Revenue	725,2	919,6
Operating loss before restructuring costs	(15,3)	(5,9)
Net loss from discontinued operations	(84,1)	(12,7)
Total (loss)/profit for the year	(32,7)	129,8
Attributable to KAP shareholders	(37,3)	122,3
Attributable to minorities	4,6	7,5
Reconciliation of headline (loss)/earnings		
Net (loss)/profit attributable to ordinary shareholders	(37,3)	122,3
Profit on sale of property, plant and equipment	(1,9)	(1,6)
Impairments	14,0	–
Loss on remeasurement of disposal group	11,4	–
Headline (loss)/earnings	(13,8)	120,7
Weighted average shares in issue	424,5	424,5
Earnings/(loss) per share (cents)		
Excluding discontinued operations	11,0	31,8
Including discontinued operations	(8,8)	28,8
Headline earnings/(loss) per share (cents)		
Excluding discontinued operations	11,4	31,4
Including discontinued operations	(3,2)	28,4

Condensed Cash Flow Statements

	30 Jun 2009 12 months Rm	30 Jun 2008 12 months Rm
Net cash flows from operating activities	276,4	170,6
Cash generated from operations before working capital changes	136,3	256,3
Net working capital changes	231,8	0,8
Cash generated from operations	368,1	257,1
Net cash finance costs	(77,5)	(75,9)
Taxation paid	(14,2)	(10,6)
Cash flows to investing activities	(230,5)	(160,4)
Purchase of property, plant and equipment		
– expansion	(189,0)	(151,4)
– replacement	(68,4)	(26,0)
Other investing activities	26,9	17,0
Cash flows from operating and investing activities	45,9	10,2
Cash flows (to)/from financing activities	(144,6)	176,9
Change in borrowings	(141,0)	189,6
Distributions to minorities/shareholders	(3,6)	(12,7)
Net (decrease)/increase in cash and equivalents	(98,7)	187,1
Opening cash and equivalents	(184,8)	(371,9)
Closing cash and equivalents	(283,5)	(184,8)

Condensed Segmental Analyses

	Revenue Rm	Operating profit before restructuring costs Rm	Total assets Rm	Depreciation Rm
June 2009 (12 months)	4 564,2	137,2	2 508,6	59,3
Industrial	2 242,0	73,5	1 718,5	43,4
Consumer	2 321,1	64,7	752,1	15,4
Other	1,1	(1,0)	38,0	0,5
June 2008 (12 months)	4 620,4	200,1	2 760,4	56,2
Industrial	2 388,6	106,2	1 849,5	41,7
Consumer	2 231,6	90,5	971,7	15,0
Other	0,2	3,4	(60,8)	(0,5)

Condensed Balance Sheets

	30 Jun 2009 Rm	30 Jun 2008 Rm
ASSETS		
Non-current assets	1 166,4	1 045,9
Property, plant and equipment and investment properties	939,9	828,2
Goodwill	66,7	60,5
Investments and loans	22,1	26,5
Pension fund surplus	30,4	39,4
Deferred taxation	107,3	91,3
Current assets	1 342,2	1 714,5
Inventories and biological assets	675,8	929,9
Receivables and prepayments	547,9	729,5
Cash and cash equivalents	58,5	55,1
Assets held for sale	60,0	–
Total assets	2 508,6	2 760,4
EQUITY AND LIABILITIES		
Equity	1 272,1	1 308,7
Equity holders' interest	1 238,6	1 276,2
Minorities' interest	33,5	32,5
Non-current liabilities	64,7	117,5
Long-term borrowings	29,6	68,3
Retirement benefit obligations	11,3	11,7
Deferred taxation	23,8	37,5
Current liabilities	1 171,8	1 334,2
Short-term interest-bearing borrowings	193,5	266,8
Short-term interest-free borrowings	–	27,0
Trade and other payables	591,0	758,3
Provisions	37,0	42,2
Bank overdrafts	342,0	239,9
Liabilities related to assets held for sale	8,3	–
Total equity and liabilities	2 508,6	2 760,4
Number of shares in issue (millions)	424,5	424,5
Net asset value per share (cents)	291,8	300,7
Net interest-bearing debt to equity (%)	40,5	39,7

Condensed Statements of Changes in Equity

	30 Jun 2009 12 months Rm	30 Jun 2008 12 months Rm
Balance at the beginning of the period	1 308,7	1 191,1
Movement in share-based payment reserve	–	0,6
Movement in foreign currency translation reserve	(0,3)	(0,2)
Net (loss)/profit for the period	(32,7)	129,8
Distributions to minorities	(3,6)	–
Sale of trust shares	–	0,1
Distributions to KAP shareholders	–	(12,7)
Balance at the end of the period	1 272,1	1 308,7
KAP shareholders	1 238,6	1 276,2
Minorities	33,5	32,5

NOTES	30 Jun 2009 12 months	30 Jun 2008 12 months
1. **Net finance costs continuing operations**	59,3	64,6
Interest received	(3,1)	(0,5)
Interest paid	62,4	65,1
Net finance costs discontinuing operations	18,2	11,3
2. **Capital expenditure commitments**	50,9	136,4
Contracted	15,7	51,8
Approved but not yet contracted	35,2	84,6
3. **Operating lease commitments**	41,0	48,1
4. **Guarantees and contingent liabilities**	9,6	7,9

5. **Taxation**
The taxation rate is relatively high mainly due to STC incurred on distributions to minority shareholders.

6. **Basis of preparation of the results**
The audited results of the group for the year ended 30 June 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, and are consistent with those of the prior year.

7. **Audit opinion**
The auditors, Deloitte & Touche, have issued their opinion on the group's financial statements for the year ended 30 June 2009. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion. A copy of their audit report is available for inspection at KAP's registered office. These condensed financial statements have been derived from the group financial statements and are consistent in all material respects with the group financial statements.

Performance

Revenue and earnings

The board of directors reports on the results for the year ended 30 June 2009.

Operating profit from continuing operations declined by 26% compared to the previous year due largely to difficult trading conditions in the automotive operations. Headline earnings per share (including discontinued operations) decreased from 28,4 cents to a loss of 3,2 cents. Headline earnings per share (excluding discontinued operations) showed a far smaller decline, decreasing to 11,4 cents.

Revenue for the year decreased slightly to R4,6 billion due to the effect of the closure of the fresh meat division and a decline in sales in the automotive operation.

Balance sheet and cash flow

Total interest-bearing debt reduced by R5 million to R514,9 million, and the debt equity ratio at year-end was 40,5%. There was an intense focus on net working capital during this financial year and this produced pleasing results. A substantial portion was generated by the closure of the fresh meat operation of Bull Brand. Capital expenditure for the year was R257,4 million, mainly for the completion of the Hosaf expansion project. In addition there was an upgrade of the cannery in Bull Brand, and a safety footwear machine was installed in the Industrial Footwear division.

Distribution

Due to the funding requirements of the Hosaf expansion project, no distribution is proposed for this financial year.

Operational overview

Industrial segment

Feltex Automotive

There was a sharp decline in vehicle production from 533 000 in 2007/8 to 398 000 units in the current financial year. This decline necessitated restructuring in all automotive divisions to take account of these lower volumes. The headcount was reduced by almost 1 000 people from 2 482 to 1,483 and costs were reduced wherever possible. The automotive leather division was sold to Seton South Africa.

Installed capacity is now underutilised, particularly in the trim division, but Feltex are set to benefit once the vehicle build recovers.

Industrial footwear

This division performed well. Sales were lower in United Fram and Wayne Plastics, where pairs sold were down by 14%. Demand for gumboots remains strong. The turnaround in Mossop remains on track, where margins improved during the second half of the financial year.

Hosaf

Hosaf continued with their strategy of increasing PET production and reducing fibre sales. The PET expansion was successfully completed in April 2009 and the plant is currently performing extremely well and producing an excellent quality product. The closure of the competing SANS plant during the financial year has meant that Hosaf is now the only local producer. International margins remain under pressure during the current economic climate, but Hosaf is well placed to take advantage once markets improve.

Consumer segment

Bull Brand Foods

The fresh meat operation was closed during the year and one of the two farms was sold. The cannery lines were upgraded to improve efficiencies and output improved during the course of the year. The cannery has steadily been gaining market share since 2001 and is now aggressively looking at export markets with the view to further increasing turnover and benefiting from economies of scale.

Brenner Mills

Brenner once again produced a solid performance and demonstrated the benefits of having a division that is of a defensive nature during the tough economic times.

Jordan

Jordan's volumes declined by 14% and margins were under pressure from retailers. The volatile exchange rate made the pricing of imports extremely difficult, and management has recently completed a major restructuring exercise and the emphasis on cost control will enable them to improve performance in future years. The strong brands are still highly sought after by both national retailers and independent shoe stores.

Glodina

Although retail sales were lower than previous financial years, Glodina's emphasis on the hospitality sector has enabled them to maintain overall operating margins in an extremely difficult trading environment. Their quality products, strong brand and total dedication to customer service will enable them to continue to produce good results.

Corporate activity

The Feltex Automotive Leathers division has been sold to Seton South Africa.

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 that its operations impact on society and the environment, and is constantly striving to improve the well-being of all shareholders in this regard. Detailed information on sustainability can be found in the annual report.

Directors and officers

There were no changes to the directors during the year. Ben la Grange of Steinhoff Africa Holdings (Pty) Limited replaced Jan van der Merwe on the audit and risk committee.

Outlook

The directors remain cautious regarding trading conditions in the new financial year. The restructuring initiatives completed in 2008/9 have enabled all divisions to reduce costs in line with expected lower volumes, and the group will benefit when trading conditions improve. Hosaf is expected to generate additional operating margin from the extra volume produced, and KAP's earnings are expected to be less volatile now that the fresh meat operations have been closed and the automotive leathers division has been sold.

Appreciation

As always, we are grateful to our shareholders, employees, customers and other stakeholders in these difficult times, and we look forward to better trading conditions.

C E Daun
Chairman

P C T Schouten
Chief executive officer

Paarl
8 September 2009

FELTEX · UNIFRAX · caravelle · RIETER · AUTOMOTIVE TRIM · Fehrer · WAYNE PLASTICS · FOAM CONVERTING · Frams · SPEKENAM · BRONX · FUTURIS · GANTS · asics · BRENNER MILLS · OLYMPIC · Anton Fabi · JORDAN · Onitsuka Tiger · BRENNCO · Hosaf · Bull Brand · SNAX · GLODINA · magic · STEVE MADDEN · JORDAN

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 **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

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