

KayDav Group Ltd

UNAUDITED INTERIM RESULTS

for the six months ended 30 June 2011

- ▲ Headline earnings per share 3.2 cents (up 100%)
- ▲ Earnings from continuing operations R5.8 million (up 4%)

Kaydav Group Limited
Incorporated in the Republic of South Africa
Registration number 2006/038698/06
JSE code: KDV • ISIN: ZAE000108940



Consolidated statement of financial position

	Unaudited 30 June 2011 R	Unaudited 30 June 2010 R	Audited 31 December 2010 R
ASSETS			
Non-current assets	51 636 500	51 643 882	51 525 170
Plant and equipment	30 964 026	34 793 222	31 349 411
Goodwill	14 302 804	14 302 804	14 302 804
Deferred taxation	6 369 670	2 547 856	5 872 955
Current assets	158 274 153	162 073 079	151 879 798
Inventories	65 148 524	68 490 264	61 237 708
Trade and other receivables	75 068 012	82 366 693	66 122 323
Cash and cash equivalents	16 060 542	9 531 600	22 747 360
Taxation	1 997 075	1 684 522	1 772 407
Total assets	209 910 653	213 716 961	203 404 968
EQUITY AND LIABILITIES			
Capital and reserves	111 160 871	112 837 302	115 650 549
Share capital	184	184	184
Share premium	184 556 185	195 184 431	194 850 351
Accumulated loss	(73 395 498)	(82 347 313)	(79 199 986)
Non-current liabilities	13 257 950	18 011 536	15 605 553
Instalment sale liabilities	3 474 920	5 122 402	4 248 936
Interest-bearing liability	9 783 030	12 828 607	11 242 494
Deferred taxation	-	60 527	114 123
Current liabilities	85 491 832	82 868 123	72 148 866
Trade and other payables	58 615 158	54 388 910	56 057 241
Short-term portion of instalment sale liabilities	3 487 803	2 790 474	3 215 677
Short-term portion of interest-bearing liability	2 841 891	2 499 867	2 707 832
Bank overdraft	16 585 060	19 012 096	8 034 017
Provisions	3 961 920	4 176 776	2 134 099
Total equity and liabilities	209 910 653	213 716 961	203 404 968
Shares in issue at period end	183 087 373	184 586 273	183 637 373
Net asset value per share (cents)	60.7	61.1	63.0
Tangible net asset value per share (cents)	52.9	53.4	55.2

Condensed consolidated statement of cash flows

	Unaudited six months ended 30 June 2011 R	Unaudited six months ended 30 June 2010 R	Audited year ended 31 December 2010 R
Cash flows from operating activities	(1 386 211)	(8 011 374)	11 750 263
Cash flows from investing activities	(1 730 191)	(1 496 652)	5 096 041
Cash flows from financing activities	(12 121 459)	(1 773 908)	(3 934 399)
Net (decrease)/increase in cash and cash equivalents	(15 237 861)	(11 281 934)	12 911 905
Net cash and cash equivalents at the beginning of the period	14 713 343	1 801 438	1 801 438
Net cash and cash equivalents at the end of the period	(524 518)	(9 480 496)	14 713 343

Condensed statement of changes in equity

	Unaudited six months ended 30 June 2011 R	Unaudited six months ended 30 June 2010 R	Audited year ended 31 December 2010 R
Balance at the beginning of the period	115 650 549	125 842 799	125 842 799
Distribution to shareholders	(10 100 061)	-	-
Share repurchases	(194 106)	(16 443 972)	(16 778 051)
Total comprehensive income for the period	5 804 489	3 438 475	6 585 801
Balance at the end of the period	111 160 871	112 837 302	115 650 549

Consolidated statement of comprehensive income

	Unaudited six months ended 30 June 2011 R	Unaudited six months ended 30 June 2010 R	Audited year ended 31 December 2010 R
Continuing operations			
Revenue	221 401 673	214 352 457	460 837 937
Cost of sales	(152 806 566)	(149 121 362)	(328 430 134)
Gross profit	68 595 107	65 231 095	132 407 803
Other income	208 389	454 423	1 227 431
Operating expenses	(59 529 988)	(56 674 526)	(116 709 971)
Operating profit	9 273 508	9 010 992	16 925 263
Investment income	109 748	212 682	465 486
Finance costs	(1 331 571)	(1 535 122)	(2 737 521)
Profit before taxation	8 051 685	7 688 552	14 653 228
Taxation	(2 247 196)	(2 100 727)	(20 470)
Profit for the period	5 804 489	5 587 825	14 632 758
Other comprehensive income	-	-	-
Total comprehensive income attributable to equity holders of the parent from continuing operations	5 804 489	5 587 825	14 632 758
Discontinued operation			
Loss for the period from discontinued operation before loss on disposal	-	(2 149 350)	(6 921 631)
Loss on disposal of discontinued operation	-	-	(1 125 326)
Loss for the period	-	(2 149 350)	(8 046 957)
Other comprehensive income	-	-	-
Total comprehensive loss attributable to equity holders of the parent from discontinued operation	-	(2 149 350)	(8 046 957)
Total comprehensive income attributable to equity holders of the parent from continuing and discontinued operations	5 804 489	3 438 475	6 585 801
Reconciliation between earnings and headline earnings			
Total comprehensive income	5 804 489	3 438 475	6 585 801
Profit on disposal of plant and equipment	(19 869)	(2 089)	(4 186)
Taxation effect of disposal of plant and equipment	5 563	585	1 172
Loss on sale of business	-	-	1 125 326
Headline earnings attributable to equity holders	5 790 183	3 436 971	7 708 113
Weighted average number of shares in issue	183 566 511	213 504 505	198 961 975
Basic and diluted earnings per share (cents)	3.2	1.6	3.3
Headline earnings per share (cents)	3.2	1.6	3.9

Segmental analysis

	Unaudited six months ended 30 June 2011 R	Unaudited six months ended 30 June 2010 R	Audited year ended 31 December 2010 R
Segmental revenue			
Board distribution	215 347 802	208 269 898	449 403 208
Manufacturing	17 067 421	30 648 152	62 870 866
Internal revenue	(11 013 550)	(8 745 907)	(21 622 472)
Net revenue	221 401 673	230 172 143	490 651 602
Discontinued operation – manufacturing	-	(15 819 686)	(29 813 665)
Revenue from continuing operations	221 401 673	214 352 457	460 837 937
Segmental results			
Board distribution	8 082 537	9 243 774	16 660 984
Manufacturing	12 819	(3 223 872)	(8 394 199)
Other	1 178 152	853 875	1 758 273
Operating profit before interest	9 273 508	6 873 777	10 025 058
Discontinued operation – manufacturing	-	2 137 215	6 900 205
Loss for the period from discontinued operation	-	2 149 350	6 921 631
Net finance charges from discontinued operation	-	(12 135)	(21 426)
Operating profit before interest from continuing operations	9 273 508	9 010 992	16 925 263

Commentary

Introduction

KayDav Group Limited ("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 shop fitting industries.

Financial results

Revenue from continuing operations for the first six months of the 2011 financial year was 3.3% higher compared to the same period in 2010. The board distribution segment experienced revenue growth of 3.4%. Excluding the operation discontinued during the 2010 financial year, the manufacturing segment experienced revenue growth of 15% (including internal revenue).

The board distribution segment contributed R8.1 million to operating profit compared to R9.2 million for the first six months of 2010. The manufacturing segment contributed R0.01 million to operating profit compared with a loss of R3.2 million for the previous corresponding period.

Total comprehensive income increased by 69% to R5.8 million from the R3.4 million recorded for the previous corresponding period, while total comprehensive income from continuing operations increased by 4% to R5.8 million.

During the reporting period KayDav repurchased 550 000 of its own shares at a cost of 35 cents per share, resulting in 183 087 373 KayDav shares in issue at 30 June 2011.

Save for structural changes in our industry, for example industry wide gross margin changes, the second half of the financial year normally generates the greater contribution to annual operating profit.

Basic and diluted earnings per share as well as headline earnings per share of 3.2 cents are 100% higher than the 1.6 cents per share for the previous corresponding period.

These results are considered satisfactory having regard to the tough trading conditions in the industry.

Prospects

Activity levels in our industry are determined by consumer demand which is impacted by consumers' personal debt levels, employment and willingness of financial institutions to extend credit.

Management anticipates that the increase in lending by financial institutions as well as increased spending power of consumers will increase activity levels in our industry. Whilst this improvement is anticipated, the potential negative macro-economic effect of recent global events and the direction of future interest rate movements on our industry make the timing of any improvement uncertain.

Management is focusing on increasing market share and effective cost and working capital control.

Distributions to shareholders

A distribution to shareholders by way of a reduction of share premium of 5.5 cents per share was made on 30 May 2011.

Subsequent events

No material change has taken place in the affairs of the Group between the end of the financial period and the date of this report, that requires adjustment or disclosure.

Basis of preparation

The interim financial statements have been prepared in accordance with International Financial Reporting Standards, AC 500 standards, the requirements of IAS 34 (Interim Financial Reporting) and in compliance with the JSE Listings Requirements and the Companies Act, 2008 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 2010 and have not been audited or reviewed by the KayDav auditors.

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

Cape Town

26 August 2011

Corporate information

Executive directors: GF Davidson (CEO), M Slier (CFO)

Non-executive directors: IH Stern (Chairman), J Hertz

Registration number: 2006/038698/06

Registered address: 105 Bamboesvlei Road, Ottery, 7800

Postal address: PO Box 272, Ottery, 7808

Telephone: 021 704 7060 **Facsimile:** 086 519 2014

Company secretary: Probit Business Services (Pty) Limited

Transfer secretaries: Link Market Services South Africa (Pty) Limited

Sponsor: Java Capital

