ANNUAL REPORT **2005**

KAP International Holdings Ltd

FINANCIAL HIGHLIGHTS

- Headline earnings up 36%
- Distribution increased from 5c to 12c
- Free float now at 23,8%
- Steinhoff International Holdings Limited acquire a strategic stake of 21% of the group

	Year ended 31 Dec 2005	Year ended 31 Dec 2004 (restated for IFRS)
Revenue (Rm)	**2 997,9**	1 911,9
Operating profit (Rm)	**227,7**	140,6
Income attributable to ordinary shareholders (Rm)	**196,3**	239,1
Earnings per share (cents)	**46,6**	81,5
Headline earnings per share (cents)	**46,1**	33,8
Distribution per share (cents)	**12**	5
Closing share price at year-end (cents)	**375**	300
Net asset value per share (cents)	**246,8**	204,0
Shareholders' funds (Rm)	**1 044,5**	854,2
Net interest-bearing debt to equity (%)	**22,0**	20,7
Market capitalisation at year-end (Rm)	**1 587**	1 256

Mastering

diversity

CONTENTS

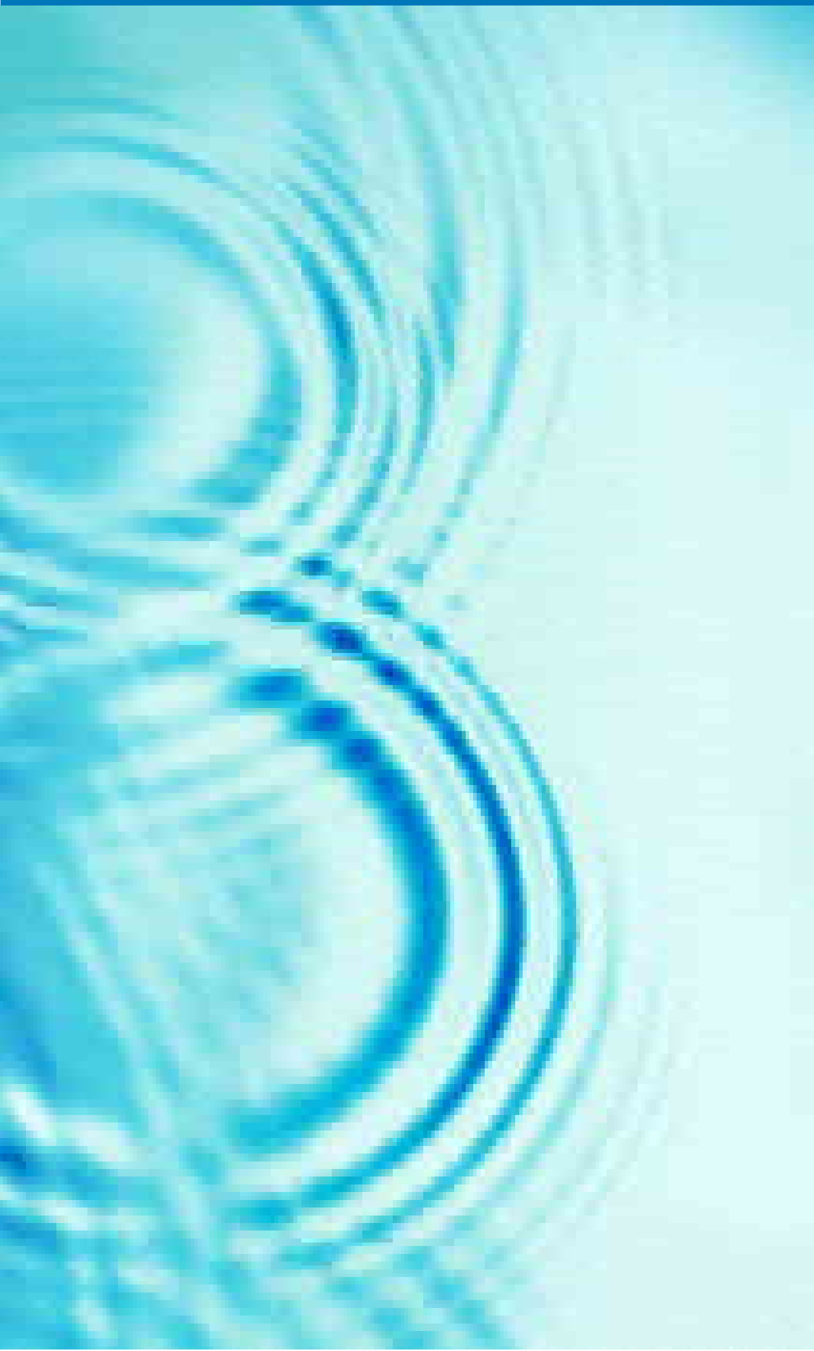
INDEX TO ANNUAL FINANCIAL STATEMENTS

CONTENTS

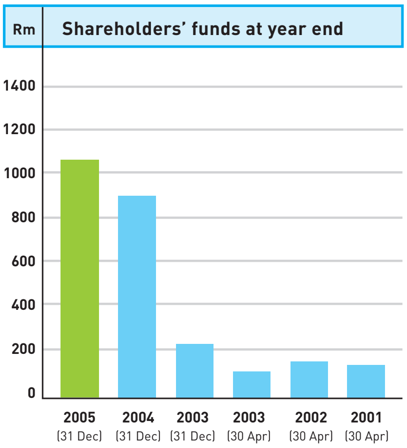
GROUP PROFILE

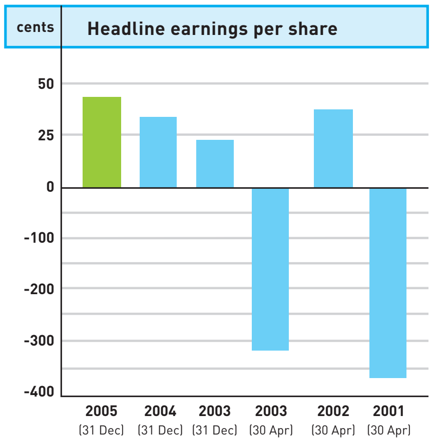
KAP International Holdings Limited is a holding company of subsidiaries and associate companies invested in a portfolio of diverse manufacturing businesses. These include fresh and processed meat, automotive and leather products, footwear, speciality fibres, bottle resin, automotive components and towelling products. The company is listed on the JSE under the Diversified Industrial sector. The group employs 4 681 people and controls assets of R1,8 billion which generated a revenue of R3,0 billion.

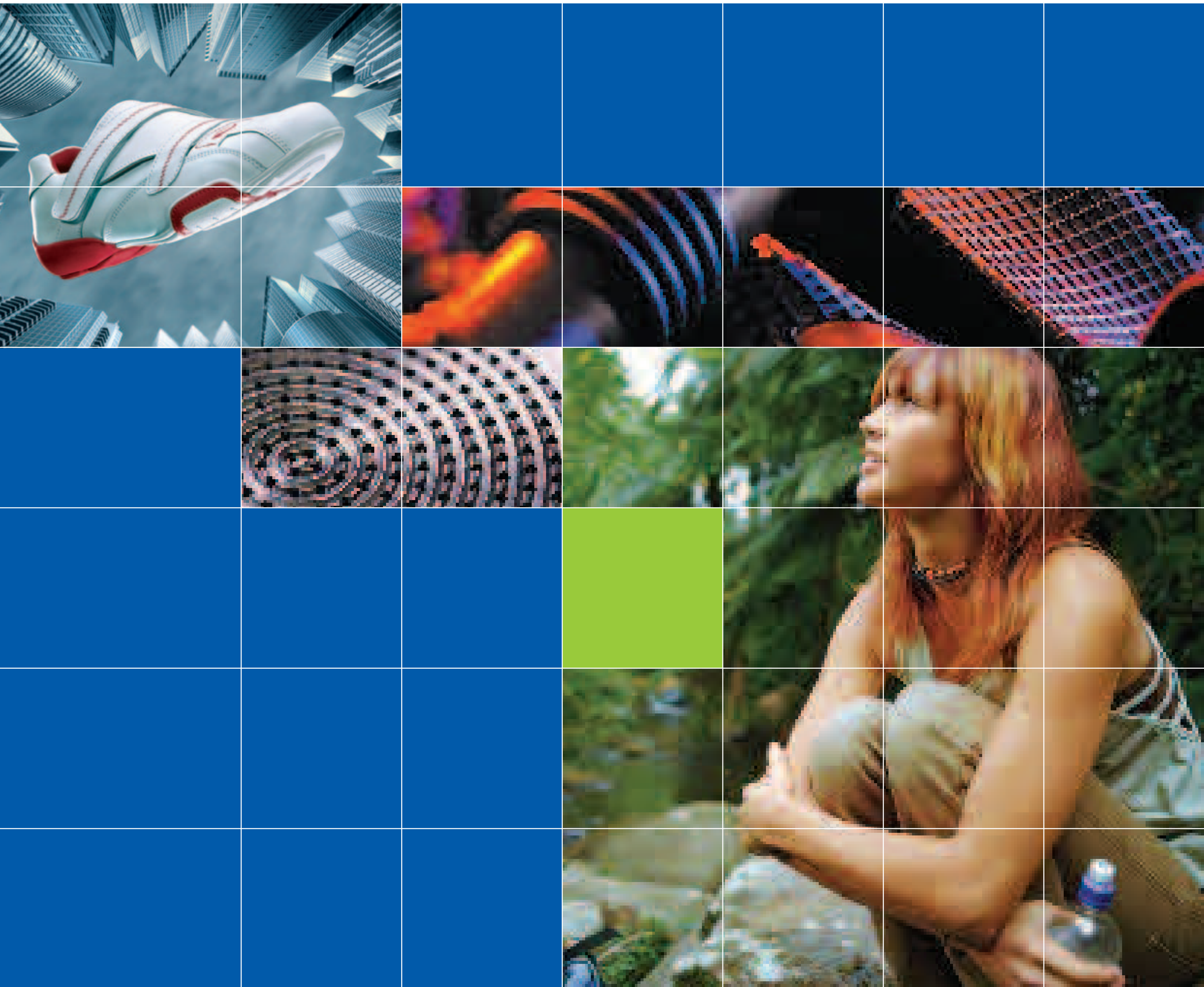
The group's head office is in Paarl and operations are situated in Johannesburg, Durban, Cape Town, Pretoria, Port Elizabeth, East London, Ladysmith and Krugersdorp.



SALIENT FEATURES







DIRECTORS AND OFFICERS


A


B


C


D


E


F

Non-executive directors

A C E Daun (63) (German) BAcc, CA
Non-executive chairman

Claas studied business administration at the University of Cologne and qualified as a chartered accountant in 1975. He has extensive experience in management, has investments worldwide and is a corporate investor in several industries. He is a board member of Steinhoff International Holdings Limited, Courthiel Holdings (Pty) Limited, Daun & Cie AG, KAP Beteiligungs AG and Stohr AG, among others. He is also a member of the board and one of the vice-presidents of the South African German Chamber of Commerce and Industry and is honorary consul of South Africa in Lower Saxony, Germany.

B M J Jooste (45) BAcc, CA(SA)
Non-executive director

• Chairman of audit and risk committee until 25 November 2005
• Member of remuneration committee from 22 November 2005

Markus is the CEO of Steinhoff International Holdings Limited and serves on several boards in the Steinhoff group's operations in Europe, the UK and Australia. He also serves on the boards of PSG Group Limited, Homestyle Group plc, Amalgamated Appliance Holdings Limited and Unitrans Limited, and is a non-executive director of the Racing Association.

C F Möller (61) (German) Dip-Kfm
Non-executive director

Fried studied business administration at the University of Berlin and holds a master's degree. He started his career as a management consultant and joined the textile industry in 1972. Since 1979 he has held numerous managerial roles within the Daun group. In 1986, KAP Beteiligungs AG was listed on the Frankfurt Stock Exchange. Fried is managing director of KAP Beteiligungs AG, which is one of the leading manufacturers of engineered products worldwide.

D J B Magwaza (63) BA, MA (Warwick UK)
Independent non-executive director

• Chairman of remuneration committee
• Chairman of transformation committee

J B is the non-executive chairman of Peoples Bank Limited. He also serves as a non-executive director of Dorbyl Limited, Nedbank Limited, The Tongaat Hulett Group Limited, and Rainbow Chickens Limited, and is on the board of Mutual and Federal and Ithala Finance Corporation Limited. He is executive chairman and a 5% shareholder of Motseng Investment Holdings.

E I N Mkhari (31) BSoc Sci
Independent non-executive director

• Member of remuneration committee
• Member of transformation committee

Ipeleng holds a BA Social Science degree from the University of Natal and has completed the Executive Development Programme (Wits 2004). In 1998, she founded Phosa Iliso CCTV, the first black woman-owned closed-circuit television business. She later co-founded Motseng Investment Holdings and is currently chief investment officer and 46,5% shareholder of Motseng Investment Holdings. She is a shareholder and director of KAP and a non-executive director of Ambit Properties, Martprop, Motseng Marriott Property Services and Mooi River Home Textiles.

F S H Nomvete (32) Dip Computer Programming
Independent non-executive director

• Member of audit committee

Sandile has a computer-programming diploma, Property Development (UCT 2003) and has completed the Executive Development Programme (Wits 2004). He previously worked for NBS Bank and The Tongaat-Hulett Group. Sandile is co-founder, chief executive officer and a 46,5% shareholder of Motseng Investment Holdings. He is a shareholder and director of KAP, Motseng Marriott Property Services and Mooi River Home Textiles.


G


H


I


J


K

Non-executive director

G D M van der Merwe (47) BCom LLB
Non-executive director

Danie was admitted as an attorney of the High Court of South Africa in 1986. He practised as an attorney, gaining experience in the commercial and labour law field and, in 1998, joined the Steinhoff group. Danie currently serves on the boards of Steinhoff International Holdings Limited, Unitrans Limited, PG Bison Limited and Amalgamated Appliance Holdings Limited. He is the group managing director of Steinhoff Africa and was appointed to the KAP International board on 25 November 2005.

Executive directors

H P C T Schouten (51) CA(SA), MBA (UCT)
Chief executive officer (CEO)

- Member of audit committee
- Member of remuneration committee from 15 September 2005
- Member of transformation committee from 15 September 2005

Paul qualified as a chartered accountant in 1977 before working in London for five years. On his return to South Africa, he worked for a number of organisations and completed his MBA at the University of Cape Town in 1988. He joined the Daun group in 1994 and was appointed CEO of KAP International in July 2003.

I J P Haveman (31) BAcc, BCompt (Hons), CA(SA)
Chief financial officer (CFO)

- Member of audit committee from 25 November 2005

John qualified as a chartered accountant in 1999 after completing his articles at PricewaterhouseCoopers Inc. He worked for Capespan and Old Mutual before joining the Daun group in 2002. He was appointed to the KAP International board on 25 November 2005 as CFO.

Officers

J D Konar (51) BCom, CA(SA), MAS, DCom

- Chairman of audit and risk committee from 3 March 2006

Len is an independent consultant and professional director of companies. He is a member of the King Committee on Corporate Governance, the Securities Regulation Panel, the Institute of Directors. Len is also a non-executive director of Old Mutual South Africa, the South African Reserve Bank, Sappi Limited, Kumba Resources Limited and Steinhoff International Holdings Limited. In addition, he is an external audit committee member of the International Monetary Fund in Washington.

K J H N van der Merwe (46) BAcc, Bcompt (Hons), CA (SA)

- Member of audit and risk committee from 22 November 2005

Jan has been the chief financial officer of Steinhoff International since 2003. He also serves on several boards, including Unitrans Limited (member of the audit and risk committee) and Homestyle Group (non-executive director).

Company secretary

L M Balladon (44) BCom, CA(SA)

Mark joined the Glodina group in 1989 and was appointed as KAP company secretary in 2004.

Executive committee

An executive committee of the executive directors and senior management has been established. The executive committee of KAP International carries out the day-to-day management of the group and carries out the tasks delegated to it by the board. The managing directors of the main operations are members of the executive committee and their names are indicated in the operational overviews.

SHAREHOLDER PROFILE

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	1 491	51,45	250 363	0,06
1 001 – 10 000 shares	862	29,74	3 739 330	0.89
10 001 – 100 000 shares	435	15,01	12 362 606	2,92
100 001 – 1 000 000 shares	80	2,76	25 956 475	6,13
1 000 001 shares and over	30	1,04	380 957 300	90,00
	2 898	**100,00**	**423 266 074**	**100,00**
Distribution of shareholders				
Banks	33	1,14	13 036 196	3,08
Close corporations	52	1,79	554 911	0,13
Empowerment	1	0,03	26 000 000	6,14
Endowment funds	9	0,31	149 654	0,04
Individuals	2 411	83,20	43 769 921	10,34
Insurance companies	2	0,07	227 700	0,05
Investment companies	7	0,24	14 870 254	3,51
Medical aid schemes	2	0,07	247 232	0,06
Mutual funds	27	0,93	31 155 714	7,36
Nominees and trusts	190	6,56	6 681 084	1,58
Other corporations	77	2,66	2 691 122	0,64
Pension funds	15	0,52	7 508 226	1,77
Private companies	67	2,31	184 224 838	43,53
Public companies	5	0,17	92 149 222	21,77
	2 898	**100,00**	**423 266 074**	**100,00**
Shareholder residence				
Resident	2 847	98,24	233 267 182	55,11
Non-resident	51	1,76	189 998 892	44,89
	2 898	**100,00**	**423 266 074**	**100,00**
Non-public shareholders				
Daun & Cie AG			181 345 315	42,84
Steinhoff Africa Holdings (Pty) Limited			88 760 000	20,97
Motseng Investment Holdings (Proprietary) Limited and subsidiary			26 000 000	6,14
Daun & Cie AG – KAP International Executive Management Share Scheme			17 900 000	4,23
Directors and associates of company and subsidiaries			8 638 868	2,04
Kolosus Share Trust			7 858	0,00
KAP Beteiligungs AG			274	0,00
Total non-public			**322 652 315**	**76,22**
Investec Asset Management and funds administered by them			20 283 272	4,79
Stanlib Asset Management and funds administered by them			16 665 139	3,94
RMB Asset Management and funds administered by them			8 733 839	2,07
Fihag Finanz und Handels AG			6 099 000	1,44
Other public			48 832 509	11,54
Total public			**100 613 759**	**23,78**
Total shares			**423 266 074**	**100,00**

Beneficial shareholders holding more than 1,4% or more of the issued share capital are listed above.

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REPORT

We are pleased to submit our report to shareholders on the results and activities of KAP International for the year ended 31 December 2005.

Trading environment

Prevailing conditions in 2005 were very similar to those of 2004. The sustained strength of the rand, low interest rates and buoyant economic growth contributed to a favourable business climate in South Africa.

PERFORMANCE

Revenue and earnings

During the year, the group adopted International Financial Reporting Standards (IFRS), which has resulted in a restatement of the 2004 results as disclosed in the notes to these annual financial statements. All references to 2004 numbers in these annual financial statements refer to the restated numbers.

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 2004 headline earnings per share.

Revenue increased from R1,9 to R3,0 billion, largely as a result of the inclusion of a full year's trading for the operations acquired on 1 July 2004. The operations of the group continued to deliver a solid performance, details of which are provided in the operations reports.

Operating profit increased from R140,6 million to R227,7 million as a result of full-year inclusion of the acquisitions of 1 July 2004, as well as a continued favourable business climate and further cost containment. Included in headline earnings for the year of R194,4 million (46,1c per share) is a once-off net credit of R35,9 million after taxation, being the group's portion of a pension fund surplus before minorities.

The tax rate of the group remained relatively low at 18,6% (2004: 9,3%), mainly as a result of the raising of deferred taxation assets in respect of estimated taxation losses.

Balance sheet

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).

The apportionment of a pension fund surplus was authorised by the Financial Services Board during the year. The net surplus of R50,6 million, after R19,8 million was utilised to settle a portion of the post-retirement medical benefits liability, will be used as a contribution holiday in the amount of R5,6 million per annum.

A net working capital investment of R85,5 million included R32,9 million to increase the standing herd at Bull Brand in order to achieve economies of scale.

In addition to the R44,1 million spent to acquire the industrial buildings in the Automotive and Footwear Divisions, capital expenditure of R121,1 million was incurred during the year. Capital expenditure of R121,2 million (including R86,1 million of expansionary capex) is budgeted for 2006, which will be funded out of operating cash flows and borrowings.

Capital distribution

Subject to the required shareholder approvals, the board has resolved to declare 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.

OPERATIONAL OVERVIEW

Industrial segment

The industrial segment continued its solid performance in 2005.

Automotive
Locally manufactured vehicle numbers increased by 14,5% to a record high of 497 000 units in 2005 (2004: 434 000 units) and were buoyed by the launch of three new models. The division achieved its profit target despite significant raw material price increases and production disruptions caused by the start-up of new contracts and installation of new technology.

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 increase its PET output by increasing existing capacity.

Consumer segment

The consumer segment continued to provide improved results on the back of the growth of the South African economy, low interest rates and the strong currency.

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 reaped the benefits of its three-year capital expenditure programme and sustained investment in staff training.

CORPORATE ACTIVITY

On 30 November 2005, Steinhoff Africa Holdings (Pty) Limited acquired a strategic equity stake of 21% in the group. Potential synergies exist between the two groups, and these are 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) Limited and Conrapp Properties (Pty) Limited, both related parties to KAP, for R44,1 million.

In July 2005 the group entered into an agreement to dispose of a non-core property to African Hide Trading (Pty) Limited, a related party to KAP, for R5,5 million.

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

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 non–executive director and chief financial officer 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 International Holdings Limited, was also appointed to the KAP audit committee on 22 November 2005.

PROSPECTS

We believe that the stabilisation of the economy and government's commitment to growth will be highly favourable to both the industrial and consumer sectors of the economy.

Regarding the industrial sector, KAP International manufactures in two industries which have been identified as high-growth industries: the automotive industry, where the increase in vehicle build in South Africa is well publicised in the financial press. The second is the PET industry, where growth rates of 8 to 10% in the last three years have been experienced, and industry sources expect world markets and the South African market to grow by more than 7% and 10% respectively.

Regarding the consumer sector, our strong brands in the consumer division are well positioned to benefit from continued economic growth and strong consumer demand.

APPRECIATION

We wish to thank our shareholders, who have generated sustained interest in the group over the past year. We will continue to reward your loyalty.

In particular, we would like to extend an enthusiastic welcome to Steinhoff as a shareholder, and we are confident that they will be able to add significant value to the group.

We welcome our new board members and anticipate their valuable input into growing the business in the future.

We express our sincere appreciation both to management and staff in generating our most successful year on record.

To our customers and suppliers, our heartfelt gratitude for your continued commitment to the group. We look forward to a highly productive relationship with you in the future.

Claas Daun
Non-executive chairman

Paul Schouten
Chief executive officer

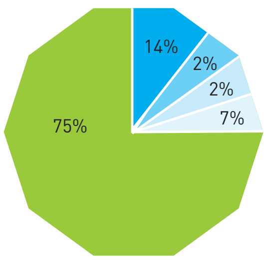
10 March 2006

VALUE-ADDED STATEMENT

	Year ended 31 December 2005		Year ended 31 December 2004 Restated	
	Rm	**%**	**Rm**	**%**
Sales	**2 997,9**	100	1 911,9	100
Materials and services purchased	**(2 263,9)**	75	(1 346,0)	70
Wealth created	**734,0**	25	565,9	30
Distributed as follows:				
To pay employees	**428,0**	14	282,8	15
To pay providers of capital	**63,5**	2	19,4	1
To pay government	**46,2**	2	24,6	1
Retained in the group	**196,3**	7	239,1	13
Wealth distributed	**734,0**	25	565,9	30

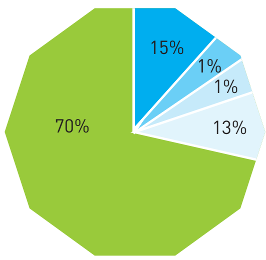
DISTRIBUTION OF WEALTH

2005



- Employees: 14%
- Providers of capital: 2%
- Government: 2%
- Retained in the group: 7%
- Materials and services purchased: 75%

2004



- Employees: 15%
- Providers of capital: 1%
- Government: 1%
- Retained in the group: 13%
- Materials and services purchased: 70%

SIX-YEAR FINANCIAL REVIEW

	31 Dec 2005 IFRS	31 Dec 2004 Restated IFRS	31 Dec 2003 (8 months) SA GAAP	30 April 2003 SA GAAP	30 April 2002 SA GAAP	30 April 2001 SA GAAP
Group income statement (Rm)						
Revenue	**2 997,9**	1 911,9	616,6	1 158,4	1 168,1	1 284,5
Operating profit/(loss)	**227,7**	140,6	22,7	(96,0)	33,1	(99,7)
Negative goodwill from acquisitions	**–**	134,7	–	–	–	–
Net pension fund surplus	**50,6**	–	–	–	–	–
Discontinued operation closure costs	**(10,9)**	–	–	–	–	–
Net financing costs	**(19,4)**	(10,6)	(12,6)	(25,4)	(26,3)	(30,9)
Share of results of joint ventures	**0,7**	1,2	(2,0)	(0,6)	1,7	0,8
Profit/(loss) before taxation	**248,7**	265,9	8,1	(122,0)	8,5	(129,8)
Taxation	**(46,2)**	(24,6)	–	–	(1,0)	(0,3)
Minorities' interest	**(6,2)**	(2,2)	–	–	–	(0,2)
Net profit/(loss) attributable to ordinary shareholders	**196,3**	239,1	8,1	(122,0)	7,5	(130,3)
Group balance sheet (Rm)						
Shareholders' funds	**1 044,5**	854,2	203,7	56,2	179,7	168,9
Minorities' interest	**14,0**	9,4	–	–	0,5	0,4
Deferred taxation	**18,7**	6,3	–	–	–	0,1
Borrowings	**245,0**	249,4	70,1	155,7	164,1	261,0
Retirement benefit obligation	**19,8**	40,6	9,9	12,9	11,4	13,3
Current liabilities (excluding short-term borrowings)	**410,9**	385,5	73,4	179,3	123,3	156,9
Total equity and liabilities	**1 752,9**	1 545,4	357,1	404,1	479,0	600,6
Property, plant, equipment and investment properties	**529,5**	410,3	50,7	63,6	124,2	165,3
Pension fund surplus	**50,6**	–	–	–	–	–
Deferred taxation	**94,9**	121,9	–	–	–	–
Investments and loans receivable	**34,1**	40,2	21,0	7,2	7,6	8,0
Inventories and receivables (excluding short-term loans receivable)	**1 041,6**	928,0	248,2	324,3	347,2	374,5
Cash and cash equivalents	**2,2**	45,0	37,2	9,0	–	52,8
Total assets	**1 752,9**	1 545,4	357,1	404,1	479,0	600,6
Group cash flow (Rm)						
Cash generated from/(utilised by) operations	**218,5**	164,8	24,1	7,1	59,2	(57,3)
Net working capital changes	**(85,5)**	(44,4)	(5,8)	28,0	(7,5)	69,7
Net finance cost	**(19,4)**	(10,6)	(22,6)	(26,5)	(26,3)	(30,9)
Taxation paid	**(3,1)**	(13,5)	(0,2)	(0,9)	(1,2)	(2,9)
Net cash (outflow)/inflow from investing activities	**(139,1)**	(474,1)	20,0	9,7	19,9	(12,2)
Cash (utilised)/generated before financing activities	**(28,6)**	(377,8)	15,5	17,4	44,1	(33,6)

During 2003, the company consolidated its share capital on a 1-for-20 basis. All the comparative financial statistics for prior periods have been restated to take account of the share consolidation.

	31 Dec 2005 IFRS	31 Dec 2004 Restated IFRS	31 Dec 2003 (8 months) SA GAAP	30 April 2003 SA GAAP	30 April 2002 SA GAAP	30 April 2001 SA GAAP
Ratios and statistics						
Profitability						
Operating profit as percentage of revenue (%)	**7,60**	7,35	3,68	(8,28)	2,84	(7,76)
Net profit as percentage of revenue (%)	**6,55**	12,51	1,31	(10,52)	0,65	(10,12)
Return on equity (%)[1]	**22,98**	117,33	14,36	(67,84)	4,46	(43,25)
Leverage						
Interest-bearing debt to equity (%)[2]	**22,0**	20,70	34,31	277,20	91,37	154,56
Debt to equity (%)[3]	**51,78**	63,72	52,16	580,42	159,98	216,22
Liquidity						
Current ratio[4]	**1,8**	1,8	2,0	1,0	1,2	1,1
Interest cover (times)[5]	**11,7**	13,3	(1,4)	3,6	(1,3)	3,2
Productivity						
Total assets turn	**1,7**	1,2	1,7	2,9	2,4	2,1
Number of employees	**4 681**	5 272	1 689	1 921	2 153	3 177
Assets per employee (R)	**374 471**	293 160	211 485	210 332	222 447	189 107
Revenue per employee (R)	**640 440**	362 647	365 023	603 002	542 556	404 326
Share statistics						
Number of shares in issue (000)	**423 266**	418 720	168 120	28 020	28 020	28 020
Weighted average number of shares issued (000)	**421 477**	293 412	34 882	28 020	28 020	28 020
Headline earnings/(loss) per share (cents)[6]	**46,1**	33,8	24,9	(311,6)	43,2	(364,0)
Earnings/(loss) per share (cents)[7]	**46,6**	81,5	23,13	(434,93)	26,87	(464,76)
Distribution per share (cents)	**12**	5	–	–	–	–
Net asset value per share (cents)[8]	**246,8**	204,0	121,2	200,5	641,2	602,76
Total number of shares traded (million)	**208,4**	40,7	10,84	0,25	0,27	0,21
Total value of shares traded (Rm)	**719,7**	83,7	1,85	0,54	0,79	0,76
Market price at year end (cents)	**375**	300	100	220	220	180
– highest closing price (cents)	**415**	305	300	380	500	700
– lowest closing price (cents)	**293**	50	100	100	140	140
Market capitalisation at year end (Rm)	**1 587**	1 256	168	62	62	50
Price to earnings ratio[9]	**8,13**	8,87	4,02	(0,71)	5,09	(0,49)

Definitions

1 **Return on equity**
Net profit/(loss) divided by opening equity.

2 **Interest-bearing debt to equity**
Net interest-bearing borrowings divided by closing equity.

3 **Ratio of debt to equity**
The ratio of total liabilities net of cash resources to equity.

4 **Current ratio**
The ratio of current assets to current liabilities.

5 **Interest cover**
The number of times that net finance costs are covered by operating income.

6 **Headline earnings/(loss) per share**
Headline earnings/(loss) per share divided by the weighted average number of shares in issue.

7 **Earnings/(loss) per share**
Profit/(loss) after taxation divided by the weighted average number of shares in issue.

8 **Net asset value per share**
Shareholders' interest, including intangible assets, divided by the number of shares in issue.

9 **Price-to-earnings ratio**
Market price per share at year-end divided by headline earnings per share.

OPERATIONAL OVERVIEW

NATIONAL LOCATIONS

Automotive Factories
Durban
East London
Ladysmith
Port Elizabeth
Rosslyn (Pretoria)

United Fram & Wayne Plastics
Johannesburg

Glodina
Durban

Mossop Western Leathers
Cape Town

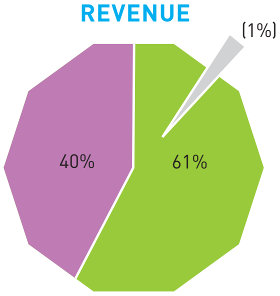
Bull Brand Foods
Krugersdorp

Jordan & Co
Cape Town

Hosaf
Cape Town
Durban
Alrode

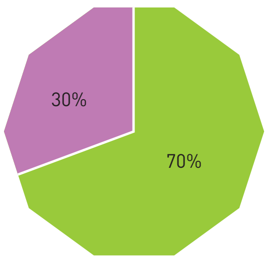
SEGMENTAL ANALYSIS

REVENUE



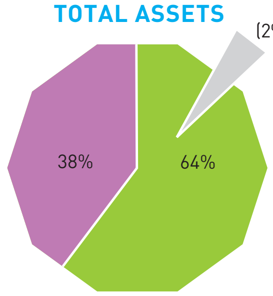
- Industrial: 61%
- Consumer: 40%
- Other: (1%)

OPERATING PROFIT



- Industrial: 70%
- Consumer: 30%

TOTAL ASSETS



- Industrial: 64%
- Consumer: 38%
- Other: (2%)

	REVENUE		OPERATING PROFIT		DEPRECIATION		TOTAL ASSETS		TOTAL LIABILITIES		CAPITAL EXPENDITURE	
2005	**Rm**	**%**	**Rm**	**%**	**Rm**	**%**	**Rm**	**%**	**Rm**	**%**	**Rm**	**%**
Industrial	1 823,9	61	160,4	70	33,6	80	1 129,0	64	1 045,2	152	132,4	80
Consumer	1 197,5	40	68,3	30	9,2	22	660,9	38	567,4	82	30,9	19
Other	(23,5)	(1)	(1,0)	–	(0,6)	(2)	(37,0	(2)	(923,5)	(134)	1,9	1
	2 997,9	**100**	**227,7**	**100**	**42,2**	**100**	**1 752,9**	**100**	**689,1**	**100**	**165,2**	**100**
2004 (restated)	**Rm**	**%**	**Rm**	**%**	**Rm**	**%**	**Rm**	**%**	**Rm**	**%**	**Rm**	**%**
Industrial	1 022,3	53	104,8	75	18,0	77	918,2	60	947,6	141	48,8	78
Consumer	894,8	47	39,8	28	6,9	30	549,1	36	501,4	74	14,0	22
Other	(5,2)	–	(4,0)	(3)	(1,6)	(7)	78,1	4	(776,2)	(115)	0,1	–
	1 911,9	**100**	**140,6**	**100**	**23,3**	**100**	**1 545,4**	**100**	**672,8**	**100**	**62,9**	**100**

Refer to the Income Statement for the split between continuing and discontinued operations.
The discontinued operation was in the Industrial Segment.

KAP International Holdings Ltd

OPERATIONAL STRUCTURE

INDUSTRIAL SEGMENT

HOSAF FIBRES
Manufacturer of polyester fibre and PET bottle resin

FELTEX AUTOMOTIVE

- **Feltex Automotive Trim** — Integrated automotive trim and acoustic manufacturer
- **Feltex Fehrer** — Moulded polyurethane manufacturer for seating and other foam products for the automotive industry
- **Feltex Foam Converting** — Manufacturer of slabstock and peeled foams used for lamination in the automotive industry
- **Feltex Unifrax** — Supplier of mats for catalytic converters for exhausts of motor vehicles
- **Rieter Feltex Automotive** — Automotive acoustics and thermal management
- **Feltex Automotive Leathers** — Automotive leather manufacturer

INDUSTRIAL FOOTWEAR

- **United Fram** — Manufacturer of industrial footwear
- **Wayne Plastics** — Manufacturer of gumboots and safety footwear
- **Mossop Western Leathers** — Tannery supplying bovine leather to footwear and leather goods industry

CONSUMER SEGMENT

- **BULL BRAND FOODS** — Fresh and canned meat manufacturer
- **JORDAN & CO** — Branded fashion footwear and sport shoe manufacturer, importer and distributor
- **GLODINA** — Branded terry towel manufacturer

OPERATIONAL REVIEW: FELTEX AUTOMOTIVE

Ugo Frigerio
BA (Hons), M Phil

Divisional Managing Director

Profile

The Feltex Automotive division is one of South Africa's largest automotive component manufacturers and has manufacturing facilities situated in Durban, Rosslyn, Port Elizabeth, Ladysmith and East London, in close proximity to the Original Equipment Manufacturer ("OEM") plants. Feltex Automotive comprises six business units that supply parts either directly or indirectly to the South African motor vehicle manufacturers (OEMs).

The six business units are:

- **Feltex Automotive Trim** is the leading supplier of a wide range of quality automotive acoustic and trim components to all the OEMs in South Africa.
- Feltex owns 74% of **Feltex Fehrer**, a joint venture with F.S. Fehrer Automotive GmbH of Germany. The Fehrer Group provides technical expertise to the joint venture to manufacture moulded polyurethane products, predominantly seats and headrests, for all the OEMs in South Africa.
- **Feltex Foam Converting** produces a wide range of polyester and polyether foams principally for the automotive market.
- **Feltex Unifrax** is a unit which uses state-of-the-art technology from Unifrax Corporation of the USA to produce mats that protect the catalytic converters in car exhausts.
- Feltex owns 49% of **Rieter Feltex,** a joint venture with Rieter Automotive Systems Group of Switzerland. Rieter produces heat shields and underbody shields for motor vehicles.
- **Feltex Automotive Leathers** is a tannery converting hides into leather predominantly used in the interior of motor vehicles.

While there is a strong culture of inter-dependence and synergy among the six business units, each is managed as an individual profit centre, led by a focused and disciplined team.

The key success factors of all operations are consistent quality, outstanding service, investment in modern technology, environmental responsibility, the valuing of our people and internationally competitive pricing.

The pursuit of excellence remains a cornerstone of this division through continuous improvement and lean manufacturing programmes.

Year under review

Fuelled by strong growth in the domestic economy, the South African automotive market showed a significant 26% year-on-year growth in new vehicle sales. The largest growth arose from imported vehicles, which now account for approximately one-third of all sales. Local vehicle build, which, grew by 14,5% from 434 000 to 497 000 units for 2005, was buoyed by the launch of three new models, namely the Toyota Hilux, BMW 3 series and the Ford Focus.

The automotive division as a whole achieved its 2005 profit target in spite of significant raw material price increases and production disruptions caused by start-up of new contracts and installation of new technology.

Feltex Fehrer, Feltex Foam Converting and Feltex Unifrax delivered good growth and acceptable returns.

Feltex Automotive Trim was adversely impacted by production problems experienced during new vehicle launches. These have been successfully overcome and the substantial additional revenue from these new models will deliver good margins in 2006.

The performance of Rieter Feltex was restricted by lost production during the installation of a Long Fibre Technology ("LFT") plant. The LFT plant, which was commissioned late in 2005, is the only local manufacturer of automotive underbody shields.

FELTEX

AUTOMOTIVE TRIM

Fehrer

FOAM CONVERTING

UNIFRAX

RIETER

AUTOMOTIVE LEATHERS

A significant forward market share in this sector has already been secured. The consolidation of production for heat shields and underbody shields into one plant in the Rosslyn Automotive Supplier Park was completed in the second half of 2005, and a full year of the benefits arising will further influence 2006 performance.

Feltex Automotive Leathers suffered a decline in revenue due to the liquidation of MG Rover and a temporary decline in volumes during model change-overs.

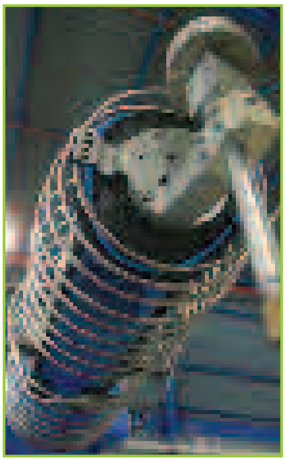
The automotive sector requires ongoing investment in people and equipment. During 2005, R39 million was spent on acquiring production facilities occupied by the division, and R26 million was spent on efficiency improvements.

Prospects

The outlook for all operations in the automotive division is healthy due to anticipated growth in local vehicle build of approximately 10% in 2006. Having successfully overcome the initial production challenges relating to the three model launches and the installation of the LFT plant, in the year under review, above-average growth is expected from Feltex Automotive Trim and Rieter Feltex businesses.

No new model launches are anticipated in 2006, but two new launches are expected in 2007, being the new Toyota Corolla and the Mercedes C-Class.

Feltex Automotive will continue focusing on its core competencies and the development of an enabling, challenging team-orientated work environment where responsibility, accountability and achievement are encouraged and rewarded.




INYATI

OPERATIONAL REVIEW: INDUSTRIAL FOOTWEAR

Jeff Burland
BComPT

Divisional Managing Director
United Fram & Wayne Plastics

Willie Kotze
MBA

Divisional Managing Director
Mossop Western Leathers

Profile

Industrial Footwear comprises three divisions:

- United Fram, manufacturers of Inyati and other leading brands of industrial leather protective footwear;
- Wayne Plastics, manufacturers of PVC gum boots for local and export markets; and
- Mossop Western Leathers, supplying leather to the footwear and leather goods industries.

Year under review

United Fram

United Fram delivered a healthy operating return during 2005 despite volumes being slightly below expectation.

Volumes were affected by imports as a result of a strong rand and a market slowdown in the latter part of the year. As a result a strategic decision was made to import products to supplement the existing range and to partially substitute local manufacture. This was implemented from January 2006.

A new set of rubber sole moulds is to be commissioned to upgrade and enhance local production, which will benefit the operation as it will then become the only direct PU/rubber direct injection process manufacturer in South Africa, thereby differentiating its products from competitors.

With the imported product range, new moulds and the appointment of a marketing coordinator the prospects for 2006 look promising.

Wayne Plastics (Wayne)

This has been a successful year in which there were significant changes in this market with competitors upgrading facilities and increasing output. Positively, however, the switch to an alternative raw material supply enabled the purchase of a substantial quantity of material at greatly reduced prices, improving margins considerably.

2006 will be an exciting year at Wayne, as a new plant to manufacture raw material was commissioned in December 2005 and is operating efficiently. The plant will reduce dependence on third-party suppliers and deliver significant cost savings.

New moulds are being developed for both heavy-duty and lightweight boots, which should be operational towards the end of 2006. This, together with new production equipment commissioned in February 2006, should make Wayne one of the leading PVC gumboot manufacturers in the world.

An improvement in revenues and margins is expected in 2006.

Mossop Western Leathers (Mossop)

Mossop is the largest tannery in South Africa, supplying bovine leathers to the footwear and leather goods industries. The company, established in 1846, is situated in Wellington in the Western Cape and employs 220 people at two plants, a wet-blue operation and a crust and finishing plant.

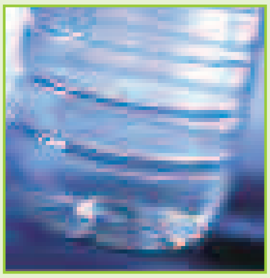
Mossop is the major supplier to local footwear manufacturers, and also exports leather to the UK, Spain, Portugal, India and the Far East. Products are mainly focused on the school shoe market and include grain leathers, PU-coated leathers and suede-related leathers.

The South African shoe and leather manufacturing industries experienced a difficult year, due to imports from countries and continents with protected economies such as South America, the Indian subcontinent and China. Rand strength also facilitated the entrance of new overseas leather suppliers to South Africa, which impacted negatively on price and volumes.

Despite these adverse conditions, Mossop generated acceptable profits due to efficient hide procurement, strict cost control and manufacturing efficiencies.

2006 will see Mossop improving on its strengths and hedging itself against currency fluctuations by diversifying into the furniture industry and by establishing a trading business dealing with selected imported leathers.

OPERATIONAL REVIEW: HOSAF FIBRES



Peter White
BSc (Hons) Textile Technology

Divisional Managing Director

Profile

Hosaf Fibres (Hosaf) manufactures and distributes PET resin for the bottle and packaging market, polyester staple fibre for the traditional and industrial textile sectors and also produces recycled PET resin which is used in-house as a raw material substitute.

Year under review

Hosaf made significant strategic capital investments in recent years to expand its PET capacity and thereby make its production base flexible and able to service both the staple fibre and PET resin markets. This ability, to interchange production between PET resin and polyester staple fibres as market conditions change, began to deliver returns in 2005.

Hosaf Fibres showed a pleasing performance against budget and good profit growth in spite of volatile raw material prices, increased textile imports from China and a stronger than expected Rand. The division grew turnover and volumes, by 21% and 7% respectively, compared to 2004.

As expected market conditions in the traditional textile sector were poor; however, this market constitutes only 17% of Hosaf's turnover. There was a significant reduction in traditional staple fibre demand due to Chinese competition in customer markets and weak cotton prices.

The industrial and niche markets for staple fibres were affected to a lesser degree and sales volumes were in line with 2004. In this sector, Hosaf benefited from the advantage of using feedstock from its recycling plant which accounted for 16% of all raw materials used at its Cape Town site.

Lost volumes in the traditional textile sector were more than offset by growth in PET resin volumes, which increased by 35% year on year. Hosaf was able to service rising demand in this market by increasing the capacity of its existing plants in Durban and through the recommissioning of its original 12,000 ton per annum PET plant. The efforts of management and staff are to be commended as the capacity increase was achieved at negligible capital cost.

Prospects

Hosaf expects growth in local PET resin demand to continue. The de-bottlenecking and recommissioning of existing assets is complete and PET sales volumes are expected to grow by a further 18% in 2006.

The lack of government intervention to curtail imports of Chinese textiles means that growth in the traditional cotton staple textiles is unlikely. Shrinkage in this market, however, offers opportunity for Hosaf to further divert polymer capacity into PET resin or speciality type industrial fibres as a continuation of its capital strategy, which commenced in 2003.

In the industrial and niche fibre markets, Hosaf anticipates growth of volumes and margins through the introduction of new product types (such as an anti-microbial fibre for duvets and pillows which was launched in 2005) and increased use of recycled raw materials. Capital has been provided to allow for the development of new fibre types, and the focus of the management team is to bring these products to the market in 2006.

Hosaf will continue to develop and bring new products to its existing markets. This will be achieved by forming technology partnerships which are currently being negotiated.

Hosaf is also investigating the feasibility of diversifying into new polyester markets. This would require the introduction of different technologies for which capital proposals are being evaluated.

OPERATIONAL REVIEW: JORDAN & CO

Rob Jordan
BCom (UCT)
Dipl.Management (London), ABSI

Divisional Managing Director

Profile

Jordan & Co specialises in supplying men's fashion and sports footwear, mainly to the domestic market.

Brands are positioned to be sold through various retail channels, being retail chains, discounters, wholesalers and independent shops, depending on target markets. Sales are also made directly to state and parastatal enterprises and to South African-based international sports companies serving the domestic market.

Year under review

2005 has been a year of a number of challenges and opportunities. Retail sales have surged in the year and Jordan's main brands of Bronx, Jordan and Olympic have benefited from this, although there has been intense pressure on prices and margins as new importers have entered the market and major chains have emphasised their own house brands.

Jordan is determined to continue to provide a manufacturing service for a specific niche market, but has had to contend with a significant decline in its manufacture for international sports companies as they have consolidated their sourcing from overseas suppliers. This has required restructuring to match the manufacturing demand to capacity.

Jordan's strategy continues to be to build its own brands and to exploit opportunities from its distributorship rights of international brands, of which Asics, the world's best running shoe, is well established, and other brands, such as Sperry, Keds, Dr Martens, Tommy Hilfiger and Phat Farm are all being promoted although they are all in the early stages of growth.

Assured delivery and quality are essential and this requires increasing time and effort to effect continual improvements from our Asian sources of supply.

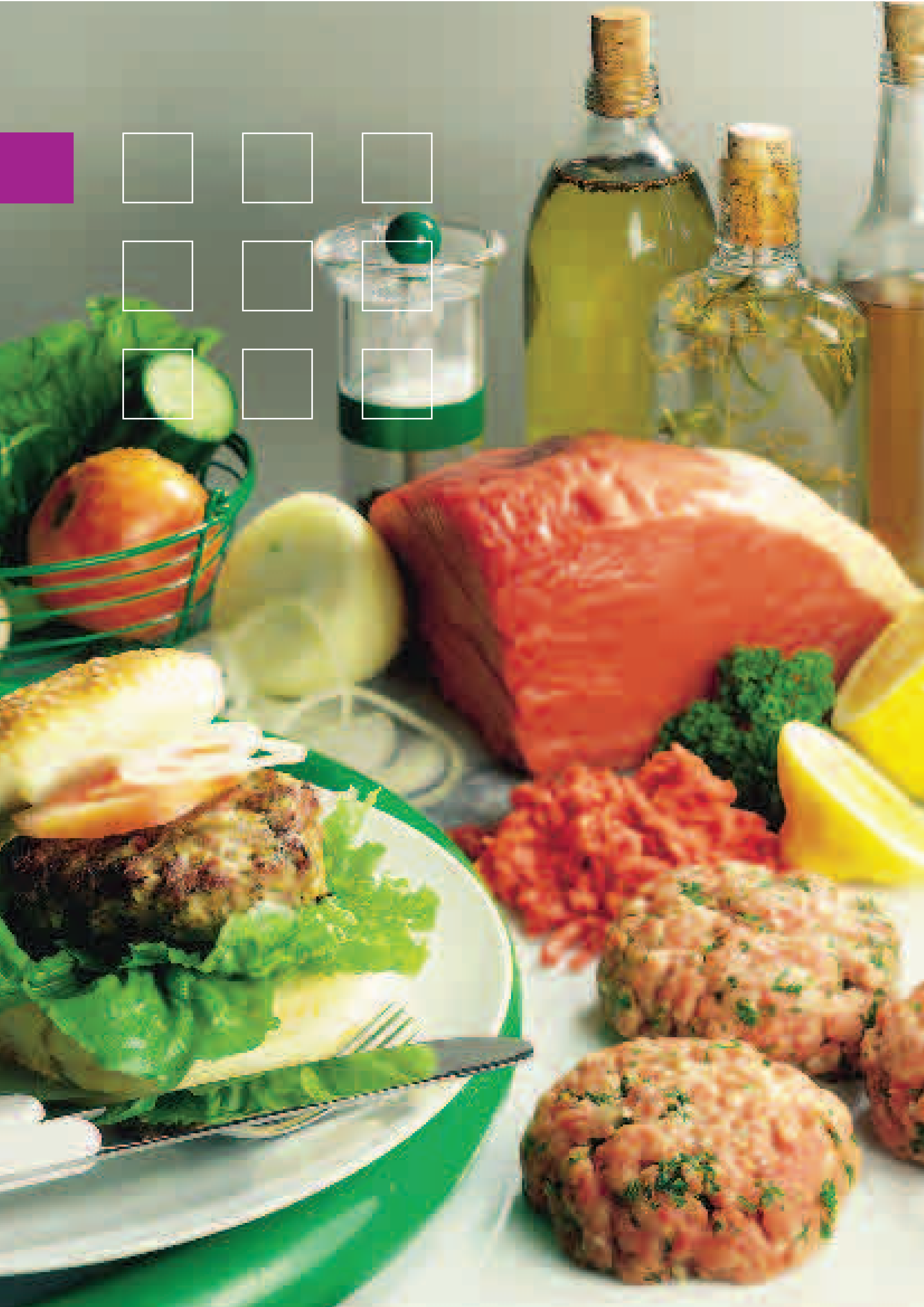
Jordan has a small chain of factory shops to clear excess stocks of both imported shoes and shoes manufactured from surplus materials and components.

Prospects

2006 looks promising, with total orders on hand being 9% higher, in real terms, which is considered more than acceptable considering that 2005 included significant orders from international sports sources which have now discontinued purchasing from us.

The expansion of the ladies' footwear division and the focus on extending the Jordan product range to incorporate well-positioned international brands will continue to bear fruit in the medium and long term.

We look forward to continued success in this buoyant retail environment.



OPERATIONAL REVIEW: BULL BRAND FOODS

Lou Campher
BProc, LLB

Managing Director

Profile

Bull Brand Foods operates a large abattoir in Krugersdorp, supplied mainly from its two cattle feedlots near Magaliesburg and Potchefstroom. Additionally the Krugersdorp site houses the cannery which produces canned products branded with a range of well-known South African favourites such as "Bull Brand", "Gants" and "Spekenam".

Year under review

Bull Brand's financial performance has seen a significant turnaround since becoming part of the KAP stable. Access to capital has enabled Bull Brand to almost double the size of its feedlot herd, which is now in excess of 40 000 head of cattle and has also enabled initiatives (like dust control systems, kraal size increases and "backgrounding") at the feedlots to improve cattle growth performance.

This resulted in better economies of scale at the feedlots and abattoir. The improved production cost per kilogram at the feedlots, together with stringent overhead cost reduction by management, has resulted in a dramatic and rapid improvement in operating profits during the period under review.

Bull Brand Foods thus performed well above expectation as an integrated red meat and canned meals supplier. Despite hot and dry conditions, which resulted in maize prices increasing in the last quarter, our two feedlots enjoyed the benefits of favourable feed prices for the better part of the year. Significant investment was made to improve production and health efficiencies, further supporting production cost efficiency, and both trading divisions achieved their turnover and volume growth objectives for the year.

Strong local and export demand, underpinned by the largest ever generic beef advertising campaign, resulted not only in stable red meat prices but strong volume growth. The launch of the premium Bull Brand Slender & Tender, Snax and Cowboy King products has been received favourably and is gaining momentum. The need is clear that consumers require value-add and convenience. The strengthening of the rand adversely affected canned meal exports but did not detract from a strong performance in the South African retail market. Markets in Namibia and Botswana continue to grow.

The benefits of a structured capital replacement programme are filtering through to improved cost and production efficiencies, especially after improving standing space for animals at Hurland and commissioning a dust control system at Taaiboschbult. Both feedlots now showcase world-class systems and infrastructure and the development of Thungela farm for preconditioning and a continuous supply for roughage, will continue. In Krugersdorp progress has been made with the replacing and upgrading of the refrigeration plant, boilers and the distribution fleet. The complete replacement of the financial and manufacturing IT platform has commenced and will be completed during 2006. This will add significant value to the day-to-day management of the business.

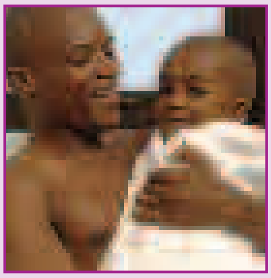
The drive to "de-commoditise" the fresh meat products through value-add will continue. Our brands will be supported by ongoing print and media campaigns and awareness will be generated from our involvement in South African boxing. Food safety and environmental certificates have once again been retained and we will continue to serve our export destinations as an EU-approved export plant.

Prospects

The general economic outlook remains positive, but significant sectoral challenges remain. Input costs, together with expensive weaners caused by a steady migration of maize farming to cattle feeding, will put meat prices under pressure. A shortage of imported manufacturing beef due to foot-and-mouth disease in Brazil will adversely affect the input costs of canned meals. We remain confident, however, that Bull Brand Foods will successfully navigate these challenges and achieve its new financial-year objectives.

Photography courtesy of Woolworths

OPERATIONAL REVIEW: GLODINA



Paul Redondi
Dipl. Textile Enginering (Bergamo)

Joint Managing Director

Mark Balladon
BCom (UCT), CA (SA)

Joint Managing Director

Profile

Glodina is the market-leading terry towel manufacturer in South Africa.

Year under review

Glodina continued on its recovery path, recording a 13% increase in turnover and its highest-ever profit before taxation. The ISO 14 000 (Environmental) and ISO 18 000 (Safety and Health) accreditations were simultaneously added to the ISO 9 000 (Quality) certification that it had already achieved. Cotton SA recognised the company's all-round performance and awarded it the Household Textile Manufacturer of the Year accolade.

A concentrated effort and investment over the past four years to reduce conversion costs and the sourcing of cheaper raw materials has yielded substantially enhanced earnings. Training and empowering of employees contributed to improved efficiencies, productivity and quality.

As a manufacturer of innovative products, investment must be made in modern plant and equipment to meet our customer's quality, technology and pricing requirements. In 2005 a further R19 million was invested in capital projects predominantly to improve cost competitiveness in manufacturing.

Good growth in the South African economy fuelled strong consumer demand and created a buoyant retail sector. Glodina was able to take advantage of these favourable market conditions.

Glodina continues to be the supplier of choice to the majority of the major retail chains through the provision of a consistently high standard of service, quality and innovation. Major retail chains currently comprise 77% of the total annual turnover, and new store openings and an aggressive marketing campaign will ensure further growth in this sector.

Small independent stores account for 11% of total revenue, but this market segment continues to diminish, losing market share to the retail chains.

In the hospitality sector the larger hotel groups are supplied at national level, while a network of agents and industrial wholesalers covers the small- to medium-sized units. This market segment continues to grow steadily and management attention has been focused on increasing penetration.

An effective marketing strategy has been maintained to enhance the strength of its brands and to entrench its stature as the leading towelling brand in the country.

Strategy

Strategy is concentrated on the following areas:

- Continued focus on service to clients.
- Aligning production capacities to sales volumes.
- Continued efforts to drive down conversion costs.
- Anticipation of marketing trends and supply chains in a shifting competitive environment.
- Investment in capital projects that will have future economic and environmental benefits.
- Commitment to driving transformation in the workplace through the training and development of staff.

Prospects

Earnings growth is dependent on the sustainability of the favourable market conditions and the ability of the company to service the needs of its customers better than its cheaper Asian competitors. Its strong brand on the back of growth in the retail and hospitality sectors should see continued improvement in Glodina's margins.

CORPORATE GOVERNANCE

The King Code of Corporate Practices and Conduct

The directors subscribe to the principles incorporated in the Code of Corporate Practices and Conduct as set out in the King II Report on Corporate Governance (King Report) and comply therewith. The directors have recognised the need to conduct the enterprise with integrity and in accordance with generally accepted corporate practices.

Board of directors and secretary

The board of directors is appointed by the shareholders.

The board is responsible for the adoption of strategic plans, monitoring of operational performance and management, determination of policy and processes to ensure the integrity of the company's risk management and internal controls, communications policy, and director selection, orientation and evaluation. These responsibilities are set out in the approved board charter. To adequately fulfil their responsibilities, directors have unrestricted access to timely financial information, all company information, records, documents, property, management and the company secretary. Directors are provided with guidelines regarding their duties and responsibilities as directors and a formal orientation programme has been established to familiarise incoming directors with information about the company's business, competitive position and strategic plans and objectives.

The board meets at least four times a year and additional meetings are held when non-scheduled matters arise. At all board meetings, directors declare their interests in contracts where applicable.

The corporate board comprises two executives and seven non-executive directors, including the chairman and chief executive officer. The roles of the chairman (as a non-executive director) and the chief executive officer do not vest in the same person. Major responsibilities of the board include nomination of the chairman and chief executive officer and other board members, and agreement of the top management structures and management succession. The corporate board is responsible to shareholders, but it proceeds mindful of the interests of the group's staff, customers, suppliers and the communities in which the group pursues its business. The names of the executive and non-executive directors are set out below.

CORPORATE BOARD

Name	Position	Independent	Executive	Transformation committee	Audit and risk committee	Human resources / renumeration committee
NON-EXECUTIVE						
C E Daun	X Chairman					
M J Jooste						X
J B Magwaza		X		X Chairman		X Chairman
I N Mkhari		X		X		X
F Möller						
S H Nomvete		X			X	
R D Radford **						
D M van der Merwe *						
EXECUTIVE						
P C T Schouten	X CEO		X	X	X	X
J P Haveman*	X CFO		X		X	

*Appointed 25 November 2005 **Resigned 22 November 2005

The attendance of the directors and officers at board meetings and sub–committee meetings for the year was as follows:

ATTENDANCE ROSTER

Name	Board		Audit and risk committee		Human resources / renumeration committee		Transformation committee	
	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended
C E Daun	4	4						
J P Haveman	–	–	3	3#				
M J Jooste	4	4	3	3	–	–		
J B Magwaza	4	3			3	3	1	1
I N Mkhari	4	4			3	3	1	1
F Möller	4	3						
S H Nomvete	4	3	3	2				
R D Radford	3	2			2	1		
P C T Schouten	4	4	3	3	1	1	1	1
D M van der Merwe	–	–						
J H N van der Merwe *			–	–				
D Konar *			–	–				

*Not a director
#Not as a director

Audit and risk committee

The audit and risk committee comprises an independent, non–executive director, the CEO, the CFO and two additional members, Len Konar (chairman) and Jan van der Merwe. Its principal functions are to review the annual financial statements and accounting policies, consider the effectiveness of risk management and internal controls over management information and other systems of internal control, approve the reported interim financial information and ensure the effectiveness of the internal audit function and to discuss the auditors' findings and recommendations. The audit committee makes a recommendation annually on the appointment of the external auditors by the shareholders, and the internal auditors by the board.

The committee operates within defined terms of reference and authority granted to it by the board and meets at least twice a year when the external auditors and internal auditors are invited to attend. The external and internal auditors have unrestricted access to this committee and the members of the committee are considered to have sufficient financial skills and knowledge to carry out their duties and responsibilities.

The audit and risk committee ensures that there is appropriate independence relating to non-audit services provided by the external auditors. A detailed policy in this regard to determine an appropriate level of consulting fees versus external audit remuneration is under consideration. This policy will be reviewed on an annual basis.

Transformation committee

The transformation committee was established during 2005. It is a formally appointed advisory committee of the board. The board recognises that social and transformation issues as well as reinvestment in employees and communities are critical for the long-term sustainability of the group. The committee is tasked to develop and monitor employment equity, diversity management, Black economic empowerment (including gender equity), and social investment programmes.

This committee operates within defined terms of reference and comprises two independent non non-executives and one executive director.

Remuneration and human resources committee

This committee performs the functions as envisaged in the guidelines set out in the King Report. The remuneration committee comprises three non-executive directors, two of whom are independent, and the CEO.

The committee operates within defined terms of reference and authority granted to it by the board and meets at least twice a year.

The committee is responsible for making recommendations to the board on the company's framework of executive remuneration and to determine specific remuneration packages for certain senior managers of the group and recommend to the board the packages for each of the executive directors. The committee is also responsible for the group's remuneration policies and the awarding of bonuses.

Insider trading

Directors and officers of the group who have access to unpublished price-sensitive information are prohibited from dealing in the shares of the company during defined restricted periods, including periods prior to the announcement of interim and final financial results.

Risk management

The focus of risk management in KAP is on identifying, assessing, mitigating, managing and monitoring all known forms of risk across the group. Management is involved in a continuous process of developing and enhancing its comprehensive systems for risk identification and control. The risks to the business encompass such areas as world product prices, exchange rates, political and economic factors, legislation and national regulations, interest rates, people skills, and general operational and financial risks. The major risks are the subject of the ongoing attention of the board of directors and are given particular consideration in the annual strategic plan approved by the board. A strategic risk assessment is carried out on an annual basis.

The management of operational risk is a line function, conducted in compliance with a comprehensive set of group policies and standards to cover all aspects of operational risk control. Performance is measured on a regular basis by means of both self-assessments and audits by independent consultants. In addition, the group promotes ongoing commitment to risk management and control by participating in externally organised risk management and safety systems.

Insurance cover on assets is based upon current replacement values. All risks are adequately covered, except where the premium cost is excessive in relation to the probability and extent of loss.

Environment, sustainability and social investment

The underlying philosophy of the group's environmental policy is the adoption of protective strategies to manage and control the impact of KAP's operations upon the environment, at the same time as safeguarding its extensive assets and human resources.

For more information, please refer to the Sustainability Report.

Financial and internal control

The board of directors is responsible for the group's systems of internal control. To fulfil its responsibilities, management maintains accounting records and has developed, and continues to maintain, appropriate systems of internal control. The directors report that the group's internal controls and systems are designed to provide reasonable, and not absolute assurance, as to the integrity and reliability of the annual financial statements and to safeguard, verify and maintain accountability of its assets and to detect and minimise significant fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations.

The group has implemented a system of control self-assessment across all group companies. Local management is required to complete and submit control self-assessment programmes bi-annually. Local management is monitored against internal control norms in other group companies and action is taken when ratings are considered to be inadequate.

It must be recognised that systems of internal control can provide only reasonable, and not absolute assurance. In that context, none of the above reviews indicated that the systems of internal control were not appropriate or unsatisfactory. Furthermore, no material loss, exposure or misstatement arising from a material breakdown in the functioning of the systems has been reported to the directors in respect of the year under review.

Nothing came to the attention of the directors or arose out of the internal control self-assessment process or year-end external audits to indicate that any material breakdown in the functioning of the group's internal controls, procedures and systems had occurred during the course of the year.

Internal audit

Internal audit is an independent appraisal function, which examines and evaluates the activities and the appropriateness of the systems of internal control, risk management and governance processes. This function has been outsourced to specialist external service providers (KPMG).

Internal audit reports to the audit and risk committee and to the executive directors on day-to-day matters. Audit plans are presented in advance to the audit and risk committee and are based on an assessment of risk areas. Internal audit attend and present their findings to the audit and risk committee. A number of internal audits were conducted during the year under review, and an internal audit plan has been approved whereby all material risk areas within the group will be reviewed over a 3-year period.

The objective of internal audit is to assist the board in the effective discharge of its responsibilities.

Sponsor

PSG Capital Limited acts as sponsor for the group, providing advice on the interpretation and compliance with the listing requirements of the JSE Limited (JSE) and reviewing notices required in terms of the company's articles of association and the JSE's rules and regulations.

Fraud and illegal acts

The group does not engage in or accept or condone engagement in any illegal acts in the conduct of its business.

Management reporting

Management reporting disciplines include the preparation of annual budgets by operating entities. Monthly results and the financial status of operating entities are reported against the approved budgets. Profit and balance sheet projections are reviewed regularly, while working capital and borrowing levels are monitored on an ongoing basis.

Going concern

The annual financial statements and group annual financial statements set out on pages 34 to 83 have been prepared on the going concern basis since the directors have every reason to believe that the company and group have adequate resources in place to continue in operation for the foreseeable future.

Employee participation

The group will continue to have its operating decisions made at the appropriate levels of its diverse business. Participative management lies at the heart of this strategy, which relies on the building of employee partnerships at every level to foster mutual trust and to encourage people to always think about how they can improve themselves and their operations. The group strives to liberate the initiative and energies of its people, because they are the ones who make the difference to the performance of the group.

Empowerment and Employment equity

The group is committed to the principles of Black economic empowerment.

Company secretary

All directors have access to the advice and services of the Company Secretary and are entitled and authorised to seek independent and professional advice about affairs of the group at the group's expense. The Company Secretary is responsible for the duties set out in Section 268G of the Companies Act. The certificate required to be signed in terms of subsection (d) appears on page 33.

Code of ethics

The group code of ethics framework commits the group to the highest standards of integrity, behaviour and ethics when dealing with all stakeholders, including directors, management, employees, customers, suppliers, competitors, investors, shareholders and society at large. Directors and staff are expected to observe their ethical obligations to ensure all business is conducted through fair commercial competitive practices. Senior executives are required to exercise due care when delegating authority to subordinates.

Employees are required to maintain the highest ethical standards in ensuring that business practices are conducted in a manner, which in all reasonable circumstances, is above reproach.

Shareholder relations

KAP's investor relations programme includes communications with shareholders through interim and annual reports, meetings and presentations.

Human capital

Human capital investment is a key strategy for the group to ensure it attracts and retains competent staff to achieve business plan objectives. The industrial relations structures of all group companies are well developed to promote effective employee relations and identify and resolve areas of potential conflict.

Initiatives implemented throughout the group are:
- Specific training and development programmes;
- Effective employee relations;
- Professional recruitment and selection processes;
- Internal promotions;
- Market-related remuneration;
- Open communication channels;
- Building strong relationships with employee representative bodies; and
- Employee assistance programmes.

All our companies prohibit child-, forced- or compulsory labour. All employees join the companies on a voluntary basis, and enter into open-ended, fixed-duration or temporary contracts in accordance with applicable legislation.

Remuneration

KAP recognises that one of our competitive sources of value is our people and, in order to meet our corporate goals and business objectives, we believe that our reward policies and objectives must:
- Be an integral part of an overall human resource strategy, geared to support business strategies.
- Be designed to motivate and reinforce superior performance.
- Be designed to motivate and reinforce "living the values" in an outstanding and demonstrative manner.
- Encourage the development of organisational and individual performance.
- Encourage the development of competencies required to meet future business needs.
- Be based on the premise that employees should share in the success of the company.
- Be designed to attract and retain high-quality individuals with the optimum mix of competencies.
- Be congruent with legislation.
- Be aimed at securing commitment of its people to KAP's goals and purposes via the optimum mix of financial and non-financial rewards.

Sustainability Context and Management Approach

KAP operates thirteen industrial facilities in Southern Africa, employing 4 681 people. Given the actual and potential societal and environmental impacts that our business has – both positive and negative – we are increasingly mindful of our responsibilities as good corporate citizens. It is our aim to be fully compliant with relevant legislation regarding employees, worker health and safety and our impacts on the environment. In this regard we have this year undertaken to deepen our understanding and response to the broader sustainability agenda. We see this as a process of continual improvement.

As a holding company, KAP has purposefully devolved day-to-day management of sustainability issues to our subsidiary companies within a broad group policy of requiring subsidiaries to be firstly, fully compliant with applicable legislation and secondly, for management at these companies to focus their energies and resources on sustainability issues that are material to stakeholders, society and the environment.

Group policy is for all industrial facilities to develop management systems that proactively and systematically address safety, health, environment and quality (SHEQ) risks, and to strive to attain and maintain internationally recognised certification standards for these management systems. Where practicable, sites are encouraged to develop integrated SHEQ management systems, as we see the management of these areas of our business as going hand in hand.

Integrated risk audits are conducted annually by independent professionals at all of our sites. These cover critical risk aspects of the businesses including fire, defence, security, safety (Occupational Health and Safety Act requirements) and environmental management. Twelve of the thirteen sites audited this year recorded improved scores.

Performance highlights in the area of environmental and social sustainability are outlined below.

Environmental, health and safety responsibility

All our facilities aim to be eco-efficient (in terms of the efficient use of energy, water and materials) and to minimise potentially harmful emissions to the environment. Energy and water conservation measures are in evidence at all our facilities, normally as part of on-site environmental management systems (EMS). In terms of air and waste–water emissions and solid waste disposal, our facilities comply in full with applicable environmental legislation. A number of sites in the group have achieved the internationally recognised ISO 14001 environmental management system (EMS) standard.

The health and safety of our workers is of paramount importance. All sites operate occupational health and safety committees that meet regularly and members of these committees receive appropriate accredited training covering key risk areas. Procedures are maintained to prevent incidents and risk audits of all sites are completed annually by external professionals to identify and remove weaknesses in our health and safety management systems.

There were no environmental, health and safety related fines or material incidents at any of our sites during the year under review.

Highlights of specific environmental, health and safety programmes include:

Hosaf Recycling (Pty) Ltd, based in Gauteng, receives up to 6 000 tons per annum of PET plastic bottles for recycling from consumers. At a conservative estimate, this initiative has created over 300 informal jobs among the collectors of these bottles, and has contributed significantly to the reduction of landfill space and visual pollution in the Gauteng area.

At our Mossop facility in the Western Cape, all unused evaporation ponds have been rehabilitated in full in compliance with the National Water Act and as confirmed by the South African Department of Water Affairs.

Glodina was one of the first companies in South Africa to be awarded simultaneous ISO14001 and OHSAS 18001 (Occupational Health and Safety Management System) certification and has retained this accreditation, along with its five-star National Occupational Safety (NOSA) rating.

During 2005, both Bull Brand feedlots (Taaiboschbult near Potchefstroom and Hurland near Magaliesburg) achieved ISO 14001:2004 certification.

Jordan has maintained a culture of compliance with the very strict international environmental standards of the Fair Labour Organisation, which has served to raise the bar above legislative requirement in terms of environmental issues, employee safety, security and employment policies.

Looking forward, KAP has initiated a group-wide programme of looking more closely at material environmental, health and safety KPI's, to setting performance objectives and targets, and to reporting on performance against these in future reports.

Quality

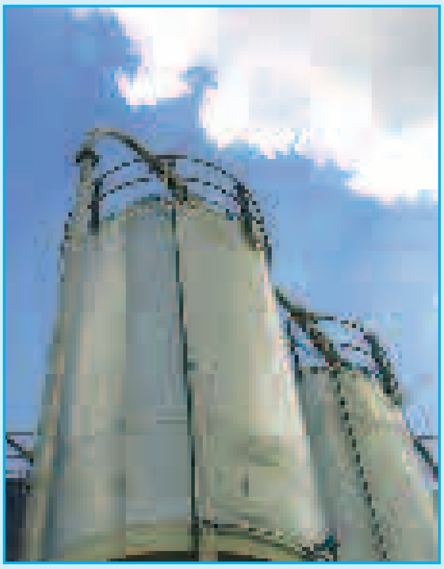
World class production and product quality is a non-negotiable cornerstone of all of our businesses.

Highlights include:

Hosaf Fibres' Durban and Cape Town plants comply with ISO 9001:2000 quality standard. The Jordan factory also complies with ISO 9001:2000. Both industrial footwear factories carry the South African Bureau of Standards (SABS) mark, as well as the European Standard (EN) mark on all products. Both factories are also ISO 9001:2000 compliant.

Feltex has secured various quality awards, including TS16949, VDA6 and QS9000. It was also with great pride that Feltex Fehrer received the International Regional Contribution Award for 2004 from Toyota Motor Corporation in Nagoya, Japan. This is the first time that any supplier in Africa has received this award.

The Krugersdorp operation of Bull Brand Foods, which has an overall EU export status, also achieved Hazard Analysis and Critical Control Points (HACCP) re-certification and the British Retail Consortium (BRC) certification this year. These stringent




process and food safety certifications reinforce the company's ongoing commitment to customers and ultimate consumers of the highest standards of quality and hygiene.

Glodina has scooped numerous awards from retailers and has taken home the prestigious Cotton Board award for six consecutive years. Glodina's quality is what has drawn its devoted customer base. This quality has established Glodina as a preferred supplier to almost all the major retailers and hotel chains, with a 32% market share in the retail market and 95% of the major hotel chain market. Glodina was also one of the first companies in the textile industry to achieve the ISO 9001:2001 standard for quality.

Employee well-being

Employee well-being is an integral part of the KAP business philosophy. Efforts that extend beyond compliance with applicable labour legislation and the creation of a stimulating and meaningful work environment include: mentoring, on-the-job training, learnerships and bursary schemes – this is evident at all our facilities. Specific highlights include:

Mossop offers training for employees at the Liri Tanning School of Technology, on-the-job training, bursaries and student loans as well as HIV/AIDS awareness education.

Feltex offers on-site medical facilities, HIV/AIDS awareness training, safe work practices training, bursaries, student loans and apprenticeships.

Bull Brand has successfully offered SETA-funded learnerships to employees, and has completed a full basic adult education cycle with both employed and unemployed learners. Bull Brand also offers mentorships to selected previously disadvantaged individuals.

Over the years, Glodina has made significant investments in its people. The company has committed to further training and development, on-the-job learnership programmes and mentoring and up-skilling unemployed individuals in nearby townships to serve as potential supplements to the workforce. Glodina has established clinics and AIDS awareness, education and testing programmes.

Jordan invests in its people by way of bursaries, further training and development, on-the-job learnership programmes and mentoring and training of unemployed individuals in neighbouring communities.

Community projects and corporate social investment

KAP recognises the economic and social impact our facilities have on surrounding communities and works with staff and other stakeholders to maximise the sustainability of the positive benefits of our operations. Given the small size of our head office, corporate social investment (CSI) activities are concentrated at the site level at the discretion of staff and management. Strong community involvement is encouraged at all sites. Highlights of our community involvement programmes include:

Hosaf takes an active interest in its community, meeting regularly with community relation groups, and it offers bursaries to the neighbouring high school for matriculants to study chemical engineering.

Mossop contributes to the work of local charities, sponsors sports teams in the region and offers financial support to neighbouring schools.

At the Taaiboschbult feedlot near Potchefstroom, Bull Brand sponsors a fully fledged primary school in conjunction with provincial education authorities. The company also contributes to various charitable organisations in its region and is a proud supporter of South African boxing.

Glodina supports various charities including AIDS projects, crèches, children's homes and sporting institutions with either products or financial contributions.

Looking ahead, KAP will be critically examining its CSI strategy, with the view to improving intra-group synergies, better integration of efforts and improved quantification of total group spend as a percentage of company profit. The strategy will likely maintain a strong focus in the communities that we operate in and with an emphasis on education, poverty alleviation and HIV/AIDS awareness.

INDEX TO ANNUAL FINANCIAL STATEMENTS

REPORT OF THE INDEPENDENT AUDITORS

To the members of KAP International Holdings Limited

We have audited the annual financial statements and group annual financial statements of KAP International Holdings Ltd set out on pages 34 to 83 for the year ended 31 December 2005. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and group at 31 December 2005 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Deloitte & Touche

Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (SA)
10 March 2006
Cape Town

COMPANY SECRETARY CERTIFICATE

I certify, in accordance with Section 268 G(d) of the South African Companies Act, 1973, as amended (the Act) that, to the best of my knowledge and belief, the company has lodged with the Registrar of Companies all such returns as are required for a public company in terms of the Act and all such returns are true, correct and up to date.

M Balladon
Company secretary
10 March 2006
1 New Street
Paarl

DIRECTORS' REPORT

The directors have pleasure in presenting the annual financial statements of the company and the group for the year ended 31 December 2005.

Holding company

At the date of this report, the company has no majority shareholder. The largest minority shareholders are Daun & Cie AG (42,8%) and Steinhoff Africa Holdings (Pty) Limited (21,0%). Steinhoff holds a pre-emptive right to acquire Daun & Cie's entire interest in the company, except for 15 million shares which it could dispose of free of this restriction.

Nature of business

The group comprises an industrial and a consumer segment. The activities of these segments include automotive leather, trim and components; footwear and related leather processing; fresh and processed meat; PET bottle resin and polyester fibre and textiles. Their activities are dealt with separately in the annual report.

Financial results

Commentary on the financial results is included in the chairman/chief executive officer's report accompanying the annual financial statements.

Capital distribution

Subject to the required shareholder approvals, the board has resolved to declare 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.

Share capital and share premium

The authorised share capital of the company remained unchanged at 1 200 000 000 ordinary shares of R0,20 each.

4 535 067 new ordinary shares of R0,20 each were issued as consideration shares for a capitalisation dividend paid in respect of 2004.

The unissued shares are under the control of the directors. This resolution is subject to renewal by ordinary resolution at the following annual general meeting.

Directorate

The directors of the company for the year ended 31 December 2005 are set out below:

Directors

Name	Position	Date
C E Daun	Chairman	–
P C T Schouten	Chief executive officer	–
J P Haveman	Chief financial officer	Appointed 25 November 2005
M J Jooste	Non-executive director	–
D M van der Merwe	Non-executive director	Appointed 25 November 2005
F Möller	Non-executive director	–
J B Magwaza	Independent, non-executive director	–
I N Mkhari	Independent, non-executive director	–
S H Nomvete	Independent, non-executive director	–
R D Radford	Executive director	Resigned 22 September 2005

Directors appointed by the board and retiring at the annual general meeting in accordance with the articles of association are Messrs J P Haveman and D M van der Merwe. Messrs C E Daun and M J Jooste retire by rotation.

These directors are all eligible and offer themselves for re-election. Details of each of the retiring directors are set out on pages 2 and 3.

Company secretary

M Balladon

The company secretary's business and postal address is set out inside the back cover of this annual report.

Directors' shareholding

At 31 December 2005, the present directors of the company held direct and indirect interests in 228 061 576 (2004: 332 522 060) or 54,00% (2004: 79,41%) of the company's issued ordinary shares. Further details are set out on page 4 and in note 35.

The directors are committed to increasing the free float of the company, which at 23,8% is now above the minimum requirement of the JSE Limited (JSE).

No contracts were entered into during the year, other than already disclosed in this annual report, in which directors and officers of the company had an interest and which significantly affected the affairs and business of the company or any of its subsidiaries.

Corporate governance

The group complies in all material respects with the JSE Limited Listing Requirements and the Code of Corporate Practice and Conduct published in the King II Report on Corporate Governance. For more information, please refer to the corporate governance report.

Changes in accounting basis

During the year the group adopted International Financial Reporting Standards (IFRS). The effects of this change in accounting basis are reflected in the notes to the annual financial statements.

Subsidiary companies and joint ventures

The principal subsidiaries and joint ventures of the group are reflected in notes 4 and 5. The aggregate net profits of consolidated subsidiaries amount to R234,0 million (2004: R108,4 million). The aggregate net losses amount to R2,6 million (2004: R2,6 million).

Borrowing facilities and limits

The group's borrowing facilities and usage thereof are set out in note 15. In terms of the articles of association of the company and its subsidiaries, there is no limitation of borrowing powers.

Special resolutions

No special resolutions were passed during the year. No material special resolutions were passed in subsidiaries during the year.

A special resolution is proposed to amend the articles of association to allow for a reduction of share premium by the directors or in general meeting, which will be used to pay distributions to shareholders in future.

Subsequent events

No material change has taken place in the affairs of the group between the end of the financial year and the date of this report.

Responsibility of directors

The directors are responsible for the preparation and integrity of the annual financial statements of the company and group, as well as the other information included in this report. The external auditors, Deloitte & Touche, are responsible for independently auditing and reporting on the financial statements.

The directors, supported by the audit committee, are of the opinion, based on the information and explanations given by management and on comment by the independent auditors on the results of their statutory audit, that the group's internal accounting controls are adequate, and the financial records may be relied upon for preparing the financial statements and maintaining accountability for assets and liabilities.

The internal controls are designed to provide an acceptable, but not absolute, level of assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the group's policies and procedures. These controls are implemented by trained and skilled personnel with appropriate segregation of duties, and are monitored by management. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

The financial statements set out in this report have been prepared by management in accordance with IFRS and incorporate responsible disclosure based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors have a reasonable expectation that the group has adequate resources to continue in operation for the foreseeable future and the annual financial statements have therefore been prepared on a going concern basis.

Approval of annual financial statements

The annual financial statements for the year ended 31 December 2005, set out on pages 34 to 83, were approved by the board of directors and are signed on its behalf by

C E Daun
Non-executive chairman

P C T Schouten
Chief executive officer

10 March 2006

BALANCE SHEETS
at 31 December 2005

	Notes	GROUP 31 Dec 2005 Rm	GROUP 31 Dec 2004 Restated Rm	COMPANY 31 Dec 2005 Rm	COMPANY 31 Dec 2004 Restated Rm
ASSETS					
Non-current assets					
Property, plant and equipment	2	**522,1**	393,4	**1,5**	1,0
Investment property	3	**7,4**	16,9	**2,1**	1,8
Interests in subsidiaries	4	**–**	–	**973,2**	825,1
Interests in joint ventures	5	**18,6**	11,0	**0,7**	0,7
Investment in associate	6	**–**	–	**–**	–
Available-for-sale investments	7	**0,5**	–	**–**	–
Long-term interest-bearing receivables and loans	8	**–**	6,4	**–**	–
Long-term interest-free receivables and loans	9	**7,5**	7,8	**–**	1,1
Pension fund surplus	10	**45,0**	–	**–**	–
Deferred taxation	11	**94,9**	121,9	**1,5**	–
		696,0	557,4	**979,0**	829,7
Current assets					
Pension fund surplus	10	**5,6**	–	**–**	–
Inventory	12	**400,8**	350,8	**–**	–
Biological assets	13	**138,3**	99,3	**–**	–
Short-term interest-bearing receivables and loans	8	**–**	2,5	**–**	–
Short-term interest-free receivables and loans	9	**7,5**	12,5	**1,2**	3,5
Accounts receivable	14	**502,5**	470,5	**2,1**	1,3
SARS – income tax receivable		**–**	7,4	**–**	–
Cash and cash equivalents	15	**2,2**	45,0	**–**	–
		1 056,9	988,0	**3,3**	4,8
Total assets		**1 752,9**	1 545,4	**982,3**	834,5
EQUITY AND LIABILITIES					
Capital and reserves					
Issued share capital	16	**84,6**	83,7	**84,6**	83,7
Share premium	17	**962,9**	950,0	**963,0**	950,1
Non-distributable reserves	18	**–**	–	**–**	–
Foreign currency translation reserve		**0,4**	0,4	**–**	–
Share–based payment reserve	19	**12,9**	11,8	**12,9**	11,8
Accumulated loss	20	**(16,3)**	(191,7)	**(179,8)**	(262,8)
Equity attributable to equity holders of the parent		**1 044,5**	854,2	**880,7**	782,8
Minorities' interest	21	**14,0**	9,4	**–**	–
Total equity		**1 058,5**	863,6	**880,7**	782,8
Non-current liabilities					
Long-term interest-bearing borrowings	22	**75,5**	76,2	**0,2**	–
Long-term interest-free borrowings	23	**5,9**	9,0	**–**	–
Retirement benefit obligations	24	**19,8**	40,6	**0,1**	0,1
Deferred taxation	11	**18,7**	6,3	**–**	–
		119,9	132,1	**0,3**	0,1
Current liabilities					
Accounts payable	25	**365,9**	341,1	**3,4**	6,2
SARS – income tax payable		**5,3**	9,0	**1,3**	4,4
Short-term interest-bearing borrowings	22	**46,9**	111,2	**0,1**	22,0
Short-term interest-free borrowings	23	**3,8**	7,7	**–**	6,7
Bank overdrafts	15	**112,9**	45,3	**91,7**	12,2
Provisions	26	**39,7**	35,4	**4,8**	0,1
		574,5	549,7	**101,3**	51,6
Total liabilities		**694,4**	681,8	**101,6**	51,7
Total equity and liabilities		**1 752,9**	1 545,4	**982,3**	834,5

INCOME STATEMENTS

for the year ended 31 December 2005

	Notes	GROUP Year ended 31 Dec 2005 Rm	GROUP Year ended 31 Dec 2004 Restated Rm	COMPANY Year ended 31 Dec 2005 Rm	COMPANY Year ended 31 Dec 2004 Restated Rm
REVENUE	27	**2 997,9**	1 911,9	**0,2**	–
– continuing operations		**2 949,9**	1 862,0	**0,2**	–
– discontinued operations		**48,0**	49,9	**–**	–
Cost of sales		**(2 151,5)**	(1 423,2)	**–**	–
Gross profit		**846,4**	488,7	**0,2**	–
– continuing operations		**832,0**	476,5	**0,2**	–
– discontinued operations		**14,4**	12,2	**–**	–
Other operating income		**54,2**	20,9	**30,2**	6,2
Distribution costs		**(128,9)**	(47,0)	**–**	–
Administration costs		**(378,6)**	(64,3)	**–**	(7,5)
Other operating expenses		**(165,4)**	(257,7)	**(20,4)**	(21,6)
Operating profit/(loss)	28	**227,7**	140,6	**10,0**	(22,9)
– continuing operations		**238,5**	153,2	**10,0**	(22,9)
– discontinued operations		**(10,8)**	(12,6)	**–**	–
Pension fund surplus (net)	10	**50,6**	–	**–**	–
Negative goodwill from acquisitions	34.3	**–**	134,7	**–**	–
Discontinued operation closure cost		**(10,9)**	–	**–**	–
Interest paid	29	**(27,4)**	(16,7)	**(9,5)**	(6,6)
Interest received	30	**8,0**	6,1	**15,7**	14,3
Share of results of joint ventures	5	**0,7**	1,2	**–**	–
Profit/(loss) before taxation and impairment of subsidiaries		**248,7**	265,9	**16,2**	(15,2)
Reversal of impairment of subsidiaries		**–**	–	**83,3**	209,1
Profit before taxation		**248,7**	265,9	**99,5**	193,9
Taxation	31	**(46,2)**	(24,6)	**4,4**	(1,8)
Net profit/(loss) for the year		**202,5**	241,3	**103,9**	192,1
– continuing operations		**215,4**	255,9	**103,9**	192,1
– discontinued operations		**(12,9)**	(14,6)	**–**	–
Attributable to:					
Equity holders of the parent		**196,3**	239,1	**103,9**	192,1
Minority interest		**6,2**	2,2	**–**	–
		202,5	241,3	**103,9**	192,1
Earnings per share					
Earnings per share – including discontinued operations (cents)	32	**46,6**	81,5		
Earnings per share – excluding discontinued operations (cents)	32	**49,6**	86,5		
Headline earnings per share – including discontinued operations (cents)	32	**46,1**	33,8		
Headline earnings per share – excluding discontinued operations (cents)	32	**49,2**	38,8		
Distribution per share (cents)	33	**12,0**	5,0		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2005

	Notes	GROUP Year ended 31 Dec 2005 Rm	GROUP Year ended 31 Dec 2004 Restated Rm	COMPANY Year ended 31 Dec 2005 Rm	COMPANY Year ended 31 Dec 2004 Restated Rm
SHARE CAPITAL					
Issued share capital					
Balance at the beginning of the year		**83,7**	33,6	**83,7**	33,6
Shares issued during the year		**0,9**	50,1	**0,9**	50,1
Balance at the end of the year	16	**84,6**	83,7	**84,6**	83,7
Share premium					
Balance at the beginning of the year		**950,0**	626,3	**950,1**	626,4
Shares issued during the year		**12,9**	325,8	**12,9**	325,8
Share issue costs		**–**	(2,1)	**–**	(2,1)
Balance at the end of the year	17	**962,9**	950,0	**963,0**	950,1
RESERVES					
Non-distributable reserves					
Balance at the beginning of the year		**–**	13,5	**–**	–
Transfer to distributable reserves		**–**	(13,5)	**–**	–
Balance at the end of the year	18	**–**	–	**–**	–
Foreign currency translation reserve					
Balance at the beginning of the year		**0,4**	(0,7)	**–**	–
Movement during the year		**–**	0,1	**–**	–
Transfer from distributable reserves		**–**	1,0	**–**	–
Balance at the end of the year		**0,4**	0,4	**–**	**–**
Share-based payment reserve					
Balance at the beginning of the year		**11,8**	–	**11,8**	–
Movement for year		**1,1**	11,8	**1,1**	11,8
Balance at the end of the year	19	**12,9**	11,8	**12,9**	11,8
Accumulated loss					
Balance at the beginning of the year		**(191,7)**	(469,0)	**(262,8)**	(456,3)
Transition to IFRS	40	**–**	30,4	**–**	1,4
Operating lease liability	41.2	**–**	(4,7)	**–**	–
Balance at the beginning of the year – restated		**(191,7)**	(443,3)	**(262,8)**	(454,9)
Net profit for the year		**196,3**	239,1	**103,9**	192,1
Transfer to foreign currency translation reserves		**–**	(1,0)	**–**	–
Transfer from non-distributable reserves		**–**	13,5	**–**	–
Dividends paid	33	**(20,9)**	–	**(20,9)**	–
Balance at the end of the year	20	**(16,3)**	(191,7)	**(179,8)**	(262,8)
Minority interest					
Balance at the beginning of the year		**9,4**	0,1	**–**	–
Minorities in subsidiaries acquired		**–**	7,1	**–**	–
Share of net profit for the year		**6,2**	2,2	**–**	–
Dividends paid		**(1,6)**	–	**–**	–
Balance at the end of the year	21	**14,0**	9,4	**–**	–
TOTAL EQUITY		**1 058,5**	863,6	**880,7**	782,8

CASH FLOW STATEMENTS

for the year ended 31 December 2005

	Notes	GROUP Year ended 31 Dec 2005 Rm	GROUP Year ended 31 Dec 2004 Restated Rm	COMPANY Year ended 31 Dec 2005 Rm	COMPANY Year ended 31 Dec 2004 Restated Rm
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**2 957,6**	1 953,0	**–**	–
Cash paid to suppliers and employees		**(2 824,6)**	(1 832,6)	**(8,5)**	(3,1)
Cash generated from/(utilised by) operations	34.1	**133,0**	120,4	**(8,5)**	(3,1)
Net finance (costs)/income		**(19,4)**	(10,6)	**6,2**	7,9
Taxation paid	34.2	**(3,1)**	(13,5)	**(0,2)**	(1,9)
Net cash inflow/(outflow) from operating activities		**110,5**	96,3	**(2,5)**	2,9
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received		**–**	–	**20,9**	–
Subsidiaries acquired, net of cash acquired	34.3	**–**	(444,2)	**–**	(378,5)
Purchase of property, plant and equipment					
To maintain operations		**(26,0)**	(27,9)	**(2,1)**	–
To expand operations		**(139,2)**	(35,0)	**–**	–
Proceeds on disposals of property, plant and equipment		**18,8**	8,6	**1,1**	2,4
Proceeds on disposal of subsidiaries	34.4	**–**	2,3	**–**	–
(Increase)/decrease in loans to subsidiaries		**–**	–	**(64,8)**	19,0
Proceeds on disposal of associate		**–**	0,3	**–**	–
Acquisition of joint venture		**(5,9)**	–	**–**	(0,7)
Loans repaid to joint venture		**(1,0)**	–	**–**	–
Long-term loans repaid/(advanced)		**6,7**	33,4	**1,1**	(1,1)
Short-term loans repaid/(advanced)		**7,5**	(11,6)	**2,3**	(3,5)
Net cash outflow from investing activities		**(139,1)**	(474,1)	**(41,5)**	(362,4)
Total cash flows from operating and investing activities		**(28,6)**	(377,8)	**(44,0)**	(359,5)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid, net of capitalisation issue		**(7,1)**	–	**(7,1)**	–
Dividends paid to minorities		**(1,6)**	–	**–**	–
Decrease in interest-bearing borrowings, excluding bank overdraft		**(66,2)**	(30,3)	**(21,7)**	(40,6)
Interest-free borrowings repaid		**(6,9)**	(3,2)	**(6,7)**	–
Proceeds of share issue, net of costs		**–**	373,8	**–**	373,8
Net cash (outflow)/inflow from financing activities		**(81,8)**	340,8	**(35,5)**	333,2
Net decrease in cash and cash equivalents		**(110,4)**	(37,5)	**(79,5)**	(26,3)
Cash and cash equivalents at the beginning of the year	15	**(0,3)**	37,2	**(12,2)**	14,1
Cash and cash equivalents at the end of the year	15	**(110,7)**	(0,3)	**(91,7)**	(12,2)

GENERAL INFORMATION

KAP International Holdings Limited is a company incorporated in the Republic of South Africa under the Companies Act 1973. These financial statements and group financial statements are presented in South African Rand as it is the currency of the primary economic environment in which the group operates.

Significant accounting policies

1.1 Basis of accounting

During the year, the group adopted International Financial Reporting Standards ("IFRS") in compliance with the JSE Limited rules which require the adoption of IFRS for reporting years commencing on 1 January 2005.

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards. The financial statements have been prepared on the historical cost basis, except for the revaluation of agricultural assets and certain financial instruments. The principal accounting policies adopted are set out below. These policies are consistent in all material respects with those applied in the previous year.

1.2 Basis of consolidation

The group annual financial statements comprise those of the parent company, its subsidiaries, associates and jointly controlled entities, presented as a single economic entity.

1.2.1 Subsidiaries

Subsidiaries are those companies in which the group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to profit and loss in the year of acquisition. Minority interests in the net consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The company carries its investments in subsidiaries at cost less accumulated impairment losses.

1.2.2 Associate companies

An associate is an entity over which the group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the group's interest in those associates are not recognised. Any excess of the cost of acquisition over the group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in profit and loss in the year of acquisition. Where a group company transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment. The company carries its investments in associates at cost less accumulated impairment losses.

1.2.3 Joint ventures

Joint ventures are those partnerships or jointly controlled entities over which there is a contractual agreement whereby the group and another venturer undertake an economic activity which is subject to joint control.

In applying the equity method, account is taken of the group's share of accumulated retained earnings and movements in reserves from the effective dates on which the companies become joint ventures and up to the effective dates of disposal. The share of joint ventures' equity reserves is generally determined from their latest audited financial statements but in some instances unaudited interim results are used. The company carries its investments in joint ventures at cost less accumulated impairment losses.

1.3 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Positive goodwill is recognised as an asset and reviewed for impairment at least annually. Negative goodwill is recognised immediately in net profit or loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent year.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.4 Property, plant and equipment

Land and buildings comprise mainly factories and offices. All property, plant and equipment is shown at cost, less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance expenditures are charged to the income statement during the financial period in which they are incurred.

Assets held under finance leases are capitalised and depreciated over their expected useful lives on the same basis as owned assets or where shorter, the term of the relevant lease. Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life as follows:

- Buildings 40 – 50 years
- Plant and machinery 5 – 30 years
- Other assets 5 – 16 years
- Land is not depreciated

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the income statement.

1.5 Investment property

Investment property is shown at cost, less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of investment property. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to the income statement during the financial year in which they are incurred. Depreciation is calculated using the straight–line method to allocate the cost of each asset to its residual value over its estimated useful life of 40 – 50 years.

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the income statement.

1.6 Impairment of tangible and intangible assets

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

1.7 Investments

Investments are initially measured at cost, including transaction costs. Investments are classified as either held-for-trading or available-for-sale and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for sale investments, gains and losses arising from changes in fair value are recognised in equity until disposed of.

1.8 Inventory

Inventories are reported at the lower of cost and net realisable value. The principal bases of determining cost are the first-in, first-out method and the weighted average method. The cost of finished goods and work in progress includes direct costs and appropriate allocation of overheads incurred in bringing the inventories to their present location and condition. Obsolete, redundant and slow-moving inventories are identified and valued at their estimated net realisable value. Net realisable value is the estimate of the selling price in the ordinary course of business, less the estimated costs of completion, selling and distribution expenses.

1.9 Biological assets

Biological assets, comprising cattle, are reported at fair value, being market prices for similar cattle determined in the active market normally utilised by the group, less estimated point-of-sale costs.

1.10 Trade receivables

Trade receivables do not carry any interest unless overdue and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

1.11 Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost. Bank overdrafts are only included where the group has a legal right of set-off due to cash management arrangements.

1.12 Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual terms of the instrument. Financial instruments include cash and bank balances, investments, receivables, trade creditors, borrowings, equity and derivative financial instruments. The group, in terms of approved policy limits, manages short-term foreign currency exposures relating to trade imports and exports.

1.13 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

1.14 Derivative financial instruments and hedge accounting

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The group uses foreign exchange forward contracts to hedge this exposure. The group does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the group's policies approved by the board of directors, which provide written principles on the use of financial derivatives.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same year in which the hedged item affects net profit or loss.

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are recognised in profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

1.15 Derecognition

Financial assets (or portions thereof) are derecognised when the group realises the rights to the benefits specified in the contract, the rights expire or the group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are included in the income statement. Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial liability, including unamortised costs, and amount paid for it are included in the income statement.

1.16 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1.17 The group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting years so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.18 The group as lessee

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as incentives to enter into an operating lease are also spread on a straight-line basis over the lease term.

1.19 Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to State-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme. For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised immediately in the year in which they arise.

Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

1.20 Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

1.21 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event which is probable and will result in an outflow of economic benefits that can be reliably measured. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

1.21.1 Warranty costs

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the group's liability. The directors estimate the group's liability on all products still under warranty at the balance sheet date. This provision is calculated based on past service histories.

1.21.2 Restructuring costs

Provisions for restructuring costs are recognised when the group has a detailed formal plan for the restructuring that has been communicated to affected parties. Restructuring provisions comprise mainly employee termination payments, and are recognised in the year in which the group formulates a detailed formal plan for the restructuring.

1.21.3 Environmental and rehabilitation costs

The group subscribes to the maintenance of sound environmental standards. It provides for environmental and rehabilitation costs, where appropriate.

1.22 Trade payables

Trade payables are not interest-bearing and are stated at their nominal value.

1.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods in the normal course of business, net of discounts, value added taxation and other sales related taxes.

Revenue on sale of goods is recognised when risks and rewards of ownership pass.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

1.24 Foreign currencies

1.24.1 Foreign currency transactions and balances

Transactions in currencies other than South African Rand are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non–monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the year, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity. In order to hedge its exposure to certain foreign exchange risks, the group enters into forward exchange contracts.

1.24.2 Foreign subsidiaries

On consolidation, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of. The financial statements of foreign subsidiaries and associates and jointly controlled entities that report in the currency of a hyper-inflationary economy are restated in terms of the measuring unit current at the balance sheet date before they are translated into South African Rand.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1.25 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

1.26 Government grants

Government grants are recognised as income when there is reasonable assurance that the enterprise will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised over the years necessary to match them with the related costs and are deducted in reporting the related expense.

1.27 Research and development costs

Research and development expenditure is charged to the income statement in the year in which it is incurred.

1.28 Operating profit

Operating profit is stated after charging restructuring costs but before investment income, finance costs, the share of results of joint ventures and associates and negative goodwill.

1.29 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

1.30 Share-based payment transactions

The fair value of share options granted to employees is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and expensed over the year during which the employee becomes unconditionally entitled to the equity instruments. The fair value is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which instruments are granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met.

1.31 Segments

Business segments provide products and services that are subject to risks and returns that are different. Segment assets include property, plant and equipment, investments, inventories, receivables and cash and cash equivalents. Segment liabilities include all operating liabilities, short-term borrowings, non-current liabilities and minority interests. Capital expenditure includes additions to property, plant and equipment.

1.32 Discontinued operations

Discontinued operations are significant distinguishable components of the group's business which have been abandoned or terminated pursuant to a single formal plan, and which represent a separate major line of business or geographical area of operations. The profit or loss on sale or abandonment of a discontinued operation is determined from the formal discontinuation date.

1.33 Fair value methods and assumptions

The fair value of financial instruments traded in an organised financial market are measured at the applicable quoted prices, adjusted for any transactional costs necessary to realise the assets or settle the liabilities. The fair value of instruments not traded in an organised financial market is determined using a variety of methods and assumptions that are based on market conditions and risks existing at balance sheet date, including independent appraisals and discounted cash flow methods. The fair value determined is adjusted for any transactional costs necessary to realise the assets or settle the liabilities. The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values due to the short-term trading cycle of these items.

1.34 Distribution cover

Distribution cover is the number of times the declared distribution is covered by unweighted headline earnings per share.

1.35 Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

1.36 Critical judgements

Management has not made any critical judgements or estimates which have a significant effect on the amounts recognised in the financial statements, other than those already disclosed in the relevant notes.

	Total Rm	Land and buildings owned Rm	Plant and machinery owned Rm	Other assets owned Rm	Land and buildings leased Rm	Plant and machinery leased Rm	Other assets leased Rm
2. PROPERTY, PLANT AND EQUIPMENT							
GROUP 2005							
COST							
Balance at the beginning of the year	498,9	77,0	379,1	36,5	0,2	2,5	3,6
Additions	165,2	54,8	94,3	12,8	–	1,9	1,4
Subsidiaries acquired	1,0	–	1,0	–	–	–	–
Disposals	(28,8)	–	(26,4)	(2,4)	–	–	–
Transfers (out)/in	(2,1)	(2,1)	(1,4)	1,4	–	–	–
Balance at the end of the year	**634,2**	**129,7**	**446,6**	**48,3**	**0,2**	**4,4**	**5,0**
ACCUMULATED DEPRECIATION							
Balance at the beginning of the year	(105,5)	(5,2)	(84,1)	(14,8)	(0,1)	(1,0)	(0,3)
Transfers out/(in)	1,8	1,8	0,6	(0,6)	–	–	–
Depreciation	(42,2)	(0,8)	(31,6)	(8,8)	–	(0,1)	(0,9)
Disposals	33,8	–	32,1	1,7	–	–	–
Balance at the end of the year	**(112,1)**	**(4,2)**	**(83,0)**	**(22,5)**	**(0,1)**	**(1,1)**	**(1,2)**
Book value	**522,1**	**125,5**	**363,6**	**25,8**	**0,1**	**3,3**	**3,8**

The buildings of the group, including investment properties, are insured for R462,6 million. Plant and machinery is insured for a total of R1 756,2 million.

	Total Rm	Land and buildings owned Rm	Plant and machinery owned Rm	Other assets owned Rm	Land and buildings leased Rm	Plant and machinery leased Rm	Other assets leased Rm
COMPANY 2005							
COST							
Balance at the beginning of the year	1,0	1,0	–	–	–	–	–
Additions	1,8	–	–	1,5	–	–	0,3
Disposals	(1,0)	(1,0)	–	–	–	–	–
Balance at the end of the year	**1,8**	**–**	**–**	**1,5**	**–**	**–**	**0,3**
ACCUMULATED DEPRECIATION							
Balance at the beginning of the year	–	–	–	–	–	–	–
Depreciation	(0,3)	–	–	(0,3)	–	–	–
Disposals	–	–	–	–	–	–	–
Balance at the end of the year	**(0,3)**	**–**	**–**	**(0,3)**	**–**	**–**	**–**
Book value	**1,5**	**–**	**–**	**1,2**	**–**	**–**	**0,3**

2. PROPERTY, PLANT AND EQUIPMENT [continued]

	Total Rm	Land and buildings owned Rm	Plant and machinery owned Rm	Other assets owned Rm	Land and buildings leased Rm	Plant and machinery leased Rm	Other assets leased Rm
GROUP 2004 – RESTATED							
COST							
Balance at the beginning of the year	171,8	29,9	117,9	20,1	–	3,9	–
Additions	62,9	4,8	49,7	4,5	–	1,2	2,7
Subsidiaries acquired	278,6	47,2	214,1	16,1	–	0,3	0,9
Subsidiaries sold	(1,4)	(0,2)	(0,1)	(0,9)	(0,2)	–	–
Disposals	(9,1)	(0,3)	(5,4)	(3,3)	(0,1)	–	–
Transfers (out)/in	(3,9)	(4,4)	2,9	–	0,5	(2,9)	–
Balance at the end of the year	498,9	77,0	379,1	36,5	0,2	2,5	3,6
ACCUMULATED DEPRECIATION							
Balance at the beginning of the year	(93,5)	(8,8)	(66,7)	(14,9)	–	(3,1)	–
Transfers out/(in)	4,2	4,3	(2,1)	–	(0,1)	2,1	–
Depreciation	(23,3)	(0,7)	(18,1)	(4,2)	–	–	(0,3)
Subsidiaries sold	1,0	–	0,1	0,9	–	–	–
Disposals	6,1	–	2,7	3,4	–	–	–
Balance at the end of the year	(105,5)	(5,2)	(84,1)	(14,8)	(0,1)	(1,0)	(0,3)
Book value	393,4	71,8	295,0	21,7	0,1	1,5	3,3
COMPANY 2004 – RESTATED							
COST							
Balance at the beginning of the year	2,5	1,0	–	1,5	–	–	–
Disposals	(1,5)	–	–	(1,5)	–	–	–
Balance at the end of the year	1,0	1,0	–	–	–	–	–
ACCUMULATED DEPRECIATION							
Balance at the beginning of the year	(1,5)	–	–	(1,5)	–	–	–
Depreciation	–	–	–	–	–	–	–
Disposals	1,5	–	–	1,5	–	–	–
Balance at the end of the year	–	–	–	–	–	–	–
Book value	1,0	1,0	–	–	–	–	–

Details of the freehold land and buildings of the group are recorded in a register which may be inspected by the members or their duly authorised agents, at the various group companies' registered offices. Certain items of plant and machinery and other assets are encumbered as security for liabilities of the company and the group as set out in note 22.

	GROUP 2005 Rm	GROUP 2004 Restated Rm	COMPANY 2005 Rm	COMPANY 2004 Restated Rm
3. INVESTMENT PROPERTY				
Cost				
Balance at the beginning of the year	**17,0**	14,8	**1,8**	4,0
Additions	**–**	–	**0,3**	–
Subsidiaries acquired	**–**	5,9	**–**	–
Disposals	**(9,0)**	(3,4)	**–**	(2,5)
Transfers in/(out)	**1,3**	(0,3)	**–**	–
Balance at the end of the year	**9,3**	17,0	**2,1**	1,8
Accumulated depreciation and impairments				
Balance at the beginning of the year	**(0,1)**	–	**–**	–
Depreciation	**–**	(0,1)	**–**	–
Impairment	**(0,8)**	–	**–**	–
Disposals	**0,1**	–	**–**	–
Transfers in	**(1,1)**	–	**–**	–
Balance at the end of the year	**(1,9)**	(0,1)	**–**	–
Book value	**7,4**	16,9	**2,1**	1,8

Details of the freehold land and buildings of the group are recorded in a register which may be inspected by the members or their duly authorised agents, at the various group companies' registered offices.

There are no material restrictions on realising the value of investment property. There are no material contractual obligations to acquire or develop investment property.

Rental income of R1,9 million (2004: R2,7 million) was received in respect of investment property.

Certain investment properties have been earmarked for sale, as they are considered non-core assets. It is estimated that these properties will be sold by mid-2006.

The directors consider the fair value of the investment property to approximate its book value.

	GROUP 2005 Rm	GROUP 2004 Restated Rm	COMPANY 2005 Rm	COMPANY 2004 Restated Rm
4. INTERESTS IN SUBSIDIARIES				
Investments in subsidiaries	**–**	–	**419,7**	398,0
Shares at cost	**–**	–	**501,2**	501,2
Provisions against investments	**–**	–	**(81,5)**	(103,2)
Net loans to subsidiaries	**–**	–	**553,5**	427,1
Net loans to subsidiaries at cost	**–**	–	**774,4**	709,6
Provisions against loans	**–**	–	**(220,9)**	(282,5)
Interests in subsidiaries	**–**	–	**973,2**	825,1

The details of the subsidiaries are noted in Annexure A. The company has deferred its right to claim repayments of loans owing to it by a number of subsidiary companies in favour of creditors for as long as the net liabilities of the subsidiaries exceed their net assets.

	GROUP		COMPANY	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
5. INTERESTS IN JOINT VENTURES				
Unlisted				
Shares at cost	**16,7**	10,8	**0,7**	0,7
Add: Post-acquisition equity accounted earnings	**1,9**	1,2	**–**	–
Carrying value of investments	**18,6**	12,0	**0,7**	0,7
Unsecured loan from joint venture	**–**	(1,0)	**–**	–
Carrying value including loan from joint venture	**18,6**	11,0	**0,7**	0,7
Directors' valuation	**18,6**	11,0	**1,3**	1,6

The loan from the joint venture (Rieter Feltex Automotive Manufacturing (Pty) Limited) bore interest at 8,38% per annum floating rate. The loan was repaid during the year.

	Percentage holding		Cost		Post-acquisition reserves		Net carrying amount	
	2005 %	2004 %	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm
GROUP								
Rieter Feltex Automotive Manufacturing (Pty) Limited [1]	**49**	49	**9,6**	9,6	**1,8**	1,5	**11,4**	11,1
Rieter Feltex (Pty) Limited [1]	**49**	–	**5,9**	–	**–**	–	**5,9**	–
Cell Captive Number 22 of Guardrisk Insurance Company Limited [2]	**50**	50	**1,2**	1,2	**0,1**	(0,3)	**1,3**	0,9
Kolosus Bayern Leder GmbH (in liquidation)	**50**	50	**–**	–	**–**	–	**–**	–
			16,7	10,8	**1,9**	1,2	**18,6**	12,0
COMPANY								
Cell Captive Number 22 of Guardrisk Insurance Company Limited [2]	**50**	50	**0,7**	0,7	**–**	–	**0,7**	0,7

Rieter Feltex Automotive Manufacturing (Proprietary) Limited and Rieter Feltex (Pty) Ltd have a 31 December year end, and unaudited but reviewed results are included.

Cell Captive Number 22 of Guardrisk Insurance Company Limited has a 31 March year end, and unaudited but reviewed results for the year to 31 December are included.

Nature of business of the associate:
[1] = Automotive
[2] = Insurance captive

	GROUP 2005 Rm	GROUP 2004 Rm
5. INTEREST IN JOINT VENTURES (continued)		
Summarised financial information		
The group's share of assets, liabilities and results of operations of significant joint venture companies are summarised as follows:		
Income statement		
Revenue	**22,3**	34,2
Net profit before taxation	**0,1**	3,3
Taxation	**(0,1)**	(1,2)
Net profit after taxation	**–**	2,1
Equity and liabilities		
Share capital and premium	**2,2**	2,2
Non-distributable reserves	**0,2**	0,1
Distributable reserves	**10,3**	10,4
Long-term liabilities	**13,8**	–
Deferred tax	**0,3**	0,1
Current liabilities	**8,5**	3,6
	35,3	16,4
Assets		
Property, plant and equipment	**14,5**	2,1
Loans to group companies	**–**	0,5
Other current assets	**17,5**	11,0
Cash and cash equivalents	**3,3**	2,8
	35,3	16,4

	GROUP 2005 Rm	GROUP 2004 Rm	COMPANY 2005 Rm	COMPANY 2004 Rm
6. INVESTMENT IN ASSOCIATE				
Unlisted				
Balance at the beginning of the year	**–**	0,4	**–**	–
Sold during the year	**–**	(0,4)	**–**	–
Share of results before tax and impairment	**–**	–	**–**	–
Balance at the end of the year	**–**	–	**–**	–
The investment in associate in the prior year related to a 27,8% interest in Camdeboo Meat Processors Limited, incorporated in the Republic of South Africa, which was disposed of on 1 January 2004 for a consideration of R0,4 million (equal to the directors' valuation of the investment in the associate).				
7. AVAILABLE-FOR-SALE INVESTMENTS				
Unlisted investments				
Wynmakers Valley Cellars (Co-op) Limited (280 shares) *	**–**	–	**–**	–
Koöperasiepers van Suid-Afrika Limited (10 shares) *	**–**	–	**–**	–
Vleissentraal Beherend (Co-op) Limited (3 000 shares) *	**–**	–	**–**	–
Listed investments				
AFGRI Limited (1 000 shares)	**–**	–	**–**	–
Kaap Agri Beperk (110 097 shares)	**0,5**	–	**–**	–
MGK Holdings Ltd (10 738 shares)	**–**	–	**–**	–
Total listed and unlisted investments	**0,5**	–	**–**	–
Directors' valuation of investments	**0,5**	–	**–**	–

7. AVAILABLE-FOR-SALE INVESTMENTS (continued)

*Due to the difficulty in establishing the fair value of these investments and their immateriality, the directors are of the opinion that their fair value is equal to their carrying value. There has been no movement in the carrying value for the current year.

	GROUP		COMPANY	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
8. INTEREST-BEARING RECEIVABLES AND LOANS				
Secured				
African Hide Trading Corporation (Pty) Limited	**–**	8,9	**–**	–
Less: current portion	**–**	(2,5)	**–**	–
Non-current portion	**–**	6,4	**–**	–
The loan to African Hide Trading Corporation (Pty) Limited bore interest at prime rate and was repayable in 48 equal monthly instalments. Suretyship was provided by Courthiel Holdings (Pty) Limited, who was co-principal debtor to the loan. The loan was repaid during 2005.				
9. INTEREST-FREE RECEIVABLES AND LOANS				
Secured				
African Hide Trading Corporation (Pty) Limited	**–**	9,5	**–**	–
Stock Owners Co-operative Limited	**6,3**	6,2	**–**	–
Trifecta Trading 112 (Pty) Limited	**1,2**	4,6	**1,2**	4,6
Blue Nightingale Trading 462 (Pty) Limited	**7,5**	–	**–**	–
	15,0	20,3	**1,2**	4,6
Less: current portion	**(7,5)**	(12,5)	**(1,2)**	(3,5)
Non-current portion	**7,5**	7,8	**–**	1,1

The loan to African Hide Trading Corporation (Proprietary) Limited was interest-free and was repayable in four equal annual instalments. Suretyship was provided by Courthiel Holdings (Proprietary) Limited, who was co-principal debtor to the above loan. The loan was repaid during 2005.

The loan to Stock Owners Co-operative Limited in respect of the sale of the Queenstown Abattoir was repayable on 31 March 2005. Legal proceedings are in place to recover the amount from the Land Bank of South Africa, who secured the loan by bank guarantee.

The loan to Trifecta Trading 112 (Proprietary) Limited is interest-free and is repayable in monthly instalments of R0,3 million until April 2006. Security has been provided by a general notarial bond over the inventory of Trifecta Trading 112 (Proprietary) Limited as well as a cancellation clause in the sale agreement which provides for the return of the business of Barker Footwear to the seller on non-performance of the purchaser.

The loan to Blue Nightingale Trading 462 (Proprietary) Limited is in respect of plant and equipment disposed of by the discontinued division of Wayne Rubber. The loan is interest free for the first two years, thereafter it becomes interest bearing at prime overdraft rate less one percent. The loan is then repayable in five equal annual instalments, with the first instalment due on 1 October 2007. Security has been provided by a general notarial bond over the assets of Blue Nightingale Trading 462 (Proprietary) Limited.

	GROUP		COMPANY	
	2005 Rm	**2004 Rm**	**2005 Rm**	**2004 Rm**
10. PENSION FUND SURPLUS				
Balance at the beginning of year	**–**	–	**–**	–
Surplus allocated to employer	**70,4**	–	**–**	–
Utilised to reduce post-employment medical aid liability	**(19,8)**	–	**–**	–
Balance at the end of the year	**50,6**	–	**–**	–
Less: current portion	**(5,6)**	–	**–**	–
Non-current portion	**45,0**	–	**–**	–

During September 2005 approval was obtained from the Financial Services Board to allocate the pension fund surplus of the Feltex Retirement Fund (a pension fund as defined) on a 60/40 basis to the employer and employees. The surplus apportionment was done on condition that the employer surplus account be utilised to settle the post retirement medical aid liability of all qualifying members. In terms of legislation, control over the employer surplus lies with the employer trustees and would be used as a contribution holiday. After settling the post retirement medical aid liability for qualifying and former members, the liability pertaining to Feltex Retirement Fund members will be used for a contribution holiday to all qualifying members. The contribution holiday amounts to R5.6m per annum.

	GROUP		COMPANY	
	2005 Rm	**2004 Restated Rm**	**2005 Rm**	**2004 Restated Rm**
11. DEFERRED TAX				
Deferred tax asset	**94,9**	121,9	**1,5**	–
Deferred tax liability	**(18,7)**	(6,3)	**–**	–
Net deferred tax asset	**76,2**	115,6	**1,5**	–
Balance at the beginning of the year	**115,6**	(9,8)	**–**	–
Movement during the year attributable to:				
– change in tax rate	**(3,8)**	–	**–**	–
– acquisition of subsidiaries	**–**	147,0	**–**	–
– temporary differences	**(35,6)**	(21,6)	**1,5**	–
Balance at the end of the year	**76,2**	115,6	**1,5**	–
The balance consists of the following temporary differences:				
Property, plant and equipment	**(28,4)**	(32,5)	**(0,1)**	–
Utilised tax losses	**139,5**	148,9	**–**	–
Provisions	**20,0**	28,6	**1,5**	–
Biological assets	**(40,2)**	(30,3)	**–**	–
Prepayments	**(0,2)**	–	**–**	–
Finance leases	**0,2**	–	**0,1**	–
Pension fund surplus	**(14,7)**	–	**–**	–
Other	**–**	0,9	**–**	–
	76,2	115,6	**1,5**	–

The group has estimated tax losses amounting to R14,3 million (2004: R43,4 million) for which no deferred tax asset has been recognised. The estimated tax losses will when utilised, give rise to tax savings of R4,1 million (2004: R13,0 million).

	GROUP		COMPANY	
	2005 Rm	2004 Restated Rm	2005 Rm	2004 Restated Rm
12. INVENTORY				
Raw materials	**132,9**	122,2	**–**	–
Finished goods	**136,5**	116,9	**–**	–
Work in progress	**74,7**	63,2	**–**	–
Merchandise	**38,4**	30,3	**–**	–
Consumable stores	**22,3**	24,6	**–**	–
Goods in transit	**12,0**	11,3	**–**	–
Provisions for obsolescence	**(16,0)**	(17,7)	**–**	–
Carrying value	**400,8**	350,8	**–**	–
Included in the amounts above are the following inventories held at net realisable value	**2,7**	9,0	**–**	–
13. BIOLOGICAL ASSETS				
Livestock				
Reconciliation of changes in carrying value of biological assets				
Balance at the beginning of the year	**99,3**	80,1	**–**	–
Purchases	**298,9**	223,2	**–**	–
Production and allocated overhead costs	**178,4**	133,7	**–**	–
Sales	**(444,2)**	(339,5)	**–**	–
Mortalities	**(0,2)**	(2,0)	**–**	–
Gains arising from change in fair value	**6,1**	3,8	**–**	–
Balance at the end of the year	**138,3**	99,3	**–**	–

The group operates two feedlots, which purchase weaners and convert them into slaughter-ready cattle. Cattle are valued at current market prices per slaughtered kilogram. As the cattle are sold over a period of four months, the significant assumptions made relate mainly to changes in market prices, calculated average daily growth and attrition.

Allowances are determined based on historical information. Significant assumptions used in the valuation of the livestock are consistent with the prior year.

Commitments relating to cattle are minimal as purchases occur weekly, depending on availability.

The main risks relating to cattle are theft, disease and a volatile market price.

Financial risk management strategies comprise controls in respect of property security, branding of all cattle, vaccinating and dipping of cattle.

	GROUP		COMPANY	
	2005 Rm	2004 Restated Rm	2005 Rm	2004 Restated Rm
14. ACCOUNTS RECEIVABLE				
Trade receivables	**489,0**	453,2	**0,1**	1,4
Less: provision for irrecoverable amounts	**(13,1)**	(17,6)	**–**	(0,1)
Prepayments and deposits	**14,8**	24,4	**–**	–
SARS – VAT	**1,4**	8,0	**–**	–
Other receivables	**6,8**	2,5	**2,0**	–
Forward exchange contract asset	**3,6**	–	**–**	–
Carrying value	**502,5**	470,5	**2,1**	1,3

Credit periods and interest charged on overdue accounts vary widely depending on the nature of the business. The provision for irrecoverable amounts has been determined by reference to past experience.

The directors consider that the carrying amount of accounts receivable approximates fair value.

	GROUP		COMPANY	
15. CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	**2,2**	45,0	**–**	–
Bank overdrafts	**(112,9)**	(45,3)	**(91,7)**	(12,2)
Cash and cash equivalents	**(110,7)**	(0,3)	**(91,7)**	(12,2)

Bank balances and cash comprise cash held by the group as well as short-term bank deposits. The carrying amount of these assets equals their fair value.

Bank overdrafts are repayable on demand.

At year-end the banking facilities and security provided are as follows:

FirstRand Bank Limited

Short-term general banking facility of R170 million secured as follows:
- Unlimited cross suretyship in favour of the bank by the following companies: KAP International Holdings Limited, Bull Brand Foods (Pty) Limited, Feltex Holdings (Pty) Limited, Dano Textile Industries (Pty) Limited, Ball and Coalter (Woodmead) Properties (Pty) Limited and Kolosus Leathers (Pty) Limited.
- Unrestricted cession of credit balances held at FirstRand Bank Limited.

Standard Bank of South Africa Limited

Short-term general banking facility of R160 million secured as follows:
- Unlimited cross suretyship in favour of the bank by the following companies: KAP International Holdings Limited, Bull Brand Foods (Pty) Limited, Feltex Holdings (Pty) Limited and Dano Textile Industries (Pty) Limited.

Nedbank Limited

Short-term general banking facility of R100 million secured as follows:
- Unlimited cross suretyship in favour of the bank by the following companies: KAP International Holdings Limited, Bull Brand Foods (Pty) Limited, Feltex Holdings (Pty) Limited, Dano Textile Industries (Pty) Limited, Kolosus Leathers (Pty) Limited, Marker Investments (Pty) Limited, Conshu Holdings Limited, Casa Rosada Investments (Pty) Limited, Conshu Trading (Pty) Limited, Feltex Limited and KAP Investments (Pty) Limited.

	GROUP		COMPANY	
	2005 Rm	2004 Restated Rm	2005 Rm	2004 Restated Rm
16. ISSUED SHARE CAPITAL				
All share numbers refer to ordinary shares of 20 cents each.				
Authorised				
Ordinary shares (number of shares in millions)	**1 200,0**	1 200,0	**1 200,0**	1 200,0
Issued				
Balance at the beginning of the year (number of shares in millions)	**418,7**	168,1	**418,7**	168,1
Shares issued pursuant to acquisitions	**–**	250,6	**–**	250,6
Capitalisation shares issued in respect of ordinary dividends	**4,5**	–	**4,5**	–
Balance at the end of the year	**423,2**	418,7	**423,2**	418,7
4,5 million shares were issued in terms of a dividend capitalisation award on 23 May 2005.				
During the 2004 year, various transactions were concluded in which 250,6 million ordinary shares were issued at R1,50 per share (including a premium of R1,30 per share).				
Balance at the beginning of the year	**83,7**	33,6	**83,7**	33,6
Treasury shares – issued to share trust	**–**	–	**–**	–
Shares issued pursuant to acquisitions:				
250,6 million shares	**–**	50,1	**–**	50,1
Capitalisation shares issued in respect of ordinary dividends	**0,9**	–	**0,9**	–
Balance at the end of the year	**84,6**	83,7	**84,6**	83,7
17. SHARE PREMIUM				
Balance at the beginning of the year	**950,0**	626,4	**950,1**	626,4
Treasury shares – issued to share trust	**–**	(0,1)	**–**	–
Shares issued pursuant to acquisitions:				
250,6 million shares	**–**	325,8	**–**	325,8
Costs related to acquisitions	**–**	(2,1)	**–**	(2,1)
Capitalisation shares issued in respect of ordinary dividends	**12,9**	–	**12,9**	–
Balance at the end of the year	**962,9**	950,0	**963,0**	950,1
18. NON-DISTRIBUTABLE RESERVES				
Balance at the beginning of the year				
Kolosus Foods (Pty) Limited				
(previously Bull Brand Foods (Pty) Limited)	**–**	3,0	**–**	–
General reserve: Vetmesting Co-operative Limited	**–**	10,5	**–**	–
	–	13,5	**–**	–
Released to distributable reserves	**–**	(13,5)	**–**	–
Balance at the end of the year	**–**	–	**–**	–
19. SHARE-BASED PAYMENT RESERVE				
Balance at the beginning of the year	**11,8**	–	**11,8**	–
Movement for year	**1,1**	11,8	**1,1**	11,8
Balance at the end of the year	**12,9**	11,8	**12,9**	11,8

The company and group have no direct share option scheme with employees. Daun & Cie AG has granted 16,65 million (2004: 21,75 million) options to purchase ordinary shares in the company to certain key management personnel. The exercising of these options is conditional on the achievement of agreed profit targets both in individual divisions/subsidiaries and for the group. Options were granted at a strike price of the Euro equivalent of R1.30 per share and bear notional interest of 4% per annum from the effective date of 9 November 2004, compounded monthly, until the date of exercising the option. 50% of the total options were exercised on 9 November 2004 and it is expected that 10% of the options are likely to be exercised each year until 2010.

	GROUP 2005 Rm	GROUP 2004 Restated Rm	COMPANY 2005 Rm	COMPANY 2004 Restated Rm
19. SHARE-BASED PAYMENT RESERVE (continued)				
Reconciliation of options granted by Daun & Cie AG				
Balance at the beginning of the year (shares)	**21 750 000**	–	**21 750 000**	–
Total options granted	**–**	43 500 000	**–**	43 500 000
Taken up during the year	**(800 000)**	(21 750 000)	**(800 000)**	(21 750 000)
Forfeited during the year	**(4 300 000)**	–	**(4 300 000)**	–
Balance at the end of the year (shares)	**16 650 000**	21 750 000	**16 650 000**	21 750 000
Market price on option grant date (rands)	**–**	1,80	**–**	1,80
Charge to the income statement				
In respect of options take up	**0,4**	10,8	**0,4**	10,8
In respect of remaining options	**0,7**	1,0	**0,7**	1,0
	1,1	11,8	**1,1**	11,8
20. ACCUMULATED LOSS				
Company	**(179,8)**	(262,8)	**(179,8)**	(262,8)
Subsidiaries	**161,6**	69,9	**–**	–
Joint ventures	**1,9**	1,2	**–**	–
	(16,3)	(191,7)	**(179,8)**	(262,8)
21. MINORITIES' INTEREST				
Represented by:				
Ball & Coalter Properties (Woodmead) (Pty) Limited	**0,5**	0,1	**–**	–
Feltex Fehrer (Pty) Limited	**13,5**	9,3	**–**	–
	14,0	9,4	**–**	–
22. INTEREST-BEARING BORROWINGS				
22.1 Long-term liabilities comprising:				
Secured loans	**53,1**	147,2	**0,3**	22,0
Unsecured loans	**69,3**	40,2	**–**	–
	122,4	187,4	**0,3**	22,0
Less: current portion	**(46,9)**	(111,2)	**(0,1)**	(22,0)
Non-current portion	**75,5**	76,2	**0,2**	–
22.2 Secured loans comprising:				
Finance leases	**5,9**	4,5	**0,3**	–
Secured over:				
Plant and machinery with a book value of	**3,0**	3,7	**–**	–
Other assets with a book value of	**3,8**	0,7	**0,3**	–
Interest rate (%)	**8,25 – 10,5**	9,5 – 11	**8,7**	–
Repayable in monthly instalments of	**0,2**	0,1	**–**	–
Last payment (year)	**2010**	2006	**2007**	–
Instalment sale agreements	**47,2**	14,7	**–**	–
Secured over:				
Plant and machinery with a book value of	**50,1**	15,9	**–**	–
Other assets with a book value of	**–**	0,2	**–**	–
Interest rate (%)	**8 – 9,5**	3 – 9,5	**–**	–
Repayable in monthly instalments of	**1,6**	0,1	**–**	–
Last payment (year)	**2010**	2008	**–**	–
Repayable in annual instalments of	**–**	3,4	**–**	–
Last payment (year)	**–**	2009	**–**	–

	GROUP 2005 Rm	GROUP 2004 Rm	COMPANY 2005 Rm	COMPANY 2004 Rm
22. INTEREST-BEARING BORROWINGS (continued)				
22.2 Secured loans comprising: (continued)				
Instalment sale agreements (continued) Suretyship has been provided by KAP International Holdings Limited in favour of ABSA Bank Limited for the asset finance facility of R40 million provided to Feltex Holdings (Pty) Limited.				
Loans from shareholder	**–**	60,7	**–**	22,0
Daun & Cie AG				
Bearing interest at 10,75%	**–**	22,0	**–**	22,0
Bearing interest at 9% per annum	**–**	38,7	**–**	–
There were no fixed terms of repayment.				
Other loans	**–**	67,3	**–**	–
Secured over:				
Land and buildings with a book value of	**–**	28,2	**–**	–
Plant and machinery with a book value of	**–**	73,4	**–**	–
Other assets with a book value of	**–**	8,5	**–**	–
Interest rate (%)	**–**	9	**–**	–
Repayment in quarterly instalments of	**–**	4,9	**–**	–
Last payment (year)	**–**	2008	**–**	–
Total secured loans	**53,1**	147,2	**0,3**	22,0
22.3 Unsecured loans comprising:				
Other loans	**62,8**	32,8	**–**	–
Interest rate (%)	**5,129 – 8,25**	5,112 – 11,5	**–**	–
Repayment in six-monthly instalments of	**3,8**	4,0	**–**	–
Last payment (year)	**2007**	2006	**–**	–
Repayment in annual instalments of	**–**	3,0	**–**	–
Repayment in quarterly instalments of	**5,0**	–	**–**	–
Last payment (year)	**2008**	2008	**–**	–
Loans from related parties	**6,5**	7,4	**–**	–
Conrapp Properties (Pty) Limited				
2004 at 9% per annum	**–**	7,4	**–**	–
There were no fixed terms of repayment.				
F S Fehrer GmbH	**6,5**	–	**–**	–
At 8,5% (2004: Nil)				
There are no fixed terms of repayment.				
Total unsecured loans	**69,3**	40,2	**–**	–
22.4 Reconciliation between the total minimum lease payments and the present value of finance leases				
Minimum lease payments reconciliation:				
Up to one year	**2,3**	1,4	**0,1**	–
Two to five years	**4,4**	4,0	**0,2**	–
More than five years	**–**	–	**–**	–
Total minimum lease payments	**6,7**	5,4	**0,3**	**–**
Future finance charges	**(0,8)**	(0,9)	**–**	–
Present value	**5,9**	4,5	**0,3**	–
Analysed as follows:				
Up to one year	**1,7**	1,1	**0,1**	–
Two to five years	**4,2**	3,4	**0,2**	–
More than five years	**–**	–	**–**	–
Present value	**5,9**	4,5	**0,3**	–

	GROUP		COMPANY	
	2005 Rm	2004 Restated Rm	2005 Rm	2004 Restated Rm
23. INTEREST-FREE BORROWINGS				
Unsecured loans				
Daun & Cie AG	**–**	6,7	**–**	6,7
F S Fehrer GmbH	**2,3**	3,1	**–**	–
Alam Brothers	**0,8**	–	**–**	–
Operating lease liability	**6,6**	6,9	**–**	–
	9,7	16,7	**–**	6,7
Less: current portion	**(3,8)**	(7,7)	**–**	(6,7)
	5,9	9,0	**–**	–

The loan from Daun & Cie AG had no fixed terms of repayment.

The loan from F S Fehrer GmbH is repayable at the discretion of Feltex Holdings (Pty) Limited.

The loan from Alam Brothers has no fixed terms of repayment.

The lease liability arose on the adoption of Circular 7/2005 issued by the South African Institute of Chartered Accountants. Due to changes in the interpretation of the accounting standard regarding operating leases with fixed escalation clauses in the lease agreement, lease payments are now recognised as an expense on a straight-line basis over the lease term. The adoption of this interpretation resulted in the recognition of the non-current interest-free liability, representing the difference between lease payments made to date and the straight-line charges recognised in the income statement.

	GROUP		COMPANY	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
24. RETIREMENT BENEFIT OBLIGATIONS				
24.1 Post-retirement medical benefit				
Balance at the beginning of the year	**40,6**	9,9	**0,1**	0,5
Subsidiaries acquired	**–**	32,6	**–**	–
Current service cost	**1,4**	1,3	**–**	–
Contributions paid	**(2,0)**	(1,8)	**–**	–
Interest cost	**2,6**	2,1	**–**	–
Actuarial gains	**(3,0)**	(3,5)	**–**	(0,4)
Settled in terms of FSB-approved pension fund surplus	**(19,8)**	–	**–**	–
Balance at the end of the year	**19,8**	40,6	**0,1**	0,1

During September 2005 approval was obtained from the Financial Services Board to allocate the pension fund surplus of the Feltex Retirement Fund (a pension fund as defined) on a 60/40 basis to the employer and employees. The surplus apportionment was done on condition that the employer surplus account be utilised first to settle the post retirement medical aid liability of all qualifying members. In terms of legislation, control over the employer surplus lies with the employer– trustees and would be used as a contribution holiday for all qualifying members.

The principal actuarial assumptions applied in determination of fair values include:

	Dano	Feltex	Bull Brand, Mossop, Feltex Autoleathers	KAP International Holdings Limited
Health-care cost inflation	7,04%	6,5%	7,4%	6,5%
Discount rate	9,04%	8,5%	7,2%	8,0%
Contribution at retirement	50% – 100%	100%	100%	67%

24. RETIREMENT BENEFIT OBLIGATIONS (continued)

24.1 Post-retirement medical benefit (continued)

The group has a post–employment medical defined benefit liability in respect of the Kolosus Pension Fund, Dano Textile Industries Pension Fund, Kolosus Retirement Fund, Feltex Retirement Fund and Courthiel Holdings Provident Fund.

The group had previously restricted the liability to a fixed number of retired employees and had fixed the amount of the contribution to such employees for the remainder of their lives.

Actuarial valuations are performed on an annual basis. The latest actuarial valuation of medical subsidies was carried out by independent actuaries as at 31 December 2005. The main actuarial assumption is that the company continues to provide subsidies at current levels, but subject to annual review.

24.2 Defined contribution plans

The group operates a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and the relevant group companies. The funds cover eligible employees other than those employees who opt to be or are required by legislation to be members of various industry funds.

During the year the majority of the eligible employees belonged to one of the following funds:
Dano Textile Industries Staff Provident Fund, Courthiel Holdings Provident Fund, Hosaf Provident Fund, Leather Industry Provident Fund, Kolosus Retirement Fund, Kolosus Top-hat Provident Fund, Kolosus Pension Fund and the Feltex Retirement Fund.

The retirement benefit plans are governed by the Pension Funds Act, 1956 (Act 24 of 1956), as amended. All of the funds are defined contribution plans. By the nature of these funds, they are not subject to actuarial review.

The group contributions in respect of retirement benefit obligations amounted to R26,9 million (2004: R18,1 million). The company contribution in respect of retirement benefit obligations amounted to R0,4 million (2004: Rnil).

24.3 Defined benefit plans

In the past, the entities in the group operated the following post-employment defined benefit plans:
Dano Textile Industries Pension Fund (closed) and Feltex Retirement Fund (closed).

The Dano Textile Industries Pension Fund was closed before the acquisition of Dano Textile Industries (Proprietary) Limited and no further contributions have been made to the fund. The fund is in the process of being wound up.

During the year the Feltex Retirement Fund allocated its surplus on a 60/40 basis to employers and employees respectively. Refer to note 10 for more details.

	GROUP		COMPANY	
	2005 Rm	**2004 Rm**	**2005 Rm**	**2004 Rm**
25. ACCOUNTS PAYABLE				
Trade payables	**309,8**	261,6	**–**	–
Accruals	**41,7**	58,8	**3,3**	1,0
Other payables	**8,1**	5,4	**–**	5,1
SARS – VAT	**0,4**	10,3	**0,1**	0,1
Forward exchange contract liabilities	**5,9**	5,0	**–**	–
	365,9	341,1	**3,4**	6,2

Credit periods obtained vary widely among the operations.

The directors consider that the carrying amount of accounts payable approximates fair value.

	Onerous contract	Discontinued operation	Environmental rehabilitation	Leave pay and bonuses	Warranties	Total
	Rm	Rm	Rm	Rm	Rm	Rm
26. PROVISIONS						
2005						
GROUP						
Balance at the beginning of the year	4,8	–	2,0	27,6	1,0	35,4
Additional provision raised during the year	–	10,9	–	16,7	–	27,6
Utilised during the year	(2,7)	(6,6)	(0,7)	(13,1)	(0,2)	(23,3)
Balance at the end of the year	2,1	4,3	1,3	31,2	0,8	39,7

	Leave pay and bonuses	Total
	Rm	Rm
COMPANY		
Balance at the beginning of the year	0,1	0,1
Raised during the year	4,7	4,7
Balance at the end of the year	4,8	4,8

Onerous contract
The onerous contract provision relates to a supply agreement in the discontinued division of Wayne Rubber, whereby unavoidable direct losses were incurred in the production of certain products for a major customer. This agreement has been cancelled during the year and the remaining provision relates to the agreed settlement amount with the customer.

Discontinued operation
This provision arose on the discontinuation of the Wayne Rubber Division (refer note 46). It is expected that the discontinuance will be completed by the end of March 2006.

Environmental rehabilitation
A provision has been made for environmental rehabilitation of a property based on technical advice and management estimates. The provision is utilised as the rehabilitation takes place. The rehabilitation process is ongoing.

Leave pay and bonuses
Leave pay is calculated on a total cost–to–company basis. Bonuses are calculated according to the rules of pre–approved incentive schemes.

Warranties
The provision for warranties is based on a general provision of 2% of auto kit sales for the last four months before year end, and 100% of return advices not yet credited and other actual disputes. Various entities in the group give three year warranties on certain products and undertake to repair or replace items which fail to perform satisfactorily. The provision is also based on historic claims and the level of repairs and returns.

	Onerous contract	Environmental rehabilitation	Leave pay and bonuses	Warranties	Total
	Rm	Rm	Rm	Rm	Rm
26. PROVISIONS (continued)					
2004 – RESTATED					
GROUP					
Balance at the beginning of the year	–	2,4	–	0,9	3,3
Subsidiaries acquired	5,9	–	23,2	–	29,1
Additional provisions raised during the year	0,2	0,3	22,9	2,3	25,7
Utilised during the year	(1,3)	(0,7)	(18,5)	(2,2)	(22,7)
Balance at the end of the year	4,8	2,0	27,6	1,0	35,4

	Leave pay and bonuses	Total
	Rm	Rm
COMPANY		
Balance at the beginning of the year	–	–
Additional provision raised during the year	0,1	0,1
Balance at the end of the year	0,1	0,1

	GROUP		COMPANY	
	Year ended 31 Dec 2005 Rm	Year ended 31 Dec 2004 Restated Rm	Year ended 31 Dec 2005 Rm	Year ended 31 Dec 2004 Restated Rm
27. REVENUE				
The group's revenue comprises mainly sales of goods	**2 997,9**	1 911,9	**0,2**	–
28. OPERATING PROFIT/(LOSS)				
Operating profit/(loss) includes the following items which require separate disclosure:				
Income				
Dividend received	**–**	–	**20,9**	–
Gain on fair value of biological assets	**6,1**	3,8	**–**	–
Government incentives received				
– Small Medium Enterprise Development Programme	**–**	0,2	**–**	–
– Sector Education and Training Authority	**1,4**	1,8	**–**	–
Foreign exchange gains realised	**0,9**	2,8	**–**	–
Management fees received	**0,1**	–	**4,4**	0,5
Pension fund surplus (net)	**50,6**	–	**–**	–
Profit/(loss) on disposal of property, plant and equipment	**15,0**	2,2	**–**	(0,2)
Profit on sale of subsidiaries	**–**	3,1	**–**	–
Release of negative goodwill	**–**	134,7	**–**	–
Reversal of impairment of subsidiaries	**–**	–	**83,3**	209,1

	GROUP		COMPANY	
	Year ended 31 Dec 2005 Rm	Year ended 31 Dec 2004 Restated Rm	Year ended 31 Dec 2005 Rm	Year ended 31 Dec 2004 Restated Rm
28. OPERATING PROFIT/(LOSS) (continued)				
Expenses				
Audit fees				
– current year	**4,0**	2,3	**1,0**	0,8
– prior year under/(over)-provision	**0,5**	(0,4)	**0,2**	(0,5)
– other services	**1,4**	0,6	**0,6**	0,1
Depreciation on investment property	**–**	0,1	**–**	–
Depreciation on property, plant and equipment (refer note 2 for breakdown)	**42,2**	23,3	**0,3**	–
Impairment of investment property	**0,8**	–	**–**	–
Fees paid to non-employees				
– administrative services	**0,7**	0,3	**–**	–
– technical services	**8,2**	3,7	**0,1**	0,5
– secretarial services	**0,3**	0,2	**0,3**	0,2
Impairment of inventory	**0,8**	2,1	**–**	–
Management fees paid	**–**	1,8	**–**	1,3
Operating lease charges				
– land and buildings	**4,6**	10,7	**0,2**	–
– plant and equipment	**2,7**	0,9	**–**	–
– other assets	**0,6**	0,6	**0,1**	0,2
Research and development	**2,2**	0,1	**–**	–
Retirement benefit costs	**2,6**	1,5	**–**	(0,4)
Reversal of negative provision for impairment of investment in subsidiaries on sale	**–**	–	**–**	9,7
Staff costs				
– salaries and wages	**389,2**	246,2	**8,4**	2,3
– termination costs	**10,8**	2,4	**–**	–
– company contributions	**26,9**	22,5	**0,4**	0,3
– share-based payments	**1,1**	11,8	**1,1**	11,8
29. INTEREST PAID				
Interest paid				
– bank overdrafts	**12,4**	–	**5,8**	–
– finance leases and instalment sale agreements	**1,0**	0,2	**–**	–
– related parties	**2,5**	8,1	**1,8**	5,2
– subsidiaries	**–**	–	**1,5**	1,4
– loans and other	**11,5**	8,4	**0,4**	–
	27,4	16,7	**9,5**	6,6

Details of the related party interest paid are given in note 42.

	GROUP		COMPANY	
	Year ended 31 Dec 2005 Rm	Year ended 31 Dec 2004 Restated Rm	Year ended 31 Dec 2005 Rm	Year ended 31 Dec 2004 Restated Rm
30. INTEREST RECEIVED				
Interest received				
– banks	**–**	–	**–**	0,3
– related parties	**5,2**	5,6	**3,0**	2,4
– subsidiaries	**–**	–	**12,1**	11,6
– other	**2,8**	0,5	**0,6**	–
	8,0	6,1	**15,7**	14,3
Details of the related party interest received are given in note 42.				
31. TAXATION				
South African normal taxation				
Current taxation – current year	**7,9**	6,2	**0,3**	1,8
Current taxation – prior year	**(3,7)**	(4,0)	**(3,2)**	–
Deferred taxation – current year	**37,4**	16,5	**(1,1)**	–
Deferred taxation – prior year	**2,0**	5,1	**(0,4)**	–
Secondary taxation on companies	**2,6**	0,8	**–**	–
Taxation charge for the year	**46,2**	24,6	**(4,4)**	1,8
Reconciliation of taxation charge				
Profit/(loss) before taxation and impairment of subsidiaries	**248,7**	265,9	**16,2**	(15,2)
Taxation at 29% (2004: 30%)	**72,1**	79,8	**4,7**	(4,6)
Adjusted for:				
– permanent differences	**(22,7)**	(40,4)	**(5,5)**	6,8
– change in taxation rate	**3,8**	–	**–**	–
– deferred taxation asset not raised	**1,3**	(5,9)	**–**	–
– taxation attributable to joint ventures	**(0,5)**	(0,5)	**–**	–
– secondary taxation on companies	**2,6**	0,8	**–**	–
– utilisation of assessed losses	**(8,7)**	(20,1)	**–**	–
– adjustment in respect of previous years	**(1,7)**	10,9	**(3,6)**	(0,4)
Effective taxation charge	**46,2**	24,6	**(4,4)**	1,8

Corporate taxation is calculated at 29% (2004: 30%) of the estimated taxable income for the year.

The Minister of Finance announced a reduction in the rate of corporate taxation from 30% to 29% during 2005.

	GROUP	
	Year ended 31 Dec 2005 Rm	Year ended 31 Dec 2004 Restated Rm
32. EARNINGS PER SHARE		
On 23 May 2005 the company issued 4,5 million shares in terms of the dividend capitalisation.		
On 1 July 2004 the company issued 250,6 million ordinary shares.		
Earnings		
Net profit per the income statement	**196,3**	239,1
Number of shares		
Weighted average number of ordinary shares in issue (millions) (for the purposes of earnings and headline earnings per share)	**421,5**	293,4
Effect of dilutive potential ordinary shares (share options in millions)	–	–
Weighted average number of ordinary shares in issue (millions) – diluted earnings	**421,5**	293,4
Earnings per share (cents)	**46,6**	81,5
Diluted earnings per share (cents)	**46,6**	81,5
The directors consider that the dilution has no material effect in the current year, as all significant option holders have revoked their rights to the share options, and the option strike price is materially out-of-the-money.		
Reconciliation between earnings and headline earnings		
Earnings		
Net profit per the income statement	**196,3**	239,1
Adjustments net of taxation		
Negative goodwill	**–**	(134,7)
Impairment of investment property	**0,6**	–
Profit on disposal of property, plant and equipment	**(12,0)**	(2,2)
Profit on sale of subsidiaries	**–**	(3,1)
Discontinued operation closure costs	**9,5**	–
Headline earnings	**194,4**	99,1
Headline earnings per share (cents)	**46,1**	33,8

33. DISTRIBUTION PER SHARE	COMPANY AND GROUP	
Distribution declared	**50,8**	20,9
Distribution per share-declared (cents)	**12**	5
A dividend of 5 cents per share was declared and paid via a capitalisation share award or cash alternative on 23 May 2005.		
Dividends paid via share capitalisation	**13,8**	–
Dividends paid in cash	**7,1**	–
Total dividends paid	**20,9**	–

	GROUP		COMPANY	
	Year ended 31 Dec 2005 Rm	Year ended 31 Dec 2004 Restated Rm	Year ended 31 Dec 2005 Rm	Year ended 31 Dec 2004 Restated Rm
34. CASH FLOW STATEMENT				
34.1 Cash generated from/(utilised by) operations				
Operating profit/(loss) before taxation and impairment of subsidiaries	**248,7**	265,9	**16,2**	(15,2)
Adjusted for:				
Depreciation	**42,2**	23,3	**0,3**	–
Impairment of investment property	**0,8**	–	**–**	–
Release of negative goodwill	**–**	(134,7)	**–**	–
(Profit)/loss on disposal of property, plant and equipment	**(15,0)**	(2,2)	**–**	0,2
Profit on disposal of subsidiaries	**–**	(3,1)	**–**	–
Decrease in retirement benefit obligation	**(20,8)**	(1,9)	**–**	(0,4)
Increase in fair value of biological assets	**(6,1)**	(3,8)	**–**	–
Unrealised gain on listed investment	**(0,5)**	–	**–**	–
Foreign exchange differences	**–**	0,1	**–**	–
Reversal of negative provision for impairment of investment in subsidiaries on sale	**–**	–	**–**	9,6
Net finance cost/(income)	**19,4**	10,6	**(6,2)**	(7,7)
Dividends received	**–**	–	**(20,9)**	–
Income from joint ventures	**(0,7)**	(1,2)	**–**	–
Pension fund surplus recognised	**(50,6)**	–	**–**	–
Share-based payment reserve movement	**1,1**	11,8	**1,1**	11,8
Operating profit/(loss) before changes in working capital	**218,5**	164,8	**(9,5)**	(1,7)
Movements in working capital:				
Increase in inventory and biological assets	**(79,9)**	(36,7)	**–**	–
(Increase)/decrease in accounts receivable	**(29,5)**	12,0	**(0,8)**	0,1
Increase (decrease) in accounts payable and provisions	**23,9**	(19,7)	**1,8**	(1,5)
Cash generated from/(utilised by) operations	**133,0**	120,4	**(8,5)**	(3,1)
34.2 Taxation paid is reconciled as follows:				
Amounts unpaid at the beginning of the year	**(1,6)**	(5,3)	**(4,4)**	(4,5)
Subsidiaries acquired	**–**	(6,9)	**–**	–
Disposal of subsidiaries	**–**	0,1	**–**	–
(Charged)/credited to the income statement	**(6,8)**	(3,0)	**2,9**	(1,8)
Amounts unpaid at the end of the year	**5,3**	1,6	**1,3**	4,4
Taxation paid	**(3,1)**	(13,5)	**(0,2)**	(1,9)

	GROUP Year ended 31 Dec 2005 Rm	GROUP Year ended 31 Dec 2004 Rm
34.3 Acquisition of subsidiaries		
Particulars of net assets acquired at date of acquisition:		
Property, plant and equipment	**1,0**	278,6
Investment property	**–**	5,8
Investments in joint ventures	**–**	10,8
Receivables and loans	**–**	26,8
Inventory	**3,0**	259,0
Accounts receivable	**2,5**	387,2
Deferred taxation assets	**–**	147,2
Short-term loans receivable	**–**	3,4
SARS – income tax receivable	**–**	0,2
Cash and cash equivalents	**–**	30,1
Minorities	**–**	(7,1)
Interest–bearing borrowings	**(1,3)**	(134,5)
Interest–free borrowings	**–**	(6,1)
Deferred taxation liabilities	**–**	(0,2)
Retirement benefit obligations	**–**	(32,7)
Accounts payable	**(5,2)**	(307,8)
Provisions	**–**	(23,3)
SARS – income tax payable	**–**	(7,2)
Short-term borrowings	**–**	(21,2)
Bank overdraft	**–**	(95,8)
Net assets acquired	**–**	513,2
Negative goodwill	**–**	(134,7)
Purchase consideration	**–**	378,5
Bank overdrafts acquired	**–**	65,7
Subsidiaries acquired, net of bank overdrafts acquired	**–**	444,2

On 1 January 2005 the group acquired the entire share capital of Inyathi UK Limited , a company in the footwear industry, for a purchase consideration of R1. The acquisition was accounted for by the purchase method of accounting.

The subsidiaries acquired on 1 July 2004 were as follows (all 100% unless otherwise indicated):
Calan Limited, Calan Retread Services (Proprietary) Limited, Carlo de Firenze (Proprietary) Limited, Casa Rosada Investments (Proprietary) Limited, Centeon Pharma (Proprietary) Limited, Chemical Leasing (Proprietary) Limited, Chemical Plant Finance (Proprietary) Limited, Conshu Holdings Limited, Conshu Limited, Conshu Trading (Proprietary) Limited, Dano Textile Industries (Proprietary) Limited, Danoduv Investments (Proprietary) Limited, Durban Fibres (Proprietary) Limited, Feltex Fehrer (Proprietary) Limited (74%), Feltex Limited, Hosaf Fibres (Proprietary) Limited, Jordan Footwear Namibia (Proprietary) Limited, Lanatex Weaving Manufacturers (Proprietary) Limited, Marker Investments (Proprietary) Limited, Persaltum (Proprietary) Limited and Textowel Weavers (Proprietary) Limited. All the above acquisitions were accounted for by the purchase method of accounting.

	GROUP Year ended 31 Dec 2005 Rm	GROUP Year ended 31 Dec 2004 Rm
The purchase consideration comprises the following:		
Cost of acquisition (issuance of shares)	**–**	375,9
Costs directly relating to acquisition	**–**	2,6
Purchase consideration	**–**	378,5

	GROUP	
	Year ended 31 Dec 2005 Rm	Year ended 31 Dec 2004 Rm
34.4 Disposal of subsidiaries		
Particulars of net assets sold at date of sale:		
Property, plant and equipment	–	0,5
Investments and loans	–	–
Inventory	–	1,4
Accounts receivable	–	0,5
Cash and cash equivalents	–	–
Bank overdraft	–	(0,2)
Long-term liabilities	–	–
Accounts payable	–	(3,1)
SARS – income tax payable	–	(0,1)
Net liabilities sold	–	(1,0)
Profit on disposal	–	3,1
Sale consideration	–	2,1
Cash sold	–	0,2
Proceeds on disposal of subsidiaries	–	2,3

The subsidiaries sold on 1 January 2004 were are as follows (all 100%):
Exotan (Proprietary) Limited, Matsapa Hides & Stores (Proprietary) Limited, Border Export (Proprietary) Limited, Bregin & Co (Cape) (Proprietary) Limited, Cape Produce Export Co (Proprietary) Limited, South West Wool Sorters (Proprietary) Limited, OSB Exports (Proprietary) Limited, Kaftan NV, Manzini Hide Collectors (Proprietary) Limited, S M Lurie and Company (Botswana) (Proprietary) Limited, GH Hackmann (Proprietary) Limited, Hideskin Namibia (Proprietary) Limited, African Hide Trading Namibia (Proprietary) Limited, Oudtshoorn Ostrich Processors (Proprietary) Limited, Kolosus Leathers Africa, Barvan Pvt and Velskin Product (Proprietary) Limited.

35. DIRECTORS' EMOLUMENTS

2005

Executive directors	Basic salary	Company contributions	Bonuses	Share-based payments	Termination benefits	Total
	R'000	R'000	R'000	R'000	R'000	R'000
P C T Schouten	999	188	3 600	400	–	5 187
R D Radford*	851	296	1 230	–	116	2 493
J P Haveman+	75	15	833	–	–	923
Total	**1 925**	**499**	**5 663**	**400**	**116**	**8 603**
Remuneration paid by holding company						6 110
Remuneration paid by subsidiary companies						2 493

* resigned 22 September 2005
+ appointed 25 November 2005

35. DIRECTORS' EMOLUMENTS (continued)

Non-executive directors	Service	R'000
C E Daun*	Chairman	80
M J Jooste#	Chairman of audit committee	75
J B Magwaza	Chairman of remuneration committee	70
S H Nomvete	Member of audit committee	65
I N Mkhari	Member of remuneration committee	62
F Möller		50
D M Van Der Merwe+		–
Total		**402**

* paid to Daun & Cie AG
\# paid to Steinhoff International Holdings Ltd
\+ appointed 25 November 2005

Directors' shareholding as at 31 December 2005	Beneficial direct	Beneficial indirect	Total	%
C E Daun	824	199 245 589	199 246 413	47,1
J B Magwaza	–	1 300 000	1 300 000	0,3
S H Nomvete	–	12 090 000	12 090 000	2,9
I N Mkhari (previously Moloto)	–	12 090 000	12 090 000	2,9
P C T Schouten	2 826 913	–	2 826 913	0,7
J P Haveman	508 250	–	508 250	0,1

There are no service contracts with directors of the company with a notice period of greater than one year and with compensation on termination of greater than one year's salary.
Conditional options granted to directors were as follows: (Refer note 19 for details of share option scheme.)

	Total options granted 31 Dec 2004 million shares	Options taken up by 31 Dec 2005 million shares	Options remaining 31 Dec 2005 million shares
P C T Schouten	8,0	4,8	3,2
J P Haveman	2,0	1,0	1,0
Total	**10,0**	**5,8**	**4,2**

2004 – Restated

Executive directors	Basic salary	Company contributions	Bonuses	Share-based payments	Termination benefits	Total
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
P C T Schouten	590	20	–	2 000	–	2 610
R D Radford	525	65	659	1 250	–	2 499
A J Keyser*	686	64	–	500	–	1 250
C L Campher*	577	132	–	500	–	1 209
Total	**2 378**	**281**	**659**	**4 250**	**–**	**7 568**
Remuneration paid by holding company						4 250
Remuneration paid by subsidiary companies						2 708
Remuneration paid by related parties						610

* resigned 12 November 2004

35. DIRECTORS' EMOLUMENTS (continued)

Non-executive directors		R'000
C E Daun*	Chairman	10
M J Jooste#	Chairman of audit committee	9
J B Magwaza	Chairman of remuneration committee	9
S H Nomvete	Member of audit committee	8
I N Mkhari	Member of remuneration committee	8
F Möller		6
Total		**50**

* paid to Daun & Cie AG
# paid to Steinhoff International Holdings Ltd

Directors' shareholding as at 31 December 2004	Beneficial direct	Beneficial indirect	Beneficial Total	%
C E Daun	811	301 301 229	301 302 040	72,0
M J Jooste	–	11 020 000	11 020 000	2,6
J B Magwaza	–	700 000	700 000	0,2
S H Nomvete	–	6 510 000	6 510 000	1,6
I N Mkhari	–	6 510 000	6 510 000	1,6
P C T Schouten	4 000 000	–	4 000 000	1,0
R D Radford	2 500 000	–	2 500 000	0,6

There were no service contracts with directors of the company with a notice period of greater than one year and with compensation on termination of greater than one year's salary.

Conditional options granted to directors are as follows:

P C T Schouten	4,0 million shares
R D Radford	2,5 million shares

No options or conditional options have been granted to non-executive directors.

36. FOREIGN EXCHANGE DERIVATIVE INSTRUMENTS AND FOREIGN CURRENCY RISK MANAGEMENT

36.1 Foreign exchange risk management/Forward exchange contracts

The group utilises currency derivatives to eliminate or reduce the exposure of its foreign currency denominated assets and liabilities, and to hedge future transactions and cash flows. The group is party to foreign currency forward exchange contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of its principal markets. As a matter of policy, the group does not enter into derivative contracts for speculative purposes.

36.2 Foreign forward exchange contracts

Foreign forward exchange contracts are used by the group to manage its exposure to foreign exchange fluctuations. At year end open contracts were marked to market and resulted in the following financial asset or liability. These amounts have been included under other receivables or payables in notes 14 and 25 respectively.

Forward exchange assets (liabilities)

At the balance sheet date, the company had contracted to buy the following amounts under forward exchange contracts in respect of future commitments which expire at various dates:

36. FOREIGN EXCHANGE DERIVATIVE INSTRUMENTS AND FOREIGN CURRENCY RISK MANAGEMENT (continued)

	FEC value	Estimated fair value	FEC liability	FEC value	Estimated fair value	FEC liability	Contract rate	Contract rate
	2005 Rm	2005 Rm	2005 Rm	2004 Rm	2004 Rm	2004 Rm	2005	2004
USD	**(77,5)**	**72,1**	**(1,9)**	(41,6)	38,6	(3,0)	**6,56**	6,15
EUR	**(4,4)**	**4,3**	**(0,2)**	(36,9)	35,0	(1,9)	**7,79**	8,47
GBP	**(2,4)**	**2,2**	**(0,2)**	(3,5)	3,4	(0,1)	**11,78**	11,36
Total	**(84,3)**	**78,6**	**(2,3)**	(82,0)	(77,0)	(5,0)		

36.3 Uncovered foreign currency balances

Foreign currency	Foreign amount		Rate		Rand amount	
	2005 m	2004 m	2005	2004	2005 Rm	2004 Rm
The following unhedged and uncovered foreign assets relating to accounts receivable were in existence at year-end:						
EUR	**0,6**	1,9	**7,53**	7,65	**4,6**	15,2
USD	**0,3**	0,9	**6,32**	5,64	**1,8**	5,2
GBP	**0,8**	0,6	**10,92**	10,82	**8,3**	6,5
CHF	**–**	0,5	**4,81**	4,98	**0,2**	2,3
					14,9	29,2
The following unhedged and uncovered foreign liabilities relating to accounts payable were in existence at year-end:						
USD	**2,7**	3,0	**6,33**	5,64	**17,3**	17,4
EUR	**0,9**	0,3	**7,50**	7,65	**6,9**	2,0
GBP	**–**	–	**10,98**	10,82	**0,2**	0,4
CHF	**–**	–	**–**	4,98	**–**	0,1
					24,4	19,9

	GROUP		COMPANY	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
37. CAPITAL COMMITMENTS				
Capital expenditure				
Authorised by directors				
– contracted	**10,3**	24,5	**–**	–
– not yet contracted	**23,0**	20,2	**–**	–
The capital expenditure is to be financed from internally generated funds and external credit facilities.				
38. OPERATING LEASE COMMITMENTS				
At the balance sheet date, the group had outstanding commitments under non-cancellable operating leases with a term of more than one year, which fall due as follows:				
Within one year	**6,9**	18,7	**0,3**	–
In the second to fifth year inclusive	**9,0**	48,5	**0,2**	–
Over five years	**0,1**	–	**–**	–
	16,0	67,2	**0,5**	–

	GROUP		COMPANY	
	2005 Rm	**2004 Rm**	**2005 Rm**	**2004 Rm**
39. OPERATING LEASE RECEIVABLES				
At the balance sheet date, the group had outstanding receivables under non-cancellable operating leases pertaining to investment property as follows:				
Within one year	**1,2**	1,4	**0,1**	0,4
In the second to fifth year inclusive	**–**	4,4	**–**	–
Over five years	**–**	3,4	**–**	–
	1,2	9,2	**0,1**	0,4

40. RECONCILIATION OF SA GAAP TO IFRS

As stated in the accounting policies, these are the group's first consolidated financial statements prepared in accordance with 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 below.

	Note	Year ended 31 Dec 2004	IFRS transition 1 January 2004
		Rm	**Rm**
RECONCILIATION OF EQUITY			
Equity as previously reported under SA GAAP		879,1	203,7
Adjustments upon adopting IFRS		1,1	30,4
Effect of restatements per note 41		(26,0)	(4,7)
Restated equity under IFRS		854,2	229,4
Minority interests in subsidiaries			
Previously reported outside of equity		9,4	0,1
Restated equity		**863,6**	**229,5**

	Note	Increase/ (decrease)	Increase/ (decrease)
		Rm	**Rm**
RECONCILIATION OF BALANCE SHEET			
Property, plant and equipment	1	8,4	34,1
Investment property	1	9,3	8,2
Deferred taxation assets		(15,4)	–
Deferred taxation liabilities		(0,6)	(11,9)
Minorities interest		(0,6)	–
Net increase to equity		**1,1**	**30,4**
RECONCILIATION OF 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	2	(11,8)	–
Taxation – deferred		(4,8)	–
Minority share of income		(0,2)	–
Restated net profit under IFRS		**260,4**	**–**
Effect of restatements per note 41		(21,3)	–
Restated net profit		**239,1**	**–**

40. RECONCILIATION OF SA GAAP TO IFRS (continued)

NOTES

1. Property, plant and equipment and investment property

Previously property, plant and equipment and investment property were depreciated on a straight line basis to their estimated residual values. These residual values were fixed at the time of acquisition and not reassessed annually.
Under IFRS, significant components of property, plant and equipment are identified separately and the residual value of these components is now re-evaluated at each balance sheet date. Depreciation ceases when the carrying value of the asset equals its residual value.

The more robust assessment has resulted in an increase in the estimated useful lives of the property, plant and equipment. The depreciation previously recognised in the income statement has accordingly been reduced.

2. Share-based payments

Previously, share-based payments were not recognised as expenses. Under IFRS, all share based payment transactions including those arrangements between a shareholder of a company and employees must be recognised in the financial statements using a fair value measurement basis. An expense is recognised when a service is received. It requires the fair value of all equity instruments granted to be based on market prices, and to take into account the terms and conditions upon which those instruments were granted.

The company and group has no direct share based payment arrangements. A share-based payment arrangement exists between employees and Daun & Cie AG, a major shareholder (2004 : majority shareholder). Refer to note 19 for details of the arrangement.

The adoption of IFRS led to a share-based payment expense of R11,8 million during 2004 and a share-based payments reserve of R11,8 million.

41. RESTATEMENTS

41.1 Restatement – business combinations

On 1 July 2004, various businesses were acquired for a consideration of R375,9 million as stated in the 2004 annual report. Subsequent to the 2004 year end, the directors became aware that certain assets and liabilities were incorrectly stated pertaining to the businesses of Dano Textile Industries (Pty) Ltd, Wayne Rubber Division (a division of Feltex Holdings (Pty) Ltd) and Hosaf Fibres (Pty) Ltd .

Accordingly, the 2004 results have been restated to take the following misstatements into account:

The effect of the restatement is summarised as follows:

	31 December 2004	1 January 2004
	Rm	Rm
Increase in accumulated loss	17,0	–
Taxation	4,1	–
Net increase in accumulated loss	21,1	–
The effects on the balance sheet were as follows:		
Decrease in property, plant and equipment	(6,8)	–
Decrease in inventory	(6,0)	–
Decrease in accounts receivable	(4,1)	–
Increase in provisions	(4,8)	–
Increase in deferred tax asset	0,4	–
	(21,1)	–
The income statement effect of restatement is summarised as follows:		
Decrease in negative goodwill on acquisitions	(18,9)	–
Decrease in cost of sales	1,9	–
Increase in deferred taxation expense	(4,1)	–
	(21,1)	–
Reduction in earnings per share as a result of restatement (cents)	(7,2)	–

41. RESTATEMENTS (continued)

41.2 Restatement – operating lease liabilities restatement

The group previously accounted for operating leases by recognising the lease expense in the year in which the financial obligation arose. In terms of the revised interpretation of the accounting standard (IAS 17 – Leases) by the South African Institute of Chartered Accountants (SAICA), operating leases with fixed escalation clauses are now recognised as an expense on a straight line basis over the lease term.

The adoption of this interpretation resulted in the recognition of a non current interest free liability of R6,6 million at 1 January 2004, representing the difference between lease payments made to date and the straight line charges recognised in the income statement.

	Year ended 31 Dec 2004	1 January 2004
	Rm	**Rm**
Increase in accumulated loss	6,8	6,6
Taxation	(1,9)	(1,9)
Net increase in accumulated loss	4,9	4,7
The effect on the balance sheet was as follows:		
Increase in interest-free borrowings	6,8	–
The income statement effect of restatement is summarised as follows:		
Increase in other operating expenses	(0,2)	–

41.3 Restatement – provisions against subsidiaries

COMPANY

During the previous year total provisions against subsidiaries was calculated at R973,8 million. During 2005, the company revised its method of calculating the provisions against its investments in and loans to subsidiaries.

Previously the provisions were calculated by comparing the investments and loans to subsidiaries to the net asset value of the holding company only. This method has been revised to compare the investments and loans to subsidiaries to the net asset value of the underlying groups and not just the net asset value of the holding company.

The change in method has no effect on the group results. The 2004 company income statement and balance sheet have accordingly been restated and are shown below.

	Year ended 31 Dec 2004	1 January 2004
	Rm	**Rm**
The effect of the restatement is summarised as follows:		
Increase in opening retained earnings	588,1	–
Taxation	–	–
Net	588,1	–
The effects on the balance sheet were as follows:		
Increase in investment in subsidiaries	588,1	–

42. RELATED PARTIES

42.1 Controlling entity

The controlling entity of the company is Daun & Cie AG, a company incorporated in the Federal Republic of Germany. This is a large and complex group of companies with investments and subsidiaries in South Africa and globally. The following entities have been identified as having a related party relationship due to common shareholding or significant influence as a result of representation by the shareholder or its representative on the board of directors of the companies and their subsidiaries:

KAP Textile Holdings SA Limited (subsidiary of Daun & Cie AG) and its subsidiaries or associates
Mooi River Home Textile (Pty) Limited
Union Spinning Mills (Pty) Limited
Da Gama Textiles division

42. RELATED PARTIES (continued)

42.1 Controlling entity (continued)

Courthiel Holdings (Pty) Limited (fellow-subsidiary of Daun & Cie AG) and its subsidiaries
Wellington Industries (Pty) Limited
Table Bay Spinners Limited

Other
Conrapp Properties (Pty) Limited
Zimbabwe Spinners & Weavers (Pvt) Limited
Loungefoam (Pty) Limited
KAP Beteiligungs AG

Companies controlled by the non-executive directors Messrs I N Mkhari and S H Nomvete
Motseng Investment Holdings (Pty) Limited and its subsidiaries
Motseng Outsourced Services (Pty) Limited

Steinhoff Africa Holdings (Pty) Ltd
Steinhoff Africa Holdings (Pty) Ltd and its subsidiaries have been identified as related parties by virtue of the common directorships and significant influence they possess following Steinhoff Africa's acquisition of 21% of the share capital of KAP International Holdings Limited, with effect from 30 November 2005.

The group transacts with the above-mentioned companies in the normal course of business on a strictly arm's length basis.

	GROUP	
	2005 Rm	**2004 Rm**
Transactions with related parties and the resultant balances receivable or payable at year-end include the following:		
Sale of goods		
African Hide Trading Corporation (Pty) Limited	**32,5**	29,9
KAP Textile Holdings SA Limited	**21,3**	14,2
Table Bay Spinners Limited	**4,5**	3,9
Motseng Outsourced Services (Pty) Limited	**13,6**	–
Steinhoff Africa and subsidiaries	**3,9**	–
Loungefoam (Pty) Limited	**18,1**	–
Other	**0,6**	2,6
	94,5	50,6
Purchase of goods		
African Hide Trading Corporation (Pty) Limited	**14,1**	18,8
KAP Textile Holdings SA Limited	**9,8**	5,2
Table Bay Spinners Limited	**4,0**	0,1
Zimbabwe Spinners & Weavers (Pty) Limited	**4,4**	5,5
Motseng Outsourced Services (Pty) Limited	**0,4**	–
	32,7	29,6
Operating lease rentals received		
African Hide Trading Corporation (Pty) Limited	**0,8**	1,1
Operating lease rentals paid		
Courthiel Holdings (Pty) Limited	**3,0**	2,7
Conrapp Properties (Pty) Limited	**1,9**	1,0
	4,9	3,7
Interest paid		
Daun & Cie AG	**1,8**	4,6
Courthiel Holdings (Pty) Limited	**–**	3,4
Other	**0,7**	0,1
	2,5	8,1

42. RELATED PARTIES (continued)

42.1 Controlling entity (continued)

	GROUP 2005 Rm	GROUP 2004 Rm
Interest received		
African Hide Trading Corporation (Pty) Limited	**1,1**	1,1
KAP Textile Holdings SA Limited	**3,2**	1,0
Courthiel Holdings (Pty) Limited	**0,9**	3,5
	5,2	5,6
Management fees paid		
Courthiel Holdings (Pty) Limited	**–**	2,1
Management fees received		
Conrapp Properties (Pty) Limited	**0,1**	–
Acquisition of motor vehicles, computers and furniture		
Courthiel Holdings (Pty) Limited	**1,3**	–
Acquisition of land and buildings		
Courthiel Holdings (Pty) Limited	**35,2**	–
Conrapp Properties (Pty) Limited	**8,9**	–
	44,1	–
Sale of investment properties		
African Hide Trading Corporation (Pty) Limited	**5,5**	–
Purchase of subsidiary – Inyati Limited from Conrapp Properties (Pty) Limited for a consideration of R1		
Related party balances at year-end		
Accounts receivable		
Table Bay Spinners Limited	**1,2**	2,6
Inyati Limited	**–**	3,4
Loungefoam (Pty) Limited	**6,6**	–
Motseng Outsourced Services (Pty) Limited	**5,9**	–
Steinhoff Africa and subsidiaries	**2,8**	–
Other	**2,1**	2,8
	18,6	8,8
Accounts payable		
Courthiel Holdings (Pty) Limited	**1,3**	–
Table Bay Spinners Limited	**0,9**	–
Union Spinning Mills (Pty) Limited	**0,8**	–
Zimbabwe Spinners & Weavers (Pvt) Limited	**0,6**	0,7
Other	**–**	0,4
	3,6	1,1
No provision for doubtful debts exist at year end pertaining to any of the above related parties. No bad debts were written off during the year pertaining to the above related companies. (2004: Rnil)		
Purchase of subsidiaries from Daun & Cie AG and KAP Beteiligungs AG	**–**	375,9

Loans from related parties

Refer to notes 22.2 and 22.3 for details.
Refer to notes 8 and 9 for details.

42. RELATED PARTIES (continued)

42.2 Compensation of key management personnel

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity and included the following individuals in the various entities/divisions: Managing director/equivalent, financial director/equivalent, production director/equivalent and sales director/equivalent.

The remuneration of directors and other members of key management during the year was as follows:

	GROUP		COMPANY	
	Year ended 31 Dec 2005 Rm	Year ended 31 Dec 2004 Restated Rm	Year ended 31 Dec 2005 Rm	Year ended 31 Dec 2004 Restated Rm
Short-term benefits	**61,0**	35,6	**8,7**	2,6
Post-employment benefits	**0,6**	0,4	**–**	–
Other long-term benefits	**–**	–	**–**	–
Share-based payments	**1,1**	11,8	**0,4**	3,0
Termination benefits	**0,7**	–	**–**	–
	63,4	47,8	**9,1**	5,6

The remuneration of directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

42.3 Directors

The directors named in the attached directors' report each held office as a director of the company during the year ended 31 December 2005.

Transactions with Daun & Cie AG have been detailed in the directors' report. C E Daun (non-executive chairman) controls 100% of Daun & Cie AG.

Transactions with KAP Beteiligungs AG have been detailed in the directors' report. F Möller (independent, non-executive director) is the managing director of KAP Beteiligungs AG and is also a non-executive director of Daun & Cie AG.

P C T Schouten (chief executive officer) was an executive director of KAP Beteiligungs AG during 2004 and 2005. Daun & Cie AG controls KAP Beteiligungs AG.

I N Mhkari and S H Nomvete (both independent, non–executive directors) each hold 46,5% respectively of Motseng Investment Holdings (Pty) Ltd and JB Magwaza holds 5% of said company. I N Mhkari and S H Nomvete are also joint CEO's and shareholders of Motseng Investment Holdings (Pty) Limited which owns 51% of Mooi River Home Textile (Pty) Limited, which engages in various arm's length transactions with the KAP International group.

C E Daun and F Möller are also directors of the holding company of Mooi River Home Textile (Pty) Limited.

By November 2005 Mr P C T Schouten had resigned from all other positions not in the KAP International Holdings Limited group.

Mr MJ Jooste is the managing director of Steinhoff International (Holding Company of Steinhoff Africa). Mr D M van der Merwe, a director of Steinhoff International, is the managing director of Steinhoff Africa and was appointed as a non-executive director of KAP International Holdings Limited on 25 November 2005.

42.4 Transaction with entities in the wholly-owned group

The company and subsidiaries within the group advanced, received and repaid loans to other entities in the wholly-owned group during the current and previous financial years. The company and subsidiaries also transacted with each other during the year in the normal course of business. All material intra-group transactions have been eliminated on consolidation.

In respect of balances with companies in the group refer to note 4 – Interests in subsidiaries and note 5 – Interests in joint ventures. A list of the group's subsidiaries is provided in Annexure A.

42. RELATED PARTIES (continued)

42.2 RELATED PARTY TRANSACTIONS (continued)

	COMPANY	
	2005 Rm	2004 Rm
Transactions with entities related, controlled or influenced by the controlling entity		
Interest received		
KAP Textile Holdings SA Limited	1,6	–
Courthiel Holdings (Pty) Limited	0,9	2,4
African Hide Trading (Pty) Limited	0,5	–
	3,0	2,4
Interest paid		
Daun & Cie AG	1,8	2,8
Courthiel Holdings (Pty) Limited	–	2,4
	1,8	5,2
Management fees received		
Conrapp Properties (Pty) Limited	0,1	–
Management fees paid		
Courthiel Holdings (Pty) Limited	–	2,1
Operating lease rentals received		
African Hide Trading (Pty) Limited	0,1	0,1
Acquisition of motor vehicles, computers and furniture		
Courthiel Holdings (Pty) Limited	1,3	–
Related party balances		
Accounts payable		
Courthiel Holdings (Proprietary) Limited	1,3	–
Transaction with entities in the wholly owned group		
Interest received from subsidiaries		
Feltex Holdings (Pty) Limited	4,3	0,9
Dano Textile Industries (Pty) Limited	1,5	0,6
Bull Brand Foods (Pty) Limited	6,1	5,0
KAP Investments (Pty) Limited	0,1	1,2
Kolosus Leathers (Pty) Limited	–	4,3
Merchold Properties (Pty) Limited	0,1	0,2
	12,1	12,2
Interest paid to subsidiaries		
Feltex Holdings (Pty) Limited	0,8	0,1
KAP Investments (Pty) Limited	0,4	–
Western Wools (Pty) Limited	0,2	0,3
Kolosus Leathers (Pty) Limited	–	0,5
Bull Brand Foods (Pty) Limited	–	0,6
Hides & Skins Brokers (Pty) Limited	–	0,2
	1,4	1,7
Operating lease rentals received		
Bull Brand Foods (Pty) Limited	0,1	0,1

42. RELATED PARTIES (continued)

42.4 RELATED PARTY TRANSACTIONS (continued)

	COMPANY 2005 Rm	COMPANY 2004 Rm
Transactions with entities related, controlled or influenced by the controlling entity		
Management fees received		
Dano Textile Industries (Pty) Limited	0,1	–
Feltex Holdings (Pty) Limited	4,3	–
Marker Investments (Pty) Limited	0,2	–
	4,6	–
Dividends received		
Marker Investments (Pty) Limited	4,0	–
Kolosus Leathers (Pty) Limited	7,4	–
Bull Brand Foods (Pty) Limited	1,4	–
KAP Investments (Pty) Limited	4,8	–
Casa Rosada Investments (Pty) Limited	3,3	–
	20,9	–
Balances at year end		
In respect of balances with companies in the group (i.e. subsidiaries) refer to note 4– Interests in subsidiaries and note 5 – Interests in joint ventures. A complete list of the group's subsidiaries is provided in Annexure A with the respective balances at year end.		
Accounts receivable at year end from subsidiaries		
Feltex Holdings (Pty) Ltd	1,1	–

43. CONTINGENT LIABILITIES AND GUARANTEES

The company issued cross suretyships to various banks for the banking facilities available to the group. Refer to note 15 in this regard.

At year-end the net overdraft position of the group amounted to R110,7 million (2004: Rnil).

The group has issued guarantees through various South African banks of R9,1 million (2004: R9,6 million).

If certain operations ceased, certain effluent dams utilised by the group would be required to be rehabilitated. No provision has been made for this rehabilitation, as there is no intention to cease operations and future costs, if any, cannot be reliably measured.

44. FINANCIAL INSTRUMENTS

44.1 Credit risk management

Potential concentrations of credit risk relate mainly to accounts receivable, other loans and bank and cash balances.

Trade accounts receivable consist of a large widespread customer base. Group companies monitor the financial position of accounts receivable based on management's best estimate, for doubtful debts using the history of bad debts. At year end management believe that any material credit risk exposure was covered by the bad debt provision. Certain companies have taken out third party cover over trade accounts receivable.

Other loans include loans to third parties and loans to related parties. Provisions for the loan are based on management's best estimate of their recoverability and, where loans are considered irrecoverable, they are written off.

The group's cash equivalents are placed with high-quality financial institutions. With regard to foreign exchange contracts, the group's exposure is on the full amount of the foreign currency receivable on settlement. The group minimises the risk by limiting the counterparties to a group of major banks and does not expect to incur any loss as a result of non-performance by these counterparties.

44. FINANCIAL INSTRUMENTS (continued)

44.2 Interest rate risk management

The group's exposure to interest rate risk and the effective interest rates on financial instruments at balance sheet date are as follows:

	Interest rate	Year 1	Years 2 – 5	Over 5 years	Total
	%	Rm	Rm	Rm	Rm
GROUP 2005					
ASSETS					
Interest-free loans	Interest-free	–	5,2	2,3	**7,5**
Pension fund surplus	Interest-free	5,6	22,4	22,6	**50,6**
Accounts receivable	Interest-free	502,5	–	–	**502,5**
Short-term loans	Interest-free	7,5	–	–	**7,5**
Cash and cash equivalents	5,25%	2,2	–	–	**2,2**
		517,8	**27,6**	**24,9**	**570,3**
LIABILITIES					
Finance leases	Prime -2,25% to Prime	1,7	4,2	–	**5,9**
Instalment sale agreements	Prime -2,5% to Prime –1,0%	16,0	31,1	–	**47,1**
Other loans	8,5%	15,9	36,6	–	**52,5**
Other loans	5,129%	6,8	3,4	–	**10,2**
Other loans	Prime	6,5	–	–	**6,5**
Other loans	Interest-free	3,1	–	–	**3,1**
Operating lease liability	Interest-free	0,7	5,9	–	**6,6**
Accounts payable	Interest-free	365,9	–	–	**365,9**
Bank overdraft	Prime -3% to Prime -1%	112,9	–	–	**112,9**
		529,5	**81,2**	**–**	**610,7**
COMPANY 2005					
ASSETS					
Loans to subsidiaries					
– interest-bearing	Prime	–	–	51,6	**51,6**
– interest-bearing	Prime -2%	–	–	111,0	**111,0**
– interest-free	Interest-free	–	–	666,5	**666,5**
Other loans	Interest-free	1,2	–	–	**1,2**
Accounts receivable	Interest-free	2,1	–	–	**2,1**
Cash on hand	Interest-free	–	–	–	**–**
		3,3	**–**	**829,1**	**832,4**
LIABILITIES					
Finance leases	Prime -1,8%	0,1	0,2	–	**0,3**
Loans from subsidiaries					
– interest-bearing	Prime -2% to Prime	–	–	22,7	**22,7**
– interest-free	Interest-free	–	–	252,9	**252,9**
Accounts payable	Interest-free	3,4	–	–	**3,4**
Bank overdraft	Prime -1%	91,7	–	–	**91,7**
		95,2	**0,2**	**275,6**	**371,0**

44. FINANCIAL INSTRUMENTS (continued)

44.2 Interest rate risk management (continued)

	Interest rate	Year 1	Years 2 – 5	Over 5 years	Total
	%	Rm	Rm	Rm	Rm
GROUP 2004 – RESTATED					
ASSETS					
Other investments and loans					
Interest-free loans	Interest-free	–	7,8	–	7,8
Interest-bearing	Prime	–	6,4	–	6,4
Accounts receivable	Interest-free	470,5	–	–	470,5
Short-term loans	Interest-free	12,5	–	–	12,5
Short-term loans	Prime	2,5	–	–	2,5
Cash and cash equivalents	5,75%	45,0	–	–	45,0
		530,5	**14,2**	**–**	**544,7**
LIABILITIES					
Instalment sale agreements	3% to Prime –1,5%	4,4	10,3	–	14,7
Finance leases	Prime –1,5% to Prime	1,1	3,4	–	4,5
Shareholder's loan	10,75%	22,0	–	–	22,0
Shareholder's loan	9%	38,7	–	–	38,7
Shareholder's loan	Interest-free	6,7	–	–	6,7
Other loans	Interest-free	0,8	2,4	–	3,1
Other loans	5,11%	8,1	9,1	–	17,2
Other loans	Prime –2,5% to Prime	9,4	6,2	–	15,6
Other loans	Prime –2,25%	20,0	47,2	–	67,3
Other loans	9%	7,4	–	–	7,4
Operating lease liability	Interest-free	0,2	6,7	–	6,9
Accounts payable	Interest-free	341,1	–	–	341,1
Bank overdraft	Prime –3% to Prime –1%	45,3	–	–	45,3
		505,2	**85,3**	**–**	**590,5**
COMPANY 2004 – RESTATED					
ASSETS					
Loans to subsidiaries					
– interest-bearing	Prime	–	–	115,4	115,4
– interest-free	Interest-free	–	–	520,2	520,2
Other loans	Interest-free	3,5	1,1	–	4,6
Accounts receivable	Interest-free	1,3	–	–	1,3
Cash on hand	Interest-free	–	–	–	–
		4,8	**1,1**	**635,6**	**641,5**
LIABILITIES					
Shareholder loans	10,75%	28,7	–	–	28,7
Loans from subsidiaries					
– interest-bearing	Prime –2% to Prime	–	–	18,2	18,2
– interest-free	Interest-free	–	–	190,3	190,3
Accounts payable	Interest-free	6,2	–	–	6,2
Bank overdraft	Prime –2%	12,2	–	–	12,2
		47,1	**–**	**208,5**	**255,6**

The prime overdraft rate at year-end was 10,5% (2004: 11,0%).

44. FINANCIAL INSTRUMENTS (continued)

44.3 Fair values

At 31 December 2005 and 2004 the carrying amounts of cash, accounts receivable, loans receivable, accounts payable and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities.

The fair value of forward exchange contracts as stated in note 36 represents the estimated market value (using rates quoted by the group's bankers) at the reporting date, thereby taking into account the unrealised gains and losses of open contracts.

The fair value of other longer-term assets are not materially different from the carrying amounts. In other cases the principles applied in arriving at the fair values have been noted in the respective notes.

	GROUP		COMPANY	
	2005	**2004**	**2005**	**2004**
45. NUMBER OF EMPLOYEES				
The number of employees at year-end	**4 681**	5 272	**7**	7

46. DISCONTINUED OPERATIONS

On 21 October 2005, the group ceased production at the Wayne Rubber division and entered into a sale agreement to dispose of the plant, machinery and inventory. The Wayne Rubber division manufactured pre-cured moulds for the automotive industry. The discontinuance was as a result of adverse trading conditions. It is expected that the discontinuance will be completed by 31 March 2006.

The total assets and liabilities of the discontinued operation at 31 December were as follows:

	Year ended 31 Dec 2005	Year ended 31 Dec 2004
	Rm	**Rm**
ASSETS		
Non-current assets		
Plant and equipment	**–**	10,9
Deferred taxation	**15,0**	4,1
	15,0	15,0
CURRENT ASSETS		
Inventory	**0,2**	13,7
Trade and other receivables	**3,5**	25,7
	3,7	39,4
CURRENT LIABILITIES		
Trade and other payables	**5,1**	55,7
Provisions	**6,4**	4,9
Current portion of interest-bearing loans	**–**	0,9
Bank overdraft	**26,6**	–
	38,1	61,5

There were no discontinued operations in 2004.

47. RESTATEMENT OF COMPARATIVES

In order to achieve better presentation of the financial information of the group and the company, some disclosures have been restated.

47.1 Interest received and paid

Previously interest received and paid was disclosed as the gross amount received and paid to banks respectively. Due to interest set-off arrangement with banks, it is considered more appropriate to show only the net interest received or paid.

47. RESTATEMENT OF COMPARATIVES (continued)

47.1 Interest received and paid (continued)

	GROUP		COMPANY	
	As previously stated	**Restated**	**As previously stated**	**Restated**
Income statement	**2004 Rm**	**2004 Rm**	**2004 Rm**	**2004 Rm**
Interest received	8,8	6,1	15,8	14,3
Interest paid	(19,4)	(16,7)	(8,1)	(6,6)

SHAREHOLDER'S DIARY 2006

Annual general meeting	16 May 2006
Interim results	Mid September 2006
Final results	March 2007
Posting of Annual Report	April 2007

SUBSIDIARY AND OTHER INFORMATION – ANNEXURE A

		Issued share capital		Effective interest		Interest of company		Loan due by/(to)	
Subsidiaries	**Nature**	**2005 R**	2004 R	**2005 %**	2004 %	**2005 Rm**	2004 Rm	**2005 Rm**	2004 Rm
Atlas Meats (Pty) Ltd	D	20 000	20 000	100	100	–	–	(4,5)	(5,4)
AHT Properties (Walvisbay) Pty Ltd	D	400	400	100	100	–	–	(0,4)	–
Ball & Coalter (Pty) Ltd	D	200	200	100	100	–	–	(0,4)	(5,8)
Ball & Coalter Foods (Pty) Ltd	D	200	200	100	100	–	–	(2,3)	(2,2)
Ball & Coalter Properties (Woodmead) (Pty) Ltd	P	100	100	86	86	–	–	(3,8)	0,8
Bull Brand Foods (Pty) Ltd	M	20 000 001	20 000 001	100	100	100,0	100,0	192,9	173,5
Bull Brand Holdings (Pty) Ltd	D	3 000 000	3 000 000	100	100	–	–	(51,5)	(51,4)
Casa Rosada Investments (Pty) Ltd	D	450	450	100	100	128,6	128,6	–	–
Calan (Pty) Ltd	D	1	1	100	100	–	–	(1,8)	–
Calan Retread Services (Pty) Ltd	D	1 010 000	1 010 000	100	100	–	–	(4,0)	–
Conshu Ltd	D	5 000	5 000	100	100	–	–	(4,7)	–
Conshu Holdings Ltd	D	78 079 000	78 079 000	100	100	–	–	(65,7)	–
Dano Textile Industries (Pty) Ltd	T	499 960	499 960	100	100	35,2	35,2	93,1	93,1
Dotcom Trading 44 (Pty) Ltd	P	100	100	100	100	–	–	0,6	–
Feltex Holdings (Pty) Ltd	A/F/H	169 174 064	169 174 064	100	100	57,4	57,4	427,3	195,0
Fountain Travel (Pty) Ltd	D	1 000	1 000	100	100	–	–	0,3	–
GH Hackmann Skins (Pty) Ltd	D	100 000	100 000	100	100	–	–	9,6	9,6
Gants Foods (Pty) Ltd	D	200	200	100	100	–	–	0,2	–
Hides & Skins Brokers (Pty) Ltd	P	5 000	5 000	100	100	–	–	39,1	41,8
Kolosus Autoleder GmbH#	D	164 150	164 150	100	100	0,2	0,2	3,2	2,9
KAP Investments (Pty) Ltd (Formerly Kolosus Investments (Pty) Ltd)	I/P	2 490 001	2 490 001	100	100	–	–	95,5	116,0
Kolosus Leathers (Pty) Ltd	I	115 000	115 000	100	100	22,5	22,5	165,0	266,4
Kolosus Management Services (Pty) Ltd	D	3 612	3 612	100	100	–	–	0,5	–
Kolosus Leather Resources (Pty) Ltd	D	106 172	106 172	100	100	–	–	(0,1)	(4,1)
Ladysmith Leathers (Pty) Ltd	D	3 878 000	3 878 000	100	100	–	–	(4,1)	(6,1)
Ladysmith Lindgens Leathers (Pty) Ltd	D	122 470	122 470	100	100	–	–	(12,4)	(14,7)
Lindgens Ladysmith Trimming (Pty) Ltd	D	2 179	2 179	100	100	–	–	(2,1)	(2,1)
Marker Investments (Pty) Ltd	I	100	100	100	100	157,2	157,2	(53,4)	(63,9)
Merchold Properties (Pty) Ltd	D	10 000	10 000	100	100	–	–	1,7	1,5
Persaltum (Pty) Ltd	D	7 848 000	7 848 000	100	100	–	–	(7,5)	–
Vetmesting Co-operative Ltd	D	200	200	100	100	–	–	(32,6)	(32,6)
Western Wools (Pty) Ltd	D	104 810	104 810	100	100	–	–	(2,6)	(2,5)
All other subsidiaries						0,1	0,1	(0,7)	(0,2)
Total						**501,2**	**501,2**	**774,4**	**709,6**

Nature of business:

A – automotive
D – dormant
F – footwear
I – investment holding/property
M – meat
P – property/rental
T – textiles
H – polyester/fibre

All material subsidiaries are incorporated in the Republic of South Africa, except where indicated by:
(Germany)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 28th annual general meeting of shareholders of KAP International Holdings Limited (the company) will be held at the Steinhoff Whitehouse, 3a Eton Road, Parktown, Johannesburg on Tuesday, 16 May 2006, at 13h00 to consider the following and, if deemed fit, passing, with or without modification, the resolutions set out below:

Ordinary Resolution Number 1

To consider and adopt the audited annual financial statements of the company and the group for the year ended 31 December 2005.

Ordinary Resolution Number 2

To approve the directors' remuneration in terms of the company's articles of association for the year ended 31 December 2005, as disclosed in the annual financial statements.

Ordinary Resolution Number 3

To elect directors in the place of those directors retiring in accordance with the company's articles of association. Retiring directors are eligible and available for re-election and both directors have indicated that they are available for re-election.

Directors retiring by rotation at the annual general meeting are Messrs C E Daun and M J Jooste.

Brief particulars of these directors are reflected on page 2.

Ordinary Resolution Number 4

To elect directors appointed by the board, and retiring in accordance with the articles of association of the company. Retiring directors are eligible and available for re-election and both directors have indicated that they are available for re-election.

Directors appointed by the board and retiring at the annual general meeting are Messrs J P Haveman and D M van der Merwe.

Brief particulars of these directors are reflected on page 3.

Ordinary Resolution Number 5

To confirm the reappointment of Deloitte & Touche as the auditors until the next annual general meeting and to authorise the directors to fix their remuneration.

Ordinary Resolution Number 6

To consider and, if deemed fit, to pass the following ordinary resolution with or without modification:

"Resolved that the unissued ordinary shares in the capital of the company be placed under the control of the directors who shall be authorised to allot and issue these shares at such time and on such terms and conditions as they may determine, subject to section 221 of the Companies Act, 1973 (Act 61 of 1973), as amended ("The Act"), the articles of association of the company and the Listings Requirements of the JSE Limited."

Ordinary Resolution Number 7

To consider and, if deemed fit, to pass the following ordinary resolution with or without modification:

"Resolved that this resolution, subject to ordinary resolution number 6 being passed, in the form proposed or any modified form, and subject to not less than 75% of the votes cast by those shareholders of the company present in person or represented by proxy and entitled to vote at this meeting at which this resolution is proposed, voting in favour of this resolution, the directors of the company be and they are hereby authorised by way of a general authority to issue all or any of the authorised but unissued ordinary shares in the capital of the company for cash, as and when they in their discretion deem fit, subject to The Act, the articles of association of the company and the Listings Requirements of the JSE Limited, provided:

- that this authority is valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date that this authority is given;
- any such issue will only be of securities of a class already in issue, or limited to such securities or rights that are convertible into a class already in issue;
- that a paid press announcement giving full details including the impact on net asset value and earnings per share will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of shares in issue prior to the issue;
- that issues in the aggregate in any one financial year may not exceed 15% of the number of shares in the company's issued share capital;
- that in determining the price at which an issue of shares may be traded in in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price as determined over the 30 days prior to either the date of the paid press announcement or, where no press announcement is required and none has been made, the date of the directors' resolution authorising the issue (the JSE will be consulted for a ruling if the company's securities have not traded in such 30 business day period); and
- that any such issue will only be made to public shareholders as defined by the JSE Limited."

Ordinary Resolution Number 8

Subject to the passing of Special Resolution Number 1, to pass the following ordinary resolution without modification:

"Resolved that the company by way of a specific approval in terms of the Listing Requirements of the JSE read with Article 33.7 of the company's articles of association, as declared by the board on 10 March 2006, ratifies and approves the distribution and payment to shareholders of the company, in terms of section 90 of the Act, from the share premium account in the amount of 12 cents per share, in the total amount of R50 791 928.88 which payment will be made on 12 June 2006."

Ordinary Resolution Number 9

To transact such other business as may be transacted at an annual general meeting.

Special Resolution Number 1

To amend the articles of association of the company by:

- Amendment to paragraph 33 by replacing the words "special resolution" with "such resolution as required by law".

- Replacement of the existing paragraph 33.7 with a new paragraph 33.7 as detailed below:

  "33.7 The company may from time to time reduce its share capital, stated capital, any capital redemption fund or any share premium account in any manner permitted by law, and with, and subject to, the consent required by law. Without limiting the generality of the aforegoing, the company may by special resolution acquire shares issued by the company, acquire shares in its holding company (if any), and subsidiaries of the company (if any) may acquire shares in the company. Anything done in pursuance of this article shall be done subject to and in accordance with –

  33.7.1 the provisions of the Act; and/or

  33.7.2 the terms of the special resolution authorising the same; and/or

  33.7.3 the restrictions and procedures imposed by a stock exchange on which the company's shares may be listed; and/or

  33.7.4 the restrictions and procedures imposed by any other regulatory body other than that referred to in article 33.7.3; and/or

  33.7.5 insofar as articles 33.7.1, 33.7.2, 33.7.3 or 33.7.4 are not applicable, such manner as the directors may direct."

Reason for and effect of Special Resolution Number 1

The reason for this resolution is to enable the company to make a capital distribution to shareholders and to allow the company or its subsidiaries to repurchase shares.

Each member, including a member who has dematerialised his/her shares through a Central Securities Depository Participant (CSDP) and has elected to have those shares registered in his/her own name, entitled to attend and vote at the general meeting, may appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company. A member, who has dematerialised his/her shares (other than those with "own name registration"), who wishes to attend the annual general meeting must instruct his/her CSDP or broker to issue them with the necessary written authority in terms of the custody agreement entered into between the shareholder and his/her CSDP or broker, to attend the annual general meeting or if such shareholders wish to vote by way of proxy they should provide the CSDP or broker with their voting instruction.

A form of proxy is attached for those shareholders who wish to be so represented. Duly completed forms of proxy together with the documents conferring the authority to the signatory and under which it is signed (if any) must be forwarded to the company's transfer secretaries, Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg, 2001, or Computershare Investor Services 2004 (Pty) Limited, PO Box 61051, Marshalltown, 2107, so as to arrive not less than 48 hours (excluding Saturdays, Sundays and public holidays) before the time fixed for the meeting.

By order of the board

M Balladon
Company secretary
10 March 2006

CORPORATE INFORMATION

Transfer secretaries

Computershare Investor
Services 2004 (Proprietary) Limited

Ground floor, 70 Marshall Street
2001

P O Box 61051
Marshalltown Johannesburg
2107

Telephone (011) 370 5000
Facsimile (011) 327 3003

Registration number

1978/000181/06

Share code

KAP

ISIN number

ZAE 000059564

Registered address

First Floor, New Link Centre
1 New Street
Paarl
7646

Postal address

PO Box 3639
Paarl
7620

Business address

First Floor
New Link Centre
1 New Street
Paarl
7646

Sponsor

PSG Capital Limited

First Floor, Ou Kollege, 35 Church Street
Stellenbosch
7600

P O Box 7403
Stellenbosch
7599

Telephone (021) 887 9602
Facsimile (021) 887 9624

Telephone

(021) 872 8726

Facsimile

(021) 872 8904

E-mail

info@kapinternational.com

Internet

www.kapinternational.com

Auditors

Deloitte & Touche

Attorneys

Hofmeyr Herbstein
& Gihwala Inc

Company secretary

M Balladon CA(SA)

Bankers

FirstRand Bank Limited

Nedbank Limited

The Standard Bank of South Africa Limited

KAP International Holdings Ltd

KAP INTERNATIONAL HOLDINGS LIMITED

(Registration number 1978/000181/06) ("KAP"), JSE share code: KAP, ISIN: ZAE000059564)

PROXY

To be completed by certified shareholders and dematerialised shareholders with own name registration only.

For use at the 28th annual general meeting on 16 May 2006. If shareholders have dematerialised their shares with a CSDP or broker, other than with own name registration, they must arrange with the CSDP or broker concerned to provide them with the necessary written authorisation to attend the annual general meeting or the shareholders concerned must instruct them as to how they wish to vote in this regard. This must be done in terms of the custody agreement entered into between the shareholder and the CSDP or broker concerned.

I/We

(Name in block letters)

of (address)

being the registered holder/s of ordinary shares in the company

hereby appoint of

or failing him/her of

or failing him/her of

or failing him the chairman as my/our proxy, to vote for me/us and on my/our behalf at the annual general meeting of the company to be held at 13h00 on Tuesday, 16 May 2006, at the Steinhoff Whitehouse, 3a Eton Road, Parktown, Johannesburg and at any adjournment thereof as follows:

	NUMBER OF VOTES (ONE VOTE PER SHARE)		
	In favour of	Against	Abstain
Ordinary Resolution 1 Adoption of annual financial statements			
Ordinary Resolution 2 Confirm directors' remuneration			
Ordinary Resolution 3 Re-election of directors retiring by rotation			
C E Daun			
M J Jooste			
Ordinary Resolution 4 Re-election of directors appointed by the board			
J P Haveman			
D M van der Merwe			
Ordinary Resolution 5 Re-appointment of auditors			
Ordinary Resolution 6 Placing the unissued shares under the directors' control			
Ordinary Resolution 7 General authority to issue unissued shares for cash			
Ordinary Resolution 8 Approval of capital distribution of 12 cents per share			
Special Resolution 1 Amendment of the articles to allow capital distribution out of share premium and to allow share buy-backs			

A member's instructions will be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate block. Insert "X" in the appropriate block if you wish to vote all your shares in the same manner. If not, insert the number of votes in the appropriate block. The total number of votes may not exceed the total to which the member is entitled. Unless otherwise instructed, my/our proxy may vote, as he/she thinks fit.

Signed at this day of 2006

Signature

Any power of attorney and any instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or notarially certified copy of the power of attorney, must be forwarded to the company's transfer secretaries, Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 or Computershare Investor Services 2004 (Pty) Limited, PO Box 61051, Marshalltown, 2107, so as to arrive not less than 48 hours (excluding Saturdays, Sundays and public holidays) before the meeting commences.

INSTRUCTIONS FOR SIGNING AND LODGING THIS FORM OF PROXY

1. This form of proxy should only be used by certificated shareholders or shareholders who have dematerialised their shares with own name registration.

2. All other shareholders who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker and wish to attend the general meeting, must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

3. A shareholder may insert the name/s of one or more proxies, none of whom need be a member of the company, in the space provided, with or without deleting "the chairman of the general meeting". The person whose name appears first on the form ofproxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairman of the general meeting.

4. A shareholder's instructions on the form of proxy must be indicated by the insertion of a number of shares or an "X", if you wish to vote all your shares, in the appropriate space provided. Failure to comply with the above will be deemed to authorise the chairman of the general meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions at the general meeting, or any other proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all of the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.

5. In order to be effective, completed proxy forms must reach the transfer secretaries so as to arrive not less than 48 hours before the time fixed for the meeting excluding Saturdays, Sundays and public holidays.

6. The completion and lodging of this form of proxy shall in no way preclude the shareholder from attending, speaking and voting in person at the general meeting to the exclusion of any proxy appointed in terms hereof.

7. Should this form of proxy not be completed and/or received in accordance with these notes, the chairman may accept or reject it, provided that in the case of acceptance, the chairman is satisfied as to the manner in which the shareholder wishes to vote.

8. Documentary evidence establishing the authority of the person signing this form of proxy in a representative or other legal capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairman of the general meeting.

9. The chairman shall be entitled to reject the authority of a person signing the form of proxy:
   9.1 under a power of attorney, or
   9.2 on behalf of a company unless that person's power of attorney or authority is deposited at the registered office of the transfer secretaries not less than 48 hours before the meeting, therefore not later than 13h00 on Friday, 12 May 2006.

10. Where shares are held jointly, all joint holders are required to sign the form of proxy.

11. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.

12. Any alteration of or correction to this form of proxy must be initialled by the signatory/ies.

13. On a show of hands, every shareholder present in person or represented by proxy shall have only one vote, irrespective of the number of shares he/she holds or represents.

14. On a poll, every shareholder present in person or represented by proxy shall have one vote for every share held by such shareholder.

15. A resolution put to the vote shall be decided by a show of hands unless before, or on the declaration of the results of the show of hands, a poll shall be demanded by any person entitled to vote at the annual general meeting.

Transfer secretaries
Computershare Investor Services 2004 (Pty) Limited

Address
70 Marshall Street
Johannesburg
2001

Postal
PO Box 61051
Marshalltown
2107

Contact
Telephone (011) 370 5000
Facsimile (011) 688 7710

KAP International Holdings Ltd

motiv

www.kapinternational.com