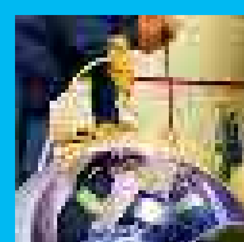
KAP

International Holdings Ltd





Annual Report **2008**

KAP Annual Report **2008**

Group Profile

KAP International Holdings Limited is an investment company with a portfolio of diverse manufacturing businesses. These include fresh and processed meat, maize milling, 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 6 082 people and controls assets of R2,7 billion which generated annualised revenue of R4,6 billion.

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

Contents

Company **Brands**

AUTOMOTIVE TRIM
FOAM CONVERTING
AUTOMOTIVE LEATHERS

Highlights

- Revenue growth of 26%
- Headline earnings per share of 28,4 cents
- Strong cash flows from operating activities
- Hosaf expansion on track
- Net asset value increases from R2,75 to R3,01 per share

Financial Highlights

	Year ended 30 June 2008 Rm	18 months ended 30 June 2007 Rm
Revenue (Rm)	4 620,4	5 242,2
Operating profit (Rm)	200,1	338,5
Income attributable to ordinary shareholders (Rm)	122,3	226,0
Earnings per share (cents)	28,8	53,3
Headline earnings per share (cents)	28,4	52,5
Distribution per share (cents)	–	17
Net asset value per share (cents)	300,7	274,7
Shareholders' funds (Rm)	1 276,2	1 166,1
Net interest-bearing debt to equity (%)	39,7	43,4

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

FELTEX AUTOMOTIVE LEATHERS
Automotive leather manufacturer

RIETER FELTEX (49%)
Automotive acoustics and thermal management

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

BRENNER MILLS (60%)
Leading maize miller

JORDAN & Co
Branded fashion footwear and sport shoe manufacturer, importer and distributor

GLODINA
Branded terry towel manufacturer

National Locations

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

United Fram & Wayne Plastics
Johannesburg

Glodina
Durban

Mossop Western Leathers
Cape Town

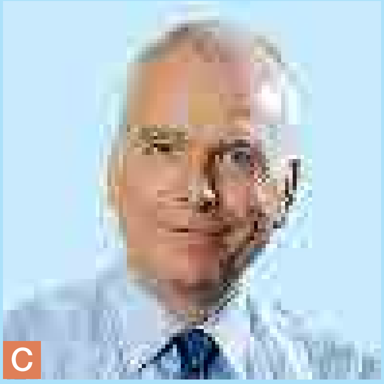
Bull Brand Foods
Krugersdorp

Jordan & Co
Cape Town

Hosaf
Cape Town
Durban
Alrode

Brenner Mills
Pretoria
Hammanskraal
Bela Bela
Louis Trichardt

Directors and Officers



Non-executive directors

A C E Daun (65)
(German) BAcc, CA
Non-executive chairman

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

B M J Jooste (47)
BAcc, CA(SA)
Non-executive director

- 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 board of PSG Group Limited and he is a non-executive director of the Racing Association and a Trustee of the Thoroughbred Horseracing Trust.

C F Möller (63)
(German) Dip-Kfm
Non-executive director

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

D J B Magwaza (66)
BA, MA (Ind Rel), Dip (IR), Dip (PM)
Independent non-executive director

- Chairman of remuneration committee
- Chairman of transformation committee

J B is the non-executive chairman of Mutual & Federal Insurance Company Limited. He also serves as a non-executive director of Dorbyl Limited, Nedbank Limited, Ithala Development Finance Corporation Limited, Rainbow Chicken Limited, Pamodzi Investment Holdings, Motseng Investments, Moreland Development, South Ocean Holdings and Hulamin Limited.

E I N Mkhari (34)
BSoc Sci
Independent non-executive director

- Member of remuneration committee
- Member of transformation committee

Ipeleng holds a BA Social Science degree from the University of Natal and has completed the Executive Development Programme (Wits 2004). She co-founded Motseng Investment Holdings and is currently chief operations officer and a 46,5% shareholder of Motseng Investment Holdings. She is a shareholder and director of KAP and a non-executive director of Ambit Properties Limited, SA Corporate Real Estate Fund, Old Mutual Investment Group Property Investments, St John's Diocesan School for Girls and she is a council member of the Durban University of Technology.

F S H Nomvete (35)
Dip Computer Programming
Independent non-executive director

- 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). Sandile is co-founder, chief executive officer and a 46,5% shareholder of Motseng Investment Holdings.

G D M van der Merwe (50)
BCom LLB
Non-executive director

Danie was admitted as an attorney of the High Court of South Africa in 1986. He practised as an attorney, gaining experience in the commercial and labour law field and, in 1998, joined the Steinhoff group. Danie currently serves on the boards of Steinhoff International Holdings Limited and PG Bison Limited. He is the group managing director of Steinhoff Africa Holdings (Pty) Limited.

Executive directors

H P C T Schouten (53)
CA(SA), MBA (UCT)
Chief executive officer (CEO)

- 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.

I J P Haveman (34)
BAcc, BCompt (Hons), CA(SA)
Chief financial officer (CFO)

- 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

J D Konar (54)
BCom, CA(SA), MAS, DCom

- Chairman of audit and risk committee

Previously Professor and Head of the Department of Accountancy at the University of Durban-Westville, he is a member of the King Committee on Corporate Governance, the Securities Regulation Panel and the Institute of Directors. Companies of which he is a non-executive director include Old Mutual South Africa, the South African Reserve Bank, Kumba Resources Limited, Illovo Sugar, JD Group, Sappi Limited, Exxarro Resources, Mustek Limited, Mutual & Federal and Steinhoff International Holdings.

K J H N van der Merwe (49)
BAcc, BCompt (Hons), CA(SA)

- 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

L M Balladon (46)
BCom, CA(SA)

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

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 2008

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	1 430	56,61	264 172	0,06
1 001 – 10 000 shares	691	27,36	2 956 327	0,70
10 001 – 100 000 shares	266	10,53	8 118 694	1,91
100 001 – 1 000 000 shares	102	4,04	38 237 003	9,01
1 000 001 shares and over	37	1,46	374 897 461	88,32
	2 526	**100,00**	**424 473 657**	**100,00**
Distribution of shareholders				
Banks	18	0,71	4 607 936	1,09
Close corporations	28	1,11	274 092	0,06
Endowment funds	4	0,16	6 124	0,00
Individuals	2 118	83,85	31 294 240	7,37
Insurance companies	9	0,36	4 214 586	0,99
Investment companies	3	0,12	1 069 423	0,25
Medical aid schemes	3	0,12	2 098 525	0,49
Mutual funds	37	1,46	31 128 209	7,33
Nominees and trusts	146	5,78	5 129 288	1,21
Other corporations	45	1,78	1 327 851	0,31
Pension funds	43	1,70	38 428 329	9,06
Private companies	67	2,65	200 332 552	47,20
Public companies	5	0,20	104 562 502	24,64
	2 526	**100,00**	**424 473 657**	**100,00**
Resident/non-resident shareholders				
Resident	2 480	98,18	251 888 140	59,34
Non-resident	46	1,82	172 585 517	40,66
	2 526	**100,00**	**424 473 657**	**100,00**
Public/non-public shareholders				
Non-public shareholders			317 619 492	74,84
Daun & Cie AG			169 686 121	39,98
Steinhoff Africa Holdings (Pty) Ltd			104 530 000	24,63
Motseng Investment Holdings (Pty) Ltd and subsidiary			26 000 000	6,13
Directors and associates of the company and subsidiaries			17 403 371	4,10
Major institutions			52 529 900	12,38
Investec Asset Management			33 476 964	7,89
Various institutional funds			19 052 936	4,49
Other public			54 324 265	12,78
			424 473 657	**100,00**

Chairman's and Chief Executive Officer's Report

Claas Daun

Paul Schouten

We submit our report to shareholders on the results and activities of KAP International for the year ended 30 June 2008.

Performance

Revenue and earnings

The board of directors reports on the results for the year ended 30 June 2008 ("2007/8"). Operating profit declined by 16% compared to the prior year ("2006/7") due largely to difficult trading conditions in the automotive operations. Headline earnings per share decreased from 35,5 cents to 28,4 cents.

Revenue for 2007/8 increased by 26% from R3,7 billion to R4,6 billion due largely to Brenner Mills' revenue being consolidated for the full year.

Balance sheet and cash flow

The interest-bearing debt-to-equity ratio improved to 39,7% over the prior period, although finance costs increased from 2006/7 due to higher debt levels during the year, in order to fund the Hosaf expansion. Capital expenditure in respect of the Hosaf expansion and five-year shut-down amounted to R85,8 million during the year, and a further R111,6 million is earmarked for the completion of the project, including power generators.

Capital distribution

Due to the cash requirements imposed by the Hosaf expansion, no distribution is to be paid. Distributions will resume once the expansion is completed and the group is generating sufficient cash flow.

Operational overview

Industrial segment

Feltex Automotive

Sales volumes were affected by the slow-down in retail vehicle sales in South Africa and the two-week strike which took place in September 2007. Margins were eroded by high raw material input costs. Price increases have been agreed to recover these costs, but vehicle build numbers are likely to remain soft for the next financial year.

Industrial footwear

This division continued to perform well, with good operating profits and strong cash flows. We do not foresee any drop in demand for either gumboots or safety footwear going forward.

Hosaf

In spite of the challenges posed by high oil prices and electricity load shedding, the division produced a solid operational performance on the back of continually growing demand for its PET products and an excellent performance at plant level. Additional capacity is currently being installed and will be fully operational by March 2009.

Consumer segment

Bull Brand Foods

Industry margins improved significantly during the year under review. Although feed costs were very high, the price of weaners remained steady throughout the year, and this resulted in stable margins. The cannery performance was excellent and Bull Brand remains focused on increasing its niche business in order to optimise margins.

Brenner Mills

Aggressive cost cutting, combined with a solid performance from the mills, resulted in a significant improvement in operating profit. The extremely high maize prices made procurement difficult, and we have consistently implemented our policy of procuring raw materials only six weeks forward.

Jordan & Co

The number of pairs of shoes sold increased by 7% over the previous twelve months but margins were lower due to intense pressure from retailers. Strict cost control and working capital management will further assist in improving the performance going forward.

Glodina

The strength of the Glodina brand and the strategic initiative to increase exposure in the hospitality sector of the market resulted in a pleasing increase in revenue during the year. We continue to invest a significant amount of capital to improve our production efficiencies and the quality of our product range.

Corporate activity

There was no acquisitions or disposals during the year.

Directors and officers

There were no changes to the directors and officers during the year.

Outlook

Our results will be impacted by higher input costs.

In the 2008/9 year, the automotive operations are expected to improve on their 2007/8 performance. The Hosaf expansion will result in a significant boost to the operating profit of the group in the 2009/10 year.

Appreciation

As always, we are grateful to our shareholders and employees in these difficult times, and we look forward to better trading conditions.

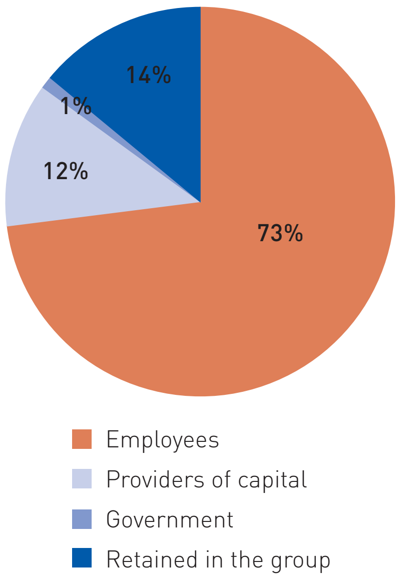
Claas Daun
Non-executive chairman

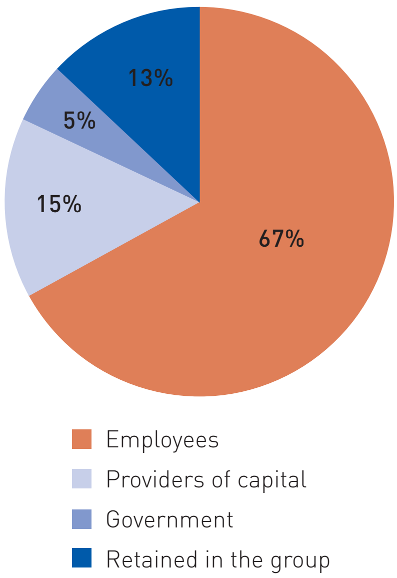
Paul Schouten
Chief executive officer

5 September 2008

Value-added Statement

	30 Jun 2008 Rm	30 Jun 2007 Rm
Sales	**4 620,4**	5 242,2
Materials and services purchased	**(3 860,2)**	(4 155,0)
Wealth created	**760,2**	1 087,2
Distributed as follows:		
To pay employees	**557,7**	736,4
To pay providers of capital	**92,6**	161,9
To (receive from)/pay government	**(7,7)**	53,0
Retained in the group	**117,6**	135,9
Wealth allocated	**760,2**	1 087,2





Six-year Financial Review

	30 Jun 2008 IFRS	30 Jun 2007 (18 months) IFRS	31 Dec 2005 IFRS	31 Dec 2004 SA GAAP	31 Dec 2003 (8 months) SA GAAP	30 Apr 2003 SA GAAP
Group income statement (Rm)						
Revenue	**4 620,4**	5 242,2	2 975,1	1 911,9	616,6	1 158,4
Operating profit/(loss)	**200,1**	338,5	225,5	140,6	22,7	(96,0)
Negative goodwill from acquisitions	**–**	–	–	134,7	–	–
Net pension fund surplus	**–**	–	50,6	–	–	–
Discontinued operation closure costs	**–**	–	(10,9)	–	–	–
Net finance costs	**(75,9)**	(51,1)	(19,4)	(10,6)	(12,6)	(25,4)
Unwinding of discount on business combination	**(5,8)**	–	–	–	–	–
Share of results of joint ventures	**3,7**	3,2	0,7	1,2	(2,0)	(0,6)
Profit/(loss) before taxation	**122,1**	290,6	246,5	265,9	8,1	(122,0)
Taxation	**7,7**	(53,0)	(45,6)	(24,6)	–	–
Minorities' interest	**(7,5)**	(11,6)	(6,2)	(2,2)	–	–
Net profit/(loss) attributable to ordinary shareholders	**122,3**	226,0	194,7	239,1	8,1	(122,0)
Group balance sheet (Rm)						
Shareholders' funds	**1 276,2**	1 166,1	1 041,2	854,2	203,7	56,2
Minorities' interest	**32,5**	25,0	14,0	9,4	–	–
Deferred taxation	**37,5**	29,1	17,6	6,3	–	–
Total borrowings	**602,0**	537,0	245,0	249,4	70,1	155,7
Retirement benefit obligation	**11,7**	14,0	19,8	40,6	9,9	12,9
Current liabilities (excluding short-term borrowings)	**800,5**	618,5	410,7	385,5	73,4	179,3
Total equity and liabilities	**2 760,4**	2 389,7	1 748,3	1 545,4	357,1	404,1
Property, plant, equipment and investment properties	**828,2**	709,1	529,5	410,3	50,7	63,6
Pension fund surplus	**48,4**	54,3	50,6	–	–	–
Deferred taxation	**91,3**	67,9	95,1	121,9	–	–
Total investments, loans receivable and goodwill	**87,0**	92,6	34,1	40,2	21,0	7,2
Inventories and receivables (excluding short-term loans receivable)	**1 650,4**	1 463,4	1 036,8	928,0	248,2	324,3
Cash and cash equivalents	**55,1**	2,4	2,2	45,0	37,2	9,0
Total assets	**2 760,4**	2 389,7	1 748,3	1 545,4	357,1	404,1
Group cash flow (Rm)						
Cash generated from operations	**256,3**	397,2	218,5	164,8	24,1	7,1
Net working capital changes	**0,8**	(177,9)	(85,5)	(44,4)	(5,8)	28,0
Net finance costs	**(75,9)**	(51,1)	(19,4)	(10,6)	(22,6)	(26,5)
Taxation paid	**(10,6)**	(14,0)	(3,1)	(13,5)	(0,2)	(0,9)
Net cash (outflow)/inflow from investing activities	**(160,4)**	(219,5)	(139,1)	(474,1)	20,0	9,7
Total cash flows from operating and investing activities	**10,2**	(65,3)	(28,6)	(377,8)	15,5	17,4

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.

	30 Jun 2008 IFRS	30 Jun 2007 (18 months) IFRS	31 Dec 2005 IFRS	31 Dec 2004 SA GAAP	31 Dec 2003 (8 months) SA GAAP	30 Apr 2003 SA GAAP
Ratios and statistics						
Profitability						
Operating profit as percentage of revenue (%)	**4,33**	6,46	7,58	7,35	3,68	(8,28)
Net profit as percentage of revenue (%)	**2,65**	4,31	6,54	12,51	1,31	(10,52)
Return on equity (%)[1]	**10,49**	21,70	22,40	117,33	14,36	(67,84)
Leverage						
Interest-bearing debt to equity (%)[2]	**39,7**	43,4	22,1	20,7	34,3	277,2
Debt to equity (%)[3]	**106,7**	100,4	65,5	63,7	52,2	580,4
Liquidity						
Current ratio[4]	**1,5**	1,4	1,8	1,8	2,0	1,0
Interest cover (times)[5]	**2,4**	6,6	11,6	13,3	(1,4)	3,6
Productivity						
Total assets turn	**1,7**	2,2	1,7	1,2	1,7	2,9
Number of employees	**6 082**	6 228	4 681	5 272	1 689	1 921
Assets per employee (R)	**453 864**	383 702	373 489	293 160	211 485	210 332
Annualised revenue per employee (R)	**759 684**	707 612	635 570	362 647	365 023	603 002
Share statistics						
Number of shares in issue (000)	**424 474**	424 473	423 266	418 720	168 120	28 020
Weighted average number of shares in issue (000)	**424 474**	424 063	421 477	293 412	34 882	28 020
Headline earnings/(loss) per share (cents)[6]	**28,4**	52,5	45,7	33,8	24,9	(311,6)
Earnings/(loss) per share (cents)[7]	**28,8**	53,3	46,2	81,5	23,1	(434,9)
Distributions per share (cents)	**–**	17,0	12,0	5,0	–	–
Net asset value per share (cents)[8]	**300,7**	274,7	246,0	204,0	121,2	200,5
Total number of shares traded (million)	**112,1**	204,9	208,4	40,7	10,8	0,3
Total value of shares traded (Rm)	**326,7**	820,7	719,7	83,7	1,9	0,5
Market price at year end (cents)	**210,0**	356,0	375,0	300,0	100,0	220,0
– highest closing price (cents)	**390,0**	494,0	415,0	305,0	300,0	380,0
– lowest closing price (cents)	**200,0**	343,0	293,0	50,0	100,0	100,0
Market capitalisation at year end (Rm)	**891**	1 511	1 587	1 256	168	62
Price/earnings ratio[9]	**7,39**	9,93	8,13	8,87	4,02	(0,71)

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 year end divided by annualised headline earnings per share.

Operational Reviews


FELTEX
AUTOMOTIVE TRIM
Fehrer
FOAM CONVERTING
AUTOMOTIVE LEATHERS
FUTURIS
RIETER

Feltex Automotive

Operational Review

Ugo Frigerio BA (Hons), M Phil
Divisional Managing Director

Profile

Feltex Automotive 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 plants.

The automotive operations comprise Feltex Automotive Trim and Feltex Fehrer (Durban, Rosslyn, Port Elizabeth, East London), Feltex Foam (Durban), Caravelle Carpets (Midrand), Feltex Unifrax (Port Elizabeth), Rieter Feltex (Rosslyn), Feltex Automotive Leathers (Ladysmith) and Futuris Feltex.

Year under review

Feltex Automotive did not achieve its 2007/8 budget mainly due to lower vehicle build volumes and raw material price increases, and costs incurred on the introduction of two new models.

The period was characterised by a number of events, being:

- Rising South African interest rates precipitated a difficult trading environment for local vehicle sales, which resulted in an 8% year-on-year reduction in locally produced passenger and light commercial vehicle build. This was partially off-set by a substantial increase in vehicle exports.
- Raw material prices increased substantially, particularly crude oil derivatives that were impacted by high oil prices. This was also exacerbated by the rapid deterioration in the exchange rates in January 2008. A lag in the recovery of these raw material increases from our customers negatively impacted margins.
- A two-week wage strike in September 2007 in the automotive component industry.
- The bedding down of our joint venture (JV) with an Australian company called Futuris Automotive Group Limited. Futuris Feltex (Pty) Ltd, situated in East London, commenced with the supply of tufted carpeting to our Feltex Automotive Trim business unit for the new Mercedes C-Class and requirements for the Australian market. This JV has now completed its first year of trading.
- Successful start-up of two new models, namely the Toyota Corolla and the Mercedes C-Class.

Prospects

Economic conditions remain challenging, with vehicle sales expected to reduce. Operating profit is, however, expected to improve as the operational efficiencies and margins are normalised.

Industrial Footwear

Operational Review

Jeff Burland BCompt
Divisional Managing Director

Profile

United Fram manufactures Inyati and other leading brands of industrial leather protective footwear. The operation is one of the leading high-tech industrial footwear manufacturers in the world. Its products have a wide variety of applications in diverse industries, including mining, petrochemical, engineering, construction and defence.

Wayne Plastics is a major manufacturer of PVC gumboots for local and export markets. Experience in product design and manufacture has been gained through satisfying the stringent needs for quality and durability of the South African mining industry that still consumes the bulk of production. Also catered for are the specialised needs of the agricultural, food processing and construction industries.

Year under review

Considering the turmoil in international and local markets with regard to currencies, the oil price and inflation, this division's results are more than acceptable, with turnover and operating profits showing an improvement on last year. Imports as a percentage of local sales continued to increase and are expected to peak at approximately 40%.

A decision has been taken to upgrade existing injection moulding machinery and this will occur in March next year, once again giving us the edge over our competitors with the latest technology.

The last quarter of the financial year saw an unprecedented increase in material cost inputs. This is reducing margins and selling prices will have to be increased if the market can absorb it.

Wayne Plastics' total input costs are based on materials derived from oil, thus causing considerable pressure on costs. Price increase negotiations are becoming more difficult.

A new gumboot has been designed and tested. These moulds have been ordered and should arrive for production in October. Hopefully, this will help reduce the backlog of orders and generate additional sales.

The new injection moulding machine together with the compounding plant are now fully operational and definite benefits should be forthcoming in the second half of the financial year.

Prospects

2009 will be a difficult year in terms of margins, but we are optimistic regarding units sold and, with the new gumboot moulds in place, targets should be achieved.

Willie Kotze MBA
Divisional Managing Director

Profile

Mossop Western Leathers is the largest tannery in South Africa, supplying bovine leathers to the footwear and leather goods industries.

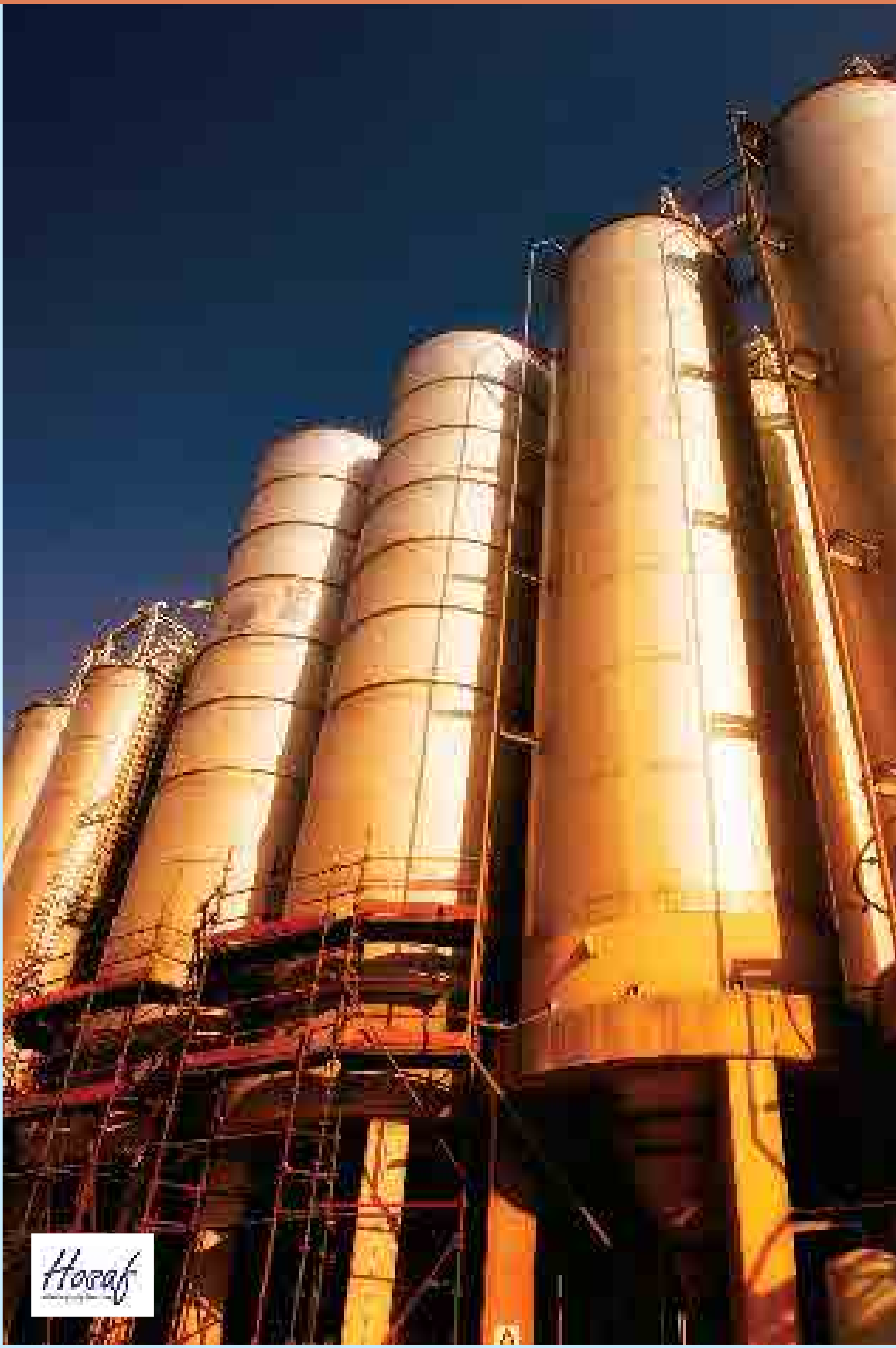
Year under review

The drastic weakening of the Rand against all major currencies during the first quarter of 2008 impacted negatively on the division's results as most of its raw materials are either imported or sensitive to export parity prices.

Mossop has identified alternative hide and split raw material suppliers, both locally and internationally, implementing initiatives which have led to further improvements in internal efficiencies.

Prospects

Mossop Western Leathers will pursue sustainable profitability by continuing to improve its internal and customer-focused efficiencies and by effective sourcing of value-for-money raw materials.



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 also produces recycled PET resin which is used in-house as a raw material substitute.

During the year under review Hosaf continued with its long-term strategy of switching the main focus of the business from fibre to PET. Management's objective is to position Hosaf as the leading manufacturer of PET resin in Sub-Saharan Africa. With the commissioning of the expansion project (announced in 2007) in the third quarter of the financial year ending 30 June 2009, this objective will be met and with available base polymer and PET conversion capacity of 120 000 tonnes per annum the business will be well positioned to take advantage of the forecasted growth in the consumption of PET packaging in South Africa.

Year under review

PET resin

Hosaf operated its PET capacity at 97% of available capacity during the year under review. Demand was affected by a shortage of carbon dioxide gas early in 2008, but sales of PET increased by 12.4% and Hosaf performed positively in this sector.

All contracts and technology agreements relating to the PET expansion were executed during the year under review and construction of the expanded polymer and new SSP plants is progressing well and according to schedule.

Revenues from this project will be seen during the fourth quarter of the financial year ending 30 June 2009.

Polyester fibre

Market conditions in the traditional cotton staple sector remained poor despite the introduction of quotas on Chinese textiles. Sales volumes were 13% lower than the previous year and this sector of the textile industry remains vulnerable from imports .

Industrial fibre sales and margins continued to be under pressure from imports of Chinese recycled fibres, despite cutting raw material costs by increasing the amount of recycled polymer used to 57% in our industrial fibres. Sales volumes in this sector fell by 4% during the year under review. There is evidence to suggest that fibres from China are being imported at well below raw material costs and Hosaf is taking steps to redress this situation with International Trade Administration Commission (ITAC).

Work was completed on two speciality fibres, namely a flame retardant fibre and a short staple fibre. Marketing initiatives are under way to introduce these specialities, which will add margin growth.

Despite the weakness in Hosaf's fibres' markets, the division as a whole was able to meet budgeted revenue and operating margins due to the growth of its PET resin business.

Prospects

Growth in local PET resin demand will continue, albeit at a rate slower than previous years' 8% per annum. The introduction of additional PET capacity will allow Hosaf to meet any increases in local market demand in the next reporting year. The balance of the extra capacity will probably be exported primarily to European markets initially, but will be fully absorbed locally in the next three to four years.

It is expected that the traditional cotton staple market will continue to be under pressure as a result of retailers importing more fabrics. This sector will account for 6% of the total sales budget in the next reporting year and management will closely monitor the market volumes and Hosaf's ability to remain competitive in the fibres market.

The steps currently being undertaken by management will reduce the volume of recycled fibres imported from China at below raw material costs. Management will continue to improve efficiencies at the recycling plant and aim to achieve a usage in excess of 60% recycled polymer.

Management plans to bring at least one new higher margin product to the market during the next reporting year.

Hosaf will, during the next reporting year, conclude its debottlenecking of the polymer plants, which will result in the production of the Continuous Polymer Plant being increased by 70% and PET volumes to 120 000 tonnes per annum, making Hosaf the largest producer in Sub-Saharan Africa.

In addition, management will actively pursue opportunities to enable Hosaf to diversify its product range to secure further competitive advantage.

Bull Brand Foods

Operational Review

Lou Campher BProc, LLB
Managing Director

Profile

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

Year under review

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

Teething problems with the commissioning of the second rectangular can supply line severely hampered growth in this category and the shortage was augmented by the importation of 190 gram cans from Europe.

The in-store "Bull Brand Master Butcher" outlets have now been entrenched as a retail platform for a range of branded tray ready fresh meat products and is performing satisfactorily. The first quarter of the financial year 2007/8 saw "the Meat Cafe" factory shop at Krugersdorp converted to a Master Butcher Factory Shop. This has proven to be so successful that more outlets are being planned going forward.

As part of the Bull Brand 50th Anniversary campaign, the Spekenam and Gants can brands have been refreshed to optimise their strong regional presence. Range additions of frozen, bulk-branded fresh meat value-added products have been completed and are performing according to plan.

Consumption of these convenience products remain a key focus area in anticipation of 2010 and inroads have been made to increase supply to the franchise sector.

The integrated fresh meat division of Bull Brand improved its performance for the year under review, despite a deteriorating feed margin. The feedlotting sector was favourably affected by consistent demand and reasonably priced weaners. Feed margins, however, have by and large been eroded due to huge cost increases of feed components, especially maize. Much emphasis has been placed on increasing roughage production at both feedlots, and this process will continue. Preconditioning at both feedlots has yielded predicted health and performance efficiencies, and opportunities to increase this capacity will be pursued. A favourable decision has been received in response to an EIA to increase holding capacity at Taaiboschbult and construction has commenced. Both feedlots and the Krugersdorp operations have successfully retained their ISO 14001 and HACCP/BRC certification respectively.

Prospects

Consumer spending is being adversely affected by economic circumstances and the full effect on demand will still filter through. Margins will have to remain a key focus area going forward. Bull Brand has established an experimental Non-hormone Treated Cattle Programme which, if accredited by the EU, will open up large beef export opportunities. Improved rectangular can supply will positively contribute to the performance of the cannery.


BRENNER MILLS
THE HOME OF SHAYA

Eric Goldblum
Executive Chairman

Steven Brenner
Managing Director

Profile

Brenner Mills has been a leading maize miller in South Africa for over 70 years. Brenner operates out of six factories, three in Limpopo, two in Gauteng and one in the Western Cape. Outsourced distribution centres are spread over the rest of the country. Our customer base covers a wide range of national retail chain stores, national wholesale chain stores, private wholesalers, private retailers, spaza stores as well as corner cafes. Maize meal still accounts for the majority of the group's revenue.

The maize mills in Louis Trichardt, Bela Bela and Hammanskraal are important suppliers of maize meal and maize-related products in their respective regions.

Brennco Brands, with its main factory based in Hammanskraal and a smaller plant in Cape Town, supply a variety of products to the national retail and wholesale chain stores, as well as to a range of smaller privately-owned outlets. The main products produced by Brennco Brands are a range of dried vegetables, an excellent range of bird seeds and a number of house brands for the retail market.

Brennco Feeds situated in Louis Trichardt produces a wide range of balanced chicken, game, pig, dog and ruminant feeds. This factory has gone through a transition in the past year and we expect a better trading year ahead.

Year under review

The past year has seen a fluctuating South African maize price as well as a volatile American corn price, which has made for difficult yet exciting trading, taking into account that the weather and currency fluctuations play a major role in the price of maize – both in South Africa and on world markets. Our conservative procurement strategy has resulted in fair pricing and enabled our mills to sell at market-related prices.

Tonnages have increased due to a good performance from mill management.

High food prices for the past year and the year ahead are of concern, but management is confident that yields can be maintained.

Prospects

The strength of Brenner's brands, innovative and exciting marketing strategies, as well as uncompromising quality and service will again ensure growth and profitability for 2009.


asics
STEVE MADDEN
OLYMPIC

Jordan & Co
Operational Review

Brian Pollock Dip Management ABSI
Divisional Managing Director

Profile

Jordan & Co is a well-respected market leader in the footwear industry with a strong and diverse history dating back to its inception in 1899.

The customer base is diverse, as Jordan & Co supplies quality footwear to more than three hundred independent retailers, as well as most of the major chain stores in South Africa. Jordan & Co also specialises in the supply of corporate footwear to government/parastatal departments and the security industry, both in South Africa and in BNLS countries. Slow-moving and residual footwear are disposed through a small chain of factory shops in South Africa and Namibia.

The footwear range Jordan & Co offers is very diverse and well balanced as it covers men's formal and casual, and ladies and children's footwear in both fashion and sport. Footwear sales of which the trademarks are owned by Jordan & Co include Jordan, Bronx, Anton Fabi, Fleetwood (fashion) and Olympic (sports). Jordan & Co also has the exclusive distribution rights for Asics (sports) and the following fashion footwear trademarks: Steven Madden (men's and ladies), Phat Farm and Onitsuka Tiger. Jordan & Co also supplies the major chain stores with quality footwear under their own house brands.

The manufacturing of the Jordan & Co owned trademarks takes place both in the Cape Town plant and under stringent supervision in China. A dedicated quality control office in China ensures that the footwear manufactured in China complies with the quality control standards Jordan & Co is known and respected for.

The range of range-building expertise of the management team is well respected in the industry. The team includes individuals with more than 30 – 40 years' experience in the footwear industry, plus young and dynamic individuals eager to continue in the footsteps of their peers.

Year under review

Revenue grew by 6% compared to the previous year, while margins have been under pressure in trying economic conditions.

Imports have increased by 12% in value terms, with Bronx being the key driver of this growth. Asics performed well and achieved growth of 4% in value, and is still the leading brand in long-distance races such as the Comrades and Two Oceans marathons.

Prospects

Focusing on brand profitability over the past two years is starting to achieve results. We believe that this focused approach will assist Jordan & Co to improve market share and profitability. Promoting a reduced range for the summer 2008 and winter 2009 seasons with significant efforts behind advertising and promotions should have the desired effect.

A strong emphasis is also placed on reducing unprofitable international brands and tight cost control of overhead structures in a constructive and sustainable manner, without limiting potential growth opportunities.

The implementation of a new integrated computer system, replacing an aging in-house generated system, will significantly assist in areas such as profitability analysis for customer and brand profitability plus improved supply chain management.

We believe that the new dynamic management team at Jordan & Co is set to improve the company's profitability by offering superior quality branded products through a wide range of retailers to consumers across South Africa.

Paul Redondi Dip Textile Engineering (Bergamo)
Managing Director

Profile

Glodina is the market-leading terry towel manufacturer 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 that 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 Snag Proof, our company has become synonymous with an uncompromising commitment to quality, affordable luxury and durability.

Year under review

Despite trading conditions worsening significantly over the third and fourth quarters, Glodina grew its revenue by 15% year on year. Sound growth during the first half of the year, particularly by the major chain stores, resulted in Glodina achieving volume growth of 18%.

Margins were under considerable pressure during the year, declining by 4% as a result of raw material price increases that could not be passed on.

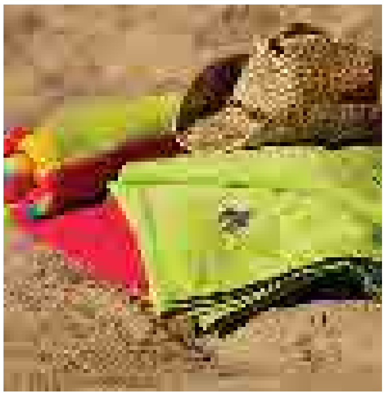
Costs in general over this year increased in line with the high inflation levels. Raw materials, particularly cotton lint, increased above inflation levels due to high demand worldwide, together with the weakening rand.

Glodina continues to focus on innovation, quality and value for money and are committed to capturing a greater share of the market (particularly hospitality) through its strong brand and superior service levels.

Glodina remains aggressive in terms of investing in new plant and updating its processes and logistical supply chain. Since acquisition in 2001, substantial capital has been invested in plant and equipment to ensure that Glodina is placed firmly at the forefront of world-class textile manufacturing. This process is now complete and future capital expenditure will be restricted to asset replacement.

Prospects

Glodina will continue to strive to be the market leader in South Africa. Growth in terms of market share and profitability over the last five years have made the company a sustainable operation. Margins will continue to be under threat, but our drive to reduce costs and eliminate unprofitable business will assist in sustaining our profitability.



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 conducts its affairs 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.

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

Board attendance

	Board		Audit and risk committee		Remuneration committee		Transformation committee	
	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended
C E Daun	4	4						
J P Haveman	4	4	2	2				
M J Jooste	4	4			1	1		
J B Magwaza	4	4			1	1	2	2
I N Mkhari	4	3			1	0	2	1
F Möller	4	3						
S H Nomvete	4	4	2	1				
P C T Schouten	4	4	2	2	1	1	2	2
D M van der Merwe	4	4						
J H N van der Merwe			2	2				
D Konar			2	2				

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 financial information and ensure the effectiveness of the internal audit function and to discuss the auditors' findings and recommendations. The audit committee makes a recommendation annually on the appointment of the external auditors by the shareholders, and the internal auditors by the board.

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

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

Transformation committee

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

Insider trading

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

Risk management

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

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

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

Environment, sustainability and social investment

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

For more information, please refer to the sustainability report.

Financial and internal control

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

The group has implemented a system of control self-assessment across all group companies. Local management is required to complete and submit control self-assessment programmes 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 unsatisfactory. Furthermore, no material loss, exposure or misstatement arising from a material breakdown in the functioning of the systems has been reported to the directors in respect of the year under review.

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

Internal audit

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

Internal audit reports to the audit and risk committee and to the executive directors on day-to-day matters. Audit plans are presented in advance to the audit and risk committee and are based on an assessment of risk areas. Internal audit attend and present their findings to the audit and risk committee. A number of internal audits were conducted during the year under review, and an internal audit plan has been approved whereby all material risk areas within the group will be reviewed over a 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 42 to 94 have been prepared on the going concern basis since the directors have every reason to believe that the company and group have adequate resources in place to continue in operation for the foreseeable future.

Employee participation

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

Empowerment and employment equity

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

Company secretary

All directors have access to the advice and services of the company secretary and are entitled and authorised to seek independent and professional advice about affairs of the group at the group's expense. The company secretary is responsible for the duties set out in section 268G of the Companies Act. The certificate required to be signed in terms of subsection (d) appears on page 41.

Code of ethics

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

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

Shareholder relations

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

Human capital

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

Initiatives implemented throughout the group are:

- specific training and development programmes;
- effective employee relations;
- professional recruitment and selection processes;
- internal promotions;
- market-related remuneration;
- open communication channels;
- building strong relationships with employee representative bodies; and
- employee assistance programmes.

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

Remuneration

KAP recognises that one of our competitive sources of value is our people and, in order to meet our corporate goals and business objectives, we believe that our reward policies and objectives must:

- be an integral part of an overall human resource strategy, geared to support business strategies;
- be designed to motivate and reinforce superior performance;
- be designed to motivate and reinforce "living the values" in an outstanding and demonstrative manner;
- encourage the development of organisational and individual performance;
- encourage the development of competencies required to meet future business needs;
- be based on the premise that employees should share in the success of the company;
- be designed to attract and retain high-quality individuals with the optimum mix of competencies;
- be congruent with legislation; 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 nineteen industrial facilities in Southern Africa, employing 6 082 people.

The impact of its operations on society and the environment is constantly under scrutiny – equally ensuring compliance with all legislative requirements that impact our employees, worker health and safety, and 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 their 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, environment 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. These 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 our 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 which meet regularly, and members of these committees receive appropriate accredited training covering key risk areas. Procedures are in place to prevent incidents, and risk audits of all sites are completed annually by external professionals to identify and remove 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 year under review.

Energy saving is of utmost importance at Hosaf Cape Town and a committee has been established that includes all stakeholders in the plant to devise energy-saving ideas. There is also an agreement with Eskom that we save at least 10% of our electricity consumption per month. Hosaf Cape Town is currently using more than 50% polyester recycling raw material from the collection of PET plastic bottles for recycling.

At Mossop, a new range of leathers, the EarthWell Range, have been developed that conforms with European standards in terms of the impact that the product will have on human health and 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 again retained its ISO 14001 (Environmental management system) and OHSAS 18001 (Occupational Health and Safety Management System) accreditation.

Glodina is continuing to improve its effluent treatment as part of its environmental awareness programme and is currently segregating the concentrated dye-bath liquor in order to send our reactive dye effluent off-site for treatment. Management regularly engages with local environmental, health and safety authorities to monitor continued compliance with relevant regulations and legislation.

At the Krugersdorp operation of Bull Brand Foods, a capital project to improve the quality of the effluent water from the plant was commissioned and initial results are encouraging.

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

Jordan & Co continues its culture of compliance with the very strict international environmental standards of the Fair Labour Organisation, which continues to raise the bar 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 to set performance objectives and targets, and to report on performance against these in future reports.

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 our businesses.

Highlights include:
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.

At Mossop, the 20 Keys Organisational Development Programme has been applied for many years. The daily measurement of key performance areas and daily consultation with employees in mini business areas led to continued improvements in areas such as productivity, quality and on-time delivery.

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

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

The Jordan & Co factory also complies with ISO 9001:2000 and has also been awarded the SABS mark for certain of its uniform-orientated footwear.

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. The plastics division, in addition, has the European CE mark, Australian Standards mark and the Singapore and Canadian Standards marks. Both these factories are also ISO 9001:2000 compliant.

Glodina retains its ISO 9001 (Quality Management System) accreditation. Glodina's culture of quality is evident in the consistent high quality of its products. The Cotton Board of SA awarded Glodina the Home Textile Manufacturer of the year award in 2007 for the fifth consecutive year.

Glodina has integrated the safety, health, environmental and quality management systems into a "single system" to benefit from overlaps in the document control and record-keeping of these systems.

Employee well-being

As part our ongoing commitment to improve employee well-being, initiatives are being maintained and re-evaluated to ensure that our employees' development and socio-economic needs are addressed. These efforts continue to be 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:

Hosaf Cape Town has placed a number of employees at the Textile School of Technology at the Cape Peninsula University of Technology. Bursaries are also made available to children of our employees and to date three bursaries were granted to learners to study at University. Hosaf Cape Town is in the process of supporting and developing one of our employees to start a small business enterprise to collect PET Bottles for recycling. Hosaf Cape Town has a well-equipped health centre that provides employees with a good measure of primary health care and AIDS education. In addition the occupational nurse in conjunction with the health and safety committee ensures that the company complies with all health and safety legislation.

Alive & Kicking project

Hosaf Durban also has an established clinic offering AIDS education, AIDS awareness and AIDS testing programmes, as well as full eye testing. Monthly health education and small group discussions are in place and working well. Further, a HIV/AIDS voluntary counselling and testing (VCT) programme is in progress.

Training and development is an integral part of Glodina's social responsibility programme. Learnership training programmes are offered to the local unemployed matriculated members of the community who are unable to access tertiary education and therefore have little hope of employment.

Glodina also offer apprenticeship training targeted at learners and production employees who have displayed potential, technologist training targeted at both internal and external incumbents with good matric results in Maths and Science, and supervisory development targeted at employees who have the requisite potential. In addition to this, all shop floor employees attend in-house training concerning their welfare and to educate them on keeping up the ISO 9001, 14001 and OHSAS 18001 standards.

Glodina has an established on-site clinic offering the services of a full-time sister and an attending doctor once a week. The clinic offers primary health care, limited chronic medication, entry and exit medicals as well as occupational health and safety testing.

SABS have selected Glodina to pilot the implementation of SANS 16001 (HIV/AIDS Management System). If Glodina succeeds in achieving the implementation of SANS 16001, it will be the first company in the world to receive this accreditation.

Jordan & Co have a policy of active participation at all levels of the National Bargaining Council for the Leather Industry. Management also holds senior positions on the management bodies of the council where standards of conditions of service including provident, sick fund, insurance and housing arrangements are decided upon. This contributes not only to the well-being of Jordan & Co employees but also employees in the industry in general.

A drive to raise awareness of HIV in the workplace has resulted in 85% of the workforce being tested for HIV during the financial year. This "know your status" campaign will be revisited every year.

In addition, training programmes for equity candidates include 7 management trainees, 70 IT trainees and 60 seta-funded learners for the 2007/8 year. Formal studies in addition to the on-the-job training programme provides

Dale Carnegie leadership sessions during camp

employees with considerable footwear related skills which are proving invaluable not only to the company but to the retail industry as a whole.

Bull Brand Foods, Krugersdorp, also enrolled employees and unemployed individuals on learnership programmes. The unemployed learners are offered service contracts at least for the duration of the learnership, with prospects of full employment thereafter.

An agreement was reached with the trade union to set up a trust to which employees will contribute on an annual basis, which will be used to combat HIV/AIDS. The trust and the AIDS Awareness Programme will be managed jointly by management and worker representatives.

Mossop offers its employees official qualifications in leather manufacturing by sponsoring their studies at the International School of Tanning Technology. It also offers bursaries at other institutions and conducts in-service training for all employees. Junior managers attended a Supervisory Development Programme at the Business Studies Unit (Durban University of Technology), as part of ongoing talent development within the organisation.

Mossop provides financial assistance to its employee sport and recreation clubs and provides assistance with employees' children's education.

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 through recognising and supporting community initiatives which create advantaged communities. Corporate social investment (CSI) activities have intensified at site level at the discretion of staff and management. Community involvement programmes include:

Jordan & Co sponsorships have placed emphasis on community involvement, which led to several new projects for 2007/8. The sponsorship of a cycling development u/23 elite league team by Asics and Olympic has been rewarding. In addition, sponsorship of several local football sides, whose members are drawn from crime-ridden areas such as Manenberg on the Cape Flats have resulted in positive feedback. In total more than 1 000 pairs of football boots and other footwear were distributed to "needy" communities over the year, as well as sponsored trips.

Hosaf Cape Town supports the community of Du Noon, a settlement and township very close to the plant, by donating funds to a project whereby unemployed AIDS victims started a small bakery to generate income. Hosaf Cape Town has also drawn all its Learners from the Du Noon community in an effort to create employment. Further, a donation was made to the Retreat Community Clinic to help with the erection of an AIDS Treatment Centre.

Olympic football development

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 division also contributes to various charitable organisations in its region and remains a proud supporter of South African boxing.

Glodina supports numerous charities with product donations including the aged, orphanages, hospices, crises centres, AIDS centres and animal shelters. Glodina also supports the local primary school by offering products as prizes for sports days and prize-giving functions.

Mossop also contributes to the work of local charities (such as Ma's vir Wellington and various others), sponsors school sports teams in the region and offers support to neighbouring schools, as well as the local children's home.

Asics sponsoring cycling development

KAP continues to expand its CSI strategy and in Paarl has continued its nursing and laundry equipment support to the Bowy House, which provides a home for HIV-positive toddlers. 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 International is proud of its continued association with Johannes Xolani Klaasen, who was introduced to the group three years ago. He lives in Mbekweni township in Paarl and is a talented footballer. In agreement with his parents he was moved to Paarl Boys High School where he could focus on both his academic and football development. Johannes, as he is fondly known, is now preparing for his matric examinations and has recently signed with a club in the Vodacom League.

During the June holidays, when university, technikon and college students decided to take a break after their exams, the children of KAP employees in the Western Cape spent a week focusing on their leadership development, an area KAP believes is integral in the overall development of all students, apart from their academic achievements. In conjunction with Dale Carnegie Training, Generation Next kicked off. The programme, which has international accreditation, is undertaken by many college students worldwide in preparation for life at work or studies.

The course content focuses on five key areas that are critical for future success:

- building self-confidence;
- enhancing communication skills;
- interpersonal skills development;
- teamwork and leadership skills development; and
- effective attitude management.

Johannes enters Vodacom league as he exits his final year

KAP leadership camp for employees' children

Mossop, in conjunction with KAP head office, is a major sponsor of the Alive & Kicking project.

Mossop's Wellington factory offered the international initiative residence, from which it manufactures soccer balls, and provides work for 26 disadvantaged people.

The balls have educational and health-related messages (i.e. HIV, drugs, etc) embossed on it and is distributed in disadvantaged areas.

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 and its subsidiaries, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 30 June 2008, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity and the cash flow statement and the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 42 to 94.

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 statement 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 2008, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per R J Hofmeyr
Partner

5 September 2008
Cape Town

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 & Legal and Financial Advisory; L Geeringh, Consulting; L Bam, Corporate Finance; C R Beukman, Finance; T J Brown, Clients and Markets; N T Mtoba, Chairman of the Board; C R Qually, Deputy Chairman of the Board.

Regional leader: H Christophers

A full list of partners and directors is available on request.

Company Secretary's Certificate

I certify, in accordance with section 268G(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

5 September 2008

1 New Street
Paarl

Directors' Report

The directors present the annual financial statements of the company and the group for the year ended 30 June 2008.

Holding company

At the date of this report, the company has no majority shareholder. The largest minority shareholders are Daun & Cie AG (39,9%) and Steinhoff Africa Holdings (Pty) Limited (24,6%). 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

Due to the cash requirements imposed by the Hosaf expansion, no distribution is to be paid. Distributions will resume once the expansion is completed and the group is generating sufficient cash flow.

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.

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

Directorate

The directors of the company for the year ended 30 June 2008 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 F Möller, J P Haveman and D M van der Merwe. These directors are all eligible and offer themselves for re-election. Details of each of the retiring directors are set out on pages 2 and 3 of this annual report.

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 2008, the present directors of the company held direct and indirect interests in 200 001 284 shares or 47,1% (2007: 189 276 547 shares or 44,6%) of the company's issued ordinary shares. Further details are set out in note 31 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 Practices 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 R131,3 million (2007: R276,1 million). The aggregate net losses amount to R2,0 million (2007: R20,4 million).

Borrowing facilities and limits

The group's borrowing facilities and usage thereof are set out in notes 13 and 19. In terms of the articles of association of the company and its subsidiaries, there is no limitation of borrowing powers.

Special resolutions

A special resolution authorising the repurchase of the company's shares was passed during the year.

Subsequent events

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

Responsibility of directors

The directors are responsible for the preparation and integrity of the annual financial statements of the company and the 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 year 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 and group annual financial statements for the year ended 30 June 2008, 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

5 September 2008

Balance Sheets
as at 30 June 2008

	Notes	GROUP 30 Jun 2008 Rm	GROUP 30 Jun 2007 Rm	COMPANY 30 Jun 2008 Rm	COMPANY 30 Jun 2007 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	2	**827,6**	707,2	**1,0**	0,9
Investment property	3	**0,6**	1,9	**0,2**	1,5
Goodwill	4	**60,5**	56,4	**–**	–
Interests in subsidiaries	5	**–**	–	**726,3**	995,3
Interests in joint ventures	6	**25,7**	35,3	**0,7**	0,7
Available-for-sale investments	7	**0,8**	0,9	**–**	–
Pension fund surplus	8	**39,4**	45,5	**–**	–
Deferred taxation	9	**91,3**	67,9	**4,5**	3,4
		1 045,9	915,1	**732,7**	1 001,8
Current assets					
Pension fund surplus	8	**9,0**	8,8	**–**	–
Inventory	10	**740,8**	626,1	**–**	–
Biological assets	11	**189,1**	163,7	**–**	–
Accounts receivable	12	**720,2**	673,6	**5,6**	2,4
SARS – income taxation receivable		**0,3**	–	**0,3**	–
Cash and cash equivalents	13	**55,1**	2,4	**56,5**	–
		1 714,5	1 474,6	**62,4**	2,4
Total assets		**2 760,4**	2 389,7	**795,1**	1 004,2
EQUITY AND LIABILITIES					
Capital and reserves					
Issued share capital	14	**84,9**	84,9	**84,9**	84,9
Share premium	15	**844,6**	857,2	**844,6**	857,3
Foreign currency translation reserve		**0,3**	0,5	**–**	–
Share-based payment reserve	16	**–**	17,1	**–**	17,1
Retained income/(accumulated loss)	17	**346,4**	206,4	**(169,5)**	(212,2)
Equity attributable to equity holders of the parent		**1 276,2**	1 166,1	**760,0**	747,1
Minorities' interest	18	**32,5**	25,0	**–**	–
Total equity		**1 308,7**	1 191,1	**760,0**	747,1
Non-current liabilities					
Long-term interest-bearing borrowings	19	**68,3**	71,4	**31,4**	31,3
Retirement benefit obligations	21	**11,7**	14,0	**–**	–
Deferred taxation	9	**37,5**	29,1	**–**	–
		117,5	114,5	**31,4**	31,3
Current liabilities					
Accounts payable	22	**757,3**	576,6	**3,4**	6,7
SARS – income taxation payable		**1,0**	4,0	**–**	1,2
Short-term interest-bearing borrowings	19	**266,8**	73,3	**–**	–
Short-term interest-free borrowings	20	**27,0**	18,0	**–**	–
Bank overdrafts	13	**239,9**	374,3	**–**	217,1
Provisions	23	**42,2**	37,9	**0,3**	0,8
		1 334,2	1 084,1	**3,7**	225,8
Total liabilities		**1 451,7**	1 198,6	**35,1**	257,1
Total equity and liabilities		**2 760,4**	2 389,7	**795,1**	1 004,2

Income Statements
for the year ended 30 June 2008

	Notes	GROUP Year ended 30 Jun 2008 Rm	GROUP Period ended 30 Jun 2007 Rm	COMPANY Year ended 30 Jun 2008 Rm	COMPANY Period ended 30 Jun 2007 Rm
REVENUE	24	**4 620,4**	5 242,2	**17,3**	11,3
Cost of sales		**(3 266,4)**	(3 971,9)	**–**	–
Gross profit		**1 354,0**	1 270,3	**17,3**	11,3
Other operating income		**18,9**	67,8	**1,9**	1,6
Operating expenses		**(1 172,8)**	(999,6)	**(23,0)**	(27,1)
Operating profit/(loss)	25	**200,1**	338,5	**(3,8)**	(14,2)
Interest paid	26	**(76,4)**	(51,8)	**(67,2)**	(24,7)
Interest received	26	**0,5**	0,7	**70,1**	28,7
Other costs	25	**(5,8)**	–	**(4,4)**	–
Share of results of joint ventures	6	**3,7**	3,2	**–**	–
Profit/(loss) before taxation and impairment of subsidiaries		**122,1**	290,6	**(5,3)**	(10,2)
Impairment of subsidiaries		**–**	–	**28,9**	(25,6)
Profit/(loss) before taxation		**122,1**	290,6	**23,6**	(35,8)
Taxation	27	**7,7**	(53,0)	**1,4**	3,4
Net profit/(loss) for the year		**129,8**	237,6	**25,0**	(32,4)
Attributable to:					
Equity holders of the parent		**122,3**	226,0	**25,0**	(32,4)
Minority interest		**7,5**	11,6	**–**	–
		129,8	237,6	**25,0**	(32,4)
Earnings per share					
Earnings per share (cents)	28	**28,8**	53,3		
Headline earnings per share (cents)	28	**28,4**	52,5		
Distributions declared per share (cents)	29	**–**	17,0		

Statements of **Changes in Equity**

for the year ended 30 June 2008

	Notes	GROUP Year ended 30 Jun 2008 Rm	GROUP Period ended 30 Jun 2007 Rm	COMPANY Year ended 30 Jun 2008 Rm	COMPANY Period ended 30 Jun 2007 Rm
SHARE CAPITAL					
Issued share capital					
Balance at the beginning of the period		**84,9**	84,6	**84,9**	84,6
Shares issued during the period		**–**	0,3	**–**	0,3
Balance at the end of the period	14	**84,9**	84,9	**84,9**	84,9
Share premium					
Balance at the beginning of the period		**857,2**	962,9	**857,3**	963,0
Shares issued during the period		**–**	4,5	**–**	4,5
Capital distributions	29	**(12,7)**	(110,2)	**(12,7)**	(110,2)
Shares held by share trust sold during the period		**0,1**	–	**–**	–
Balance at the end of the period	15	**844,6**	857,2	**844,6**	857,3
RESERVES					
Foreign currency translation reserve					
Balance at the beginning of the period		**0,5**	0,4	**–**	–
Movement for the period		**(0,2)**	0,1	**–**	–
Balance at the end of the period		**0,3**	0,5	**–**	–
Share-based payment reserve					
Balance at the beginning of the period		**17,1**	12,9	**17,1**	12,9
Movement for the period		**0,6**	4,2	**0,6**	4,2
Transfer to distributable reserves		**(17,7)**	–	**(17,7)**	–
Balance at the end of the period	16	**–**	17,1	**–**	17,1
Retained income/(accumulated loss)					
Balance at the beginning of the period		**206,4**	(19,6)	**(212,2)**	(179,8)
Transfer from share-based payment		**17,7**	–	**17,7**	–
Net profit/(loss) for the period		**122,3**	226,0	**25,0**	(32,4)
Balance at the end of the period	17	**346,4**	206,4	**(169,5)**	(212,2)
MINORITIES' INTEREST					
Balance at the beginning of the period		**25,0**	14,0	**–**	–
Share of net profit for the period		**7,5**	11,6	**–**	–
Dividends paid		**–**	(0,6)	**–**	–
Balance at the end of the period	18	**32,5**	25,0	**–**	–
TOTAL EQUITY		**1 308,7**	1 191,1	**760,0**	747,1

Cash Flow Statements

for the year ended 30 June 2008

	Notes	GROUP Year ended 30 Jun 2008 Rm	GROUP Period ended 30 Jun 2007 Rm	COMPANY Year ended 30 Jun 2008 Rm	COMPANY Period ended 30 Jun 2007 Rm
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**4 576,5**	5 203,1	**–**	–
Cash paid to suppliers and employees		**(4 319,4)**	(4 983,8)	**(11,0)**	(11,1)
Cash generated from/(utilised by) operations	30.1	**257,1**	219,3	**(11,0)**	(11,1)
Net interest (paid)/received		**(75,9)**	(51,1)	**2,9**	4,0
Taxation (paid)/received	30.2	**(10,6)**	(14,0)	**(1,2)**	1,4
Net cash inflow/(outflow) from operating activities		**170,6**	154,2	**(9,3)**	(5,7)
CASH FLOWS FROM INVESTING ACTIVITIES					
Subsidiaries acquired, net of cash acquired	30.3	**–**	(54,4)	**–**	–
Acquisition of subsidiary	30.3	**–**	–	**–**	(49,6)
Purchase of property, plant and equipment					
To maintain operations		**(26,0)**	(54,6)	**–**	(0,3)
To expand operations		**(151,4)**	(127,8)	**(0,7)**	–
Proceeds on disposals of property, plant and equipment		**3,7**	15,5	**2,7**	1,5
Decrease in loans to subsidiaries		**–**	–	**293,5**	1,9
Loans repaid by/(advanced to) joint venture		**13,3**	(13,5)	**–**	–
Long-term loans repaid		**–**	7,8	**–**	–
Short-term loans repaid		**–**	7,5	**–**	1,2
Net cash (outflow)/inflow from investing activities		**(160,4)**	(219,5)	**295,5**	(45,3)
Total cash flows from operating and investing activities		**10,2**	(65,3)	**286,2**	(51,0)
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital distributions		**(12,7)**	(110,2)	**(12,7)**	(110,2)
Dividends paid to minorities		**–**	(0,6)	**–**	–
Increase/(decrease) in interest-bearing borrowings, excluding bank overdrafts		**190,4**	(93,4)	**0,1**	31,0
(Decrease)/increase in interest-free borrowings		**(0,8)**	8,3	**–**	–
Proceeds of share issue, net of costs		**–**	–	**–**	4,8
Net cash inflow/(outflow) from financing activities		**176,9**	(195,9)	**(12,6)**	(74,4)
Net increase/(decrease) in cash and cash equivalents		**187,1**	(261,2)	**273,6**	(125,4)
Cash and cash equivalents at the beginning of the period	13	**(371,9)**	(110,7)	**(217,1)**	(91,7)
Cash and cash equivalents at the end of the period	13	**(184,8)**	(371,9)	**56,5**	(217,1)

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 annual financial statements and group annual 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 annual 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 borrowing costs and IFRS 7.

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.

1 **ACCOUNTING POLICIES (continued)**

1.6 **Impairment of tangible and intangible assets (continued)**

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 set-off due to cash management arrangements.

1.12 **Financial instruments**

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual terms of the instrument. Financial instruments include cash and bank balances, investments, receivables, trade creditors, borrowings, equity and derivative financial instruments.

The group 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 **ACCOUNTING POLICIES (continued)**

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.

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.

1.22 **Trade payables**

Trade payables 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 discount, 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**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use of sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The group has elected to adopt IAS 23 in advance of the effective date on or after 1 January 2009.

All other 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.

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 off-set.

	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 2008							
COST							
Balance at the beginning of the year	876,6	199,2	601,7	66,7	0,5	4,0	4,5
Additions	177,4	12,4	146,0	17,6	–	1,4	–
Disposals	(6,0)	–	(2,5)	(3,5)	–	–	–
Transfers in/(out)	1,0	(0,4)	(0,9)	2,2	–	–	0,1
Balance at the end of the year	1 049,0	211,2	744,3	83,0	0,5	5,4	4,6
ACCUMULATED DEPRECIATION AND IMPAIRMENTS							
Balance at the beginning of the year	(169,4)	(5,6)	(130,0)	(30,5)	(0,2)	(1,3)	(1,8)
Depreciation	(56,2)	(0,1)	(40,1)	(14,4)	(0,1)	(0,7)	(0,8)
Disposals	5,2	–	2,3	2,9	–	–	–
Transfers (in)/out	(1,0)	0,6	(2,0)	1,3	–	(0,9)	–
Balance at the end of the year	(221,4)	(5,1)	(169,8)	(40,7)	(0,3)	(2,9)	(2,6)
Carrying value	827,6	206,1	574,5	42,3	0,2	2,5	2,0
COMPANY 2008							
COST							
Balance at the beginning of the year	1,8	–	–	1,8	–	–	–
Additions	0,7	–	–	0,7	–	–	–
Balance at the end of the year	2,5	–	–	2,5	–	–	–
ACCUMULATED DEPRECIATION							
Balance at the beginning of the year	(0,9)	–	–	(0,9)	–	–	–
Depreciation	(0,6)	–	–	(0,6)	–	–	–
Balance at the end of the year	(1,5)	–	–	(1,5)	–	–	–
Carrying value	1,0	–	–	1,0	–	–	–

	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 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	–	–	–

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 note 19.2.

Land and buildings with a book value of Rnil million (2007: R21 million) are encumbered by mortgage bonds as set out in note 19.2.

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

Borrowing costs capitalised during the year amounted to R3,5 million (2007: Rnil) at a rate of prime less 2% (note 26).

	GROUP		COMPANY	
	Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm	**Year ended 30 Jun 2008 Rm**	Period ended 30 Jun 2007 Rm
3 **INVESTMENT PROPERTY**				
COST				
Balance at the beginning of the period	**2,8**	9,3	**1,5**	2,1
Disposals	**(1,3)**	(6,5)	**(1,3)**	(0,6)
Balance at the end of the period	**1,5**	2,8	**0,2**	1,5
ACCUMULATED DEPRECIATION AND IMPAIRMENTS				
Balance at the beginning of the period	**(0,9)**	(1,9)	**–**	–
Disposals	**–**	1,0	**–**	–
Balance at the end of the period	**(0,9)**	(0,9)	**–**	–
Carrying value	**0,6**	1,9	**0,2**	1,5

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 R0,5 million (2007: R1,6 million) was received in respect of investment property.

Direct expenses of R0,2 million (2007: R0,4 million) were incurred in respect of investment property.

The market value of investment property is R2,6 million based on a valuation performed by independent valuators Rode and Associates CC as at 30 April 2007.

	GROUP	
	Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm
4 **GOODWILL**		
COST		
Balance at the beginning of the period	**56,4**	–
Arising on business combinations	**4,1**	56,4
Balance at the end of the period	**60,5**	56,4
Carrying value	**60,5**	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 goodwill.

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 for the value in use calculation are those regarding the discount rates and growth rates. Management estimates the discount rates using pre-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 2008 Rm**	Goodwill 2007 Rm
Caravelle Carpets				
– a division of Feltex Holdings (Pty) Ltd	13,6%	7 year, 5% growth rate	**4,9**	4,9
Brenner Mills (Pty) Ltd	13,6%	7 year, 10% growth rate	**55,6**	51,5
			60,5	56,4

Goodwill arose in the business combinations as 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.

The additional goodwill arose as a result of an adjustment to the contingent purchase price of Brenner Mills (Pty) Ltd.

	GROUP		COMPANY	
	Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm	**Year ended 30 Jun 2008 Rm**	Period ended 30 Jun 2007 Rm
5 INTERESTS IN SUBSIDIARIES				
Investments in subsidiaries	**–**	–	**370,5**	446,2
Shares at cost	**–**	–	**393,0**	553,3
Provisions against investments	**–**	–	**(22,5)**	(107,1)
Net loans to subsidiaries	**–**	–	**355,8**	549,1
Net loans to subsidiaries at cost	**–**	–	**546,5**	778,5*
Provisions against loans	**–**	–	**(190,7)**	(229,4)*
Carrying value	**–**	–	**726,3**	995,3

The details of the subsidiaries are noted in Annexure A.

The loans to subsidiaries have varying rates of interest and repayment terms.

The company has deferred its right to claim repayments of loans amounting to R201,1 million (2007: R201,1 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.

* In the prior year the provision against loans for Kolosus Leathers (Pty) Ltd (R152,5 million) and KAP Investments (Pty) Ltd (R26,6 million) was netted off against the loans receivable from subsidiaries. This has been corrected in the current year.

6 INTERESTS IN JOINT VENTURES				
Unlisted				
Shares at cost	**16,7**	16,7	**0,7**	0,7
Add: Post-acquisition equity accounted earnings	**8,8**	5,1	**–**	–
Carrying value of investments before loans	**25,5**	21,8	**0,7**	0,7
Unsecured loans to joint ventures	**0,2**	13,5	**–**	–
Carrying value including loans receivable	**25,7**	35,3	**0,7**	0,7
Directors' valuation	**25,7**	35,3	**1,1**	2,3

	Percentage holding		Cost		Post-acquisition reserves		Loans to		Net carrying amount	
	2008 %	2007 %	**2008 Rm**	2007 Rm	**2008 Rm**	2007 Rm	**2008 Rm**	2007 Rm	**2008 Rm**	2007 Rm
Group										
Rieter Feltex Automotive Manufacturing (Pty) Ltd[1]	**49**	49	**9,6**	9,6	**5,9**	3,1	**–**	1,7	**15,5**	14,4
Rieter Feltex (Pty) Ltd[1]	**49**	49	**5,9**	5,9	**3,2**	0,9	**–**	–	**9,1**	6,8
Futuris Feltex (Pty) Ltd[1]	**50**	50	**–**	–	**(0,2)**	–	**0,2**	11,8	**–**	11,8
Cell Captive Number 22 of Guardrisk Insurance Company Ltd[2]	**50**	50	**1,2**	1,2	**(0,1)**	1,1	**–**	–	**1,1**	2,3
			16,7	16,7	**8,8**	5,1	**0,2**	13,5	**25,7**	35,3

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 had been in operation for one month only in the prior period.

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	
	Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 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	**72,5**	63,4
Net profit before taxation	**4,3**	4,5
Taxation	**(0,6)**	(1,3)
Net profit after taxation	**3,7**	3,2
Equity and liabilities		
Share capital and premium	**2,2**	2,2
Non-distributable reserves	**0,6**	0,4
Distributable reserves	**16,1**	13,5
Long-term liabilities	**11,2**	26,1
Deferred taxation	**1,3**	0,3
Current liabilities	**25,4**	9,2
	56,8	51,7
Assets		
Property, plant and equipment	**22,3**	21,2
Other current assets	**27,9**	25,2
Cash and cash equivalents	**6,6**	5,3
	56,8	51,7

		GROUP		COMPANY	
		Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm	**Year ended 30 Jun 2008 Rm**	Period ended 30 Jun 2007 Rm
7	**AVAILABLE-FOR-SALE INVESTMENTS**				
	Listed investments				
	FirstRand Bank Ltd (256 shares), (2007: 256)	–	–	–	–
	Unlisted investments				
	Kaap Agri Beperk (127 390 shares), (2007: 119 097)	0,8	0,9	–	–
	Total listed and unlisted investments	0,8	0,9	–	–
	Directors' valuation of investments	0,8	0,9	–	–
8	**PENSION FUND SURPLUS**				
	Balance at the beginning of the period	54,3	50,6	–	–
	Investment returns	2,9	12,5	–	–
	Utilised for contribution holiday	(8,8)	(8,8)	–	–
	Balance at the end of the period	48,4	54,3	–	–
	Less: current portion	(9,0)	(8,8)	–	–
	Non-current portion	39,4	45,5	–	–

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

		GROUP		COMPANY	
9	**DEFERRED TAXATION**				
	Deferred taxation asset	91,3	67,9	4,5	3,4
	Deferred taxation liability	(37,5)	(29,1)	–	–
	Net deferred taxation asset	53,8	38,8	4,5	3,4
	Balance at the beginning of the period	38,8	77,5	3,4	1,5
	Movement during the period attributable to:				
	– change in taxation rate	(1,3)	–	(0,1)	–
	– acquisition of subsidiaries	–	1,8	–	–
	– temporary differences	16,3	(40,5)	1,2	1,9
	Balance at the end of the period	53,8	38,8	4,5	3,4
	The balance consists of the following temporary differences:				
	Property, plant and equipment	(92,6)	(72,6)	–	–
	Taxation losses	179,7	138,7	4,6	3,4
	Provisions	18,9	19,5	0,1	0,1
	Biological assets	(53,0)	(47,5)	–	–
	Prepayments	0,8	(1,9)	(0,2)	(0,1)
	Finance leases	–	2,6	–	–
		53,8	38,8	4,5	3,4

The group has estimated taxation losses amounting to R6,4 million (2007: R39,6 million) for which no deferred taxation asset has been recognised.

The estimated taxation losses will, when utilised, give rise to taxation savings of R1,8 million (2007: R11,5 million).

		GROUP		COMPANY	
		Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm	Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm
10	**INVENTORY**				
	Raw materials	257,8	252,2	–	–
	Finished goods	259,5	243,5	–	–
	Work in progress	104,3	92,7	–	–
	Consumable stores	27,1	23,2	–	–
	Goods in transit	108,8	27,3	–	–
	Less: Provision for obsolescence	(16,7)	(12,8)	–	–
	Carrying value	740,8	626,1	–	–
	In the prior period, inventory with a value of R33,5 million was encumbered by a general notarial bond in favour of FirstRand Bank Ltd.				
	Included in the amounts above are inventories held at net realisable value of	14,4	38,0	–	–
11	**BIOLOGICAL ASSETS**				
	Cattle				
	Reconciliation of changes in carrying value of biological assets:				
	Balance at the beginning of the period	163,7	134,5	–	–
	Purchases	379,4	602,5	–	–
	Production and allocated overhead costs	236,0	242,7	–	–
	Sales	(592,5)	(814,2)	–	–
	Gains/(losses) arising from change in fair value	2,5	(1,8)	–	–
	Balance at the end of the period	189,1	163,7	–	–

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.

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.

The group's acquisition of the investment in Brenner Mills serves as a hedge against a rising feed price.

	GROUP		COMPANY	
	Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm	**Year ended 30 Jun 2008 Rm**	Period ended 30 Jun 2007 Rm
12 ACCOUNTS RECEIVABLE				
Trade receivables	**656,6**	612,7	**–**	–
Less: provision for irrecoverable amounts	**(8,2)**	(6,4)	**–**	–
Prepayments and deposits	**28,2**	42,4	**0,8**	–
SARS – VAT	**29,2**	8,8	**–**	–
Other receivables	**13,0**	15,9	**4,8**	2,4
Forward exchange contract assets	**1,4**	0,2	**–**	–
Carrying value	**720,2**	673,6	**5,6**	2,4

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.

Movement on the provision for impairment of trade receivables is as follows:

Balance at the beginning of the year	**6,4**	13,1	**–**	–
Charged to/(released from) profit and loss	**1,8**	(6,7)	**–**	–
Balance at the end of the year	**8,2**	6,4	**–**	–

At 30 June 2008, receivables of R69,7 million (2007: R72,6 million) were past due but not impaired. These relate to customers of whom there is no recent history of default. The ageing of these receivables is shown below:

0 – 30	**38,2**	56,1	**–**	–
31 – 60	**20,1**	8,8	**–**	–
61 – 90	**11,3**	7,1	**–**	–
91 – 120	**–**	0,6	**–**	–
120+	**0,1**	–	**–**	–
Total	**69,7**	72,6	**–**	–

The total past due receivables covered by credit insurance amount to R25,4 million (2007: R19,1 million). Remaining past due receivables relate largely to high-quality customers, including listed corporates and vehicle manufacturers.

The net carrying values of receivables are considered a close approximation of their fair values.

	GROUP		COMPANY	
	Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm	**Year ended 30 Jun 2008 Rm**	Period ended 30 Jun 2007 Rm
13 **CASH AND CASH EQUIVALENTS**				
Bank balances and cash	**55,1**	2,4	**56,5**	–
Bank overdrafts	**(239,9)**	(374,3)	**–**	(217,1)
Cash and cash equivalents	**(184,8)**	(371,9)	**56,5**	(217,1)

Bank balances and cash comprise cash held by the group as well as credit bank balances. The carrying amount of these assets equals their fair value. Bank overdrafts are repayable on demand.

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

FirstRand Bank Ltd
Short-term general banking facility of R280 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.

Standard Bank of South Africa Ltd
Short-term banking and trade finance facility of R160 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 and trade finance 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.

The Hongkong and Shanghai Banking Corporation Limited
Trade finance facility of US$5 million and foreign exchange facility of US$3 million.

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

	GROUP		COMPANY	
	Year ended 30 Jun 2008 m	Period ended 30 Jun 2007 m	**Year ended 30 Jun 2008 m**	Period ended 30 Jun 2007 m
14 ISSUED SHARE CAPITAL				
All share numbers refer to ordinary shares with a par value of 20 cents each.				
Authorised (number of shares)				
Ordinary shares	**1 200,0**	1 200,0	**1 200,0**	1 200,0
Issued (number of shares)				
Balance at the beginning of the period	**424,4**	423,2	**424,4**	423,2
Shares issued pursuant to acquisition	**–**	1,2	**–**	1,2
Balance at the end of the period	**424,4**	424,4	**424,4**	424,4

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 subsidiaries.

	Rm	Rm	**Rm**	Rm
Issued				
Balance at the beginning of the period	**84,9**	84,6	**84,9**	84,6
Shares issued pursuant to acquisition	**–**	0,3	**–**	0,3
Balance at the end of the period	**84,9**	84,9	**84,9**	84,9
15 SHARE PREMIUM				
Balance at the beginning of the period	**857,2**	962,9	**857,3**	963,0
Shares issued pursuant to acquisitions:				
1,2 million shares	**–**	4,5	**–**	4,5
Capital distributions	**(12,7)**	(110,2)	**(12,7)**	(110,2)
Disposal of shares in trust	**0,1**	–	**–**	–
Balance at the end of the period	**844,6**	857,2	**844,6**	857,3

A capital distribution of 3 cents per share (R12,7 million) was paid on 1 October 2007.

Capital distributions of 12 cents per share (R50,8 million) and 14 cents per share (R59,4 million) were paid on 12 June 2006 and 30 April 2007 respectively.

	GROUP		COMPANY	
	Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm	**Year ended 30 Jun 2008 Rm**	Period ended 30 Jun 2007 Rm
16 SHARE-BASED PAYMENT RESERVE				
Balance at the beginning of the period	**17,1**	12,9	**17,1**	12,9
Movement for period	**0,6**	4,2	**0,6**	4,2
Transfer to distributable reserves	**(17,7)**	–	**(17,7)**	–
Balance at the end of the period	**–**	17,1	**–**	17,1

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 was 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 bore 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 vested on 9 November 2004, a further 10% vested in March 2006 and March 2007, 10% in September 2007 and the remaining 20% of the options vested in March 2008.

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

Reconciliation of shares granted by Daun & Cie AG	**Million**	Million	**Million**	Million
Balance at the beginning of the period (shares)	**10,9**	16,7	**10,9**	16,7
Vested during the period	**(7,8)**	(5,1)	**(7,8)**	(5,1)
Forfeited during the period	**(3,1)**	(0,7)	**(3,1)**	(0,7)
Balance at the end of the period (shares)	**–**	10,9	**–**	10,9
Charge to the income statement (Rm)				
In respect of options taken up	**3,9**	2,5	**3,9**	2,5
In respect of remaining options	**(2,3)**	0,6	**(2,3)**	0,6
	1,6	3,1	**1,6**	3,1

All remaining vesting conditions relating to this scheme were lifted in the current year resulting in an accelerated vesting of the options.

KAP performance share plan

The KAP performance share plan, adopted by the 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.

16 **SHARE-BASED PAYMENT RESERVE (continued)**

KAP performance share plan (continued)

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 1 July 2006, and the second was 1 July 2007.

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 in the prior year was the Binomial Model.

Fair value of share options and assumptions:	**Year ended 30 Jun 2008**	Period ended 30 Jun 2007
Exercise price	**R0,20**	R0,20
Volume weighted average price at grant date	**R3,74**	R3,90
Options granted (millions)	**4,7**	4,0
Maximum term of option	**3 years**	3 years
Volatility	**n/a**	32,40%
Dividend yield	**n/a**	3,24%
Risk-free interest rate	**n/a**	8,41%
Forfeiture rate per annum	**n/a**	15,00%
Market-related performance expectation	**n/a**	50,00%
Non-market-related performance expectation	**n/a**	50,00%

During the current year a valuation of the share options granted on 1 July 2007 was not performed, due to the fact that the non-market performance conditions were not met.

Management does not expect any of the shares to vest. The credit to the income statement in the current year relates to the reversal of the expense recognised in the previous year as these shares are no longer expected to vest.

	Year ended 30 Jun 2008	Period ended 30 Jun 2007	**Year ended 30 Jun 2008**	Period ended 30 Jun 2007
Reconciliation of options granted under the KAP performance share plan:				
Balance at the beginning of the period (No. of options)	**4,0**	–	**4,0**	–
Granted during the period	**4,7**	4,0	**4,7**	4,0
Exercised during the period	**–**	–	**–**	–
Forfeited during the period	**–**	–	**–**	–
Balance at the end of the period (No. of options)	**8,7**	4,0	**8,7**	4,0
(Credit)/charge to the income statement (Rm)	**(1,1)**	1,1	**(1,1)**	1,1

	GROUP		COMPANY	
	Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm	**Year ended 30 Jun 2008 Rm**	Period ended 30 Jun 2007 Rm
17 RETAINED INCOME/(ACCUMULATED LOSS)				
Company	**(169,5)**	(212,2)	**(169,5)**	(212,2)
Subsidiaries	**507,1**	413,5	**–**	–
Joint ventures	**8,8**	5,1	**–**	–
	346,4	206,4	**(169,5)**	(212,2)
18 MINORITIES' INTEREST				
Represented by:				
Feltex Fehrer (Pty) Ltd (26% minority)	**32,5**	25,0	**–**	–
	32,5	25,0	**–**	–
19 INTEREST-BEARING BORROWINGS				
19.1 **Long-term liabilities comprise:**				
Secured loans	**52,5**	45,6	**–**	–
Unsecured loans	**282,6**	99,1	**31,4**	31,3
	335,1	144,7	**31,4**	31,3
Less: current portion	**(266,8)**	(73,3)	**–**	–
Non-current portion	**68,3**	71,4	**31,4**	31,3
19.2 **Secured loans comprise:**				
Finance leases	**3,4**	4,0	**–**	–
Secured over:				
Plant and machinery with a book value of	**–**	1,3	**–**	–
Other assets with a book value of	**2,1**	2,5	**–**	–
Interest rate (%)	**13,25 – 14**	10,75 – 13	**–**	–
Repayable in monthly instalments of	**0,2**	0,2	**–**	–
Last payment	**2010**	2010	**–**	–
Instalment sale agreements	**49,1**	26,4	**–**	–
Secured over:				
Plant and machinery with a book value of	**69,6**	37,9	**–**	–
Other assets with a book value of	**–**	3,4	**–**	–
Interest rate (%)	**12,50 – 15**	10,49 – 13	**–**	–
Repayable in monthly instalments of	**2,1**	1,5	**–**	–
Last payment	**2013**	2010	**–**	–
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	**–**	2009	**–**	–
Total secured loans	**52,5**	45,6	**–**	–

	GROUP		COMPANY	
	Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm	**Year ended 30 Jun 2008 Rm**	Period ended 30 Jun 2007 Rm
19 **INTEREST-BEARING BORROWINGS (continued)**				
19.3 **Unsecured loans comprise:**				
Other loans	**9,7**	28,0	**–**	–
Interest rate (%)	**13,25**	10,75	**–**	–
Repayment in quarterly instalments of	**5,0**	5,0	**–**	–
Last payment	**2008**	2008	**–**	–
The Hongkong and Shanghai Banking Corporation Ltd (HSBC)	**220,8**	–	**–**	–
Interest rate (%)	**13,90**	–	**–**	–
Repayable in monthly instalments of	**4,2**	–	**–**	–
Last payment	**2012**	–	**–**	–
Cross-suretyships have been provided by KAP International Holdings Ltd, Feltex Holdings (Pty) Ltd, Dano Textile Industries (Pty) Ltd, Bull Brand Foods (Pty) Ltd, Brenner Mills (Pty) Ltd and KAP Investments (Pty) Ltd.				
Cargill RSA (Pty) Ltd	**10,0**	17,4	**–**	–
Interest rate (%)	**14,00**	11,50	**–**	–
Repayable in monthly instalments of	**0,5**	0,5	**–**	–
Last payment	**2011**	2010	**–**	–
Contingent purchase liability	**31,4**	31,3	**31,4**	31,3

This liability arose on the acquisition of the 60% interest in Brenner Mills (Pty) Ltd during 2007, specifically from 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 profit after taxation of Brenner Mills (Pty) Ltd for the 33 months ending 30 June 2009 multiplied by 80% of the price/earnings multiple of KAP International Holdings Ltd at that date.

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

Discount rate	13,60%
Likelihood of either party exercising its call or put option	100%

	GROUP		COMPANY	
	Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm	**Year ended 30 Jun 2008 Rm**	Period ended 30 Jun 2007 Rm
19 **INTEREST-BEARING BORROWINGS (continued)**				
19.3 **Unsecured loans comprise (continued)**				
Loans from related parties	**10,7**	22,4	**–**	–
F S Fehrer GmbH	**–**	4,2	**–**	–
Interest was charged at 11,0% and there were no fixed terms of repayment.				
Canvas & Tent (Pty) Ltd	**3,5**	6,5	**–**	–
Hof van Holland (Pty) Ltd	**–**	2,3	**–**	–
Directors of Brenner Mills (Pty) Ltd	**7,2**	4,4	**–**	–
Other related entities	**–**	5,0	**–**	–
The above loans bear interest at 13,5% (2007: prime less 3%) and have no fixed terms of repayment.				
Total unsecured loans	**282,6**	99,1	**31,4**	31,3
19.4 **Reconciliation of the total minimum lease payments to the present value of finance leases**				
Minimum lease payments reconciliation:				
Up to one year	**2,3**	2,1	**–**	–
Two to five years	**1,7**	2,8	**–**	–
More than five years	**–**	–	**–**	–
Total minimum lease payments	**4,0**	4,9	**–**	–
Future finance charges	**(0,6)**	(0,9)	**–**	–
Present value	**3,4**	4,0	**–**	–
Analysed as follows:				
Up to one year	**1,6**	1,6	**–**	–
Two to five years	**1,8**	2,4	**–**	–
More than five years	**–**	–	**–**	–
20 **INTEREST-FREE BORROWINGS**				
Unsecured loans				
Minority shareholders in Brenner Mills (Pty) Ltd	**27,0**	18,0	**–**	–
Less: current portion	**(27,0)**	(18,0)	**–**	–
	–	–	**–**	–

The loans from the minority shareholders in Brenner Mills (Pty) Ltd have no fixed terms of repayment.

	GROUP		COMPANY	
	Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm	**Year ended 30 Jun 2008 Rm**	Period ended 30 Jun 2007 Rm
21 **RETIREMENT BENEFIT OBLIGATIONS**				
21.1 **Post-retirement medical benefits**				
Balance at the beginning of the period	**14,0**	19,8	**–**	0,1
Current service cost	**–**	0,1	**–**	–
Contributions paid	**(1,7)**	(2,9)	**–**	–
Interest cost	**1,1**	2,5	**–**	–
Actuarial gains	**(0,5)**	(2,4)	**–**	–
Liabilities settled	**(1,2)**	(3,1)	**–**	(0,1)
Balance at the end of the period	**11,7**	14,0	**–**	–

During 2008, the post-retirement medical benefits relating to certain employees of Dano Textile Industries (Pty) Ltd were settled.

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.

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

	Year ended 30 Jun 2008 %	Period ended 30 Jun 2007 %
Health-care cost inflation	**8,25**	5,2
Discount rate	**10,0**	8,2
Percentage married at retirement	**90,0**	90,0
Retirement age	**63 years**	60 – 65 years

The group has a post-employment medical defined benefit liability in respect of the Kolosus 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 2008. The main actuarial assumption is that the company continues to provide subsidies at current levels.

21 **RETIREMENT BENEFIT OBLIGATIONS (continued)**

21.2 **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 industry funds 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:

Kap International Retirement Fund, Dano Textile Industries Staff Provident Fund, Hosaf Provident Fund, Leather Industry Provident Fund, Kolosus Top-hat Provident Fund, Kolosus Pension Fund, Feltex 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 R34,2 million (2007: R44,2 million). The company contribution in respect of retirement benefit obligations amounted to R0,9 million (2007: R1,2 million).

	GROUP		COMPANY	
	Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm	**Year ended 30 Jun 2008 Rm**	Period ended 30 Jun 2007 Rm
22 **ACCOUNTS PAYABLE**				
Trade payables	**673,5**	496,8	**–**	–
Accruals	**64,2**	49,9	**3,2**	5,3
Other payables	**19,4**	21,4	**0,2**	0,9
SARS – VAT	**–**	7,1	**–**	0,5
Forward exchange contract liabilities	**0,2**	1,4	**–**	–
Carrying value	**757,3**	576,6	**3,4**	6,7

Credit periods obtained vary widely among the operations. No significant interest is charged on the trade payables. The group has financial risk policies in place to ensure that all payables are paid within the agreed terms.

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
23 **PROVISIONS**					
2008					
GROUP					
Discontinued operations	0,2	(0,2)	–	–	–
Environmental rehabilitation	0,7	(0,5)	–	–	0,2
Leave pay and bonuses	33,3	17,2	(12,6)	–	37,9
Warranties	–	0,4	–	–	0,4
Contingencies fair valued in business combination	3,7	–	–	–	3,7
	37,9	16,9	(12,6)	–	42,2
COMPANY					
Environmental rehabilitation	0,5	(0,5)	–	–	–
Leave pay and bonuses	0,3	–	–	–	0,3
	0,8	(0,5)	–	–	0,3
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

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. The discontinuance was completed by April 2006 with the remaining balance being in respect of a disputed amount. The dispute has been resolved during the 2008 year.

Contingencies fair valued in business combination

Contingent liabilities arising on the acquisition of Brenner Mills are recognised as a provision and are based on the fair value of the contingent liability at acquisition date.

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 known 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	
		Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm	**Year ended 30 Jun 2008 Rm**	Period ended 30 Jun 2007 Rm
24	**REVENUE**				
	The group's revenue comprises mainly the sale of goods (company-management fees)	**4 620,4**	5 242,2	**17,3**	11,3
25	**OPERATING PROFIT/(LOSS)**				
	Operating profit/(loss) includes the following items which require separate disclosure:				
	Income				
	Government incentives received				
	– Small Medium Enterprise Development Programme	**3,9**	1,6	**–**	–
	– Sector Education and Training Authority	**1,2**	3,5	**–**	0,1
	Foreign exchange gains realised	**17,2**	4,8	**–**	–
	Profit on disposal of property, plant and equipment	**1,6**	6,8	**1,4**	0,7
	Gain/(loss) on fair value of biological assets	**2,5**	(1,8)	**–**	–
	Expenses				
	Audit fees				
	– current period	**5,1**	4,8	**1,5**	1,4
	– prior year underprovision	**1,1**	0,7	**0,4**	0,3
	– other services	**1,7**	1,7	**0,7**	0,8
	Depreciation on property, plant and equipment (refer note 2 for breakdown)	**56,2**	65,6	**0,6**	0,7
	Fees paid to non-employees				
	– administrative services	**1,6**	2,0	**–**	–
	– technical services	**14,0**	19,1	**0,4**	0,4
	– secretarial services	**0,3**	0,3	**0,3**	0,3
	Impairment of inventory	**0,2**	1,5	**–**	–
	Impairments				
	– plant and machinery	**–**	3,3	**–**	–
	– other assets	**–**	0,4	**–**	–
	Operating lease charges				
	– land and buildings	**5,1**	13,3	**–**	0,4
	– plant and equipment	**5,6**	7,1	**–**	–
	– other assets	**2,6**	3,1	**–**	0,1
	Research and development	**1,1**	9,8	**–**	–
	Staff costs				
	– salaries and wages	**522,1**	679,7	**5,9**	7,4
	– termination costs	**0,8**	8,3	**–**	–
	– company contributions to retirement funds	**34,2**	44,2	**0,9**	1,2
	– share-based payments	**0,6**	4,2	**0,6**	4,2
	Excluded from operating profit/(loss) is the following expense:				
	Other costs				
	– unwinding of discount on business combination	**5,8**	–	**4,4**	–

		GROUP		COMPANY	
		Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm	**Year ended 30 Jun 2008 Rm**	Period ended 30 Jun 2007 Rm
26	**FINANCE (COSTS)/INCOME**				
	Interest paid	**(79,9)**	(51,8)	**(67,2)**	(24,7)
	– bank overdrafts	**(56,6)**	(34,2)	**(43,4)**	(18,7)
	– finance leases and instalment sale agreements	**(4,3)**	(6,0)	**–**	–
	– related parties (note 37)	**–**	(2,2)	**–**	(1,2)
	– subsidiaries (note 37)	**–**	–	**(7,7)**	(4,0)
	– loans	**(19,0)**	(9,4)	**(16,1)**	(0,8)
	Less: amounts included in the cost of qualifying assets (note 2)	**3,5**	–	**–**	–
		(76,4)	(51,8)	**(67,2)**	(24,7)
	Interest received	**0,5**	0,7	**70,1**	28,7
	– subsidiaries (note 37)	**–**	–	**46,4**	28,3
	– other	**0,5**	0,7	**23,7**	0,4
	Net finance (costs)/income	**(75,9)**	(51,1)	**(2,9)**	4,6
27	**TAXATION**				
	South African normal taxation				
	Current taxation – current period	**8,2**	14,9	**–**	–
	Current taxation – prior year	**(0,9)**	(2,4)	**(0,3)**	(1,5)
	Deferred taxation – current period	**(16,3)**	61,6	**(1,2)**	(1,9)
	Deferred taxation – prior year	**–**	(21,1)	**–**	–
	Deferred taxation – rate change	**1,3**	–	**0,1**	–
	Taxation (credit)/charge for the period	**(7,7)**	53,0	**(1,4)**	(3,4)
	Reconciliation of taxation rate	**%**	%	**%**	%
	Standard rate	**28,0**	29,0	**28,0**	29,0
	Adjusted for:				
	– permanent differences	**(0,2)**	(1,6)	**6,3**	(10,4)
	– change in taxation rate	**1,1**	–	**(1,9)**	–
	– taxation attributable to joint ventures	**0,1**	–	**–**	–
	– utilisation of taxation losses	**(36,9)**	(0,8)	**–**	–
	– adjustments in respect of previous periods	**1,6**	(8,1)	**(6,0)**	14,7
	– capital gains taxation	**–**	0,1	**–**	–
	– research and development allowances	**–**	(0,4)	**–**	–
	Effective rate	**(6,3)**	18,2	**26,4**	33,3

Corporate taxation is calculated at 28% (2007: 29%) of the estimated taxable income for the year.

		GROUP	
		Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm
28	**EARNINGS PER SHARE**		
	Earnings		
	Net profit per the income statement	**122,3**	226,0
	Number of shares		
	Weighted average number of ordinary shares in issue for the purposes of earnings and headline earnings per share (millions)	**424,5**	424,1
	Effect of dilutive potential ordinary shares (share options in millions)	**–**	–
	Weighted average number of ordinary shares in issue (millions) – diluted earnings	**424,5**	424,1
	Earnings per share (cents)	**28,8**	53,3
	Diluted earnings per share (cents)	**28,8**	53,3
	Reconciliation between earnings and headline earnings		
	Earnings		
	Net profit per the income statement	**122,3**	226,0
	Adjustments (net of taxation)		
	Impairments	**–**	2,6
	Profit on disposal of property, plant and equipment	**(1,6)**	(5,9)
	Headline earnings	**120,7**	222,7
	Headline earnings per share (cents)	**28,4**	52,5

		GROUP AND COMPANY	
		Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm
29	**DISTRIBUTIONS PER SHARE**		
	Distributions declared	**–**	59,4
	Distributions declared (cents)	**–**	17,0
	Distributions paid	**12,7**	110,2
	Distributions paid (cents)	**3,0**	26,0
	Distributions/dividends paid in cash	**12,7**	110,2
	Total distributions paid	**12,7**	110,2

A distribution of 3 cents per share was declared on 7 September 2007 and paid on 1 October 2007.

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

	GROUP		COMPANY	
	Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm	**Year ended 30 Jun 2008 Rm**	Period ended 30 Jun 2007 Rm
30 **CASH FLOW STATEMENTS**				
30.1 **Cash generated from/(utilised by) operations**				
Operating profit/(loss) before taxation and impairment of subsidiaries	**122,1**	290,6	**(5,3)**	(10,2)
Adjusted for:				
Depreciation	**56,2**	65,6	**0,6**	0,7
Impairments	**–**	3,7	**–**	–
Profit on disposal of property, plant and equipment	**(1,6)**	(6,8)	**(1,4)**	(0,7)
Decrease in retirement benefit obligation	**(2,3)**	(5,8)	**–**	(0,1)
(Increase)/decrease in fair value of biological assets	**(2,5)**	1,8	**–**	–
Unrealised loss/(gain) on listed investment	**0,1**	(0,4)	**–**	–
Movement in foreign currency translation reserve	**(0,2)**	0,1	**–**	–
Net finance cost/(income)	**75,9**	51,1	**(2,9)**	(4,0)
Unwinding of discount on business combination	**5,8**	–	**4,4**	–
Income from joint ventures	**(3,7)**	(3,2)	**–**	–
Pension fund surplus movement	**5,9**	(3,7)	**–**	–
Share-based payment reserve movement	**0,6**	4,2	**0,6**	4,2
Operating cash flows before changes in working capital	**256,3**	397,2	**(4,0)**	(10,1)
Movements in working capital:				
Increase in inventory and biological assets	**(137,6)**	(227,1)	**–**	–
Increase in accounts receivable	**(46,6)**	(86,5)	**(3,2)**	(0,3)
Increase/(decrease) in accounts payable and provisions	**185,0**	135,7	**(3,8)**	(0,7)
Cash generated from/(utilised by) operations	**257,1**	219,3	**(11,0)**	(11,1)
30.2 **Taxation paid is reconciled as follows:**				
Amounts unpaid at the beginning of the period	**(4,0)**	(5,3)	**(1,2)**	(1,3)
Subsidiaries acquired	**–**	(0,2)	**–**	–
(Charged)/credited to the income statement	**(7,3)**	(12,5)	**0,3**	1,5
Amounts unpaid at the end of the period	**0,7**	4,0	**(0,3)**	1,2
Taxation (paid)/refunded	**(10,6)**	(14,0)	**(1,2)**	1,4

30 **CASH FLOW STATEMENTS (continued)**

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

During the 2007 period, the group acquired the following companies and their subsidiaries:

	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 June 2007 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).

Notes to the Annual Financial Statements

for the year ended 30 June 2008 (continued)

	GROUP	
	Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm
30 **CASH FLOW STATEMENTS (continued)**		
30.3 **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
Loans receivable	–	0,3
Deferred taxation assets	–	2,9
Inventory	–	29,2
Accounts receivable	–	85,6
Cash and cash equivalents	–	6,8
Interest-bearing borrowings	–	(85,1)
Deferred taxation liabilities	–	(1,1)
Accounts payable	–	(67,6)
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 (net)	–	34,8
Net cash outflow on acquisition of subsidiaries	–	54,4
30.4 **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
Receivables and loans	–	0,3
Inventory	–	30,3
Accounts receivable	–	87,4
Cash and cash equivalents	–	6,8
Interest-bearing borrowings	–	(84,4)
Deferred taxation liabilities	–	(4,9)
Accounts payable	–	(67,4)
Provisions	–	(2,2)
SARS – income taxation payable	–	(0,2)
Bank overdrafts	–	(41,6)
Total assets and liabilities acquired	–	16,4

	Basic salary R'000	Company contributions R'000	Bonuses R'000	Share-based payments R'000	Total R'000
31 **DIRECTORS' EMOLUMENTS**					
Year ended 30 June 2008					
Executive directors					
P C T Schouten	2 100	406	88	400	2 994
J P Haveman	1 136	214	51	238	1 639
Total	3 236	620	139	638	4 633

All remuneration was paid by the holding company.

Non-executive directors	Service	R'000
C E Daun*	Chairman	160
M J Jooste#	Member of human resources and remuneration committee	95
J B Magwaza	Chairman of human resources and remuneration committee and transformation committee	162
S H Nomvete	Member of audit and risk committee	98
I N Mkhari	Member of human resources and remuneration committee and transformation committee	110
F Möller+		80
D M van der Merwe#		80
Total		785
Officers		
D Konar	Chairman of audit and risk committee	100
J H N van der Merwe#	Member of audit and risk committee	18
Total		118

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

Directors' shareholding as at 30 June 2008 (number of shares)	Beneficial direct	Beneficial indirect	Total	%
C E Daun	–	169 686 121	169 686 121	40,0
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	3 226 913	–	3 226 913	0,8
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 16 for details of share option scheme):

	Total options granted 31 Dec 2004 million shares	Options taken up by 30 Jun 2008 million shares	Options unvested by 30 Jun 2008 million shares	Options remaining 30 Jun 2008 million shares
P C T Schouten	8,0	6,4	1,6	–
J P Haveman	2,0	2,0	–	–
Total	10,0	8,4	1,6	–

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

31 **DIRECTORS' EMOLUMENTS (continued)**

18 months ended 30 June 2007

	Basic salary R'000	Company contributions R'000	Bonuses R'000	Share-based payments R'000	Total R'000
Executive directors					
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 human resources and remuneration committee	110
J B Magwaza	Chairman of human resources and remuneration committee and transformation committee	151
S H Nomvete	Member of audit and risk committee	114
I N Mkhari	Member of human resources and remuneration committee and transformation committee	117
F Möller+		90
D M van der Merwe#		96
Total		838
Officers		
D Konar	Chairman of audit and risk committee	71
J H N van der Merwe#	Member of audit and risk 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 16 for details of share option scheme):

	Total options granted 31 Dec 2004 million shares	Options taken up by 30 Jun 2007 million shares	Options forfeited 30 Jun 2007 million shares	Options unvested by 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.

32 **FOREIGN EXCHANGE DERIVATIVE INSTRUMENTS AND FOREIGN CURRENCY RISK MANAGEMENT**

32.1 **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 the group's principal markets. As a matter of policy, the group does not enter into derivative contracts for speculative purposes.

32.2 **Foreign forward exchange contracts**

Foreign forward exchange contracts are used by the group to manage its exposure to foreign exchange fluctuations. At year end open contracts were marked to market and resulted in the following financial assets or liabilities. These amounts have been disclosed in notes 12 and 22 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 2008 Rm	**Estimated market value 2008 Rm**	**FEC assets 2008 Rm**	FEC value 2007 Rm	Estimated market value 2007 Rm	FEC (liabilities)/ assets 2007 Rm	**Contract rate 2008**	Contract rate 2007
USD	**(124,3)**	**124,9**	**0,6**	(160,8)	159,6	(1,2)	**7,9**	7,1
EUR	**(21,7)**	**22,3**	**0,6**	(39,6)	39,5	(0,1)	**12,1**	9,7
GBP	**(1,1)**	**1,1**	**–**	(4,3)	4,4	0,1	**15,7**	14,2
AUD	**0,4**	**(0,4)**	**–**	–	–	–	**7,7**	–
Total	**(146,7)**	**147,9**	**1,2**	(204,7)	203,5	(1,2)		

32 **FOREIGN EXCHANGE DERIVATIVE INSTRUMENTS AND FOREIGN CURRENCY RISK MANAGEMENT (continued)**

32.3 **Uncovered foreign currency balances**

Foreign currency	Foreign amount		Rate		Rand amount	
	2008 m	2007 m	**2008**	2007	**2008 Rm**	2007 Rm
The following unhedged and uncovered foreign assets relating to accounts receivable were in existence at period end:						
USD	**0,1**	0,4	**7,9**	7,1	**1,0**	2,8
EUR	**–**	1,3	**–**	9,5	**–**	12,6
GBP	**0,1**	0,2	**15,7**	14,2	**0,9**	3,5
CHF	**–**	–	**–**	5,8	**–**	0,1
					1,9	19,0
The following unhedged and uncovered foreign liabilities relating to accounts payable were in existence at period end:						
USD	**5,2**	5,4	**7,9**	7,1	**41,2**	38,9
EUR	**1,2**	0,1	**12,4**	9,6	**15,0**	0,9
GBP	**0,1**	–	**14,9**	14,0	**2,1**	0,4
					58,3	40,2

The post-taxation impact on the income statement and equity as at 30 June 2008 of fluctuations in currency, with all other variables held constant, on the fair value of uncovered payables and receivables, would have been as follows:

	Movement	**2008 Rm**	2007 Rm
Potential impact on earnings with a 10% increase			
USD	10%	**(4,0)**	(3,5)
EUR	10%	**(1,5)**	1,1
GBP	10%	**–**	0,3
Potential impact on earnings with a 10% decrease			
USD	10%	**4,0**	3,5
EUR	10%	**1,5**	(1,1)
GBP	10%	**–**	(0,3)

Foreign currency sensitivity analysis

The tables above assume a 10% increase/(decrease) of the functional currency against the foreign currency using the asymmetric method where a 10% increase of the currency is calculated using a ratio of 1,1, whereas a 10% decrease of the currency is calculated using a ratio of 0,9. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

	GROUP		COMPANY	
	Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm	**Year ended 30 Jun 2008 Rm**	Period ended 30 Jun 2007 Rm
33 **CAPITAL COMMITMENTS**				
Capital expenditure				
Authorised by directors				
– contracted	**51,8**	29,8	**–**	–
– not yet contracted	**84,6**	171,4	**–**	–
The capital expenditure is to be financed from internally generated funds and external credit facilities.				
34 **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	**13,4**	9,3	**0,2**	0,2
In the second to fifth years inclusive	**21,5**	14,3	**0,1**	0,1
Over five years	**13,2**	0,3	**–**	–
	48,1	23,9	**0,3**	0,3
35 **OPERATING LEASE RECEIVABLES**				
At the balance sheet date, the group had outstanding receivables under non-cancellable operating leases pertaining to investment property as follows:				
Within one year	**1,5**	0,3	**–**	–
In the second to fifth years inclusive	**1,7**	1,2	**–**	–
Over five years	**–**	–	**–**	–
	3,2	1,5	**–**	–

36 **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	Unlimited

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.

36 **JUDGEMENTS AND ESTIMATES (continued)**

Biological assets – cattle

The fair value of cattle which have undergone sufficient biological transformation and are therefore considered to be 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.

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 share-based payment 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 16.

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 21.

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 the interest in Brenner Mills (Pty) Ltd was 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 were made regarding the assets and liabilities of Brenner Mills (Pty) Ltd.

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.

37 **RELATED PARTIES**

37.1 **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 other than joint ventures (which have been disclosed in note 5) 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 and its subsidiaries or associates
Mooi River Home Textile (Pty) Ltd
Union Spinning Mills (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
KAP Beteiligungs AG

Other
Loungefoam (Pty) Ltd

Companies controlled by the non-executive directors 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 24,6% 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) Ltd's directors S Brenner and E Goldblum (or close family)
Hof van Holland (Pty) Ltd
Canvas & Tent (Pty) Ltd
Masitshaba Distributors CC

	GROUP	
	Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm

37 **RELATED PARTIES (continued)**

37.1 **Controlling entity (continued)**

Material transactions with related parties and the resultant balances receivable or payable at period end include the following:

	Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm
Sale of goods to		
African Hide Trading (Pty) Ltd	**6,5**	–
KAP Textile Holdings SA Ltd	**36,7**	45,4
Table Bay Spinners Ltd	**3,6**	10,1
Rieter Feltex (Pty) Ltd	**7,2**	–
Motseng Investment Holdings (Pty) Ltd	**11,6**	15,9
Steinhoff Africa Holdings (Pty) Ltd and subsidiaries	**1,2**	8,3
Loungefoam (Pty) Ltd	**6,3**	29,8
SA Fine Worsteds (Pty) Ltd	**1,5**	2,1
Other	**4,9**	0,4
	79,5	112,0
Purchase of goods from		
African Hide Trading (Pty) Ltd	**4,2**	29,8
KAP Textile Holdings SA Ltd	**–**	2,0
Table Bay Spinners Ltd	**–**	2,9
Steinhoff Africa Holdings (Pty) Ltd	**–**	2,0
Unitrans Freight (Pty) Ltd	**3,6**	–
Union Spinning Mills (Pty) Ltd	**–**	5,1
Futuris Feltex (Pty) Ltd	**22,8**	–
Court Fabrics and Yarns (Pty) Ltd	**–**	1,4
Other	**3,0**	1,5
	33,6	44,7
Interest paid to related parties	**–**	2,2
Related party balances at year end		
Accounts receivable		
KAP Textile Holdings SA Ltd	**7,1**	12,3
Table Bay Spinners Ltd	**1,6**	3,3
Loungefoam (Pty) Ltd	**–**	3,9
Motseng Outsourced Services (Pty) Ltd	**2,7**	2,3
Steinhoff Africa Holdings (Pty) Ltd and subsidiaries	**–**	0,1
Masitshaba Distributors CC	**–**	0,4
Rieter Feltex (Pty) Ltd	**2,0**	–
Other	**1,5**	0,8
	14,9	23,1
Accounts payable		
KAP Textile Holdings SA Ltd	**–**	0,5
African Hide Trading (Pty) Ltd	**–**	0,4
Steinhoff Africa Holdings (Pty) Ltd and subsidiaries	**–**	0,1
Futuris Feltex (Pty) Ltd	**–**	6,7
	–	7,7

No provision for doubtful debts existed at year end pertaining to any of the above related parties (2007: Rnil). No bad debts were written off during the year pertaining to the above related party balances (2007: Rnil).

Loans from related parties

Refer to notes 19.3 and 20 for details.

37 **RELATED PARTIES (continued)**

37.2 **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	
	Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm	**Year ended 30 Jun 2008 Rm**	Period ended 30 Jun 2007 Rm
Short-term benefits	**40,2**	71,9	**5,9**	7,5
Post-employment benefits	**0,4**	–	**–**	–
Share-based payments	**0,6**	4,2	**0,6**	1,2
Termination benefits	**0,3**	1,8	**–**	–
	41,5	77,9	**6,5**	8,7

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

37.3 **Directors**

The directors named in the attached directors' report each held office as a director of the company during the year ended 30 June 2008.

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

I N Mkhari and S H Nomvete are shareholders (of 46,5% each) of Motseng Investment Holdings (Pty) Ltd, which engages in various arm's length transactions with KAP International Holdings Ltd and its subsidiaries. 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, which holds 24,63% in KAP International Holdings Ltd.

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

37.4 **Transactions 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 year and previous financial years.

The company and subsidiaries also transacted with each other during the year in the normal course of business. All material intra-group transactions have been eliminated on consolidation.

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

	COMPANY	
	Year ended 30 Jun 2008 Rm	Period ended 30 Jun 2007 Rm
37 RELATED PARTIES (continued)		
37.4 Transactions with entities in the group (continued)		
Transactions with entities related to, controlled or influenced by the controlling entity		
Interest paid to		
Steinhoff Africa Holdings (Pty) Ltd	**–**	1,2
	–	1,2
Management fees received from		
Dano Textile Industries (Pty) Ltd	**0,8**	0,4
Bull Brand Foods (Pty) Ltd	**3,4**	1,6
Feltex Holdings (Pty) Ltd	**13,0**	5,8
Brenner Mills (Pty) Ltd	**–**	2,5
KAP Investments (Pty) Ltd	**–**	0,7
	17,2	11,0
Transactions with entities in the wholly-owned group		
Interest received from		
Feltex Holdings (Pty) Ltd	**26,9**	12,1
Dano Textile Industries (Pty) Ltd	**2,4**	2,3
Bull Brand Foods (Pty) Ltd	**12,3**	13,9
Brenner Mills (Pty) Ltd	**4,8**	–
	46,4	28,3
Interest paid to		
Feltex Holdings (Pty) Ltd	**2,1**	4,0
Bull Brand Foods (Pty) Ltd	**5,6**	–
	7,7	4,0

Balances at year 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 year end.

38 CONTINGENT LIABILITIES AND GUARANTEES

The company has issued cross-suretyships to various banks for the banking facilities available to the group. Refer to note 13 in this regard.

At year end the net overdraft position of the group amounted to R184,8 million (2007: R371,9 million).

The group has issued guarantees through various South African banks of R7,9 million (2007: R5,8 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.

39 FINANCIAL INSTRUMENTS

39.1 Credit risk management

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

Trade accounts receivable consist of a large widespread customer base. Group companies monitor the financial position of accounts receivable based on management's best estimate for doubtful debts, using the history of bad debts.

At year end management 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.

39.2 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
39 FINANCIAL INSTRUMENTS (continued)					
39.2 Interest rate risk management (continued)					
GROUP 2008					
ASSETS					
Pension fund surplus	Interest-free	9,0	36,0	3,4	48,4
Loans to joint ventures	Interest-free	–	0,2	–	0,2
Accounts receivable	Interest-free	671,0	–	–	671,0
Cash and cash equivalents	Prime -4,0%	55,1	–	–	55,1
		735,1	36,2	3,4	774,7
LIABILITIES					
Finance leases	Prime -2,25% to 14%	1,6	1,8	–	3,4
Instalment sale agreements	Prime -2% to 15%	14,0	35,1	–	49,1
Other loans	Prime -2,25%	9,7	–	–	9,7
HSBC	13,9%	50,0	170,8	–	220,8
Cargill RSA (Pty) Ltd	14%	10,0	–	–	10,0
Other loans	Interest-free	10,7	–	–	10,7
Contingent purchase liability	13,6%	31,4	–	–	31,4
Other loans	Interest-free	27,0	–	–	27,0
Accounts payable	Interest-free	757,3	–	–	757,3
Bank overdrafts	Prime -2% to Prime	239,9	–	–	239,9
		1 151,6	207,7	–	1 359,3
COMPANY 2008					
ASSETS					
Loans to subsidiaries					
– interest-bearing	Prime -2%	–	–	279,6	279,6
– interest-free	Interest-free	–	–	916,8	916,8
Accounts receivable	Interest-free	4,8	–	–	4,8
Cash and cash equivalents	Prime -4%	56,5	–	–	56,5
		61,3	–	1 196,4	1 257,7
LIABILITIES					
Contingent purchase liability	13,6%	31,4	–	–	31,4
Loans from subsidiaries					
– interest-free	Interest-free	–	–	649,9	649,9
Accounts payable	Interest-free	3,4	–	–	3,4
		34,8	–	649,9	684,7

39 **FINANCIAL INSTRUMENTS (continued)**

39.2 **Interest rate risk management (continued)**

	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% 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%	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%	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
		2,4	–	826,5	828,9
LIABILITIES					
Contingent purchase liability	14,11%	–	31,3	–	31,3
Loans from subsidiaries					
– interest-free	Interest-free	–	–	418,2	418,2
Accounts payable	Interest-free	6,2	–	–	6,2
Bank overdrafts	Prime -1%	217,1	–	–	217,1
		223,3	31,3	418,2	672,8

39.3 **Fair values**

At year end 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 32 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) Ltd'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.

Notes to the Annual Financial Statements
for the year ended 30 June 2008 (continued)

	GROUP		COMPANY	
	Year ended 30 Jun 2008	Period ended 30 Jun 2007	**Year ended 30 Jun 2008**	Period ended 30 Jun 2007
40 **NUMBER OF EMPLOYEES**				
Number of employees at period end	**6 082**	6 228	**8**	8

41 **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 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 material effect.

Subsidiary and Other Information

Annexure A

Subsidiary	Nature	Issued share capital 2008 R	2007 R	Effective interest 2008 %	2007 %	Interest of company 2008 Rm	2007 Rm	Loan due by/(to) 2008 Rm	2007 Rm
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)**	(1,9)
Ball & Coalter Properties (Woodmead) (Pty) Ltd	D	**100**	100	**100**	100	**–**	–	**–**	–
Brenner Mills (Pty) Ltd	M	**1 000**	1 000	**100**	100	**27,2**	52,3	**–**	20,9
Bull Brand Foods (Pty) Ltd	M	**20 000 001**	20 000 001	**100**	100	**–**	100,0	**223,8**	209,8
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	**–**	–
Conshu (Pty) Ltd	D	**5 000**	5 000	**100**	100	**–**	–	**(4,7)**	(4,7)
Conshu Holdings (Pty) Ltd	D	**78 079 000**	78 079 000	**100**	100	**–**	–	**(79,0)**	(79,0)
Dano Textile Industries (Pty) Ltd	T	**499 960**	499 960	**100**	100	**–**	35,3	**100,4**	99,5
Dotcom Trading 44 (Pty) Ltd	D	**100**	100	**100**	100	**–**	–	**(0,1)**	(0,1)
Feltex Fehrer (Pty) Ltd	A	**100 000**	100 000	**74**	74	**–**	–	**–**	–
Feltex Holdings (Pty) Ltd	A/F/H	**169 174 064**	169 174 064	**100**	100	**57,4**	57,4	**172,6**	382,9
GH Hackmann Skins (Pty) Ltd	D	**100 000**	100 000	**100**	100	**–**	–	**9,7**	9,6
Gants Foods (Pty) Ltd	D	**200**	200	**100**	100	**–**	–	**0,2**	0,2
Hides & Skins Brokers (Pty) Ltd	A	**5 000**	5 000	**100**	100	**–**	–	**32,3**	32,3
KAP Investments (Pty) Ltd	I/P	**2 490 001**	2 490 001	**100**	100	**–**	–	**80,6**	87,4[1]
Kolosus Leathers (Pty) Ltd	D	**115 000**	115 000	**100**	100	**22,5**	22,5	**158,5**	168,3[1]
Kolosus Management Services (Pty) Ltd	D	**3 612**	3 612	**100**	100	**–**	–	**0,5**	0,5
Lederwol AG#	D	**458 333**	458 333	**100**	100	**–**	–	**–**	–
Marker Investments (Pty) Ltd	D	**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)**	(2,1)
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	**–**	–	**(5,7)**	(6,0)
All other subsidiaries						**0,1**	–	**(0,3)**	(0,8)
Total						**393,0**	553,3	**546,5**	778,5

[1] In the prior year the provision against loans for Kolosus Leathers (Pty) Ltd (R158,5 million) and KAP Investments (Pty) Ltd (R26,6 million) was netted off against the loans receivable from subsidiaries. This has been corrected in the current year.

Nature of business:

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

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

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:

	External revenue Rm	Operating profit Rm	Depreciation Rm	Impairments Rm	Total assets Rm	Total liabilities (excl SARS) Rm	Capital expenditure Rm
Year ended 30 June 2008							
Industrial	**2 388,6**	**106,2**	**41,7**	**–**	**1 849,5**	**1 211,1**	**139,6**
Consumer	**2 231,6**	**90,5**	**15,0**	**–**	**971,7**	**359,3**	**36,6**
Other	**0,2**	**3,4**	**(0,5)**	**–**	**74,1**	**36,3**	**1,2**
Intra-group	**–**	**–**	**–**	**–**	**(134,9)**	**(156,0)**	**–**
	4 620,4	**200,1**	**56,2**	**–**	**2 760,4**	**1 450,7**	**177,4**
Period ended 30 June 2007							
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

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

Notice is hereby given that the 30th annual general meeting of shareholders of KAP International Holdings Limited ("the Company") will be held at the Steinhoff Whitehouse, 3a Eton Road, Parktown, Johannesburg on 28 November 2008, at 12:30 to consider the following and, if deemed fit, passing, with or without modification, the resolutions set out below:

1. **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 2008.

2. **Ordinary Resolution Number 2**
   To approve the executive and non-executive directors' remuneration in terms of the Company's articles of association for the period ended 30 June 2008, as disclosed in the annual financial statements.

3. **Ordinary Resolution Number 3**
   3.1 To re-elect as director Mr F Möller, who retires by rotation in terms of the articles of association of the Company and, being eligible, offers himself for re-election.

   The summary of the curriculum vitae of Mr F Möller is reflected on page 2.

   3.2 To re-elect as director J P Haveman, who retires by rotation in terms of the articles of association of the Company and, being eligible, offers himself for re-election.

   The summary of the curriculum vitae of Mr J P Haveman is reflected on page 3.

   3.3 To re-elect as director Mr D M van der Merwe, who retires by rotation in terms of the articles of association of the Company and, being eligible, offers himself for re-election.

   The summary of the curriculum vitae of Mr D M van der Merwe is reflected on page 3.

4. **Ordinary Resolution Number 4**
   To appoint Deloitte & Touche as the auditors until the next annual general meeting, and to authorise the audit committee to fix their remuneration.

5. **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 and are hereby placed under the control of the directors until the next annual general meeting and that they are hereby authorised to issue and allot these shares as they may deem fit, 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 ("Listings Requirements")."

6. **Ordinary Resolution Number 6**
   To consider and, if deemed fit, to pass the following ordinary resolution with or without modification:

   "Resolved that, subject to ordinary resolution number 5 being approved 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 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, provided:

   - that this authority is valid until the Company's next annual general meeting or for 15 months from the passing of this ordinary resolution (whichever period is the shorter);
   - 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 the general issues of shares for cash in the aggregate in any one financial year may not exceed 15% of the Company's issued share capital (number of securities) of that class. The securities of a particular class will be aggregated with the securities that are compulsorily convertible into securities of that class, and, in the case of the issue of compulsorily convertible securities, aggregated with the securities of that class into which they are compulsorily convertible. The number of securities of a class which may be issued shall be based on the number of securities of that class in issue at the date of such application less any securities of the class issued during the current financial year, provided that any securities of that class to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were securities in issue at the date of application;
   - that in determining the price at which an issue of shares will be made in terms of this authority the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities (the JSE will be consulted for a ruling if the applicant'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 Listings Requirements, and not to related parties."

7. **Ordinary Resolution Number 7**
To consider and, if deemed fit, to pass the following ordinary resolution with or without modification:

"Resolved that the directors of the Company be and are hereby authorised, by way of a general authority, to distribute to shareholders of the Company any share capital and reserves of the Company subject to section 90 of the Act, as amended, the Company's articles of association and Listings Requirements, 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, by the Company shall not exceed 20% of the Company's issued share capital and reserves, excluding minority interests and revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months, in any one financial year, measured as at the beginning of such financial year;
- the general distribution is made pro rata to all shareholders;
- 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 a general payment; and
- in the case of a general payment an announcement will be published in accordance with the Listings Requirements."

The board does not intend to use such power unless prevailing circumstances (including the tax dispensation and market conditions) warrant such a step.

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 the Company:

- the Company and its subsidiaries ("the Group") will be able in the ordinary course of business to pay its debts for a period of 12 (twelve) months after the date of this notice of annual general meeting;
- the assets of the Company and the Group, will be in excess of the liabilities of the Company and the Group for a period of 12 (twelve) months after the date of this notice of annual general meeting;
- the share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of this notice of annual general meeting; and
- the working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of this notice of annual general meeting".

8. **Special Resolution Number 1**
"Resolved that as a special resolution that the Company be and is hereby authorised, as a general approval, to repurchase any of the shares issued by the Company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of section 85 to section 88 of the Act, the articles of association of the Company and the Listings Requirements, 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);
- this authority be limited to a maximum of 20% of the issued share capital of that class in one financial year;
- 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 on which the transaction was offered;
- 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 (reported trades are prohibited);
- the Company will, at any point in time, appoint only one agent to effect the repurchase(s) on the Company's behalf;
- 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;
- the Company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements of the JSE;
- 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
- 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."

9. **Ordinary Resolution Number 8**
To transact such other business as may be transacted at an annual general meeting.

EXPLANATORY NOTES

1. **Reason for and effect of Special Resolution Number 1**
   The reason for and effect of the special resolution is to grant the directors a general authority in terms of the Act, for the acquisition by the Company of shares issued by it on the basis reflected in special resolution.

   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.

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

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

2. **Information relating to Ordinary Resolution Number 7 and Special Resolution Number 1**
   The following general information is reflected in the annual report:

   - directors and management of the Company and its subsidiaries (refer to pages 2 and 3)
   - major shareholders of the Company (refer to page 4)
   - director's interest in the Company's securities (refer to pages 42 and 79 to 80)
   - share capital of the Company (refer to page 64)

   The directors, whose names are given on pages 2 and 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 Company and its subsidiaries ("Group") since the publication of the financial results for the period ended 30 June 2008.

   The directors are not aware of any information on any legal or arbitrating proceedings, including any proceedings that are pending or threatened, that may have had, in the previous 12 months, a material effect on the Group's financial position.

Voting

Shareholders 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 form of proxy, in which the relevant instructions for its completion are set out, is enclosed for use by a certificated or dematerialised shareholder with "own name registration" who wishes to be represented at the general meeting. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the annual general meeting.

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 (Pty) Limited, 70 Marshall Street, Johannesburg 2001, or Computershare Investor Services (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.

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 him/her 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.

By order of the board

M Balladon
Company secretary

5 September 2008

Corporate Information

Transfer secretaries

Computershare Investor
Services (Proprietary) Limited

Ground Floor
70 Marshall Street
Johannesburg
2001

PO Box 61051
Marshalltown
2107

Telephone 011 370 5000
Facsimile 011 688 7710

Registration number

1978/000181/06

Share code

KAP

ISIN

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 9064

E-mail

info@kapinternational.com

Internet

www.kapinternational.com

Auditors

Deloitte & Touche

Attorneys

Pohl & Stuhlinger

Company secretary

M Balladon CA(SA)

Bankers

FirstRand Bank Limited

Nedbank Limited

The Standard Bank of South Africa
Limited

Investec Bank Limited

The Hongkong and Shanghai
Banking Corporation Limited

KAP International Holdings Ltd

KAP INTERNATIONAL HOLDINGS LIMITED

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

PROXY

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

For use at the 30th annual general meeting to be held at 12:30 on 28 November 2008, at the Steinhoff Whitehouse, 3a Eton Road, Parktown, Johannesburg and at any adjournment thereof as follows:

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 (Full name(s) in block letters)

of (address)

being the registered holder/s of ordinary shares hereby appoint:

1. of or failing him/her

2. of or failing him/her

3. the chairman of the meeting, as my/our proxy, to vote for me/us and on my/our behalf at the annual general meeting for purposes of considering and, if deemed fit passing, with or without modification, the special resolution and ordinary resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name/s in accordance with the following instructions (see Notes):

	NUMBER OF VOTES (ONE VOTE PER SHARE)		
	In favour of	Against	Abstain
Ordinary resolutions 1. Adoption of annual financial statements			
2. Confirm directors' remuneration			
3. Re-election of directors retiring by rotation			
F Möller			
J P Haveman			
D M van der Merwe			
4. Reappointment of auditors			
5. Placing the unissued shares under the directors' control			
6. General authority to issue unissued shares for cash			
7. Capital payments to shareholders			
8. Transact other business			
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 2008

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 (Pty) Limited, 70 Marshall Street, Johannesburg 2001 or Computershare Investor Services (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.

Notes to 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 arrange with the CSDP or broker concerned to provide them with the necessary written authorisation to attend the annual general meeting or, should they not wish to attend, the shareholders 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 12:30 on 26 November 2008.
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 (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

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