ANNUAL REPORT **2007**

group profile

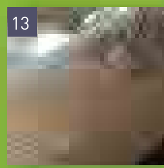
KAP International Holdings Limited is an investment company with a portfolio of diverse manufacturing businesses. These include fresh and processed meat, maize millling, leather products, footwear, speciality fibres, bottle resin, automotive products and towelling products. The company is listed on the JSE under the Diversified Industrial sector. The group employs 6 228 people and controls assets of R2,4 billion which generated annualised revenue of R3,7 billion.

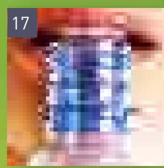
The group's head office is in Paarl and operations are situated in Johannesburg, Durban, Cape Town, Pretoria, Port Elizabeth, East London, Ladysmith and Krugersdorp.

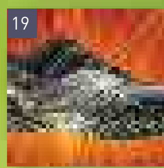
KAP International Holdings Ltd

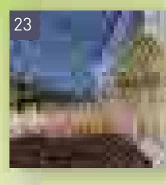
mastering diversity

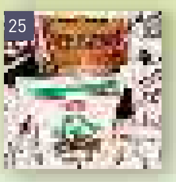
contents











highlights

- STRONG CASH FLOWS FROM OPERATING ACTIVITIES
- HEADLINE EARNINGS OF 35,5 CENTS FOR THE 12 MONTHS
- ACQUISITION OF BRENNER MILLS COMPLETE
- HOSAF PET EXPANSION PROJECT ANNOUNCED

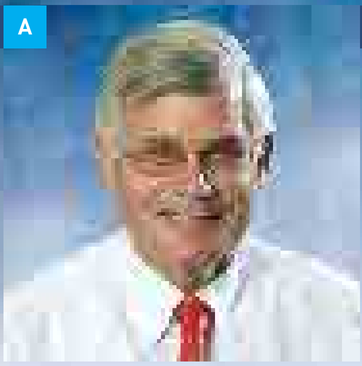
	18 months ended 30 Jun 2007 Rm	Year ended 31 Dec 2005 Rm
Revenue	**5 242,2**	2 975,1
Operating profit	**338,5**	225,5
Income attributable to ordinary shareholders	**226,0**	194,7
Earnings per share (cents)	**53,3**	46,2
Headline earnings per share (cents)	**52,5**	45,7
Distribution per share (cents)	**17**	12
Closing share price at period-end (cents)	**356**	375
Net asset value per share (cents)	**274,7**	246,0
Shareholders' funds	**1 166,1**	1 041,2
Net interest-bearing debt to equity (%)	**43,4**	22,1
Market capitalisation at period-end	**1 511**	1 587

brands

AUTOMOTIVE TRIM

FOAM CONVERTING

AUTOMOTIVE LEATHERS

A

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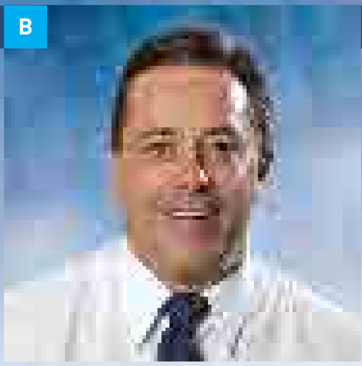
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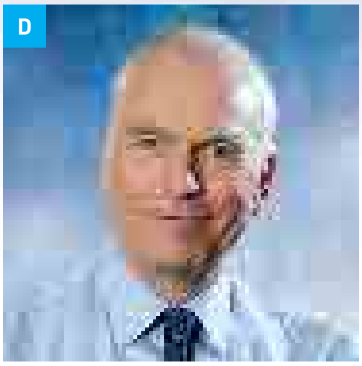
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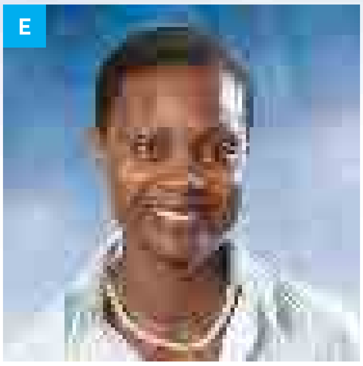
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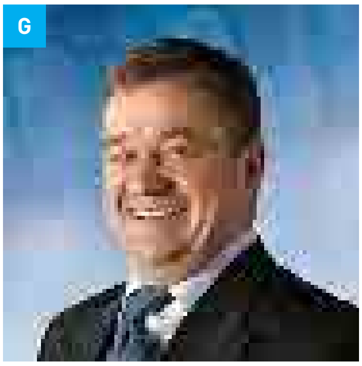
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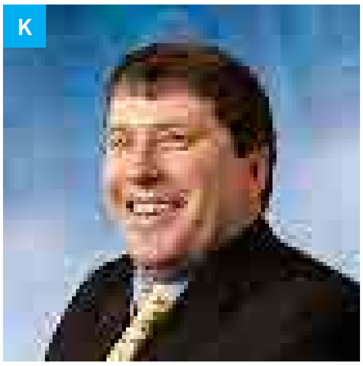


directors and officers

non-executive directors

C E Daun (64)
(German) BAcc, CA
Non-executive chairman

A — 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.

M J Jooste (46)
BAcc, CA(SA)
Non-executive director

B
- Member of remuneration committee

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 and Amalgamated Appliance Holdings Limited, the Racing Association and Phumelela Gaming and Leisure Ltd.

J B Magwaza (65)
BA, MA (Warwick UK)
Independent
non-executive director

C
- 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 chairman of the board of Mutual and Federal and a director of Ithala Finance Corporation Limited. He is executive chairman and a 5% shareholder of Motseng Investment Holdings.

F Möller (62)
(German) Dip-Kfm
Non-executive director

D — 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.

I N Mkhari (33)
BSoc Sci
Independent
non-executive director

E
- 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 non-executive director of Ambit Properties, Martprop, Motseng Marriott Property Services and Mooi River Home Textiles.

S H Nomvete (34)
Dip Computer Programming
Independent
non-executive director

F
- Member of audit and risk 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.

D M van der Merwe (49)
BCom LLB
Non-executive director

G — 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, PG Bison Limited and Amalgamated Appliance Holdings Limited. He is the group managing director of Steinhoff Africa Holdings (Pty) Limited.

executive directors

P C T Schouten (52)
CA(SA), MBA (UCT)
Chief executive officer (CEO)

H
- Member of audit and risk committee
- Member of remuneration committee
- Member of transformation committee

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.

J P Haveman (33)
BAcc, BCompt (Hons), CA(SA)
Chief financial officer (CFO)

I
- Member of audit and risk committee

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

officers

D Konar (53)
BCom, CA(SA), MAS, DCom

J
- Chairman of audit and risk committee

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, and 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.

J H N van der Merwe (48)
BAcc, BCompt (Hons), CA(SA)

K
- Member of audit and risk committee

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

company secretary

M Balladon (45)
BCom, CA(SA)

Mark joined the Glodina group in 1989 and was appointed as KAP company secretary in 2004. He also serves as financial director of Feltex Automotive.

executive committee

An executive committee of the executive directors and senior management 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 AS AT 30 JUNE 2007

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	1 537	47,51	334 670	0,08
1 001 – 10 000 shares	1 136	35,12	4 909 777	1,16
10 001 – 100 000 shares	419	12,95	12 468 790	2,94
100 001 – 1 000 000 shares	105	3,25	39 722 124	9,36
1 000 001 shares and over	38	1,17	367 038 296	86,46
	3 235	**100,00**	**424 473 657**	**100,00**
Distribution of shareholders				
Banks	23	0,71	3 634 817	0,86
Close corporations	49	1,51	470 575	0,11
Endowment funds	1	0,03	52	0,00
Individuals	2 775	85,80	44 909 236	10,58
Insurance companies	7	0,22	3 880 016	0,91
Investment companies	1	0,03	125 724	0,03
Medical aid schemes	3	0,09	1 776 328	0,42
Mutual funds	27	0,83	29 764 142	7,01
Nominees and trusts	210	6,49	14 375 183	3,39
Other corporations	93	2,87	20 411 145	4,81
Pension funds	20	0,62	14 728 820	3,47
Private companies	21	0,65	186 229 317	43,87
Public companies not included above	5	0,15	104 168 302	24,54
	3 235	**100,00**	**424 473 657**	**100,00**
Resident/non-resident shareholders				
Resident	3 198	98,86	260 269 147	61,32
Non-resident	37	1,14	164 204 510	38,68
	3 235	**100,00**	**424 473 657**	**100,00**
Public/non-public shareholders				
Non-public shareholders			312 180 950	73,54
Daun & Cie AG			157 361 384	37,06
Steinhoff Africa Holdings (Pty) Ltd			103 760 000	24,44
Motseng Investment Holdings (Pty) Ltd and subsidiary			26 000 000	6,13
Daun & Cie AG – KAP International Executive Management Share Scheme			1 300 000	0,31
Directors and associates of the company and subsidiaries			23 759 566	5,60
Major institutions			49 358 075	11,63
Investec Asset Management			36 332 798	8,56
Peregrine Asset Management			13 025 277	3,07
Other public			62 934 632	14,83
			424 473 657	**100,00**

chairman's and chief executive officer's report

REVIEW OF RESULTS

The board of directors reports on the results for the 18 months ended 30 June 2007. Operating profit (excluding the pension fund surplus) grew by 5% for the twelve months to June 2007 ("2006/7") compared to the twelve months to June 2006 ("2005/6"), despite significantly lower margins in Bull Brand Foods caused by adverse market conditions. Headline earnings per share decreased from 49,1 cents to 35,5 cents due also to 11,8 cents relating to the once-off pension fund surplus accounted for in 2005/6.

Revenue for 2006/7 increased by 17% from R3,1 billion to R3,7 billion due to double-digit growth in all operations and the inclusion of R121 million of revenue from Brenner Mills. The improved performance of the leather operations and solid results of the other divisions compensated for the lower Bull Brand results. Details of the performance of the operations are provided in the operations' reports.

BALANCE SHEET AND CASH FLOW

An increased interest-bearing debt-to-equity ratio of 43% reflects the incremental debt assumed on the acquisition of Brenner Mills as well as additional investments in working capital to finance increased activity levels.

In addition to fixed assets and working capital acquired in Brenner, capital expenditure of R147,2 million was incurred during 2006/7, the bulk of which was in the automotive division for the rollout of the new Toyota Corolla, Toyota Hilux and the Mercedes Benz C Class. Capital expenditure of R201,2 million (including R144,8 million of expansionary capex, R97,7 million of which relates to the Hosaf expansion) has been approved, which will be funded out of operating cash flows and borrowings.

Industrial segment

FELTEX AUTOMOTIVE

Continued growth in sales was driven by increased market share, the improved performance of Feltex Autoleathers and the inclusion of Caravelle Carpets in the results for the first time. Although vehicle build did not grow significantly over the period due to two model change-overs, long-term growth prospects remain intact.

INDUSTRIAL FOOTWEAR

The strategic decision to import footwear has proven to be a success, and further increases in revenue and operating margins have resulted. Demand for gumboots remain strong, driven by increased volumes in mining, security and construction and the strength of the brands.

HOSAF FIBRES

Profitability has continued to improve due to the increased capacity of the continuous polymerisation plant. The announced doubling of Hosaf's PET capacity in 2008/9 will ensure that Hosaf becomes a major player in the South African market.

Consumer segment

JORDAN & CO

Own manufacturing volumes were static for the period and margin pressure by the retail chains continues, but import volumes have increased significantly, particularly in the main brands of Bronx, Asics and Olympic.

BULL BRAND FOODS

The high cost of weaners and high maize prices have resulted in greater margin pressure being experienced in the fresh meat division. The cannery performed well during the period, driven by strong consumer demand for convenience products. Decisive management action has been taken to address the cost challenges.

BRENNER MILLS

Margins have increased in the 2006/7 financial year as a result of a strong marketing drive, a brand awareness campaign and synergies resulting from integration into the KAP group.

GLODINA

Margins were maintained despite pressure from retailers, and Glodina has invested further in capital expenditure to maintain its competitive edge. The potential from the hospitality sector remains largely untapped, and consumer demand remains strong.

Corporate activity

Effective 1 May 2007, the group acquired 60% of the issued share capital of Brenner Mills (Pty) Ltd, which holds significant synergistic potential with Bull Brand Foods in terms of marketing, distribution and animal feed. The group holds a call option over the remaining 40%, details of which are provided in the notes to the annual financial statements.

Effective 1 July 2006, the group acquired 100% of the issued share capital of Caravelle Automotive Holdings (Pty) Ltd, which manufactures loose-laid carpets for the South African automotive market. Synergies with Feltex Automotive Trim are substantial.

A 50/50 joint venture was formed with the Australian Futuris Automotive Group. Futuris Feltex (Pty) Ltd will produce tufted carpeting and supply Feltex Automotive Trim for the Mercedes Benz C Class and the export market.

Corporate governance

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.

Sustainability
The group recognises the impact of its operations on society and the environment, and is constantly striving to improve the well-being of all stakeholders in this regard.

Directors and officers
There were no changes to the directors and officers during the period.

Capital distribution
The board has declared a final distribution of 3 cents per share, bringing the total distribution for the 18-month period to 17 cents (2005: 12 cents). The distribution cover is approximately 3 times (2005: 3,8 times). The policy of the group is to declare distributions annually after the year-end results have been finalised.

Outlook
The expansion of the Hosaf plant is expected to generate long-term returns for shareholders, and growth in volumes and parts penetration at Feltex Automotive is expected to continue on the basis of industry forecasts.

The consumer divisions remain well placed to maintain or improve operating margins into the future, driven by the strength of our brands and an improved performance from Bull Brand Foods. Brenner is expected to perform well and to add considerably to the operating profit of the consumer division.

C E Daun
Chairman

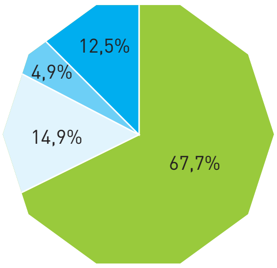
P C T Schouten
Chief executive officer

7 September 2007

VALUE-ADDED STATEMENT

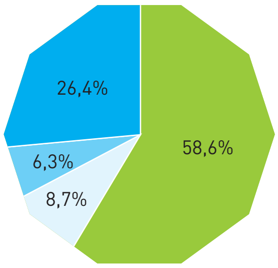
	Period ended 30 Jun 2007 Rm	Year ended 31 Dec 2005 Restated Rm
Sales	**5 242,2**	2 975,1
Materials and services purchased	**(4 155,0)**	(2 244,7)
Wealth created	**1 087,2**	730,4
Distributed as follows:		
To pay employees	**736,4**	428,0
To pay providers of capital	**161,9**	63,5
To pay government	**53,0**	45,6
Retained in the group	**135,9**	193,3
Wealth allocated	**1 087,2**	730,4

2007



- Employees
- Providers of capital
- Government
- Retained in the group

2005



- Employees
- Providers of capital
- Government
- Retained in the group

SIX-YEAR FINANCIAL REVIEW

	30 Jun 2007 (18 months) IFRS	31 Dec 2005 Restated IFRS	31 Dec 2004 Restated SA GAAP	31 Dec 2003 (8 months) SA GAAP	30 Apr 2003 SA GAAP	30 Apr 2002 SA GAAP
Group income statement (Rm)						
Revenue	**5 242,2**	2 975,1	1 911,9	616,6	1 158,4	1 168,1
Operating profit/(loss)	**338,5**	225,5	140,6	22,7	(96,0)	33,1
Negative goodwill from acquisitions	**–**	–	134,7	–	–	–
Net pension fund surplus	**–**	50,6	–	–	–	–
Discontinued operation closure costs	**–**	(10,9)	–	–	–	–
Net finance costs	**(51,1)**	(19,4)	(10,6)	(12,6)	(25,4)	(26,3)
Share of results of joint ventures	**3,2**	0,7	1,2	(2,0)	(0,6)	1,7
Profit/(loss) before taxation	**290,6**	246,5	265,9	8,1	(122,0)	8,5
Taxation	**(53,0)**	(45,6)	(24,6)	–	–	(1,0)
Minorities' interest	**(11,6)**	(6,2)	(2,2)	–	–	–
Net profit/(loss) attributable to ordinary shareholders	**226,0**	194,7	239,1	8,1	(122,0)	7,5
Group balance sheet (Rm)						
Shareholders' funds	**1 166,1**	1 041,2	854,2	203,7	56,2	179,7
Minorities' interest	**25,0**	14,0	9,4	–	–	0,5
Deferred taxation	**29,1**	17,6	6,3	–	–	–
Total borrowings	**537,0**	245,0	249,4	70,1	155,7	164,1
Retirement benefit obligation	**14,0**	19,8	40,6	9,9	12,9	11,4
Current liabilities (excluding short-term borrowings)	**618,5**	410,7	385,5	73,4	179,3	123,3
Total equity and liabilities	**2 389,7**	1 748,3	1 545,4	357,1	404,1	479,0
Property, plant, equipment and investment properties	**709,1**	529,5	410,3	50,7	63,6	124,2
Pension fund surplus	**54,3**	50,6	–	–	–	–
Deferred taxation	**67,9**	95,1	121,9	–	–	–
Total investments, loans receivable and goodwill	**92,6**	34,1	40,2	21,0	7,2	7,6
Inventories and receivables (excluding short-term loans receivable)	**1 463,4**	1 036,8	928,0	248,2	324,3	347,2
Cash and cash equivalents	**2,4**	2,2	45,0	37,2	9,0	–
Total assets	**2 389,7**	1 748,3	1 545,4	357,1	404,1	479,0
Group cash flow (Rm)						
Cash generated from operations	**397,2**	218,5	164,8	24,1	7,1	59,2
Net working capital changes	**(177,9)**	(85,5)	(44,4)	(5,8)	28,0	(7,5)
Net finance costs	**(51,1)**	(19,4)	(10,6)	(22,6)	(26,5)	(26,3)
Taxation paid	**(14,0)**	(3,1)	(13,5)	(0,2)	(0,9)	(1,2)
Net cash (outflow)/inflow from investing activities	**(219,5)**	(139,1)	(474,1)	20,0	9,7	19,9
Total cash flows from operating and investing activities	**(65,3)**	(28,6)	(377,8)	15,5	17,4	44,1

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.

SIX-YEAR FINANCIAL REVIEW

	30 Jun 2007 (18 months) IFRS	31 Dec 2005 Restated IFRS	31 Dec 2004 Restated SA GAAP	31 Dec 2003 (8 months) SA GAAP	30 Apr 2003 SA GAAP	30 Apr 2002 SA GAAP
Ratios and statistics						
Profitability						
Operating profit as percentage of revenue (%)	**6,46**	7,58	7,35	3,68	(8,28)	2,84
Net profit as percentage of revenue (%)	**4,31**	6,54	12,51	1,31	(10,52)	0,65
Return on equity (%)[1]	**21,70**	22,40	117,33	14,36	(67,84)	4,46
Leverage						
Interest-bearing debt to equity (%)[2]	**43,4**	22,1	20,7	34,3	277,2	91,4
Debt to equity (%)[3]	**100,4**	65,5	63,7	52,2	580,4	156,0
Liquidity						
Current ratio[4]	**1,4**	1,8	1,8	2,0	1,0	1,2
Interest cover (times)[5]	**6,6**	11,6	13,3	(1,4)	3,6	(1,3)
Productivity						
Total assets turn	**2,2**	1,7	1,2	1,7	2,9	2,4
Number of employees	**6 228**	4 681	5 272	1 689	1 921	2 153
Assets per employee (R)	**383 702**	373 489	293 160	211 485	210 332	222 447
Annualised revenue per employee (R)	**707 612**	635 570	362 647	365 023	603 002	542 556
Share statistics						
Number of shares in issue (000)	**424 473**	423 266	418 720	168 120	28 020	28 020
Weighted average number of shares in issue (000)	**424 063**	421 477	293 412	34 882	28 020	28 020
Headline earnings/(loss) per share (cents)[6]	**52,5**	45,7	33,8	24,9	(311,6)	43,2
Earnings/(loss) per share (cents)[7]	**53,3**	46,2	81,5	23,13	(434,93)	26,87
Distribution per share (cents)	**17**	12	5	–	–	–
Net asset value per share (cents)[8]	**274,7**	246,0	204,0	121,2	200,5	641,2
Total number of shares traded (million)	**204,9**	208,4	40,7	10,84	0,25	0,27
Total value of shares traded (Rm)	**820,7**	719,7	83,7	1,85	0,54	0,79
Market price at period-end (cents)	**356**	375	300	100	220	220
– highest closing price (cents)	**494**	415	305	300	380	500
– lowest closing price (cents)	**343**	293	50	100	100	140
Market capitalisation at period-end (Rm)	**1 511**	1 587	1 256	168	62	62
Price/earnings ratio[9]	**9,93**	8,13	8,87	4,02	(0,71)	5,09

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) 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/earnings ratio**
Market price per share at period-end divided by annualised headline earnings per share.

operational structure

INDUSTRIAL SEGMENT

HOSAF

Manufacturer of polyester fibre and PET bottle resin

FELTEX AUTOMOTIVE

Feltex Automotive Trim

Integrated automotive trim and acoustic manufacturer

Feltex Fehrer (74%)

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 (49%)

Automotive acoustics and thermal management

Feltex Automotive Leathers

Automotive leather manufacturer

Futuris Feltex (50%)

Tufted carpeting 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

BRENNER MILLS (60%)

Leading maize miller

national locations

Feltex Automotive
Durban
East London
Ladysmith
Port Elizabeth
Rosslyn (Pretoria)
Midrand

United Fram & Wayne Plastics
Johannesburg

Glodina
Hammarsdale (Durban)

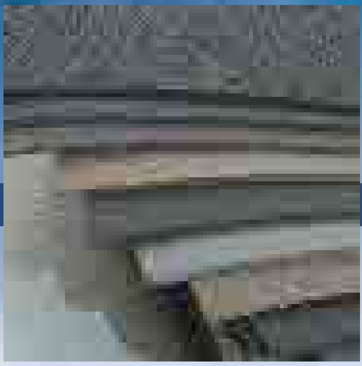
Mossop Western Leathers
Wellington (Cape Town)

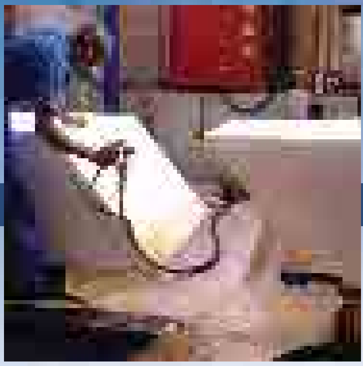
Bull Brand Foods
Krugersdorp

Jordan & Co
Cape Town

Hosaf
Cape Town
Durban
Alrode

Brenner Mills
Pretoria





feltex automotive

operational review

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, Midrand and East London, in close proximity to the Original Equipment Manufacturer ("OEM") plants.

PERIOD UNDER REVIEW

Feltex Automotive achieved its 2006/7 budgets in spite of a number of challenges relating to raw material price increases, interest rate increases and submissions on new models to be launched during 2007. Revenue and operating profit increased satisfactorily on the previous 12 months.

Locally produced passenger and light commercial vehicle sales increased from 535 033 units to 542 831 units in 2006/7. A 4% reduction in sales in the first six months of the 2007 calendar year resulted in a lower-than-expected annual increase in locally produced vehicle sales. This was primarily impacted by interest rate hikes.

Feltex Fehrer, Feltex Automotive Trim and Rieter Feltex delivered excellent returns.

Feltex Automotive Leathers has been receiving significant attention and its performance has improved, but it is still not at the desired level of profitability and further initiatives have been put in place to improve performance.

The period was characterised by a number of events:

- The acquisition of Caravelle Automotive Holdings (Pty) Ltd, a producer of loose lay mats for the motor industry, which directly complements the interior carpet trim business.
- A joint venture was formed with an Australian company called Futuris Automotive Group Limited. Futuris Feltex (Pty) Ltd, situated in East London, will produce tufted carpeting and supply the Feltex Automotive Trim business unit for the new Mercedes C Class and requirements for the export market.
- A new greenfield production facility was commissioned in East London. The new site in the industrial development zone of East London will house the local operations of Feltex Fehrer (Pty) Ltd and Feltex Automotive Trim. The consolidation of the Port Elizabeth and East London plants was accompanied by retrenchments costing R1,6 million.
- A new leather processing technology was introduced at Feltex Automotive Leathers in Ladysmith, using a German technology partner. Orders from America have already been received and the new technology will assist this business unit to differentiate itself from its competitors and gain market share.

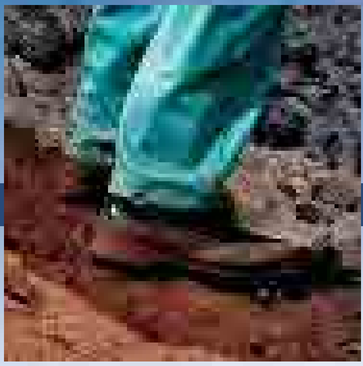
PROSPECTS

With the launch of two new models, namely the Toyota Corolla and the Mercedes Benz C Class, the outlook for Feltex Automotive is favourable. Vehicle build for the period is expected to show strong growth, driven in particular by the Toyota Hilux/Fortuner and Corolla.

AUTOMOTIVE TRIM

FOAM CONVERTING

AUTOMOTIVE LEATHERS




metro

industrial footwear

operational review

Jeff Burland
BCompt
Divisional
Managing Director
Industrial Footwear

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 gumboots for local and export markets; and
- Mossop Western Leathers, supplying leather to the footwear and leather goods industries.

PERIOD UNDER REVIEW

United Fram and Wayne Plastics

As reported last year, this division undertook the importation of products to supplement local production. This proved to be a resounding success. Excellent volumes and operating margins were achieved, mainly due to exceptional quality and very favourable exchange rates.

The new rubber moulds have entrenched Frams as the leading and only producer of direct injected rubber/polyurethane footwear in South Africa, and expectations are that products made to this specification will grow significantly in the future.

The first six months of 2007 saw unit sales improve marginally on 2006, and expectations are that this trend will continue. Continual increases in cost of materials for local manufacture and increases in prices of imported products have put a strain on margins and every effort is being made to try and contain these costs and increase selling prices to restore the margins.

Wayne Plastics experienced one of the most successful years in its history. The new plant to manufacture raw materials was commissioned and produced compound under licence for the period. The savings generated by the compounding plant increased margins, and a record number of units were produced. The new mould development is taking longer than anticipated as it is critical to test products on a pilot mould for design and defects before commissioning a new set. This is being undertaken together with a new concept in gumboot design which is in the process of being patented and which, if successful, will be a world first.

Mossop Western Leathers

Mossop (and the South African shoe and leather manufacturing industry) experienced a difficult first six months of 2006 due to:

- Imports from countries and continents with protected economies such as South America, the Indian subcontinent and China.
- Extraordinary increases in global hide prices, mainly due to the influencing of the markets by the Chinese leather industry.

Mossop reacted by consolidating its activities in one plant by converting to a 24-hour production facility and implementing various cost-cutting and efficiency measures, with the result that it returned to profitability during the latter part of 2006. The site on which the redundant plant is located will be converted into a residential property development.

PROSPECTS

2008 appears to be just as promising as 2006/7, as orders continue to grow to the extent that a sixth gumboot machine is on order and is due to be commissioned towards the end of 2007.

Due to oil price increases, the costs of inputs for the compound have risen, putting margins under pressure. We have increased selling prices to restore these margins and also believe that the price of the inputs will stabilise, thus restoring margins to normal levels.

2007/8 will see Mossop growing from this globally competitive platform by continuing to improve on internal and customer-focused efficiencies. It will also continue hedging itself against currency fluctuations by growing its trading business dealing with selected imported leathers.




hosaf

operational review

Peter White
BSc (Hons) Textile Technology
Divisional
Managing Director

Profile

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

PERIOD UNDER REVIEW

Hosaf continued to improve utilisation of the polymer facilities through process changes and by the end of the period under review had increased the capacity of the continuous polymer plant by 14%. As a result, Hosaf now has a PET capacity of 60 000 tonnes per annum. Overall, Hosaf's performance was positive in spite of rising raw material costs, with increased revenue and operating profit.

Optimisation work in conjunction with technology partners enabled Hosaf to once again increase PET sales over the first half of the period under review. A technical breakdown in early 2007 had a negative impact on PET sales during this time. This means the full effect of the increased capacity will only be seen in the next reporting period.

Market conditions in the traditional fibre sector remained poor despite the introduction of quotas on Chinese textiles. The adjustments made in 2005 to adjust production volumes allowed Hosaf to match output to market conditions, but the market size is at a critical level.

Industrial fibre sales and margins came under pressure from imports of Chinese recycled fibres. Improvements were made in the performance of Hosaf's recycling plant and sales increased by 36% over the previous period, enabling management to offset the impact of usage of recycled raw materials at the Cape Town site (now up to 40% of feedstock used).

Hosaf continues to introduce more specialised fibre types but success has been limited. Management is committed to introducing technology to finalise these projects, which will bring margin growth.

PROSPECTS

Hosaf expects growth in local PET resin demand to continue at 8% per annum. The debottleneck initiatives of the polymer plants have now been completed and will enable Hosaf to take advantage of demand growth and PET sales are expected to grow 13% in the next 12 months.

No growth is expected in the traditional cotton staple market despite the quota measures introduced in 2006. This sector is expected to remain under price pressure.

Industrial fibres will continue to feel the pressure of recycled fibres from China. Management will continue to improve the technology at the recycling plant. This will improve the quality of the recycled chip and therefore increase the percentage used in Cape Town to over 50% of all feedstock.

Growth in speciality fibres has been slow. Management plans to bring two new higher margin products to market during the next reporting period.

Hosaf will be entering into formal contracts with technology partners in 2007/8, which will result in a substantial increase in production capacity. An investment of approximately R100 million of capital expenditure is anticipated, along with substantial working capital investment. The project will be completed by December 2008.

This capacity expansion will position Hosaf as the dominant player in the South African market, and will enable the company to take advantage of the continuing increase in demand for PET resin, both in South Africa and overseas.


BRONX
BRONX

jordan & co

operational review

Rob Jordan
BCom (UCT)
Dipl Management (London), ABSI
Divisional
Managing Director

Profile

Jordan & Co was established in 1899 and supplies men's, ladies' and children's fashion and sports footwear to the South African market. Sales are of branded products ("Bronx", "Jordan", "Asics", "Olympic", "Sperry", "Keds", "Steve Madden" and "Phatfarm") across the retail spectrum as well as house brands for various large retail chains.

Footwear is both imported and manufactured at the division's factory in Cape Town, with slow-moving and residual product being disposed of through a small chain of factory shops. Jordan is a long-term supplier of footwear to the state and parastatal organisations.

PERIOD UNDER REVIEW

The first twelve months of the 2006 calendar year were characterised by 17% growth in volumes, 21% growth in revenue and a satisfactory increase in operating profits.

The manufacturing operation, while constantly under price pressure, managed to retain its volumes. Good growth was experienced in sales of imported products, including the international brands of Asics and Keds. Growth was also experienced in sales to chains of their house brands, albeit at lower margins.

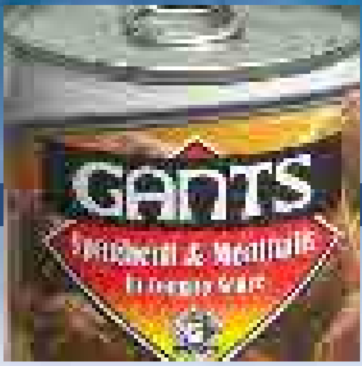
Significant investment has been made to upgrade showroom and design facilities, and the division's management information systems are in the process of major enhancement.

Results were cushioned by hedging imports. Stockholdings of imported products increased by 20%, with commensurate increases in credit from suppliers.

The first six months of the 2007 calendar year are traditionally difficult, with peak demand being in the second six months of the calendar year. The growth in the ladies' division and the acquisition of the rights to the Steve Madden international brand are encouraging for the longer term.

PROSPECTS

Order flow for summer 2007 is strong compared to 2006 and steady further growth is expected from our new ventures. The Asics sports brand is performing well, regularly featuring at major events both in South Africa and overseas.


GANTS


Bull Brand
MEGA MEATY
BURGERS


50
YEARS
since 1957

bull brand foods

operational review

Lou Campher
BProc, LLB
Managing Director

Profile

Bull Brand Foods operates a large abattoir in Krugersdorp, supplied mainly from its two cattle feedlots near Magaliesberg 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".

PERIOD UNDER REVIEW

The period under review has been characterised by difficult trading conditions in the fresh meat division of Bull Brand, especially in relation to weaners and beef selling prices. Strong competition for expensive weaners in the livestock sector, together with rising feed costs, pushed selling prices to an all-time high in October 2006. Consumer resistance to these high prices led to a disappointing December trading period, an oversupply of beef in February 2007 and a downward structural market adjustment. Bull Brand, in line with the rest of the sector, reduced its herd by restricting its intake and drawing off its veld weaners. Weaner and beef prices have since normalised, but feed costs remain an area of concern.

The canned meals division has again delivered an above expectation performance and has favourably exceeded almost every budgeted parameter. Fuelled by strong consumer spend, this basket of branded convenience products performed very well in the retail and wholesale markets of southern Africa, despite being hampered by an undersupply of rectangular cans from its only local supplier.

The consolidated performance of Bull Brand has, however, been disappointing, although it still made a positive contribution to the group results. Production, health and cost-efficiencies at both feedlots remain excellent. The development of Thungela (adjacent to Hurland Feedlot) as a weaner pre-conditioning unit and roughage supplier is almost complete. The Bluff farm, situated in close proximity to Taaiboschbult, was recently acquired to supplement the preconditioning capacity of that feedlot, and the health and performance benefits to the feedlots have been significant. An EIA has been completed and submitted in support of an application to increase the standing capacity of Taaiboschbult, the outcome of which is still awaited. Installation of the Navision Management information system in Krugersdorp is almost complete, despite delays due to customisation, and rollout to the feedlots will follow shortly. A new biltong plant was commissioned in the third quarter of 2006 to support the Snax range of dried/cured products and January 2007 saw a major refurbishment of the cannery and related infrastructure in Krugersdorp. Currently a project to reduce the cost of industrial effluent generated by the operations at Krugersdorp is under way and is expected to be fully operational in the last quarter of 2007. The feedlots and Krugersdorp operations have once again successfully retained their ISO 14001 and HACCP/BRC certifications respectively.

The decommoditisation drive gained momentum with the opening of six in-store "Bull Brand Master Butchers" outlets in a well-known retail chain and are progressing according to plan. This will continue to play an important role to grow the fresh meat brands. A fresh meat brand rationalisation exercise has been completed and production protocols have been aligned accordingly.

Bull Brand celebrates its 50th anniversary this year and has changed its image and packaging to reflect this fact. In-store promotional activity and visibility have increased and the launch of a series of branded product range extensions will assist this campaign.

PROSPECTS

Rising feed costs remain a concern, but prospects for improved margins are good, in light of a significant reduction in weaner prices in the first half of 2007.

The overall trading and economic outlook remains positive with regard to canned meals. Increased local can manufacturing capacity will improve margins and eliminate lost sales.




glodina

operational review

Paul Redondi
Dipl Textile Engineering (Bergamo)
Joint Managing Director

Mark Balladon
CA(SA)
Joint Managing Director

Profile
Glodina is the leading branded manufacturer of quality towelling and related products in South Africa.

Over the past 50 years, Glodina has become a household name, not only as the preferred provider of towelling products to top South African retailers, but also as a respected supplier of superior products which play a key role in the success of the hospitality industry.

With prized Glodina Black Label brands such as "Glodina Beach", "Soft Touch" and "Marathon", Glodina has become synonymous with an uncompromising commitment to quality, affordable luxury and durability.

PERIOD UNDER REVIEW

Glodina has over the 18-month period performed exceptionally well, both in terms of market growth and profitability. Despite increases in interest rates, consumer demand continued to be unaffected in the sector, with all major retailers having recorded approximately 10% annual growth in the textile sector, which is expected to continue.

Glodina continued to drive innovation and quality in the marketplace, striving to achieve customer service excellence and a value for money product-price offering. The brand, diversity and service level have been crucial in our retention of market share.

In order to maintain current competitiveness and further reduce conversion costs, R23 million was invested in capital plant and machinery over the period. This investment was mainly concentrated in the areas of automation and replacement of outdated equipment to further improve efficiencies and reduce waste and lead times.

Hospitality remains a major focus area within the strategic direction of Glodina. Attention was given to being constantly well stocked and also marketing the advantageous properties of the "snag-proof" hospitality towels. The main drive to increase market share in this sector took place via the major chains and the wholesalers.

Improved customer service levels and the ongoing building of the Glodina brand have enjoyed priority during the period, and a continual investment in the training and development of staff has shown great returns in terms of improved productivity and greater flexibility.

PROSPECTS

Future prospects include growth in earnings, which will largely depend on maintaining margins. The Glodina cost structures over the last three years have been reduced in line with landed imported prices.


SHAYA
MAIZE RICE

"SUPER"
STRENGTH
SHAYA
SUPER MAIZE MEAL
13.5kg
BRENNER MILLS (PTY) LTD
1kg FREE
QUALITY GUARANTEED

CUP FINAL

BRENNCO
MABELA
MEAL
"SUPER"
STRENGTH
SHAYA
CUP FINA
Simply the Bes

brenner mills

operational review

Eric Goldblum
Non-executive Director

Steven Brenner
Managing Director

Profile

Over the past 70 years, Brenner Mills has become one of the leading maize millers in South Africa. Brenner's top maize meal brands are "Shaya" and "Cup Final", which account for the majority of group revenue. The diverse division consists of the following brands: Magic Rice, E-Rice, Shaya Mabela, as well as a complete range of dried vegetables and pet food, marketed under the Brennco banner. The Brennco Feeds division, situated in Louis Trichardt, produces a range of balanced chicken, game, pig and ruminant feeds.

PERIOD UNDER REVIEW

The South African maize market is now fully deregulated. This, coupled with the R/$ exchange rate, has resulted in a constantly fluctuating price of raw material, which has been further aggravated by supply and demand of seasonal crop availability.

Maize comprises at least 80% of any maize mill's cost structure, and therefore Brenner Mills has adopted a conservative, yet flexible, procurement strategy.

Sales volumes of the leading maize meal brands, as well as the total maize category have increased over the 2006/7 financial year. This can be mainly attributed to a strong marketing drive and brand awareness campaign.

As a prominent player in the maize meal market, Brenner Mills has captured market share of between 11% and 12% of the total domestic market.

In 2004, Brenner Mills started the production, distribution and marketing of rice. These brands have shown tremendous growth, especially in the Gauteng region.

The group operates six production plants, of which three are situated in Limpopo, two in Gauteng and one in the Western Cape. Brenner Mills' Head Office is situated in Pretoria.

Brenner's distribution network services the whole of South Africa.

PROSPECTS

With strong customer focus, uncompromising service and premium quality products, Brenner Mills will pursue future sustainable growth as well as profitability.

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 executive directors 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

	Position	Independent	Transformation committee	Audit and risk committee	Remuneration/ human resources 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	
D M van der Merwe					
EXECUTIVE					
P C T Schouten	X CEO		X	X	X
J P Haveman	X CFO			X	

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

	Board		Audit and risk committee		Remuneration and human resources committee		Transformation committee	
	Scheduled	Attended	Scheduled	Attended	Scheduled	Attended	Scheduled	Attended
C E Daun	6	6	–	–	–	–	–	–
J P Haveman	6	6	3	3	–	–	–	–
M J Jooste	6	6	–	–	4	4	–	–
J B Magwaza	6	6	–	–	4	4	2	2
I N Mkhari	6	4	–	–	4	4	2	2
F Möller	6	5	–	–	–	–	–	–
S H Nomvete	6	6	3	3	–	–	–	–
P C T Schouten	6	6	3	3	4	4	2	2
D M van der Merwe	6	6	–	–	–	–	–	–
J H N van der Merwe	–	–	3	3	–	–	–	–
D Konar	–	–	3	3	–	–	–	–

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 has been approved. This policy will be reviewed on an annual basis.

TRANSFORMATION COMMITTEE

The transformation committee 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-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 for 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, whilst at the same time 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 biannually. 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 were 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 period 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 period.

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 attends and presents its findings to the audit and risk committee. A number of internal audits were conducted during the period under review, and an internal audit plan has been approved whereby material risk areas within the group will be reviewed over a three-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 Listings 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. The group has established a toll-free, anonymous hotline through Tip-Offs Anonymous for the reporting of any fraud or illegal acts.

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 36 to 91 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. For more information, please refer to the sustainability report.

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 35.

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 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; and
- 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 report

SUSTAINABILITY CONTEXT AND MANAGEMENT APPROACH

KAP operates 19 industrial facilities in South Africa, employing 6 228 people as at 30 June 2007.

The impact of its operations on society and the environment is constantly under scrutiny – ensuring compliance with all legislative requirements that impact our employees, worker health and safety as well as the environment. We can proudly report that we have continued to improve and respond to the broader sustainability agenda.

KAP subsidiaries are measured against Key Performance Indicators within a broad group policy, requiring subsidiaries to be compliant with applicable legislation and for management to focus its energies and resources on sustainability issues which are material to stakeholders, society and the environment.

All industrial facilities must develop management systems that proactively and systematically address safety, health, environmental and quality (SHEQ) risks, and strive to attain and maintain internationally-recognised certification standards for these management systems.

Independent professionals conduct risk audits at all sites. The audits cover critical risk aspects of the businesses, including fire, defence, security, safety (Occupational Health and Safety Act requirements) and environmental management.

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

ENVIRONMENTAL, HEALTH AND SAFETY RESPONSIBILITY

KAP prides itself on being a responsible corporate citizen, with all of its facilities continually aiming to be eco-efficient (energy, water and materials) and to minimise potentially harmful emissions to the environment.

Energy and water conservation measures are evident at all our facilities, 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 have established occupational health and safety committees. The committees meet regularly and members receive appropriate accredited training that covers key risk areas. Procedures are also in place to prevent incidents, and risk audits of all sites are completed annually by external professionals in order to identify and remove any potential weaknesses in health and safety management systems.

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

Highlights of the environmental and health and safety programmes for the period under review include the following:

In Gauteng, Hosaf Recycling processed 6 432 tonnes of PET plastic bottles received from consumers for recycling in the last 18 months, and continues to create over 300 informal jobs among the collectors of these bottles. Hosaf Recycling has contributed significantly to the reduction of landfill space and visual pollution in the Gauteng area.

Feltex maintains the ISO 14001 environmental management system certification in Rosslyn, Durban and Port Elizabeth, with East London due for certification later in 2007.

Hosaf aligns its practices with international standards in managing waste and ensuring optimal effluent management.

At Mossop, in the process design of new leathers, products are screened for the impact that the product will have on the environment. Processes are designed to reduce and minimise all forms of material waste and levels of effluent loading in order to minimise any adverse effects on the surroundings. Finishing products, processes and systems are similarly selected, and are largely water-based for this reason.

Glodina continued to retain its ISO 14001 and OHSAS 18001 (Occupational Health and Safety Management System) certification and its ISO 9001 accreditation. In its continued quest to improve on environmental protection, it is currently investigating effluent segregation to improve its colour and conductivity discharge limits.

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

Tamryn Zietsman
in-service trainee – operations management

Jordan continues its culture of compliance with the very strict international environmental standards of the Fair Labour Organisation, which continues to tighten the standards to levels above legislative requirements in terms of environmental issues, employee safety, security and employment policies.

KAP continues to look more closely at material environmental, health and safety KPIs and to set performance objectives and targets. Future reporting on performance would be done against these objectives and targets.

QUALITY

KAP prides itself on the number of achievements due to world-class production and product quality which is a non-negotiable cornerstone of all of its businesses.

Feltex Fehrer Quality Circle Team was represented at the Toyota South Africa 11th All Company QC Circles Presentations. The team was commended by the panel of judges made up of Senior Managers from Toyota for the quality and content of their presentation.

The Krugersdorp operation of Bull Brand Foods retained its overall EU export status and has again achieved its Hazard Analysis and Critical Control Points (HACCP) re-certification and the British Retail Consortium (BRC) certification. These stringent process and food safety certifications reinforce the company's ongoing commitment to the highest standards of quality and hygiene.

Hosaf Fibres' Durban and Cape Town plants comply with ISO 9001:2000 quality standards.

The Jordan factory also complies with ISO 9001:2000. The Industrial Footwear division has achieved the standard mark of the South African Bureau of Standards and the European Standards mark in both factories for its products. In addition to this, the plastics division also has the European CE mark, Australian standards mark and the Singapore and Canadian standards marks. Both these factories are also ISO 9001:2000 compliant.

EMPLOYEE WELL-BEING

As part of our ongoing commitment to improve employee well-being, initiatives to ensure that our employees' development and socio-economic needs are addressed are continuously reassessed. These efforts form an integral part of the KAP business philosophy, and efforts which extend beyond compliance with applicable labour legislation and the creation of a stimulating and meaningful work environment include the following:

Glodina continues to make significant investments in its people through further training and development. Learnership programmes are offered to unemployed individuals in nearby townships to supplement the workforce. Glodina also has an established clinic offering AIDS education, AIDS awareness and AIDS testing programmes, as well as contraception, full eye testing and limited chronic medication.

Jordan has placed a number of employees on the Textile Diploma programme at the Cape Peninsula University of Technology and has continued to invest 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. Junior and middle managers attend the AIM programme at the UCT Graduate School of Business as part of ongoing talent development within the organisation.

Mossop offers training for employees at the Liri Tanning School of Technology, on-the-job training, and bursaries and in-service training as part of their studies to all employees.

The Industrial Footwear division considers that addressing issues of health is of paramount importance and has an established on-site clinic that offers HIV/AIDS awareness, education and VCT programmes.

COMMUNITY PROJECTS AND CORPORATE SOCIAL INVESTMENT

KAP is increasing its presence by recognising and supporting initiatives that are aimed at creating advantaged communities. Corporate social investment (CSI) activities have intensified at site level at the discretion of staff and management. Community involvement programmes include:

Hosaf's Durban operation has established a communication forum with the local community bordering the factory site in the form of a Good Neighbourly Committee (GNC). Regular meetings are held and the community receives updates on the environmental performance of the company. A joint job creation venture between Hosaf and a local security company has resulted

Learners at a primary school in Wellington receive shoes donated by Mossop Western Leathers

in unemployed residents of the neighbourhood being trained as security officers. Hosaf provides the training, and the security firm provides the employment. An extended programme will commence in the third quarter of 2007.

A children's park that is located on the site border has been adopted on an "ADOPT A SPOT" basis and has been incorporated into the site maintenance programme, thus contributing to the children's safety whilst at play. The Umbilo Secondary School bordering the site also forms part of the GNC. Assistance to the school is provided mainly in the form of maintenance and bursaries. A number of classroom desks were refurbished by the Hosaf property maintenance department. Security gates were manufactured on-site and are to be installed in the school's new block.

Bursaries are also made available to students who study toward a Degree in Engineering, while utilising company resources to effectively complete all university projects and assignments and also gain valuable experience during university breaks. An ex-Umbilo School student from the neighbouring community is a final year student at the Durban University of Technology and recently completed her in-service training, under the guidance of the Hosaf Management team, towards obtaining her National Diploma in Operations Management.

Mossop continues to contribute to the work of local charities, sponsors sports teams in the region and offers support to neighbouring schools. Over three hundred pairs of leather school shoes were donated to eight primary schools in the community.

At the Taaiboschbult feedlot near Potchefstroom, Bull Brand and the provincial Department of Education continued their partnership by sponsoring the local primary school on the Taaiboschbult feedlot farm area. The company also contributes to various charitable organisations in its region and remains a proud supporter of South African boxing.

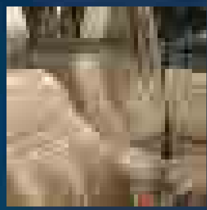
Glodina supports numerous charities with cash and product donations. These include homes for the aged, orphanages, hospices, schools, crises and AIDS centres. Management and staff also visit specific AIDS orphanages and utilise their services and products wherever possible.

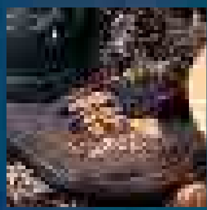
KAP continues to expand its CSI strategy through initiatives such as support of the Bowy House, a home for HIV-positive toddlers in Paarl. These children are cared for on a 24-hour basis and are prepared for schooling and are able to re-enter their community and family, whilst the Miqlat organisation monitors the children's integration and continued well-being.

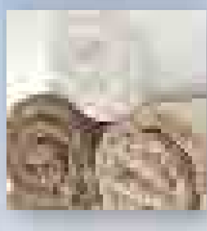
In the education arena, KAP has adopted the School of Skills, a government institution which develops and harnesses mainly farm children who do not progress in the normal education system, in order to teach them skills which will allow them to participate actively in the labour market, given the trade or skill they have acquired. Leather off-cuts from the Mossop facility are passed to the School of Skills for the development of specific crafts. KAP would like to expand its relationship with the school in order to assist with the development of technical skills amongst the youth.

A community pre-school and crèche has been sponsored with blankets, mattresses and a jungle gym to assist in the children's development

CONTENTS: Annual Financial Statements







INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAP INTERNATIONAL HOLDINGS LIMITED

We have audited the annual financial statements and group annual financial statements of KAP International Holdings Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 30 June 2007, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity and cash flow statement and the consolidated cash flow statement for the period then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 91.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statements presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and group as at 30 June 2007, and of their financial performance and their cash flows for the period then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Deloitte & Touche
Registered Auditors
Per R J Hofmeyr
Partner

7 September 2007

Brookside
11 Lansdowne Road
Claremont
7708

National executive: G G Gelink, chief executive; A E Swiegers, chief operating officer; G M Pinnock, Audit; D L Kennedy, Tax; L Geeringh, Consulting; L Bam, Strategy; C R Beukman, Finance; T J Brown, Clients and Markets; N T Mtoba, chairman of the board; J Rhynes, deputy chairman of the board.

Regional leader: J Rhynes

A full list of partners is available on request.

COMPANY SECRETARY'S 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
7 September 2007
1 New Street
Paarl

DIRECTORS' REPORT

The directors have pleasure in presenting the annual financial statements of the company and the group for the 18 months ended 30 June 2007.

HOLDING COMPANY

At the date of this report, the company has no majority shareholder. The largest minority shareholders are Daun & Cie AG (37,1%) and Steinhoff Africa Holdings (Pty) Limited (24,4%). Steinhoff holds a pre-emptive right to acquire Daun & Cie's entire interest in the company.

NATURE OF BUSINESS

The group comprises an industrial and a consumer segment. The activities of these segments include fresh and processed meat, maize milling, automotive and leather products, footwear, speciality fibres, bottle resin, automotive components and towelling products. Their activities are dealt with more fully in the annual report.

FINANCIAL RESULTS

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

CAPITAL DISTRIBUTION

The board has declared a final distribution of 3 cents per share, bringing the total distribution for the 18-month period to 17 cents (2005: 12 cents). The distribution cover is approximately 3 times (2005: 3,8 times). The policy of the group is to declare distributions annually after the year-end results have been finalised.

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.

1,2 million new ordinary shares of R0,20 each were issued as partial consideration for the acquisition of Caravelle Automotive Holdings (Pty) Ltd.

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 period ended 30 June 2007 and at the date of the report are set out below:

Name	Position
C E Daun	Non-executive chairman
P C T Schouten	Chief executive officer
J P Haveman	Chief financial officer
M J Jooste	Non-executive director
D M van der Merwe	Non-executive director
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

Directors retiring by rotation are Messrs P C T Schouten, J B Magwaza and S H Nomvete as well as Ms I N Mkhari. These directors are all eligible and offer themselves for re-election. Details of each of the retiring directors are set out on page 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 30 June 2007, the present directors of the company held direct and indirect interests in 189 276 547 shares or 44,6% (2005: 228 061 576 shares or 54,0%) of the company's issued ordinary shares. Further details are set out in note 33 to the financial statements.

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 with the JSE Limited Listings Requirements and in all material respects with 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.

SUBSIDIARY COMPANIES AND JOINT VENTURES

The principal subsidiaries and joint ventures of the group are reflected in notes 5 and 6. The aggregate net profits of consolidated subsidiaries amount to R276,1 million (2005: R234,0 million). The aggregate net losses amount to R20,4 million (2005: R2,6 million).

BORROWING FACILITIES AND LIMITS

The group's borrowing facilities and usage thereof are set out in note 14. In terms of the articles of association of the company and its subsidiaries, there is no limitation of borrowing powers.

SPECIAL RESOLUTIONS

During the period, a special resolution was passed 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 make distributions to shareholders in future. No material special resolutions were passed by subsidiaries during the year.

SUBSEQUENT EVENTS

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

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, 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.

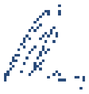
The internal controls are designed to provide an acceptable, but not absolute, level of assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the group's policies and procedures. These controls are implemented 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.

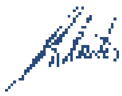
The financial statements set out in this report have been prepared by management in accordance with IFRS and incorporate responsible disclosure based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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 period ended 30 June 2007, set out on pages 36 to 91, 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

7 September 2007

BALANCE SHEETS
as at 30 June 2007

	Notes	GROUP 30 Jun 2007 Rm	GROUP 31 Dec 2005 Restated Rm	COMPANY 30 Jun 2007 Rm	COMPANY 31 Dec 2005 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	2	**707,2**	522,1	**0,9**	1,5
Investment property	3	**1,9**	7,4	**1,5**	2,1
Goodwill	4	**56,4**	–	**–**	–
Interests in subsidiaries	5	**–**	–	**995,3**	973,2
Interests in joint ventures	6	**35,3**	18,6	**0,7**	0,7
Available-for-sale investments	7	**0,9**	0,5	**–**	–
Long-term interest-free receivables and loans	8	**–**	7,5	**–**	–
Pension fund surplus	9	**45,5**	45,0	**–**	–
Deferred taxation	10	**67,9**	95,1	**3,4**	1,5
		915,1	696,2	**1 001,8**	979,0
Current assets					
Pension fund surplus	9	**8,8**	5,6	**–**	–
Inventory	11	**626,1**	400,8	**–**	–
Biological assets	12	**163,7**	134,5	**–**	–
Short-term interest-free receivables and loans	8	**–**	7,5	**–**	1,2
Accounts receivable	13	**673,6**	501,5	**2,4**	2,1
Cash and cash equivalents	14	**2,4**	2,2	**–**	–
		1 474,6	1 052,1	**2,4**	3,3
Total assets		**2 389,7**	1 748,3	**1 004,2**	982,3
EQUITY AND LIABILITIES					
Capital and reserves					
Issued share capital	15	**84,9**	84,6	**84,9**	84,6
Share premium	16	**857,2**	962,9	**857,3**	963,0
Foreign currency translation reserve		**0,5**	0,4	**–**	–
Share-based payment reserve	17	**17,1**	12,9	**17,1**	12,9
Retained income/(accumulated loss)	18	**206,4**	(19,6)	**(212,2)**	(179,8)
Equity attributable to equity holders of the parent		**1 166,1**	1 041,2	**747,1**	880,7
Minorities' interest	19	**25,0**	14,0	**–**	–
Total equity		**1 191,1**	1 055,2	**747,1**	880,7
Non-current liabilities					
Long-term interest-bearing borrowings	20	**71,4**	75,5	**31,3**	0,2
Long-term interest-free borrowings	21	**–**	5,9	**–**	–
Retirement benefit obligations	22	**14,0**	19,8	**–**	0,1
Deferred taxation	10	**29,1**	17,6	**–**	–
		114,5	118,8	**31,3**	0,3
Current liabilities					
Accounts payable	23	**576,6**	365,7	**6,7**	3,4
SARS – income taxation payable		**4,0**	5,3	**1,2**	1,3
Short-term interest-bearing borrowings	20	**73,3**	46,9	**–**	0,1
Short-term interest-free borrowings	21	**18,0**	3,8	**–**	–
Bank overdrafts	14	**374,3**	112,9	**217,1**	91,7
Provisions	24	**37,9**	39,7	**0,8**	4,8
		1 084,1	574,3	**225,8**	101,3
Total liabilities		**1 198,6**	693,1	**257,1**	101,6
Total equity and liabilities		**2 389,7**	1 748,3	**1 004,2**	982,3

INCOME STATEMENTS

for the 18-month period ended 30 June 2007

		GROUP		COMPANY	
	Notes	Period ended 30 Jun 2007 Rm	Year ended 31 Dec 2005 Restated Rm	Period ended 30 Jun 2007 Rm	Year ended 31 Dec 2005 Restated Rm
REVENUE	25	**5 242,2**	2 975,1	**11,3**	4,9
– continuing operations		**5 242,2**	2 927,1	**11,3**	4,9
– discontinued operations		**–**	48,0	**–**	–
Cost of sales		**(3 971,9)**	(2 150,5)	**–**	–
Gross profit		**1 270,3**	824,6	**11,3**	4,9
– continuing operations		**1 270,3**	810,2	**11,3**	4,9
– discontinued operations		**–**	14,4	**–**	–
Other operating income		**67,8**	51,4	**1,6**	25,5
Operating expenses		**(999,6)**	(650,5)	**(27,1)**	(20,4)
Operating profit/(loss)	26	**338,5**	225,5	**(14,2)**	10,0
– continuing operations		**338,5**	236,3	**(14,2)**	10,0
– discontinued operations		**–**	(10,8)	**–**	–
Pension fund surplus (net)	9	**–**	50,6	**–**	–
Discontinued operation closure cost		**–**	(10,9)	**–**	–
Interest paid	27	**(51,8)**	(27,4)	**(24,7)**	(9,5)
Interest received	28	**0,7**	8,0	**28,7**	15,7
Share of results of joint ventures	6	**3,2**	0,7	**–**	–
Profit/(loss) before taxation and impairment of subsidiaries		**290,6**	246,5	**(10,2)**	16,2
(Impairment)/reversal of impairment of subsidiaries		**–**	–	**(25,6)**	83,3
Profit/(loss) before taxation		**290,6**	246,5	**(35,8)**	99,5
Taxation	29	**(53,0)**	(45,6)	**3,4**	4,4
Net profit/(loss) for the period		**237,6**	200,9	**(32,4)**	103,9
– continuing operations		**237,6**	213,8	**(32,4)**	103,9
– discontinued operations		**–**	(12,9)	**–**	–
Attributable to:					
Equity holders of the parent		**226,0**	194,7	**(32,4)**	103,9
Minority interest		**11,6**	6,2	**–**	–
		237,6	200,9	**(32,4)**	103,9
Earnings per share					
Earnings per share – including discontinued operations (cents)	30	**53,3**	46,2		
Earnings per share – excluding discontinued operations (cents)	30	**53,3**	49,2		
Distributions per share (cents)	31	**17,0**	12,0		

STATEMENTS OF CHANGES IN EQUITY
for the 18-month period ended 30 June 2007

	Notes	GROUP Period ended 30 Jun 2007 Rm	GROUP Year ended 31 Dec 2005 Restated Rm	COMPANY Period ended 30 Jun 2007 Rm	COMPANY Year ended 31 Dec 2005 Rm
SHARE CAPITAL					
Issued share capital					
Balance at the beginning of the period		**84,6**	83,7	**84,6**	83,7
Shares issued during the period		**0,3**	0,9	**0,3**	0,9
Balance at the end of the period	15	**84,9**	84,6	**84,9**	84,6
Share premium					
Balance at the beginning of the period		**962,9**	950,0	**963,0**	950,1
Shares issued during the period		**4,5**	12,9	**4,5**	12,9
Capital distributions	31	**(110,2)**	–	**(110,2)**	–
Balance at the end of the period	16	**857,2**	962,9	**857,3**	963,0
RESERVES					
Foreign currency translation reserve					
Balance at the beginning of the period		**0,4**	0,4	**–**	–
Movement for the period		**0,1**	–	**–**	–
Balance at the end of the period		**0,5**	0,4	**–**	–
Share-based payment reserve					
Balance at the beginning of the period		**12,9**	11,8	**12,9**	11,8
Movement for the period		**4,2**	1,1	**4,2**	1,1
Balance at the end of the period	17	**17,1**	12,9	**17,1**	12,9
Retained income/(accumulated loss)					
Balance at the beginning of the period		**(19,6)**	(191,7)	**(179,8)**	(262,8)
Prior year adjustments	39	**–**	(1,7)	**–**	–
Balance at the beginning of the period – restated		**(19,6)**	(193,4)	**(179,8)**	(262,8)
Net profit/(loss) for the period		**226,0**	194,7	**(32,4)**	103,9
Dividends paid	31	**–**	(20,9)	**–**	(20,9)
Balance at the end of the period	18	**206,4**	(19,6)	**(212,2)**	(179,8)
Minority interest					
Balance at the beginning of the period		**14,0**	9,4	**–**	–
Share of net profit for the period		**11,6**	6,2		
Dividends paid		**(0,6)**	(1,6)	**–**	–
Balance at the end of the period	19	**25,0**	14,0	**–**	–
Total equity		**1 191,1**	1 055,2	**747,1**	880,7

CASH FLOW STATEMENTS

for the 18-month period ended 30 June 2007

		GROUP		COMPANY	
	Notes	Period ended 30 Jun 2007 Rm	Year ended 31 Dec 2005 Restated Rm	Period ended 30 Jun 2007 Rm	Year ended 31 Dec 2005 Rm
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**5 203,1**	2 957,6	**–**	–
Cash paid to suppliers and employees		**(4 983,8)**	(2 824,6)	**(11,1)**	(8,5)
Cash generated from/(utilised by) operations	32.1	**219,3**	133,0	**(11,1)**	(8,5)
Interest paid		**(51,8)**	(27,4)	**(24,7)**	(9,5)
Interest received		**0,7**	8,0	**28,7**	15,7
Taxation (paid)/received	32.2	**(14,0)**	(3,1)	**1,4**	(0,2)
Net cash inflow/(outflow) from operating activities		**154,2**	110,5	**(5,7)**	(2,5)
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received		**–**	–	**–**	20,9
Subsidiaries acquired, net of cash acquired	32.3	**(54,4)**	–	**–**	–
Acquisition of subsidiary	32.3	**–**	–	**(49,6)**	–
Purchase of property, plant and equipment					
To maintain operations		**(54,6)**	(26,0)	**(0,3)**	(2,1)
To expand operations		**(127,8)**	(139,2)	**–**	–
Proceeds on disposals of property, plant and equipment		**15,5**	18,8	**1,5**	1,1
Decrease/(increase) in loans to subsidiaries		**–**	–	**1,9**	(64,8)
Acquisition of joint venture		**–**	(5,9)	**–**	–
Loans advanced to joint venture		**(13,5)**	(1,0)	**–**	–
Long-term loans repaid		**7,8**	6,7	**–**	1,1
Short-term loans repaid		**7,5**	7,5	**1,2**	2,3
Net cash outflow from investing activities		**(219,5)**	(139,1)	**(45,3)**	(41,5)
Total cash flows from operating and investing activities		**(65,3)**	(28,6)	**(51,0)**	(44,0)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid, net of capitalisation issue		**–**	(7,1)	**–**	(7,1)
Capital distributions		**(110,2)**	–	**(110,2)**	–
Dividends paid to minorities		**(0,6)**	(1,6)	**–**	–
(Decrease)/increase in interest-bearing borrowings, excluding bank overdrafts		**(93,4)**	(66,2)	**31,0**	(21,7)
Increase/(decrease) in interest-free borrowings		**8,3**	(6,9)	**–**	(6,7)
Proceeds of share issue, net of costs		**–**	–	**4,8**	–
Net cash outflow from financing activities		**(195,9)**	(81,8)	**(74,4)**	(35,5)
Net decrease in cash and cash equivalents		**(261,2)**	(110,4)	**(125,4)**	(79,5)
Cash and cash equivalents at the beginning of the period	14	**(110,7)**	(0,3)	**(91,7)**	(12,2)
Cash and cash equivalents at the end of the period	14	**(371,9)**	(110,7)	**(217,1)**	(91,7)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the 18-month period ended 30 June 2007

GENERAL INFORMATION

KAP International Holdings Ltd is a company incorporated in the Republic of South Africa under the Companies Act, (Act 61 of 1973), as amended. These financial statements and group financial statements are presented in South African Rands as it is the currency of the primary economic environment in which the group operates.

1 **ACCOUNTING POLICIES**

1.1 **Basis of accounting**

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 biological 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 except for the changes as per note 39.

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 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 are 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
- Office equipment and furniture 3 – 16 years
- Computer equipment and software 3 – 4 years
- Motor vehicles 4 – 5 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 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.

1.5 **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-taxation 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. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

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 an 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 values, less estimated point of sale costs. Fair value is determined based on market prices for similar cattle determined in the active market normally utilised by the group. Where there is no active market and little biological transformation has taken place, cattle are measured at fair value on initial recognition plus costs incurred. Thereafter, the fair value is estimated based on the market price for harvested cattle. Gains and losses arising from the change in fair value or from impairment adjustments are charged to the income statement in the year in which they arise.

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 setoff 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 manages short-term foreign currency exposures relating to trade imports and exports in terms of approved policy limits.

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 remeasuring 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 portions 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 the amount paid for it is 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 remaining 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**

Bank and other 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 the 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 the 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.

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

Management fees are recognised on an accrual basis.

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 hyperinflationary 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 group 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/(loss)
Operating profit/(loss) 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 taxation expense represents the sum of the taxation currently payable and deferred taxation. The taxation 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 taxation is calculated using taxation rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is the taxation expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxation bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences and deferred taxation 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 taxable profit nor the accounting profit.

The carrying amount of deferred taxation 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 taxation is calculated at the taxation rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred taxation 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 taxation is also dealt with in equity.

1.30 Share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at grant date. The fair value is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which instruments are granted.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period based on the group's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

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 is 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.

	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 2007							
COST							
Balance at the beginning of the period	634,2	129,7	446,6	48,3	0,2	4,4	5,0
Additions	182,4	19,8	142,1	20,1	0,3	–	0,1
Subsidiaries acquired	75,3	47,4	21,0	6,9	–	–	–
Disposals	(16,9)	(0,8)	(8,3)	(7,8)	–	–	–
Transfers in/(out)	1,6	3,1	0,3	(0,8)	–	(0,4)	(0,6)
Balance at the end of the period	876,6	199,2	601,7	66,7	0,5	4,0	4,5
ACCUMULATED DEPRECIATION AND IMPAIRMENTS							
Balance at the beginning of the period	(112,1)	(4,2)	(83,0)	(22,5)	(0,1)	(1,1)	(1,2)
Depreciation	(65,6)	(1,2)	(48,4)	(14,3)	(0,1)	(0,4)	(1,2)
Disposals	13,6	0,1	6,6	6,9	–	–	–
Impairments	(3,7)	–	(3,4)	(0,3)	–	–	–
Transfers (in)/out	(1,6)	(0,3)	(1,8)	(0,3)	–	0,2	0,6
Balance at the end of the period	(169,4)	(5,6)	(130,0)	(30,5)	(0,2)	(1,3)	(1,8)
Carrying value	707,2	193,6	471,7	36,2	0,3	2,7	2,7
COMPANY 2007							
COST							
Balance at the beginning of the period	1,8	–	–	1,5	–	–	0,3
Additions	0,3	–	–	0,3	–	–	–
Disposals	(0,3)	–	–	(0,1)	–	–	(0,2)
Transfers in/(out)	–	–	–	0,1	–	–	(0,1)
Balance at the end of the period	1,8	–	–	1,8	–	–	–
ACCUMULATED DEPRECIATION							
Balance at the beginning of the period	(0,3)	–	–	(0,3)	–	–	–
Depreciation	(0,7)	–	–	(0,6)	–	–	(0,1)
Disposals	0,1	–	–	–	–	–	0,1
Balance at the end of the period	(0,9)	–	–	(0,9)	–	–	–
Carrying value	0,9	–	–	0,9	–	–	–

	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 continued**							
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)
Depreciation	(42,2)	(0,8)	(31,6)	(8,8)	–	(0,1)	(0,9)
Disposals	33,8	–	32,1	1,7	–	–	–
Transfers out/(in)	1,8	1,8	0,6	(0,6)	–	–	–
Balance at the end of the year	(112,1)	(4,2)	(83,0)	(22,5)	(0,1)	(1,1)	(1,2)
Carrying value	522,1	125,5	363,6	25,8	0,1	3,3	3,8
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)	–	–	–
Carrying value	1,5	–	–	1,2	–	–	0,3

Details of the freehold land and buildings of the group are recorded in registers 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 notes 14 and 20.

Land and buildings with a book value of R21 million (2005: Rnil) are encumbered by mortgage bonds as set out in note 20.2.

The market value of the land and buildings is R503,9 million based on a valuation performed by independent valuators Rode and Associates CC as at 30 April 2007.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the 18-month period ended 30 June 2007

	GROUP		COMPANY	
	30 Jun 2007 Rm	31 Dec 2005 Rm	**30 Jun 2007 Rm**	31 Dec 2005 Rm
3 **INVESTMENT PROPERTY**				
COST				
Balance at the beginning of the period	**9,3**	17,0	**2,1**	1,8
Additions	**–**	–	**–**	0,3
Disposals	**(6,5)**	(9,0)	**(0,6)**	–
Transfers in	**–**	1,3	**–**	–
Balance at the end of the period	**2,8**	9,3	**1,5**	2,1
ACCUMULATED DEPRECIATION AND IMPAIRMENTS				
Balance at the beginning of the period	**(1,9)**	(0,1)	**–**	–
Depreciation	**–**	–	**–**	–
Disposals	**1,0**	0,1	**–**	–
Impairment	**–**	(0,8)	**–**	–
Transfers in	**–**	(1,1)	**–**	–
Balance at the end of the period	**(0,9)**	(1,9)	**–**	–
Carrying value	**1,9**	7,4	**1,5**	2,1

Details of investment property of the group are recorded in registers 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 R1,6 million (2005: R1,9 million) was received in respect of investment property.

Direct expenses of R0,4 million (2005: R0,6 million) were incurred in respect of investment property.

The market value of investment property is R5,3 million based on a valuation performed by independent valuators Rode and Associates CC as at 30 April 2007.

	GROUP	
	30 Jun 2007 Rm	31 Dec 2005 Rm
4 **GOODWILL**		
COST		
Balance at the beginning of the period	**–**	–
Arising on business combinations	**56,4**	–
Balance at the end of the period	**56,4**	–
IMPAIRMENTS		
Balance at the beginning of the period	**–**	–
Impairments	**–**	–
Balance at the end of the period	**–**	–
Carrying value	**56,4**	–

The goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit that is expected to benefit from that business. Goodwill is assessed for impairment annually, irrespective of whether there is any indication of impairment or not.

The recoverable amount of the cash-generating unit is determined by a value in use calculation. The key assumptions from the value in use calculation are those regarding the discount rates and growth rates. Management estimates the discount rates using post-taxation rates that reflect current market assessments of the time value of money and the risk specific to the cash-generating unit. The growth rate is based on the industry growth rate.

The group prepared cash flow forecasts derived from the most recent financial budgets approved by management for the next year and extrapolated cash flows for the following years based on the estimated growth rate.

Impairment tests for cash-generating units containing goodwill are based on the following estimates:

	Discount rate	Forecasted cash flows	**Goodwill 2007 Rm**
Caravelle Carpets, (a division of Feltex Holdings (Pty) Ltd)	14%	1 year	**4,9**
Brenner Mills (Pty) Ltd	14%	1 year, thereafter 5% growth rate	**51,5**
			56,4

Goodwill arose in the business combinations because the cost of the business combinations included a control premium paid to acquire the above entities. In addition, the consideration paid included amounts in relation to the benefit of expected synergies, revenue growth, future market development and knowledgeable and experienced employees.

	GROUP 30 Jun 2007 Rm	GROUP 31 Dec 2005 Rm	COMPANY 30 Jun 2007 Rm	COMPANY 31 Dec 2005 Rm
5 **INTERESTS IN SUBSIDIARIES**				
Investments in subsidiaries	–	–	446,2	419,7
Shares at cost	–	–	553,3	501,2
Provisions against investments	–	–	(107,1)	(81,5)
Net loans to subsidiaries	–	–	549,1	553,5
Net loans to subsidiaries at cost	–	–	593,4	774,4
Provisions against loans	–	–	(44,3)	(220,9)
Carrying value	–	–	995,3	973,2

The details of the subsidiaries are noted in Annexure A.

The company has deferred its right to claim repayments of loans amounting to R52,4 million (2005: R406,9 million) owing to it by subsidiary companies in favour of creditors for as long as the net liabilities of the subsidiaries exceed their net assets.

	GROUP 30 Jun 2007 Rm	GROUP 31 Dec 2005 Rm	COMPANY 30 Jun 2007 Rm	COMPANY 31 Dec 2005 Rm
6 **INTERESTS IN JOINT VENTURES**				
Unlisted				
Shares at cost	16,7	16,7	0,7	0,7
Add: Post-acquisition equity accounted earnings	5,1	1,9	–	–
Carrying value of investments before loans	21,8	18,6	0,7	0,7
Unsecured loans to joint ventures	13,5	–	–	–
Carrying value including loans receivable	35,3	18,6	0,7	0,7
Directors' valuation	35,3	18,6	2,3	1,3

	Percentage holding 2007 %	2005 %	Cost 2007 Rm	2005 Rm	Post-acquisition reserves 2007 Rm	2005 Rm	Loans to 2007 Rm	2005 Rm	Net carrying amount 2007 Rm	2005 Rm
Group										
Rieter Feltex Automotive Manufacturing (Pty) Ltd[1]	49	49	9,6	9,6	3,1	1,8	1,7	–	14,4	11,4
Rieter Feltex (Pty) Ltd[1]	49	49	5,9	5,9	0,9	–	–	–	6,8	5,9
Futuris Feltex (Pty) Ltd[1]	50	–	–	–	–	–	11,8	–	11,8	–
Cell Captive Number 22 of Guardrisk Insurance Company Ltd[2]	50	50	1,2	1,2	1,1	0,1	–	–	2,3	1,3
Kolosus Bayern Leder GmbH (liquidated)	–	50	–	–	–	–	–	–	–	–
			16,7	16,7	5,1	1,9	13,5	–	35,3	18,6

Nature of business of the joint venture:

[1] Automotive
[2] Insurance captive

The loans to the joint ventures bear no interest and are repayable on demand.

Rieter Feltex Automotive Manufacturing (Pty) Ltd and Rieter Feltex (Pty) Ltd have a 31 December year-end, and unaudited results have been included in the annual financial statements.

Futuris Feltex (Pty) Ltd has a 30 June year-end and has been in operation for one month only.

Cell Captive Number 22 of Guardrisk Insurance Company Ltd has a 31 March year-end, and unaudited results have been included in the annual financial statements.

	GROUP	
	30 Jun 2007 Rm	31 Dec 2005 Rm
6 **INTERESTS IN JOINT VENTURES continued**		
Summarised financial information		
The group's share of the assets, liabilities and results of operations of joint venture companies is summarised as follows:		
Income statement		
Revenue	**63,4**	22,2
Net profit before taxation	**4,5**	0,8
Taxation	**(1,3)**	(0,1)
Net profit after taxation	**3,2**	0,7
Equity and liabilities		
Share capital and premium	**2,2**	2,2
Non-distributable reserves	**0,4**	0,2
Distributable reserves	**13,5**	10,3
Long-term liabilities	**26,1**	13,8
Deferred taxation	**0,3**	0,3
Current liabilities	**9,2**	8,5
	51,7	35,3
Assets		
Property, plant and equipment	**21,2**	14,5
Other current assets	**25,2**	17,5
Cash and cash equivalents	**5,3**	3,3
	51,7	35,3

	GROUP		COMPANY	
	30 Jun 2007 Rm	31 Dec 2005 Rm	**30 Jun 2007 Rm**	31 Dec 2005 Rm
7 **AVAILABLE-FOR-SALE INVESTMENTS**				
Unlisted investments				
Wynmakers Valley Cellars (Co-op) Ltd (280 shares)*	**–**	–	**–**	–
Koöperasiepers van Suid-Afrika Ltd (10 shares)*	**–**	–	**–**	–
Vleissentraal Beherend (Co-op) Ltd (3 000 shares)*	**–**	–	**–**	–
Listed investments				
AFGRI Ltd (1 000 shares)	**–**	–	**–**	–
Kaap Agri Beperk (110 097 shares)	**0,9**	0,5	**–**	–
MGK Holdings Ltd (10 738 shares)	**–**	–	**–**	–
FirstRand Bank Ltd (256 shares)	**–**	–	**–**	–
Total listed and unlisted investments	**0,9**	0,5	**–**	–
Directors' valuation of investments	**0,9**	0,5	**–**	–

* These investments were disposed of during the period. In the prior year it was considered difficult to establish the fair value of the investments and due to their immateriality, the directors were of the opinion that their fair value was equal to their carrying value.

	GROUP		COMPANY	
	30 Jun 2007 Rm	31 Dec 2005 Rm	**30 Jun 2007 Rm**	31 Dec 2005 Rm
8 **INTEREST-FREE RECEIVABLES AND LOANS**				
Secured				
Stock Owners Co-operative Ltd	**–**	6,3	**–**	–
Trifecta Trading 112 (Pty) Ltd	**–**	1,2	**–**	1,2
Blue Nightingale Trading 462 (Pty) Ltd	**–**	7,5	**–**	–
	–	15,0	**–**	1,2
Less: current portion	**–**	(7,5)	**–**	(1,2)
Non-current portion	**–**	7,5	**–**	–

The loan to Stock Owners Co-operative Ltd, which was in respect of the sale of the Queenstown Abattoir, and the loans to Trifecta Trading 112 (Pty) Ltd and Blue Nightingale Trading 462 (Pty) Ltd were repaid during the period.

	GROUP		COMPANY	
	30 Jun 2007 Rm	31 Dec 2005 Rm	**30 Jun 2007 Rm**	31 Dec 2005 Rm
9 **PENSION FUND SURPLUS**				
Balance at the beginning of the period	**50,6**	–	**–**	–
Surplus allocated to employer	**–**	70,4	**–**	–
Utilised to reduce post-employment medical aid liability	**–**	(19,8)	**–**	–
Investment returns	**12,5**	–	**–**	–
Utilised for contribution holiday	**(8,8)**	–	**–**	–
Balance at the end of the period	**54,3**	50,6	**–**	–
Less: current portion	**(8,8)**	(5,6)	**–**	–
Non-current portion	**45,5**	45,0	**–**	–

The pension fund surplus is invested and administered by an independent third party asset manager.

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 must 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 in respect of all qualifying members.

	GROUP		COMPANY	
	30 Jun 2007 Rm	31 Dec 2005 Restated Rm	30 Jun 2007 Rm	31 Dec 2005 Rm
10 **DEFERRED TAXATION**				
Deferred taxation asset	**67,9**	95,1	**3,4**	1,5
Deferred taxation liability	**(29,1)**	(17,6)	**–**	–
Net deferred taxation asset	**38,8**	77,5	**3,4**	1,5
Balance at the beginning of the period	**77,5**	116,3	**1,5**	–
Movement during the period attributable to:				
– change in taxation rate	**–**	(3,8)	**–**	–
– acquisition of subsidiaries	**1,8**	–	**–**	–
– temporary differences	**(40,5)**	(35,0)	**1,9**	1,5
Balance at the end of the period	**38,8**	77,5	**3,4**	1,5
The balance consists of the following temporary differences:				
Property, plant and equipment	**(72,6)**	(28,4)	**–**	(0,1)
Taxation losses	**138,7**	139,5	**3,4**	–
Provisions	**19,5**	20,2	**0,1**	1,5
Biological assets	**(47,5)**	(39,1)	**–**	–
Prepayments	**(1,9)**	(0,2)	**(0,1)**	–
Finance leases	**2,6**	0,2	**–**	0,1
Pension fund surplus	**–**	(14,7)	**–**	–
	38,8	77,5	**3,4**	1,5

The group has estimated taxation losses amounting to R39,6 million (2005: R14,3 million) for which no deferred taxation asset has been recognised. The estimated taxation losses will, when utilised, give rise to taxation savings of R11,5 million (2005: R4,1 million).

	30 Jun 2007 Rm	31 Dec 2005 Rm	30 Jun 2007 Rm	31 Dec 2005 Rm
11 **INVENTORY**				
Raw materials	**252,2**	132,9	**–**	–
Finished goods	**243,5**	174,9	**–**	–
Work in progress	**92,7**	74,7	**–**	–
Consumable stores	**23,2**	22,3	**–**	–
Goods in transit	**27,3**	12,0	**–**	–
Provisions for obsolescence	**(12,8)**	(16,0)	**–**	–
Carrying value	**626,1**	400,8	**–**	–
Inventory with a value of R33,5 million is encumbered by a general notarial bond as stated in note 14.				
Included in the amounts above are the following inventories held at net realisable value	**38,0**	2,7	**–**	–

		GROUP		COMPANY	
		30 Jun 2007 Rm	31 Dec 2005 Restated Rm	30 Jun 2007 Rm	31 Dec 2005 Rm
12	**BIOLOGICAL ASSETS**				
	Livestock				
	Reconciliation of changes in carrying value of biological assets				
	Balance at the beginning of the period	**134,5**	97,7	**–**	–
	Purchases	**602,5**	298,9	**–**	–
	Production and allocated overhead costs	**242,7**	178,4	**–**	–
	Sales	**(814,2)**	(444,2)	**–**	–
	Mortalities	**–**	(0,2)	**–**	–
	(Losses)/gains arising from change in fair value	**(1,8)**	3,9	**–**	–
	Balance at the end of the period	**163,7**	134,5	**–**	–

The group operates two feedlots, which purchase weaners and convert them into slaughter-ready cattle.

The cattle are slaughtered after a period of four months and the significant assumptions made in the assessment of fair value relate mainly to changes in meat market prices, average daily growth and weight of cattle.

Refer to note 39.2 for details for the effects of the prior period restatement relating to the determination of the fair value of biological assets for which there is no active market.

Commitments for the purchase of cattle are minimal as they 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, vaccinating and dipping of all cattle.

		GROUP		COMPANY	
		30 Jun 2007 Rm	31 Dec 2005 Restated Rm	30 Jun 2007 Rm	31 Dec 2005 Rm
13	**ACCOUNTS RECEIVABLE**				
	Trade receivables	**612,7**	488,0	**–**	0,1
	Less: provision for irrecoverable amounts	**(6,4)**	(13,1)	**–**	–
	Prepayments and deposits	**42,4**	14,8	**–**	–
	SARS – VAT	**8,8**	1,4	**–**	–
	Other receivables	**15,9**	6,8	**2,4**	2,0
	Forward exchange contract assets	**0,2**	3,6	**–**	–
	Carrying value	**673,6**	501,5	**2,4**	2,1

Trade debtors with a book value of R81,5 million are ceded as security for the overdraft facility of Brenner Mills (Pty) Ltd and its subsidiaries (refer note 14).

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	
	30 Jun 2007 Rm	31 Dec 2005 Rm	**30 Jun 2007 Rm**	31 Dec 2005 Rm
14 **CASH AND CASH EQUIVALENTS**				
Bank balances and cash	**2,4**	2,2	**–**	–
Bank overdrafts	**(374,3)**	(112,9)	**(217,1)**	(91,7)
Cash and cash equivalents	**(371,9)**	(110,7)	**(217,1)**	(91,7)

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

FirstRand Bank Ltd
Short-term general banking facility of R250 million secured as follows:

- Unlimited cross suretyship in favour of the bank by the following companies: KAP International Holdings Ltd, Bull Brand Foods (Pty) Ltd, Feltex Holdings (Pty) Ltd, Dano Textile Industries (Pty) Ltd, KAP Investments (Pty) Ltd and Brenner Mills (Pty) Ltd.
- Unrestricted cession of credit balances held at FirstRand Bank Ltd.

A general overdraft facility of R35 million relating to Brenner Mills (Pty) Ltd and its subsidiaries, is secured by personal suretyships of two of the directors of Brenner Mills (Pty) Ltd, cession of trade debtors (refer note 13) and a general notorial bond over the moveable assets of Brenner Mills (Pty) Ltd and its subsidiaries.

Standard Bank of South Africa Ltd
Short-term general banking facility of R150 million secured as follows:

- Unlimited cross suretyship in favour of the bank by the following companies: KAP International Holdings Ltd, Bull Brand Foods (Pty) Ltd, Feltex Holdings (Pty) Ltd and Dano Textile Industries (Pty) Ltd.

Nedbank Ltd
Short-term general banking facility of R150 million secured as follows:

- Unlimited cross suretyship in favour of the bank by the following companies: KAP International Holdings Ltd, Bull Brand Foods (Pty) Ltd, Feltex Holdings (Pty) Ltd, Dano Textile Industries (Pty) Ltd, Kolosus Leathers (Pty) Ltd, Marker Investments (Pty) Ltd and KAP Investments (Pty) Ltd.

Investec Bank Ltd
Short-term general banking facility of R75 million secured as follows:

- Unlimited cross suretyship in favour of the bank by the following companies: KAP International Holdings Ltd, Bull Brand Foods (Pty) Ltd, Feltex Holdings (Pty) Ltd, Dano Textile Industries (Pty) Ltd and KAP Investments (Pty) Ltd.

	GROUP		COMPANY	
	30 Jun 2007 Rm	31 Dec 2005 Rm	**30 Jun 2007 Rm**	31 Dec 2005 Rm
15 ISSUED SHARE CAPITAL				
All share numbers refer to ordinary shares with a par value 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 (number)				
Balance at the beginning of the period (number of shares in millions)	**423,2**	418,7	**423,2**	418,7
Shares issued pursuant to acquisition	**1,2**	–	**1,2**	–
Capitalisation shares issued in respect of ordinary dividends	**–**	4,5	**–**	4,5
Balance at the end of the period	**424,4**	423,2	**424,4**	423,2

On 1 July 2006, 1,2 million shares were issued at par value plus a premium of R3,70 on the acquisition of Caravelle Automotive Holdings (Pty) Ltd and its subidiaries.

On 23 May 2005, 4,5 million shares were issued in terms of a dividend capitalisation award.

	GROUP		COMPANY	
	30 Jun 2007 Rm	31 Dec 2005 Rm	**30 Jun 2007 Rm**	31 Dec 2005 Rm
Issued (R million)				
Balance at the beginning of the period	**84,6**	83,7	**84,6**	83,7
Shares issued pursuant to acquisition	**0,3**	–	**0,3**	–
Capitalisation shares issued in respect of ordinary dividends	**–**	0,9	**–**	0,9
Balance at the end of the period	**84,9**	84,6	**84,9**	84,6
16 SHARE PREMIUM				
Balance at the beginning of the period	**962,9**	950,0	**963,0**	950,1
Shares issued pursuant to acquisitions: 1,2 million shares	**4,5**	–	**4,5**	–
Capitalisation shares issued in respect of ordinary dividends	**–**	12,9	**–**	12,9
Capital distributions	**(110,2)**	–	**(110,2)**	–
Balance at the end of the period	**857,2**	962,9	**857,3**	963,0

Capital distributions of 12 cents per share and 14 cents per share were paid during the period.

The distributions amounted to R50,8 million and R59,4 million and were paid on 12 June 2006 and 30 April 2007 respectively.

	GROUP		COMPANY	
	30 Jun 2007 Rm	31 Dec 2005 Rm	30 Jun 2007 Rm	31 Dec 2005 Rm
17 **SHARE-BASED PAYMENT RESERVE**				
Balance at the beginning of the period	**12,9**	11,8	**12,9**	11,8
Movement for period	**4,2**	1,1	**4,2**	1,1
Balance at the end of the period	**17,1**	12,9	**17,1**	12,9

Daun share option scheme

Daun & Cie AG granted 21,75 million options to purchase ordinary shares in the company to certain key management personnel during 2004. 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, while a further 10% were exercised in March 2006 and in September 2006. It is expected that 10% of the options are likely to be exercised in September 2007, September 2008 and September 2009.

The significant assumption relating to the vesting of shares in this scheme is a 62,5% probability of the non-market performance-related conditions being met.

	GROUP		COMPANY	
	30 Jun 2007 million	31 Dec 2005 million	30 Jun 2007 million	31 Dec 2005 million
Reconciliation of shares granted by Daun & Cie AG				
Balance at the beginning of the period (shares)	**16,65**	21,75	**16,65**	21,75
Taken up during the period	**(5,05)**	(0,8)	**(5,05)**	(0,80)
Forfeited during the period	**(0,70)**	(4,30)	**(0,70)**	(4,30)
Balance at the end of the period (shares)	**10,90**	16,65	**10,90**	16,65
Charge to the income statement (Rm)				
In respect of options taken up	**2,5**	0,4	**2,5**	0,4
In respect of remaining options	**0,6**	0,7	**0,6**	0,7
	3,1	1,1	**3,1**	1,1

KAP performance share plan

The KAP performance share plan, adopted by shareholders in April 2007, authorises the company to allocate up to 42 473 650 share appreciation rights (SARs) to senior employees of the group, in managerial and leadership roles, who are able to influence the performance of the group.

The allocation value of SARs will be within a range of 10% to 100% of each participant's total cost to company (excluding annual performance bonuses), which percentage depends on the participant's position and potential within the company. The cost of the share appreciation rights is 20 cents per share.

The number of shares corresponding to the SARs is determined by dividing the allocation value by the excess of the volume weighted average traded price of KAP shares on the JSE (for the thirty days immediately prior to any allocation date) over the nominal value of the shares (currently 20 cents).

The first allocation date was effective from 1 July 2006.

17 SHARE-BASED PAYMENT RESERVE continued

The following performance criteria must be achieved by KAP in order for the SARs to vest and for shares to be allocated:

1. Compound growth in headline earnings per share must exceed the growth of the headline earnings of the INDI 25 index over a three-year period.
2. The growth in the company's volume weighted average share price over the thirty trading days immediately preceding the measurement date must exceed the growth of the INDI 25 index over a three-year period.
3. The participant must meet the criteria for participation in the annual short-term incentive bonus scheme.
4. Any other additional criteria as determined by the remuneration committee.

The significant assumptions relating to the scheme are as follows:
The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted. The valuation model used is the Binomial Model.

Fair value of share options and assumptions:	30 Jun 2007	31 Dec 2005
Exercise price	R0,20	–
Volume Weighted Average Price at grant date	R3,90	–
Maximum term of option	3 years	–
Volatility	32,4%	–
Dividend yield	3,24%	–
Risk-free interest rate	8,41%	–
Forfeiture rate per annum	15,0%	–
Market-related performance expectation	50,0%	–
Non-market-related performance expectation	50,0%	–

	GROUP		COMPANY	
	30 Jun 2007 million	31 Dec 2005 million	30 Jun 2007 million	31 Dec 2005 million
Reconciliation of options granted under the KAP performance share plan				
Balance at the beginning of the period (no of options)	–	–	–	–
Granted during the period	3,95	–	3,95	–
Exercised during the period	–	–	–	–
Forfeited during the period	–	–	–	–
Balance at the end of the period (no of options)	3,95	–	3,95	–
Charge to the income statement (Rm)	1,1	–	1,1	–

	Rm	Restated Rm	Rm	Rm
18 RETAINED INCOME/(ACCUMULATED LOSS)				
Company	(212,2)	(179,8)	(212,2)	(179,8)
Subsidiaries	413,5	158,3	–	–
Joint ventures	5,1	1,9	–	–
	206,4	(19,6)	(212,2)	(179,8)

		GROUP		COMPANY	
		30 Jun 2007 Rm	31 Dec 2005 Rm	**30 Jun 2007 Rm**	31 Dec 2005 Rm
19	**MINORITIES' INTEREST**				
	Represented by:				
	Ball & Coalter Properties (Woodmead) (Pty) Ltd	**–**	0,5	**–**	–
	Feltex Fehrer (Pty) Ltd	**25,0**	13,5	**–**	–
		25,0	14,0	**–**	–
	All the reserves of Ball & Coalter Properties (Woodmead) (Pty) Ltd were paid as a dividend during the period.				
20	**INTEREST-BEARING BORROWINGS**				
20.1	**Long-term liabilities comprise:**				
	Secured loans	**45,6**	53,1	**–**	0,3
	Unsecured loans	**99,1**	69,3	**31,3**	–
		144,7	122,4	**31,3**	0,3
	Less: current portion	**(73,3)**	(46,9)	**–**	(0,1)
	Non-current portion	**71,4**	75,5	**31,3**	0,2
20.2	**Secured loans comprise:**				
	Finance leases	**4,0**	5,9	**–**	0,3
	Secured over:				
	Plant and machinery with a book value of	**1,3**	3,0	**–**	–
	Other assets with a book value of	**2,5**	3,8	**–**	0,3
	Interest rate (%)	**10,75–13,0**	8,25 – 10,5	**–**	8,7
	Repayable in monthly instalments of	**0,2**	0,2	**–**	–
	Last payment (period)	**2010**	2010	**–**	2007
	Instalment sale agreements	**26,4**	47,2	**–**	–
	Secured over:				
	Plant and machinery with a book value of	**37,9**	50,1	**–**	–
	Other assets with a book value of	**3,4**	–	**–**	–
	Interest rate (%)	**10,49–13,0**	8 – 9,5	**–**	–
	Repayable in monthly instalments of	**1,5**	1,6	**–**	–
	Last payment (period)	**2010**	2010	**–**	–
	Suretyship has been provided by KAP International Holdings Ltd in favour of ABSA Bank Ltd for an unutilised asset finance facility of R40 million provided to Feltex Holdings (Pty) Ltd.				
	Mortgage bonds	**15,2**	–	**–**	–
	Secured over:				
	Land and buildings with a book value of	**21,0**	–	–	–
	Interest rate (%)	**15,53**	–	**–**	–
	Repayable in monthly instalments of	**0,4**	–	**–**	–
	Last payment (period)	**2009**	–	**–**	–
	Total secured loans	**45,6**	53,1	**–**	0,3

	GROUP		COMPANY	
	30 Jun 2007 Rm	31 Dec 2005 Rm	**30 Jun 2007 Rm**	31 Dec 2005 Rm
20 **INTEREST-BEARING BORROWINGS continued**				
20.3 **Unsecured loans comprise:**				
Other loans	**28,0**	62,8	**–**	–
Interest rate (%)	**10,75**	5,13 – 8,25	**–**	–
Repayment in six-monthly instalments of	**–**	3,8	**–**	–
Last payment (period)	**–**	2007	**–**	–
Repayment in quarterly instalments of	**5,0**	5,0	**–**	–
Last payment (period)	**2008**	2008	**–**	–
Cargill RSA (Pty) Ltd	**17,4**	–	**–**	–
Interest rate (%)	**11,5**	–	**–**	
Repayable in monthly instalments of	**0,5**	–	**–**	–
Last payment (period)	**2010**	–	**–**	–
Contingent purchase liability	**31,3**	–	**31,3**	–

This liability arose on the acquisition of the 60% interest in Brenner Mills (Pty) Ltd during 2007.

Of this amount, R9 million is payable on 31 August 2008 subject to Brenner Mills (Pty) Ltd reaching certain predetermined profit targets for the periods ending 30 June 2007 and 30 June 2008.

The remaining liability arises as a result of a put and call option exercisable by either party during the 14-day period from 1 July 2009 to 14 July 2009, with the final amount payable determined by the annualised average net profit of Brenner Mills (Pty) Ltd for the three years ending 30 June 2009 and with due reference to the average price/earnings multiple of KAP International Holdings Ltd for the three years ending 30 June 2009.

The major assumptions involved in determining the liability are as follows:

Discount rate	14,11%
Likelihood of either party exercising its call or put option	100%

	GROUP		COMPANY	
	30 Jun 2007 Rm	31 Dec 2005 Rm	**30 Jun 2007 Rm**	31 Dec 2005 Rm
20 **INTEREST-BEARING BORROWINGS continued**				
20.3 **Unsecured loans comprise continued**				
Loans from related parties	**22,4**	6,5	**–**	–
F S Fehrer GmbH	**4,2**	6,5	**–**	–
At 11,0% (2005: 8,5%)				
There are no fixed terms of repayment.				
Canvas & Tent (Pty) Ltd	**6,5**	–	**–**	–
Hof van Holland (Pty) Ltd	**2,3**	–	**–**	–
Directors of Brenner Mills (Pty) Ltd	**4,4**	–	**–**	–
Other related entities	**5,0**	–	**–**	–
The above loans bear interest at prime rate less 3% and have no fixed terms of repayment.				
Total unsecured loans	**99,1**	69,3	**31,3**	–
20.4 **Reconciliation of the total minimum lease payments to the present value of finance leases**				
Minimum lease payments reconciliation:				
Up to one year	**2,1**	2,3	**–**	0,1
Two to five years	**2,8**	4,4	**–**	0,2
More than five years	**–**	–	**–**	–
Total minimum lease payments	**4,9**	6,7	**–**	0,3
Future finance charges	**(0,9)**	(0,8)	**–**	–
Present value	**4,0**	5,9	**–**	0,3
Analysed as follows:				
Up to one year	**1,6**	1,7	**–**	0,1
Two to five years	**2,4**	4,2	**–**	0,2
More than five years	**–**	–	**–**	–
21 **INTEREST-FREE BORROWINGS**				
Unsecured loans				
F S Fehrer GmbH	**–**	2,3	**–**	–
Alam Brothers	**–**	0,8	**–**	–
Operating lease liability	**–**	6,6	**–**	–
Minority shareholders in Brenner Mills (Pty) Ltd	**18,0**	–	**–**	–
	18,0	9,7	**–**	–
Less: current portion	**(18,0)**	(3,8)	**–**	–
	–	5,9	**–**	–

The loans from F S Fehrer GmbH and Alam Brothers were repaid during the period.

The prior year operating lease was cancelled during the period and a new lease is currently in negotiation. The loans from minority shareholders in Brenner Mills (Pty) Ltd have no fixed terms of repayment.

	GROUP		COMPANY	
	30 Jun 2007 Rm	31 Dec 2005 Rm	**30 Jun 2007 Rm**	31 Dec 2005 Rm
22. **RETIREMENT BENEFIT OBLIGATIONS**				
22.1 **Post-retirement medical benefits**				
Balance at the beginning of the period	**19,8**	40,6	**0,1**	0,1
Current service cost	**0,1**	1,4	**–**	–
Contributions paid	**(2,9)**	(2,0)	**–**	–
Interest cost	**2,5**	2,6	**–**	–
Actuarial gains	**(2,4)**	(3,0)	**–**	–
Settled in terms of FSB-approved pension fund surplus	**–**	(19,8)	**–**	–
Liabilities settled	**(3,1)**	–	**(0,1)**	–
Balance at the end of the period	**14,0**	19,8	**–**	0,1

During 2007, the post-retirement medical benefits relating to certain employees of KAP International Holdings Ltd, the Jordan division of Feltex Holdings (Pty) Ltd and pensioners of the Dano Textile Industries (Pty) Ltd were settled in cash.

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 must be used as a contribution holiday in respect of all qualifying members.

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

	30 Jun 2007 %	31 Dec 2005 %
Health-care cost inflation	**5,2**	6,5 – 7,4
Discount rate	**8,2**	7,2 – 9,0
Contribution at retirement	**50 – 100**	50 – 100

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 and the Feltex Retirement Fund.

The group had previously restricted the liability to employees not on the Discovery Health Medical Scheme to a fixed number of retired employees and had fixed the amount of contributions on behalf of some 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 30 June 2007. The main actuarial assumption is that the company continues to provide subsidies at current levels, but subject to annual review.

22. **RETIREMENT BENEFIT OBLIGATIONS continued**

22.2 **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 period the majority of 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, Feltex Retirement Fund, KAP International Retirement Fund and the Brenmill Pension 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 R44,2 million (2005: R26,9 million). The company contribution in respect of retirement benefit obligations amounted to R1,2 million (2005: R0,4 million).

22.3 **Defined benefit plans**

In the past, entities in the group operated a defined benefit plan. During 2005, the Feltex Retirement Fund allocated its surplus on a 60/40 basis to employers and employees respectively.

Refer to note 9 for more details.

	GROUP		COMPANY	
	30 Jun 2007	31 Dec 2005 Restated	**30 Jun 2007**	31 Dec 2005
	Rm	Rm	**Rm**	Rm
23 ACCOUNTS PAYABLE				
Trade payables	**496,8**	309,6	**–**	–
Accruals	**49,9**	41,7	**5,3**	3,3
Other payables	**21,4**	8,1	**0,9**	–
SARS – VAT	**7,1**	0,4	**0,5**	0,1
Forward exchange contract liabilities	**1,4**	5,9	**–**	–
Carrying value	**576,6**	365,7	**6,7**	3,4

Credit periods obtained vary widely among the operations.

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

	Opening balance Rm	Amounts added (released) Rm	Amounts utilised Rm	Subsidiaries acquired Rm	Closing balance Rm
24 **PROVISIONS**					
2007					
GROUP					
Onerous contracts	**2,1**	**–**	**(2,1)**	**–**	**–**
Discontinued operations	**4,3**	**–**	**(4,1)**	**–**	**0,2**
Environmental rehabilitation	**1,3**	**(0,6)**	**–**	**–**	**0,7**
Leave pay and bonuses	**31,2**	**17,0**	**(17,1)**	**2,2**	**33,3**
Warranties	**0,8**	**–**	**(0,8)**	**–**	**–**
Contingencies fair valued in business combination	**–**	**–**	**–**	**3,7**	**3,7**
	39,7	**16,4**	**(24,1)**	**5,9**	**37,9**
COMPANY					
Environmental rehabilitation	**–**	**0,5**	**–**	**–**	**0,5**
Leave pay and bonuses	**4,8**	**–**	**(4,5)**	**–**	**0,3**
	4,8	**0,5**	**(4,5)**	**–**	**0,8**
2005					
GROUP					
Onerous contracts	4,8	–	(2,7)	–	2,1
Discontinued operations	–	10,9	(6,6)	–	4,3
Environmental rehabilitation	2,0	–	(0,7)	–	1,3
Leave pay and bonuses	27,6	16,7	(13,1)	–	31,2
Warranties	1,0	–	(0,2)	–	0,8
	35,4	27,6	(23,3)	–	39,7
COMPANY					
Leave pay and bonuses	0,1	4,7	–	–	4,8

Onerous contracts

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

Discontinued operation

This provision arose on the discontinuation of the Wayne Rubber division (refer note 44). The discontinuance was completed by April 2006 with the remaining balance being in respect of a disputed amount.

Environmental rehabilitation

A provision has been made for environmental rehabilitation 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 preapproved incentive schemes.

Warranties

The provision for warranties was based on a general provision of 2% of auto kit sales for the last four months before period-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 was also based on historic claims and the level of repairs and returns. The group effectively changed its warranty provision classification to being part of the provision for credit notes.

		GROUP		COMPANY	
		Period ended 30 Jun 2007 Rm	Year ended 31 Dec 2005 Restated Rm	**Period ended 30 Jun 2007 Rm**	Year ended 31 Dec 2005 Restated Rm
25	**REVENUE**				
	The group's revenue comprises mainly the sale of goods (company-management fees)	**5 242,2**	2 975,1	**11,3**	4,9
26	**OPERATING PROFIT/(LOSS)**				
	Operating profit/(loss) includes the following items which require separate disclosure:				
	Income				
	Dividend received	**–**	–	**–**	20,9
	Government incentives received				
	– Small Medium Enterprise Development Programme	**1,6**	–	**–**	–
	– Sector Education and Training Authority	**3,5**	1,4	**0,1**	–
	Foreign exchange gains realised	**4,8**	0,9	**–**	–
	Management fees received	**–**	0,1	**–**	–
	Pension fund surplus (net)	**–**	50,6	**–**	–
	Profit on disposal of property, plant and equipment	**6,8**	15,0	**0,7**	–
	(Loss)/profit on fair value of biological assets	**(1,8)**	3,9	**–**	–
	Expenses				
	Audit fees				
	– current period	**4,8**	4,0	**1,4**	1,0
	– prior year underprovision	**0,7**	0,5	**0,3**	0,2
	– other services	**1,7**	1,4	**0,8**	0,6
	Depreciation on property, plant and equipment (refer note 2 for breakdown)	**65,6**	42,2	**0,7**	0,3
	Fees paid to non-employees				
	– administrative services	**2,0**	0,7	**–**	–
	– technical services	**19,1**	8,2	**0,4**	0,1
	– secretarial services	**0,3**	0,3	**0,3**	0,3
	Impairment of inventory	**1,5**	0,8	**–**	–
	Impairments				
	– investment property	**–**	0,8	**–**	–
	– plant and machinery	**3,3**	–	**–**	–
	– other assets	**0,4**	–	**–**	–
	Operating lease charges				
	– land and buildings	**13,3**	4,6	**0,4**	0,2
	– plant and equipment	**7,1**	2,7	**–**	–
	– other assets	**3,1**	0,6	**0,1**	0,1
	Research and development	**9,8**	2,2	**–**	–
	Staff costs				
	– salaries and wages	**679,7**	389,2	**7,4**	8,4
	– termination costs	**8,3**	10,8	**–**	–
	– company contributions to retirement funds	**44,2**	26,9	**1,2**	0,4
	– share-based payments	**4,2**	1,1	**4,2**	1,1

		GROUP		COMPANY	
		Period ended 30 Jun 2007 Rm	Year ended 31 Dec 2005 Restated Rm	Period ended 30 Jun 2007 Rm	Year ended 31 Dec 2005 Rm
27	**INTEREST PAID**				
	Interest paid				
	– bank overdrafts	**34,2**	12,4	**18,7**	5,8
	– finance leases and instalment sale agreements	**6,0**	1,0	**–**	–
	– related parties (note 40)	**2,2**	2,5	**1,2**	1,8
	– subsidiaries (note 40)	**–**	–	**4,0**	1,5
	– loans	**9,4**	11,5	**0,8**	0,4
		51,8	27,4	**24,7**	9,5
28	**INTEREST RECEIVED**				
	Interest received				
	– related parties (note 40)	**–**	5,2	**–**	3,0
	– subsidiaries (note 40)	**–**	–	**28,3**	12,1
	– other	**0,7**	2,8	**0,4**	0,6
		0,7	8,0	**28,7**	15,7
29	**TAXATION**				
	South African normal taxation				
	Current taxation – current period	**14,9**	7,9	**–**	0,3
	Current taxation – prior year	**(2,4)**	(3,7)	**(1,5)**	(3,2)
	Deferred taxation – current period	**61,6**	36,8	**(1,9)**	(1,1)
	Deferred taxation – prior year	**(21,1)**	2,0	**–**	(0,4)
	Secondary taxation on companies	**–**	2,6	**–**	–
	Taxation charge/(credit) for the period	**53,0**	45,6	**(3,4)**	(4,4)
	Reconciliation of taxation charge	**%**	%	**%**	%
	Standard rate	**29,0**	29,0	**29,0**	29,0
	Adjusted for:				
	– permanent differences	**(1,6)**	0,4	**(10,4)**	(34,0)
	– change in taxation rate	**–**	1,5	**–**	–
	– taxation attributable to joint ventures	**–**	(0,2)	**–**	–
	– secondary taxation on companies	**–**	1,1	**–**	–
	– utilisation of taxation losses	**(0,8)**	(1,2)	**–**	–
	– adjustments in respect of previous periods	**(8,1)**	(0,7)	**14,7**	(22,2)
	– deferred taxation raised in respect of previously unrecognised taxation losses	**–**	(11,4)	**–**	–
	– capital gains taxation	**0,1**	–	**–**	–
	– research and development allowances	**(0,4)**	–	**–**	–
	Effective rate	**18,2**	18,5	**33,3**	(27,2)

Corporate taxation is calculated at 29% (2005: 29%) of the estimated taxable income for the period.

The Minister of Finance announced additional allowances with respect to qualifying research and development expenditure incurred after 1 November 2006.

	GROUP	
	Period ended 30 Jun 2007 Rm	Year ended 31 Dec 2005 Restated Rm
30 EARNINGS PER SHARE		
Effective 1 July 2006 the company issued R1,2 million shares for the acquisition of Caravelle Automotive Holdings (Pty) Ltd.		
During the previous year the company issued 4,5 million shares in terms of the dividend capitalisation.		
Earnings		
Net profit per the income statement	**226,0**	194,7
Number of shares		
Weighted average number of ordinary shares in issue for the purposes of earnings and headline earnings per share (millions)	**424,1**	421,5
Effect of dilutive potential ordinary shares (share options in millions)	**–**	–
Weighted average number of ordinary shares in issue (millions) – diluted earnings	**424,1**	421,5
Earnings per share (cents)	**53,3**	46,2
Diluted earnings per share (cents)	**53,3**	46,2
The directors consider that the dilution has no material effect in the current period, 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	**226,0**	194,7
Adjustments (net of taxation)		
Impairments	**2,6**	0,6
Profit on disposal of property, plant and equipment	**(5,9)**	(12,0)
Discontinued operation closure costs	**–**	9,5
Headline earnings	**222,7**	192,8
Headline earnings per share (cents)	**52,5**	45,7

	GROUP AND COMPANY	
	Period ended 30 Jun 2007 Rm	Year ended 31 Dec 2005 Rm
31 DISTRIBUTIONS PER SHARE		
Distributions declared	**59,4**	50,8
Distributions declared (cents)	**17**	12
Distributions paid	**110,2**	–
Distributions paid (cents)	**26**	–
Dividends paid by share capitalisation	**–**	13,8
Distributions/dividends paid in cash	**110,2**	7,1
Total distributions paid	**110,2**	20,9

The distribution of 12 cents and 14 cents per share was paid on 12 June 2006 (declared: 10 March 2006) and 30 April 2007 (declared: 9 March 2007) respectively.

A distribution of 3 cents per share has been declared after year-end and is payable in the new year.

A dividend of 5 cents per share was declared and paid via a capitalisation share award or cash alternative on 23 May 2005.

	GROUP		COMPANY	
	Period ended 30 Jun 2007 Rm	Year ended 31 Dec 2005 Restated Rm	**Period ended 30 Jun 2007 Rm**	Year ended 31 Dec 2005 Rm
32 CASH FLOW STATEMENT				
32.1 Cash generated from/(utilised by) operations				
Operating profit/(loss) before taxation and impairment of subsidiaries	**290,6**	246,5	**(10,2)**	16,2
Adjusted for:				
Depreciation	**65,6**	42,2	**0,7**	0,3
Impairments	**3,7**	0,8	**–**	–
Profit on disposal of property, plant and equipment	**(6,8)**	(15,0)	**(0,7)**	–
Decrease in retirement benefit obligation	**(5,8)**	(20,8)	**(0,1)**	–
Decrease/(increase) in fair value of biological assets	**1,8**	(3,9)	**–**	–
Unrealised gain on listed investment	**(0,4)**	(0,5)	**–**	–
Movement in foreign currency translation reserve	**0,1**	–	**–**	–
Net finance cost/(income)	**51,1**	19,4	**(4,0)**	(6,2)
Dividends received	**–**	–	**–**	(20,9)
Income from joint ventures	**(3,2)**	(0,7)	**–**	–
Pension fund surplus movement	**(3,7)**	(50,6)	**–**	–
Share-based payment reserve movement	**4,2**	1,1	**4,2**	1,1
Operating cash flows before changes in working capital	**397,2**	218,5	**(10,1)**	(9,5)
Movements in working capital:				
Increase in inventory and biological assets	**(227,1)**	(79,9)	**–**	–
Increase in accounts receivable	**(86,5)**	(29,5)	**(0,3)**	(0,8)
Increase/(decrease) in accounts payable and provisions	**135,7**	23,9	**(0,7)**	1,8
Cash generated from/(utilised by) operations	**219,3**	133,0	**(11,1)**	(8,5)
32.2 Taxation paid is reconciled as follows:				
Amounts unpaid at the beginning of the period	**(5,3)**	(1,6)	**(1,3)**	(4,4)
Subsidiaries acquired	**(0,2)**	–	**–**	–
(Charged)/credited to the income statement	**(12,5)**	(6,8)	**1,5**	2,9
Amounts unpaid at the end of the period	**4,0**	5,3	**1,2**	1,3
Taxation (paid)/refunded	**(14,0)**	(3,1)	**1,4**	(0,2)

32 **CASH FLOW STATEMENT continued**

32.3 **Net cash flow on acquisition of subsidiaries**

The group acquired the following companies and their subsidiaries during the period.

	Date acquired	Percentage acquired	Consideration excluding shareholders' loans Rm	Consideration including shareholders' loans Rm
Indirect acquisition				
Caravelle Automotive Holdings (Pty) Ltd	1 July 2006	100%	5,4	23,0
The company manufactures loose tufted carpets for the automotive industry.				
Direct acquisition				
Brenner Mills (Pty) Ltd	1 May 2007	60%	49,6	49,6
The company is one of the leading maize millers in South Africa.				

The goodwill arising on the acquisition of these companies is attributable to the strategic business advantage acquired, expected synergies, revenue growth, future market development and knowledgeable and experienced employees, which did not meet the criteria for recognition as other intangible assets on the date of the acquisition.

The company owns 60% of the share capital of Brenner Mills (Pty) Ltd. A put and call option exists with respect to the remaining 40%, which may be enforced by either party in July 2009 on the same terms. Due to the nature and substance of the option agreement, the company has been consolidated at 100% and no minority interest is recognised.

The businesses acquired contributed R13,7 million to the group's net profit from the date of acquisition to the balance sheet date. Due to the different year-ends of the companies prior to becoming part of the KAP Group, it is impracticable to determine the effects of their results from 1 January 2006. For the nine months ended 30 June 2007 for Brenner Mills (Pty) Ltd and the 17 months ended 30 June 2007 for Caravelle Automotive Holdings (Pty) Ltd, group revenue would have increased by R527,0 million and net profit would have increased by R15,7 million.

The acquisition of Brenner Mills (Pty) Ltd has been accounted for on a provisional basis in accordance with the provisions of IFRS 3, Business Combinations, as the final fair values of the assets and liabilities are yet to be determined. Adjustments to these provisional values must, however, be completed within twelve months from acquisition of a controlling interest (i.e. 30 April 2008).

During 2005, the group acquired the entire share capital of Inyati UK Ltd, a company in the footwear industry, for a purchase consideration of R1. The acquisition was accounted for by the purchase method of accounting.

	GROUP	
	Period ended 30 Jun 2007 Rm	Year ended 31 Dec 2005 Rm
32 **CASH FLOW STATEMENT continued**		
32.3 **Net cash flow on acquisition of subsidiaries continued**		
Particulars of fair value of assets and liabilities assumed at date of acquisition were:		
Property, plant and equipment	**75,3**	1,0
Loans receivable	**0,3**	–
Deferred taxation assets	**2,9**	–
Inventory	**29,2**	3,0
Accounts receivable	**85,6**	2,5
Cash and cash equivalents	**6,8**	–
Interest-bearing borrowings	**(85,1)**	(1,3)
Deferred taxation liabilities	**(1,1)**	–
Accounts payable	**(67,6)**	(5,2)
Provisions	**(5,9)**	–
SARS – income taxation payable	**(0,2)**	–
Bank overdrafts	**(41,6)**	–
Net liabilities acquired	**(1,4)**	–
Goodwill	**56,4**	–
Purchase consideration	**55,0**	–
Less: Purchase price settled via shares issued	**4,8**	–
Less: Contingent purchase price not settled by period-end	**30,6**	–
Bank overdrafts acquired	**(34,8)**	–
Net cash outflow on acquisition of subsidiaries	**54,4**	–
32.4 **Net cash flow on acquisition of subsidiaries**		
Particulars of the carrying value of identifiable assets and liabilities immediately prior to acquisition were:		
Property, plant and equipment	**92,3**	1,0
Receivables and loans	**0,3**	–
Inventory	**30,3**	3,0
Accounts receivable	**87,4**	2,5
Cash and cash equivalents	**6,8**	–
Interest-bearing borrowings	**(84,4)**	(1,3)
Deferred taxation liabilities	**(4,9)**	–
Accounts payable	**(67,4)**	(5,2)
Provisions	**(2,2)**	–
SARS – income taxation payable	**(0,2)**	–
Bank overdrafts	**(41,6)**	–
Total assets and liabilities acquired	**16,4**	–

Executive directors	Basic salary R'000	Company contributions R'000	Bonuses R'000	Share-based payments R'000	Termination benefits R'000	Total R'000
33 **DIRECTORS' EMOLUMENTS**						
18 months ended 30 June 2007						
P C T Schouten	2 844	595	397	550	–	4 386
J P Haveman	1 483	274	163	313	–	2 233
Total	4 327	869	560	863	–	6 619

All remuneration was paid by the holding company.

Non-executive directors	Service	R'000
C E Daun*	Chairman	160
M J Jooste#	Member of remuneration committee	110
J B Magwaza	Chairman of remuneration and transformation committees	151
S H Nomvete	Member of audit committee	114
I N Mkhari	Member of remuneration and transformation committees	117
F Möller+		90
D M van der Merwe#		96
Total		838
Officers		
D Konar	Chairman of audit committee	71
J H N van der Merwe#	Member of audit committee	26
Total		97

* paid to Daun & Cie AG
\# paid to Steinhoff International Holdings Ltd
\+ paid to KAP Textile Holdings Ltd

Directors' shareholding as at 30 June 2007 (number of shares)	Beneficial direct	Beneficial indirect	Total	%
C E Daun	–	157 361 384	157 361 384	37,1
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	–	12 090 000	12 090 000	2,9
P C T Schouten	4 826 913	–	4 826 913	1,1
J P Haveman	1 608 250	–	1 608 250	0,4

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 in terms of the Daun share option scheme were as follows: (Refer note 17 for details of share option scheme.)

	Total options granted 31 Dec 2004 million shares	Options taken up by 30 Jun 2007 million shares	Options unvested by 30 Jun 2007 million shares	Options remaining 30 Jun 2007 million shares
P C T Schouten	8,0	8,0	2,4	–
J P Haveman	2,0	2,0	0,6	–
Total	10,0	10,0	3,0	–

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

33 **DIRECTORS' EMOLUMENTS continued**

Executive directors	Basic salary R'000	Company contributions R'000	Bonuses R'000	Share-based payments R'000	Termination benefits R'000	Total R'000
Year ended 31 December 2005						
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

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 and transformation committees	70
S H Nomvete	Member of audit committee	65
I N Mkhari	Member of remuneration and transformation committees	62
F Möller		50
D M van der Merwe+		–
Total		402
Officers		
D Konar	Chairman of audit committee	–
J H N van der Merwe	Member of audit committee	–
Total		–

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

Directors' shareholding as at 31 December 2005 (number of shares)	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	–	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 were no service contracts with directors of the company with a notice period of greater than one period and with compensation on termination of greater than one period's salary.

Conditional options granted to directors were as follows:

	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

34 FOREIGN EXCHANGE DERIVATIVE INSTRUMENTS AND FOREIGN CURRENCY RISK MANAGEMENT

34.1 Foreign exchange risk management

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.

34.2 Foreign forward exchange contracts

Foreign forward exchange contracts are used by the group to manage its exposure to foreign exchange fluctuations. At period-end open contracts were marked to market and resulted in the following financial assets or liabilities. These amounts have been disclosed in notes 13 and 23 respectively.

Forward exchange assets/(liabilities)

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

	FEC value 2007 Rm	**Estimated market value 2007 Rm**	**FEC (liabilities)/ assets 2007 Rm**	FEC value 2005 Rm	Estimated market value 2005 Rm	FEC (liabilities)/ assets 2005 Rm	**Contract rate 2007**	Contract rate 2005
USD	**(160,8)**	**159,6**	**(1,2)**	(77,5)	72,1	(1,9)	**7,1**	6,6
EUR	**(39,6)**	**39,5**	**(0,1)**	(4,4)	4,3	(0,2)	**9,7**	7,8
GBP	**(4,3)**	**4,4**	**0,1**	(2,4)	2,2	(0,2)	**14,2**	11,8
Total	**(204,7)**	**203,5**	**(1,2)**	(84,3)	78,6	(2,3)		

34.3 Uncovered foreign currency balances

Foreign currency	Foreign amount **2007 Rm**	Foreign amount 2005 Rm	Rate **2007**	Rate 2005	Rand amount **2007 Rm**	Rand amount 2005 Rm
The following unhedged and uncovered foreign assets relating to accounts receivable were in existence at period-end:						
USD	**0,4**	0,3	**7,07**	6,32	**2,8**	1,8
EUR	**1,3**	0,6	**9,54**	7,53	**12,6**	4,6
GBP	**0,2**	0,8	**14,16**	10,92	**3,5**	8,3
CHF	**–**	–	**5,76**	4,81	**0,1**	0,2
					19,0	14,9
The following unhedged and uncovered foreign liabilities relating to accounts payable were in existence at period-end:						
USD	**5,4**	2,7	**7,06**	6,33	**38,9**	17,3
EUR	**0,1**	0,9	**9,55**	7,50	**0,9**	6,9
GBP	**–**		**13,99**	10,98	**0,4**	0,2
					40,2	24,4

	GROUP		COMPANY	
	30 Jun 2007 Rm	31 Dec 2005 Rm	**30 Jun 2007 Rm**	31 Dec 2005 Rm
35 **CAPITAL COMMITMENTS**				
Capital expenditure				
Authorised by directors				
– contracted	**29,8**	10,3	**–**	–
– not yet contracted	**171,4**	23,0	**–**	–
The capital expenditure is to be financed from internally generated funds and external credit facilities. The bulk of the increase relates to the Hosaf expansion project (R97,7 million).				
36 **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	**9,3**	6,9	**0,2**	0,3
In the second to fifth years inclusive	**14,3**	9,0	**0,1**	0,2
Over five years	**0,3**	0,1	**–**	–
	23,9	16,0	**0,3**	0,5
37 **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	**0,3**	1,2	**–**	0,1
In the second to fifth year inclusive	**1,2**	–	**–**	–
Over five years	**–**	–	**–**	–
	1,5	1,2	**–**	0,1

38 JUDGEMENTS AND ESTIMATES

Judgements and estimates are continually re-evaluated and are based on historical experience and other factors, including expectations of future events which are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions which have significant risk of causing material adjustment to the carrying amounts of assets and liabilities during the next financial year are discussed below.

Useful lives and residual values

The estimated useful lives for property, plant and equipment are:

Buildings	40 – 50 years
Plant and machinery	5 – 30 years
Office equipment and furniture	3 – 16 years
Computer equipment and software	3 – 4 years
Motor vehicles	4 – 5 years
Land is not depreciated	

Estimated useful lives and residual values are reviewed annually, taking cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments in the specific industries where the assets are used.

Biological assets – cattle

The fair value of cattle which have undergone sufficient biological transformation and hence considered market-ready is based on the meat market price. Animals which had not undergone sufficient biological transformation are fair valued, based on the fair value on initial recognition plus the cost of feed.

38 **JUDGEMENTS AND ESTIMATES continued**

Impairment of assets
Goodwill, property, plant and equipment are assessed annually for impairment.

Deferred taxation assets
Deferred taxation assets are recognised to the extent that it is probable that taxable income will be available in the future against which it can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation and competitive forces.

Contingent liabilities
Management applies its judgement to the advice it receives from its attorneys, advocates and other advisers in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine whether the obligation is recognised as a liability or disclosed as a contingent liability.

Valuation of equity compensation benefits
Management classifies the KAP performance share-based payment scheme as an equity-settled scheme based on the assessment of the role of the company and that of the employees in the transaction. In applying its judgement, management has consulted with external expert advisers in the accounting and share-based payment advisory industry. The critical assumptions as used in the valuation model are detailed in note 17.

Post-employment benefit obligations
Management consulted with external expert advisers in the accounting and post-employment benefit obligation industry in applying its judgement with respect to post-employment benefit obligations. The critical estimates as used in each benefit plan are detailed in note 22.

Contingent purchase price arrangements
Management has made assumptions regarding the attainment of set profit targets relating to newly-acquired business units, where the purchase price is contingent on reaching the set profit targets as well as the expected average price earnings of the KAP group for the three years ending 30 June 2009.

Business combinations
The acquisition of Brenner Mills (Pty) Ltd has been accounted for on a provisional basis in accordance with the provisions of IFRS 3, Business Combinations. To give effect to the acquisition on a provisional basis, various fair value judgements have been made regarding the assets and liabilities of Brenner Mills (Pty) Ltd.

Adjustments to these provisional values must, however, be completed within twelve months from acquisition of a controlling interest (i.e. 30 April 2008).

Treatment of future options on acquisition
The company owns 60% of the share capital of Brenner Mills (Pty) Ltd. A put and call option exists with respect to the remaining 40%, which may be enforced by either party in July 2009 on the same terms.

Due to the nature and substance of the option agreement, the company has been consolidated at 100% and no minority interest is recognised.

39 **PRIOR YEAR ADJUSTMENTS**

39.1 **Circular 9/2006 – Transactions giving rise to adjustments to Revenue and Cost of Sales**
Previously, the group had accounted for certain rebates received and settlement discounts granted as income and expense in the income statement. In terms of Circular 9/2006 issued by the South African Institute of Chartered Accountants, these rebates received and settlement discounts granted need to be set off against turnover and cost of sales. As a result, the revenue and cost of sales in the comparative financial statements have been restated to reflect the net turnover or cost of sales.

39.2 **Inappropriate treatment of biological assets**
The group has accounted for a prior year restatement arising from the inappropriate use of available information in the determination of the fair value of biological assets in prior year financial statements.

In prior periods the group used the meat market price in its calculation of the fair value of all biological assets. This treatment has, however, been determined to be inappropriate with respect to cattle for which there is no active market as they have not undergone sufficient biological transformation to be market-ready. The fair value of these animals is now based on the fair value on initial recognition plus costs incurred.

	GROUP	
	1 Jan 2005 Rm	31 Dec 2005 Rm
39 **PRIOR YEAR ADJUSTMENTS continued**		
39.3 **Reconciliation of equity**		
Equity as previously reported	863,6	1 058,5
Transactions giving rise to adjustments to revenue and cost of sales	(0,8)	(0,8)
Biological assets	(1,6)	(3,8)
Deferred taxation	0,7	1,3
Equity as restated	861,9	1 055,2

	GROUP			
	As previously stated 31 December 2005 Rm	Circular 9/2006 adjustments Rm	Biological assets adjustments Rm	Restated 31 December 2005 Rm
Reconciliation of summarised balance sheet				
Accounts receivable	502,5	(1,0)	–	501,5
Biological assets	138,3	–	(3,8)	134,5
Deferred taxation assets	94,9	0,2	–	95,1
All other assets	1 017,2	–	–	1 017,2
Total assets	1 752,9	(0,8)	(3,8)	1 748,3
Accounts payable	(365,9)	0,2	–	(365,7)
Deferred taxation liability	(18,7)	–	1,1	(17,6)
All other liabilities	(309,8)	–	–	(309,8)
Total liabilities	(694,4)	0,2	1,1	(693,1)
Equity	1 058,5	(0,6)	(2,7)	1 055,2
Reconciliation for the year ended 31 December 2005				
Income statement				
Revenue	2 997,9	(22,8)	–	2 975,1
Cost of sales	(2 151,5)	3,2	(2,2)	(2 150,5)
Gross profit	846,4	(19,6)	(2,2)	824,6
Other operating income	54,2	(2,8)	–	51,4
Operating costs	(672,9)	22,4	–	(650,5)
Operating profit	227,7	–	(2,2)	225,5
Pension fund surplus (net)	50,6	–	–	50,6
Discontinued operating closure cost	(10,9)	–	–	(10,9)
Interest paid	(27,4)	–	–	(27,4)
Interest received	8,0	–	–	8,0
Share of results of joint ventures	0,7	–	–	0,7
Profit before taxation	248,7	–	(2,2)	246,5
Taxation	(46,2)	–	0,6	(45,6)
Net profit for the year	202,5	–	(1,6)	200,9
Attributable to:				
Equity holders of the parent	196,3	–	(1,6)	194,7
Minority interest	6,2	–	–	6,2
Earnings per share (including discontinued operations) (cents)	46,6	–	(0,4)	46,2
Headline earnings per share (including discontinued operations) (cents)	46,1	–	(0,4)	45,7

40 RELATED PARTIES

40.1 Controlling entity

The company has no controlling shareholder. The two largest shareholders are Daun & Cie AG and Steinhoff Africa Holdings (Pty) Ltd.

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 Ltd (subsidiary of Daun & Cie AG) and its subsidiaries or associates
Mooi River Home Textile (Pty) Ltd
Union Spinning Mills (Pty) Ltd
Good Hope Textiles (Pty) Ltd
SA Fine Worsteds (Pty) Ltd

Courthiel Holdings (Pty) Ltd (subsidiary of Daun & Cie AG) and its subsidiaries
Wellington Industries (Pty) Ltd
Table Bay Spinners Ltd
African Hide Trading (Pty) Ltd
Court Fabrics and Yarns (Pty) Ltd

Daun & Cie AG and its subsidiaries
Conrapp Properties (Pty) Ltd
Zimbabwe Spinners & Weavers (Pvt) Ltd
KAP Beteiligungs AG

Other
Loungefoam (Pty) Ltd

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

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 in respect of their 24,5% shareholding of KAP.

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

The companies below are companies or enterprises where group key personnel are directors or hold a direct or indirect financial interest.

Companies controlled by the Brenner Mills (Pty) Limited's directors S Brenner and E Goldblum (or close family)
Goldtani Midrand (Pty) Ltd
Hof van Holland (Pty) Ltd
Koedgold Properties (Pty) Ltd
Canvas & Tent (Pty) Ltd
Masitshaba Distributors CC

	GROUP	
	Period ended 30 Jun 2007 Rm	Year ended 31 Dec 2005 Rm
40 **RELATED PARTIES continued**		
40.1 **Controlling entity continued**		
Material transactions with related parties and the resultant balances receivable or payable at period-end include the following:		
Sale of goods to		
African Hide Trading (Pty) Ltd	**–**	32,5
KAP Textile Holdings SA Ltd	**45,4**	21,3
Table Bay Spinners Ltd	**10,1**	4,5
Motseng Outsourced Services (Pty) Ltd	**15,9**	13,6
Steinhoff Africa Holdings (Pty) Ltd and subsidiaries	**8,3**	3,9
Loungefoam (Pty) Ltd	**29,8**	18,1
SA Fine Worsteds (Pty) Ltd	**2,1**	–
Other	**0,4**	0,6
	112,0	94,5
Purchase of goods from		
African Hide Trading (Pty) Ltd	**29,8**	14,1
KAP Textile Holdings SA Ltd	**2,0**	9,8
Table Bay Spinners Ltd	**2,9**	4,0
Zimbabwe Spinners & Weavers (Pvt) Ltd	**–**	4,4
Motseng Outsourced Services (Pty) Ltd	**–**	0,4
Steinhoff Africa Holdings (Pty) Ltd	**2,0**	–
Union Spinning Mills (Pty) Ltd	**5,1**	–
Court Fabrics and Yarns (Pty) Ltd	**1,4**	–
Other	**1,5**	–
	44,7	32,7
Operating lease rentals paid to		
Courthiel Holdings (Pty) Ltd	**–**	3,0
Conrapp Properties (Pty) Ltd	**–**	1,9
KAP Textile Holdings SA Ltd	**0,1**	–
	0,1	4,9
Interest paid to		
Daun & Cie AG	**–**	1,8
Steinhoff Africa Holdings (Pty) Ltd	**1,2**	–
Brenner Mills (Pty) Ltd's directors	**0,1**	–
Brenner Mills (Pty) Ltd director's family	**0,1**	–
Canvas & Tent (Pty) Ltd	**0,1**	–
Other	**0,7**	0,7
	2,2	2,5
Interest received from		
African Hide Trading Corporation (Pty) Ltd	**–**	1,1
KAP Textile Holdings SA Ltd	**–**	3,2
Courthiel Holdings (Pty) Ltd	**–**	0,9
	–	5,2

	GROUP	
	30 Jun 2007 Rm	31 Dec 2005 Rm
40 **RELATED PARTIES continued**		
40.1 **Controlling entity continued**		
Acquisition of land and buildings from		
Courthiel Holdings (Pty) Ltd	**–**	35,2
Conrapp Properties (Pty) Ltd	**–**	8,9
	–	44,1
Sale of investment properties to		
African Hide Trading Corporation (Pty) Ltd	**1,5**	5,5
Related party balances at period-end		
Accounts receivable		
KAP Textile Holdings SA Ltd	**12,3**	–
Table Bay Spinners Ltd	**3,3**	1,2
Loungefoam (Pty) Ltd	**3,9**	6,6
Motseng Outsourced Services (Pty) Ltd	**2,3**	5,9
Steinhoff Africa Holdings (Pty) Ltd and subsidiaries	**0,1**	2,8
Masitshaba Distributors CC	**0,4**	–
Other	**0,8**	2,1
	22,7	18,6
Accounts payable		
KAP Textile Holdings SA Ltd	**0,5**	–
African Hide Trading (Pty) Ltd	**0,4**	–
Courthiel Holdings (Pty) Ltd	**–**	1,3
Table Bay Spinners Ltd	**–**	0,9
Union Spinning Mills (Pty) Ltd	**–**	0,8
Zimbabwe Spinners & Weavers (Pvt) Ltd	**–**	0,6
Steinhoff Africa Holdings (Pty) Ltd and subsidiaries	**0,1**	–
Futuris Feltex (Pty) Ltd	**6,7**	–
	7,7	3,6

No provision for doubtful debts existed at period-end pertaining to any of the above related parties. (2005: Rnil)

No bad debts were written off during the period pertaining to the above related party balances. (2005: Rnil)

Loans from related parties
Refer to notes 20.3 and 21 for details.

40.2 **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 include the 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 period was as follows:

	GROUP		COMPANY	
	Period ended 30 Jun 2007 Rm	Year ended 31 Dec 2005 Rm	**Period ended 30 Jun 2007 Rm**	Year ended 31 Dec 2005 Rm
40 **RELATED PARTIES continued**				
40.2 **Compensation of key management personnel continued**				
Short-term benefits	**71,9**	61,0	**7,5**	8,7
Post-employment benefits	**–**	0,6	**–**	–
Other long-term benefits	**–**	–	**–**	–
Share-based payments	**4,2**	1,1	**1,2**	0,4
Termination benefits	**1,8**	0,7	**–**	–
	77,9	63,4	**8,7**	9,1

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

40.3 **Directors**

The directors named in the attached directors' report each held office as a director of the company during the period ended 30 June 2007.

F Möller is an executive director of KAP Beteiligungs AG, a company controlled by Daun & Cie AG.

P C T Schouten, the chief executive officer, was an executive director of KAP Beteiligungs AG for a period during 2005.

I N Makhari and S H Nomvete are joint CEOs and shareholders (of 46,5% each) of Motseng Investment Holdings (Pty) Ltd, which engages in various arm's length transactions with KAP International Holdings Ltd. J B Magwaza holds 5% of Motseng Investment Holdings (Pty) Ltd.

M J Jooste is the chief executive officer of Steinhoff International Holdings Ltd, the holding company of Steinhoff Africa Holdings (Pty) Ltd.

D M van der Merwe, a director of Steinhoff International Holdings Ltd, is the managing director of Steinhoff Africa Holdings (Pty) Ltd.

40.4 **Transaction with entities in the group**

The company and subsidiaries within the group advanced, received and repaid loans to other entities in the group during the current and previous financial periods. The company and subsidiaries also transacted with each other during the period 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 5 – Interests in subsidiaries and note 6 – Interests in joint ventures. A list of the group's subsidiaries is provided in Annexure A.

	COMPANY	
	Period ended 30 Jun 2007 Rm	Year ended 31 Dec 2005 Rm
40 **RELATED PARTIES continued**		
40.4 **Transaction with entities in the group continued**		
Transactions with entities related to, controlled or influenced by the controlling entity		
Interest received from		
KAP Textile Holdings SA Ltd	**–**	1,6
Courthiel Holdings (Pty) Ltd	**–**	0,9
African Hide Trading (Pty) Ltd	**–**	0,5
	–	3,0
Interest paid to		
Daun & Cie AG	**–**	1,8
Steinhoff Africa Holdings (Pty) Ltd	**1,2**	–
	1,2	1,8
Transaction with entities in the wholly-owned group		
Interest received from		
Feltex Holdings (Pty) Ltd	**12,1**	4,3
Dano Textile Industries (Pty) Ltd	**2,3**	1,5
Bull Brand Foods (Pty) Ltd	**13,9**	6,1
KAP Investments (Pty) Ltd	**–**	0,1
Merchold Properties (Pty) Ltd	**–**	0,1
	28,3	12,1
Interest paid to		
Feltex Holdings (Pty) Ltd	**4,0**	0,9
KAP Investments (Pty) Ltd	**–**	0,4
Western Wools (Pty) Ltd	**–**	0,2
	4,0	1,5

	COMPANY	
	Period ended 30 Jun 2007 Rm	Year ended 31 Dec 2005 Rm
40 **RELATED PARTIES continued**		
40.4 **Transaction with entities in the group continued**		
Transactions with entities related to, controlled or influenced by the controlling entity continued		
Management fees received from		
Dano Textile Industries (Pty) Ltd	**0,4**	0,1
Bull Brand Foods (Pty) Ltd	**1,6**	–
Feltex Holdings (Pty) Ltd	**5,8**	4,3
Marker Investments (Pty) Ltd	**–**	0,2
Brenner Mills (Pty) Ltd	**2,5**	–
KAP Investments (Pty) Ltd	**0,7**	–
	11,0	4,6
Dividends received from		
Marker Investments (Pty) Ltd	**–**	4,0
Kolosus Leathers (Pty) Ltd	**–**	7,4
Bull Brand Foods (Pty) Ltd	**–**	1,4
KAP Investments (Pty) Ltd	**–**	4,8
Casa Rosada Investments (Pty) Ltd	**–**	3,3
	–	20,9

Balances at period-end

In respect of balances with companies in the group, refer to note 5 – Interests in subsidiaries and note 6 – Interests in joint ventures. A complete list of the group's subsidiaries is provided in Annexure A with the respective balances at period-end.

41 CONTINGENT LIABILITIES AND GUARANTEES

The company has issued cross-suretyships to various banks for the banking facilities available to the group. Refer to note 14 in this regard.

At period-end the net overdraft position of the group amounted to R371,9 million (2005: R110,7 million).

The group has issued guarantees through various South African banks of R5,8 million (2005: R9,1 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.

42 FINANCIAL INSTRUMENTS

42.1 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 period-end management believes 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.

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.

42 **FINANCIAL INSTRUMENTS continued**

42.2 **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 %	1 year Rm	2 – 5 years Rm	Over 5 years Rm	Total Rm
GROUP 2007					
ASSETS					
Pension fund surplus	Interest-free	8,8	35,2	10,3	54,3
Loans to joint ventures	Interest-free	–	13,5	–	13,5
Accounts receivable	Interest-free	628,6	–	–	628,6
Cash and cash equivalents	Interest-free	2,4	–	–	2,4
		639,8	48,7	10,3	698,8
LIABILITIES					
Finance leases	Prime -1,75% to Prime	1,6	2,4	–	4,0
Instalment sale agreements	Prime -2,0% to Prime	14,5	11,9	–	26,4
Mortgage bonds	15,53%	8,3	6,9	–	15,2
Other loans	Prime -2,25%	20,3	7,7	–	28,0
Other loans	Prime -3,0%	18,2	–		18,2
Cargill RSA (Pty) Ltd	Prime -1,5%	6,2	11,2	–	17,4
Contingent purchase liability	14,11%	–	31,3	–	31,3
Other loans	11,0%	4,2	–	–	4,2
Other loans	Interest-free	18,0	–	–	18,0
Accounts payable	Interest-free	568,1	–	–	568,1
Bank overdrafts	Prime -3% to Prime	374,3	–		374,3
		1 033,7	71,4	–	1 105,1
COMPANY 2007					
ASSETS					
Loans to subsidiaries					
– interest-bearing	Prime -3%	–	–	141,1	141,1
– interest-free	Interest-free	–	–	685,4	685,4
Accounts receivable	Interest-free	2,4	–	–	2,4
Cash on hand	Interest-free	–	–	–	–
		2,4	–	826,5	828,9
LIABILITIES					
Contingent purchase liability	14,11%	–	31,3	–	31,3
Loans from subsidiaries					
– interest-free	Interest-free	–	–	233,1	233,1
Accounts payable	Interest-free	6,2	–	–	6,2
Bank overdrafts	Prime -1%	217,1	–	–	217,1
		223,3	31,3	233,1	487,7

42 FINANCIAL INSTRUMENTS continued

42.2 Interest rate risk management continued

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 %	1 year Rm	2 – 5 years Rm	Over 5 years Rm	Total Rm
GROUP 2005 – RESTATED					
ASSETS					
Pension fund surplus	Interest-free	5,6	22,4	22,6	50,6
Interest-free loans	Interest-free	–	5,2	2,3	7,5
Accounts receivable	Interest-free	494,8	–	–	494,8
Short-term loans	Interest-free	7,5	–	–	7,5
Cash and cash equivalents	5,25%	2,2	–	–	2,2
		510,1	27,6	24,9	562,6
LIABILITIES					
Finance leases	Prime -2,25% to Prime	1,7	4,2	–	5,9
Instalment sale agreements	Prime -2,5% to Prime -1,0%	15,9	31,3		47,2
Other loans	8,5%	16,0	36,6	–	52,6
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	359,4	–	–	359,4
Bank overdrafts	Prime -3% to Prime -1%	112,9	–		112,9
		523,0	81,4	–	604,4
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	3,3	–	–	3,3
Bank overdrafts	Prime -1%	91,7	–	–	91,7
		95,1	0,2	275,6	370,9

42.3 Fair values

At 30 June 2007 and 31 December 2005 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 34 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 on open contracts. Safex maize contracts included in accounts payable, are entered into for the purposes of delivery of maize in terms of Brenner Mills (Pty) Limited's future usage requirements.

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 described in the respective notes.

	GROUP		COMPANY	
	30 Jun 2007 Rm	31 Dec 2005 Rm	**30 Jun 2007 Rm**	31 Dec 2005 Rm
43 **NUMBER OF EMPLOYEES**				
Number of employees at period-end	**6 228**	4 681	**8**	7

44 **DISCONTINUED OPERATIONS**

There were no discontinued operations during the current period.

During the previous year 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 and was completed by 30 April 2006.

The total assets and liabilities of the discontinued operations at 31 December 2005 were as follows:

	Year ended 31 Dec 2005 Rm
ASSETS	
Non-current assets	
Plant and equipment	–
Deferred taxation	15,0
	15,0
CURRENT ASSETS	
Inventory	0,2
Trade and other receivables	3,5
	3,7
CURRENT LIABILITIES	
Trade and other payables	5,1
Provisions	6,4
Bank overdraft	26,6
	38,1

45 **RECLASSIFICATION OF COMPARATIVES**

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

45.1 **Income statement**

Previously, expenses were split in terms of their nature, either administrative, distribution or other operating expenses on the face of the income statement. Management is of the opinion that the distinctions between these categories were not always consistently applied and that these distinctions do not add significant value to the users of the financial statements, and has consequently combined these expenses.

	GROUP		COMPANY	
	As previously stated 31 Dec 2005 Rm	Restated 31 Dec 2005 Rm	As previously stated 31 Dec 2005 Rm	Restated 31 Dec 2005 Rm
Distribution costs	(128,9)	–	–	–
Administration costs	(378,6)	–	–	–
Other operating expenses	(165,4)	(672,9)	(20,4)	(20,4)

45.2 **Inventory**

Previously, finished goods inventory was split into merchandise and finished goods, Management is of the opinion that the distinctions between these categories were not always consistently applied, that these distinctions do not add significant value to the users of the financial statements, and has consequently combined these categories of inventory as "finished goods".

	GROUP	
	As previously stated 31 Dec 2005 Rm	Restated 31 Dec 2005 Rm

45 RECLASSIFICATION OF COMPARATIVES continued

45.2 Inventory continued

	As previously stated 31 Dec 2005 Rm	Restated 31 Dec 2005 Rm
Notes to the balance sheet		
Inventory		
Raw materials	132,9	132,9
Finished goods	136,5	174,9
Merchandise	38,4	–
Work in progress	74,7	74,7
Consumable stores	22,3	22,3
Goods in transit	12,0	12,0
Provisions for obsolescence	(16,0)	(16,0)
Carrying value	400,8	400,8

45.3 Reconciliation of the taxation charge/(credit)

Previously the reconciliation of the taxation charge was disclosed in millions of Rands, which was consistent with the rest of the annual financial statements. During the period it was considered that this reconciliation should be disclosed in percentage terms rather than absolute amounts as this disclosure would be more useful to users of the financial statements. Furthermore, the classification between permanent differences and deferred taxation in respect of previously unrecognised deferred taxation losses was incorrect and has been restated.

	GROUP		COMPANY	
	As previously stated 31 Dec 2005 Rm	Restated %	As previously stated 31 Dec 2005 Rm	Restated %
Profit/(loss) before taxation and impairment of subsidiaries	248,7	–	16,2	–
Taxation at standard rate	72,1	29,0	4,7	29,0
Adjusted for:				
Permanent differences	(22,7)	0,4	(5,5)	(34,0)
Change in taxation rate	3,8	1,5	–	–
Deferred taxation asset not raised	1,3	–	–	–
Taxation attributable to joint ventures	(0,5)	(0,2)	–	–
Secondary taxation on companies	2,6	1,1	–	–
Deferred taxation raised in respect of previously unrecognised assessed losses	–	(11,4)	–	–
Utilisation of assessed losses	(8,7)	(1,2)	–	–
Adjustments in respect of prior years	(1,7)	(0,7)	(3,6)	(22,2)
Effective taxation charge/(credit)	46,2	18,5	(4,4)	(27,2)

45.4 Management fees received

During the previous year management fees received by the company was classified as other income. In terms of IAS 18 – Revenue, the management fees received by the company from its various subsidiaries and divisions, should form part of the company's revenue as it arises in its ordinary course of business. The prior year numbers are restated as follows:

	COMPANY	
	As previously stated 31 Dec 2005 Rm	Restated 31 Dec 2005 Rm
Revenue	0,2	4,9
Other operating income	30,2	25,5

46 **NEW ACCOUNTING PRONOUNCEMENTS**

At the date of authorisation of these financial statements, various Standards and Interpretations are in issue which are not yet effective. These include the following Standards and Interpretations which are applicable to the business of the group and may have an impact on future financial statements.

	Effective date – annual periods commencing on or after
IFRS 7 – Financial Instruments: Disclosure (including amendments to IAS 1 – Presentation of Financial Instruments: Capital Disclosures)	1 January 2007
The standard adds certain new disclosures about financial instruments to those currently required by IAS 32 – Financial Instruments: Disclosures and Presentation. The standard replaces the disclosure currently required by IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions. The standard therefore groups all financial instruments disclosures together in a new standard. This will result in additional disclosure in respect of financial instruments.	
IFRS 8 – Operating segments	1 January 2009
IFRS 8 supersedes IAS 14 – Segment reporting. Under IAS 14 segments were identified and reported on a risk and return analysis. Under IFRS 8 segments are components of an entity which are regularly reviewed by an entity's chief operating decision-makers. Items will be reported based on internal reporting rather than using the accounting policies used for external reporting as currently required. The group does not believe that the amendments will have any effect.	
IFRIC 8 – Scope of IFRS 2 (Share–based payments)	1 May 2006
This interpretation addresses the accounting for share-based payment transactions in which some or all goods or services received cannot be specifically identified. The situation typically indicates that other consideration has been or will be received. The group already complies with the conditions set out in the amendment and believes the amendment will have no further effect.	
IFRIC 10 – Interim Financial Reporting and Impairment	1 November 2006
This interpretation addresses the interaction between IAS 34 – Interim Financial reporting and the recognition of impairment losses on goodwill in IAS 36 Impairment of assets and certain financial assets in IAS 39 – Financial Instruments: Recognition and measurement, and the effect of that interaction on subsequent interim and annual financial statements. The group does not believe that the amendments will have any effect.	
IFRIC 11 – IFRS 2 Group and Treasury share transactions	1 March 2007
Under IFRS 2 an entity receiving employee services under a share-based payment arrangement records an expense. The standard is less clear on classification of the share-based payment when the holding company instruments are granted to a subsidiary's employees. IFRIC 11 clarifies that in the separate accounts of the subsidiary, the classification depends on who assumes the obligation to deliver those instruments to the employees.The group does not believe that the amendments will have any effect on the group accounts, and will only affect the company accounts.	

SUBSIDIARY AND OTHER INFORMATION

		Issued share capital		Effective interest		Interest of company		Loan due by/(to)	
Subsidiary	Nature	2007 R	2005 R	2007 %	2005 %	2007 Rm	2005 Rm	2007 Rm	2005 Rm
Atlas Meats (Pty) Ltd	L	–	20 000	–	100	–	–	–	(4,5)
AHT Properties (Walvisbay) Pty Ltd	D	400	400	100	100	–	–	(0,4)	(0,4)
Ball & Coalter (Pty) Ltd	D	200	200	100	100	–	–	(0,4)	(0,4)
Ball & Coalter Foods (Pty) Ltd	D	200	200	100	100	–	–	(1,9)	(2,3)
Ball & Coalter Properties (Woodmead) (Pty) Ltd	D	100	100	100	86	–	–	–	(3,8)
Brenner Mills (Pty) Ltd	M	1 000	–	100	–	52,3	–	20,9	–
Bull Brand Foods (Pty) Ltd	M	20 000 001	20 000 001	100	100	100,0	100,0	209,8	192,9
Bull Brand Holdings (Pty) Ltd	D	3 000 000	3 000 000	100	100	–	–	(51,5)	(51,5)
Casa Rosada Investments (Pty) Ltd	D	450	450	100	100	128,6	128,6	–	–
Calan (Pty) Ltd	L	–	1	–	100	–	–	–	(1,8)
Calan Retread Services (Pty) Ltd	L	–	1 010 000	–	100	–	–	–	(4,0)
Conshu Ltd	D	5 000	5 000	100	100	–	–	(4,7)	(4,7)
Conshu Holdings Ltd	D	78 079 000	78 079 000	100	100	–	–	(79,0)	(65,7)
Dano Textile Industries (Pty) Ltd	T	499 960	499 960	100	100	35,3	35,3	99,5	93,1
Dotcom Trading 44 (Pty) Ltd	P	100	100	100	100	–	–	(0,1)	0,6
Feltex Holdings (Pty) Ltd	A/F/H	169 174 064	169 174 064	100	100	57,4	57,4	382,9	427,3
Fountain Travel (Pty) Ltd	L	–	1 000	–	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	0,2
Hides & Skins Brokers (Pty) Ltd	P	5 000	5 000	100	100	–	–	32,3	39,1
Kolosus Autoleder GmbH #	L	–	164 150	–	100	–	0,2	–	3,2
KAP Investments (Pty) Ltd	I/P	2 490 001	2 490 001	100	100	–	–	60,8	95,5
Kolosus Leathers (Pty) Ltd	D	115 000	115 000	100	100	22,5	22,5	9,8	165,0
Kolosus Management Services (Pty) Ltd	D	3 612	3 612	100	100	–	–	0,5	0,5
Kolosus Leather Resources (Pty) Ltd	L	–	106 172	–	100	–	–	–	(4,1)
Ladysmith Leathers (Pty) Ltd	L	–	3 878 000	–	100	–	–	–	(4,1)
Ladysmith Lindgens Leathers (Pty) Ltd	L	–	122 470	–	100	–	–	–	(12,4)
Lederwol AG #	D	458 333	458 333	100	100	–	–	–	–
Lindgens Ladysmith Trimming (Pty) Ltd	L	–	2 179	–	100	–	–	–	(2,1)
Marker Investments (Pty) Ltd	I	100	100	100	100	157,2	157,2	(53,4)	(53,4)
Merchold Properties (Pty) Ltd	D	10 000	10 000	100	100	–	–	(2,1)	1,7
Persaltum (Pty) Ltd	L	–	7 848 000	–	100	–	–	–	(7,5)
Reposta Handels AG #	D	336 093	336 093	100	100	–	–	–	–
Vetmesting Co-operative Ltd	D	200	200	100	100	–	–	(32,6)	(32,6)
Western Wools (Pty) Ltd	D	104 810	104 810	100	100	–	–	(6,0)	(2,6)
All other subsidiaries						–	–	(0,8)	(0,7)
Total						553,3	501,2	593,4	774,4

Nature of business:

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

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

ANNEXURE B
SEGMENTAL REPORTING FOR THE PERIOD ENDED 30 JUNE 2007

BUSINESS SEGMENTS

For management purposes, the group is organised into two main operating segments, an industrial segment and a consumer segment. These segments are based on the nature of the customer and form the basis on which the group reports its primary segment information.

Segment information about these businesses is presented below:

Period ended 30 June 2007

	External revenue Rm	Operating profit Rm	Depreciation Rm	Impairments Rm	Total assets Rm	Total liabilities (excl SARS) Rm	Capital expenditure Rm
Industrial	**3 027,4**	**246,7**	**50,2**	**3,4**	**1 567,6**	**693,0**	**135,3**
Consumer	**2 214,5**	**93,5**	**14,7**	**0,3**	**918,7**	**341,6**	**46,8**
Other	**0,3**	**(3,8)**	**0,7**	**-**	**21,7**	**256,3**	**0,3**
Intra-group	**–**	**2,1**	**–**	**-**	**(118,3)**	**(96,3)**	**–**
	5 242,2	**338,5**	**65,6**	**3,7**	**2 389,7**	**1 194,6**	**182,4**
Year ended 31 December 2005							
Industrial	1 792,4	160,2	32,6	-	1 238,2	480,2	132,5
Consumer	1 180,9	54,0	9,2	0,8	617,8	149,4	30,9
Other	1,8	20,8	0,4	-	24,7	101,2	1,8
Intra-group	–	(9,5)	–	-	(132,4)	(43,0)	–
	2 975,1	225,5	42,2	0,8	1 748,3	687,8	165,2

Prior year figures have been restated to reflect the effects of the adoption of Circular 9/2006 and the change in treatment of biological assets (note 39).

The impairments in the industrial segment relates to the impairment of certain redundant plant and machinery in the leather tanning division.

SHAREHOLDERS' DIARY 2007/8

Annual general meeting	12 November 2007
Interim results	Six months to 31 December 2007
Interim results published	10 March 2008
Year-end	30 June 2008
Final results published	10 September 2008
Posting of Annual Report	30 September 2008
Annual general meeting	October 2008

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 29th annual general meeting of shareholders of KAP International Holdings Limited (the company) will be held at Feltex, 291 Paisley Road, Jacobs, Durban 4052 on Monday, 12 November 2007, at 13:00 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 period ended 30 June 2007.

ORDINARY RESOLUTION NUMBER 2

To approve the directors' remuneration in terms of the company's articles of association for the period ended 30 June 2007, 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 all four directors have indicated that they are available for re-election.

Directors retiring by rotation at the annual general meeting are Messrs P C T Schouten, S H Nomvete and J B Magwaza as well as Ms I N Mkhari.

Brief particulars of these directors are reflected on page 3.

ORDINARY RESOLUTION NUMBER 4

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

ORDINARY RESOLUTION NUMBER 5

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 6

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 5 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 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 7

Capital payments to shareholders in terms of Section 90 of the Companies Act No 61 of 1973, as amended.

"Resolved that the directors of the company be hereby authorised, by way of a general authority, to distribute to shareholders of the company any share capital and reserves of the company in terms of Section 90 of the Act, as amended, the company's articles of association and Listings Requirements of the JSE Limited, provided that:

- the general authority shall be valid until the next annual general meeting of the company or for 15 months from the passing of this ordinary resolution (whichever period is shorter);
- any general distribution of share premium by the company shall not exceed 20% of the company's issued share capital and reserves, excluding minority interests; and
- the general distribution is made pro rata to all shareholders.

The directors of the company are of the opinion that, were the company to enter into a transaction to distribute share capital and/or reserves totalling 20% of the current issued share capital and reserves of KAP:

- the company and its subsidiaries ("the group") will be able to pay its debts as they become due in the ordinary course of business;
- the assets of the company and the group, fairly valued, will exceed its liabilities;
- the issued share capital for the company and the group will be adequate for the purpose of the business of the company and the group for the foreseeable future; and
- the working capital available to the company and the group will be adequate for the company's and the group's requirements for the foreseeable future."

ORDINARY RESOLUTION NUMBER 8

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

SPECIAL RESOLUTION NUMBER 1

6. Resolved that, subject to paragraphs 5.72, 5.73 and 5.74 of the Listings Requirements of the JSE Limited, the board of directors be authorised, up to and including the date of the following annual general meeting, to approve as a general authority the purchase of its own shares by the company or a subsidiary provided that:

   6.1 this authority shall not extend beyond 15 (fifteen) months from the date of this meeting or until the date of the company's next annual general meeting, whichever is the sooner;
   6.2 this authority be limited to a maximum of 20% of the issued share capital of that class in one financial year;
   6.3 repurchases shall not be made at a price more than 10% above the weighted average of the market value of the securities traded for the five business days immediately preceding the date of repurchase (on which the transaction was agreed), subject to the provisions of the Act, the Listings Requirements of the JSE Limited and the articles of the company;
   6.4 the repurchase of securities being implemented through the order book operated by the JSE trading system (open market) and without any prior understanding or arrangement with any counterparty;
   6.5 the company will, at any point in time, appoint only one agent to effect the repurchase(s) on the company's behalf;
   6.6 after such repurchase(s), at least 500 public shareholders, as defined in the Listings Requirements, continue to hold at least 20% of the company's issued shares;
   6.7 such repurchase(s) does/do not occur during a prohibited period as defined in the Listings Requirements;
   6.8 when 3% of the initial number, i.e. the number of shares in issue at the time that the general authority from shareholders is granted, is cumulatively repurchased and for each 3% in aggregate of the initial number acquired thereafter, an announcement shall be made in accordance with Listings Requirements; and
   6.9 a certificate by the company's sponsor in terms of paragraph 2.12 of the Listings Requirements, confirming the statement by the directors regarding working capital referred to hereunder in this notice convening the meeting, be issued before commencement of repurchase.

Information and statement

The following general information is reflected in the annual report:

– directors and management of the company and its subsidiaries (refer to page 3)
– major shareholders of the company (refer to page 4)
– directors' interest in the company's securities (refer to pages 36 and 73 to 74)
– share capital of the company (refer to page 58)

The directors, whose names are given on page 3 of this annual report, collectively and individually accept full responsibility for the information given in this notice and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made;

There have been no material changes in the financial or trading position of the group since the publication of the financial results for the period ended 30 June 2007;
The directors are not aware of any information on any legal or arbitration proceedings, including any proceedings that are pending or threatened, that may have had, in the previous 12 (twelve) months, a material effect on the group's financial position.

Reason for and effect of the special resolution

The authority required will be granted to the directors to repurchase shares of the company subject to the Act and the Listings Requirements of the JSE Limited. The board does not intend to use such power unless prevailing circumstances (including the tax dispensation and market conditions) warrant such a step. All required certificates and relevant statements shall be issued. The effect thereof will be that the directors will have the authority to implement a general repurchase of shares in accordance with the provisions of the Act and Listings Requirements of the JSE Limited.

The directors are of the opinion, after considering the effect of a maximum repurchase of shares, that:

- the company will be able, in the ordinary course of business, to pay its debts;
- the assets of the company, fairly valued in accordance with IFRS, will be in excess of the liabilities of the company;
- the company will have adequate capital for a period of 12 (twelve) months after the date of this notice; and
- the working capital of the company will be adequate for a period of 12 (twelve) months after the date of this notice.

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
7 September 2007

CORPORATE INFORMATION

Transfer secretaries

Computershare Investor Services 2004 (Proprietary) Limited

Ground Floor, 70 Marshall Street
2001

PO Box 61051
Marshalltown Johannesburg
2107

Telephone 011 370 5000
Facsimile 011 327 3003

Registration number

1978/000181/06

Share code

KAP

ISIN number

ZAE000059564

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 (Pty) Limited

First Floor, Ou Kollege
35 Church Street
Stellenbosch
7600

PO 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 Ltd

KAP INTERNATIONAL HOLDINGS LIMITED

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

PROXY

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

For use at the 29th annual general meeting on Monday, 12 November 2007. 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/her 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 13:00 on Monday, 12 November 2007, at Feltex, 291 Paisley Road, Jacobs, Durban 4052 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			
P C T Schouten			
I N Mkhari			
S H Nomvete			
J B Magwaza			
Ordinary Resolution 4 Reappointment of auditors			
Ordinary Resolution 5 Placing the unissued shares under the directors' control			
Ordinary Resolution 6 General authority to issue unissued shares for cash			
Ordinary Resolution 7 Capital payments to shareholders			
Special Resolution 1 Authority to repurchase shares			

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 2007

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 of proxy 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 13:00 on Thursday, 8 November 2007.

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	Postal
70 Marshall Street	PO Box 61051
Johannesburg	Marshalltown
2001	2107

Contact
Telephone 011 370 5000
Facsimile 011 688 7710

www.**kapinternational**.com

KAP ANNUAL REPORT 2007