

HIGHLIGHTS:

- Revenue R199 million
- Headline earnings per share 3.4 cents
- Tangible net asset value per share 38.2 cents

Commentary

Introduction

KayDav Group Ltd ("KayDav" or "the Group") specialises in the distribution and adding of value to wood-based panels, which is the name given to products manufactured through the compression of wood waste into a solid panel. Wood-based panels are used for a variety of purposes in the construction, furniture manufacturing and shopfitting industries.

Having faced challenging economic conditions during this interim period, management has focused its attention on laying the foundation for future growth. Our strategy is to consistently grow our market share by improving operating efficiencies and opening stores in new geographical areas. We will continue to pursue this strategy whilst investigating other opportunities as they arise.

Financial results

The Group faced considerable challenges during the period resulting from the general slowdown in the economy, rising interest rates, electricity supply issues and the effect of the National Credit Act on bank lending. Due to the contraction in business activity the Group has not achieved its growth forecasts.

Monthly projections were used to arrive at the forecasts for the year ending December 2008 as stated in the prospectus. For the six months to June the Group's turnover and headline earnings are 14% and 32% below these forecast numbers respectively.

Historically the second half of the year accounts for the larger part of the full year operating profits.

Headline earnings per share for the period of 3.4 cents compares to headline earnings of 5.3 cents per share as per the pro forma financial information for the corresponding prior period, published in the Group's prospectus on 1 November 2007. The pro forma financial information included interest received of R2 778 288 on cash balances which did not form part of the business combination.

Goodwill arising from prior period acquisitions of the business of Kayreed and the shares of Davidsons' Holding Company (Pty) Ltd was impaired during the reporting period. Impairment resulted from changes in general valuation assumptions affecting financial markets and the present decrease in earnings. Goodwill was impaired by an amount R89 053 849, which resulted in a loss of R78 998 083 for the reporting period.

Prospects

In line with our strategy the Group has opened a board wholesale and retail business trading under the Davidson's Discount Boards brand in Silverton, Pretoria. The business commenced trading in August 2008 and has exceeded its forecast turnover for the first month of operations. A new business called Castle Timbers was established to manufacture solid wood products. The initial set-up of this business in the Western Cape is complete and trading commenced during September 2008.

In general the outlook for the economy remains difficult in the short term as consumer spending continues to be under pressure. Despite the above management is confident that the Group is well positioned to overcome these challenges through focused implementation of its strategy.

Capital commitments

At period-end the Group was contracted to acquire capital equipment to the value of R1 809 056 for its new outlet in Silverton, Pretoria.

Dividends

No dividends were declared during the current period.

Basis of preparation

The interim financial statements have been prepared in accordance with International Financial Reporting Standards, the requirements of IAS 34 (Interim Financial Reporting) and in compliance with the JSE Listings Requirements and the Companies Act of South Africa, 1973.

The accounting policies applied in preparing these interim financial statements are consistent with those presented in the annual financial statements for the period to December 2007.

These results have not been audited or reviewed by the Company's auditors, PKF (Jhb) Inc.

Appreciation

The board extends its appreciation to our management and staff for their efforts during this reporting period. We also thank our customers and suppliers for their continued support.

On behalf of the board

I H Stern **G F Davidson**
Chairman Chief Executive Officer 17 September 2008

Corporate information

Executive Directors: G F Davidson (CEO), G Davidson, M Slier (CFO), J Katz

Non-executive Directors: I H Stern (Chairman), J Hertz

Incorporated in the Republic of South Africa

Registration Number: 2006/038698/06

JSE code: KDV ISIN: ZAE000108940

Registered Address: 3rd Floor, JHI House, 11 Cradock Avenue, Rosebank, 2196

Postal Address: PO Box 272, Ottery, 7808

Telephone: 021 704 7060 Facsimile: 021 704 2082

Company Secretary: Probity Business Services (Pty) Ltd

Transfer Secretaries: Link Market Services South Africa (Pty) Ltd

Sponsor: Java Capital (Pty) Ltd

Condensed Consolidated Income Statement

	Unaudited 6 months ended 30 June 2008 R	Audited 4 months ended 31 December 2007 R	Audited 6 months ended 30 June 2007 R
Revenue	198 860 060	103 765 910	-
Cost of sales	(137 753 149)	(71 574 673)	-
Gross profit	61 106 911	32 191 237	-
Other income	314 615	274 523	-
Operating expenses	(46 701 513)	(22 690 325)	(1 439 018)
Share-based payments	-	(4 000 000)	-
Goodwill impairment	(89 053 849)	-	-
Operating (loss)/profit	(74 333 836)	5 775 435	(1 439 018)
Interest (paid)/received	(709 493)	(219 932)	1 028 716
(Loss)/Profit before taxation	(75 043 329)	5 555 503	(410 302)
Taxation	(3 954 754)	(2 777 809)	-
(Loss)/Profit attributable to equity holders of the parent	(78 998 083)	2 777 694	(410 302)
Reconciliation between earnings and headline earnings			
(Loss)/Profit attributable to equity holders	(78 998 083)	2 777 694	(410 302)
(Profit)/Loss on disposal of property, plant and equipment	(16 402)	270 179	-
Goodwill impairment	89 053 849	-	-
Headline earnings/(loss) attributable to equity holders	10 039 364	3 047 873	(410 302)
Weighted average number of shares in issue	295 232 716	220 363 402	100
Basic (loss)/earnings per share (cents)	(26.8)	1.3	(410 302)
Diluted (loss)/earnings per share (cents)	(26.8)	1.3	(410 302)
Headline earnings/(loss) per share (cents)	3.4	1.4	(410 302)

Condensed Consolidated Cash Flow Statement

	Unaudited 6 months ended 30 June 2008 R	Audited 4 months ended 31 December 2007 R	Audited 6 months ended 30 June 2007 R
Cash flows from operating activities	(1 437 575)	(3 220 694)	(410 302)
Cash flows from investing activities	(8 225 937)	(111 013 204)	-
Cash flows from financing activities	5 418 358	117 058 048	51 020 644
Net (decrease)/increase in cash and cash equivalents	(4 245 154)	2 824 150	50 610 342
Cash and cash equivalents at beginning of period	2 824 150	-	-
Cash and cash equivalents at end of period	(1 421 004)	2 824 150	50 610 342

Consolidated Balance Sheet

	30 June 2008 R	31 December 2007 R	30 June 2007 R
ASSETS			
Non-current assets	76 059 497	158 022 108	-
Plant and equipment	29 913 677	23 272 633	-
Goodwill	44 482 145	133 535 994	-
Deferred taxation	1 663 675	1 213 481	-
Current assets	151 349 234	148 532 784	50 610 342
Inventories	78 268 527	70 017 758	-
Trade and other receivables	64 374 360	60 341 937	-
Cash and cash equivalents	7 685 774	16 127 753	50 610 342
Taxation	1 020 573	2 045 336	-
	227 408 731	306 554 892	50 610 342
EQUITY AND LIABILITIES			
Capital and reserves	157 257 458	236 255 541	(410 202)
Share capital	295	295	100
Share premium	229 477 552	229 477 552	-
Retained earnings	(72 220 389)	6 777 694	(410 302)
Non-current liabilities	11 069 815	6 136 472	-
Instalment sale liabilities	10 153 336	5 231 478	-
Deferred taxation	916 479	904 994	-
Current liabilities	59 081 458	64 162 879	51 020 544
Trade and other payables	42 653 185	38 375 885	-
Current portion of instalment sale liabilities	4 944 159	4 447 659	-
Shareholder loan	-	-	51 020 544
Bank overdraft	9 106 778	13 303 603	-
Taxation	-	6 756 872	-
Provisions	2 377 336	1 278 860	-
	227 408 731	306 554 892	50 610 342
Shares in issue at period end	295 232 716	295 232 716	100
Tangible net asset value per share (cents)	38.2	34.8	(410 202)

Condensed Consolidated Statement of Changes in Equity

	Unaudited 6 months ended 30 June 2008 R	Audited 4 months ended 31 December 2007 R	Audited 6 months ended 30 June 2007 R
Balance at the beginning of the period	236 255 541	-	-
Issue of shares	-	233 857 817	100
Listing expenses	-	(4 379 970)	-
Share-based payment	-	4 000 000	-
(Loss)/Profit attributable to equity holders of the parent	(78 998 083)	2 777 694	(410 302)
Balance at the end of the period	157 257 458	236 255 541	(410 202)
Goodwill reconciliation			
Goodwill at 1 January 2008	133 535 994		
Impairment	(89 053 849)		
Goodwill at 30 June 2008	44 482 145		