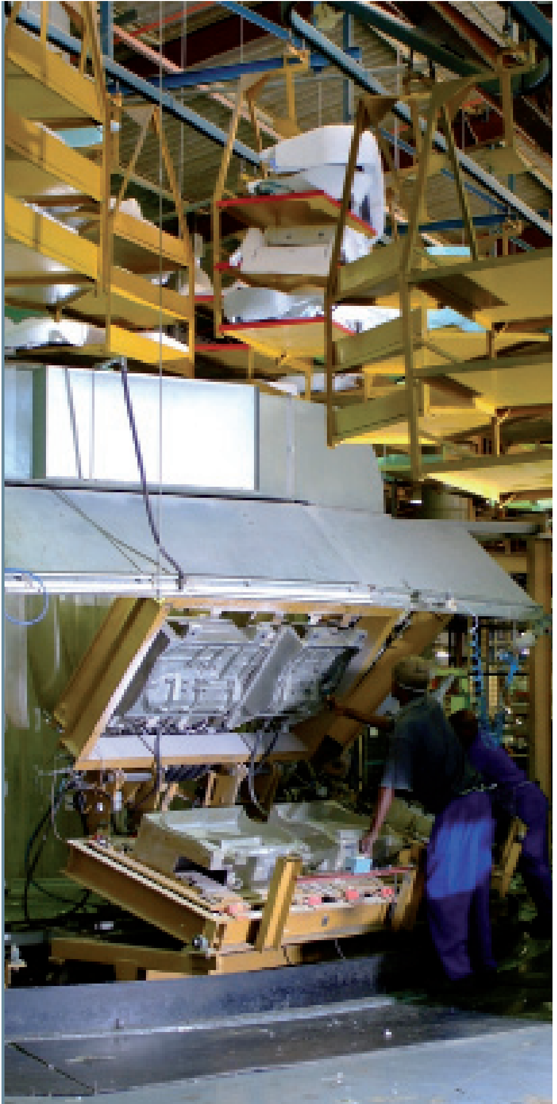
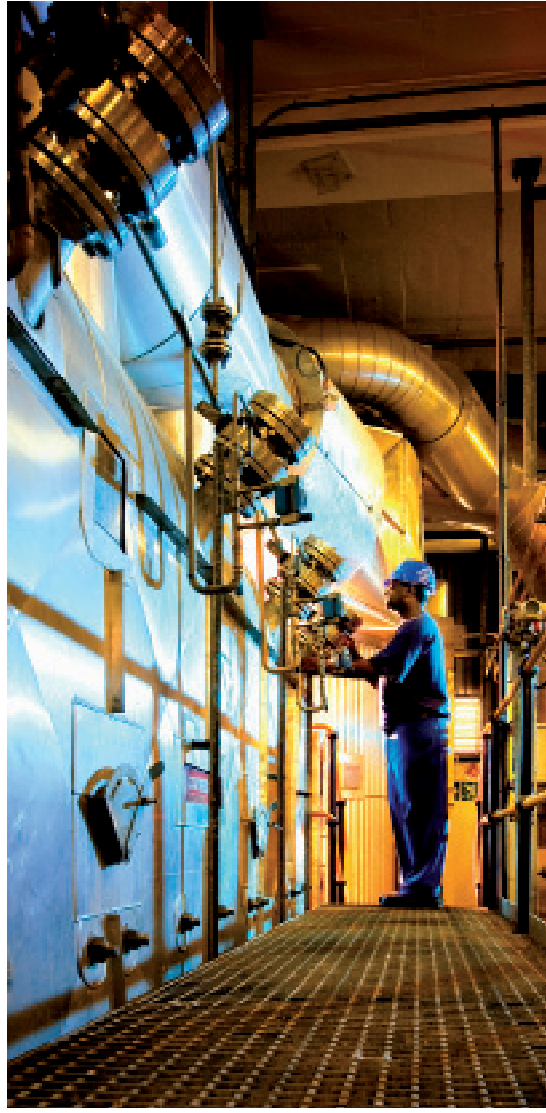
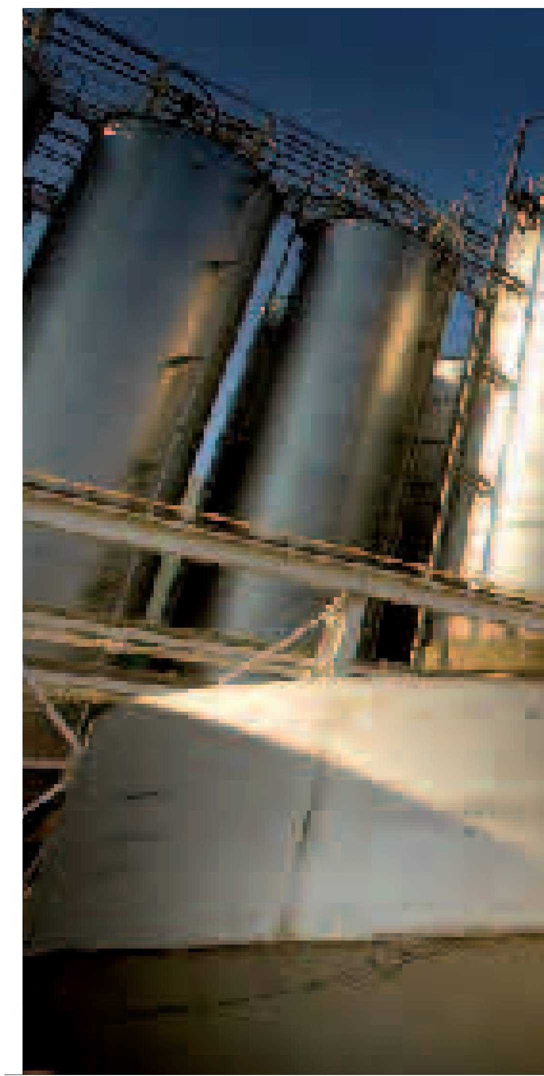


Annual Report 2009





Group Profile

KAP International Holdings Limited is an investment company with a portfolio of diverse manufacturing businesses. These include 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 4 751 people and controls assets of R2,5 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 and Krugersdorp.

KAP International Holdings Ltd

Contents

Highlights

* Strong operating cash flow and improved working capital
* Net asset value of R2,92 per share and a healthy balance sheet
* Hosaf PET expansion project completed and operational
* Automotive Leather operation sold
* Restructuring of Bull Brand fresh meat and Durban Fibres completed

Financial Highlights

	Year ended 30 June 2009	Year ended 30 June 2008
Revenue from continuing operations (Rm)	3 839,0	3 700,8
Operating profit from continuing operations (Rm)	132,6	206,0
(Loss)/Income attibrutable to ordinary shareholders (Rm)	(37,3)	122,3
Earnings per share from continuing operations (cents)	11,0	31,8
Headline earnings per share from continuing operations (cents)	11,4	31,4
Net asset value per share (cents)	291,8	300,7
Shareholders' funds (Rm)	1 238,6	1 276,2
Net interest-bearing debt to equity (%)	40,5	39,7

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
- **RIETER FELTEX (49%)** — Automotive acoustics and thermal management
- **FUTURIS FELTEX (50%)** — Tufted carpet manufacturer
- **FELTEX UNIFRAX** — Supplier of mats for catalytic converters for exhausts of motor vehicles
- **CARAVELLE CARPETS** — Loose lay carpet manufacturer

INDUSTRIAL FOOTWEAR

- **UNITED FRAM** — Manufacturer of safety footwear
- **WAYNE PLASTICS** — Manufacturer of gumboots
- **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%)** — Maize miller
- **JORDAN** — Branded fashion footwear and sport shoe manufacturer, importer and distributor
- **GLODINA** — Branded terry towel manufacturer

National Locations

Feltex Automotive	United Fram & Wayne Plastics	Glodina	Mossop Western Leathers	Bull Brand Foods	Jordan	Hosaf	Brenner Mills
Durban East London Port Elizabeth Rosslyn (Pretoria)	Johannesburg	Durban	Cape Town	Krugersdorp	Cape Town	Cape Town Durban Alrode	Pretoria Hammanskraal Bela Bela Louis Trichardt

Shareholder Profile as at 26 June 2009

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	1 374	59,79	246 107	0,06
1 001 – 10 000 shares	594	25,85	2 397 755	0,56
10 001 – 100 000 shares	199	8,66	6 119 142	1,44
100 001 – 1 000 000 shares	97	4,22	34 429 200	8,11
1 000 001 shares and over	34	1,48	381 281 453	89,83
	2 298	**100,00**	**424 473 657**	**100,00**

DISTRIBUTION OF SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Banks	12	0,52	2 781 936	0,66
Brokers	3	0,13	842 397	0,20
Close corporations	9	0,39	207 503	0,05
Endowment funds	4	0,17	12 450	0,00
Individuals	2 023	88,05	25 203 249	5,94
Insurance companies	5	0,22	1 338 205	0,32
Investment companies	5	0,22	14 092 376	3,32
Medical aid schemes	2	0,09	2 495 535	0,59
Mutual funds	29	1,26	24 946 524	5,88
Nominees and trusts	132	5,74	4 600 133	1,08
Other corporations	9	0,39	650 838	0,15
Pension funds	44	1,91	39 856 924	9,39
Private companies	20	0,87	202 915 587	47,79
Public companies	1	0,04	104 530 000	24,63
	2 298	**100,00**	**424 473 657**	**100,00**

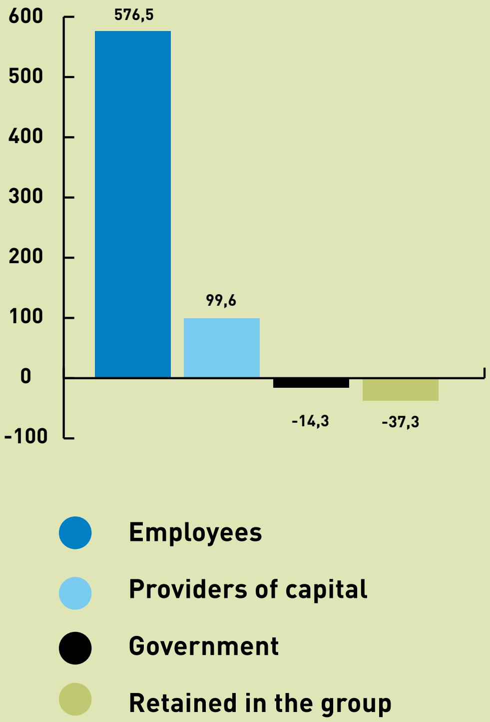
RESIDENT/NON-RESIDENT SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Non-resident	37	1,61	176 638 654	41,61
Resident	2 261	98,39	247 835 003	58,39
	2 298	**100,00**	**424 473 657**	**100,00**

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shares	%
Non-public shareholders	**321 188 459**	**75,67**
Daun & Cie AG	174 605 322	41,13
Steinhoff Africa Holdings (Pty) Ltd	104 530 000	24,63
Motseng Investment Holdings (Pty) Ltd	26 000 000	6,13
Directors and associates of the company and subsidiaries	16 053 137	3,78
Public shareholders (major institutions)	**64 156 208**	**15,12**
Argon Asset Management	37 942 256	8,94
Investec Asset Management	26 213 952	6,18
Other public shareholders	**39 128 990**	**9,21**
	424 473 657	100,00

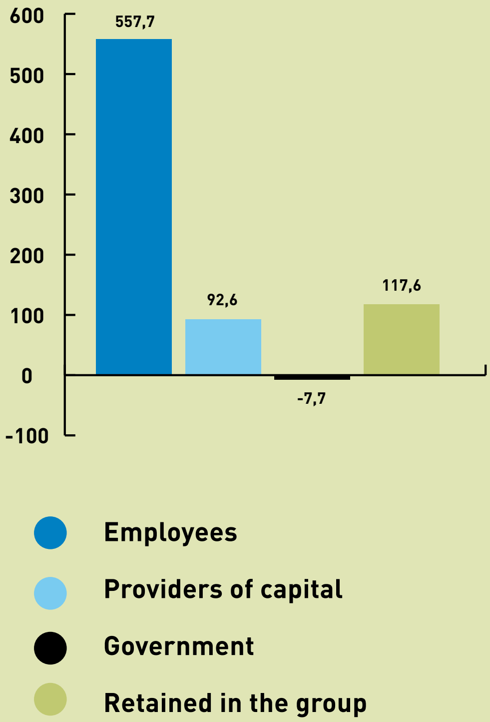
Value-added Statement

	30 Jun 2009	30 Jun 2008
	Rm	Rm
Revenue	4 564,2	4 620,4
Materials and services purchased	(3 940,0)	(3 860,2)
Wealth created	624,5	760,2
Distributed as follows:		
To pay employees	576,5	557,7
To pay providers of capital	99,6	92,6
Received from government	(14,3)	(7,7)
Retained in the group	(37,3)	117,6
Wealth allocated	624,5	760,2

2009



2008



Six-year Financial Review

	30 Jun 2009 IFRS	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
Group income statement (Rm)						
Revenue	**4 564,2**	4 620,4	5 242,2	2 975,1	1 911,9	616,6
Operating profit	**31,9**	200,1	338,5	225,5	140,6	22,7
Negative goodwill from acquisitions	**–**	–	–	–	134,7	–
Net pension fund surplus	**–**	–	–	50,6	–	–
Discontinued operation closure costs	**(85,4)**	–	–	(10,9)	–	–
Net finance costs	**(77,5)**	(75,9)	(51,1)	(19,4)	(10,6)	(12,6)
Unwinding of discount on business combination	**(4,1)**	(5,8)	–	–	–	–
Share of results of joint ventures	**2,7**	3,7	3,2	0,7	1,2	(2,0)
(Loss)/profit before taxation	**(47,0)**	122,1	290,6	246,5	265,9	8,1
Taxation	**14,3**	7,7	(53,0)	(45,6)	(24,6)	–
Minorities' interest	**(4,6)**	(7,5)	(11,6)	(6,2)	(2,2)	–
Net (loss)/profit attributable to ordinary shareholders	**(37,3)**	122,3	226,0	194,7	239,1	8,1
Group balance sheet (Rm)						
Shareholders' funds	**1 238,6**	1 276,2	1 166,1	1 041,2	854,2	203,7
Minorities' interest	**33,5**	32,5	25,0	14,0	9,4	–
Deferred taxation	**23,8**	37,5	29,1	17,6	6,3	–
Total borrowings	**573,4**	602,0	537,0	245,0	249,4	70,1
Retirement benefit obligation	**11,3**	11,7	14,0	19,8	40,6	9,9
Current liabilities (excluding short-term borrowings)	**628,0**	800,5	618,5	410,7	385,5	73,4
Total equity and liabilities	**2 508,6**	2 760,4	2 389,7	1 748,3	1 545,4	357,1
Property, plant, equipment and investment properties	**999,9**	828,2	709,1	529,5	410,3	50,7
Pension fund surplus	**39,4**	48,4	54,3	50,6	–	–
Deferred taxation	**107,3**	91,3	67,9	95,1	121,9	–
Total investments, loans receivable and goodwill	**88,8**	87,0	92,6	34,1	40,2	21,0
Inventories and receivables (excluding short-term loans receivable)	**1 214,7**	1 650,4	1 463,4	1 036,8	928,0	248,2
Cash and cash equivalents	**58,5**	55,1	2,4	2,2	45,0	37,2
Total assets	**2 508,6**	2 760,4	2 389,7	1 748,3	1 545,4	357,1
Group cash flow (Rm)						
Cash generated from operations	**136,3**	256,3	397,2	218,5	164,8	24,1
Net working capital changes	**231,8**	0,8	(177,9)	(85,5)	(44,4)	(5,8)
Net finance costs	**(77,5)**	(75,9)	(51,1)	(19,4)	(10,6)	(22,6)
Taxation paid	**(14,2)**	(10,6)	(14,0)	(3,1)	(13,5)	(0,2)
Net cash (outflow)/inflow from investing activities	**(230,5)**	(160,4)	(219,5)	(139,1)	(474,1)	20,0
Total cash flows from operating and investing activities	**45,9**	10,2	(65,3)	(28,6)	(377,8)	15,5

During 2003, the company consolidated its share capital on a 1-for-20 basis.

	30 Jun 2009 IFRS	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
Ratios and statistics						
Profitability						
Operating profit as percentage of revenue (%)	**1,1**	**4,3**	6,5	7,6	7,4	3,7
Net (loss)/profit as percentage of revenue (%)	**(0,8)**	**2,7**	4,3	6,5	12,5	1,3
Return on equity (%)[1]	**(2,92)**	**10,49**	21,70	22,40	117,33	14,36
Leverage						
Interest-bearing debt to equity (%)[2]	**40,5**	**39,7**	43,4	22,1	20,7	34,3
Debt to equity (%)[3]	**92,6**	**106,7**	100,4	65,5	63,7	52,2
Liquidity						
Current ratio[4]	**1,1**	**1,5**	1,4	1,8	1,8	2,0
Interest cover (times)[5]	**0,6**	**2,4**	6,6	11,6	13,3	(1,4)
Productivity						
Total assets turn	**1,8**	**1,7**	2,2	1,7	1,2	1,7
Number of employees	**4 751**	**6 082**	6 228	4 681	5 272	1 689
Assets per employee (R)	**528 015**	**453 864**	383 702	373 489	293 160	211 485
Annualised revenue per employee (R)	**960 682**	**759 684**	707 612	635 570	362 647	365 023
Share statistics						
Number of shares in issue (000)	**424 474**	**424 474**	424 473	423 266	418 720	168 120
Weighted average number of shares in issue (000)	**424 474**	**424 474**	424 063	421 477	293 412	34 882
Headline (loss)/earnings per share (cents)[6]	**(3,2)**	**28,4**	52,5	45,7	33,8	24,9
(Loss)/earnings per share (cents)[7]	**(8,8)**	**28,8**	53,3	46,2	81,5	23,1
Distributions per share (cents)	**–**	**–**	17,0	12,0	5,0	–
Net asset value per share (cents)[8]	**291,8**	**300,7**	274,7	246,0	204,0	121,2
Total number of shares traded (million)	**48,1**	**112,1**	204,9	208,4	40,7	10,8
Total value of shares traded (Rm)	**66,1**	**326,7**	820,7	719,7	83,7	1,9
Market price at year-end (cents)	**135,0**	**210,0**	356,0	375,0	300,0	100,0
– highest closing price (cents)	**220,0**	**390,0**	494,0	415,0	305,0	300,0
– lowest closing price (cents)	**115,0**	**200,0**	343,0	293,0	50,0	100,0
Market capitalisation at year-end (Rm)	**573**	**891**	1 511	1 587	1 256	168
Price/earnings ratio[9]	**n/a**	**7,39**	9,93	8,13	8,87	4,02

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 cost are covered by operating income.

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

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

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

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

Directors and Officers

A B C D E F

A F Möller (64)
(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.

B D M van der Merwe (51)
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, PG Bison Limited and Unitrans Holdings (Pty) Ltd. He is the chief executive officer of Steinhoff International Holdings Limited for the southern hemisphere operations.

C C E Daun (66)
(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.

D S H Nomvete (36)
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.

E M J Jooste (48)
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 as non-executive director on the boards of PSG Group Limited, Phumelela Gaming and Leisure Limited and the Racing Association and is a Trustee of the Thoroughbred Horseracing Trust.

F J B Magwaza (67)
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 and Tongaat Hulett Limited. He also serves as a non-executive director of Dorbyl Limited, Nedbank Limited, Ithala Development Finance Corporation Limited, Rainbow Chickens Limited, Pamodzi Investment Holdings, Motseng Investment Holdings, South Ocean Holdings, Imbewu Capital Partners Ltd, Nkuzi Investment Holdings Ltd, NPC Cimpor and Hulamin Ltd.

G **I N Mkhari (35)**
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 SA Corporate Real Estate Fund, Old Mutual Investment Group Property Investments, South African Women Entrepreneurs Network and is the national chairperson of Women's Property Network.

EXECUTIVE DIRECTORS

H **P C T Schouten (54)**
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), MBus
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 (55)**
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. Len 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 Makalani Holdings Limited, the South African Reserve Bank, Illovo Sugar, JD Group, Sappi Limited, Exxarro Resources, Mustek Limited and Steinhoff International Holdings.

K **M Balladon (47)**
BCom, CA(SA)

Mark joined the Glodina group in 1989 and was appointed as KAP International company secretary in 2004. He joined Feltex Automotive as financial director in 2006.

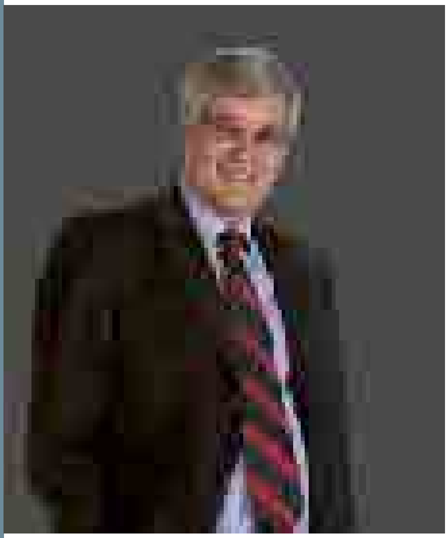
L **A B la Grange (34)**
BCom (Law), CA(SA)
Member of audit and risk committee

Ben is the chief financial officer of Steinhoff Africa Holdings (Proprietary) Limited and a member of the executive committee of Steinhoff International Holdings Limited. After completing his articles in 2000 at PricewaterhouseCoopers Inc, Ben joined their tax department. In 2003 Ben joined Steinhoff in a senior executive position.

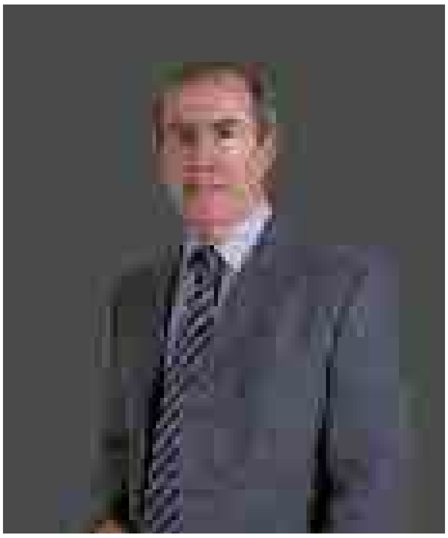
EXECUTIVE COMMITTEE

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.

Chairman's and CEO's Report



Claas Daun



Paul Schouten

The directors remain cautious regarding trading conditions in the new financial year. The restructuring initiatives completed in 2008/9 have enabled all divisions to reduce costs in line with expected lower volumes and the group will benefit when trading conditions improve.

Chairman's and CEO's Report

Performance

We submit our report to shareholders on the results and activities of KAP International for the year ended 30 June 2009.

Revenue and earnings

Operating profit from continuing operations declined by 26% compared to the prior year due largely to difficult trading conditions in the automotive operations. Headline earnings per share including discontinued operations decreased from 28,4 cents to a loss of 3,2 cents. Headline earnings per share excluding discontinued operations showed a far smaller decline, decreasing to 11,4 cents.

Revenue for the year decreased slightly to R4,6 billion due to the effect of the closure of the fresh meat division and a decline in sales in the automotive operation.

Balance sheet and cash flow

Total interest-bearing debt decreased by R5,0 million to R514,9 million, and the debt equity ratio at year-end was 40,5%. There was an intense focus on net working capital during this financial year and this produced pleasing results. A substantial portion was generated through the closure of the fresh meat operation of Bull Brand. Capital expenditure for the year was R257,4 million, mainly for the completion of the Hosaf expansion project. In addition there was an upgrade of the cannery in Bull Brand, and a safety footwear machine was installed in the Industrial Footwear division.

Distribution

Due to the funding requirements of the Hosaf expansion project, no distribution is proposed for this financial year.

Operational overview

Industrial segment

Feltex Automotive

There was a sharp decline in the vehicle build from 533 000 in 2007/8 to 398 000 units in the current financial year. This decline necessitated restructuring in all automotive divisions to take account of these lower volumes. The headcount was reduced by almost 1 000 people from 2 482 to 1 483 and costs were reduced wherever possible. The automotive leather division was sold to Seton South Africa.

Installed capacity is now underutilised, particularly in the trim division, but Feltex is set to benefit once the vehicle build recovers.

Industrial footwear

This division performed well.

Sales were lower in United Fram and Wayne Plastics, where pairs sold were down by 14%. Demand for gumboots remains strong. The turnaround in Mossop remains on track where margins improved during the second half of the financial year.

Hosaf

Hosaf continued with their strategy of increasing PET production and reducing fibre sales. The PET expansion was successfully completed in April 2009 and the plant is currently performing extremely well and producing an excellent quality product. The closure of the competing SANS plant during the financial year has meant that Hosaf is now the only local producer. International margins remain under pressure during the current economic climate, but Hosaf is well placed to take advantage once markets improve.

Consumer segment

Bull Brand Foods

The fresh meat operation was closed during the year and one of the two farms was sold. The cannery lines were upgraded to improve efficiencies and output improved during the course of the year. The cannery has steadily been gaining market share since 2001 and is now aggressively looking at export markets with the view to further increasing turnover and benefiting from economies of scale.

Brenner Mills

Brenner once again produced a solid performance and demonstrated the benefits of having a division that is of a defensive nature during tough economic times.

Jordan

Jordan's volumes declined by 14% and margins were under pressure from retailers. The volatile exchange rate made the pricing of imports extremely difficult, and management has recently completed a major restructuring exercise and the emphasis on cost control will enable them to improve performance in future years. The strong brands are still highly sought after by both national retailers and independent shoe stores.

Glodina

Although retail sales were a lot lower than previous financial years, Glodina's emphasis on the hospitality sector has enabled them to maintain overall operating margins in an extremely difficult trading environment. Their quality products, strong brand and total dedication to customer service will enable them to continue to produce good results.

Corporate activity

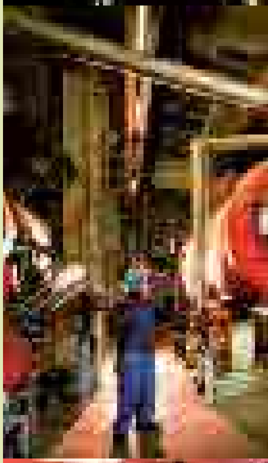
The Feltex Automotive Leathers division has been sold to Seton South Africa.

Directors and officers

There were no changes to directors during the year.

Ben la Grange replaced Jan van der Merwe on the audit and risk committee on 12 June 2009. The board sincerely appreciates Jan's contribution and input to the committee over the last number of years and wishes him well with his new endeavours.





Outlook

The directors remain cautious regarding trading conditions in the new financial year. The restructuring initiatives completed in 2008/9 have enabled all divisions to reduce costs in line with expected lower volumes and the group will benefit when trading conditions improve. Hosaf is expected to generate additional operating margin from the extra volume produced, and KAP's earnings are expected to be less volatile now that the fresh meat operations have been closed and the automotive leather division has been sold.

Appreciation

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

Claas Daun
Non-executive chairman

Paul Schouten
Chief executive officer

8 September 2009

OPERATIONAL **REVIEWS**

Feltex Automotive Operational Review

AUTOMOTIVE TRIM

FOAM CONVERTING

Feltex Automotive Operational Review

Profile

Feltex Automotive is one of South Africa's largest automotive component manufacturers and has manufacturing facilities situated in Durban, Rosslyn, Port Elizabeth 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 (East London), Feltex Unifrax (Port Elizabeth), Rieter Feltex (Rosslyn) and Futuris Feltex (East London).

Year under review

Globally, vehicle sales were significantly lower than the prior year, which resulted in the reduction of locally produced vehicles from 533 433 to 398 419 units. Vehicle production volumes in South Africa reduced to approximate 2003/4 levels. Profitability for the period was impacted by underutilised capacity and an inevitable delay before costs could be restructured to lower volume levels.

To minimise the impact of the volume reduction, the following restructuring initiatives were embarked upon, the costs of which were incurred in the current financial year:

- Employment and related costs were reduced in line with demand. Headcount was cut by approximately 40% across all divisions and reporting lines were flattened in all business units.
- Expenses were cut in line with vehicle build reductions and capex spend was severely curtailed.
- Operational processes were scrutinised and the resultant efficiency gains created margin improvements.
- Inventories and receivables were tightly controlled and were lowered by more than the reduction in vehicle build, resulting in an improved net working capital position. Tight management of working capital resulted in reasonable cash generation for the period.
- The Feltex Automotive Leathers business unit was sold to Seton SA, effective 24 August 2009. The decision was made primarily due to insufficient demand for its products, impacting its viability and absence of strategic fit.

All business units in the division are now balanced to current production levels and are well set to take advantage of any growth in demand that may occur.

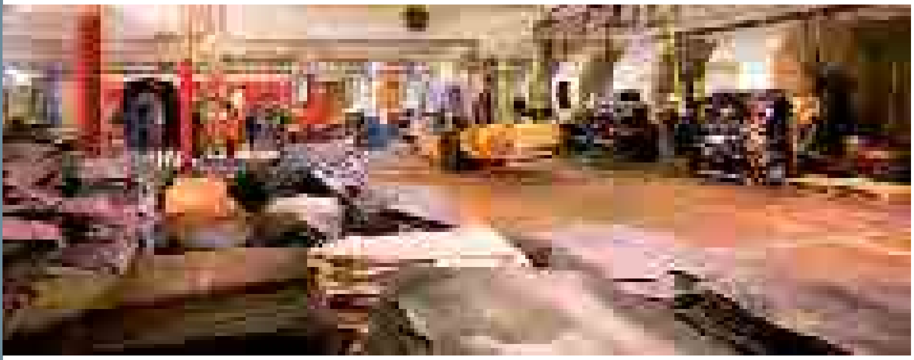
Prospects

Quotations on two new models at VW were successfully concluded. Negotiations are in process regarding new models from BMW, Ford and GM.

Economic conditions will remain challenging, with vehicle sales expected to remain at current levels. Operating profit is, however, expected to improve as operational efficiencies and margins are normalised and the benefits of the restructuring start to flow through to income.

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

Industrial Footwear Operational Review



Industrial Footwear Operational Review

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, security, 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. The division also caters for the specialised needs of the agricultural, food processing and construction industries.

Year under review

The year ended June 2009 was a difficult year for the industrial footwear division. Margins came under severe pressure in the protective footwear division and this, together with reduced volumes, especially in the mining industry and a fluctuating exchange rate, resulted in a decrease in revenue as well as operating profits. Well-contained overhead costs as well as good working capital management resulted in positive cash flows and similar PBT when compared with the previous year.

In the protective footwear divisions, the new injection moulding machine has been installed and should be fully operational by September 2009. This machine is a state-of-the art moulding machine, the only one of its type in the world. We are confident that the new products emanating from this machine will again make the protective footwear division the leader in its field.

The gumboot division has seen a decline in demand for its products, which are mainly used in the mining industry. Material inputs and overhead expenses have been extremely well managed, resulting in margins being maintained in spite of reduced volumes. A burglary in September 2008 resulted in a theft of moulds and parts of moulds, causing a loss of production, revenue and profits. These moulds are insured and the majority have been repaired or replaced and production is almost back to normal.

Prospects

2009/10 will be a difficult year as many government projects for the 2010 soccer world cup are nearing completion and safety footwear requirements will be reduced. However, with the production of new products we are confident that these two divisions will be able to deliver acceptable results.

Jeff Burland B Compt
Divisional Managing Director

Profile

Mossop Western Leathers is the largest footwear tannery in South Africa, supplying bovine leathers to the footwear and leather goods industries from its manufacturing facility in Wellington, Western Cape. The division supplies the full range of grain and split leathers and is one of the world's leading suppliers of PU laminated leathers.

Year under review

The division has undergone a significant turnaround, converting a loss during a very difficult first half of the financial year into a reasonable profit during the last six months of the year, and in the process outperforming its budget as well as the previous year's results. The main contributors to these improvements were the decrease in global hide prices due to the lower demand for leather in the automotive industry, an increase of 7% in turnover and the implementation of initiatives which have led to further improvements in internal efficiencies.

Prospects

Mossop Western Leathers will continue pursuing sustainable profitability by further improvements to its internal and customer-focused efficiencies and by effective sourcing of value-for-money raw materials. The general outlook for the next year is positive, but the strengthening of the Rand during mid-2009 is a concern, because it would favour the importation of leather and shoes.

Willie Kotzé MBA
Divisional Managing Director

Hosaf Operational Review

Hosaf
where quality is action

Hosaf Operational Review

Profile

Hosaf is the sole manufacturer and distributor of PET resin for the bottle and packaging market in southern Africa.

Hosaf also produces polyester staple fibre for the traditional and industrial sectors and produces recycled PET resin, which is used in-house as a raw material substitute.

The commissioning of the expanded polymer capacity, during the last quarter of the period under review, has increased Hosaf's PET resin capacity to 120 000 tonnes per annum.

Year under review

PET resin

Hosaf operated its polymer facilities at 85% utilisation for the whole year. The loss in utilisation was as a result of an eight-week shut-down for planned maintenance which occurs every five years, debottlenecking as well as the expansion project.

Market conditions during the period under review remained satisfactory, but with some downturn in demand occurring in the winter months.

SANS Fibres, the only other local competitor in the industry, closed in April 2009 and ceased production. This event has enabled Hosaf to gain further market share on the local market and this together with other exciting market opportunities in southern and central Africa should bode well for Hosaf's future in PET over the next few years.

The commissioning of the expanded PET plant was successfully completed in April this year with quality standards and target production volumes being achieved in June 2009.

Polyester staple fibre

Markets in the traditional cotton staple sector continued to deteriorate. This had been anticipated in our strategic plan of reducing dependency on this sector. Fibre production at the Durban site was discontinued in December 2008 and the remaining production volumes were transferred to the Cape Town site.

Management has also undertaken a series of initiatives, including reducing raw material and production costs, but the polyester staple fibre business remains under pressure.

Hosaf has continued to work with the relevant industry bodies to identify underinvoiced imports, and an application to impose anti-dumping duties was made.

Prospects

Growth in local PET demand is expected to slow as a result of the current economic situation.

Despite curret market conditions, Hosaf expects to increase its local sales volumes by 30% in the coming year, as a result of the closure of SANS Fibres.

The regional PET markets are expected to grow faster than the local market as a result of product substitution. Capacity expansion has enabled Hosaf, for the first time, to have product available to service these markets, and management is examining mechanisms to secure a competitive advantage.

The polyester staple fibre business will account for only 16% of total turnover but it will continue to be under pressure. Management has already implemented an action plan to further reduce the cost base in the face of dwindling market volumes. This sector of our business will be continuously monitored in respect of Hosaf's ability to be competitive.

Peter White BSc (Hons) Textile Technology
Divisional Managing Director

Bull Brand Foods Operational Review

Bull Brand Foods Operational Review

Profile

The cannery produces a basket of convenience meals under a range of well-known South African brands such as Bull Brand, Spekenam, Gants and Apex.

The value-adding plant produces licensed products for the fast food franchise industry, including Snax and Bull Brand's Great South African Burger range.

Year under review

The integrated fresh meat division results were poor for the first six months of the year, resulting in a decision to close it. The Taaiboschbult feedlot was sold, effective 30 June 2009, as a going concern whilst the Hurland feedlot is being held for sale and has been recorded in the books at 30 June 2009 accordingly. The employees of Hurland were retrenched in July 2009. The Krugersdorp abattoir was closed at the end of April 2009 and the affected employees retrenched. These actions substantially reduced employee numbers.

Despite difficult trading conditions, sales in the cannery have steadily grown and doubled in units since 2001. Margins were impacted negatively by the Arcelor Mittal tin price increase during the year and the poor factory efficiencies stemming from the use of old machinery. Both issues have been addressed by an appropriate investment in plant and equipment and a selling price increase to the market.

Prospects

Margins will remain a key focus area going forward and will be achieved through intense focus on efficiencies in the plant and cost reduction programmes.

The management team of Bull Brand is excited about future prospects for the new reshaped cannery and expect to grow into canned export markets. We also anticipate that the new Halaal accreditation from the Muslim Judicial Council will boost market share in KwaZulu-Natal and the Western Cape.

Lou Campher BProc, LLB
Managing Director

Brenner Mills Operational Review

Brenner Mills Operational Review

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 cafés. Maize meal still accounts for the majority of the company'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 trading conditions. 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 our mills selling our products at market-related prices.

Tonnages have increased marginally. Volatile food prices for the past year are of concern, but management is confident that yields can be maintained. Management is constantly investigating the expansion of existing markets as well as markets in neighbouring countries and sub-Saharan Africa.

Strict control over expenses and the tight management of working capital has enhanced the profitability of the company.

The company is constantly upgrading production facilities to ensure that we produce quality products and increase efficiencies.

Prospects

The strength of Brenner's brands, innovative marketing strategies, as well as uncompromising quality and service should ensure growth and profitability for 2010.

Eric Goldblum
Executive Chairman

Steven Brenner
Managing Director

Anton Fabi
MILANO

BRONX

asics

JORDAN
FOOTWEAR

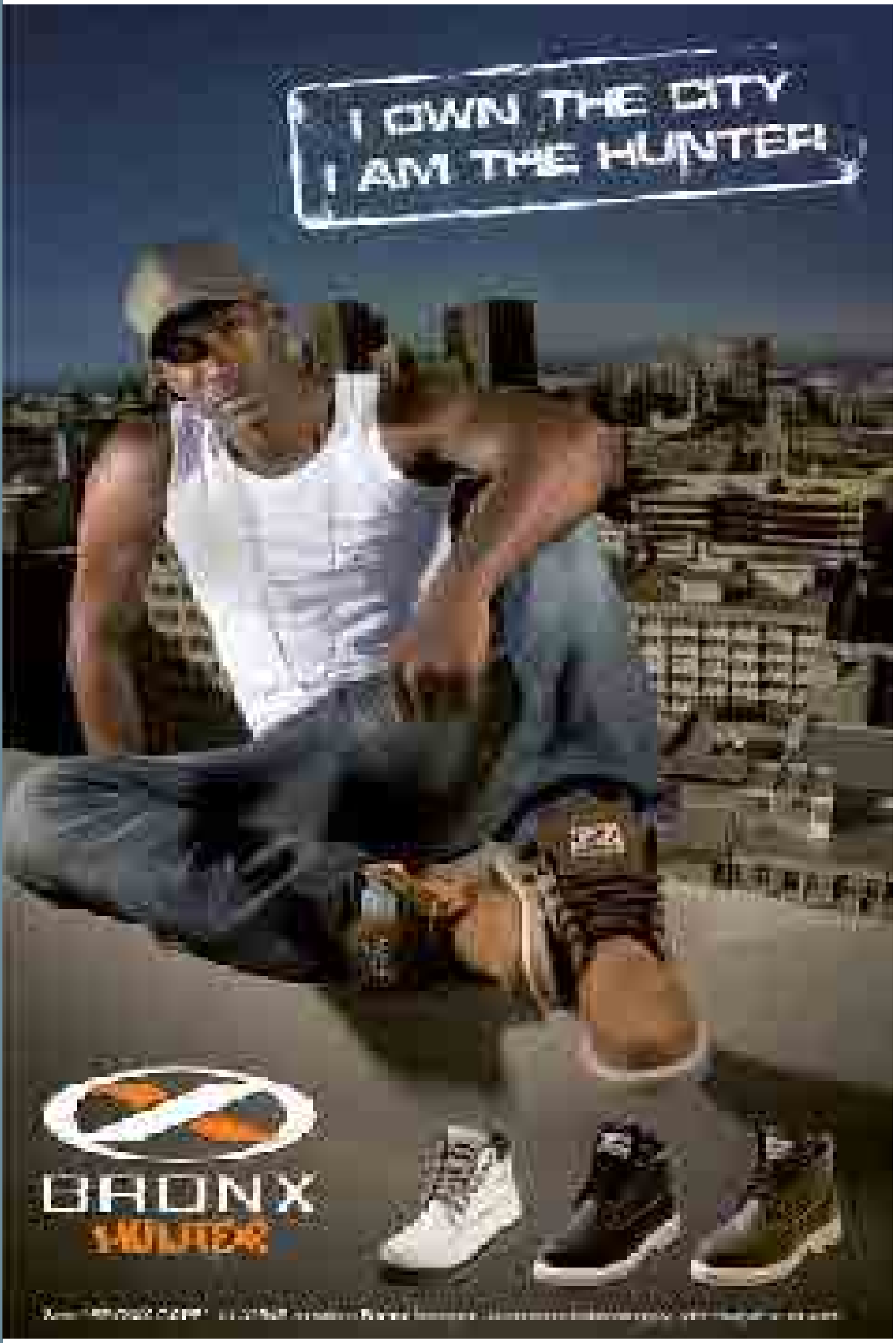
JORDAN
where will they take you?

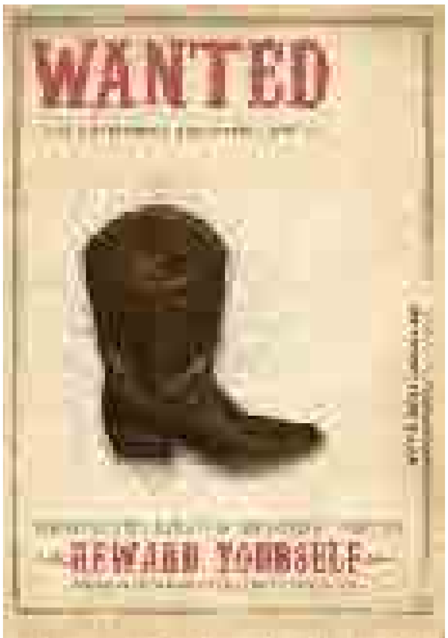
BRONX

OLYMPIC

Onitsuka Tiger

STEVE MADDEN





Jordan Operational Review

Profile

Jordan 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 supplies quality footwear to more than three hundred independent retailers, as well as most of the major chain stores in South Africa. Jordan 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 sold through a small chain of factory shops in South Africa and Namibia.

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

The manufacturing of the Jordan-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 strict quality control standards Jordan is known and respected for.

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

Year under review

Pairs sold declined by 14% to 2,30 million from 2,67 million in 2008 reflecting the slow-down in the economy and also the large retail groups opting to import directly from China.

Revenue declined by 2% compared to the previous year, while margins have been under pressure as expected.

Imported products declined by 11% in value terms as a result of huge price increases on the back of a weaker Rand. Own manufacturing increased by some 17% in value as a result of a more stable sales price compared to imported products.

Certain business areas and the management team were restructured during the year, which resulted in the retrenchment of employees and the in-sourcing of certain services such as security and cleaning at a reduced cost to Jordan. The senior manager team was restructured in order to reduce costs, and certain positions were made redundant.

The implementation of a new IT system commenced during the year and will assist greatly in future, especially with management information, when fully implemented later this year.

Prospects

The restructuring completed during the 2008/9 financial year will mean that Jordan is well placed to take advantage of future market growth. Jordan's strong brands and excellent range-building expertise means that their products will always be in demand.

Jordan will strive to supply their customers with a superior range of products containing up-to-date trends.

The division will continue to improve information systems in order to provide a superior service to their customer base. Stringent quality procedures in both China and South Africa will ensure that customers receive a quality product.

Brian Pollock Dip Management ABSI
Divisional Managing Director

Glodina Operational Review

GLODINA

Glodina Operational Review

Profile

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

Over the past 58 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

Revenue for the period was 10% lower than the previous financial year, and sales volumes 11% down year on year. Sales to the retail sector reduced by 11,5% year on year but the hospitality sector remained buoyant with a 5,7% growth.

During this difficult trading period, retailers were more price sensitive requiring a greater value offering, and as a result, sales margins were squeezed.

Commodity pricing for the period initially increased, but with a reduction in worldwide demand, prices reduced over the third and fourth quarters. Unfortunately, unfavourable exchange rates counteracted the commodity price gains, with a resultant net impact of a 5% increase in raw material costs. Compensating savings in raw materials of 3% was achieved in the year through DTI incentive grants, and export duty claw-backs.

Operating margins were maintained in line with the prior year, essentially due to greater emphasis on cost control. Sizeable capital investments over the last five years in plant and production systems yielded higher productivity levels and improved efficiencies. Further savings in labour and distribution costs reduced operating expenses for the year and largely negated the loss in sales margins.

Prospects

Glodina will continue to strive to be the market leader in South Africa. Growth in terms of market share and profitability over the past five years has made the company a sustainable operation. The hospitality sector is envisaged to strengthen with the imminent 2010 soccer world cup series, and revenue is expected to improve in the ensuing financial period.

Our marketing efforts are mainly focused on making greater inroads into the hospitality sector and export market. We continue to strive to exceed service levels to the major retail chains.

The predominant challenges facing the textile sector in South Africa remain the sourcing of cheaper raw materials and reducing the impact of escalating utility costs.

Glodina will nonetheless maintain its aggressive approach in sustaining ongoing profitability through both its cost reduction programmes in all its processes and through the sourcing of more cost-effective imported finished products.

Paul Redondi Dip Textile Engineering (Bergamo)
Managing Director

CORPORATE **GOVERNANCE & SUSTAINABILITY**

CORPORATE GOVERNANCE & SUSTAINABILITY

Corporate Governance

The King Code of Corporate Practices and Conduct

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

Board of directors and secretary

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

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

The corporate board comprises two executive directors and seven non-executive directors, including the chairman and chief executive officer. The roles of the chairman (as a non-executive director) and the chief executive officer do not vest in the same person. Major responsibilities of the board include nomination of the chairman and chief executive officer and other board members, and agreement of the top management structures and management succession. The corporate board is responsible to shareholders, but it 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		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			3	3		
J B Magwaza	4	3			3	3	1	1
I N Mkhari	4	4			3	3	1	1
F Möller	4	3						
S H Nomvete	4	4	2	2				
P C T Schouten	4	4	2	2	3	3	1	1
D M van der Merwe	4	4						
J H N van der Merwe			2	2				
A B la Grange			–	–				
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 Ben la Grange (replacing 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 has been adopted and is 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 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 35 to 82 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 38.

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

KAP has nineteen industrial facilities in southern Africa which employ 4 751 people in total.

The broader sustainability agenda is important to KAP, hence our concern for the impact of our operations on society and the environment. In line with this, the group maintains due compliance with legislation relating to our employees, their health and safety, and the environment. We are pleased to report that we have continued to improve on these requirements in the reporting period.

There is a broad group policy that measures KAP subsidiaries against Key Performance Indicators. This requires subsidiaries to be compliant with all relevant legislation and management to give their full attention to sustainability issues considered material to stakeholders, society and the environment.

All our industrial facilities are required to put management systems in place to proactively and systematically address safety, health, environment and quality (SHEQ) risks. This includes meeting and maintaining internationally recognised certification standards for these management systems.

Independent auditors regularly conduct exhaustive risk audits at all KAP company sites. These cover critical risk aspects of the businesses including fire, defence, security, safety (Occupational Health and Safety Act requirements) and environmental management.

Environmental, health and safety responsibility

Energy and water conservation systems are in place at all our facilities, as part of on-site environmental management systems (EMS). Energy and water consumption is measured and monitored monthly as part of the ISO 14001 standard and we are proud that most of our divisions are accredited with ISO 14001.

Processes are continually improved to minimise all forms of material waste and effluent. Listed below are some of the initiatives that have been implemented to demonstrate our commitment to environmental, health and safety matters:

- **Hosaf** is proud to state that all three sites have a zero disability injury rate and its Durban site achieved the significant milestone of one million man hours without a disabling injury in May 2009
- Hosaf Durban has converted its steam boilers from coal-fired to gas-fired: this has greatly reduced its air emissions
- Hosaf Durban has also managed to reduce waste produced by 87%, effluent by 53% and has reduced water consumption by 31%
- At **Glodina**, water consumption is monitored on a weekly basis and waste water from the dyeing process has been reduced by 5%
- **Mossop** Western Leathers' new range of leathers, the Earthwell range, has been developed to conform to European Standards in terms of the impact that the product will have on human health and the environment
- **Feltex Automotive**, **Jordan** and **Glodina** all have projects focused on increasing the utilisation of recycled material in their operations
- **Bull Brand**'s annual boiler smoke test has been found to be within emission specifications and they have also just started a project to treat their boiler coal with products which improve combustion and reduce CO_2 emissions
- Bull Brand also made significant reductions in the levels of both COD and solid sediments in effluent water.

Most group divisions provide a health-care facility focused on employee wellness. The divisions also offer HIV/AIDS education and awareness. We are particularly proud of Glodina, which was one of the first sites worldwide to be accredited with SANS 16001 HIV/AIDS Management System. 70% of their staff were tested for HIV and the company has established a Peer Educator Programme. In addition, a full-time HIV/AIDS counsellor has been appointed.

Quality

KAP prides itself on all its divisions achieving world-class production and product quality certification. This is a non-negotiable cornerstone of all our operations.

Highlights include:

- Feltex Trim Rosslyn was awarded by Ford with a Q1 certificate in December 2008
- Glodina won a Cotton Board award in 2008 and has been Home Textile Manufacturer of the year for the past 10 years.

Employee development

As part of 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. Learnerships, apprentices, bursaries, adult basic education and skills programmes are in place where appropriate.

Corporate social investment

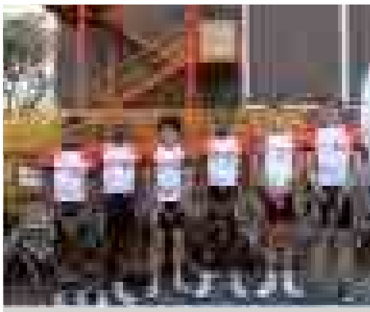
KAP supports numerous charitable organisations through its donations to projects focused on the elderly, orphans, hospice care and HIV/AIDS.

A few of the many projects that have benefited local communities are highlighted below:

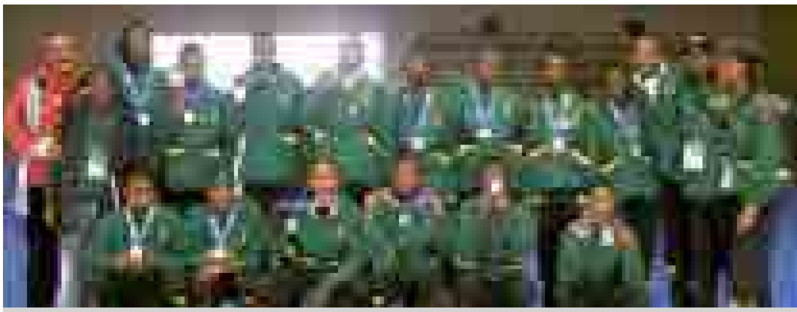
- **Hosaf Cape Town** continues to support the local Du Noon community: this year ten unemployed people living with HIV have been trained in computer literacy and work ethics to assist them to find work
- The support given to one of their employees last year has resulted in the formation of a PET recycling company (Golden Rewards CC): this new empowerment venture collects used PET bottles for recycling which are then purchased by Hosaf

- **Glodina** has embarked on the sponsorship of swimming and surfing workshops for local communities
- **Jordan** sponsors the Asics Cycling team of elite U23 Olympic riders who competed in the Giro del Capo in March 2009 and the Cape Argus Cycling race
- It also supports the Man United soccer team in Manenberg on the Cape Flats
- Jordan further sponsored trainers for the Special Olympics South African floor hockey team which competed in the 2009 Special Olympics World Winter games in Boise, Idaho, United States
- **KAP** and **Mossop** support the Alive & Kicking project which manufactures soccer balls and provides work for 26 disadvantaged people: the soccer balls carry educational and health-related messages
- KAP continues to sponsor the local community in Paarl, funding both academic bursaries and extra-mural activities
- KAP also gives ongoing support to various AIDS orphanages in the Western Cape
- **Brenner Mills** is involved in several feeding schemes, many of which provide children with the only meal they receive each day. In addition, at Ebenezer Care Centre some 250 children and pensioners receive three meals a day
- Through the efforts of the Union of Jewish Women, Brenner Mills also provides food for the Luvuyo Orphanage in Soshanguwe. This orphanage looks after 22 AIDS orphans
- Further, food is also supplied to Itumeleng, which provides street children in Pretoria with a daily meal
- Competitors taking part in the national paraplegic sports events held in Germiston are also catered for, thanks to donations of maize meal, rice and sugar beans from Brenner Mills
- Together with their primary maize supplier, Cargill, Brenner Mills is involved in the Enviroloo Ablutions Blocks project. This project is managed by the +Beyond Foundation. Mthembeni Primary School in Mpumalanga currently has the old "pit-latrine" system. These old systems are responsible for the spread of many illnesses, as well as contamination of drinking water. The installation of the Enviroloo at the school will have a huge positive impact on both the health of the users, as well as the environment. Enviroloo is an environmentally friendly, waterless sanitation solution. This project extends further than the construction of ablution blocks. The process undertaken in implementing the project engages and empowers local champions as well as the school committee, allowing them to take ownership of the project and drive it on the ground
- **Bull Brand** is sponsoring nursery boxing tournaments which is assisting with the development of young boxing talent.

ASICS CYCLING TEAM



OLYMPIC CYCLING TEAM



MANENBERG SOCCER TEAM

CLASSROOM CONSTRUCTION

SPECIAL OLYMPICS FLOOR HOCKEY TEAM

AIDS ORPHANAGE

EBENEZER CARE CENTRE

EBENEZER CARE CENTRE

ENVIROLOO ABLUTION BLOCKS

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 2009, 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 37 to 84.

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 2009, 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

8 September 2009
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 Risk 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: B G C Fannin

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

Directors' Report

The directors present the annual financial statements of the company and the group for the year ended 30 June 2009.

Holding company

At the date of this report, the company has no majority shareholder. The largest minority shareholders are Daun & Cie AG (41,1%) 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 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 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 2009 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 C E Daun, M J Jooste and J B Magwaza. These directors are all eligible and offer themselves for re-election. Details of each of the directors are set out on pages 6 and 7 of this annual report.

Company secretary

M Balladon

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

Directors' shareholding

At 30 June 2009, the present directors of the company held direct and indirect interests in 203 695 351 shares or 48,0% (2008: 200 001 284 shares or 47,1%) of the company's issued ordinary shares. Further details are set out in note 33 to the financial statements.

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

Corporate governance

The group complies with the JSE Limited Listings Requirements and in all material respects with the Code of Corporate 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 R60,8 million (2008: R131,3 million). The aggregate net losses amount to R157,2 million (2008: R2,0 million).

Borrowing facilities and limits

The group's borrowing facilities and usage thereof are set out in notes 13 and 20. 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.

Directors' Report continued

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 the requirements of the South African Companies Act 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 2009, set out on pages 37 to 84, 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

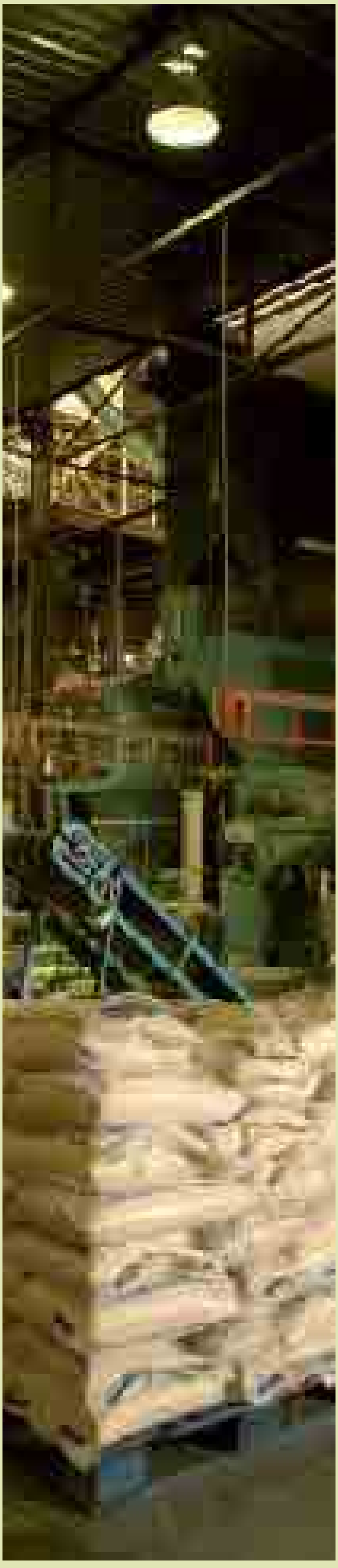
8 September 2009

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

8 September 2009
1 New Street, Paarl



Balance Sheets as at 30 June 2009

		GROUP		COMPANY	
	Notes	30 Jun 2009 Rm	30 Jun 2008 Rm	30 Jun 2009 Rm	30 Jun 2008 Rm
Assets					
Non-current assets					
Property, plant and equipment	2	**934,4**	827,6	**1,1**	1,0
Investment property	3	**5,5**	0,6	**0,2**	0,2
Goodwill	4	**66,7**	60,5	**–**	–
Interests in subsidiaries	5	**–**	–	**999,2**	726,3
Interests in joint ventures	6	**22,1**	25,7	**0,7**	0,7
Available-for-sale investments	7	**–**	0,8	**–**	–
Pension fund surplus	8	**30,4**	39,4	**–**	–
Deferred taxation	9	**107,3**	91,3	**0,9**	4,5
		1 166,4	1 045,9	**1 002,1**	732,7
Current assets					
Pension fund surplus	8	**9,0**	9,0	**–**	–
Inventory	10	**675,8**	740,8	**–**	–
Biological assets	11	**–**	189,1	**–**	–
Accounts receivable	12	**538,3**	720,2	**6,1**	5,6
SARS – income taxation receivable		**0,6**	0,3	**0,3**	0,3
Bank balances and cash	13	**58,5**	55,1	**–**	56,5
Assets held for sale	14	**60,0**	–	**–**	–
		1 342,2	1 714,5	**6,4**	62,4
Total assets		**2 508,6**	2 760,4	**1 008,5**	795,1
Equity and liabilities					
Capital and reserves					
Issued share capital	15	**84,9**	84,9	**84,9**	84,9
Share premium	16	**844,6**	844,6	**844,6**	844,6
Foreign currency translation reserve		**–**	0,3	**–**	–
Share-based payment reserve	17	**–**	–	**–**	–
Retained income/(accumulated loss)	18	**309,1**	346,4	**(144,0)**	(169,5)
Equity attributable to equity holders of the parent		**1 238,6**	1 276,2	**785,5**	760,0
Minorities' interest	19	**33,5**	32,5	**–**	–
Total equity		**1 272,1**	1 308,7	**785,5**	760,0
Non-current liabilities					
Long-term interest-bearing borrowings	20	**29,6**	68,3	**–**	31,4
Retirement benefit obligations	21	**11,3**	11,7	**–**	–
Deferred taxation	9	**23,8**	37,5	**–**	–
		64,7	117,5	**–**	31,4
Current liabilities					
Accounts payable	22	**588,5**	757,3	**5,5**	3,4
SARS – income taxation payable		**2,5**	1,0	**0,3**	–
Short-term interest-bearing borrowings	20	**193,5**	266,8	**41,8**	–
Short-term interest-free borrowings	23	**–**	27,0	**–**	–
Bank overdrafts	13	**342,0**	239,9	**175,0**	–
Provisions	24	**37,0**	42,2	**0,4**	0,3
Liabilities directly associated with assets held for sale	14	**8,3**	–	**–**	–
		1 171,8	1 334,2	**223,0**	3,7
Total liabilities		**1 236,5**	1 451,7	**223,0**	35,1
Total equity and liabilities		**2 508,6**	2 760,4	**1 008,5**	795,1

Income Statements for the year ended 30 June 2009

	Notes	GROUP Year ended 30 Jun 2009 Rm	GROUP Year ended 30 Jun 2008 Rm	COMPANY Year ended 30 Jun 2009 Rm	COMPANY Year ended 30 Jun 2008 Rm
Continuing operations					
Revenue	25	**3 839,0**	3 700,8	**21,4**	17,3
Cost of sales		**(3 021,8)**	(2 824,8)	**–**	–
Gross profit		**817,2**	876,0	**21,4**	17,3
Other operating income		**18,1**	18,9	**21,2**	1,9
Operating expenses		**(682,8)**	(688,9)	**(23,4)**	(23,0)
Operating profit before restructuring costs		**152,5**	206,0	**19,2**	(3,8)
Restructuring costs		**(19,9)**	–	**–**	–
Operating profit/(loss)	26	**132,6**	206,0	**19,2**	(3,8)
Interest paid	27	**(62,4)**	(65,1)	**(62,9)**	(67,2)
Interest received	27	**3,1**	0,5	**76,9**	70,1
Other costs		**(4,1)**	(5,8)	**(4,1)**	(4,4)
Share of results of joint ventures	6	**2,7**	3,7	**–**	–
Profit before taxation and impairment of subsidiaries		**71,9**	139,3	**29,1**	(5,3)
Impairment of subsidiaries		**–**	–	**–**	28,9
Profit before taxation		**71,9**	139,3	**29,1**	23,6
Taxation	28	**(20,5)**	3,2	**(3,6)**	1,4
Profit after taxation from continuing operations		**51,4**	142,5	**25,5**	25,0
Discontinued operations					
Revenue	29	**725,2**	919,6	**–**	–
Operating loss before restructuring costs	29	**(15,3)**	(5,9)	**–**	–
Net loss from discontinued operations	29	**(84,1)**	(12,7)	**–**	–
Total (loss)/profit for the year					
Attributable to:					
Equity holders of the parent		**(37,3)**	122,3	**25,5**	25,0
Minority interest		**4,6**	7,5	**–**	–
		(32,7)	129,8	**25,5**	25,0
Earnings per share					
(Loss)/earnings per share (cents)	30	**(8,8)**	28,8		
Continuing operations		**11,0**	31,8		
Headline (loss)/earnings per share (cents)	30	**(3,2)**	28,4		
Continuing operations		**11,4**	31,4		

Statements of Changes in Equity for the year ended 30 June 2009

	Notes	GROUP Year ended 30 Jun 2009 Rm	GROUP Year ended 30 Jun 2008 Rm	COMPANY Year ended 30 Jun 2009 Rm	COMPANY Year ended 30 Jun 2008 Rm
SHARE CAPITAL					
Issued share capital					
Balance at the beginning of the year		**84,9**	84,9	**84,9**	84,9
Shares issued during the year		**–**	–	**–**	–
Balance at the end of the year	15	**84,9**	84,9	**84,9**	84,9
Share premium					
Balance at the beginning of the year		**844,6**	857,2	**844,6**	857,3
Capital distributions	31	**–**	(12,7)	**–**	(12,7)
Share trust sold during the year		**–**	0,1	**–**	–
Balance at the end of the year	16	**844,6**	844,6	**844,6**	844,6
RESERVES					
Foreign currency translation reserve					
Balance at the beginning of the year		**0,3**	0,5	**–**	–
Movement for the year		**(0,3)**	(0,2)	**–**	–
Balance at the end of the year		**–**	0,3	**–**	–
Share-based payment reserve					
Balance at the beginning of the year		**–**	17,1	**–**	17,1
Movement for the year		**–**	0,6	**–**	0,6
Transfer to distributable reserves		**–**	(17,7)	**–**	(17,7)
Balance at the end of the year	17	**–**	–	**–**	–
Retained income/(accumulated loss)					
Balance at the beginning of the year		**346,4**	206,4	**(169,5)**	(212,2)
Transfer from share-based payment		**–**	17,7	**–**	17,7
Net (loss)/profit for the year		**(37,3)**	122,3	**25,5**	25,0
Balance at the end of the year	18	**309,1**	346,4	**(144,0)**	(169,5)
MINORITIES' INTEREST					
Balance at the beginning of the year		**32,5**	25,0	**–**	–
Share of net profit for the year		**4,6**	7,5	**–**	–
Dividends paid		**(3,6)**	–	**–**	–
Balance at the end of the year	19	**33,5**	32,5	**–**	–
TOTAL EQUITY		**1 272,1**	1 308,7	**785,5**	760,0

Cash Flow Statements for the year ended 30 June 2009

		GROUP		COMPANY	
	Notes	**Year ended 30 Jun 2009 Rm**	Year ended 30 Jun 2008 Rm	**Year ended 30 Jun 2009 Rm**	Year ended 30 Jun 2008 Rm
Cash flows from operating activities					
Cash receipts from customers		**4 722,9**	4 576,5	**–**	–
Cash paid to suppliers and employees		**(4 354,8)**	(4 319,4)	**21,3**	(11,0)
Cash generated from/(utilised by) operations	32.1	**368,1**	257,1	**21,3**	(11,0)
Net interest (paid)/received		**(77,5)**	(75,9)	**14,0**	2,9
Taxation (paid)/refunded	32.2	**(14,2)**	(10,6)	**0,3**	(1,2)
Net cash inflow/(outflow) from operating activities		**276,4**	170,6	**35,6**	(9,3)
Cash flows from investing activities					
Purchase of property, plant and equipment					
To maintain operations		**(68,4)**	(26,0)	**(0,5)**	–
To expand operations		**(189,0)**	(151,4)	**–**	(0,7)
Proceeds on disposals of property, plant and equipment		**19,8**	3,7	**–**	2,7
(Increase)/decrease in interests in subsidiaries		**–**	–	**(266,6)**	293,5
(Increase)/decrease in loan to joint venture		**(1,4)**	13,3	**–**	–
Dividends received from joint venture		**7,7**	–	**–**	–
Proceeds on disposal of other investments		**0,8**	–	**–**	–
Net cash (outflow)/inflow from investing activities		**(230,5)**	(160,4)	**(267,1)**	295,5
Total cash flows from operating and investing activities		**45,9**	10,2	**(231,5)**	286,2
Cash flows from financing activities					
Capital distributions		**–**	(12,7)	**–**	(12,7)
Dividends and distributions paid to minorities		**(3,6)**	–	**–**	–
(Decrease)/increase in interest-bearing borrowings, excluding bank overdrafts		**(114,0)**	190,4	**–**	0,1
Decrease in interest-free borrowings		**(27,0)**	(0,8)	**–**	–
Net cash (outflow)/inflow from financing activities		**(144,6)**	176,9	**–**	(12,6)
Net (decrease)/increase in cash and cash equivalents		**(98,7)**	187,1	**(231,5)**	273,6
Cash and cash equivalents at the beginning of the year	13	**(184,8)**	(371,9)	**56,5**	(217,1)
Cash and cash equivalents the end of the year	13	**(283,5)**	(184,8)	**(175,0)**	56,5

Notes to the Annual Financial Statements

for the year ended 30 June 2009

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.

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.

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

1.4 **Property, plant and equipment**

Land and buildings comprise mainly factories and offices. All property, plant and equipment are shown at cost, less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All repairs and maintenance expenditures are charged to the income statement during the financial period in which they are incurred.

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

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

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the income statement.

1.5 **Investment property**

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

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the income statement.

1.6 **Impairment of tangible and intangible assets**

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-taxation discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

1.7 **Investments**

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

1.8 **Inventory**

Inventories are reported at the lower of cost and net realisable value. The principal bases of determining cost are the first-in, first-out method and the weighted average method. The cost of finished goods and work in progress includes direct costs and an appropriate allocation of overheads incurred in bringing the inventories to their present location and condition.

Obsolete, redundant and slow-moving inventories are identified and valued at their estimated net realisable value. Net realisable value is the estimate of the selling price in the ordinary course of business, less the estimated costs of completion, selling and distribution expenses.

1.9 **Biological assets**

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

1.10 **Trade receivables**

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

1.11 **Cash and cash equivalents**

Cash and cash equivalents are measured at amortised cost. Bank overdrafts are only included where the group has a legal right of 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 payables, 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.

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

1.15 **Derecognition**

Financial assets (or portions thereof) are derecognised when the group realises the rights to the benefits specified in the contract, the rights expire or the group surrenders or otherwise loses control of the contractual rights that comprise the financial asset.

On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are included in the income statement.

Financial liabilities (or portions thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

On derecognition, the difference between the carrying amount of the financial liability, including unamortised costs, and the amount paid for it is included in the income statement.

1.16 **Leasing**

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

1.17 **The group as lessor**

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

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

1.18 **The group as lessee**

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as incentives to enter into an operating lease are also spread on a straight-line basis over the lease term.

1.19 **Retirement benefit costs**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

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

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

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

1.20 **Bank borrowings**

Bank and other loans and overdrafts are recorded at the proceeds received, net of direct issue costs.

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using the effective interest rate method.

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.

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

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.

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 Non-current assets held for sale and discontinued operations

An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Assets classified as held for sale are not subsequently depreciated and are held at the lower of their carrying value and fair value less costs to sell.

A discontinued operation is a separate major line of business or geographical area of operation that has been disposed of, or classified as held for sale, as part of a single co-ordinated plan. Alternatively, it could be a subsidiary acquired exclusively with a view to resale.

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.

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

		Total Rm	Land and buildings owned Rm	Plant and machinery owned Rm	Other assets owned Rm	Land and buildings leased Rm	Plant and machinery leased Rm	Other assets leased Rm
2	**PROPERTY, PLANT AND EQUIPMENT**							
	GROUP 2009							
	COST							
	Balance at the beginning of the year	1 049,0	211,2	744,3	83,0	0,5	5,4	4,6
	Additions	256,4	22,3	216,3	16,5	–	1,3	–
	Disposals	(32,0)	(12,5)	(11,9)	(5,6)	–	(2,0)	–
	Transfers (out)/in	(4,0)	(13,1)	0,3	9.3	–	(0,3)	(0,2)
	Reclassified as held for sale	(132,0)	(14,5)	(101,5)	(14,4)	(0,2)	(1,4)	–
	Balance at the end of the year	1 137,4	193,4	847,5	88,8	0,3	3,0	4,4
	ACCUMULATED DEPRECIATION AND IMPAIRMENTS							
	Balance at the beginning of the year	(221,4)	(5,1)	(169,8)	(40,7)	(0,3)	(2,9)	(2,6)
	Depreciation	(59,3)	(0,5)	(43,4)	(14,4)	(0,1)	(0,7)	(0,2)
	Disposals	14,8	2,1	7,5	4,4	–	0,8	–
	Impairments	(19,4)	–	(14,9)	(4,1)	–	–	(0,4)
	Transfers out/(in)	0,1	0,2	(0,1)	(0,2)	–	0,1	0,1
	Reclassified as held for sale	82,2	2,2	74,5	4,4	0,2	0,9	–
	Balance at the end of the year	(203,0)	(1,1)	(146,2)	(50,6)	(0,2)	(1,8)	(3,1)
	Carrying value	934,4	192,3	701,3	38,2	0,1	1,2	1,3
	COMPANY 2009							
	COST							
	Balance at the beginning of the year	2,5	–	–	2,5	–	–	–
	Additions	0,5	–	–	0,5	–	–	–
	Balance at the end of the year	3,0	–	–	3,0	–	–	–
	ACCUMULATED DEPRECIATION							
	Balance at the beginning of the year	(1,5)	–	–	(1,5)	–	–	–
	Depreciation	(0,4)	–	–	(0,4)	–	–	–
	Balance at the end of the year	(1,9)	–	–	(1,9)	–	–	–
	Carrying value	1,1	–	–	1,1	–	–	–

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

	Total Rm	Land and buildings owned Rm	Plant and machinery owned Rm	Other assets owned Rm	Land and buildings leased Rm	Plant and machinery leased Rm	Other assets leased Rm
2 **PROPERTY, PLANT AND EQUIPMENT** (continued)							
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	–	–	–
Impairments	–	–	–	–	–	–	–
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	–	–	–

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 20.

The market value of the land and buildings is R595,2 million based on an index-based valuation performed by independent valuators Rode and Associates CC.

Borrowing costs capitalised to the cost of plant and equipment during the year amounted to R18,1 million (2008: R3,5 million) at a rate of prime (2008: prime less 2%) (note 27).

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

		GROUP		COMPANY	
		30 Jun 2009	30 Jun 2008	**30 Jun 2009**	30 Jun 2008
		Rm	Rm	**Rm**	Rm
3	INVESTMENT PROPERTY				
	COST				
	Balance at the beginning of the year	**1,5**	2,8	**0,2**	1,5
	Additions	**1,0**	–	**–**	–
	Transfers in from owner occupied property	**4,0**	–	**–**	–
	Disposals	**–**	(1,3)	**–**	(1,3)
	Balance at the end of the year	**6,5**	1,5	**0,2**	0,2
	ACCUMULATED DEPRECIATION				
	Balance at the beginning of the year	**(0,9)**	(0,9)	**–**	–
	Transfers in from owner occupied property	**(0,1)**	–	**–**	–
	Balance at the end of the year	**(1,0)**	(0,9)	**–**	–
	Carrying value	**5,5**	0,6	**0,2**	0,2

Details of investment property of the group are recorded in registers which may be inspected by the members or their duly authorised agents, at the various group companies' registered offices.

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

Rental income of R1,1 million (2008: R0,5 million) was received in respect of investment property.

Direct expenses of R1,0 million (2008: R0,2 million) were incurred in respect of investment property.

The market value of investment property with a carrying value of R0.6 million was determined as being R2,6 million as at 30 June 2009 (2008: R2,6 million). The remaining investment property has not been valued.

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

		GROUP	
		30 Jun 2009	30 Jun 2008
		Rm	Rm
4	GOODWILL		
	Cost		
	Balance at the beginning of the year	**60,5**	56,4
	Arising on business combinations	**6,2**	4,1
	Balance at the end of the year	**66,7**	60,5
	Carrying value	**66,7**	60,5

The goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit that is expected to benefit from that business.

Goodwill is assessed for impairment annually, irrespective of whether or not there is any indication of impairment.

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. These forecasts were used in the value in use calculation.

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 assumptions:

	Discount rate	Forecasted cash flows	**Goodwill 2009 Rm**	Goodwill 2008 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	**61,8**	55,6
			66,7	60,5

Goodwill arose in the business combinations because the cost of the business combinations included a control premium paid to acquire the above entities.

In addition, the consideration paid included amounts in relation to the benefit of expected synergies, revenue growth, future market development and knowledgeable and experienced employees.

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

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

		GROUP		COMPANY	
		30 Jun 2009 Rm	30 Jun 2008 Rm	**30 Jun 2009 Rm**	30 Jun 2008 Rm
5	**INTERESTS IN SUBSIDIARIES**				
	Investments in subsidiaries	**–**	–	**90,8**	370,5
	Shares at cost	**–**	–	**113,3**	393,0
	Provisions against investments	**–**	–	**(22,5)**	(22,5)
	Net loans to subsidiaries	**–**	–	**908,4**	355,8
	Net loans to subsidiaries at cost	**–**	–	**1 099,1**	546,5
	Provisions against loans	**–**	–	**(190,7)**	(190,7)
	Carrying value	**–**	–	**999,2**	726,3

The details of the subsidiaries are noted in Annexure A.

The company has deferred its right to claim repayments of loans amounting to R191,2 million (2008: 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.

		GROUP		COMPANY	
6	**INTERESTS IN JOINT VENTURES**				
	Unlisted				
	Shares at cost	**10,8**	10,8*	**0,7**	0,7
	Add: Post-acquisition equity accounted earnings (net of dividends)	**3,8**	8,8	**–**	–
	Carrying value of investments before loans	**14,6**	19,6	**0,7**	0,7
	Unsecured loans to joint ventures	**7,5**	6,1*	**–**	–
	Carrying value including loans receivable	**22,1**	25,7	**0,7**	0,7
	Directors' valuation	**22,1**	25,7	**1,6**	1,1

	Percentage holding		Cost		Post-acquisition reserves		Loans to		Net carrying amount	
	2009 %	2008 %	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm
Group										
Rieter Feltex Automotive Manufacturing (Pty) Ltd[1]	**49**	49	**9,6**	9,6	**(0,4)**	5,9	**–**	–	**9,2**	15,5
Rieter Feltex (Pty) Ltd[1]	**49**	49	**–**	–*	**4,6**	3,2	**–**	–	**4,6**	3,2*
Futuris Feltex (Pty) Ltd[1]	**50**	50	**–**	–	**(0,8)**	(0,2)	**7,5**	6,1*	**6,7**	5,9*
Cell Captive Number 22 of Guardrisk Insurance Company Ltd[2]	**50**	50	**1,2**	1,2	**0,4**	(0,1)	**–**	–	**1,6**	1,1
			10,8	10,8	**3,8**	8,8	**7,5**	6,1	**22,1**	25,7

* In the prior year, R5,9 million of the loans to Futuris Feltex (Pty) Ltd was disclosed as part of the cost of investment in Rieter Feltex (Pty) Ltd. This has been adjusted in the current year.

Nature of business of the joint venture:

[1] Automotive

[2] Insurance captive

The loan to the joint venture bears no interest and is 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.

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.

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

		30 Jun 2009 Rm	30 Jun 2008 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	70,8	72,5
	Net profit before taxation	5,2	4,3
	Taxation	(2,5)	(0,6)
	Net profit after taxation	2,7	3,7
	Equity and liabilities		
	Share capital and premium	0,7	2,2
	Non-distributable reserves	0,7	0,6
	Distributable reserves	13,1	16,1
	Long-term liabilities	14,0	11,2
	Deferred taxation	2,0	1,3
	Current liabilities	14,0	25,4
	Total equity and liabilities	44,5	56,8
	Assets		
	Property, plant and equipment	20,8	22,3
	Other current assets	9,6	27,9
	Cash and cash equivalents	14,1	6,6
	Total assets	44,5	56,8

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

		GROUP		COMPANY	
		30 Jun 2009 Rm	30 Jun 2008 Rm	**30 Jun 2009 Rm**	30 Jun 2008 Rm
7	AVAILABLE-FOR-SALE INVESTMENTS				
	Listed investments				
	FirstRand Bank Ltd (256 shares) (2008: 256)	**–**	–	**–**	–
	Unlisted investments				
	Kaap Agri Beperk (0 shares) (2008: 127 390)	**–**	0,8	**–**	–
	Total listed and unlisted investments	**–**	0,8	**–**	–
	Directors' valuation of investments	**–**	0,8	**–**	–
8	PENSION FUND SURPLUS				
	Balance at the beginning of the year	**48,4**	54,3	**–**	–
	Investment (losses)/returns	**(0,1)**	2,9	**–**	–
	Utilised for contribution holiday	**(8,9)**	(8,8)	**–**	–
	Balance at the end of the year	**39,4**	48,4	**–**	–
	Less: current portion	**(9,0)**	(9,0)	**–**	–
	Non-current portion	**30,4**	39,4	**–**	–

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

9	DEFERRED TAXATION				
	Deferred taxation asset	**107,3**	91,3	**0,9**	4,5
	Deferred taxation liability	**(23,8)**	(37,5)	**–**	–
	Net deferred taxation asset	**83,5**	53,8	**0,9**	4,5
	Balance at the beginning of the year	**53,8**	38,8	**4,5**	3,4
	Movement during the period attributable to:				
	– change in taxation rate	**–**	(1,3)	**–**	(0,1)
	– temporary differences	**29,7**	16,3	**(3,6)**	1,2
	Balance at the end of the year	**83,5**	53,8	**0,9**	4,5
	The balance consists of the following temporary differences:				
	Property, plant and equipment	**(136,7)**	(92,6)	**–**	–
	Taxation losses	**192,6**	179,7	**0,8**	4,6
	Provisions	**28,1**	18,9	**0,1**	0,1
	Biological assets	**–**	(53,0)	**–**	–
	Prepayments	**(0,5)**	0,8	**–**	(0,2)
		83,5	53,8	**0,9**	4,5

The group has estimated taxation losses amounting to R3,6 million (2008: R6,4 million) for which no deferred taxation asset has been recognised.

These estimated taxation losses will, when utilised, give rise to taxation savings of R1,0 million (2008: R1,8 million).

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

		GROUP		COMPANY	
		30 Jun 2009 Rm	30 Jun 2008 Rm	**30 Jun 2009 Rm**	30 Jun 2008 Rm
10	**INVENTORY**				
	Raw materials	**231,4**	257,8	**–**	–
	Finished goods	**331,4**	259,5	**–**	–
	Work in progress	**66,8**	104,3	**–**	–
	Consumable stores	**26,5**	27,1	**–**	–
	Goods in transit	**65,0**	108,8	**–**	–
	Less: Provision for obsolescence	**(19,2)**	(16,7)	**–**	–
	Reclassification to assets held for sale	**(26,1)**	–	**–**	–
	Carrying value	**675,8**	740,8	**–**	–
	Included in the amounts above are the following inventories held at net realisable value	**72,5**	14,4	**–**	–
11	**BIOLOGICAL ASSETS**				
	Cattle				
	Reconciliation of changes in carrying value of biological assets				
	Balance at the beginning of the year	**189,1**	163,7	**–**	–
	Purchases	**348,1**	379,4	**–**	–
	Production and allocated overhead costs	**160,7**	236,0	**–**	–
	Sales	**(693,8)**	(592,5)	**–**	–
	(Losses)/gains arising from change in fair value	**(4,1)**	2,5	**–**	–
	Balance at the end of the year	**–**	189,1	**–**	–

The group operated two feedlots, which purchased weaners and converted them into slaughter-ready cattle.

The cattle were 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.

A decision was taken on 24 February 2009 to either close or dispose of the fresh meat division. All cattle were subsequently sold.

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

		GROUP		COMPANY	
		30 Jun 2009	30 Jun 2008	**30 Jun 2009**	30 Jun 2008
		Rm	Rm	**Rm**	Rm
12	ACCOUNTS RECEIVABLE				
	Trade receivables	**497,9**	656,6	**–**	–
	Less: provision for impairment of trade receivables	**(17,8)**	(8,2)	**–**	–
	Prepayments and deposits	**11,4**	28,2	**0,1**	0,8
	SARS – VAT	**22,5**	29,2	**–**	–
	Other receivables	**24,3**	13,0	**6,0**	4,8
	Forward exchange contract assets	**–**	1,4	**–**	–
	Carrying value	**538,3**	720,2	**6,1**	5,6

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. There are no customers with balances that are individually significant to the group.

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

Balance at the beginning of the year	**8,2**	6,4	**–**	–
Charged to profit and loss	**9,6**	1,8	**–**	–
Balance at the end of the year	**17,8**	8,2	**–**	–

Ageing of impaired accounts receivable:

0 – 30 days	**0,3**	1,3	**–**	–
31 – 60 days	**7,4**	0,3	**–**	–
61 – 90 days	**0,8**	0,7	**–**	–
91 – 120 days	**3,3**	2,4	**–**	–
120 days +	**6,0**	3,5	**–**	–
Total	**17,8**	8,2	**–**	–

At 30 June 2009 receivables amounting to R77,5 million (2008: R69,7 million) were past due but not impaired. These relate to customers who have no recent history of default.

The period by which these debtors exceed their payment terms is shown below:

0 – 30 days	**44,2**	38,2	**–**	–
31 – 60 days	**11,3**	20,1	**–**	–
61 – 90 days	**10,2**	11,3	**–**	–
91 – 120 days	**11,3**	–	**–**	–
120 days +	**0,5**	0,1	**–**	–
Total	**77,5**	69,7	**–**	–

The ageing of these receivables is shown below:

0 – 30 days	**–**	1,4	**–**	–
31 – 60 days	**28,2**	11,5	**–**	–
61 – 90 days	**17,3**	25,3	**–**	–
91 – 120 days	**15,0**	18,4	**–**	–
120 days +	**17,0**	13,1	**–**	–
Total	**77,5**	69,7	**–**	–

The total past due receivables covered by credit insurance amounts to R17,8 million (2008: R25,4 million).

The majority of past due receivables are 0 – 30 days over their credit terms. The Jordan division has shortened its credit terms in 2009 and this has had a short-term effect on debtors over terms.

Remaining past due debtors relate largely to high-quality customers including listed corporates.

The net carrying values of receivables are considered to be a close appoximation of their fair values.

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

		GROUP		COMPANY	
		30 Jun 2009 Rm	30 Jun 2008 Rm	**30 Jun 2009 Rm**	30 Jun 2008 Rm
13	CASH AND CASH EQUIVALENTS				
	Bank balances and cash	**58,5**	55,1	**–**	56,5
	Bank overdrafts	**(342,0)**	(239,9)	**(175,0)**	–
	Cash and cash equivalents	**(283,5)**	(184,8)	**(175,0)**	56,5

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.

FirstRand Bank Ltd

Short-term banking facility of R280 million, a R2 million long-term guarantee facility and a R32 million asset-based finance facility secured as follows:

Unlimited cross-suretyship in favour of KAP International Holdings Ltd, Bull Brand Foods (Pty) Ltd, Feltex Holdings (Pty) Ltd, Dano Textiles Industries (Pty) Ltd and Brenner Mills (Pty) Ltd and an unrestricted cession of credit balances held at FirstRand Bank.

Standard Bank of South Africa Ltd

Short-term banking facility of R142,1 million, R13,5 million FEC facility, R9,8 million LC facility, R3,1 million guarantee facility and R64,9 million asset-based finance facility secured as follows:

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

Nedbank Ltd

Short-term banking facility of R150 million and a R15 million FEC facility secured as follows:

Unlimited cross-suretyship in favour of Feltex Holdings (Pty) Ltd, Conshu Holdings Ltd, Dano Textiles Industries (Pty) Ltd, Conshu Trading (Pty) Ltd, Marker Investments (Pty) Ltd, Casa Rosada Investments (Pty) Ltd, KAP International Holdings Ltd, Kolosus Foods (Pty) Ltd, Kolosus Leathers (Pty) Ltd, Kolosus Investments (Pty) Ltd and Bull Brand Foods (Pty) Ltd.

Investec Bank Ltd

Short-term banking facility of R35 million and a USD5 million FEC facility secured as follows:

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

The Hongkong and Shanghai Banking Corporation Ltd

Instalment loan facility of R104,2 million and a USD5 million import facility secured as follows:

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

		GROUP	
		30 Jun 2009	30 Jun 2008
14	ASSETS AND LIABILITIES OF DISPOSAL GROUPS AND NON-CURRENT ASSETS HELD FOR SALE		
	DISPOSAL GROUPS		
	Disposal group assets and liabilities		
	Property, plant and equipment	**36,1**	–
	Remeasurement of disposal group allocated to PPE	**(15,9)**	–
	Disposal group inventory	**26,1**	–
	Total assets of disposal group	**46,3**	–
	Short-term interest-bearing loans	**8,3**	–
	Total liabilities of disposal group	**8,3**	–
	NON-CURRENT ASSETS HELD FOR SALE		
	Investment property	**13,7**	–
	Total non-current assets held for sale	**13,7**	–
	Liabilities associated with non-current assets held for sale	**–**	–
	Total assets classified as held for sale	**60,0**	–
	Total liabilities associated with assets classified as held for sale	**8,3**	–

Notes to the Annual Financial Statements
for the year ended 30 June 2009 (continued)

14 **ASSETS AND LIABILITIES OF DISPOSAL GROUPS AND NON-CURRENT ASSETS HELD FOR SALE** continued

DISPOSAL GROUPS continued

Disposal group assets and liabilities
Disposal group assets and liabilities comprise assets of the Bull Brand fresh meat division as well as assets and liabilities of Feltex Automotive Leathers division.

Due to volatile and lower beef prices, a decision was taken at the Bull Brand Foods board meeting held on 24 February 2009 to either close or dispose of the fresh meat division.

With the global economic downturn particularly affecting the high-end vehicles for which Feltex Automotive Leathers provides leather, a decision was taken at the KAP board meeting held on 28 November 2008 to either close or dispose of the division.

Disposal group liabilities associated with these assets are instalment sale liabilities which are secured by plant and machinery with a bank value of R8,7 million.

Non-current assets held for sale
The former Caravelle property in Midrand is held for sale, as the Caravelle operation has been transferred to East London.

A decision was taken at the KAP board meeting held on 28 November 2008 to realise non-core properties. The property generated rental income of R1,2 million and direct expenses of R0,4 million was incurred during the year.

		GROUP		COMPANY	
		30 Jun 2009 million	30 Jun 2008 million	**30 Jun 2009 million**	30 Jun 2008 million
15	**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 and end of the year	**424,5**	424,5	**424,5**	424,5

Unissued ordinary shares of the company are under the control of the board of directors, who have the authority to issue and allot shares at their discretion.

		Rm	Rm	**Rm**	Rm
	Issued				
	Balance at the beginning and end of the year	**84,9**	84,9	**84,9**	84,9
16	**SHARE PREMIUM**				
	Balance at the beginning of the year	**844,6**	857,2	**844,6**	857,3
	Capital distributions	**–**	(12,7)	**–**	(12,7)
	Disposal of share in trust	**–**	0,1	**–**	–
	Balance at the end of the year	**844,6**	844,6	**844,6**	844,6
17	**SHARE-BASED PAYMENT RESERVE**				
	Balance at the beginning of the year	**–**	17,1	**–**	17,1
	Movement for the year	**–**	0,6	**–**	0,6
	Transfer to distributable reserves	**–**	(17,7)	**–**	(17,7)
	Balance at the end of the year	**–**	–	**–**	–

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 December 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.

		GROUP		COMPANY	
		30 Jun 2009 million	30 Jun 2008 million	30 Jun 2009 million	30 Jun 2008 million
17	**SHARE-BASED PAYMENT RESERVE** continued				
	Reconciliation of shares granted by Daun & Cie AG				
	Balance at the beginning of the year (shares)	–	10,9	–	10,9
	Vested during the year	–	(7,8)	–	(7,8)
	Forfeited during the year	–	(3,1)	–	(3,1)
	Balance at the end of the year (shares)	–	–	–	–
	Charge to the income statement (Rm)				
	In respect of options taken up	–	3,9	–	3,9
	In respect of remaining options	–	(2,3)	–	(2,3)
		–	1,6	–	1,6

KAP performance share plan

The KAP performance share plan, adopted by the shareholders in April 2007, authorises the company to allocate up to 42 447 365 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 SARs is 20 cents per share.

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

Shares are allocated on 1 July of each year.

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

- 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.
- 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.
- The participant must meet the criteria for participation in the annual short-term incentive bonus scheme.
- 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.

Fair value of share options and assumptions:	30 Jun 2009	30 Jun 2008
Exercise price	R0,20	R0,20
Volume weighted average price at grant date	R2,19	R3,74
Options granted (millions)	9,3	4,7
Maximum term of option	3 years	3 years
Volatility	n/a	n/a
Dividend yield	n/a	n/a
Risk-free interest rate	n/a	n/a
Forfeiture rate per annum	n/a	n/a
Market-related performance expectation	n/a	n/a
Non-market-related performance expectation	n/a	n/a

No valuation of the share options granted on 1 July 2008 and 1 July 2007 was performed, due to the fact that the non-market performance conditions were not met.

Management does not expect any of the shares to vest.

Notes to the Annual Financial Statements

		GROUP		COMPANY	
		30 Jun 2009 million	30 Jun 2008 million	**30 Jun 2009 million**	30 Jun 2008 million
17	**SHARE-BASED PAYMENT RESERVE** continued				
	Reconciliation of options granted under the KAP performance share plan				
	Balance at the beginning of the period (No. of options)	**8,7**	4,0	**8,7**	4,0
	Granted during the period	**9,3**	4,7	**9,3**	4,7
	Balance at the end of the period (No. of options)	**18,0**	8,7	**18,0**	8,7
	Credit to the income statement (Rm)	**–**	(1,1)	**–**	(1,1)

		GROUP		COMPANY	
		30 Jun 2009 Rm	30 Jun 2008 Rm	**30 Jun 2009 Rm**	30 Jun 2008 Rm
18	**RETAINED INCOME/(ACCUMULATED LOSS)**				
	Company	**(144,0)**	(169,5)	**(144,0)**	(169,5)
	Subsidiaries	**449,3**	507,1	**–**	–
	Joint ventures	**3,8**	8,8	**–**	–
		309,1	346,4	**(144,0)**	(169,5)
19	**MINORITIES' INTEREST**				
	Represented by:				
	Feltex Fehrer (Pty) Ltd (26% minority)	**33,5**	32,5	**–**	–
		33,5	32,5	**–**	–
20	**INTEREST-BEARING BORROWINGS**				
	20.1 **Long-term liabilities comprise:**				
	Secured loans	**43,0**	52,5	**–**	–
	Unsecured loans	**180,1**	282,6	**41,8**	31,4
		223,1	335,1	**41,8**	31,4
	Less: current portion	**(193,5)**	(266,8)	**(41,8)**	–
	Non-current portion	**29,6**	68,3	**–**	31,4

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

		GROUP		COMPANY	
		30 Jun 2009	30 Jun 2008	**30 Jun 2009**	30 Jun 2008
		Rm	Rm	**Rm**	Rm
20	**INTEREST-BEARING BORROWINGS** continued				
	20.2 **Secured loans comprise:**				
	Finance leases	**3,0**	3,4	**–**	–
	Secured over:				
	Plant and machinery with a book value of	**4,2**	–	**–**	–
	Other assets with a book value of	**–**	2,1	**–**	–
	Interest rate (%)	**8,8 – 9,5**	13,3 – 14	**–**	–
	Repayable in monthly instalments of	**0,2**	0,2	**–**	–
	Last payment	**2012**	2010	**–**	–
	Instalment sale agreements	**40,0**	49,1	**–**	–
	Secured over:				
	Plant and machinery with a book value of	**90,1**	69,6	**–**	–
	Other assets with a book value of	**–**	–	**–**	–
	Interest rate (%)	**9 – 11,3**	12,5 – 15	**–**	–
	Repayable in monthly instalments of	**1,2**	2,1	**–**	–
	Last payment	**2013**	2013	**–**	–
	Total secured loans	**43,0**	52,5	**–**	–
	20.3 **Unsecured loans comprise:**				
	Other loans	**–**	9,7	**–**	–
	Interest rate (%)	**–**	13,25	**–**	–
	Repayment in quarterly instalments of	**–**	5,0	**–**	–
	Last payment	**–**	2008	**–**	–
	The Hongkong and Shanghai Banking Corporation Limited (HSBC)	**104,2**	220,8	**–**	–
	Interest rate (%)	**11,1**	13,9	**–**	–
	Repayable in monthly instalments of	**4,2**	4,2	**–**	–
	Last payment	**2011**	2012	**–**	–

Cross-suretyships have been provided by KAP International Holdings Limited, Feltex Holdings (Pty) Ltd, Dano Textile Industries (Pty) Ltd, Bull Brand Foods (Pty) Ltd, Brenner Mills (Pty) Ltd and KAP Investment (Pty) Ltd. This loan is repayable on demand.

	GROUP 30 Jun 2009 Rm	GROUP 30 Jun 2008 Rm	COMPANY 30 Jun 2009 Rm	COMPANY 30 Jun 2008 Rm
Cargill RSA (Pty) Ltd	**–**	10	**–**	–
Interest rate (%)	**–**	14,00	**–**	–
Repayable in monthly instalments of	**–**	0,5	**–**	–
Last payment	**–**	2011	**–**	–
Contingent purchase liability	**41,8**	31,4	**41,8**	31,4

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:

	2009	2008
Discount rate	**13,6%**	13,6%
Likelihood of either party exercising its call or put option	**100%**	100%

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

		GROUP 30 Jun 2009 Rm	GROUP 30 Jun 2008 Rm	COMPANY 30 Jun 2009 Rm	COMPANY 30 Jun 2008 Rm
20	**INTEREST-BEARING BORROWINGS** continued				
20.3	**Unsecured loans comprise** continued				
	Loans from related parties	34,1	10,7		–
	F S Fehrer GmbH	–	–	–	–
	Canvas & Tent (Pty) Ltd	3,5	3,5	–	–
	Hof van Holland (Pty) Ltd	–	7,2	–	–
	Directors of Brenner Mills (Pty) Ltd	30,2	–	–	–
	Other related entities	0,4	–	–	–
	The above loans bear interest at Prime -1,8% to Prime -3% (2008: 13,5%).				
	These loans are payable in 2009.				
	Total unsecured loans	180,1	282,6	41,8	31,4
20.4	**Reconciliation of the total minimum lease payments to the present value of finance leases**				
	Minimum lease payments:				
	Up to one year	5,2	2,3	–	–
	Two to five years	7,2	1,7	–	–
	More than five years	–	–	–	–
	Total minimum lease payments	12,4	4,0	–	–
	Future finance charges	(9,4)	(0,6)	–	–
	Present value	3,0	3,4	–	–
	Analysed as follows:				
	Up to one year	1,2	1,6	–	–
	Two to five years	1,8	1,8	–	–
	More than five years	–	–	–	–
21	**RETIREMENT BENEFIT OBLIGATIONS**				
21.1	**Post-retirement medical benefits**				
	Balance at the beginning of the year	11,7	14,0	–	–
	Current service cost	–	–	–	–
	Contributions paid	(1,5)	(1,7)	–	–
	Interest cost	1,2	1,1	–	–
	Actuarial gains	(0,1)	(0,5)	–	–
	Liabilities settled		(1,2)	–	–
	Balance at the end of the year	11,3	11,7	–	–

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

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

	30 Jun 2009 %	30 Jun 2008 %
Health-care cost inflation	7,0	8,25
Discount rate	9,0	10,0
Percentage married at retirement	90,0	90,0
Retirement age	63 years	63 years

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 2009. The main actuarial assumption is that the company continues to provide subsidies at current levels.

	GROUP		COMPANY	
	30 Jun 2009	30 Jun 2008	**30 Jun 2009**	30 Jun 2008
	Rm	Rm	**Rm**	Rm

21 **RETIREMENT BENEFIT OBLIGATIONS** continued

21.2 **Defined contribution plans**

The group contributes to a number of defined contribution plans, the assets of which are held in separate trustee-administered funds. The pension plans are 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, Brenmill Pension Fund and the SACCAWU Provident 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 R35,6 million (2008: R34,2 million). The company contribution in respect of retirement benefit obligations amounted to R0,9 million (2008: R0,9 million).

22 ACCOUNTS PAYABLE				
Trade payables	**481,1**	673,5	**–**	–
Accruals	**63,2**	64,2	**4,8**	3,2
Other payables	**16,4**	19,4	**0,2**	0,2
SARS – VAT	**6,6**	–	**0,5**	–
Forward exchange contract liabilities	**21,2**	0,2	**–**	–
Carrying value	**588,5**	757,3	**5,5**	3,4

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.

23 INTEREST-FREE BORROWINGS				
Unsecured loans				
Minority shareholders in Brenner Mills (Pty) Ltd	**–**	27,0	**–**	–
Less: current portion	**–**	(27,0)	**–**	–
	–	–	**–**	–

The loans from the minority shareholders in Brenner Mills (Pty) Ltd are repayable within seven days of finalisation of the purchase price of the remaining 40% of the shares in that company.

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

		Opening balance Rm	Amounts added (released) Rm	Amounts utilised Rm	Subsidiaries acquired Rm	Closing balance Rm
24	**PROVISIONS**					
	2009					
	GROUP					
	Discontinued operations	**–**	**2,5**	**–**	**–**	**2,5**
	Environmental rehabilitation	**0,2**	**(0,2)**	**–**	**–**	**–**
	Leave pay and bonuses	**37,9**	**16,3**	**(19,7)**	**–**	**34,5**
	Warranties	**0,4**	**(0,4)**	**–**	**–**	**–**
	Contingencies fair valued in business combination	**3,7**	**(3,7)**	**–**	**–**	**–**
		42,2	**14,5**	**(19,7)**	**–**	**37,0**
	COMPANY					
	Environmental rehabilitation	**–**	**–**	**–**	**–**	**–**
	Leave pay and bonuses	**0,3**	**0,1**	**–**	**–**	**0,4**
		0,3	**0,1**	**–**	**–**	**0,4**
	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

Discontinued operation

Provision relates to retrenchment cost of the Bull Brand Foods fresh meat division which was closed.

Environmental rehabilitation

A provision has been made for environmental rehabilitation based on technical advice and management estimates and is utilised as the rehabilitation takes place. Ongoing rehabilitation is expensed when incurred.

Leave pay and bonuses

Leave pay is calculated on a total cost-to-company basis. Bonuses are calculated according to the rules of preapproved incentive schemes.

Warranties

The provision for warranties was based on a general provision of 2% of auto kit sales for the last four months before period-end, and 100% of return advices not yet credited and other actual disputes.

Contingencies fair valued in business combination

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

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

		GROUP		COMPANY	
		Year ended 30 Jun 2009 Rm	Year ended 30 Jun 2008 Rm	**Year ended 30 Jun 2009 Rm**	Year ended 30 Jun 2008 Rm
25	**REVENUE**				
	The group's revenue comprises mainly the sale of goods (company-management fees)				
	– continuing operations	**3 839,0**	3 700,8	**21,4**	17,3
	– discontinued operations	**725,2**	919,6	**–**	–
		4 564,2	4 620,4	**21,4**	17,3
26	**OPERATING PROFIT/(LOSS)**				
	Operating profit/(loss) for both continuing and discontinued operations includes the following items which require separate disclosure:				
	Income				
	Government incentives received				
	– Small Medium Enterprise DevelopmentProgramme	**1,6**	3,9	**–**	–
	– Sector Education and Training Authority	**2,9**	1,2	**–**	–
	Foreign exchange (losses)/gains	**(18,7)**	17,2	**–**	–
	Profit on disposal of property, plant and equipment	**2,6**	1,6	**–**	1,4
	(Loss)/gain on fair value of biological assets	**(4,1)**	2,5	**–**	–
	(Losses)/returns on pension fund assets	**(0,1)**	2,9	**–**	–
	Expenses				
	Audit fees				
	– current period	**5,8**	5,1	**1,5**	1,5
	– prior year underprovision	**0,3**	1,1	**0,3**	0,4
	– other services	**1,6**	1,7	**1,2**	0,7
	Depreciation on property, plant and equipment (refer note 2 for breakdown)	**59,3**	56,2	**0,4**	0,6
	Fees paid to non-employees				
	– administrative services	**0,7**	1,6	**–**	–
	– technical services	**10,7**	14,0	**0,7**	0,4
	– secretarial services	**0,2**	0,3	**0,2**	0,3
	Impairment of inventory	**1,8**	0,2	**–**	–
	Impairments				
	– plant and machinery	**19,4**	–	**–**	–
	Loss on remeasurement of disposal group	**15,9**	–	**–**	–
	Operating lease charges				
	– land and buildings	**5,9**	5,1	**–**	–
	– plant and equipment	**5,3**	5,6	**–**	–
	– other assets	**2,3**	2,6	**–**	–
	Research and development	**0,8**	1,1	**–**	–
	Staff costs				
	– salaries and wages	**518,1**	522,1	**5,6**	5,9
	– termination costs	**22,8**	0,8		
	– company contributions to retirement funds	**35,6**	34,2	**0,9**	0,9
	– share-based payments	**–**	0,6	**–**	0,6

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

		GROUP		COMPANY	
		Year ended 30 Jun 2009 Rm	Year ended 30 Jun 2008 Rm	**Year ended 30 Jun 2009 Rm**	Year ended 30 Jun 2008 Rm
27	**FINANCE (COSTS)/INCOME**				
	Interest paid	**(80,5)**	(68,6)	**(62,9)**	(67,2)
	– bank overdrafts	**(74,4)**	(45,3)	**(62,4)**	(43,4)
	– finance leases and instalment sale agreements	**(5,1)**	(4,3)	**–**	–
	– related parties (note 39)	**(0,5)**	–	**(0,5)**	–
	– subsidiaries (note 39)	**–**	–	**–**	(7,7)
	– loans	**(0,5)**	(19,0)	**–**	(16,1)
	Less: amounts included in the cost of qualifying assets (note 2)	**18,1**	3,5	**–**	–
		(62,4)	(65,1)	**(62,9)**	(67,2)
	Interest received	**3,1**	0,5	**76,9**	70,1
	– subsidiaries (note 39)	**–**	–	**27,8**	46,4
	– other	**3,1**	0,5	**49,1**	23,7
	Net finance (cost)/income	**(59,3)**	(64,6)	**14,0**	2,9
28	**TAXATION**				
	South African normal taxation				
	Current taxation – current year	**14,9**	8,2	**–**	–
	Current taxation – prior year	**0,1**	(0,9)	**–**	(0,3)
	Deferred taxation – current year	**(25,9)**	(16,3)	**3,6**	(1,2)
	Deferred taxation – prior year	**(3,8)**	–	**–**	–
	Deferred taxation – rate change	**–**	1,3	**–**	0,1
	Secondary taxation on companies	**0,4**	–	**–**	–
	Taxation (credit)/charge for the year	**(14,3)**	(7,7)	**3,6**	(1,4)
	– Continuing operations	**20,5**	(3,2)	**3,6**	(1,4)
	– Discontinued operations	**(34,8)**	(4,5)	**–**	–
		%	%	**%**	%
	Reconciliation of taxation rate (continuing and discontinued operations)				
	Standard rate	**28,0**	28,0	**28,0**	28,0
	Adjusted for:				
	– non-taxable income and non-deductible expenses	**(2,6)**	(0,3)	**(15,6)**	6,3
	– change in taxation rate	**–**	1,1	**–**	(1,9)
	– taxation attributable to joint ventures	**(1,6)**	(0,1)	**–**	–
	– utilisation of taxation losses	**–**	(36,9)	**–**	–
	– adjustments in respect of previous years	**7,9**	1,7	**–**	(6,0)
	– deferred taxation raised in respect of previously unrecognised taxation losses	**1,9**	0,2	**–**	–
	– capital gains taxation	**(2,3)**	–	**–**	–
	– secondary taxation on companies	**(0,9)**	–	**–**	–
	Effective rate	**30,4**	(6,3)	**12,4**	26,4

Corporate taxation is calculated at 28% of the estimated taxable income for the period.

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

		GROUP	
		Year ended 30 Jun 2009 Rm	Year ended 30 Jun 2008 Rm
29	**LOSS FROM DISCONTINUED OPERATIONS**		
	Revenue	725,2	919,6
	Cost of sales	(695,3)	(831,6)
	Gross profit	29,9	88,0
	Operating expenses	(45,2)	(93,9)
	Restructuring cost	(69,5)	–
	Operating loss	(84,8)	(5,9)
	Interest paid	(19,1)	(17,3)
	Interest received	0,9	6,0
	Loss on remeasurement of disposal groups	(15,9)	–
	Loss before taxation	(118,9)	(17,2)
	Tax on operation	34,8	4,5
	Loss after taxation	(84,1)	(12,7)
	Cash flows from discontinued operations:		
	Net cash flows from operating activities	122,2	(26,7)
	Net cash flows from investing activities	11,4	(8,5)
	Net cash flows from financing activities	14,4	30,4
	Net cash flows	148,0	(4,8)

Due to volatile beef prices, a decision was taken at the Bull Brand Foods board meeting held on 24 February 2009 to either close or dispose of the fresh meat division. With the global economic downturn particularly affecting the high-end vehicles for which Feltex Automotive Leathers provides leather, a decision was taken at the KAP board meeting held on 28 November 2008 to either close or dispose of the division.

Assets and liabilities of these operations that qualify as held for sale in terms of IFRS 5 have been disclosed in note 14.

Both industrial and consumer segments contain discontinued operations.

30	**EARNINGS PER SHARE**		
	Earnings		
	Net (loss)/profit per the income statement	(37,3)	122,3
	Number of shares		
	Weighted average number of ordinary shares in issue for the purposes of earnings and headline earnings per share (millions)	424,5	424,5
	Effect of dilutive potential ordinary shares (share options in millions)	–	–
	Weighted average number of ordinary shares in issue (millions) – diluted earnings	424,5	424,5
	(Loss)/earnings per share (cents)	(8,8)	28,8
	Diluted (loss)/earnings per share (cents)	(8,8)	28,8
	Reconciliation between earnings and headline earnings		
	Earnings		
	Net profit per the income statement	(37,3)	122,3
	Adjustments		
	Impairments		
	– gross	19,4	–
	– taxation effect	(5,4)	–
	Loss on remeasurement of disposal group		
	– gross	15,9	–
	– taxation effect	(4,5)	–
	Profit on disposal of property, plant and equipment		
	– gross	(2,6)	(1,6)
	– taxation effect	0,7	–
	Headline (loss)/earnings	(13,8)	120,7
	Headline (loss)/earnings per share (cents)	(3,2)	28,4

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

		GROUP AND COMPANY Year ended 30 Jun 2009 Rm	Year ended 30 Jun 2008 Rm
31	**DISTRIBUTIONS PER SHARE**		
	Distributions declared	–	–
	Distributions declared (cents)	–	–
	Distributions paid	–	12,7
	Distributions paid (cents)	–	3,0
	Distributions paid in cash	–	12,7
	Total distributions paid	–	12,7

In the prior year a distribution of 3 cents per share was declared on 7 September 2007 and paid on 1 October 2007.

			GROUP		COMPANY	
			Year ended 30 Jun 2009 Rm	Year ended 30 Jun 2008 Rm	**Year ended 30 Jun 2009 Rm**	Year ended 30 Jun 2008 Rm
32	**CASH FLOW STATEMENT**					
	32.1	**Cash generated from/(utilised by) operations**				
		(Loss)/profit before taxation and impairment of subsidiaries	(47,0)	122,1	29,1	(5,3)
		Adjusted for:				
		Depreciation	59,3	56,2	0,4	0,6
		Impairments	19,4	–	–	–
		Loss on remeasurement of disposal group	15,9	–	–	–
		Profit on disposal of property, plant and equipment	(2,6)	(1,6)	–	(1,4)
		Decrease in retirement benefit obligation	(0,4)	(2,3)	–	–
		Decrease/(increase) in fair value of biological assets	4,1	(2,5)	–	–
		Unrealised loss/(gain) on listed investment	–	0,1	–	–
		Movement in foreign currency translation reserve	(0,3)	(0,2)	–	–
		Net finance cost/(income)	77,5	75,9	(14,0)	(2,9)
		Unwinding of discount on business combination	4,1	5,8	4,1	4,4
		Income from joint ventures	(2,7)	(3,7)	–	–
		Pension fund surplus movement	9,0	5,9	–	–
		Share-based payment reserve movement	–	0,6	–	0,6
		Operating cash flows before changes in working capital	136,3	256,3	19,6	(4,0)
		Changes in working capital:				
		Decrease/(increase) in inventory and biological assets	223,9	(137,6)	–	–
		Decrease/(increase) in accounts receivable	181,9	(46,6)	(0,5)	(3,2)
		(Decrease)/increase in accounts payable and provisions	(174,0)	185,0	2,2	(3,8)
		Cash generated from/(utilised by) operations	368,1	257,1	21,3	(11,0)
	32.2	**Taxation paid is reconciled as follows:**				
		Amounts unpaid at the beginning of the year	(0,7)	(4,0)	0,3	(1,2)
		(Charged)/credited to the income statement	(15,4)	(7,3)	–	0,3
		Amounts unpaid at the end of the year	1,9	0,7	–	(0,3)
		Taxation (paid)/refunded	(14,2)	(10,6)	0,3	(1,2)

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

33 **DIRECTORS' EMOLUMENTS**

Year ended 30 June 2009

Executive directors	Basic salary R'000	Company contributions R'000	Bonuses R'000	Share-based payments R'000	Total R'000
P C T Schouten	1 710	316	192	–	2 218
J P Haveman	1 240	227	104	–	1 571
Total	2 950	543	296	–	3 789

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 and transformation committees	162
S H Nomvete	Member of audit and risk committee	98
I N Mkhari	Member of human resources and remuneration and transformation committees	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 SA Ltd

Directors' shareholding as at 30 June 2009 (number of shares)	Beneficial direct	Beneficial indirect	Total	%
C E Daun	–	174 607 101	174 607 101	41,1
J B Magwaza	–	1 300 000	1 300 000	0,3
S H Nomvete	–	12 090 000	12 090 000	2,8
I N Mkhari	–	12 090 000	12 090 000	2,8
P C T Schouten	2 000 000	–	2 000 000	0,5
J P Haveman	1 608 250	–	1 608 250	0,4

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

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

	Total options granted 31 Dec 2004 million shares	Options taken up by 30 Jun 2009 million shares	Options unvested by 30 Jun 2009 million shares	Options remaining 30 Jun 2009 million shares
P C T Schouten	8,0	8,0	–	–
J P Haveman	2,0	2,0	–	–
Total	10,0	10,0	–	–

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

33 **DIRECTORS' EMOLUMENTS** continued

Year ended 30 June 2008

Executive directors	Basic salary R'000	Company contributions R'000	Bonuses R'000	Share-based payments R'000	Total R'000
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 and transformation committees	162
S H Nomvete	Member of audit and risk committee	98
I N Mkhari	Member of human resources and remuneration and transformation committees	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	2,8
I N Mkhari	–	12 090 000	12 090 000	2,8
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 2009 million shares	Options unvested by 30 Jun 2009 million shares	Options remaining 30 Jun 2009 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.

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

34 FOREIGN EXCHANGE DERIVATIVE INSTRUMENTS AND FOREIGN CURRENCY RISK MANAGEMENT

34.1 **Foreign exchange risk management**

The group utilises currency derivatives to eliminate or reduce the exposure of its foreign currency denominated assets and liabilities, and to hedge future transactions and cash flows.

The group is party to foreign currency forward exchange contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the group's principal markets. As a matter of policy, the group does not enter into derivative contracts for speculative purposes.

34.2 **Foreign forward exchange contracts**

Foreign forward exchange contracts are used by the group to manage its exposure to foreign exchange fluctuations. At 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 2009 Rm	**Estimated market value 2009 Rm**	**FEC liabilities 2009 Rm**	FEC value 2008 Rm	Estimated market value 2008 Rm	FEC assets 2008 Rm	**Average contract rate 2009**	Average contract rate 2008
USD	**(163,5)**	**(145,0)**	**(18,5)**	(124,3)	(124,9)	0,6	**8,84**	7,90
EUR	**(27,9)**	**(25,6)**	**(2,3)**	(21,7)	(22,3)	0,6	**12,04**	12,10
GBP	**(8,1)**	**(7,7)**	**(0,4)**	(1,1)	(1,1)	–	**13,48**	15,70
AUD	**–**	**–**	**–**	0,4	0,4	–	**–**	7,70
Total	**(199,5)**	**(178,3)**	**(21,2)**	(146,7)	(147,9)	1,2		

34.3 **Uncovered foreign currency balances**

Foreign currency	**Foreign amount 2009 Rm**	Foreign amount 2008 Rm	**Rate 2009**	Rate 2008	**Rand amount 2009 Rm**	Rand amount 2008 Rm
The following unhedged and uncovered foreign assets relating to accounts receivable were in existence at period-end:						
USD	**0,4**	0,1	**8,25**	7,94	**3,3**	1,0
EUR	**0,3**	–	**12,33**	–	**3,7**	–
GBP	**0,1**	0,1	**14,00**	15,70	**1,4**	0,9
AUD	**–**	–	**6,67**	–	**0,2**	–
					8,6	1,9
The following unhedged and uncovered foreign liabilities relating to accounts payable were in existence at period-end:						
USD	**0,7**	5,2	**7,86**	7,88	**5,5**	41,2
EUR	**0,2**	1,2	**13,00**	12,44	**2,6**	15,0
GBP	**–**	0,1	**–**	14,93	**–**	2,1
					8,1	58,3

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

34 **FOREIGN EXCHANGE DERIVATIVE INSTRUMENTS AND FOREIGN CURRENCY RISK MANAGEMENT** continued

34.3 **Uncovered foreign currency balances** continued

The post-taxation impact on the income statement and equity as at 30 June 2009 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	2009 Rm	2008 Rm
Potential impact on earnings with a 10% increase			
USD	10%	(0,2)	(4,0)
EUR	10%	0,1	(1,5)
GBP	10%	0,1	–
Potential impact on earnings with a 10% decrease			
USD	10%	0,2	4,0
EUR	10%	(0,1)	1,5
GBP	10%	(0,1)	–

Foreign currency sensitivity analysis

The tables above assumes a 10 per cent 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 2008.

	GROUP		COMPANY	
	30 Jun 2009 Rm	30 Jun 2008 Rm	30 Jun 2009 Rm	30 Jun 2008 Rm
35 CAPITAL COMMITMENTS				
Capital expenditure				
Authorised by directors				
– contracted	15,7	51,8	–	–
– not yet contracted	35,2	84,6	–	–

The capital expenditure is to be financed from internally generated funds and external credit facilities.

36 **OPERATING LEASE COMMITMENTS**

At the balance sheet date, the group had outstanding commitments under non-cancellable operating leases with a term of more than one year, which fall due as follows:

Within one year	15,2	13,4	0,2	0,2
In the second to fifth years inclusive	24,8	21,5	–	0,1
Over five years	1,0	13,2	–	–
	41,0	48,1	0,2	0,3

37 **OPERATING LEASE RECEIVABLES**

At the balance sheet date, the group had outstanding receivables under non-cancellable operating leases pertaining to investment property as follows:

Within one year	0,7	1,5	–	–
In the second to fifth year inclusive	0,9	1,7	–	–
Over five years	–	–	–	–
	1,6	3,2	–	–

38 JUDGEMENTS AND ESTIMATES

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

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions which have significant risk of causing material adjustment to the carrying amounts of assets and liabilities during the next financial year are discussed below.

Useful lives and residual values

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

Buildings	40 – 50 years
Plant and machinery	5 – 30 years
Office equipment and furniture	3 – 16 years
Computer equipment and software	3 – 4 years
Motor vehicles	4 – 5 years
Land	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.

Impairment of assets

Goodwill, property, plant and equipment and accounts receivable 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 17.

Post-employment benefit obligations

Management consulted with external expert advisers in the accounting and post-employment benefit obligation industry in applying its judgement with respect to post-employment benefit obligations. The critical assumptions 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 ended 30 June 2009.

To give effect to the acquisition on a provisional basis, various fair value judgements have been made regarding the assets and liabilities of Brenner Mills (Pty) Ltd.

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 on finalisation of the purchase price.

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

Assets held for sale

Management has made various estimates of fair value less costs to sell in respect of assets held for sale.

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

39 RELATED PARTIES

39.1 **Related entities**

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 and associates have been identified as having a related party relationship due to common shareholding or significant influence as a result of representation by the shareholder or its representative on the board of directors of the companies and their subsidiaries:

KAP Textile Holdings SA Ltd (subsidiary of Daun & Cie AG) and its subsidiaries or associates

Mooi River Home Textile (Pty) Ltd

Union Spinning Mills (Pty) Ltd

SA Fine Worsteds (Pty) Ltd

Courthiel Holdings (Pty) Ltd and its subsidiaries

Wellington Industries (Pty) Ltd

Table Bay Spinners Ltd

African Hide Trading (Pty) Ltd

Court Fabrics and Yarns (Pty) Ltd

Courthiel Financing (Pty) Ltd

Daun & Cie AG and its subsidiaries

KAP Beteiligungs AG

Other

Loungefoam (Pty) Ltd

Companies controlled by the non-executive directors Ms I N Mkhari and Mr 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.

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

Companies controlled by the Brenner Mills (Pty) Limited's directors S Brenner and E Goldblum (or close family)

Hof van Holland (Pty) Ltd

Canvas & Tent (Pty) Ltd

Masitshaba Distributors CC

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

	GROUP	
	Year ended 30 Jun 2009 Rm	Year ended 30 Jun 2008 Rm
39 **RELATED PARTIES** continued		
39.1 **Related entities** continued		
Material transactions with related parties and the resultant balances receivable or payable at period-end include the following:		
Sale of goods to		
African Hide Trading (Pty) Ltd	–	6,5
KAP Textile Holdings SA Ltd	20,3	36,7
Table Bay Spinners Ltd	–	3,6
Rieter Feltex (Pty) Ltd	9,9	7,2
Motseng Investment Holdings (Pty) Ltd	21,6	11,6
Steinhoff Africa Holdings (Pty) Ltd and subsidiaries	0,6	1,2
Loungefoam (Pty) Ltd	–	6,3
SA Fine Worsteds (Pty) Ltd	1,2	1,5
Other	1,5	4,9
	55,1	79,5
Purchase of goods from		
African Hide Trading (Pty) Ltd	3,6	4,2
Steinhoff Africa Holdings (Pty) Ltd	9,9	3,6
Futuris Feltex (Pty) Ltd	32,4	22,8
Other	0,1	3,0
	46,0	33,6
Interest paid		
Courthiel Holdings (Pty) Ltd	0,5	–
	0,5	–
Rent paid to		
Courthiel Holdings (Pty) Ltd	0,3	–
UKW Properties (Pty) Ltd	0,1	–
Wellington Industries (Pty) Ltd	0,1	0,1
KAP Textile Holdings SA Ltd	–	0,3
	0,5	0,4

Sale of property

During the year Bull Brand Foods (Pty) Ltd disposed of one of its feedlots to Courthiel Financing (Pty) Ltd for a consideration of R18 million, including equipment and feed.

		GROUP	
		Year ended 30 Jun 2009 Rm	Year ended 30 Jun 2008 Rm
39	**RELATED PARTIES** continued		
39.1	**Related entities** continued		
	Related party balances at year-end		
	Accounts receivable		
	KAP Textile Holdings SA Ltd	**1,1**	7,1
	Table Bay Spinners Ltd	**–**	1,6
	Motseng Outsourced Services (Pty) Ltd	**7,4**	2,7
	Futuris Feltex (Pty) Ltd	**0,1**	–
	Rieter Feltex (Pty) Ltd	**0,6**	2,0
	Other	**0,4**	1,5
		9,6	14,9
	Accounts payable		
	Steinhoff Africa Holdings (Pty) Ltd and subsidiaries	**0,6**	–
	Futuris Feltex (Pty) Ltd	**2,5**	–
		3,1	–

No provision for doubtful debts existed at year-end pertaining to any of the above related parties (2008: Rnil).

No bad debts were written off during the year pertaining to the above related party balances (2008: Rnil).

Loans from related parties

Refer to note 20.3 for details.

39.2 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 2009 Rm	Year ended 30 Jun 2008 Rm	**Year ended 30 Jun 2009 Rm**	Year ended 30 Jun 2008 Rm
Compensation of key management				
Short-term benefits	**43,5**	40,2	**6,1**	5,9
Post-employment benefits	**–**	0,4	**–**	–
Share-based payments	**–**	0,6	**–**	0,6
Termination benefits	**0,5**	0,3	**–**	–
	44,0	41,5	**6,1**	6,5

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

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

39 **RELATED PARTIES** continued

39.3 **Directors**

The directors named in the attached directors' report each held office as a director of the company during the year ended 30 June 2009.

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

I N Mkhari and S H Nomvete are officers and shareholders (of 46,5% each) of Motseng Investment Holdings (Pty) Ltd, which engages in various arm's length transactions with KAP International Holdings Ltd 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 24,6% 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.

39.4 **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 period.

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 2009 Rm	Year ended 30 Jun 2008 Rm
Transactions with entities in the group		
Interest received from		
Feltex Holdings (Pty) Ltd	**27,8**	26,9
Dano Textile Industries (Pty) Ltd	**–**	2,4
Bull Brand Foods (Pty) Ltd	**–**	12,3
Brenner Mills (Pty) Ltd	**–**	4,8
	27,8	46,4
Interest paid to		
Feltex Holdings (Pty) Ltd	**–**	2,1
Bull Brand Foods (Pty) Ltd	**–**	5,6
	–	7,7
Management fees received from		
Dano Textile Industries (Pty) Ltd	**0,9**	0,8
Bull Brand Foods (Pty) Ltd	**3,7**	3,4
Feltex Holdings (Pty) Ltd	**14,6**	13,0
Brenner Mills (Pty) Ltd	**2,1**	–
	21,3	17,2
Balances at year-end		
Accounts receivable		
Bull Brand Foods (Pty) Ltd	**3,8**	–
	3,8	–

40 **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 R283,5 million (2008: R184,8 million).

Various South African banks have issued guarantees amounting to R9,6 million (2008: R7,9 million) in favour of third parties on behalf of the group.

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.

41 FINANCIAL INSTRUMENTS

41.1 **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 group companies have taken out third party insurance 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.

41.2 **Liquidity and interest rate risk management**

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

	Interest rate %	1 year Rm	2 – 5 years Rm	Over 5 years Rm	Total Rm
GROUP 2009					
ASSETS					
Pension fund surplus	Interest-free	9,0	30,4	–	39,4
Loans to joint ventures	Interest-free	–	7,5	–	7,5
Accounts receivable	Interest-free	522,2	–	–	522,2
Cash and cash equivalents	7,0%	58,5	–	–	58,5
		589,7	37,9	–	627,6
LIABILITIES					
Finance leases	8,8% – 9,5%	1,2	1,8	–	3,0
Instalment sale agreements	9% – 12,5%	12,2	27,8	–	40,0
HSBC	11,1%	104,2	–	–	104,2
Other loans	Prime -1,8% to Prime -3%	34,1	–	–	34,1
Contingent purchase liability	13,6%	41,8	–	–	41,8
Accounts payable	Interest-free	581,9	–	–	581,9
Bank overdrafts	Prime -2% to Prime	342,0	–	–	342,0
		1 117,4	29,6	–	1 147,0
COMPANY 2009					
ASSETS					
Loans to subsidiaries					
– interest-bearing	Prime +1%	–	–	322,1	322,1
– interest-free	Interest-free	–	–	823,0	823,0
Accounts receivable	Interest-free	6,0	–	–	6,0
		6,0	–	1 145,1	1 151,1
LIABILITIES					
Contingent purchase liability	13,6%	41,8	–	–	41,8
Loans from subsidiaries					
– interest-free	Interest-free	–	–	46,0	46,0
Accounts payable	Interest-free	5,0	–	–	5,0
Bank overdrafts	Prime -2% to Prime	175,0	–	–	175,0
		221,8	–	46,0	267,8

The interest rates above are linked to market interest rates and assets and liabilities will therefore be repriced when these rates change.

Notes to the Annual Financial Statements

for the year ended 30 June 2009 (continued)

41 **FINANCIAL INSTRUMENTS** continued

41.2 **Liquidity and interest rate risk management** continued

	Interest rate %	1 year Rm	2 – 5 years Rm	Over 5 years Rm	Total Rm
GROUP 2008					
ASSETS					
Pension fund surplus	Interest-free	9,0	36,0	3,4	48,4
Loans to joint ventures	Interest-free	–	6,1	–	6,1
Accounts receivable	Interest-free	671,0	–	–	671,0
Cash and cash equivalents	Prime -4%	55,1	–	–	55,1
		735,1	42,1	3,4	780,6
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 on hand	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
Bank overdrafts	Prime -1%	–	–	–	–
		34,8	–	649,9	684,7

41.3 **Fair values**

At 30 June 2009 and 30 June 2008, the carrying amounts of cash, accounts receivable, loans receivable, accounts payable and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities.

The fair value of forward exchange contracts as stated in note 34 represents the estimated market value (using rates quoted by the group's bankers) at the reporting date, thereby taking into account the unrealised gains and losses on open contracts. Safex maize contracts included in accounts payable, are entered into for the purposes of delivery of maize in terms of Brenner Mills (Pty) Ltd.

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 2009 (continued)

		GROUP		COMPANY	
		30 Jun 2009	30 Jun 2008	**30 Jun 2009**	30 Jun 2008
42	NUMBER OF EMPLOYEES				
	Number of employees at period-end	**4 751**	6 082	**8**	8

43 **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.

Standard	**Details of amendment**	**Effective date – annual periods commencing on or after**
IFRS 2 – Share-based Payments	Amendments to vesting conditions and cancellations	1 January 2009
	Amendments to group cash-settled share-based payment transactions	1 July 2009
	Amendments to group cash-settled share-based payment transactions	1 July 2010
IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations	Disclosure of non-current assets (or disposal groups) classified as held for sale or discontinued operations	1 January 2010
IFRS 7 – Financial Instruments: Disclosures	Presentation of finance costs	1 January 2009
	Amendment dealing with improving disclosures about financial instruments	1 January 2009
	Amendments enhancing disclosures for value and liquidity risk	1 January 2009
IFRS 8 – Operating Segments	New standard on segment reporting	1 January 2009
	Segment assets disclosure information	1 January 2010
IAS 1 – Presentation of Financial Statements	Comprehensive revision including requiring a statement of comprehensive income	1 January 2009
IAS 3 – Business Combinations	Comprehensive revision on applying acquisition method	1 July 2009
IAS 16 – Property, Plant and Equipment	Recoverable amount	1 January 2009
IAS 36 – Impairment of Assets	Disclosure of estimates used to determine recoverable amount	1 January 2009
	Unit of accounting for goodwill impairment test	1 January 2009

The directors anticipate that all of the above Standards and Interpretations will be adopted in the group's financial statements in the periods when they are effective. The impact that these Standards and Interpretations may have on the financial statements of the group has not been assessed.

Annexure A

Subsidiary	Nature	Issued share capital 2009 R	Issued share capital 2008 R	Effective interest 2009 %	Effective interest 2008 %	Interest of company 2009 Rm	Interest of company 2008 Rm	Loan due by/(to) 2009 Rm	Loan due by/(to) 2008 Rm
AHT Properties (Walvis Bay) 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)
Brenner Mills (Pty) Ltd	M	**1 000**	1 000	**100**	100	**33,4**	27,2	**–**	–
Bull Brand Foods (Pty) Ltd	M	**20 000 001**	20 000 001	**100**	100	**–**	–	**–**	223,8
Bull Brand Holdings (Pty) Ltd	D	**3 000 000**	3 000 000	**100**	100	**–**	–	**(3,0)**	(51,5)
Casa Rosada Investments (Pty) Ltd	D	**450**	450	**100**	100	**–**	128,6	**–**	–
Conshu (Pty) Ltd	D	**5 000**	5 000	**100**	100	**–**	–	**–**	(4,7)
Conshu Holdings (Pty) Ltd	D	**78 079 000**	78 079 000	**100**	100	**–**	–	**(2,5)**	(79,0)
Dano Textile Industries (Pty) Ltd	T	**499 960**	499 960	**100**	100	**–**	–	**–**	100,4
Dotcom Trading 44 (Pty) Ltd	D	**100**	100	**100**	100	**–**	–	**–**	(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	**913,9**	172,6
GH Hackmann Skins (Pty) Ltd	D	**100 000**	100 000	**100**	100	**–**	–	**9,7**	9,7
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	**–**	–	**14,3**	80,6
Kolosus Leathers (Pty) Ltd	D	**115 000**	115 000	**100**	100	**22,5**	22,5	**158,5**	158,5
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	**9,0**	(53,4)
Merchold Properties (Pty) Ltd	D	**10 000**	10 000	**100**	100	**–**	–	**–**	(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	**–**	–	**(0,1)**	(5,7)
All other subsidiaries						**–**	0,1	**(0,3)**	(0,3)
Total						**113,3**	393,0	**1 099,1**	546,5

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:

(Switzerland)

* (Namibia)

Segmental Reporting for the year ended 30 June 2009

Annexure B

BUSINESS SEGMENTS

For management purposes, the group is organised into two main operating segments, an industrial segment and a consumer segment.

These segments are selected 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:

CONTINUED OPERATIONS

	External revenue Rm	Operating profit before restructuring costs Rm	Depreciation Rm	Impairments Rm	Total assets Rm	Total liabilities (excl SARS) Rm	Capital expenditure Rm
Year ended 30 June 2009							
Industrial	**2 184,3**	**82,0**	**(41,3)**	**(4,9)**	**1 633,7**	**1 244,4**	**231,2**
Consumer	**1 653,6**	**71,5**	**(12,2)**	**–**	**733,1**	**560,9**	**23,9**
Other	**1,1**	**(1,0)**	**(0,5)**	**–**	**38,0**	**202,8**	**1,5**
Intra-group	**–**	**–**	**–**	**–**	**–**	**(962,9)**	**–**
	3 839,0	**152,5**	**(54,0)**	**(4,9)**	**2 404,8**	**1 045,2**	**256,6**
Year ended 30 June 2008							
Industrial	2 224,7	115,8	(36,9)	–	1 719,3	1 031,4	134,8
Consumer	1 475,9	86,8	(11,4)	–	861,2	329,4	36,3
Other	0,2	3,4	0,5	–	74,1	36,3	1,2
Intra-group	–	–	–	–	(134,9)	(156,0)	–
	3 700,8	206,0	(47,8)	–	2 519,7	1 241,1	172,3

DISCONTINUED OPERATIONS

	External revenue Rm	Operating profit before restructuring costs Rm	Depreciation Rm	Impairments Rm	Total assets Rm	Total liabilities (excl SARS) Rm	Capital expenditure Rm
Year ended 30 June 2009							
Industrial	**57,7**	**(8,5)**	**(2,1)**	**(6,0)**	**84,8**	**185,5**	**0,8**
Consumer	**667,5**	**(6,8)**	**(3,2)**	**(8,5)**	**19,0**	**3,1**	**–**
	725,2	**(15,3)**	**(5,3)**	**(14,5)**	**103,8**	**188,6**	**0,8**
Year ended 30 June 2008							
Industrial	163,9	(9,6)	(4,8)	–	130,2	179,7	4,8
Consumer	755,7	3,7	(3,6)	–	110,5	29,9	0,3
	919,6	(5,9)	(8,4)	–	240,7	209,6	5,1

Notice of Annual General Meeting

for the year ended 30 June 2009

Notice is hereby given that the 31st 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 27 November 2009, 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 and the reports of the directors and the auditor for the period ended 30 June 2009.

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 2009, as disclosed in the annual financial statements.

3. **Ordinary Resolution Number 3**

   3.1 To re-elect as director Mr C E Daun, 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 C E Daun is reflected on page 6.

   3.2 To re-elect as director Mr M J Jooste, 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 M J Jooste is reflected on page 6.

   3.3 To re-elect as director Mr J B Magwaza, 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 B Magwaza is reflected on page 6.

4. **Ordinary Resolution Number 4**

   To appoint Deloitte & Touche of Cape Town as the auditors of the Company, on the recommendation of the audit committee, as contemplated under sections 270, 270A and 274 of the Companies Act, 1973 (Act 61 of 1973), as amended with Roland Hofmeyr, a registered auditor and member of the firm as the individual who will undertake the audit, until the next annual general meeting, and to confirm their remuneration for the period ended 30 June 2009 as determined by the audit committee.

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 placed under their control 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 added to those that may be issued in future (arising from the conversion of options/convertible securities if applicable) 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), the minimum spread requirements as set out in the Listings Requirements are maintained;
- 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 the 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 (share capital and reserves) for a period of 12 (twelve) months for their ordinary business purposes after the date of this notice of annual general meeting; and
   - the working capital of the Company and the Group will be adequate for their ordinary business purposes 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 6 and 7)
   - major shareholders of the Company (refer to page 2)
   - director's interest in the Company's securities (refer to note 33)
   - share capital of the Company (refer to note 15)

   The directors, whose names are given on pages 6 and 7 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 2009. 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

Notes

Form of Proxy

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 31st annual general meeting to be held at 12:30 on 27 November 2009, 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			
C E Daun			
M J Jooste			
J B Magwaza			
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 2009

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.

Form of Proxy continued

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 25 November 2009.
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

ince.motiv

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

Postal address
PO Box 3639
Paarl
7620

Business address
First Floor
New Link Centre
1 New Street
Paarl
7646

Auditors
Deloitte & Touche

Attorneys
Pohl & Stuhlinger

Company secretary
M Balladon CA(SA)

Registration number
1978/000181/06

Share code
KAP

ISIN
ZAE000059564

Registered 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

Bankers
FirstRand Bank Limited
Nedbank Limited
The Standard Bank of South Africa Limited
Investec Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

Telephone
021 872 8726

Facsimile
021 872 9064

E-mail
info@kapinternational.com

Internet
www.kapinternational.com

ince.motiv