

KayDav Group Ltd Unaudited Interim Results

Incorporated in the Republic of South Africa
Registration Number: 2006/038698/06
JSE code: KDV • ISIN: ZAE000108940
("KayDav" or "the Group" or "the company")

for the six months ended 30 June 2009

- Revenue R217 million (up 9%)
- Headline earnings per share 1.8 cents (down 47%)
- Tangible net asset value per share 43.4 cents (up 4%)

Consolidated statement of comprehensive income

	Unaudited 6 months ended 30 June 2009 R	Unaudited 6 months ended 30 June 2008 R	Audited year ended 31 December 2008 R
Revenue	217 370 707	198 860 060	440 446 378
Cost of sales	(147 193 338)	(137 753 149)	(304 878 293)
Gross profit	70 177 369	61 106 911	135 568 085
Other income	495 070	314 615	464 062
Operating expenses	(62 058 144)	(46 701 513)	(105 004 236)
Goodwill impairment	–	(89 053 849)	(119 233 190)
Operating profit/(loss)	8 614 295	(74 333 836)	(88 205 279)
Interest received	368 317	489 416	1 037 795
Interest paid	(1 363 389)	(1 198 909)	(2 508 493)
Profit/(loss) before taxation	7 619 223	(75 043 329)	(89 675 977)
Taxation	(2 284 322)	(3 954 754)	(9 392 892)
Profit/(loss) for the period	5 334 901	(78 998 083)	(99 068 869)
Other comprehensive income	–	–	–
Total comprehensive income/(loss) attributable to equity holders of the parent	5 334 901	(78 998 083)	(99 068 869)
Reconciliation between earnings and headline earnings			
Profit/(loss) for the period	5 334 901	(78 998 083)	(99 068 869)
Profit on disposal of property, plant and equipment	(41 611)	(16 402)	(3 317)
Goodwill impairment	–	89 053 849	119 233 190
Headline earnings attributable to equity holders	5 293 290	10 039 364	20 161 004
Weighted average number of shares in issue	295 232 716	295 232 716	295 232 716
Basic and diluted earnings/(loss) per share (cents)	1.8	(26.8)	(33.6)
Headline earnings per share (cents)	1.8	3.4	6.8

Commentary

Introduction

KayDav Group Ltd ("KayDav" or "the Group") specialises in the distribution and adding of value to wood-based panels, which are 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.

Financial results

The difficult trading conditions experienced during the year ended 31 December 2008 continued and intensified during the first six months of the 2009 financial year.

Excluding sales from new businesses opened during the second half of 2008, turnover for the six months ended 30 June 2009 was 12% below that of the previous corresponding period. Including sales from these new businesses, turnover was 9% higher than that of the six months ended 30 June 2008.

The Group's debtors' book deteriorated significantly during the six months to 30 June 2009. Due to the difficult trading environment the bad debt expense of R8.1 million was R5.9 million more than that of the corresponding prior period due largely to an increase in the provision for bad debts of R4.7 million.

The decrease in sales activity and the increase in the bad debt expense had a significant negative impact on headline earnings. Headline earnings per share of 1.8 cents represents a decrease of 47% compared to headline earnings of 3.4 cents per share for the six months ended 30 June 2008. When the after-tax effect of the increase in the bad debts expense is added back to headline earnings, the adjusted headline earnings per share is 3.2 cents.

With the exception of the 2008 financial year, historically the second half of the year accounts for the larger part of the full year operating profits.

The Group's balance sheet remains strong with a tangible net asset base of R128.2 million (June 2008: R112.8 million) and total interest-bearing debt of R13.3 million (June 2008: R24.2 million).

There has been a significant reduction in the level of inventories carried compared to 30 June 2008 and 31 December 2008 due to a management drive to increase working capital efficiencies.

Consolidated statement of financial position

	Unaudited 6 months ended 30 June 2009 R	Unaudited 6 months ended 30 June 2008 R	Audited year ended 31 December 2008 R
ASSETS			
Non-current assets	51 746 822	76 059 497	52 210 613
Plant and equipment	34 533 009	29 913 677	35 914 574
Goodwill	14 302 804	44 482 145	14 302 804
Deferred taxation	2 911 009	1 663 675	1 993 235
Current assets	145 300 133	151 349 234	162 232 239
Inventories	59 577 249	78 268 527	87 454 624
Trade and other receivables	76 532 431	64 374 360	67 956 516
Cash and cash equivalents	9 190 453	7 685 774	6 821 099
Taxation	–	1 020 573	–
	197 046 955	227 408 731	214 442 852
EQUITY AND LIABILITIES			
Capital and reserves	142 521 573	157 257 458	137 186 672
Share capital	295	295	295
Share premium	229 477 552	229 477 552	229 477 552
Accumulated loss	(86 956 274)	(72 220 389)	(92 291 175)
Non-current liabilities	7 166 850	11 069 815	10 494 405
Instalment sale liabilities	6 603 435	10 153 336	9 195 960
Deferred taxation	563 415	916 479	1 298 445
Current liabilities	47 358 532	59 081 458	66 761 775
Trade and other payables	36 458 235	42 653 185	53 197 846
Current portion of instalment sale liabilities	2 782 211	4 944 159	3 501 529
Bank overdraft	3 919 999	9 106 778	7 248 796
Taxation	681 978	–	269 085
Provisions	3 516 109	2 377 336	2 544 519
	197 046 955	227 408 731	214 442 852
Shares in issue at period-end	295 232 716	295 232 716	295 232 716
Net asset value per share (cents)	48.3	53.3	46.5
Tangible net asset value per share (cents)	43.4	38.2	41.6

Consequently, reduced purchasing activity has led to the reduction in the level of creditors at the period-end.

In addition, the board of directors of KayDav believes that the Group's solid financial structure will allow it to weather the current recessionary environment.

Prospects

Challenging conditions are predicted to persist throughout the current financial year with moderate growth envisaged during the 2010 financial year.

Management's focus is the continued implementation of its strategy to increase the Group's market share, improve effective working capital management and to achieve a higher return on capital employed.

Dividends

No dividends were declared during the period under review.

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.

The accounting policies applied in preparing these interim financial statements are consistent with those presented in the annual financial statements for the year ended 31 December 2008 except for the application of IAS 1 (Presentation of Financial Statements) and IFRS 8 (Segmental Reporting) which are applicable from years commencing 1 January 2009 and require additional disclosure.

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
Chairman

G F Davidson
Chief Executive Officer

Cape Town, 27 August 2009

Condensed consolidated statement of cash flows

	Unaudited 6 months ended 30 June 2009 R	Unaudited 6 months ended 30 June 2008 R	Audited year ended 31 December 2008 R
Cash flows from operating activities	9 803 618	(1 437 575)	10 237 158
Cash flows from investing activities	(793 625)	(8 225 937)	(16 507 360)
Cash flows from financing activities	(3 311 842)	5 418 358	3 018 355
Net increase/(decrease) in cash and cash equivalents	5 698 151	(4 245 154)	(3 251 847)
Cash and cash equivalents at beginning of period	(427 697)	2 824 150	2 824 150
Cash and cash equivalents at end of period	5 270 454	(1 421 004)	(427 697)

Condensed statement of changes in equity

	Unaudited 6 months ended 30 June 2009 R	Unaudited 6 months ended 30 June 2008 R	Audited year ended 31 December 2008 R
Balance at the beginning of the period	137 186 672	236 255 541	236 255 541
Total comprehensive income/(loss) for the period	5 334 901	(78 998 083)	(99 068 869)
Balance at the end of the period	142 521 573	157 257 458	137 186 672
Goodwill reconciliation			
Goodwill at the beginning of the period	14 302 804	133 535 994	133 535 994
Impairment	–	(89 053 849)	(119 233 190)
Goodwill at the end of the period	14 302 804	44 482 145	14 302 804

Segmental analysis

	Unaudited 6 months ended 30 June 2009 R	Unaudited 6 months ended 30 June 2008 R	Audited year ended 31 December 2008 R
Segmental revenue			
Board distribution	206 337 795	195 204 646	430 638 584
Other	20 647 957	13 269 699	32 935 490
Internal revenue	(9 615 045)	(9 614 285)	(23 127 696)
Net revenue	217 370 707	198 860 060	440 446 378
Segmental results			
Board distribution	9 983 243	14 768 862	32 898 267
Other	(1 368 948)	(48 849)	(1 870 356)
Operating profit before goodwill impairment and interest	8 614 295	14 720 013	31 027 911
Goodwill impairment	–	(89 053 849)	(119 233 190)
Operating profit/(loss)	8 614 295	(74 333 836)	(88 205 279)

Corporate information

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

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

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Company Secretary: Probity Business Services (Proprietary) Limited

Transfer Secretaries: Link Market Services South Africa (Proprietary) Limited

Sponsor: Java Capital (Proprietary) Limited