KAP

International Holdings Ltd

Audited Results

for the year ended 30 June 2012

Headline earnings of **24,2** cents per share

Operating cash flow grows by **31%** to R1 906 m

Acquisition of Steinhoff Industrial and Logistics assets completed

Dividend of **6** cents per share

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2012 Audited Rm	30 June 2011 Audited Rm
ASSETS		
Non-current assets		
Intangible assets and goodwill	**1 311**	1 231
Property, plant and equipment, investment properties	**6 129**	4 925
Consumable biological assets	**1 656**	1 450
Investments and loans	**83**	188
Deferred taxation assets	**76**	96
	9 255	7 890
Current assets		
Inventories	**1 367**	588
Accounts receivable, short-term loans and other current assets	**2 457**	1 699
Cash and cash equivalents	**1 346**	770
Assets classified as held for sale	**15**	–
	5 185	3 057
Total assets	**14 440**	10 947
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary stated share capital	**6 969**	6 111
Reserves	**(1 405)**	(2 163)
	5 564	3 948
Non-controlling interests	**119**	51
Total equity	**5 683**	3 999
Non-current liabilities		
Interest-bearing long-term liabilities	**3 800**	2 380
Deferred taxation liabilities	**723**	562
Other long-term liabilities and provisions	**101**	25
	4 624	2 967
Current liabilities		
Accounts payable, provisions and other current liabilities	**3 047**	1 868
Interest-bearing short-term liabilities	**343**	726
Bank overdrafts and short-term facilities	**743**	1 387
	4 133	3 981
Total equity and liabilities	**14 440**	10 947
Net asset value per ordinary share (cents)	**238**	206
Net interest-bearing debt to equity	**64%**	94%

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 30 June 2012 Audited Rm	Year ended 30 June 2011 Audited Rm
Cash generated before working capital changes	**1 627**	1 489
Changes in working capital	**279**	(29)
Increase in inventories	**(11)**	(53)
Decrease/(increase) in receivables	**176**	(88)
Increase in payables	**114**	112
Cash generated from operations	**1 906**	1 460
Net interest paid	**(375)**	(494)
Dividends paid	**(4)**	(11)
Dividends received	**1**	–
Taxation paid	**(68)**	(57)
Net cash inflow from operating activities	**1 460**	898
Additions to property, plant and equipment	**(950)**	(803)
Proceeds on disposal of property, plant and equipment	**211**	86
Additions to intangible assets	**(26)**	(14)
Acquisition of subsidiary companies, net of cash and cash equivalents on hand at acquisition	**43**	(31)
Disposal of subsidiaries and businesses, net of cash disposed	**–**	23
Decrease in investments and loans	**125**	119
Decrease in short-term loans receivable	**–**	19
Other investing activities	**(20)**	(1)
Net cash outflow from investing activities	**(617)**	(602)
(Decrease)/increase in bank overdrafts and short-term facilities	**(950)**	517
Increase/(decrease) in long-term interest-bearing loans and borrowings	**611**	(662)
Increase/(decrease) in short-term interest-bearing loans and borrowings	**86**	(121)
Net cash outflow from financing activities	**(253)**	(266)
Net increase in cash and cash equivalents	**590**	30
Effects of exchange rate changes on cash and cash equivalents	**(14)**	(16)
Cash and cash equivalents at the beginning of the year	**770**	756
Cash and cash equivalents at the end of the year	**1 346**	770

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year ended 30 June 2012 Audited Rm	Year ended 30 June 2011 Audited Rm
Balance at the beginning of the year	**3 999**	3 170
Net shares issued	**858**	–
Changes in reserves		
Total comprehensive income for the year	**574**	272
Pre-acquisition effects on reserves	**(335)**	(11)
Share-based payments	**6**	3
Movements on reverse acquisition reserves	**524**	579
Other reserve movements	**(11)**	(21)
Changes in non-controlling interests		
Total comprehensive income for the year attributable to non-controlling interests	**22**	17
Dividends and capital distributions paid	**–**	(10)
Acquired on acquisition of subsidiary	**46**	–
Balance at the end of the year	**5 683**	3 999
Comprising:		
Ordinary stated share capital	**6 969**	6 111
Reverse acquisition reserve	**(3 952)**	(4 476)
Distributable reserves	**2 531**	2 292
Share-based payment reserve	**49**	43
Other reserves	**(33)**	(22)
Non-controlling interests	**119**	51
	5 683	3 999

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 30 June 2012 Audited Rm	Year ended 30 June 2011 Audited Rm	% change
Revenue		**11 018**	8 861	24
Operating profit before depreciation, amortisation and capital items		**1 738**	1 604	8
Depreciation and amortisation		**(632)**	(575)	
Operating profit before capital items		**1 106**	1 029	7
Capital items	1	**81**	(157)	
Earnings before interest, dividend income, associate earnings and taxation		**1 187**	872	36
Net finance costs		**(382)**	(475)	
Finance costs		**(499)**	(629)	
Income from investments		**117**	154	
Share of profit of associate companies		**11**	6	
Profit before taxation		**816**	403	102
Taxation		**(220)**	(114)	
Profit for the year		**596**	289	106
Attributable to:				
Owners of the parent		**574**	272	111
Non-controlling interests		**22**	17	
Profit for the year		**596**	289	106
Headline earnings per ordinary share (cents)		**24,2**	22,1	10
Fully diluted headline earnings per ordinary share (cents)		**24,1**	22,1	9
Basic earnings per ordinary share (cents)		**28,4**	14,2	100
Fully diluted earnings per ordinary share (cents)		**28,2**	14,2	99
Number of ordinary shares in issue (m)		**2 337**	1 913	22
Weighted average number of ordinary shares in issue (m)		**2 019**	1 913	6
Earnings attributable to ordinary shareholders (Rm)		**574**	272	111
Headline earnings attributable to ordinary shareholders (Rm)	2	**490**	424	16

SEGMENTAL REPORTING

for the year ended 30 June 2012

	2012 Audited Rm	2011 Audited Rm
REVENUE		
Manufacturing	**1 993**	761
Logistics	**6 822**	6 044
Timber	**2 286**	2 240
	11 101	9 045
Intersegment revenue eliminations	**(83)**	(184)
	11 018	8 861
OPERATING PROFIT BEFORE CAPITAL ITEMS		
Manufacturing	**132**	52
Logistics	**701**	617
Timber	**273**	360
	1 106	1 029
RECONCILIATION BETWEEN OPERATING PROFIT PER INCOME STATEMENT AND OPERATING PROFIT BEFORE CAPITAL ITEMS PER SEGMENTAL ANALYSIS		
Operating profit per income statement	**1 187**	872
Capital items	**(81)**	157
Operating profit before capital items per segmental analysis	**1 106**	1 029
TOTAL ASSETS		
Manufacturing	**3 767**	853
Logistics	**4 722**	4 467
Timber	**4 449**	4 496
	12 938	9 816
RECONCILIATION BETWEEN TOTAL ASSETS PER STATEMENT OF FINANCIAL POSITION AND TOTAL ASSETS PER SEGMENTAL ANALYSIS		
Total assets per statement of financial position	**14 440**	10 947
Less: Cash and cash equivalents	**(1 346)**	(770)
Less: Investments and loans in associate companies	**(74)**	(62)
Less: Investments in joint-venture companies	**–**	2
Less: Interest-bearing loans receivable	**(9)**	(126)
Less: Related-party receivables	**(73)**	(175)
Total assets per segmental analysis	**12 938**	9 816
GEOGRAPHICAL ANALYSIS		
Revenue		
Southern Africa	**11 018**	8 861
Non-current assets		
Southern Africa	**9 255**	7 890

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June 2012 Audited Rm	Year ended 30 June 2011 Audited Rm
Profit for the year	**596**	289
Other comprehensive loss	**(10)**	(21)
Actuarial gain on defined benefit plans	**2**	5
Exchange differences on translation of foreign subsidiaries	**(11)**	(27)
Net value gain on cash flow hedges and other fair value reserves	**–**	2
Deferred taxation	**(1)**	(1)
Total comprehensive income for the year	**586**	268
Total comprehensive income attributable to:		
Owners of the parent	**564**	251
Non-controlling interests	**22**	17
Total comprehensive income for the year	**586**	268

ADDITIONAL INFORMATION

	Year ended 30 June 2012 Audited Rm	Year ended 30 June 2011 Audited Rm
Note 1: Capital items		
Profit/(loss) on disposal of property, plant and equipment	**6**	(28)
Foreign currency translation reserve released on disposal of subsidiary	**6**	2
Negative goodwill	**93**	–
Loss on disposal of investments and associate companies and impairments	**(24)**	(131)
	81	(157)
Note 2: Headline earnings attributable to ordinary shareholders		
Earnings attributable to owners of the parent	**574**	272
Adjusted for:		
Capital items (note 1)	**(81)**	157
Taxation effects of capital items	**(3)**	(5)
	490	424

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance

The consolidated annual financial statements from which these condensed financial statements have been derived, have been prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the AC 500 Standards as issued by the Accounting Practices Board, the interpretations adopted by the International Accounting Standards Board (IASB), and the information as required by IAS 34 – Interim Financial Reporting and the requirements of the Companies Act of South Africa.

2. Basis of preparation

The annual financial statements are prepared in millions of South African Rands (Rm) on the historical cost basis, except for certain assets and liabilities which are carried at amortised cost, and derivative financial instruments and biological assets which are stated at their fair values.

The preparation of the Group's consolidated financial results for the year ended 30 June 2012 was supervised by John Haveman, the Group's Chief Financial Officer.

KAP's acquisition of the Steinhoff Industrial assets qualifies as a reverse acquisition under IFRS 3-Business Combinations which has the following implications:

1. Income statement – the results for the old KAP assets are included for three months while the results for the Steinhoff Industrial assets are included for twelve months. The comparative figures have been restated to reflect only the Steinhoff Industrial assets' results.
2. Balance sheet – the net assets of the old KAP were measured at fair value, and the Steinhoff Industrial assets remaining at carrying amounts before the acquisition.

3. Financial statements

The annual financial statements for the year have been audited by Deloitte & Touche, and their accompanying unmodified audit report as well as their unmodified audit report on this set of summarised financial information is available for inspection at the Company's registered office. Any reference to future financial information included in the summarised financial information has not been audited or reviewed. Full details of the Group's business combinations for the year, additions and disposals of property, plant and equipment as well as commitments and contingent liabilities will be included in the Group's published consolidated financial statements.

4. Changes in accounting policies

The accounting policies of the Group have been applied consistently to the periods presented in the consolidated financial statements, except for the following:

During the current year, the Group has adopted and early adopted all of the new and revised standards and interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2011. The adoption of these new and revised standards and interpretations has not resulted in material changes to the Group's accounting policies.

Details of the implementation and adoption of the various IFRSs and IFRICs are reflected in the published consolidated financial statements.

5. Business combinations

Effective 2 April 2012, KAP International Holdings Ltd acquired 100% of the Steinhoff Industrial assets. From an accounting point of view, this transaction qualified as a reverse acquisition under IFRS 3 – Business Combinations which means that the old KAP assets have effectively been acquired by the Steinhoff Industrial assets.

For further details refer to Annual Financial Statements.

6. Commitments and contingencies

	2012 Rm	2011 Rm
Capital commitments	**218**	149
Operating lease commitments	**422**	415

7. Related party transactions

KAP has entered into various transactions with related parties, all of which are at arm's length.

8. Post-balance sheet events

No significant events have occurred in the period between the end of the financial year and the date of this report.

9. Changes to the board

During the financial year, the following changes were made to the board of directors as previously announced on SENS:

Appointments	Date	Resignations	Date
J de V du Toit (chairman)	24 May 2012	CE Daun	25 June 2012
KJ Grove (CEO)	25 April 2012	PCT Schouten	25 April 2012
*AB la Grange	25 April 2012	KE Schmidt	25 June 2012
SH Muller	25 June 2012	UW Schäckermann	25 June 2012
PK Quarmby	25 June 2012	F Möller	25 June 2012
CJH van Niekerk	25 April 2012		

* Resigned from Audit and Risk Committee 31 August 2012.

10. Dividend Timetable

The timetable in respect of the dividend is as follows:

DAY	EVENT
Friday, 28 September 2012	Last day to trade
Monday, 1 October 2012	Shares trade ex dividend
Friday, 5 October 2012	Date to be recorded in the register to receive the dividend
Monday, 8 October 2012	Payment date

In terms of the new Dividends Tax effective 1 April 2012, and the amendments to section 11.17 of the JSE Listings Requirements, the following additional information is disclosed:

(1) Local dividend tax rate is 15%;

(2) No STC credits were utilised in determining the net dividend;

(3) The withholding tax, if applicable at the rate of 15%, will result in a net cash dividend per share of 5,1 cents;

(4) The issued gross ordinary share capital of KAP International Holdings Ltd is 2 337 254 668 shares at 4 September 2012; and

(5) KAP International Holdings Limited's tax reference number is 9999/509/71/5.

COMMENTARY

CORPORATE ACTIVITY

As announced on 30 March 2012, the acquisition of Unitrans, PG Bison, Vitafoam, BCM and DesleeMattex (the Steinhoff Industrial Assets) became effective on 2 April 2012. For accounting purposes the transaction is regarded as a reverse acquisition. Accordingly, the Steinhoff Industrial Assets are treated as the acquiror and KAP as the acquiree.

SEGMENTS

MANUFACTURING

The manufacturing division produces a number of key technical products and iconic brands across key strategic industries in South Africa.

LOGISTICS

Unitrans comprises a specialist supply chain business which designs, implements and manages supply chains and logistics for a diverse customer base on a long-term contractual basis across Africa, as well as comprehensive passenger transport solutions in southern Africa.

TIMBER

PG Bison's operations comprise forestry plantations and various plants which manufacture and distribute sawn timber, poles, wood-based panel products, decorative laminates and solid surfacing materials to a diverse customer base in southern Africa.

OPERATIONAL REVIEW

MANUFACTURING

The automotive division delivered a good performance supported by higher vehicle volumes, good operational efficiencies and extremely low reject rates.

Hosaf delivered strong results, benefiting from good volumes in carbonated soft drinks and increased demand for PET.

The footwear group and the food assets continue to deliver good results, while the textile, furniture and bedding operations are experiencing challenging trading conditions.

LOGISTICS

Unitrans Supply Chain Solutions

The division delivered another good performance for the year, and revenue increased due to various new contracts entered into during the year.

Service standards have been maintained at high levels, new contracts have been secured on good terms, and underlying margins have been favourable, producing good returns on capital.

Unitrans Passenger

Unitrans Passenger delivered on its targets. Profits and revenues increased year on year due to contributions from new contracts, particularly in the mining sector, as well as organic growth at the intercity operations and the opening of new passenger routes.

TIMBER

PG Bison has experienced weak market conditions which resulted in significant pressure on margins.

Following a strategic review of the division, a major restructuring of the panel operation has now been completed with a view to reducing the division's non-core product offering and its cost structure, and positioning PG Bison to be the premier flat sheet board manufacturer and upgrader in Africa.

FINANCIAL REVIEW

Impact of the acquisition of the Steinhoff Industrial assets

The acquisition of the Steinhoff Industrial assets effective 2 April 2012, is classified as a reverse acquisition under IFRS 3 – Business Combinations which has the following implications:

1. Income statement – the results for the traditional KAP assets are included for three months while the results for the Steinhoff Industrial assets are included for twelve months. The comparative figures have been restated to reflect only the Steinhoff Industrial assets' businesses.
2. Balance sheet – the net assets of the traditional KAP assets were measured at fair value at the date of the acquisition, and the Steinhoff Industrial assets remaining at carrying amounts before the acquisition.

Revenue

Revenue increased by 24% to R11 billion with growth experienced across all divisions.

Operating profit and EBITDA

Operating profit before capital items increased by 7% year on year, while EBITDA before capital items of R1 738 million increased by 8% year on year.

This increase was due to a strong performance in the logistics division and improved performance in the manufacturing division. Challenging market conditions in the construction and timber industries hindered profit growth at PG Bison, but the restructuring referred to above will restore the ability of the business to generate profitable growth.

The operating margin came in at 10.0% (2011; 11.6%) which declined as a result of the margin pressures experienced by PG Bison, as well as the lower margins of the traditional KAP assets which were included in the results for the first time. With reference to the Segmental Report:

- operating margins in the Logistics segment improved to 10,3% (2011: 10,2%);
- the Manufacturing segment's margins declined to 6,6% (2011; 6,8%) mainly due to the lower margins applicable to the traditional KAP included for three months;
- the Timber Segment's margins declined to 11,9% from 16,1% in the previous financial year which bears testimony to the challenges that this division experienced over the year under review.

Net finance costs

Good cash flows over the year have resulted in net finance costs reducing to R382 million for the year (2011: R475 million). The EBITDA/interest cover ratio is at a comfortable 4,5 times (2011: 3,4 times).

Taxation

The taxation rate of 27,3% (2011: 28,7%) approximates the South African statutory rate, which is appropriate given the jurisdictions in which the Group operates.

Earnings per share (EPS) and headline earnings per share (HEPS)

EPS increased by 100% to 28,4 cents, while HEPS increased by 10% to 24,2 cents. The difference between EPS and HEPS relates mainly to the effects of the change in capital items from a loss of R 157m in 2011 (largely as a result of the disposal of investments) to a profit of R 81m in 2012 (largely as a result of negative goodwill arising from the reverse acquisition of R 93m).

Debt structure

The Group's net debt as at June 2012 of R3 540 million translates into a debt/equity ratio of 64% of which effectively all is term funding, thus the directors are of the opinion that a favourable maturity profile is in place. The Company is committed to repaying a further R175 million of the Steinhoff term loan in the financial year ahead. From a serviceability perspective, the Group's net debt: EBITDA ratio stood at a comfortable 2.04 times.

Net asset value

Despite the increase in the number of shares notionally issued in terms of IFRS 3 of 424.5 million shares, as at 30 June 2012 the net asset value per share increased by 16% from 206 cents to 238 cents.

Working capital

Despite the inclusion of the traditional KAP net working capital in the balance sheet, the Group was able to limit the increase in working capital to R358 million.

Cash flow

Cash flow from operations of R1 906 million exceeded operating profit of R1 106m by 72%, which underscores the Group's quality of earnings and is an encouraging signal with reference to the Group's growth prospects within prudent financial covenants and norms.

ANNUAL GENERAL MEETING

The annual general meeting will be held on 14 November 2012.

OUTLOOK

As the Group has now been established as a significant emerging market industrial player with good positioning in growth markets and industries, a strong balance sheet and the support of a large controlling shareholder, we believe that the Group is well positioned to deliver satisfactory returns to shareholders. We are looking forward to continued growth in the logistics sector, to capitalising on the benefits from a restructured PG Bison which, along with competitively positioned manufacturing businesses, should position the KAP Group for growth.

APPRECIATION

As always, we are grateful to our shareholders, employees and other stakeholders, and thank them for their continued support.

FINAL DIVIDEND ANNOUNCEMENT

In light of the good cash flows for the year, the board has declared a final dividend of 6 cents per share from income reserves, for the period ended 30 June 2012.

Signed on behalf of the Board.

J de V du Toit
Non-executive chairman

Jo Grové
Chief executive officer

4 September 2012

KAP International Holdings Ltd
("KAP" or "the Company" or "the Group")

Non-executive directors: J de V du Toit (Chairman), M J Jooste, A B la Grange, J B Magwaza, I N Mkhari, S H Muller, S H Nomvete, P K Quarmby, D M van der Merwe, C J H van Niekerk

Executive directors: K J Grové (CEO), J P Haveman (CFO)
Registration number: 1978/000181/06
JSE share code: KAP
ISIN: ZAE000059564
Registered address: 28 6th Street, Wynberg, Sandton, 2090
Postal address: PO Box 18, Stellenbosch, 7599

Telephone: 021 808 0900 Facsimile: 021 808 0901
Transfer secretaries: Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001
Company secretary: Steinhoff Africa Secretarial Services (Pty) Limited
Auditors: Deloitte & Touche
Sponsor: PSG Capital (Proprietary) Limited

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