



Audited Group Results and Final Distribution Declaration for the Year Ended

31 DECEMBER 2005

Balance sheet

| | 31 Dec 2005 | 31 Dec 2004 Restated |
|---|-------------|-------------------------|
| | Rm | Rm |
| Assets | | |
| Non-current assets | 696,0 | 557,4 |
| Property, plant and equipment and investment properties | 529,5 | 410,3 |
| Investments and loans receivable | 26,6 | 25,2 |
| Pension fund surplus | 45,0 | - |
| Deferred taxation | 94,9 | 121,9 |
| Current assets | 1 056,9 | 988,0 |
| Inventories and biological assets | 539,1 | 450,1 |
| Receivables and prepayments | 515,6 | 492,9 |
| Cash and cash equivalents | 2,2 | 45,0 |
| Total assets | 1 752,9 | 1 545,4 |
| Equity and liabilities | | |
| Capital and reserves | 1 058,5 | 863,6 |
| Ordinary shareholders' equity | 1 044,5 | 854,2 |
| Minority interest | 14,0 | 9,4 |
| Non-current liabilities | 119,9 | 132,1 |
| Long-term borrowings | 81,4 | 85,2 |
| Retirement benefit obligations | 19,8 | 40,6 |
| Deferred taxation | 18,7 | 6,3 |
| Current liabilities | 574,5 | 549,7 |
| Trade and other payables | 371,2 | 350,1 |
| Bank overdrafts | 112,9 | 45,3 |
| Short-term borrowings | 50,7 | 118,9 |
| Provisions | 39,7 | 35,4 |
| Total equity and liabilities | 1 752,9 | 1 545,4 |
| Number of shares | | |
| - in issue (000) | 423 266 | 418 720 |
| - weighted average (000) | 421 477 | 293 412 |
| Net asset value per share (c) | 246,8 | 204,0 |
| Net interest-bearing debt to equity (%) | 22,0% | 20,7% |

Cash flow statement

| | Year ended 31 Dec 2005 | Year ended 31 Dec 2004 Restated |
|---|---------------------------|---------------------------------------|
| | Rm | Rm |
| Cash flows from operating activities | 110,5 | 96,3 |
| Cash generated from operations before working capital changes | 218,5 | 164,8 |
| Net working capital changes | (85,5) | (44,4) |
| Cash generated from operations | 133,0 | 120,4 |
| Net finance costs | (19,4) | (10,6) |
| Taxation paid | (3,1) | (13,5) |
| Cash flows from investing activities | (139,1) | (474,1) |
| Acquisition of subsidiaries, net of cash acquired | - | (444,2) |
| Acquisition of property, plant and equipment - replacement | (26,0) | (27,9) |
| - expansion | (139,2) | (35,0) |
| Other investing activities | 26,1 | 33,0 |
| Cash flows from financing activities | (81,8) | 340,3 |
| Decrease in borrowings | (73,1) | (33,5) |
| Dividends paid, net of capitalisation issue | (8,7) | - |
| Proceeds on share issue | - | 373,8 |
| Net decrease in cash and cash equivalents | (110,4) | (37,5) |
| Opening cash and cash equivalents | (0,3) | 37,2 |
| Closing cash and cash equivalents | (110,7) | (0,3) |

Statement of changes in equity

| | Year ended 31 Dec 2005 | Year ended 31 Dec 2004 Restated |
|--|---------------------------|---------------------------------------|
| | Rm | Rm |
| Balance at the beginning of the year | 863,6 | 229,5 |
| Shares issued during the year | 13,8 | 375,9 |
| Share issue costs | - | (2,1) |
| Share-based payment reserve | 1,1 | 11,8 |
| Minorities in subsidiaries acquired | - | 7,1 |
| Movement in foreign currency translation reserve | - | 0,1 |
| Net profit for the year | 202,5 | 241,3 |
| Dividends paid | (22,5) | - |
| Balance at the end of the year | 1 058,5 | 863,6 |

Notes

| | | |
|---|------|------|
| 1. Capital expenditure commitments | | |
| Contracted | 10,3 | 24,5 |
| Approved but not contracted | 23,0 | 20,2 |
| 2. Operating lease commitments | 16,0 | 67,2 |
| 3. Guarantees and contingent liabilities | - | 4,4 |
| 4. Taxation | | |
| Taxation remains low in relation to reported profits mainly due to the utilisation of assessed losses, non-taxable income and the raising of deferred tax assets in respect of assessed losses. | | |

Income statement

| | Year ended 31 Dec 2005 | Year ended 31 Dec 2004 Restated |
|---|---------------------------|---------------------------------------|
| | Rm | Rm |
| Revenue | 2 997,9 | 1 911,9 |
| - continuing operations | 2 949,9 | 1 862,0 |
| - discontinued operations | 48,0 | 49,9 |
| Operating profit | 227,7 | 140,6 |
| - continuing operations | 238,5 | 153,2 |
| - discontinued operations | (10,8) | (12,6) |
| Negative goodwill from acquisitions | - | 134,7 |
| Pension fund surplus (net) | 50,6 | - |
| Discontinued operation closure costs | (10,9) | - |
| Net finance costs | (19,4) | (10,6) |
| Share of results of joint ventures | 0,7 | 1,2 |
| Profit before taxation | 248,7 | 265,9 |
| Taxation | (46,2) | (24,6) |
| Net profit for the year | 202,5 | 241,3 |
| - continuing operations | 215,4 | 255,9 |
| - discontinued operations | (12,9) | (14,6) |
| Net profit for the year | 202,5 | 241,3 |
| Attributable to KAP shareholders | 196,3 | 239,1 |
| Attributable to minorities | 6,2 | 2,2 |
| Reconciliation of headline earnings | | |
| Profit attributable to equity holders of the parent | 196,3 | 239,1 |
| Adjusted for the after-tax effects of: | | |
| Profit on disposal of property, plant and equipment | (12,0) | (2,2) |
| Profit on disposal of subsidiaries | - | (3,1) |
| Impairment of investment property | 0,6 | - |
| Discontinued operation closure costs | 9,5 | - |
| Negative goodwill | - | (134,7) |
| Headline earnings | 194,4 | 99,1 |
| Including discontinued operations | | |
| Earnings per ordinary share (cents) | 46,6 | 81,5 |
| Headline earnings per ordinary share (cents) | 46,1 | 33,8 |
| Excluding discontinued operations | | |
| Earnings per ordinary share (cents) | 49,6 | 86,5 |
| Headline earnings per ordinary share (cents) | 49,2 | 38,8 |
| Distribution per share - declared (cents) | 12,0 | 5,0 |

Reconciliation of SA GAAP to IFRS

The disclosures required by IFRS 1 (First-time Adoption of International Financial Reporting Standards) concerning the transition from South African Statements of Generally Accepted Accounting Practice (SA GAAP) to IFRS and the required changes in accounting policies are set out in the table below.

| | Year ended 31 Dec 2004 Rm | IFRS transition 1 Jan 2004 Rm |
|--|---------------------------------|--|
| Balance sheet | | |
| Equity as previously reported under SA GAAP | 879,1 | 203,7 |
| Adjustments upon adoption of IFRS | 1,1 | 30,4 |
| Property, plant and equipment | 8,4 | 34,1 |
| Investment property | 9,3 | 8,2 |
| Deferred taxation assets | (15,4) | - |
| Deferred taxation liabilities | (0,6) | (11,9) |
| Minority interests | (0,6) | - |
| Equity holders' interest | 880,2 | 234,1 |
| Minority interests previously reported outside of equity | 9,4 | 0,1 |
| Restated equity under IFRS | 889,6 | 234,2 |
| Restatement of business combinations* | (21,1) | - |
| Restatement of operating lease liability | (4,9) | (4,7) |
| Restated equity | 863,6 | 229,5 |
| Income statement | | |
| Net profit as previously reported under SA GAAP | 301,5 | |
| Change in depreciation rates | 12,2 | |
| Negative goodwill | (36,5) | |
| Share-based payments expense | (11,8) | |
| Deferred taxation | (4,8) | |
| Minority share of income | (0,2) | |
| Restated net profit in terms of IFRS | 260,4 | |
| Restatement in respect of business combinations* | (21,1) | |
| Restatement in respect of operating lease charges | (0,2) | |
| Restated net profit for the year | 239,1 | |

* Restatement of the business combination which occurred on 1 July 2004, due to incorrect valuation of certain acquired assets and liabilities. The adjustments relate to Dano Textile Industries (Pty) Ltd, Wayne Rubber division of Feltex Holdings (Pty) Ltd and Hosaf Fibres (Pty) Ltd.

5. Basis of preparation of the results

The audited results of the group for the twelve months ended 31 December 2005 have been prepared in accordance with the accounting policies of the group, which comply with International Financial Reporting Standards (IFRS). The group is reporting under IFRS for the first time for the year ended 31 December 2005. Comparative figures have accordingly been restated.

6. Audited results

The results for the year ended 31 December 2005 have been audited by Deloitte & Touche. Their unqualified audit opinion is available for inspection at the registered office of the company.

Segmental analysis

| | Revenue Rm | % | Operating profit Rm | % | Total assets Rm | % | Capital expenditure Rm | % | Depreciation Rm | % |
|-------------|---------------|-----|---------------------------|-----|-----------------------|-----|------------------------------|-----|--------------------|-----|
| 2005 | | | | | | | | | | |
| Industrial | 1 823,9 | 61 | 160,4 | 70 | 1 129,0 | 64 | 132,4 | 80 | 33,6 | 80 |
| Consumer | 1 197,5 | 40 | 68,3 | 30 | 660,9 | 38 | 30,9 | 19 | 9,2 | 22 |
| Other | (23,5) | (1) | (1,0) | - | (37,0) | (2) | 1,9 | 1 | (0,6) | (2) |
| | 2 997,9 | 100 | 227,7 | 100 | 1 752,9 | 100 | 165,2 | 100 | 42,2 | 100 |
| | | | | | | | | | | |
| 2004 | | | | | | | | | | |
| Industrial | 1 022,3 | 53 | 104,8 | 75 | 918,2 | 60 | 48,8 | 78 | 18,0 | 77 |
| Consumer | 894,8 | 47 | 39,8 | 28 | 549,1 | 36 | 14,0 | 22 | 6,9 | 30 |
| Other | (5,2) | - | (4,0) | (3) | 78,1 | 4 | 0,1 | - | (1,6) | (7) |
| | 1 911,9 | 100 | 140,6 | 100 | 1 545,4 | 100 | 62,9 | 100 | 23,3 | 100 |

Commentary

Review of results

The board of directors is pleased to report on the results for the year ended 31 December 2005. Headline earnings per share increased by 36% to 46,1 cents compared to restated headline earnings per share. Revenue increased from R1,9 billion to R3,0 billion, largely as a result of a full year's trading for the operations acquired on 1 July 2004.

Industrial segment

AUTOMOTIVE

The production of locally manufactured vehicles increased by 14,5% to a record high of 497 000 units in 2005 (2004: 434 000 units) and was buoyed by the launch of three new models. The division achieved its budget despite significant raw material price increases and production disruptions caused by the start-up of new contracts and the installation of new technology. The Wayne Rubber division was discontinued during the year.

INDUSTRIAL FOOTWEAR

Although under threat from imports in the safety footwear market, the industrial footwear division continues to produce acceptable margins on its products. To complement their locally manufactured product offer, a strategic decision has been taken to import footwear.

HOSAF FIBRES

Profitability has improved significantly from the prior year, despite international pressure on dollar-denominated margins. However, management has successfully improved efficiencies by maximising production capacity to achieve good returns.

The sustained increase in worldwide demand for PET is expected to continue. Hosaf Fibres remains committed to further growing its PET output by increasing existing capacity.

Consumer segment

JORDAN & CO

Retail sales have surged in the year to the benefit of Jordan's main brands of Bronx, Jordan and Olympic. Intense margin pressure has been experienced as new importers have entered the market. Jordan continues to replace capacity in its own manufacture with increased footwear imports.

BULL BRAND FOODS

Strong local and export demand, underpinned by the largest ever generic beef advertising campaign, resulted in not only favourable red meat prices but also strong volume growth. Low maize prices also contributed to improved operating margins.

GLODINA

Continued growth in the South African economy fuelled strong consumer demand and a buoyant retail sector. Glodina also began to reap the benefits of its 3 year capital expenditure programme and sustained investment in staff training.

Balance sheet and cash flow

The balance sheet of the group remains strong, with an interest-bearing debt to equity ratio of 22,0% (2004: 20,7%) and an interest cover of 11,7 times (2004: 13,3 times).

R165,2m was spent on property, plant and equipment which included R44,1m to acquire the properties occupied by the Feltex manufacturing operations, resulting in a significant decrease in operating lease commitments. A net working capital investment of R85,5m included R32,9m to increase the standing herd at Bull Brand in order to achieve economies of scale.

The apportionment of a pension fund surplus was authorised by the FSB during the year. The total surplus amounted to R70,4m before taxation, of which R19,8m was utilised to settle a portion of the post-retirement medical benefits liability. The balance of the surplus will be used as a contribution holiday with future cash benefits of R5,6m per annum.

Corporate action

On 30 November 2005, the Steinhoff International group acquired a strategic equity stake of 21% in the group. Potential synergies exist between the two groups, and these are currently being identified.

In September 2005 the terms of an agreement were finalised in respect of the acquisition of the properties occupied by the Feltex manufacturing operations from Courthiel Holdings (Pty) Ltd and Conrapp Properties (Pty) Ltd, both related parties to KAP, for R44,1m. In July 2005 the group entered into an agreement to dispose of a non-core property to African Hide Trading (Pty) Ltd, a related party to KAP, for R5,5m.

In November 2005, Motseng Investment Holdings (Pty) Ltd acquired a further 3% of the equity of the company, increasing the company's BEE shareholding to 6%.

Corporate governance

The board endorses the principles advocated by the Code of Corporate Practice and Conduct set out in the King report on Corporate Governance (King II).

Social responsibility

The group is engaged in many social responsibility programmes at operating division level.

Directors and officers

Rob Radford resigned from the group and the KAP board with effect from 22 September 2005. The board wishes to thank him for his contribution both to the board and the group, and in particular for his leadership of the Feltex group.

Danie van der Merwe (MD of Steinhoff Africa) and John Haveman were appointed to the board as a non-executive director and chief financial officer (CFO) respectively, with effect from 25 November 2005.

Markus Jooste resigned as chairman of the audit committee, and was replaced by Len Konar, an independent consultant and professional director of companies, appointed on 3 March 2006. Jan van der Merwe, CFO of Steinhoff Holdings, was also appointed to the KAP audit committee on 22 November 2005.

Capital distribution

Subject to the required shareholders' approvals, the board has declared a distribution of 12 cents per share (2004: 5 cents). The distribution cover is 3,8 times (2004: 6,8 times). The policy of the group is to have a payout ratio of approximately 25% of headline earnings and to declare distributions annually after the year-end results have been finalised. After an initial period of consolidation by the group during 2004, an improved payout ratio was considered appropriate for 2005.

Prospects

The automotive division and Hosaf Fibres are in high-growth industries. Growth in the automotive division is expected to be realised through increased vehicle build in South Africa.

The PET industry has experienced growth rates of 8-10% over the last three years, and it is expected that the national and international markets will continue to grow by more than 7% and 10% respectively per annum.

Our strong brands in the consumer segment are well positioned to benefit from the continued economic growth, strong consumer demand and buoyant retail sector prevalent in South Africa.

The group is thus favourably placed for further growth in 2006.

For and on behalf of the board

C E Daun
Chairman

P C T Schouten
Chief executive officer

Capital distribution

The directors have declared, subject to the required shareholders' approvals, a capital distribution of 12 cents per share, payable on Monday, 12 June 2006 to shareholders recorded in the register at the close of business on Friday, 9 June 2006.

To comply with the requirements of STRATE the following dates are applicable:

Last date to trade cum-distribution Friday, 2 June
Trading commences ex-distribution Monday, 5 June

Record date Friday, 9 June

Posting of cheques / electronic bank transfers Monday, 12 June

Share certificates may not be dematerialised or rematerialised nor may transfers between registers take place between Monday, 5 June 2006 and Friday, 9 June 2006, both days inclusive.

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

For and on behalf of the board

M Balladon
Company secretary
10 March 2006

Corporate information

Non-executive directors: C E Daun* (Chairman), M J Jooste, D M van der Merwe, J B Magwaza, I N Mkhari, S H Nomvete, F Möller* * 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 8904

Transfer secretaries: Computershare Investor Services 2004 (Proprietary) Limited

Address: 70 Marshall Street, Johannesburg, 2001. **Postal address:** PO Box 61051, Marshalltown, 2107

Telephone: 011 370 5000. **Facsimile:** 011 327 3003

Sponsor: PSG Capital Limited

