KAP
International Holdings Ltd

Unaudited Group Results
for the six-month period ended 31 December 2010

Highlights

* Strong operating cash flows improve financial position
* Headline earnings grow from 11,0 cents to 13,9 cents per share
* Further margin improvement
* Good performance by Hosaf and automotive divisions

Performance

We submit our report to shareholders on the results and activities of KAP International for the six months ended 31 December 2010.

The group's strategy of aggressive cost cutting in the early phase of the downturn has proved successful in the light of the results of the last two years.

Revenue and earnings

Revenue from continuing operations for the period increased to R2 235 million from R2 026 million in the previous period, due to good growth in Hosaf and the automotive divisions.

Operating profit of R107 million has improved by 9% from the prior period. Interest cost has reduced further due to lower borrowings and interest rates. Headline earnings of 13,9 cents per share have improved from 11,0 cents in the 2009 period.

Financial position and cash flow

Following sustained focus on cash generation and working capital, net interest-bearing borrowings have decreased to R260,2 million (December 2009: R453,7 million). The debt/equity ratio at end-December was 18,6%.

This cash was generated by strong operating cash flows, tight working capital management and strict control over capital expenditure.

Operational overview

Industrial segment

Feltex Automotive

The division benefited from an increase in vehicle build over the period (2010: 225 616 units vs 2009: 174 392). Expenses, working capital and capital expenditure remain under tight control, with satisfactory cash generated as a result. The division is benefiting from increased capacity installed in previous years.

Industrial footwear

Trading in United Fram and Wayne Plastics remained competitive due to a reduction in construction activity after June 2010. A renewed focus on marketing coupled with a weaker Rand should alleviate some of this pressure going forward. Increasing hide prices have also put Mossop's cyclical results under pressure.

Hosaf

The expanded PET plant is running well at maximum throughput and sales volumes have grown as the local market for new PET packaging products has increased in the food industry. The performance underscores our decision to expand the plant two years ago.

Consumer segment

Bull Brand Foods

The division generated significant cash from working capital over the period, and this remains a continued focus area. Trading conditions are difficult due to the increased competition from imported products, particularly fish.

Brenner Mills

Following the significant reduction in the white maize price in the second half of the 2010 financial year, the price has recovered in the first half of 2010/11. Volumes were under pressure as Brenner followed an approach of maintaining margins.

Jordan

Sales volumes increased by some 26% (306 000 pairs) to 1,4 million for the six-month period. Lower price points were achieved due to the effect of the stronger Rand on Jordan's imported footwear, and new product lines.

Glodina

Sales increased by 9% due to greater volumes at the major chains. Margins came under some pressure due to the dramatic increase in the cotton price over the period.

Corporate activity

As previously announced on SENS, a portion of Hosaf's property in Cape Town was sold to Steinhoff Properties (Pty) Limited, a related party, for a cash consideration of R14,7 million (in line with a fair market valuation report), subject to approval of the sub-division of the property by the relevant authorities.

Directors and officers

J B Magwaza has been appointed as lead independent non-executive director.

Distribution

In line with previous years, the group will not pay an interim distribution.

Outlook

The group continues to focus on cash generation and cost control. Our past restructuring efforts have placed us in a strong position to capitalise on growth opportunities.

Appreciation

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

Claas Daun
Non-executive chairman

Paul Schouten
Chief executive officer

John Haveman
Chief financial officer

Paarl
1 March 2011

Condensed Statements of Comprehensive Income

	31 Dec 2010 6 months Unaudited Rm	31 Dec 2009 6 months Unaudited Rm	30 Jun 2010 12 months Audited Rm
Continuing operations			
Revenue	2 235,4	2 025,9	3 970,5
Operating profit before restructuring costs	107,1	97,9	198,2
Restructuring costs	–	–	(3,7)
Operating profit	107,1	97,9	194,5
Net finance costs	(21,1)	(27,0)	(52,7)
Share of results of joint ventures	1,3	2,2	3,0
Profit before taxation	87,3	73,1	144,8
Taxation	(25,2)	(19,8)	(48,7)
Profit after taxation from continuing operations	62,1	53,3	96,1
Discontinued operations			
Revenue	–	27,1	29,7
Operating profit/(loss) before restructuring costs	–	–	0,5
Restructuring costs	–	–	(4,0)
Operating loss	–	–	(3,5)
Net finance costs	–	(4,0)	(1,5)
Loss after taxation from discontinued operations	–	(2,9)	(2,4)
Total profit for the period	62,1	50,4	93,7
Other comprehensive income	–	–	–
Total comprehensive income	62,1	50,4	93,7
Total profit for the period	62,1	50,4	93,7
Owners of the company	58,8	47,9	87,4
Non-controlling interest	3,3	2,5	6,3
Total comprehensive income	62,1	50,4	93,7
Owners of the company	58,8	47,9	87,4
Non-controlling interest	3,3	2,5	6,3
Earnings per share (basic and diluted)			
Including discontinued operations	13,9	11,3	20,6
Excluding discontinued operations	13,9	12,0	21,2
Headline earnings per share (basic and diluted)			
Including discontinued operations	13,9	11,0	21,0
Excluding discontinued operations	13,9	11,7	21,2
Reconciliation of headline earnings			
Net profit attributable to owners of the company	58,8	47,9	87,4
Profit on sale of property, plant and equipment	–	(1,0)	(2,2)
Impairments	–	–	4,0
Headline earnings	58,8	46,9	89,2
Weighted average shares in issue	424,5	424,5	424,5

Condensed Statements of Financial Position

	31 Dec 2010 Unaudited Rm	31 Dec 2009 Unaudited Rm	30 Jun 2010 Audited Rm
ASSETS			
Non-current assets	1 098,8	1 146,4	1 128,5
Property, plant and equipment and investment properties	933,8	928,7	945,7
Goodwill	66,7	66,7	66,7
Interest in joint ventures	26,3	24,0	22,7
Pension fund surplus	22,0	27,8	25,1
Deferred taxation assets	50,0	99,2	68,3
Current assets	1 446,0	1 309,9	1 381,7
Inventories	626,5	610,9	646,3
Trade and other receivables	767,4	637,9	621,1
Bank balances and cash	40,0	13,8	101,8
Assets held for sale	12,1	47,3	12,5
Total assets	2 544,8	2 456,3	2 510,2
EQUITY AND LIABILITIES			
Capital and reserves	1 397,5	1 322,5	1 364,7
Equity holders' interest	1 356,4	1 286,5	1 327,0
Non-controlling interest	41,1	36,0	37,7
Non-current liabilities	66,4	81,7	61,7
Long-term interest-bearing borrowings	33,2	39,7	30,5
Retirement benefit obligations	10,5	11,2	10,6
Deferred taxation liabilities	22,7	30,8	20,6
Current liabilities	1 080,9	1 052,1	1 083,8
Short-term interest-bearing borrowings	56,6	92,0	72,7
Trade and other payables	795,8	605,5	636,8
Provisions	18,1	18,8	50,1
Bank overdrafts	210,4	328,6	324,2
Liabilities directly associated with assets held for sale	–	7,2	–
Total equity and liabilities	2 544,8	2 456,3	2 510,2
Number of shares in issue (millions)	424,5	424,5	424,5
Net asset value per share (cents)	319,5	303,1	312,6
Net interest-bearing debt to equity (%)	18,6%	34,3%	23,9%

Condensed Statements of Cash Flow

	31 Dec 2010 6 months Unaudited Rm	31 Dec 2009 6 months Unaudited Rm	30 Jun 2010 12 months Audited Rm
Cash flows from operating activities	121,0	84,2	233,9
Cash generated by operations before working capital changes	146,0	134,8	268,6
Net working capital changes	3,1	(14,5)	28,4
Cash generated from operations	149,1	120,3	297,0
Net finance costs	(21,1)	(31,0)	(54,2)
Taxation paid	(7,0)	(5,1)	(8,9)
Cash flows to investing activities	(25,9)	(23,0)	(42,5)
Purchase of property, plant and equipment			
Expansion	(3,4)	(5,6)	(34,2)
Replacement	(20,9)	(19,4)	(29,1)
Other investing activities	(1,6)	2,0	20,8
Cash flows from operating and investing activities	95,1	61,2	191,4
Cash flows to financing activities	(43,1)	(92,5)	(130,3)
Capital distributions to shareholders	(29,7)	–	–
Dividends and distributions paid to minorities	–	–	(2,1)
Decrease in borrowings	(13,4)	(92,5)	(128,2)
Net increase/(decrease) in cash and cash equivalents	52,0	(31,3)	61,1
Cash and cash equivalents at the beginning of the period	(222,4)	(283,5)	(283,5)
Cash and cash equivalents at the end of the period	(170,4)	(314,8)	(222,4)

Condensed Statements of Changes in Equity

	31 Dec 2010 6 months Unaudited Rm	31 Dec 2009 6 months Unaudited Rm	30 Jun 2010 12 months Audited Rm
Balance at the beginning of the period	1 364,7	1 272,1	1 272,1
Other comprehensive income	–	–	–
Movement in share-based payment reserve	0,4	–	1,0
Net profit for the period	62,1	50,4	93,7
Capital distribution to owners	(29,7)	–	–
Distributions to minorities	–	–	(2,1)
Balance at the end of the period	1 397,5	1 322,5	1 364,7
Owners of the company	1 356,4	1 286,5	1 327,0
Non-controlling interest	41,1	36,0	37,7

NOTES

	31 Dec 2010 6 months Unaudited Rm	31 Dec 2009 6 months Unaudited Rm	30 Jun 2010 12 months Audited Rm
1 **Net finance costs – continuing operations**	21,1	27,0	52,7
Interest received	(1,3)	(0,1)	(3,7)
Interest paid	22,4	27,1	56,4
Net finance costs – discontinued operations	–	4,0	1,5
2 **Capital expenditure commitments**	33,3	33,4	57,4
Contracted	7,4	10,6	8,0
Approved but not yet contracted	25,9	22,8	49,4
3 **Operating lease commitments**	59,5	36,4	72,8
4 **Guarantees and contingent liabilities**	11,4	11,2	11,1

5 **Taxation**

The taxation rate is higher than the statutory rate due to permanent differences in respect of the group's pension fund surplus.

6 **Basis of preparation of results**

The results for the six months ended 31 December 2010 have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), and comply with IAS 34 – Interim Financial Reporting, the AC 500 series of interpretations, the requirements of the South African Companies Act, 1973 and the Listings Requirements of the JSE Limited. The accounting policies used in the consolidated financial results for the six months ended 31 December 2010, are consistent with those applied in the audited financial statements for the year ended 30 June 2010.

7 **Unaudited results**

The results for the six months ended 31 December 2010 have not been audited or reviewed by the group's auditors.

Condensed Segmental Analyses

	Revenue Rm	Operating profit before restructuring costs Rm	Depreciation Rm	Total assets Rm
December 2010 (6 months) unaudited	2 235,4	107,1	(35,5)	2 544,8
Industrial	1 416,2	67,8	(28,2)	1 709,1
Consumer	819,2	39,3	(7,3)	782,6
Other	–	–	–	53,1
December 2009 (6 months) unaudited	2 053,0	97,9	(35,6)	2 456,3
Industrial	1 241,7	54,1	(28,1)	1 576,6
Consumer	810,9	43,8	(8,3)	779,1
Other	0,4	–	0,8	100,6
June 2010 (12 months) audited	4 000,2	198,7	(70,8)	2 510,2
Industrial	2 495,2	142,4	(56,0)	1 675,3
Consumer	1 505,0	56,3	(14,8)	721,8
Other	–	–	–	113,1

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

Corporate information

KAP International Holdings Limited ("KAP International" or "the company") **Non-executive directors:** C E Daun* (Chairman), M J Jooste, J B Magwaza, I N Mkhari, F Möller*, S H Nomvete, U Schäckermann*, K E Schmidt, 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 (Pty) 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 (Pty) Limited