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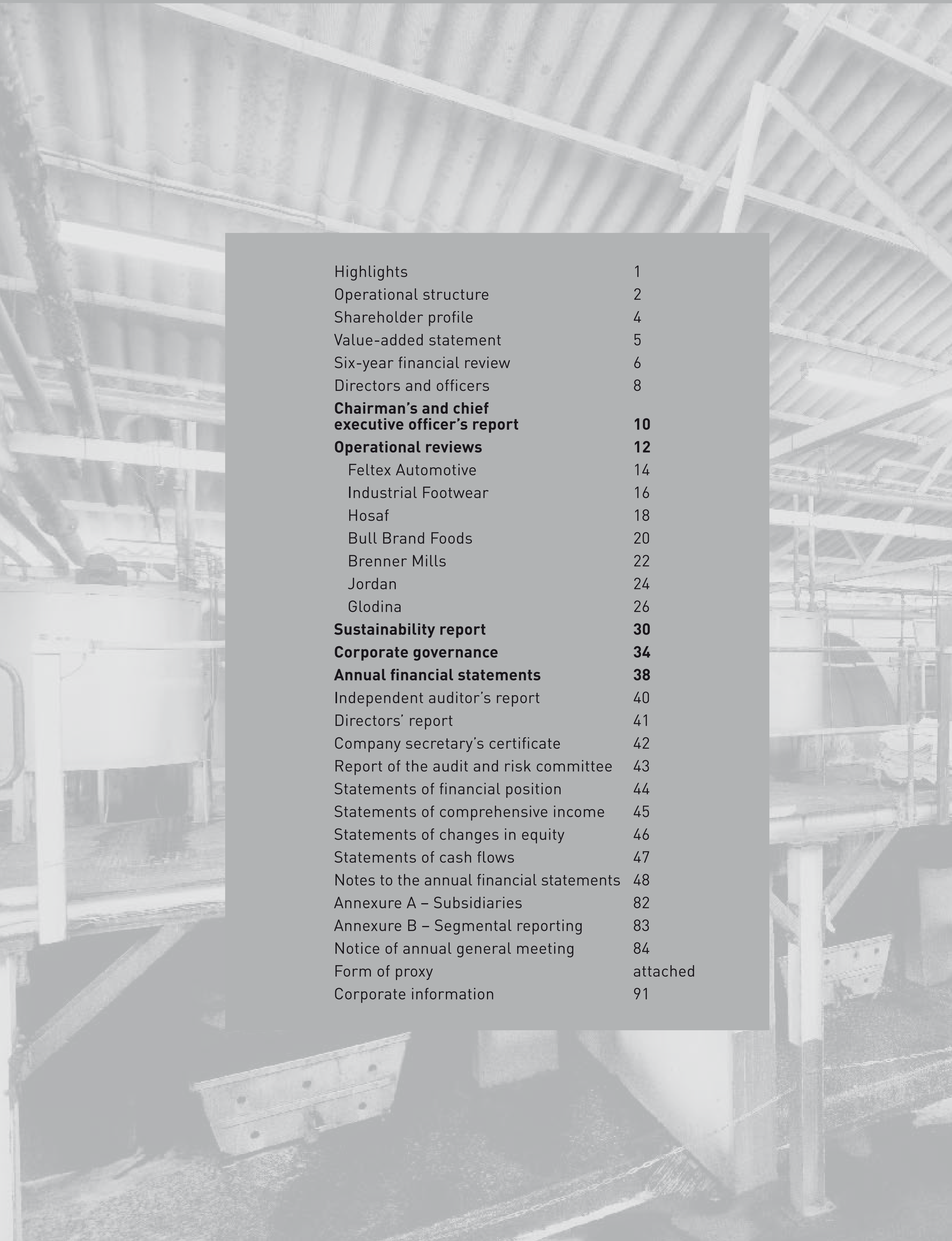

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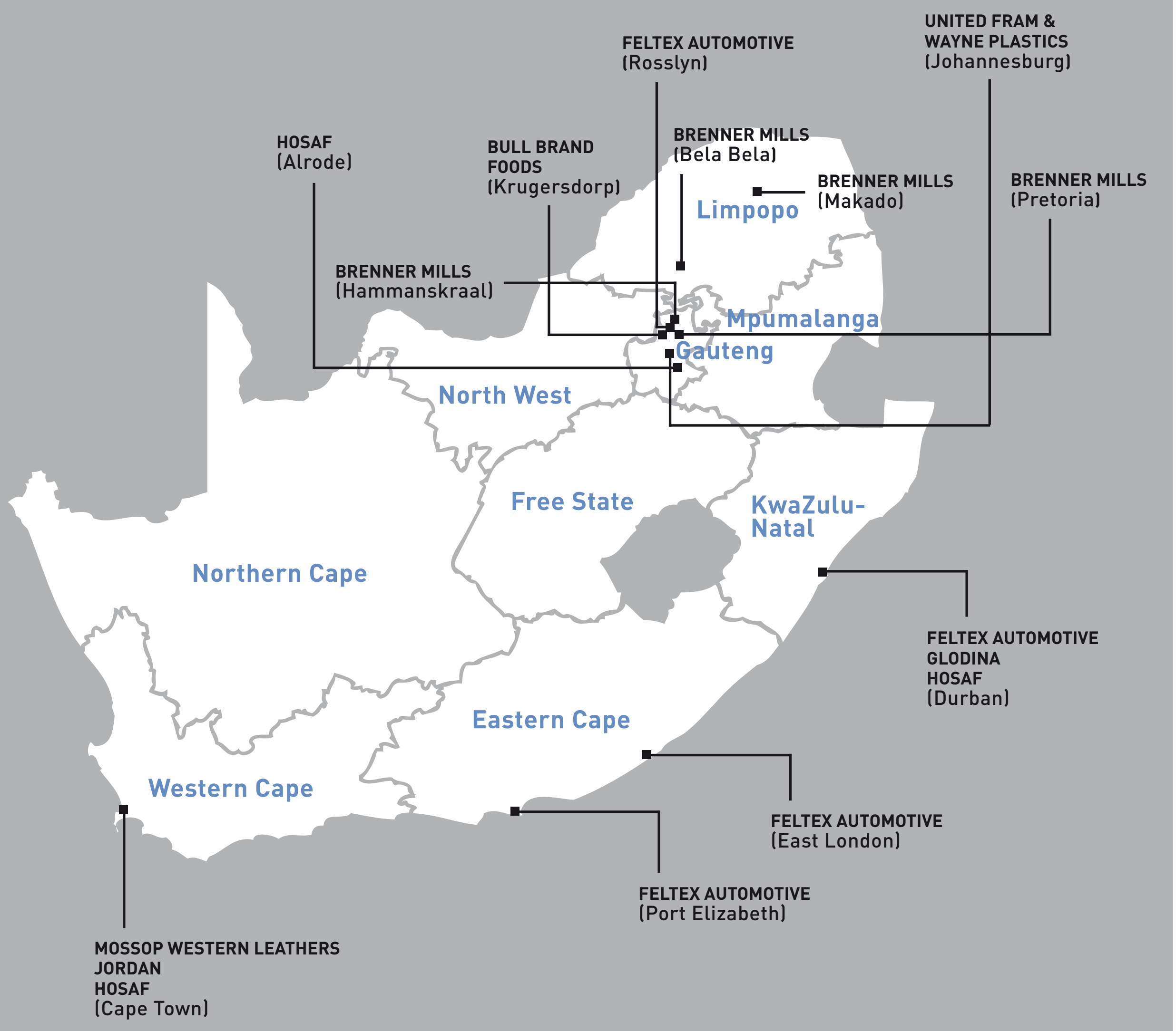
Group Profile

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 4 232 people and controls assets of R2,5 billion which generated annualised revenue of R4,0 billion.

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



OPERATIONAL STRUCTURE

INDUSTRIAL SEGMENT

Hosaf – Manufacturer of polyester fibre and PET bottle resin

FELTEX

FELTEX AUTOMOTIVE

- **AUTOMOTIVE TRIM** – Integrated automotive trim and acoustic manufacturer
- **Fehrer** (74%) – Moulded polyurethane manufacturer for seating and other foam products for the automotive industry
- **FOAM CONVERTING** – Manufacturer of slabstock and peeled foams used for lamination in the automotive industry
- **RIETER** (49%) – Automotive acoustics and thermal management
- **FUTURIS** (50%) – Tufted carpet manufacturer
- **UNIFRAX** – Supplier of mats for catalytic converters for exhausts of motor vehicles
- **caravelle** – Loose lay carpet manufacturer

INDUSTRIAL FOOTWEAR

- **Frams** – Manufacturer of safety footwear
- **Wayne Plastics** – Manufacturer of gumboots
- **Mossop Western Leathers** – Tannery supplying bovine leather to footwear and leather goods industry
- **Bova** – Manufacturer of safety footwear

CONSUMER SEGMENT

- **Bull Brand** – Fresh and canned meat manufacturer
- **Brenner Mills** – Maize miller
- **Jordan** – Branded fashion footwear and sport shoe manufacturer, importer and distributor
- **Glodina** – Branded terry towel manufacturer

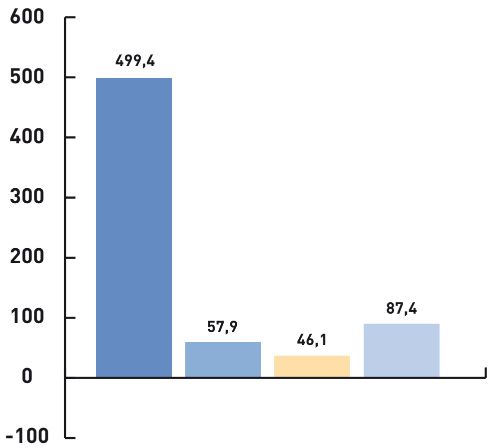
SHAREHOLDER PROFILE
as at 25 June 2010

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	1 334	63,92	226 536	0,05
1 001 – 10 000 shares	497	23,81	1 900 709	0,45
10 001 – 100 000 shares	143	6,85	4 361 120	1,03
100 001 – 1 000 000 shares	86	4,12	34 001 125	8,01
1 000 001 shares and over	27	1,29	383 984 167	90,46
Total	2 087	100	424 473 657	100,00
Distribution of shareholders				
Banks	9	0,43	1 161 434	0,27
Brokers	5	0,24	50 412	0,01
Close corporations	23	1,10	185 209	0,04
Endowment funds	3	0,14	23 510	0,01
Individuals	1 796	86,06	20 217 091	4,76
Insurance companies	6	0,29	2 607 347	0,61
Investment companies	2	0,10	76 500	0,02
Medical aid schemes	2	0,10	2 915 965	0,69
Mutual funds	23	1,10	22 387 261	5,27
Nominees and trusts	111	5,32	2 509 037	0,59
Other corporations	18	0,86	192 063	0,05
Pension funds	51	2,44	61 323 396	14,45
Private companies	35	1,68	176 304 468	41,53
Public companies	3	0,14	134 519 964	31,69
Total	2 087	100	424 473 657	100,00
Resident/non-resident shareholders				
Non-resident	34	1,63	177 884 794	41,91
Resident	2 053	98,37	246 588 863	58,09
Total	2 087	100	424 473 657	100,00
Public/non-public shareholders				
Non-public shareholders	11	0,53	317 480 376	74,79
Daun & Cie AG	1	0,05	174 807 101	41,18
Steinhoff Africa Holdings (Pty) Ltd	1	0,05	133 676 624	31,49
Directors and associates of the company and subsidiaries	9	0,43	8 996 651	2,12
Public shareholders (major institutions)	53	2,54	71 468 744	16,84
Argon Asset Management	23	1,10	43 800 120	10,32
Investec Asset Management	30	1,44	27 668 624	6,52
Other public shareholders	2 023	96,93	35 524 537	8,37
Total	2 087	100	424 473 657	100,00

VALUE-ADDED STATEMENT

	30 Jun 2010 Rm	30 Jun 2009 Rm
Sales	4 000,2	4 564,2
Materials and services purchased	(3 309,4)	(3 939,7)
Wealth created	690,8	624,5
Distributed as follows:		
To pay employees	499,4	576,5
To pay providers of capital	57,9	99,6
To pay government	46,1	(14,3)
Retained in the group	87,4	(37,3)
Wealth allocated	690,8	624,5

2010



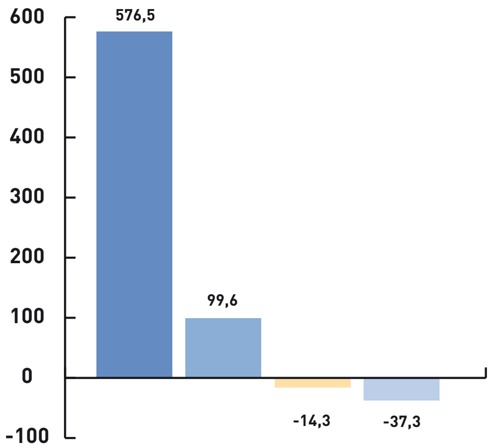
Employees

Providers of capital

Government

Retained in the group

2009



Employees

Providers of capital

Government

Retained in the group

SIX-YEAR FINANCIAL REVIEW

	30 Jun 2010	30 Jun 2009	30 Jun 2008	30 Jun 2007 (18 months)	31 Dec 2005	31 Dec 2004
Group summarised statement of comprehensive income (Rm)						
Revenue	**4 000,2**	4 564,2	4 620,4	5 242,2	2 975,1	1 911,9
Operating profit	**191,0**	31,9	200,1	338,5	225,5	140,6
Negative goodwill from acquisitions	**–**	–	–	–	–	134,7
Net pension fund surplus	**–**	–	–	–	50,6	–
Discontinued operation closure costs	**(4,0)**	(85,4)	–	–	(10,9)	–
Net finance costs	**(54,2)**	(77,5)	(75,9)	(51,1)	(19,4)	(10,6)
Unwinding of discount on business combination	**–**	(4,1)	(5,8)	–	–	–
Share of results of joint ventures	**3,0**	2,7	3,7	3,2	0,7	1,2
Profit/(loss) before taxation	**139,8**	(47,0)	122,1	290,6	246,5	265,9
Taxation	**(46,1)**	14,3	7,7	(53,0)	(45,6)	(24,6)
Non-controlling interests	**(6,3)**	(4,6)	(7,5)	(11,6)	(6,2)	(2,2)
Net profit/(loss) attributable to owners of the company	**87,4**	(37,3)	122,3	226,0	194,7	239,1
Group summarised statement of financial position (Rm)						
Shareholders' funds	**1 327,0**	1 238,6	1 276,2	1 166,1	1 041,2	854,2
Non-controlling interests	**37,7**	33,5	32,5	25,0	14,0	9,4
Deferred taxation	**20,6**	23,8	37,5	29,1	17,6	6,3
Total borrowings	**427,4**	573,4	602,0	537,0	245,0	249,4
Retirement benefit obligation	**10,6**	11,3	11,7	14,0	19,8	40,6
Current liabilities (excluding short-term borrowings)	**686,9**	628,0	800,5	618,5	410,7	385,5
Total equity and liabilities	**2 510,2**	2 508,6	2 760,4	2 389,7	1 748,3	1 545,4
Property, plant, equipment and investment properties	**958,2**	999,9	828,2	709,1	529,5	410,3
Pension fund surplus	**34,1**	39,4	48,4	54,3	50,6	–
Deferred taxation	**68,3**	107,3	91,3	67,9	95,1	121,9
Total investments, loans receivable and goodwill	**89,4**	88,8	87,0	92,6	34,1	40,2
Inventories and receivables (excluding short-term loans receivable)	**1 258,4**	1 214,7	1 650,4	1 463,4	1 036,8	928,0
Cash and cash equivalents	**101,8**	58,5	55,1	2,4	2,2	45,0
Total assets	**2 510,2**	2 508,6	2 760,4	2 389,7	1 748,3	1 545,4
Group cash flow (Rm)						
Cash generated from operations	**268,6**	136,3	256,3	397,2	218,5	164,8
Net working capital changes	**28,4**	231,8	0,8	(177,9)	(85,5)	(44,4)
Net finance costs	**(54,2)**	(77,5)	(75,9)	(51,1)	(19,4)	(10,6)
Taxation paid	**(8,9)**	(14,2)	(10,6)	(14,0)	(3,1)	(13,5)
Net cash outflow from investing activities	**(42,5)**	(230,5)	(160,4)	(219,5)	(139,1)	(474,1)
Total cash flows from operating and investing activities	**191,4**	45,9	10,2	(65,3)	(28,6)	(377,8)

SIX-YEAR FINANCIAL REVIEW

	30 Jun 2010	30 Jun 2009	30 Jun 2008	30 Jun 2007 (18 months)	31 Dec 2005	31 Dec 2004
Ratios and statistics						
Profitability						
Operating profit as percentage of revenue (%)	**4,8**	1,1	4,3	6,5	7,6	7,4
Net profit/(loss) as percentage of revenue (%)	**2,2**	(0,8)	2,7	4,3	6,5	12,5
Return on equity (%)[1]	**7,06**	(2,92)	10,49	21,70	22,40	117,33
Leverage						
Interest-bearing debt to equity (%)[2]	**23,9**	40,5	39,7	43,4	22,1	20,7
Debt to equity (%)[3]	**76,5**	92,6	106,7	100,4	65,5	63,7
Liquidity						
Current ratio[4]	**1,3**	1,1	1,5	1,4	1,8	1,8
Interest cover (times)[5]	**3,5**	0,6	2,4	6,6	11,6	13,3
Productivity						
Total assets turn	**1,6**	1,8	1,7	2,2	1,7	1,2
Number of employees	**4 232**	4 751	6 082	6 228	4 681	5 272
Assets per employee (R)	**593 147**	528 015	453 864	383 702	373 489	293 160
Annualised revenue per employee (R)	**945 227**	960 682	759 684	707 612	635 570	362 647
Share statistics						
Number of shares in issue (000)	**424 474**	424 474	424 474	424 473	423 266	418 720
Weighted average number of shares in issue (000)	**424 474**	424 474	424 474	424 063	421 477	293 412
Headline earnings/(loss) per share (cents)[6]	**21,0**	(3,2)	28,4	52,5	45,7	33,8
Earnings/(loss) per share (cents)[7]	**20,6**	(8,8)	28,8	53,3	46,2	81,5
Distributions per share (cents)	**–**	–	–	17,0	12,0	5,0
Net asset value per share (cents)[8]	**312,6**	291,8	300,7	274,7	246,0	204,0
Total number of shares traded (million)	**22,4**	48,1	112,1	204,9	208,4	40,7
Total value of shares traded (Rm)	**48,0**	66,1	326,7	820,7	719,7	83,7
Market price at year-end (cents)	**229**	135	210	356	375	300
– highest closing price (cents)	**250**	220	390	494	415	305
– lowest closing price (cents)	**125**	115	200	343	293	50
Market capitalisation at year-end (Rm)	**972**	573	891	1 511	1 587	1 256
Price/earnings ratio[9]	**10,9**	n/a	7,39	9,93	8,13	8,87

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 is 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

DIRECTORS

F Möller (65)
(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.

S H Nomvete (37)
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.

C E Daun (67)
(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 honorary consul of South Africa in Lower Saxony, Germany.

K E Schmidt (55)
BCom, BCom (Hons), CA(SA)
Independent non-executive director
Member of audit and risk committee

Karl was previously with Deloitte & Touche for 33 years, 25 of which were as a partner in the audit and business development divisions. From 1999 to 2003 he was senior partner of Deloitte & Touche in KwaZulu-Natal. He was appointed as a director on 1 March 2010.

D M van der Merwe (53)
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) Limited He is the chief executive officer of Steinhoff International Holdings Limited for the southern hemisphere operations.

M J Jooste (49)
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.

J B Magwaza (68)
BA, MA (Ind Rel), Dip (IR), Dip (PM)
Independent non-executive director
Chairman of remuneration committee, Chairman of transformation committee

JB 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, Richards Bay Minerals, Rainbow Chickens Limited, Pamodzi Investment Holdings, Motseng Investment Holdings, Imbewu Capital Partners Limited, Nkuzi Investment Holdings Limited, NPC Cimpor and Hulamin Limited.

U Schäckermann (63)
(German) CTA, CA(SA), BCom, MA (AEP), RA
Independent non-executive director
Member of audit and risk committee

Ulrich was a partner at Grant Thornton for 13 years, which included roles as senior partner and head of information systems. He also serves on various committees at IRBA and SAICA. He was appointed as a director on 1 March 2010.

I N Mkhari (36)

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 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.

P C T Schouten (55)

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.

J P Haveman (36)

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

D Konar (56)

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 the South African Reserve Bank, Illovo Sugar, JD Group, Sappi Limited, Exxarro Resources, Mustek Limited and Steinhoff International Holdings Limited (chairman).

M Balladon (48)

BCom, CA(SA)

Company secretary

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.

A B la Grange (35)

BCom (Law), CA(SA)

Member of audit and risk committee

Ben is the chief financial officer of Steinhoff Africa Holdings (Pty) 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 and was appointed as an alternate director to the board of Steinhoff International Holdings Limited in December 2009.

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.

C E Daun (67)
(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 honorary consul of South Africa in Lower Saxony, Germany.

P C T Schouten (55)
CA(SA), MBA (UCT)
Chief executive officer (CEO)

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.

PERFORMANCE

We submit our report to shareholders on the results and activities of KAP International for the year ended 30 June 2010.

Revenue and earnings

Operating profit before structuring costs has improved by 45% to R199 million following the restructuring of the 2008/9 period. Coupled with a reduction in interest, this has resulted in headline earnings per share including discontinued operations improving to a profit of 21,0 cents from a loss of 3,2 cents in 2008/9. Headline earnings per share excluding discontinued operations also increased significantly to 21,2 cents, up from 11,4 cents in 2008/9. Revenue for the year from continuing operations has increased slightly to R3,97 billion (2008/9: R3,84 billion).

The results reflect the impact of the restructuring which management completed early in the business cycle (2008/9) in respect of the fresh meat and automotive division, as well as the disposal of automotive leather division. This restructuring should help to provide more predictability of earnings going forward.

Balance sheet and cash flow

Following continued focus on cash generation, net interest-bearing borrowings have decreased further by R189,3 million to R325,6 million (2009: R514,9 million). The debt/equity ratio at year-end was 23,9%, which is particularly pleasing in the light of tough economic conditions.

This cash was generated by strong operating cash flows, tight working capital management and strict control over capital expenditure.

Capital distribution

In light of the improved cash flow, the board has declared a final capital distribution of 7 cents per share, approximately three times cover.

OPERATIONAL OVERVIEW

Industrial segment

Feltex Automotive

Vehicle build remained nearly constant in the current financial year (2010: 392 299 vs 2009: 398 419) but are at similar levels to 2003/4. The restructuring initiatives in the previous year led to strong profit growth, albeit off a low base. Working capital was well managed and cash generation good. The trim division took advantage of the difficult economic circumstances to increase its market share further.

Trading conditions are expected to continue to be stable, but tight, as a significant proportion of vehicles produced in South Africa are exported to the United States and Europe whose economies still face significant challenges.

Industrial footwear

This division continued to perform well. Wayne Plastics continued to deliver good volumes. United Fram's volumes and prices remain under pressure due to competition from imports. The turnaround in Mossop has been completed and the division is now delivering better trading results.

Hosaf

Hosaf increased local sales of PET by 65% over the last financial year as a result of the closure of Sans Fibres (a former competitor) and the expanded plant is running efficiently. Market conditions during the period under review remained satisfactory although disappointing that the impact of the World Cup on volumes has not been as large as originally anticipated.

Consumer segment

Bull Brand Foods

Volumes in the cannery operations of Bull Brand remained low, although the value-added manufacturing fared better. The division's strategy of increasing exports remains a focus area. The reorganisation of the production process has also resulted in better efficiencies and operational cost savings, and the division now requires increased volumes for these improvements to reflect in the results.

Brenner Mills

The maize price reduced due to a bumper local and US maize crop, which had an effect on both prices and margins, and resulted in lower profitability. Brenner continues to provide good operating profits and cash flow.

Jordan

As a result of the Jordan strategy to focus on lower volume, higher margin products, pairs sold declined by 10% to 2,1 million, while revenue declined by only 2,5%. Although the strong Rand assists the imported products, some retailers have opted to import directly from China. The premium Asics brand continues to dominate the running market in South Africa.

Glodina

There was strong growth in the hospitality sector due to the World Cup, while the retail sector remained relatively flat as the market continues to feel the effects of the recession. The hospitality sector year on year increased in volume by 15%, while volumes to the major chains reduced by 4%.

Corporate activity

There was no material corporate activity during the period.

Directors and officers

K E Schmidt and U Schäckermann were appointed to the board on 1 March 2010 as independent non-executive directors, and as members of the audit and risk committee.

Outlook

The group will continue to focus on strong cash generation and strict cost control.

We are confident that our investment in the PET division, coupled with continued growth in automotive will provide good returns in future years.

Appreciation

We are grateful to our shareholders, employees and other stakeholders, and thank them for their continued support.

Claas Daun
Non-executive chairman

Paul Schouten
Chief executive officer

6 September 2010

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 and East London), Feltex Foam (Durban), Caravelle Carpets (East London), Feltex Unifrax (Port Elizabeth), Rieter Feltex (Rosslyn) and Futuris Feltex (East London).

YEAR UNDER REVIEW

The division has shown a pleasing growth in profitability off a low base, in a challenging trading environment. Working capital was well managed and cash generation was strong, allowing the division to end the year with cash reserves of R28 million vs an overdraft of R73 million in the prior year. The division achieved all its 2010 targets.

Globally, vehicle sales continue to be at low levels, particularly in Europe and the United States of America. South African production has remained at a similar level to the prior year i.e. 392 299 vs 398 419 units, which approximates 2003/4 levels. Profitability continues to be impacted by underutilised capacity.

The significantly improved profitability of the division is as a result of the following restructuring initiatives which commenced in the prior year and continue to receive focus:

- employment costs were managed in line with sales;
- expenses were reduced in line with lower vehicle build and capital expenditure spend was minimised;
- operational processes were analysed and streamlined and the resultant efficiency gains benefited our margin; and
- 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.

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 with the group.

All business units achieved either a break-even PBIT or made a profit for the second half of 2010, except for Caravelle which achieved a break-even for the last quarter of the financial year.

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

Production commenced during the financial year for two new models at VW. Quotations on new models from BMW, Ford and GM are well advanced and feedback received thus far is positive. These models commence production in the second half of 2011 and early 2012. Securing the contracts for the replacement models by the local automotive manufacturers is positive for the medium-term future of the local automotive industry. Only Mercedes Benz is yet to publically confirm the local manufacture of a replacement model in 2013.

Economic conditions will remain challenging, with vehicle production expected to remain at current levels. With approximately 50% of locally manufactured vehicles exported to predominantly Europe and the United States, sales volumes are dependent on the economic climate in those markets.

Balancing current wage increase demands and expectations of labour to the necessity of international price competitiveness, to maintain export markets, will be a particular challenge for the automotive industry in the first half of the 2011 financial year.

Operating profit is expected to improve as operational efficiencies and margins continue to benefit from the restructuring initiatives.

Ugo Frigerio BA (Hons), M Phil
Divisional managing director

PROFILE – WAYNE PLASTICS AND UNITED FRAM

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

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

YEAR UNDER REVIEW

The year ended June 2010 was one of the most challenging years for this division. Margins came under severe pressure in the leather division and this, together with reduced volumes due to the slow-down in the economy and considerable imports from China, resulted in a decrease in revenue, as well as operating profits when compared to budget. Fortunately, favourable forward exchange contracts helped to cushion this pressure. Well-contained overhead costs, as well as good working capital management, resulted in positive cash flows.

In the leather divisions the new injection moulding machine has been installed and is running efficiently, producing a new range of products that has been launched into the market-place. We anticipate that this, together with ongoing new innovations, will produce additional benefits going forward. The benefits of this process will be communicated to our customers via brochures, samples, advertising and our sales team personally explaining the features to our customers.

The gumboot division has seen a slight recovery for its products which are mainly used in the mining, dairy and farming industries. Material inputs and overhead expenses have been extremely well managed, resulting in margins being slightly ahead of budget, even with units marginally down. A new heavy duty mould has been made and is currently in the market being evaluated and, if successful, it will be a big step forward in delivering state-of-the-art products.

PROSPECTS

The new financial year will bring new pressures and demands as government infrastructure projects near completion, resulting in a corresponding reduction in jobs. We believe that the new products emanating from both divisions will once again showcase us as leaders in safety footwear manufacture. We are also working with some government departments to develop new footwear for their use and which will hopefully contribute to the division's expansion.

Jeff Burland BCompt
Divisional managing director

PROFILE – MOSSOP WESTERN LEATHERS

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

Mossop Western Leathers experienced the proverbial year of two halves which was dictated by dramatic changes in international hide prices.

In the first half of the year the company delivered a good performance mainly due to reasonable hide prices and positive sentiments in the school shoe industry. The second half of the year was characterised by hide price increases. This was due to global hide shortages driven by reduced slaughtering herds and the automotive industry increasing their uptake of hides/leather during the last eight months.

Mossop reacted to the volatile conditions by implementing further initiatives to improve its internal efficiencies, identifying new alternative local and international hide sources and increasing its selling prices.

PROSPECTS

Mossop Western Leathers remains optimistic that it will be able to continue achieving sustainable profitability in the year to come. Continuous improvement initiatives in areas such as quality, productivity, customer relationships, procurement practices and debtor management over the last few years have resulted in the company being able to adapt quickly to the volatile international economic conditions.

Willie Kotzé MBA
Divisional managing director

PROFILE

Hosaf is the only local manufacturer 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 plant increased Hosaf's PET resin capacity to 120 000 tonnes per annum.

YEAR UNDER REVIEW

PET resin

Hosaf increased local sales of PET by 65% over the last financial year as a result of the closure of Sans Fibres.

Initial teething problems with the debottlenecking of the polymer plant were quickly overcome and current production capacity is 5% above the original plan.

Market conditions during the period under review remained satisfactory although disappointing that the impact of the World Cup on volumes has not been as large as originally anticipated.

The absence of Sans Fibres in the market-place has also led to an increase in the volume of imports, but in the latter part of the period under review this has stabilised.

Sales into the African region grew to over 3 000 tonnes per annum from 300 tonnes as capacity became available after the plant expansion.

Polyester staple fibre

The closure of significant spinning production capacities in the traditional cotton staple sector during the period under review, has further decimated this sector of Hosaf's business. Sales of this product type have reduced substantially over the last five years as local spinners have ceased operations.

An application for anti-dumping duties to be imposed was granted but exemption was given to the main importers, so negating any positive relief. An appeal has been made but no final decision has been forthcoming.

Management has taken steps to reduce the fibres' cost base.

The recently released guidelines from the DTI for the production incentive plan for the clothing, textile and footwear industries will be reviewed, but it may be too little too late to rescue the local traditional cotton spinning sector.

PROSPECTS

Growth in local PET demand will be positive, but is likely to be slower than previous years due to an initiative of bottle light weighting that will take place during late 2010. This will require the use of a fast reheat product and Hosaf has signed a technology agreement with Invista to produce this product type.

The introduction of a small volume of locally produced bottle grade recycled PET ("rPET") will have a positive impact on Hosaf's sales in certain end markets.

In response to the increasing demand for a rPET product Hosaf has already started investigating technologies that would enable it to compete in this market sector.

Regional PET sales will continue to grow as Hosaf develops mechanisms to service these markets.

The World Cup successfully introduced the concept of PET as an alternative packaging material for alcoholic beverages and we look forward to greater use of PET for both beer and wine.

Management is investigating the production of speciality fibres for overseas markets and will continue to focus on reducing costs.

Peter White BSc (Hons) Textile Technology
Divisional managing director

Hosaf
where quality is action

PROFILE

Bull Brand Foods has an excellent reputation as a leading producer of good quality and value-for-money canned and processed meat-based products for the retail and informal markets throughout southern Africa.

The cannery produces a wide range of convenience meals under leading South African brands such as Bull Brand, Gants, Spekenam and Apex.

The value-added plant supplies licensed products for renowned fast food franchises, as well as a range of burger patties and the recently launched Snax range of quality biltong products.

YEAR UNDER REVIEW

Since the closure of the fresh meat business in 2009 Bull Brand has focused on developing its canned and value-added product business.

With a bumper fish crop, consumers have tended to opt for alternative proteins, and therefore volumes of canned products have been below expectations. Demand for value-added products has been good.

Careful margin and cost control measures have somewhat negated the lower sales demand, and plant efficiencies have improved during the second half of the year. The new can handling and labelling equipment installed late in 2009 has been successfully commissioned and has contributed to a smoother operation, improved workflow and better plant efficiencies. Product availability has also improved with the introduction of a proactive production planning model based on future sales forecasts.

The Halaal accreditation of our products from the Muslim Judicial Council is having a positive effect on demand for our products as the market awareness of this accreditation increases.

The company was restructured at the end of 2009 and the new management team has developed a revitalised strategic plan that defines the identity and direction of Bull Brand.

PROSPECTS

Bull Brand's focus will be on achieving growth and improving efficiencies to ensure sustainable profitability. Key drivers of growth will be the development of new and innovative products and new markets – particularly in exports and directly into the informal market sector in South Africa.

The increased plant utilisation and improved efficiencies will ensure that Bull Brand remains competitive and the leading brand in our market space.

Additional resources will be dedicated to "Expanding the Brand" and developing the new products and markets required for Bull Brand to remain the market leader and most recognised brand throughout the markets where we are present.

Gareth Campbell
Managing director

PROFILE

Brenner Mills has been a 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 includes the national chain stores, national wholesale, independent retailers and wholesalers, as well as spazas and corner cafés servicing the bottom end of the market. Maize meal still accounts for the majority of the division's revenue.

The maize mills in Makado, 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 birdseeds and a number of house brands for the retail market.

Brennco Feeds situated in Makado, produces a wide range of balanced chicken, game, pig, dog and ruminant feeds.

YEAR UNDER REVIEW

2010 has proven to be a very challenging year for the operation. South Africa has reaped an above average maize crop for the third consecutive year and this, coupled with a bumper US crop, resulted in both global and local maize prices to fall.

Sales volumes were negatively impacted mainly due to depressed consumer spending. Exports were also slow as a result of a stronger Rand.

Effective working capital management has resulted in improved liquidity. Brenner Mills was therefore able to reduce debt levels significantly.

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

PROSPECTS

Managing rising fuel prices and electricity tariffs will be some of the challenges facing the group going forward into 2011.

Management is constantly investigating the expansion of existing markets, as well as markets in neighbouring countries and sub-Saharan Africa.

The strength of Brenner's brands, innovative marketing strategies, as well as uncompromising quality and service should ensure growth and profitability for 2011.

Steven Brenner
Managing director

Eric Goldblum
Executive chairman

PROFILE

Jordan with its history of manufacturing quality footwear dating back to 1899 is still one of the major footwear manufacturers and suppliers within South Africa.

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, which was expanded during the year under review to two offices, ensures that the footwear manufactured in China complies with the strict quality control standards Jordan is known and respected for.

The customer base is diverse, as Jordan supplies quality footwear to more than three hundred independent retailers, as well as major chain stores in South Africa with both branded and house brands, Edgars being the largest chain store. The supply of corporate footwear to government/parastatal departments and the security industry, both in South Africa and in BLNS countries, is also a key characteristic. The 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, Renegade, Bronx, Anton Fabi (fashion), Jack & Jill (kids) and Olympic (sports). Jordan also has the exclusive distribution rights for Asics (sports) and the fashion footwear trademark Onitsuka Tiger.

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 some 9,6% to 2,08 million from 2,30 million in 2009 reflecting the slow-down in the economy and also the large retail groups opting to import directly from China.

Revenue declined by 2,5% compared to the previous year, while margins increased due to the strengthening of the Rand compared to the previous fiscal year.

Imported products declined by 3,6% in value terms as a result of reduced pairs sold. Own manufacturing declined by 9,9% in value as a result of a more stable Rand and customers opting for the cheaper imported products.

The restructuring of our management team is now starting to pay dividends with substantial costs savings.

Due to the economic downturn, trading conditions have been extremely tough. Our own manufacturing facility has been downsized and headcount reduced accordingly. The strong Rand has been partly responsible for the lack of demand for own manufactured product. Our premium brand, Asics, continues to dominate the running market in South Africa.

PROSPECTS

With our strong brands we will be well placed to take advantage of any possible growth during 2010/11.

Our entry into the ladies' market has been well received and we envisage this to be a potential growth area.

We continue to strengthen our Chinese operation. George Breeze, our production director, now resides in China.

Jordan intends expanding its supply base into Thailand and Portugal in the coming years.

The division will leverage the newly implemented information system to provide up-to-date management information relating to product and customer profitability with an aim to increase profitability whilst providing a superior service to our diverse customer base. The new system will also assist with identifying ageing and obsolete stock timeously with an aim to reduce stock and net working capital.

Brian Pollock Dip Management ABSI
Divisional managing director

Anton Fabi MILANO
BRONX
asics
JACK & JILL
JORDAN where will they take you?
BRONX
OLYMPIC
Onitsuka Tiger

PROFILE

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

Over the past 59 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.

Our relentless pursuit of quality, safety and innovation has given our brand its prestige in both the market-place and the industry.



YEAR UNDER REVIEW

The year under review was characterised by strong growth in the hospitality sector due to the 2010 World Cup, whilst the retail sector remained relatively flat as the market continues to recover from the 2009 recession. The hospitality sector year on year increased in volume by 15%, whilst volume to the major chains reduced by 4%. Retail sector revenue has recovered over the third quarter and it's expected to continue to improve into the new financial period. Aggressive inroads have been made into the independent retail market, as well as into Africa. Sales growth in this sector increased by 5% year on year, and with improving stock availability and service delivery we expect stronger growth in this sector in the new financial year.

Sales volumes reduced by 4% year on year and price margins was negatively affected by 2% as a result of the major retailers taking advantage of the favourable exchange rates and importing larger volumes than previously.

The favourable exchange rates assisted us in recovering a portion of our lost margin predominantly in raw material purchases. During this difficult trading environment we have focused more on growing better margin customers and avoided unprofitable price wars with local and overseas competitors.

Operating expenses for the period increased by 5,6%, whilst raw material margins reduced by 1%.

We have in the current year invested in an embroidery operation, which is expected to yield savings in conversion costs, and provide a better service and flexibility to our customers. Capital investment over the last five years has amounted to R43 million, and was mainly used to replace and improve our production plant and equipment. This sizeable investment has contributed largely to operating cost containment and improving our service offering to our clients.

PROSPECTS

Glodina is preparing for a challenging year which lies ahead. Our business practices and operational systems need to become more innovative, responsive and adaptive in ensuring we deliver optimum products and services.

Cost reduction management is a key in creating greater shareholder value, by the sourcing of cheaper raw materials, better value for many finished products from the East, and curtailing our operating expenses.

A concerted drive to optimise working capital and to reduce interest-bearing debt is imperative to offering fair returns to our shareholders.

Paul Redondi Dip Textile Engineering (Bergamo)
Managing director

GLODINA

KAP has 19 industrial facilities in southern Africa which employ a total of 4 232 people.

Group policy requires subsidiaries to carefully monitor sustainability issues. All our industrial facilities are required to implement management systems that proactively and systematically address safety, health, environment and quality (SHEQ) risks. This includes meeting all legislative requirements 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.

We are pleased to report that we have continued to improve in these areas in the reporting period.

THE ENVIRONMENT

The Durban **Hosaf** site has rationalised its polymer plant and the following energy savings have been achieved:

- Gas consumption per tonne has been reduced by 21%.
- Electricity consumption per tonne has declined by 28%.
- Conversion of the boilers from coal to gas is complete.

In addition, Hosaf Durban participates in the Eskom Demand Side Management programme, whose aim is to achieve greater efficiency in electricity usage. Finally, 80% of the raw materials used at Hosaf Cape Town to produce fibre are sourced from recycled PET bottles.

Regarding water usage, there is a programme in place in Durban to improve the quality of effluent water. It has achieved an improvement in the pH rating from the previous level of pH 3,0 – 4,0 up to pH 8,0 – 9,0.

All **Feltex** sites are ISO14001 certified, which includes compulsory water and electricity monitoring to maximise energy and water conservation. Pollution prevention is also driven by the ISO14001 environmental management system. An additional chopping machine was bought for Trim Rosslyn, with the objective of reducing the size of disposable waste. This increases the viability of transporting waste to the Durban Non-woven site where the waste can be recycled and used for felt production.

Mossop is ISO14001 certified, which means that there are comprehensive energy, water and greenhouse gas strategies in place, as well as a plan to minimise pollution. Moreover, MWL's new range of leathers, the Earthwell range, has been specifically developed to conform to European standards in terms of the impact it will have on both the environment and human health.

At **Bull Brand**, energy and water-saving initiatives include a capex project to put converters in the shrink tunnels: this is designed to save on power consumption and early results have been encouraging. In addition, a water-saving reorientation campaign undertaken in July 2009 has seen staff use less water.

Anti-pollution measures continue to be implemented. The boiler smoke is tested once a year and has been found to be within emission specifications. The treating of boiler coal with a chemical called Sapex resulted in better combustion and a lowering of CO_2 emissions. The company is currently investigating a control mechanism which will lead to more effective steam generation. The result will be less coal consumption and a reduction in air pollution.

At **Jordan**, a number of environmental processes have been introduced in the year under review. A monitoring system has been implemented in the manufacturing division when distributing solvents. This system reduces the dispersion of fumes into the air, thereby reducing the effects on our employees and the environment. This system has been audited and passed by SABS.

In addition, a recycling drive has been implemented, also within the manufacturing division: chemical waste, solvents and contaminated rags are dispensed into a used container, and then collected by an external company that recycles the waste at no cost to Jordan. Used plastic sewing cones are also collected and sent back to the supplier to be reused, resulting in us receiving a discount on new thread purchased. Currently we are also investigating the use of eco-friendly shoe boxes. Finally, wasted lasts and old knives are kept in a skip to be recycled.

Glodina continues to be certified with the ISO14001 Environmental Management System and its latest SABS audit revealed only two insignificant areas for improvement. In addition, effluent trials are under way to reduce waste water further. No environmental incidents were reported during the year.

HEALTH AND SAFETY

Both **Hosaf** Durban and Hosaf Cape have health-care clinics on site and conduct annual health checks that include audiometric testing. The Durban site is also a member of SABCOHA – the South African Business Coalition on HIV/AIDS. This organisation provides HIV/AIDS-related education and support. Hosaf also runs an in-house AIDS awareness programme. Currently 83% of Hosaf Durban employees and 75% of Hosaf Cape employees are aware of their HIV status, having taken a voluntary HIV test.

In terms of safety monitoring, the last Alexander Forbes Risk Management audit rated Hosaf Durban at 90,4% and Hosaf Cape at 92%. With regard to legal compliance, no fines have been imposed for any reason this year.

At **Feltex**, employee wellness is managed via external health facilities such as Dr Maharaj Health Centre in Jacobs, where all employees are referred for primary health care. Annual medical checks are also carried out for all staff in line with the Occupational Health and Safety Act. In addition, literature is distributed to ensure employees are aware of chronic conditions and a Discovery Medical Aid consultant is on site each month to provide information and support on the management of a healthy lifestyle.

More specifically, Feltex is working towards SANS16001 AIDS certification in the future. In the meantime, it is subscribed to the OECD Development Assistance Committee HIV & AIDS Programme. This includes the training of committees, peer educators and champions to support both prevention and care initiatives. One of these, voluntary counselling and testing (VCT), is already well established at Feltex.

In terms of safety monitoring, some of the OHSAS18001 elements are being integrated into existing management systems. Indeed, the site achieved a rating of 80% at the last Alexander Forbes Risk Management audit and no fines have been imposed for any reason this year. In addition, there is an annual legal compliance audit, which is monitored monthly through the Continual Improvement Plan (CIP).

The **Industrial Footwear** division has an established on-site clinic offering the services of a full-time nursing sister, supported by a doctor who attends the clinic once a week. In addition, because of our close proximity to Faraday taxi rank, our dedicated and well-trained first aiders regularly help commuters with emergencies at this busy transport hub. The Industrial Footwear division also runs established HIV/AIDS voluntary counselling and testing programmes.

The division has a health and safety committee, and safety issues are rated on a regular basis by Alexander Forbes.

Industrial Footwear subsidiary **Mossop** has its own health centre facilities, annual medical checks for all staff and a comprehensive lifestyle management programme. A particular emphasis this year has been breast cancer awareness and Mossop offered breast examinations to all female employees in November 2009. With regard to HIV/AIDS, Mossop has full SANS16001 AIDS certification and, in line with this, a voluntary counselling and testing campaign (VCT) resulted in 130 employees knowing their status this year.

In terms of safety monitoring, Mossop runs the OHSAS18001 safety management system and also employs a risk management system. Mossop is also assessed on a regular basis by Alexander Forbes. Although there is room for improvement in compliance levels, the divisional risk rating has improved markedly over the last few years.

Employee wellness management consists of annual medical surveillance by a contracted external service provider. There are also plans to launch a formal HIV/AIDS management programme: money has been collected and put into trust for this purpose.

Safety management procedures meet legal requirements and the Department of Labour undertakes regular inspections: no significant compliance orders were issued. External certification is via the annual Alexander Forbes Risk Management audit, where the score improved to 81,8%. SEESA Labour was contracted to do an independent audit and help with determining a health and safety strategy, as well as to improve the current plan which is aimed at ensuring legal compliance. No fines have been imposed for any reason this year.

In terms of employee wellness, **Jordan** contributes to industry-subsidised health-care centres in areas close to where our employees reside, giving them exclusive access to quality health care at a fraction of the normal cost. The introduction of these health-care centres has significantly reduced absenteeism. At the workplace, we also host a family planning nurse once a month, giving female employees easy access to contraceptives. In addition to this, we also arrange annual pap smears for female employees at our premises, at no cost to the employees. Finally, we arrange for a professional service to do HIV testing (VCT) on our premises twice a year. In 2009, 219 employees took advantage of this opportunity.

In terms of employee safety, our OHSAS18001 Safety Management System has recently been audited by Alexander Forbes and we attained an 87% compliance rating.

Glodina's employee wellness is managed through an on-site clinic staffed by a full-time nurse and counsellor, as well as a doctor once a week. The clinic now has a dispensing licence and also runs a Weight Watchers programme, launched this year. Regular annual, entrance and exit medical checks are carried out, together with occupational health surveys. With regard to HIV/AIDS, Glodina is fully certified with the SANS16001 AIDS Management System. Its most recent voluntary counselling and testing (VCT) campaign had an uptake of 80%, assisted by the continued success of its peer education programme and its partnership with international NGO Jhpiego. Support in this area will be bolstered by the scheduling of management and supervisor training for the coming months.

In terms of safety monitoring, Glodina has external certification through the OHSAS18001 Safety Management System. Furthermore, the site achieved a rating of 92% at the last Alexander Forbes Risk Management audit in August 2009 and no fines have been imposed for any reason this year.

QUALITY MANAGEMENT

Both the Durban and Cape Town **Hosaf** sites are fully ISO9001 compliant and have been audited as such by Dekra.

Feltex has also maintained ISO9001 and TS16949 certification across all its sites in Durban, Port Elizabeth, East London and Rosslyn. In addition, several sites have won specific awards this year. Feltex Fehrer won an On Time Delivery Performance Award from Toyota Boshuku, while Rieter Feltex won two more awards: a Cost Management Award from Toyota and third place in the Rieter International Manufacturing Group Trophy.

The **Industrial Footwear** division has retained its ISO9001:2000 accreditation and has integrated the safety, health, environment and quality management systems into one system.

Mossop complies with ISO9001 and TS16949 certification and is continuously considering and introducing product and process innovations, such as its groundbreaking eco-friendly Earthwell range.

Bull Brand retained its HACCP and BRC certifications. Customers also regularly undertake SAFSIS audits and Bull Brand scored 90% on the last audit. Product and process innovations include the installation of highly automated can handling and labelling equipment, resulting in a reduction in wastage and damages.

Brenner Mills is externally audited on a regular basis to ensure that the highest standards of manufacturing are maintained.

Jordan now complies with the updated ISO9001:2008 and has been reawarded the SANS421:2008 mark. Our Quality Assurance Director is now permanently stationed in China and is continually enhancing our Q.A. systems there in order to achieve improved quality and delivery from China. The maintenance of the excellent quality reputation enjoyed by the company remains a key driver for the group.

Glodina continues to be certified through the ISO9001/TS16949 Quality Management System and there were no quality-related findings from the last SABS audit in May 2010. The company has also introduced an in-house embroidery project to ensure better quality control over the production process.

EMPLOYEE DEVELOPMENT

Hosaf Durban, in conjunction with Sasol and Engen, provides facilities for 12 apprentices in the fields of mechanical and electrical engineering, as well as learnerships for ten external candidates with the CTFL SETA. Hosaf Cape Town has two apprentices in the engineering department, as well as two learnerships in the production department in conjunction with the CTFL SETA.

Feltex currently has ten apprenticeships registered, of which three are African women. One apprentice successfully completed his trade test this year. Feltex also supports 47 learnerships, 264 skills programmes and six in-service trainees. In addition, 20 equity candidates have been identified for further training.

The **Industrial Footwear** has an established learnership programme and its learners are highly motivated. Some of these learners are children of employees and have already been earmarked for management development programmes. Furthermore, the Industrial Footwear division has a long-established policy of offering bursaries to deserving staff to further their studies in the fields of Commerce and Logistics.

Mossop has six employment equity candidates who are doing distance learning at the International School of Tanning Technology, while seven supervisors and trainee supervisors attended a management development programme at Durban University of Technology.

At **Bull Brands**, approval was received from the Food and Beverage SETA for 30 learnerships in food and beverage packaging to start in June 2010, while a training programme was initiated for training and employment equity committee members.

Brenner Mills has been granted discretionary funding by AgriSETA to implement a supervisory skills programme, a social economic training programme and MS Office training. This training will allow Brenner Mills to identify further training needs and to fast-track these employees. Additional funding for AgriTrade and generic management learnerships has also been secured. A combination of employed and unemployed learners have been identified to undergo the learnerships.

Adult Basic Education and Training (ABET) is also critical to the advancement of employees and Brenner Mills was proud to host an award ceremony this year for the first learners to have achieved their level 1 and level 2 ABET.

Jordan currently has 13 learners enrolled into its learnership programme, which runs over a period of eight months. Should these learners successfully complete their learnerships, they will also graduate with a certificate in footwear processes. We also actively develop key previously disadvantaged employees for succession purposes, providing them with the necessary skills they require for future growth within the organisation.

Glodina supports 12 apprenticeships and 28 learnerships, the latter working towards the National Certificate in General Textiles. Employee training this year has included training programmes for a number of equity candidates, as well as for textile technologists, supervisors and management. This includes leadership training and support for studying towards a BCom degree. Finally, we assist two employees with enterprise development skills.

CORPORATE SOCIAL INVESTMENT

Hosaf Durban gave financial assistance to the Women's Crisis Centre in Wentworth and also assisted Umbilo Secondary School by providing security gates and sponsorship for the school magazine. Hosaf Durban has also given support to local enterprises by donating a bale press and allocating space to enable local unemployed people to start a PET bottle collection business, with which Hosaf has committed to do business. In addition, Hosaf Durban provides a bursary for one employee's child to study at University.

Hosaf Cape Town supports the AIDS Treatment Centres in Bonteheuwel and Delft; Little Lambs, an outreach organisation in Du Noon working with babies and children living with HIV; and "Little Eden", a home for mentally and physically challenged children. Hosaf also continues to offer support to Golden Rewards CC, a company formed by one of Hosaf's employees to collect PET bottles and waste for recycling. Hosaf Cape Town also provides bursaries for four employees' children studying at University.

Feltex has donated R1,2 million worth of leather hides to community projects in the year under review: R300 000 worth to the KwaZulu-Natal Society for the Blind and R900 000 worth to the Umqhele Women's Organisation and Injiya Interiors. In addition, Feltex supports the Golden Girls Canteen, providing it with free parking, security, electricity and water. It also gives free parking to trucks from the New Horizon BEE transport scheme which operates out of Durban. In terms of bursaries for staff study, there are currently 11 employees registered on the part-time study scheme.

The **Industrial Footwear** division supports numerous charities with donations: these organisations include old age homes, orphanages, hospices, schools and HIV/AIDS centres. These donations are either in cash or in kind.

Mossop sponsors the "Ma's vir Wellington" initiative. This organisation feeds needy children in the Wellington community on a daily basis. MWL also supports a darts club, a choir group and a fun walk team. In addition, Mossop sells leathers at a discount to various BEE shoe companies in KwaZulu-Natal. In terms of bursaries for staff study, there are currently 12 employees registered on a variety of courses, as well as four employees' children being assisted with their studies too.

Bull Brands' commitment to enterprise development has led to the conclusion of contracts with taxi drivers to transport employees who work outside normal working hours, as well as with a canteen service provider, whom Bull Brands subsidises with free floor space, water and electricity. The company has also provided spaza shop owners with free point of sales material and continues to donate product to worthy community organisations.

Our sponsorship activity includes supporting an established black boxer, a number of upcoming black boxers, and a nursery boxing tournament, through the BRD Boxing academy. One production controller is studying towards his Production Management Diploma through a Bull Brands bursary.

Brenner Mills took the opportunity to use the World Cup as an opportunity to invite a local school, Itumeleng Primary, to visit the Mill. Educational tours of the Mill are arranged on a monthly basis with local schools to create awareness around the milling and production process.

In November 2009, **Jordan** adopted the Holy Cross Children's home in Ravensmead. Jordan hosts a monthly birthday party at the home for all the children who celebrate a birthday during that month. Assisting youth education in general, Olympic has also reached out to assist Ubunye Educare Centre this year: the centre looks after 120 children, whom Olympic both feeds and educates.

In the sporting arena, Asics and Olympic have maintained their cycling teams, with both teams performing exceptionally well in their respective divisions. Jordan, together with Asics and Olympic, has also recently formed a rugby and running sponsorship with the Jag Foundation to assist with the development of the youth in underprivileged schools. A further rugby initiative is Jordan's support of Tygerberg Rugby Club and Somerset College's hockey outreach project.

Glodina supports a number of community projects, including sponsorship of the Glodina soccer team, a surfing club and donations to local charities, schools, orphanages, old age homes and HIV/AIDS shelters. In terms of bursaries for staff study, there are currently 16 employees registered for part-time study, and one employee on a full-time bursary.

The **KAP head office** supports a number of local community projects, including the Boland School of Autism, various feeding schemes, Bowy House (a local AIDS orphanage), and the Little Lambs community support project in Milnerton. We also supply various organisations with food parcels. We also support a Paarl-based bursary holder currently studying sports management.

Little Angels

Brenner

MWL sponsors "Ma's vir Wellington" on a monthly basis. This organisation feeds needy children in the Wellinton community on a daily basis

Boland School for Autism

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 has complied therewith throughout the accounting period. The directors have recognised the need to conduct the enterprise with integrity and in accordance with generally accepted corporate practices. The board is currently evaluating the implications of the King III Report with a view to complying with its requirements by the effective date.

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, which serves both the holding company and its wholly-owned subsidiaries, 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, and those of executive and non-executive directors are strictly separated to ensure no director can exercise unfettered powers of decision-making. Major responsibilities of the board include nomination of the chairman and chief executive officer and other board members, a process which is conducted in a formal and transparent manner, 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 committee meetings for the year was as follows:

	Board		Audit and risk committee		Human resources and remuneration committee		Transformation committee	
	Scheduled	Attended	Scheduled	Attended	Scheduled	Attended	Scheduled	Attended
C E Daun	4	4						
J P Haveman	4	4	2	2				
M J Jooste	4	4			1	1		
J B Magwaza	4	4			1	1	1	1
I N Mkhari	4	2			1	1	1	1
F Möller	4	3						
S H Nomvete	4	4	2	2				
P C T Schouten	4	4	2	2	1	1	1	1
D M van der Merwe	4	4						
U Schäckermann	2	1						
K E Schmidt	2	2						
A B la Grange			2	2				
D Konar			2	2				

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-executive directors and one executive director.

REMUNERATION COMMITTEE

This committee performs the functions as envisaged in the guidelines set out in the King II 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 incentives.

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 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, monetary policy, 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.

The management of operational risk is a line function, conducted in compliance to 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 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

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 monthly management representations across all group divisions. These representations include statements regarding the adequacy of internal control, compliance with regulations and financial accuracy. Local management is also monitored against internal control norms in other group divisions 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).

The objective of internal audit is to assist the board in the effective discharge of its responsibilities. The work of internal audit is further discussed in the report of the audit and risk committee.

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 40 to 83 have been prepared on the going concern basis since the directors have every reason to believe that the company and group have adequate resources in place to continue in operation for the foreseeable future.

EMPLOYEE PARTICIPATION

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

EMPOWERMENT AND EMPLOYMENT EQUITY

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

COMPANY SECRETARY

All directors have access to the advice and services of the company secretary and are entitled and authorised to seek independent and professional advice about affairs of the group at the group's expense. The company secretary is responsible for the duties set out in section 268G of the Companies Act. The certificate required to be signed in terms of subsection (d) appears on page 42.

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 include 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

The group 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.

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

We have audited the group annual financial statements and annual financial statements of KAP International Holdings Limited, which comprise the directors' report, the report of the audit and risk committee, the consolidated and separate statements of financial position as at 30 June 2010, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 41 to 83.

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, the AC 500 standards as issued by the Accounting Practices Board, 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 consolidated and separate financial position of KAP International Holdings Limited as at 30 June 2010, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, the AC 500 standards as issued by the Accounting Practices Board, and in the manner required by the Companies Act of South Africa.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per R J Hofmeyr
Partner

6 September 2010

1st Floor The Square
Cape Quarter
27 Somerset Road
Green Point
Cape Town
8005

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; M J Comber, 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 are pleased to present the annual financial statements of the company and the group for the year ended 30 June 2010.

HOLDING COMPANY

At the date of this report, the company has no majority shareholder. The largest minority shareholders are Daun & Cie AG (41,2%) and Steinhoff Africa Holdings (Pty) Limited (31,5%). 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 canned and value-added meals, maize milling, automotive and leather products, footwear, speciality fibres, bottle resin, automotive components and towelling products. Their activities are dealt with more fully in the annual report.

FINANCIAL RESULTS

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

CAPITAL DISTRIBUTION

The board has approved a capital distribution of 7 cents per share.

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 2010 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
K E Schmidt	Independent non-executive director (appointed 1 March 2010)
U Schäckermann	Independent non-executive director (appointed 1 March 2010)
J B Magwaza	Independent non-executive director
I N Mkhari	Independent non-executive director
S H Nomvete	Independent non-executive director

Directors retiring by rotation are Messrs P C T Schouten, S H Nomvete and Ms I N Mkhari. Directors appointed by the board and retiring by rotation are Messrs K E Schmidt and U Schäckermann. These directors are all eligible and offer themselves for re-election. Details of each of the directors are set out on pages 8 and 9 of this annual report.

COMPANY SECRETARY

M Balladon

The company secretary's business and postal address is set out on page 91 of this annual report.

DIRECTORS' SHAREHOLDING

At 30 June 2010, the present directors of the company held direct and indirect interests in 175 807 101 shares or 41,4% (2009: 203 695 351 shares or 48,0%) of the company's issued ordinary shares. Further details are set out in note 31 to the financial statements.

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

CORPORATE GOVERNANCE

The group complies with the JSE Limited Listings Requirements and in all material respects with the Code of Corporate Practices and Conduct published in the King II Report on Corporate Governance. The implications of the King III Report are being considered. 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 R88,0 million (2009: R60,8 million). The aggregate net losses amount to R0,7 million (2009: R157,2 million).

BORROWING FACILITIES AND LIMITS

The group's borrowing facilities and usage thereof are set out in notes 12 and 19. In terms of the articles of association of the company and its subsidiaries, there is no limitation of borrowing powers.

SPECIAL RESOLUTIONS

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

SUBSEQUENT EVENTS

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

RESPONSIBILITY OF DIRECTORS

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

The directors, supported by the audit committee, are of the opinion, based on the information and explanations given by management, that the group's internal accounting controls are adequate, and the financial records may be relied upon for preparing the financial statements and maintaining accountability for assets and liabilities. The internal controls are designed to provide an acceptable, but not absolute, level of assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the group's policies and procedures. These controls are implemented by trained and skilled personnel with appropriate segregation of duties, and are monitored by management. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements set out in this report have been prepared by management in accordance with IFRS, the AC 500 standards as issued by the Accounting Practices Board, 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.

REPORT OF THE AUDIT AND RISK COMMITTEE

The report of the audit and risk committee, as required in terms of section 270A of the Corporate Laws Amendment Act, 2006, is set out on page 43 of this annual report.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements and group annual financial statements for the year ended 30 June 2010, set out on pages 40 to 83, were approved by the board of directors and are signed on its behalf by

C E Daun
Non-executive chairman

P C T Schouten
Chief executive officer

6 September 2010

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

6 September 2010

1 New Street, Paarl

REPORT OF THE AUDIT AND RISK COMMITTEE

The audit and risk committee has a charter, approved by the board, dealing with its membership, authority and responsibility, and acts as the audit and risk committee of the holding company and its subsidiaries.

Following the appointment of two further independent non-executive directors to the committee on 1 March 2010, the committee now comprises Dr D Konar (chairman), A B la Grange, three independent non-executive directors, the CEO and the CFO. The group company secretary is secretary of this committee. The committee is considered to have sufficient financial skills and knowledge to carry out its duties and responsibilities. Attendance at meetings by other directors and management is by way of invitation.

The committee met twice during the year, with full attendance by all members.

The committee has formal rules regulating the services and conditions of usage of non-audit services provided by the external auditors governing, inter alia, compliance issues and taxation. These rules are reviewed on an annual basis. The committee is satisfied that the external auditor is independent of the company, and makes a recommendation annually on the appointment of the external auditors by the shareholders, and of the internal auditors by the board. The committee considers and determines the fees and terms of engagement of the external auditors.

The group maintains internal controls and systems designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for its assets. The committee considers the accounting policies, practices and financial statements to be appropriate.

KPMG, the group's internal auditors, operate in terms of the Internal Audit Charter and under the direction of the audit committee which approves the scope of the work to be performed. Significant findings are reported to both executive management and the audit and risk committee and corrective action is taken to address identified internal control deficiencies. The committee approved a three-year internal audit plan, compiled using a risk-based approach and extensive consultation between the internal auditors and group management, taking into consideration the identified risks affecting the group. The coverage of the three-year plan is reviewed annually. The internal auditors attend all meetings of the committee.

The external and internal auditors have unrestricted access to this committee and attend committee meetings. The committee reviews detailed reports from both the external and internal auditors and the chairman of the committee reports on the findings of the internal and external auditors at board meetings.

The committee reviews the group risk registers along with management's action plans in this regard. The risk registers are updated at least annually.

The committee reviews the effectiveness of the system of internal control adopted by group companies, with reference to the findings of the external and internal auditors. The committee reviews and approves all financial information distributed to shareholders. Amongst other issues considered in meetings during the course of the year were reviews of the draft annual and interim reports, accounting policies, legal and regulatory compliance status, corporate governance compliance status, taxation compliance status, risk management issues, ethics issues and the nature of legal actions in which the group is involved.

The provisions of the Corporate Laws Amendment Act, 2006, as they affect audit committees, have been amended. The committee acts as such for wholly-owned group subsidiaries. Nothing has come to the attention of the audit and risk committee, the directors, or to the attention of the internal or external auditors, to indicate that any material breakdown in the functioning of the group's key internal controls and systems has occurred during the year under review.

The committee believes that John Peter Haveman, the group finance director, possesses the appropriate expertise and experience to meet his responsibilities in that position as required by the JSE. The committee is satisfied with the expertise and adequacy of resources within the finance function and the experience of the divisional financial managers. Based on the processes and assurance obtained, the committee believes that the accounting practices are effective.

The board of directors believes that the committee has satisfied its responsibilities for the year in compliance with its terms of reference.

STATEMENTS OF FINANCIAL POSITION
as at 30 June 2010

	Notes	GROUP 30 Jun 2010 Rm	GROUP 30 Jun 2009 Rm	COMPANY 30 Jun 2010 Rm	COMPANY 30 Jun 2009 Rm
Assets					
Non-current assets					
Property, plant and equipment	2	926,3	934,4	0,7	1,1
Investment property	3	19,4	5,5	0,2	0,2
Goodwill	4	66,7	66,7	–	–
Interests in subsidiaries	5	–	–	819,1	999,2
Interests in joint ventures	6	22,7	22,1	0,7	0,7
Pension fund surplus	7	25,1	30,4	–	–
Deferred taxation assets	8	68,3	107,3	1,2	0,9
		1 128,5	1 166,4	821,9	1 002,1
Current assets					
Pension fund surplus	7	9,0	9,0	–	–
Inventories	9	646,3	675,8	–	–
Accounts receivable	11	612,0	538,3	3,3	6,1
SARS – income taxation receivable		0,1	0,6	–	0,3
Bank balances and cash	12	101,8	58,5	4,3	–
Assets held-for-sale	13	12,5	60,0	–	–
		1 381,7	1 342,2	7,6	6,4
Total assets		2 510,2	2 508,6	829,5	1 008,5
Equity and liabilities					
Capital and reserves					
Issued share capital	14	84,9	84,9	84,9	84,9
Share premium	15	844,6	844,6	844,6	844,6
Foreign currency translation reserve		–	–	–	–
Share-based payment reserve	16	1,0	–	1,0	–
Retained income/(accumulated loss)	17	396,5	309,1	(144,8)	(144,0)
Equity attributable to equity holders of the parent		1 327,0	1 238,6	785,7	785,5
Non-controlling interest	18	37,7	33,5	–	–
Total equity		1 364,7	1 272,1	785,7	785,5
Non-current liabilities					
Interest-bearing borrowings	19	30,5	29,6	–	–
Retirement benefit obligations	20	10,6	11,3	–	–
Deferred taxation liabilities	8	20,6	23,8	–	–
		61,7	64,7	–	–
Current liabilities					
Accounts payable	21	633,4	588,5	4,3	5,5
SARS – income taxation payable		3,4	2,5	0,3	0,3
Interest-bearing borrowings	19	72,7	193,5	–	41,8
Bank overdrafts	12	324,2	342,0	37,3	175,0
Provisions	22	50,1	37,0	1,9	0,4
Liabilities directly associated with assets held-for-sale	13	–	8,3	–	–
		1 083,8	1 171,8	43,8	223,0
Total liabilities		1 145,5	1 236,5	43,8	223,0
Total equity and liabilities		2 510,2	2 508,6	829,5	1 008,5

STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 30 June 2010

		GROUP		COMPANY	
		Year ended 30 Jun 2010	Year ended 30 Jun 2009	Year ended 30 Jun 2010	Year ended 30 Jun 2009
	Notes	Rm	Rm	Rm	Rm
Continuing operations					
Revenue	23	3 970,5	3 839,0	23,6	21,4
Cost of sales		(3 139,7)	(3 021,8)	–	–
Gross profit		830,8	817,2	23,6	21,4
Other operating income		19,6	18,1	0,1	21,2
Operating expenses		(652,2)	(682,8)	(24,7)	(23,4)
Operating profit before restructuring costs		198,2	152,5	(1,0)	19,2
Restructuring costs		(3,7)	(19,9)	–	–
Operating profit/(loss)	24	194,5	132,6	(1,0)	19,2
Interest paid	25	(56,4)	(62,4)	(1,7)	(62,9)
Interest received	25	3,7	3,1	0,7	76,9
Other costs		–	(4,1)	–	(4,1)
Share of results of joint ventures	6	3,0	2,7	–	–
Profit/(loss) before taxation and impairment of subsidiaries		144,8	71,9	(2,0)	29,1
Net subsidiary impairment reversals and loan write-offs		–	–	0,9	–
Profit/(loss) before taxation		144,8	71,9	(1,1)	29,1
Taxation	26	(48,7)	(20,5)	0,3	(3,6)
Profit/(loss) after taxation from continuing operations		96,1	51,4	(0,8)	25,5
Discontinued operations					
Revenue	23, 27	29,7	725,2	–	–
Operating profit/(loss) before restructuring costs	27	0,5	(15,3)	–	–
Net loss from discontinued operations	27	(2,4)	(84,1)	–	–
Total profit/(loss) for the year		93,7	(32,7)	(0,8)	25,5
Other comprehensive income		–	(0,3)	–	–
Total comprehensive income for the year		93,7	(33,0)	(0,8)	25,5
Profit/(loss) attributable to:					
Owners of the company		87,4	(37,3)	(0,8)	25,5
Non-controlling interest		6,3	4,6	–	–
		93,7	(32,7)	(0,8)	25,5
Total comprehensive income attributable to:					
Owners of the company		87,4	(37,6)	(0,8)	25,5
Non-controlling interest		6,3	4,6	–	–
		93,7	(33,0)	(0,8)	25,5
Earnings per share					
Earnings/(loss) per share (cents)	28	20,6	(8,8)		
Continuing operations		21,2	11,0		
Headline earnings/(loss) per share (cents)	28	21,0	(3,2)		
Continuing operations		21,2	11,4		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2010

		GROUP		COMPANY	
	Notes	Year ended 30 Jun 2010 Rm	Year ended 30 Jun 2009 Rm	Year ended 30 Jun 2010 Rm	Year ended 30 Jun 2009 Rm
SHARE CAPITAL					
Issued share capital					
Balance at the beginning of the year		84,9	84,9	84,9	84,9
Movement for the year		–	–	–	–
Balance at the end of the year	14	84,9	84,9	84,9	84,9
Share premium					
Balance at the beginning of the year		844,6	844,6	844,6	844,6
Capital distributions	29	–	–	–	–
Balance at the end of the year	15	844,6	844,6	844,6	844,6
RESERVES					
Foreign currency translation reserve					
Balance at the beginning of the year		–	0,3	–	–
Other comprehensive losses		–	(0,3)	–	–
Balance at the end of the year		–	–	–	–
Share-based payment reserve					
Balance at the beginning of the year		–	–	–	–
Movement for the year		1,0	–	1,0	–
Balance at the end of the year	16	1,0	–	1,0	–
Retained income/(accumulated loss)					
Balance at the beginning of the year		309,1	346,4	(144,0)	(169,5)
Total comprehensive income for the year		87,4	(37,3)	(0,8)	25,5
Total profit/(loss) for the year		87,4	(37,3)	(0,8)	25,5
Other comprehensive income		–	–	–	–
Balance at the end of the year	17	396,5	309,1	(144,8)	(144,0)
NON-CONTROLLING INTEREST					
Balance at the beginning of the year		33,5	32,5	–	–
Share of net profit for the year		6,3	4,6	–	–
Dividends paid		(2,1)	(3,6)	–	–
Balance at the end of the year	18	37,7	33,5	–	–
TOTAL EQUITY		1 364,7	1 272,1	785,7	785,5

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2010

	Notes	GROUP Year ended 30 Jun 2010 Rm	GROUP Year ended 30 Jun 2009 Rm	COMPANY Year ended 30 Jun 2010 Rm	COMPANY Year ended 30 Jun 2009 Rm
Cash flows from operating activities					
Cash receipts from customers		3 934,5	4 722,9	–	–
Cash paid to suppliers and employees		(3 637,5)	(4 354,8)	3,9	21,3
Cash generated from operations	30.1	297,0	368,1	3,9	21,3
Net interest (paid)/received		(54,2)	(77,5)	(1,0)	14,0
Taxation (paid)/refunded	30.2	(8,9)	(14,2)	0,3	0,3
Net cash inflow from operating activities		233,9	276,4	3,2	35,6
Cash flows from investing activities					
Purchase of property, plant and equipment					
To maintain operations		(34,2)	(68,4)	–	(0,5)
To expand operations		(29,1)	(189,0)	(0,5)	–
Proceeds on disposals of property, plant and equipment		18,4	19,8	0,1	–
Decrease/(increase) in interests in subsidiaries		–	–	181,0	(266,6)
Increase in loan to joint venture		(0,8)	(1,4)	–	–
Dividends received from joint venture		3,2	7,7	–	–
Proceeds on disposal of other investments		–	0,8	–	–
Net cash (outflow)/inflow from investing activities		(42,5)	(230,5)	180,6	(267,1)
Total cash flows from operating and investing activities		191,4	45,9	183,8	(231,5)
Cash flows from financing activities					
Capital distributions		–	–	–	–
Dividends and distributions paid to minorities		(2,1)	(3,6)	–	–
Decrease in interest-bearing borrowings, excluding bank overdrafts		(128,2)	(114,0)	(41,8)	–
Decrease in interest-free borrowings		–	(27,0)	–	–
Net cash outflow from financing activities		(130,3)	(144,6)	(41,8)	–
Net increase/(decrease) in cash and cash equivalents		61,1	(98,7)	142,0	(231,5)
Cash and cash equivalents at the beginning of the year	12	(283,5)	(184,8)	(175,0)	56,5
Cash and cash equivalents at the end of the year	12	(222,4)	(283,5)	(33,0)	(175,0)

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 and the AC 500 standards as issued by the Accounting Practices Board. 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 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 or loss in the year of acquisition. Non-controlling interests in the net consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling 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. 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 non-controlling interest in excess of the non-controlling 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 or jointly controlled entity at the date of acquisition.

Positive goodwill is recognised as an asset and annually reviewed for impairment. Negative goodwill is recognised immediately in comprehensive income.

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

1.4 Property, plant and equipment

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

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

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 profit or loss 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 reporting 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 profit or loss.

1.6 Impairment of tangible and intangible assets

At each reporting 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 profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised in other comprehensive income. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income 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 profit or loss 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, and are set off against bank overdrafts only 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 statement of financial position 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.

1.12.1 **Financial assets**

1.12.1.1 Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables".

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

1.12.1.2 Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

1.12.2 **Financial liabilities**

Financial liabilities are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

1.12.3 **Equity instruments**

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

1.12.4 **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 are recognised in profits or loss.

1.12.5 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 other comprehensive income are included in profit or loss.

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 profit or loss.

1.13 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.

1.14 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.

1.15 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 statement of financial position 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 profit or loss 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.

1.16 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 reporting 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 post-retirement medical aid benefit obligation recognised in the statement of financial position 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.

1.17 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 in profit or loss using the effective interest rate method.

1.18 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 reporting date, and are discounted to present value where the effect is material.

1.19 **Trade payables**

Trade payables are stated at their nominal value.

1.20 **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold 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.

1.21 **Foreign currencies**

1.21.1 **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 reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting 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 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 other comprehensive income. In order to hedge its exposure to certain foreign exchange risks, the group enters into forward exchange contracts.

1.21.2 **Foreign subsidiaries**

On consolidation, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the year.

Exchange differences arising, if any, are classified as other comprehensive income and transferred to the group's translation reserve. Such translation differences are recognised in profit or loss in the year in which the operation is disposed of.

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.

1.22 **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.

1.23 **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.

1.24 **Research and development costs**

Research and development expenditure is charged to profit or loss in the year in which it is incurred.

1.25 **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 negative goodwill.

1.26 **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 statement of comprehensive income 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 reporting 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. 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 reporting 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 profit or loss, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred taxation is also accounted for in other comprehensive income or directly in equity.

1.27 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 reporting date.

1.28 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 non-controlling interests. Capital expenditure includes additions to property, plant and equipment.

1.29 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.

1.30 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 reporting 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.

1.31 Distribution cover

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

1.32 Offset

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

	Total Rm	Land and buildings owned Rm	Plant and machinery owned Rm	Other assets owned Rm	Land and buildings leased Rm	Plant and machinery leased Rm	Other assets leased Rm
2 PROPERTY, PLANT AND EQUIPMENT							
GROUP 2010							
COST							
Balance at the beginning of the year	1 137,4	193,4	847,5	88,8	0,3	3,0	4,4
Additions	63,0	1,8	42,9	9,5	–	8,8	–
Disposals	(42,8)	–	(32,0)	(10,8)	–	–	–
Transfers from held-for-sale assets	21,0	–	18,9	1,6	–	0,5	–
Balance at the end of the year	1 178,6	195,2	877,3	89,1	0,3	12,3	4,4
ACCUMULATED DEPRECIATION AND IMPAIRMENTS							
Balance at the beginning of the year	(203,0)	(1,1)	(146,2)	(50,6)	(0,2)	(1,8)	(3,1)
Depreciation	(70,8)	(0,5)	(55,5)	(14,5)	(0,1)	(0,2)	–
Disposals	40,2	–	30,2	10,0	–	–	–
Impairments	(0,3)	–	–	(0,3)	–	–	–
Transfers from held-for-sale assets	(18,4)	–	(18,0)	(0,4)	–	–	–
Balance at the end of the year	(252,3)	(1,6)	(189,5)	(55,8)	(0,3)	(2,0)	(3,1)
Carrying value	926,3	193,6	687,8	33,3	–	10,3	1,3
COMPANY 2010							
COST							
Balance at the beginning of the year	3,0	–	–	3,0	–	–	–
Additions	0,5	–	–	0,5	–	–	–
Disposals	(0,3)	–	–	(0,3)	–	–	–
Balance at the end of the year	3,2	–	–	3,2	–	–	–
ACCUMULATED DEPRECIATION							
Balance at the beginning of the year	(1,9)	–	–	(1,9)	–	–	–
Depreciation	(0,5)	–	–	(0,5)	–	–	–
Disposals	0,2	–	–	0,2	–	–	–
Impairments	(0,3)	–	–	(0,3)	–	–	–
Balance at the end of the year	(2,5)	–	–	(2,5)	–	–	–
Carrying value	0,7	–	–	0,7	–	–	–

	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	–	–	–

Details of the freehold land and buildings of the group are recorded in registers which may be inspected by the members or their duly authorised agents, at the various group companies' registered offices. Certain items of plant and machinery and other assets are encumbered as security for liabilities of the company and the group as set out in note 19.

The market value of the land and buildings is R560,8 million (2009: R595,2 million) based on a index-based valuation performed by independent valuators Rode and Associates CC.

Borrowing costs capitalised to the cost of plant and equipment during 2009 amounted to R18,1 million at the prime interest rate. No borrowing costs were capitalised during the current reporting period.

		GROUP		COMPANY	
		30 Jun 2010	30 Jun 2009	**30 Jun 2010**	30 Jun 2009
		Rm	Rm	**Rm**	Rm
3	**INVESTMENT PROPERTY**				
	COST				
	Balance at the beginning of the year	**6,5**	1,5	**0,2**	0,2
	Additions	**0,3**	1,0	**–**	–
	Transfers from owner occupied property	**–**	4,0	**–**	–
	Transfers from held-for-sale	**13,7**	–	**–**	–
	Balance at the end of the year	**20,5**	6,5	**0,2**	0,2
	ACCUMULATED DEPRECIATION				
	Balance at the beginning of the year	**(1,0)**	(0,9)	**–**	–
	Transfers from owner occupied property	**–**	(0,1)	**–**	–
	Transfers from held-for-sale	**(0,1)**	–	**–**	–
	Balance at the end of the year	**(1,1)**	(1,0)	**–**	–
	Carrying value	**19,4**	5,5	**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 R1,3 million (2009: R1,1 million) was received and direct expenses of R1,6 million (2009: R1,0 million) were incurred in respect of investment property.

The market value of investment properties with a total carrying value of R13,5 million was determined as being R29,1 million as at 30 June 2010 (2009: R2,6 million). The remaining investment property has not been valued due to pending rezoning applications.

		GROUP	
		30 Jun 2010	30 Jun 2009
		Rm	Rm
4	**GOODWILL**		
	Cost		
	Balance at the beginning of the year	**66,7**	60,5
	Arising on business combinations	**–**	6,2
	Balance at the end of the year	**66,7**	66,7
	Carrying value	**66,7**	66,7

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. Cash flow 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 2010	**Forecast cash flows 2010**	Discount rate 2009	Forecast cash flows 2009	**Goodwill 2010 Rm**	Goodwill 2009 Rm
Caravelle Carpets	12,1%	5 years, 5% growth rate	13,6%	7 years, 5% growth rate	**4,9**	4,9
Brenner Mills	12,1%	7 years, 5% growth rate	13,6%	7 years, 10% growth rate	**61,8**	61,8
					66,7	66,7

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.

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

		COMPANY 30 Jun 2010 Rm	COMPANY 30 Jun 2009 Rm
5	**INTERESTS IN SUBSIDIARIES**		
	Investments in subsidiaries	59,8	90,8
	Shares at cost	82,3	113,3
	Provisions against investments	(22,5)	(22,5)
	Net loans to subsidiaries	759,3	908,4
	Net loans to subsidiaries at cost	918,5	1 099,1
	Provisions against loans	(159,2)	(190,7)
	Carrying value	819,1	999,2

The details of the subsidiaries are noted in Annexure A.

The company has deferred its right to claim repayments of loans amounting to R159,2 million (2009: R191,2 million) owing to it by subsidiary companies in favour of creditors for as long as the net liabilities of the subsidiaries exceed their net assets.

		GROUP 30 Jun 2010 Rm	GROUP 30 Jun 2009 Rm	COMPANY 30 Jun 2010 Rm	COMPANY 30 Jun 2009 Rm
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)	3,6	3,8	–	–
	Carrying value of investments before loans	14,4	14,6	0,7	0,7
	Unsecured loans to joint ventures	8,3	7,5	–	–
	Carrying value including loans receivable	22,7	22,1	0,7	0,7
	Directors' valuation	22,7	22,1	1,8	1,6

	Percentage holding 2010 %	Percentage holding 2009 %	Cost 2010 Rm	Cost 2009 Rm	Post-acquisition reserves 2010 Rm	Post-acquisition reserves 2009 Rm	Loans to 2010 Rm	Loans to 2009 Rm	Net carrying amount 2010 Rm	Net carrying amount 2009 Rm
Group										
Rieter Feltex Automotive Manufacturing (Pty) Ltd[1]	49	49	9,6	9,6	2,8	(0,4)	–	–	12,4	9,2
Rieter Feltex (Pty) Ltd[1]	–	49	–	–	–	4,6	–	–	–	4,6
Futuris Feltex (Pty) Ltd[1]	50	50	–	–	0,2	(0,8)	8,3	7,5	8,5	6,7
Cell Captive Number 22 of Guardrisk Insurance Company Ltd[2]	50	50	1,2	1,2	0,6	0,4	–	–	1,8	1,6
			10,8	10,8	3,6	3,8	8,3	7,5	22,7	22,1

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.

During the year Rieter Feltex (Pty) Ltd amalgamated into Rieter Feltex Automotive Manufacturing (Pty) Ltd through a business amalgamation.

		GROUP 30 Jun 2010 Rm	GROUP 30 Jun 2009 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	67,3	70,8
	Net profit before taxation	5,2	5,2
	Taxation	(2,2)	(2,5)
	Net profit after taxation	3,0	2,7
	Equity and liabilities		
	Share capital and premium	0,9	0,7
	Non-distributable reserves	–	0,7
	Distributable reserves	13,6	13,1
	Long-term liabilities	11,0	14,0
	Deferred taxation	2,1	2,0
	Current liabilities	25,2	14,0
	Total equity and liabilities	52,8	44,5
	Assets		
	Property, plant and equipment	19,0	20,8
	Other current assets	20,6	9,6
	Cash and cash equivalents	13,2	14,1
	Total assets	52,8	44,5

		GROUP 30 Jun 2010 Rm	GROUP 30 Jun 2009 Rm	COMPANY 30 Jun 2010 Rm	COMPANY 30 Jun 2009 Rm
7	**PENSION FUND SURPLUS**				
	Balance at the beginning of the year	39,4	48,4	–	–
	Investment returns/(losses)	2,8	(0,1)	–	–
	Utilised for contribution holiday	(8,1)	(8,9)	–	–
	Balance at the end of the year	34,1	39,4	–	–
	Less: current portion	(9,0)	(9,0)	–	–
	Non-current portion	25,1	30,4	–	–

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

		GROUP 30 Jun 2010 Rm	GROUP 30 Jun 2009 Rm	COMPANY 30 Jun 2010 Rm	COMPANY 30 Jun 2009 Rm
8	**DEFERRED TAXATION**				
	Deferred taxation assets	68,3	107,3	1,2	0,9
	Deferred taxation liabilities	(20,6)	(23,8)	–	–
	Net deferred taxation asset	47,7	83,5	1,2	0,9
	Balance at the beginning of the year	83,5	53,8	0,9	4,5
	Movement during the period attributable to:				
	– temporary differences	(35,8)	29,7	0,3	(3,6)
	Balance at the end of the year	47,7	83,5	1,2	0,9
	The balance consists of the following temporary differences:				
	Property, plant and equipment	(153,7)	(136,7)	–	–
	Taxation losses	177,1	192,6	0,4	0,8
	Provisions	26,1	28,1	0,8	0,1
	Prepayments	(1,8)	(0,5)	–	–
		47,7	83,5	1,2	0,9

The group has estimated taxation losses amounting to Rnil (2009: R3,6 million) for which no deferred taxation asset has been recognised.

		GROUP 30 Jun 2010 Rm	GROUP 30 Jun 2009 Rm	COMPANY 30 Jun 2010 Rm	COMPANY 30 Jun 2009 Rm
9	**INVENTORIES**				
	Raw materials	148,8	231,4	–	–
	Finished goods	317,1	331,4	–	–
	Work in progress	54,0	66,8	–	–
	Consumable stores	30,7	26,5	–	–
	Goods in transit	109,8	65,0	–	–
	Less: provision for obsolescence	(14,1)	(19,2)	–	–
	Reclassification to assets held-for-sale	–	(26,1)	–	–
	Carrying value	646,3	675,8	–	–
	Included in the amounts above are the following inventories held at net realisable value	67,4	72,5	–	–

The cost of inventories recognised as an expense during the year in respect of continuing operations was R2 651,8 million (2009: R2 541,0 million).

The cost of inventories recognised as an expense includes R0,8 million (2009: R1,8 million) in respect of write-downs of inventory to net realisable value.

	GROUP 30 Jun 2010 Rm	GROUP 30 Jun 2009 Rm	COMPANY 30 Jun 2010 Rm	COMPANY 30 Jun 2009 Rm
10 **BIOLOGICAL ASSETS**				
Cattle				
Reconciliation of changes in carrying value of biological assets				
Balance at the beginning of the year	–	189,1	–	–
Purchases	–	348,1	–	–
Production and allocated overhead costs	–	160,7	–	–
Sales	–	(693,8)	–	–
Losses arising from change in fair value	–	(4,1)	–	–
Balance at the end of the year	–	–	–	–

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

	GROUP 30 Jun 2010 Rm	GROUP 30 Jun 2009 Rm	COMPANY 30 Jun 2010 Rm	COMPANY 30 Jun 2009 Rm
11 **ACCOUNTS RECEIVABLE**				
Trade receivables	563,6	497,9	–	–
Less: provision for impairment of trade receivables	(21,1)	(17,8)	–	–
Prepayments and deposits	12,4	11,4	0,1	0,1
SARS – VAT	20,8	22,5	–	–
Other receivables	35,4	24,3	3,2	6,0
Net forward exchange contract assets	0,9	–	–	–
Carrying value	612,0	538,3	3,3	6,1

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.

	GROUP 30 Jun 2010 Rm	GROUP 30 Jun 2009 Rm	COMPANY 30 Jun 2010 Rm	COMPANY 30 Jun 2009 Rm
Movement on the provision for impairment of trade receivables is as follows:				
Balance at the beginning of the year	17,8	8,2	–	–
Charged to profit or loss	3,3	9,6	–	–
Balance at the end of the year	21,1	17,8	–	–
Ageing of impaired accounts receivable:				
0 – 30 days	1,4	0,3	–	–
31 – 60 days	0,5	7,4	–	–
61 – 90 days	0,1	0,8	–	–
91 – 120 days	1,9	3,3	–	–
120 days +	17,2	6,0	–	–
Total	21,1	17,8	–	–

At 30 June 2010 receivables amounting to R76,2 million (2009: R77,5 million) were past due but not impaired. These relate to customers who have no recent history of default.

	GROUP 30 Jun 2010 Rm	GROUP 30 Jun 2009 Rm	COMPANY 30 Jun 2010 Rm	COMPANY 30 Jun 2009 Rm
The period by which these debtors exceed their payment terms is shown below:				
0 – 30 days	28,0	44,2	–	–
31 – 60 days	20,4	11,3	–	–
61 – 90 days	23,2	10,2	–	–
91 – 120 days	1,9	11,3	–	–
120 days +	2,7	0,5	–	–
Total	76,2	77,5	–	–
The ageing of these receivables is shown below:				
0 – 30 days	–	–	–	–
31 – 60 days	29,2	28,2	–	–
61 – 90 days	33,3	17,3	–	–
91 – 120 days	9,4	15,0	–	–
120 days +	4,3	17,0	–	–
Total	76,2	77,5	–	–

The total past due receivables covered by credit insurance amounts to R28,1 million (2009: R17,8 million).

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.

		GROUP		COMPANY	
		30 Jun 2010 Rm	30 Jun 2009 Rm	**30 Jun 2010 Rm**	30 Jun 2009 Rm
12	**CASH AND CASH EQUIVALENTS**				
	Bank balances and cash	**101,8**	58,5	**4,3**	–
	Bank overdrafts	**(324,2)**	(342,0)	**(37,3)**	(175,0)
	Cash and cash equivalents	**(222,4)**	(283,5)	**(33,0)**	(175,0)

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

Bank overdrafts are repayable on demand.
At year-end the group had the following facilities:

FirstRand Bank Ltd
Short-term banking facility of R200 million, a R2 million long-term guarantee facility and a R32 million asset-based finance facility secured by an unlimited cross-suretyship in favour of KAP International Holdings Ltd, Bull Brand Foods (Pty) Ltd, Feltex Holdings (Pty) Ltd, Dano Textile Industries (Pty) Ltd, Brenner Holdings (Pty) Ltd, Brennco Feed Mills (Pty) Ltd, Log 74 (Pty) Ltd and Brenner Mills (Pty) Ltd and an unrestricted cession of credit balances held at FirstRand Bank.

The 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 by an 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 by an unlimited cross-suretyship in favour of Feltex Holdings (Pty) Ltd, Conshu Holdings Ltd, Dano Textile 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 by an 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.

		GROUP	
		30 Jun 2010 Rm	30 Jun 2009 Rm
13	**ASSETS AND LIABILITIES OF DISPOSAL GROUPS AND NON-CURRENT ASSETS HELD-FOR-SALE**		
	DISPOSAL GROUPS		
	Disposal group assets and liabilities		
	Property, plant and equipment	**11,6**	36,1
	Remeasurement of disposal group allocated to PPE	**–**	(15,9)
	Disposal group inventory	**0,9**	26,1
	Total assets of disposal group	**12,5**	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	**12,5**	60,0
	Total liabilities associated with assets classified as held-for-sale	**–**	8,3

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

Due to volatile and lower beef prices, a decision was taken in the previous period 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 in the previous period to either close or dispose of the division.

		GROUP		COMPANY	
		30 Jun 2010 Million	30 Jun 2009 Million	**30 Jun 2010 Million**	30 Jun 2009 Million
14	**ISSUED SHARE CAPITAL**				
	All share numbers refer to ordinary shares with a par value of 20 cents each.				
	Authorised (number of shares)				
	Ordinary shares	**1 200,0**	1 200,0	**1 200,0**	1 200,0
	Issued (number of shares)				
	Balance at the beginning 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
15	**SHARE PREMIUM**				
	Balance at the beginning of the year	**844,6**	844,6	**844,6**	844,6
	Movement for the year	**–**	–	**–**	–
	Balance at the end of the year	**844,6**	844,6	**844,6**	844,6
16	**SHARE-BASED PAYMENT RESERVE**				
	Balance at the beginning of the year	**–**	–	**–**	–
	Movement for the year	**1,0**	–	**1,0**	–
	Balance at the end of the year	**1,0**	–	**1,0**	–

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 2010**	30 Jun 2009
Grant date	**1 Jul 2009**	1 Jul 2008
Exercise price	**R0,20**	R0,20
Volume weighted average price at grant date	**R1,35**	R2,19
Options granted (millions)	**14,4**	9,3
Maximum term of option	**3 years**	3 years
Volatility	**34%**	49%
Dividend yield	**3%**	3%
Risk-free interest rate	**9%**	11%
Forfeiture rate per annum	**1%**	1%
Market-related performance expectation	**35%**	20%
Non-market-related performance expectation	**29%**	19%

		GROUP		COMPANY	
		30 Jun 2010 Million	30 Jun 2009 Million	**30 Jun 2010 Million**	30 Jun 2009 Million
16	**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)	**18,0**	8,7	**18,0**	8,7
	Options which expired during the period	**(4,0)**	–	**(4,0)**	–
	Granted during the period	**14,4**	9,3	**14,4**	9,3
	Balance at the end of the period (No. of options)	**28,4**	18,0	**28,4**	18,0
	Charge to profit or loss (Rm)	**1,0**	–	**1,0**	–
		Rm	Rm	**Rm**	Rm
17	**RETAINED INCOME/(ACCUMULATED LOSS)**				
	Company	**(144,8)**	(144,0)	**(144,8)**	(144,0)
	Subsidiaries	**537,7**	449,3	**–**	–
	Joint ventures	**3,6**	3,8	**–**	–
		396,5	309,1	**(144,8)**	(144,0)
18	**NON-CONTROLLING INTEREST**				
	Represented by Feltex Fehrer (Pty) Ltd (26% minority):				
	Balance at the beginning of the year	**33,5**	32,5	**–**	–
	Share of net profit for the year	**6,3**	4,6	**–**	–
	Dividends paid	**(2,1)**	(3,6)	**–**	–
	Balance at the end of the year	**37,7**	33,5	**–**	–
19	**INTEREST-BEARING BORROWINGS**				
	19.1 **Long-term liabilities comprise:**				
	Secured loans	**49,0**	43,0	**–**	–
	Unsecured loans	**54,2**	180,1	**–**	41,8
		103,2	223,1	**–**	41,8
	Less: current portion	**(72,7)**	(193,5)	**–**	(41,8)
	Non-current portion	**30,5**	29,6	**–**	–
	19.2 **Secured loans comprise:**				
	Finance leases	**10,5**	3,0	**–**	–
	Secured over:				
	Plant and machinery with a book value of	**11,2**	4,2	**–**	–
	Other assets with a book value of	**–**	–	**–**	–
	Interest rate (%)	**8,2 – 9,0**	8,8 – 9,5	**–**	–
	Repayable in monthly instalments of	**0,4**	0,2	**–**	–
	Last payment	**2013**	2012	**–**	–
	Instalment sale agreements	**38,5**	40,0	**–**	–
	Secured over:				
	Plant and machinery with a book value of	**62,4**	90,1	**–**	–
	Other assets with a book value of	**–**	–	**–**	–
	Interest rate (%)	**7,5 – 10,3**	9 – 11,3	**–**	–
	Repayable in monthly instalments of	**1,4**	1,2	**–**	–
	Last payment	**2014**	2013	**–**	–
	Total secured loans	**49,0**	43,0	**–**	–
	19.3 **Unsecured loans comprise:**				
	The Hongkong and Shanghai Banking Corporation Limited (HSBC)	**54,2**	104,2	**–**	–
	Interest rate (%)	**11,0**	11,1	**–**	–
	Repayable in monthly instalments of	**4,2**	4,2	**–**	–
	Last payment	**2011**	2011	**–**	–

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

Contingent purchase liability	**–**	41,8	**–**	41,8

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

	GROUP 30 Jun 2010 Rm	GROUP 30 Jun 2009 Rm	COMPANY 30 Jun 2010 Rm	COMPANY 30 Jun 2009 Rm
19 **INTEREST-BEARING BORROWINGS** continued				
19.3 **Unsecured loans comprise** continued:				
Loans from related parties	–	34,1	–	–
Canvas & Tent (Pty) Ltd	–	3,5	–	–
Directors of Brenner Mills (Pty) Ltd	–	30,2	–	–
Other related entities	–	0,4	–	–
The above loans bore interest at Prime -1,8% to Prime -3%.				
These loans were settled in September 2009.				
Total unsecured loans	54,2	180,1	–	41,8
19.4 **Reconciliation of the total minimum lease payments to the present value of finance leases**				
Minimum lease payments:				
Up to one year	4,7	5,2	–	–
Two to five years	6,9	7,2	–	–
More than five years	–	–	–	–
Total minimum lease payments	11,6	12,4	–	–
Future finance charges	(1,1)	(9,4)	–	–
Present value	10,5	3,0	–	–
Analysed as follows:				
Up to one year	4,2	1,2	–	–
Two to five years	6,3	1,8	–	–
More than five years	–	–	–	–
20 **RETIREMENT BENEFIT OBLIGATIONS**				
20.1 **Post-retirement medical benefits**				
Balance at the beginning of the year	11,3	11,7	–	–
Current service cost	–	–	–	–
Contributions paid	(1,4)	(1,5)	–	–
Interest cost	1,0	1,2	–	–
Actuarial gains	(0,3)	(0,1)	–	–
Balance at the end of the year	10,6	11,3	–	–

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

	30 Jun 2010 %	30 Jun 2009 %
Health-care cost inflation	7,0	7,0
Discount rate	9,2	9,0
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 2010. The main actuarial assumption is that the company continues to provide subsidies at current levels.

20.2 **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, KAP International Provident Fund, KAP International Pension Fund, Feltex Retirement Fund, ABSA Umbrella 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 R31,8 million (2009: R35,6 million). The company contribution in respect of retirement benefit obligations amounted to R1,0 million (2009: R0,9 million).

		GROUP		COMPANY	
		30 Jun 2010 Rm	30 Jun 2009 Rm	30 Jun 2010 Rm	30 Jun 2009 Rm
21	**ACCOUNTS PAYABLE**				
	Trade payables	555,5	481,1	–	–
	Accruals	52,6	63,2	4,0	4,8
	Other payables	20,9	16,4	0,1	0,2
	SARS – VAT	4,4	6,6	0,2	0,5
	Forward exchange contract liabilities	–	21,2	–	–
	Carrying value	633,4	588,5	4,3	5,5

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

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

		Opening balance Rm	Amounts added (released) Rm	Amounts utilised Rm	Closing balance Rm
22	**PROVISIONS**				
	2010				
	GROUP				
	Discontinued operations	2,5	–	(2,5)	–
	Leave pay and bonuses	34,5	39,7	(24,3)	49,9
	Warranties	–	0,2	–	0,2
		37,0	39,9	(26,8)	50,1
	COMPANY				
	Leave pay and bonuses	0,4	1,5	–	1,9
		0,4	1,5	–	1,9
	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				
	Leave pay and bonuses	0,3	0,1	–	0,4
		0,3	0,1	–	0,4

Discontinued operation
Provision related to retrenchment costs of the Bull Brand Foods fresh meat division which was closed.

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 is 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 in 2009 and were based on the fair value of the contingent liability at acquisition date.

	GROUP		COMPANY	
	Year ended 30 Jun 2010 Rm	Year ended 30 Jun 2009 Rm	**Year ended 30 Jun 2010 Rm**	Year ended 30 Jun 2009 Rm
23 REVENUE				
The group's revenue comprises mainly the sale of goods (company-management fees)				
– continuing operations	**3 970,5**	3 839,0	**23,6**	21,4
– discontinued operations	**29,7**	725,2	**–**	–
	4 000,2	4 564,2	**23,6**	21,4
24 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 Development Programme	**2,1**	1,6	**–**	–
– Sector Education and Training Authority	**1,3**	2,9	**–**	–
Profit on disposal of property, plant and equipment	**3,0**	2,6	**–**	–
Returns/(losses) on pension fund surplus	**2,8**	(0,1)	**–**	–
Net subsidiary impairment reversals and loan write-offs	**–**	–	**0,9**	–
Expenses				
Audit fees				
– current period	**4,3**	5,8	**1,3**	1,5
– prior year under/(over) provision	**0,1**	0,3	**(0,1)**	0,3
– other services	**1,8**	1,6	**1,1**	1,2
Depreciation on property, plant and equipment (refer note 2 for breakdown)	**70,8**	59,3	**0,5**	0,4
Foreign exchange losses	**8,3**	18,7	**–**	–
Fees paid to non-employees				
– administrative services	**0,2**	0,7	**–**	–
– technical services	**11,5**	10,7	**0,4**	0,7
– secretarial services	**0,2**	0,2	**0,2**	0,2
Impairment of inventory	**0,8**	1,8	**–**	–
Impairments				
– plant and machinery	**4,2**	19,4	**–**	–
Loss on fair value of biological assets	**–**	4,1	**–**	–
Loss on remeasurement of disposal group	**–**	15,9	**–**	–
Operating lease charges				
– land and buildings	**14,4**	5,9	**–**	–
– plant and equipment	**5,0**	5,3	**–**	–
– other assets	**5,2**	2,3	**–**	–
Research and development	**0,1**	0,8	**–**	–
Staff costs				
– salaries and wages	**462,5**	518,1	**6,0**	5,6
– termination costs	**4,1**	22,8	**–**	–
– company contributions to retirement funds	**31,8**	35,6	**1,0**	0,9
– share-based payments	**1,0**	–	**1,0**	–

		GROUP		COMPANY	
		Year ended 30 Jun 2010 Rm	Year ended 30 Jun 2009 Rm	**Year ended 30 Jun 2010 Rm**	Year ended 30 Jun 2009 Rm
25	**FINANCE (COSTS)/INCOME**				
	Interest paid	**(56,4)**	(80,5)	**(1,7)**	(62,9)
	– bank overdrafts	**(48,4)**	(74,4)	**(1,7)**	(62,4)
	– finance leases and instalment sale agreements	**(2,8)**	(5,1)	**–**	–
	– related parties (note 37)	**–**	(0,5)	**–**	(0,5)
	– loans	**(1,2)**	(0,5)	**–**	–
	– other	**(4,0)**	–	**–**	–
	Less: amounts included in the cost of qualifying assets (note 2)	**–**	18,1	**–**	–
		(56,4)	(62,4)	**(1,7)**	(62,9)
	Interest received	**3,7**	3,1	**0,7**	76,9
	– subsidiaries (note 37)	**–**	–	**0,7**	27,8
	– other	**3,7**	3,1	**–**	49,1
	Net finance (cost)/income	**(52,7)**	(59,3)	**(1,0)**	14,0
26	**TAXATION**				
	South African normal taxation				
	Current taxation – current year	**9,1**	14,9	**–**	–
	Current taxation – prior year	**0,3**	0,1	**–**	–
	Deferred taxation – current year	**31,5**	(25,9)	**(0,4)**	3,6
	Deferred taxation – prior year	**4,3**	(3,8)	**0,1**	–
	Secondary taxation on companies	**0,9**	0,4	**–**	–
	Taxation charge/(credit) for the year	**46,1**	(14,3)	**(0,3)**	3,6
	– Continuing operations	**48,7**	20,5	**(0,3)**	3,6
	– Discontinued operations	**(2,6)**	(34,8)	**–**	–
		%	%	**%**	%
	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	**(0,6)**	(2,6)	**(14,3)**	(15,6)
	– taxation attributable to joint ventures	**(0,6)**	(1,6)	**–**	–
	– adjustments in respect of previous years	**5,5**	7,9	**14,3**	–
	– deferred taxation raised in respect of previously unrecognised taxation losses	**0,1**	1,9	**–**	–
	– capital gains taxation	**–**	(2,3)	**–**	–
	– secondary taxation on companies	**0,6**	(0,9)	**–**	–
	Effective rate	**33,0**	30,4	**28,0**	12,4

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

		GROUP	
		Year ended 30 Jun 2010 Rm	Year ended 30 Jun 2009 Rm
27	**LOSS FROM DISCONTINUED OPERATIONS**		
	Revenue	29,7	725,2
	Cost of sales	(23,7)	(695,3)
	Gross profit	6,0	29,9
	Other operating income	1,7	–
	Operating expenses	(7,2)	(45,2)
	Restructuring cost	(4,0)	(69,5)
	Operating loss	(3,5)	(84,8)
	Interest paid	(1,5)	(19,1)
	Interest received	–	0,9
	Loss on remeasurement of disposal groups	–	(15,9)
	Loss before taxation	(5,0)	(118,9)
	Tax on discontinued operations	2,6	34,8
	Loss after taxation	(2,4)	(84,1)
	Cash flows from discontinued operations:		
	Net cash flows from operating activities	5,2	122,2
	Net cash flows from investing activities	14,7	11,4
	Net cash flows from financing activities	(9,7)	14,4
	Net cash flows	10,2	148,0

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 13.

Both industrial and consumer segments contain discontinued operations.

28	**EARNINGS PER SHARE**		
	Earnings		
	Net profit/(loss) per the income statement	87,4	(37,3)
	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
	Earnings/(loss) per share (cents)	20,6	(8,8)
	Diluted earnings/(loss) per share (cents)	20,6	(8,8)
	Reconciliation between earnings and headline earnings		
	Earnings		
	Net profit per the income statement	87,4	(37,3)
	Adjustments		
	Impairments		
	– gross	5,6	19,4
	– taxation effect	(1,6)	(5,4)
	Loss on remeasurement of disposal group		
	– gross	–	15,9
	– taxation effect	–	(4,5)
	Profit on disposal of property, plant and equipment		
	– gross	(3,0)	(2,6)
	– taxation effect	0,8	0,7
	Headline earnings/(loss)	89,2	(13,8)
	Headline earnings/(loss) per share (cents)	21,0	(3,2)

	GROUP AND COMPANY	
	Year ended 30 Jun 2010 Rm	Year ended 30 Jun 2009 Rm
29 DISTRIBUTIONS PER SHARE		
Distributions declared	–	–
Distributions declared (cents)	–	–
Distributions paid	–	–
Distributions paid (cents)	–	–
Distributions paid in cash	–	–
Total distributions paid	–	–

The board has declared a distribution of 7 cents per share.

	GROUP		COMPANY	
	Year ended 30 Jun 2010 Rm	Year ended 30 Jun 2009 Rm	**Year ended 30 Jun 2010 Rm**	Year ended 30 Jun 2009 Rm
30 CASH FLOW STATEMENT				
30.1 Cash generated from/(utilised by) operations				
Profit/(loss)before taxation	**139,8**	(47,0)	**(1,1)**	29,1
Adjusted for:				
Depreciation	**70,8**	59,3	**0,5**	0,4
Impairments	**4,2**	19,4	**0,3**	–
Loss on remeasurement of disposal group	**–**	15,9	**–**	–
Profit on disposal of property, plant and equipment	**(3,0)**	(2,6)	**–**	–
Decrease in retirement benefit obligation	**(0,7)**	(0,4)	**–**	–
Decrease in fair value of biological assets	**–**	4,1	**–**	–
Movement in foreign currency translation reserve	**–**	(0,3)	**–**	–
Net finance cost/(income)	**54,2**	77,5	**1,0**	(14,0)
Unwinding of discount on business combination	**–**	4,1	**–**	4,1
Income from joint ventures	**(3,0)**	(2,7)	**–**	–
Impairment of subsidiaries	**–**	–	**(0,9)**	–
Pension fund surplus movement	**5,3**	9,0	**–**	–
Share-based payment reserve movement	**1,0**	–	**1,0**	–
Operating cash flows before changes in working capital	**268,6**	136,3	**0,8**	19,6
Changes in working capital:				
Decrease in inventory and biological assets	**44,1**	223,9	**–**	–
(Increase)/decrease in accounts receivable	**(73,7)**	181,9	**2.8**	(0,5)
Increase/(decrease) in accounts payable and provisions	**58,0**	(174,0)	**0,3**	2,2
Cash generated from operations	**297,0**	368,1	**3,9**	21,3
30.2 Taxation paid is reconciled as follows:				
Amounts unpaid at the beginning of the year	**(1,9)**	(0,7)	**–**	0,3
Charged to the statement of comprehensive income	**(10,3)**	(15,4)	**–**	–
Amounts unpaid at the end of the year	**3,3**	1,9	**0,3**	–
Taxation (paid)/refunded	**(8,9)**	(14,2)	**0,3**	0,3

31 DIRECTORS' EMOLUMENTS

Year ended 30 June 2010

Executive directors	Basic salary R'000	Company contributions R'000	Bonuses R'000	Total R'000
P C T Schouten	1 657	353	–	2 010
J P Haveman	1 278	251	–	1 529
Total	2 935	604	–	3 539

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	100
F Möller+		70
D M van der Merwe#		80
K E Schmidt	Member of the audit and risk committee	29
H Schäckermann	Member of the audit and risk committee	19
Total		813
Officers		
D Konar	Chairman of audit and risk committee	100
A B la Grange#	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 2010 (number of shares)	Beneficial direct	Beneficial indirect	Total	%
C E Daun	–	174 807 101	174 807 101	41,2
P C T Schouten	1 000 000	–	1 000 000	0,2

No changes in directors' shareholding have occurred between the end of the financial year and the date of this report.

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

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

31 **DIRECTORS' EMOLUMENTS** continued

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 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 to note 16 for details of share 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.

32 FOREIGN EXCHANGE DERIVATIVE INSTRUMENTS AND FOREIGN CURRENCY RISK MANAGEMENT

32.1 Foreign exchange risk management

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

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

32.2 Foreign forward exchange contracts

Foreign forward exchange contracts are used by the group to manage its exposure to foreign exchange fluctuations. At year-end open contracts were marked to market and resulted in the following financial assets or liabilities. These amounts have been disclosed in notes 11 and 21 respectively.

Forward exchange assets/(liabilities)

At the reporting 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 2010 Rm	Estimated market value 2010 Rm	FEC assets/ (liabilities) 2010 Rm	FEC value 2009 Rm	Estimated market value 2009 Rm	FEC liabilities 2009 Rm	Average contract rate 2010	Average contract rate 2009
USD	(187,4)	(189,3)	1,9	(163,5)	(145,0)	(18,5)	7,46	8,84
EUR	(33,0)	(31,9)	(1,1)	(27,9)	(25,6)	(2,3)	9,93	12,04
GBP	(4,9)	(5,0)	0,1	(8,1)	(7,7)	(0,4)	11,40	13,48
Total	(225,3)	(226,2)	0,9	(199,5)	(178,3)	(21,2)		

32.3 Uncovered foreign currency balances

Foreign currency	Foreign amount 2010 Million	Foreign amount 2009 Million	Rate 2010	Rate 2009	Rand amount 2010 Rm	Rand amount 2009 Rm
The following unhedged and uncovered foreign assets relating to accounts receivable were in existence at period-end:						
USD	0,9	0,4	7,65	8,25	6,6	3,3
EUR	–	0,3	9,34	12,33	0,1	3,7
GBP	–	0,1	–	14,00	–	1,4
AUD	–	–	–	6,67	–	0,2
					6,7	8,6
The following unhedged and uncovered foreign liabilities relating to accounts payable were in existence at period-end:						
USD	2,7	0,7	7,65	7,86	21,2	5,5
EUR	0,3	0,2	9,34	13,00	2,6	2,6
					23,8	8,1

32 FOREIGN EXCHANGE DERIVATIVE INSTRUMENTS AND FOREIGN CURRENCY RISK MANAGEMENT continued

32.3 **Uncovered foreign currency balances** continued

The post-taxation impact on the statement of comprehensive income and equity as at 30 June 2010 of fluctuations in currency, on the fair value of uncovered payables and receivables with all other variables held constant, would have been as follows:

	Movement	2010 Rm	2009 Rm
Potential impact on earnings with a 10% increase			
USD	10%	(1,4)	(0,2)
EUR	10%	(0,3)	0,1
GBP	10%	–	0,1
Potential impact on earnings with a 10% decrease			
USD	10%	1,4	0,2
EUR	10%	0,3	(0,1)
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 2009.

	GROUP		COMPANY	
	30 Jun 2010 Rm	30 Jun 2009 Rm	30 Jun 2010 Rm	30 Jun 2009 Rm
33 CAPITAL COMMITMENTS				
Capital expenditure authorised by directors				
– contracted	8,0	15,7	–	–
– not yet contracted	49,4	35,2	–	–

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

34 OPERATING LEASE COMMITMENTS

At the reporting 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	27,7	15,2	0,1	0,2
In the second to fifth years inclusive	42,8	24,8	–	–
Over five years	2,3	1,0	–	–
	72,8	41,0	0,1	0,2

35 OPERATING LEASE RECEIVABLES

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

Within one year	0,8	0,7	–	–
In the second to fifth years inclusive	0,4	0,9	–	–
Over five years	–	–	–	–
	1,2	1,6	–	–

36 JUDGEMENTS AND ESTIMATES

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

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

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

Useful lives and residual values

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

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

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

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 16.

Post-employment benefit obligations

Management consulted with external expert advisers in the accounting and post-employment benefit obligation industry in applying its judgement with respect to post-employment benefit obligations. The critical assumptions as used in each benefit plan are detailed in note 20.

Assets held for sale

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

37 RELATED PARTIES

37.1 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 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
African Hide Trading (Pty) Ltd
Court Fabrics and Yarns (Pty) Ltd
Taaiboschbult Feedlot (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 shareholding of KAP.

The group transacts with the above-mentioned companies in the normal course of business.

	GROUP Year ended 30 Jun 2010 Rm	GROUP Year ended 30 Jun 2009 Rm
37 **RELATED PARTIES** continued		
37.1 **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		
KAP Textile Holdings SA Ltd	6,8	20,3
Rieter Feltex Automotive Manufacturing (Pty) Ltd	6,1	9,9
Motseng Investment Holdings (Pty) Ltd	11,8	21,6
Steinhoff Africa Holdings (Pty) Ltd and subsidiaries	1,3	0,6
SA Fine Worsteds (Pty) Ltd	–	1,2
Futuris Feltex (Pty) Ltd	3,0	1,2
Other	2,0	0,3
	31,0	55,1
Service fees received from		
Rieter Feltex Automotive Manufacturing (Pty) Ltd	1,0	1,0
Futuris Feltex (Pty) Ltd	0,5	0,5
	1,5	1,5
Purchase of goods from		
African Hide Trading (Pty) Ltd	1,7	3,6
Steinhoff Africa Holdings (Pty) Ltd	0,4	9,9
Futuris Feltex (Pty) Ltd	41,8	32,4
Unitrans Freight (Pty) Ltd	9,2	–
Other	–	0,1
	53,1	46,0
Interest paid to		
Courthiel Holdings (Pty) Ltd	–	0,5
	–	0,5
Rent paid to		
Courthiel Holdings (Pty) Ltd	0,4	0,3
UKW Properties (Pty) Ltd	0,2	0,1
Wellington Industries (Pty) Ltd	–	0,1
	0,6	0,5

Sale of property

During the prior year Bull Brand Foods (Pty) Ltd disposed of one of its feedlots to Taaiboschbult Feedlot (Pty) Ltd for a consideration of R18,0 million, including equipment and feed.

Purchase of equipment

During the year Feltex Holding – Trim Division acquired fixed assets from Futuris Feltex (Pty) Ltd to the value of R3,8 million. Futuris Feltex (Pty) Ltd is a joint venture of the group.

	GROUP Year ended 30 Jun 2010 Rm	GROUP Year ended 30 Jun 2009 Rm
37 **RELATED PARTIES** continued		
37.1 **Related entities** continued		
Related party balances at year-end		
Accounts receivable		
KAP Textile Holdings SA Ltd	2,9	1,1
Motseng Outsourced Services (Pty) Ltd	–	7,4
Motseng Investments Holdings (Pty) Ltd	0,6	–
Futuris Feltex (Pty) Ltd	0,6	0,1
Rieter Feltex (Pty) Ltd	0,6	0,6
Other	0,3	0,4
	5,0	9,6
Accounts payable		
Steinhoff Africa Holdings (Pty) Ltd and subsidiaries	1,9	0,6
Futuris Feltex (Pty) Ltd	8,0	2,5
	9,9	3,1

No provision for doubtful debts existed at year-end pertaining to any of the above related parties (2009: Rnil).

No bad debts were written off during the year pertaining to the above related party balances (2009: Rnil).

Loans from related parties

Refer to note 19.3 for details.

37.2 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 2010 Rm	Year ended 30 Jun 2009 Rm	**Year ended 30 Jun 2010 Rm**	Year ended 30 Jun 2009 Rm
Compensation of key management				
Short-term benefits	57,3	43,5	3,9	6,1
Post-employment benefits	0,3	–	–	–
Share-based payments	1,0	–	1,0	–
Termination benefits	0,9	0,5	–	–
	59,5	44,0	4,9	6,1

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

37 **RELATED PARTIES** continued

37.3 **Directors**

The directors named in the attached directors' report each held office as a director of the company as indicated.

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 31,4% in KAP International Holdings Ltd.

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

37.4 **Transactions with entities in the group**

The company and subsidiaries within the group advanced, received and repaid loans to other entities in the group during the current year and previous financial 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 2010 Rm	Year ended 30 Jun 2009 Rm
Transactions with entities in the group		
Interest received from		
Feltex Holdings (Pty) Ltd	**0,7**	27,8
	0,7	27,8
Management fees received from		
Dano Textile Industries (Pty) Ltd	**0,6**	0,9
Bull Brand Foods (Pty) Ltd	**–**	3,7
Feltex Holdings (Pty) Ltd	**23,0**	14,6
Brenner Mills (Pty) Ltd	**–**	2,1
	23,6	21,3
Balances at year-end		
Accounts receivable		
Bull Brand Foods (Pty) Ltd	**–**	3,8
	–	3,8

38 **CONTINGENT LIABILITIES AND GUARANTEES**

The company has issued cross-suretyship to various banks for the banking facilities available to the group. Refer to note 12 in this regard.

At year-end, the net overdraft position of the group amounted to R222,4 million (2009: R283,5 million).

Various South African banks have issued guarantees amounting to R11,1 million (2009: R9,6 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.

Brenner Mills, along with a number of other respondents, is under investigation by the Competition Tribunal in respect of alleged price fixing in the white maize milling industry. As the alleged price fixing occurred before the acquisition by KAP of Brenner Mills, any potential administrative penalty payable is recoverable from the vendors of the shares in Brenner Mills (Pty) Ltd in terms of the share sale agreement. At the date of the annual financial statements, the Tribunal had not ruled on the administrative penalty. No provision has been made for the effects of any potential ruling in this regard.

39 FINANCIAL INSTRUMENTS

39.1 Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The group's overall strategy remains unchanged from 2009.

The capital structure of the group consists of net debt (borrowings as detailed in notes 19 and 12 off-set by cash and bank balances) and equity of the group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 14 to 18).

The group is not subject to any externally imposed capital requirements.

The group's board reviews the capital structure of the group on a regular basis.

	GROUP		COMPANY	
	Year ended 30 Jun 2010 Rm	Year ended 30 Jun 2009 Rm	**Year ended 30 Jun 2010 Rm**	Year ended 30 Jun 2009 Rm
Debt	**427,4**	573,4	**37,3**	216,8
Bank balances and cash	**(101,8)**	(58,5)	**(4,3)**	–
Net debt	**325,6**	514,9	**33,0**	216,8
Equity	**1 364,7**	1 272,1	**785,7**	785,5
Net debt to equity ratio	**23,9%**	40,5%	**4,2%**	27,6%

39.2 Significant accounting policies

Details of the significant accounting policies and methods adopted for each class of financial asset, financial liability and equity instrument are disclosed in note 1.

39.3 Categories of financial instruments

	GROUP		COMPANY	
	Year ended 30 Jun 2010 Rm	Year ended 30 Jun 2009 Rm	**Year ended 30 Jun 2010 Rm**	Year ended 30 Jun 2009 Rm
Financial assets				
Cash and bank balances	**101,8**	58,5	**4,3**	–
Foreign currency derivative instruments	**0,9**	–	**–**	–
Loans and receivables	**645,2**	578,3	**3,3**	6,4
Financial liabilities				
Foreign currency derivative instruments	**–**	21,2	**–**	–
Other				
Amortised cost	**1 070,4**	1 139,6	**41,7**	222,1

No categories of financial assets or liabilities were reclassified during the year.

39.4 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 divisions 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 divisions have taken out third party cover over trade accounts receivable.

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

The carrying amount of financial assets recognised in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

39 **FINANCIAL INSTRUMENTS** continued

39.5 **Liquidity and interest rate risk management**

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

	Interest rate %	1 year Rm	2 – 5 years Rm	Over 5 years Rm	Total Rm
GROUP 2010					
ASSETS					
Pension fund surplus	7,0%	9,0	25,1	–	34,1
Loans to joint ventures	Interest-free	–	8,3	–	8,3
Accounts receivable	Interest-free	591,2	–	–	591,2
Cash and cash equivalents	4,0%	101,8	–	–	101,8
		702,0	33,4	–	735,4
LIABILITIES					
Finance leases	8,25% – 9,0%	4,2	6,3	–	10,5
Instalment sale agreements	7,5% – 10,25%	14,4	24,1	–	38,5
HSBC	11%	54,2	–	–	54,2
Accounts payable	Interest-free	629,0	–	–	629,0
Bank overdrafts	8,5% – 9,25%	324,2	–	–	324,2
		1 026,0	30,4	–	1 056,4
COMPANY 2010					
ASSETS					
Loans to subsidiaries					
– interest-free	Interest-free	–	–	759,3	759,3
Accounts receivable	Interest-free	3,3	–	–	3,3
Cash and cash equivalents	4,0%	4,3	–	–	4,3
		7,6	–	759,3	766,9
LIABILITIES					
Contingent purchase liability					
Loans from subsidiaries					
– interest-free	Interest-free	–	–	38,4	38,4
Accounts payable	Interest-free	4,3	–	–	4,3
Bank overdrafts	8,2% – 10%	37,3	–	–	37,3
		41,6	–	38,4	80,0

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

	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 -1%	175,0	–	–	175,0
		221,8	–	46,0	267,8

39 FINANCIAL INSTRUMENTS continued

39.5 Liquidity and interest rate risk management continued

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 200 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Group

If interest rates had been 200 basis points higher or lower and all other variables were held constant, the group's profit for the year ended 30 June 2010 would decrease or increase by R6,5 million (2009: R10,3 million). This is mainly attributable to the group's exposure to interest rates on its variable rate borrowings. The group's sensitivity to interest rates has decreased during the current period mainly due to the decrease in variable rate debt instruments.

Company

If interest rates had been 200 basis points higher or lower and all other variables were held constant, the company's profit for the year ended 30 June 2010 would decrease or increase by R0,7 million (2009: R4,3 million). This is mainly attributable to the company's exposure to interest rates on its variable rate borrowings. The company's sensitivity to interest rates has decreased during the current period mainly due to the decrease in variable rate debt instruments.

39.6 Fair values

The directors believe that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

As a result a table reflecting the carrying values and fair values of financial instruments is not reflected.

39.6.1 Valuation techniques and assumptions applied for the purposes of measuring fair value

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (including listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analyses using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

39.6.2 Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Year ended 30 June 2010				Year ended 30 June 2009			
GROUP	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets at FVTPL								
Derivative financial assets	–	0,9	–	0,9	–	–	–	–
Total	–	0,9	–	0,9	–	–	–	–
Financial liabilities at FVTPL								
Derivative financial liabilities	–	–	–	–	–	21,2	–	21,2
Total	–	–	–	–	–	21,2	–	21,2

	GROUP		COMPANY	
	30 Jun 2010	30 Jun 2009	30 Jun 2010	30 Jun 2009
40 NUMBER OF EMPLOYEES				
Number of employees at period-end	4 232	4 751	6	8

41 NEW ACCOUNTING PRONOUNCEMENTS

41.1 New standards and interpretations adopted

During the current year the group adopted the following new and amended standards:

Standard	Details of amendment
IFRS 8 – Operating Segments	IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor standard (IAS 14 – Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. This standard requires: • the revised assessment of disclosable segments; • additional disclosure of which the most significant items include: – internal revenue; – interest revenue; – interest expenditure; – material items requiring separate disclosure as per IAS 1; – interest in profit and loss of joint ventures (and equity accounting); and – material non-cash items other than depreciation and amortisation. – The basis of accounting for transactions between segments. – Nature of any differences between segment disclosure and entity and entity disclosure analysed in the major categories.
IAS 1 – Revised – Presentation of Financial Statements	IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements). This standard requires: • the revised terminology changes; • revised titles for the financial statements; • the recognition of comprehensive income separate at the bottom of the statement of comprehensive income (previous income statement); and • requires the presentation of a third statement of financial position should a new accounting standard be adopted or error corrected that results in the restatement of comparative information.

41 **NEW ACCOUNTING PRONOUNCEMENTS** continued

41.2 Future standards and interpretations

At year-end, 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 relating to group cash-settled share-based payment transactions – clarity of the definition of the term "group" and where in a group share-based payments must be accounted for	1 January 2010
IFRS 3 – Business Combinations	• Amendments to transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS • Clarification on the measurement of non-controlling interests • Additional guidance provided on unreplaced and voluntarily replaced share-based payment awards	1 January 2011
IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations	• Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations	1 January 2010
IFRS 7 – Financial Instruments: Disclosures	• Amendment clarifies the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and removed some disclosure items which were seen to be superfluous or misleading	1 January 2011
IFRS 9 – Financial Instruments	• New standard that forms the first part of a three-part project to replace IAS 39 – Financial Instruments: Recognition and Measurement	1 January 2013
IAS 7 – Statement of Cash Flows	• Classification of expenditures on unrecognised assets	1 January 2010
IAS 17 – Leases	• Classification of leases of land and buildings	1 January 2010
IAS 21 – The Effects of Changes in Foreign Exchange Rates	• Consequential amendments from changes to IAS 27 – Consolidated and Separate Financial Statements (clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation)	1 July 2010
IAS 24 – Related Party Disclosures	• Clarification of the definition of a related party	1 January 2011
IAS 27 – Consolidated and Separate Financial Statements	• Transition requirements for amendments arising as a result of IAS 27 – Consolidated and Separate Financial Statements	1 July 2010
IAS 31 – Interest in Joint Ventures	• Consequential amendments from changes to IAS 27 – Consolidated and Separate Financial Statements (clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation)	1 July 2010
IAS 34 – Interim Financial Reporting	• Clarification of disclosure requirements around significant events and transactions including financial instruments	1 January 2011
IAS 36 – Impairment of Assets	• Unit of accounting for goodwill impairment test	1 January 2010
IAS 39 – Financial Instruments: Recognition and Measurement	• Treating loan prepayment penalties as closely related embedded derivatives • Scope exemption for business combination contracts • Cash flow hedge accounting	1 January 2010

Interpretation		Annual periods beginning on or after
IFRIC 13 – Customer Loyalty Programmes	• Clarification on the intended meaning of the term "fair value" in respect of award credits	1 January 2011
IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments	• New interpretation	1 July 2010

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 – SUBSIDIARIES

Subsidiary	Nature	Issued share capital 2010 R	Issued share capital 2009 R	Effective interest 2010 %	Effective interest 2009 %	Interest of company 2010 Rm	Interest of company 2009 Rm	Loan due by/(to) 2010 Rm	Loan due by/(to) 2009 Rm
AHT Properties (Walvis Bay) Pty Ltd*	L	–	400	–	100	–	–	–	(0,4)
Ball & Coalter (Pty) Ltd	L	–	200	–	100	–	–	–	(0,4)
Brenner Mills (Pty) Ltd	M	**1 000**	1 000	**100**	100	**–**	33,4	**–**	–
Bull Brand Holdings (Pty) Ltd	D	**3 000 000**	3 000 000	**100**	100	**–**	–	**(3,0)**	(3,0)
Casa Rosada Investments (Pty) Ltd	D	**450**	450	**100**	100	**–**	–	**–**	–
Conshu Holdings (Pty) Ltd	D	**78 879 000**	78 079 000	**100**	100	**2,4**	–	**(2,5)**	(2,5)
Dano Textile Industries (Pty) Ltd	T	**499 960**	499 960	**100**	100	**–**	–	**–**	–
Feltex Fehrer (Pty) Ltd	A	**100 000**	100 000	**74**	74	**–**	–	**–**	–
Feltex Holdings (Pty) Ltd	A/F/H/M	**169 174 064**	169 174 064	**100**	100	**57,4**	57,4	**791,4**	913,9
GH Hackmann Skins (Pty) Ltd	L	–	100 000	–	100	–	–	–	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
KAP Investments (Pty) Ltd	I/P	**2 490 001**	2 490 001	**100**	100	**–**	–	**6,3**	14,3
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	L	–	100	–	100	–	–	–	9,0
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)**	(0,1)
All other subsidiaries						**–**	–	**(0,2)**	(0,3)
Total						**82,3**	113,3	**918,5**	1 099,1

Nature of business:

A	automotive
D	dormant
F	footwear
I	investment holding/property
L	liquidated
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)

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 segment information.

Segment information about these businesses is presented below:

CONTINUING OPERATIONS

	External revenue Rm	Operating profit before re-structuring costs Rm	Depre-ciation Rm	Impair-ments Rm	Total assets Rm	Total liabilities Rm	Capital expenditure Rm	Interest paid Rm	Interest received Rm	Income tax (expense)/ income Rm	Share of results of joint ventures Rm	Interest in joint ventures Rm
Year ended 30 June 2010												
Industrial	**2 467,4**	**141,9**	**(56,0)**	**(0,2)**	**1 669,4**	**1 317,8**	**38,8**	**(43,9)**	**3,7**	**(37,9)**	**2,9**	**21,8**
Consumer	**1 503,1**	**56,3**	**(14,5)**	**–**	**709,8**	**501,2**	**23,6**	**(12,5)**	**–**	**(10,8)**	**0,1**	**0,9**
Other	**–**	**–**	**–**	**–**	**121,8**	**186,8**	**0,9**	**–**	**–**	**–**	**–**	**–**
Intra-group	**–**	**–**	**–**	**–**	**(8,7)**	**(925,2)**	**–**	**–**	**–**	**–**	**–**	**–**
	3 970,5	**198,2**	**(70,5)**	**(0,2)**	**2 492,3**	**1 080,6**	**63,3**	**(56,4)**	**3,7**	**(48,7)**	**3,0**	**22,7**
Year ended 30 June 2009												
Industrial	2 184,3	82,0	(41,3)	(4,9)	1 633,7	1 244,4	231,2	(33,7)	1,6	(13,2)	2,5	21,3
Consumer	1 653,6	71,5	(12,2)	–	733,1	560,9	23,9	(28,7)	1,5	(7,3)	0,2	0,8
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	(62,4)	3,1	(20,5)	2,7	22,1

DISCONTINUED OPERATIONS

	External revenue Rm	Operating profit before re-structuring costs Rm	Depre-ciation Rm	Impair-ments Rm	Total assets Rm	Total liabilities Rm	Capital expenditure Rm	Interest paid Rm	Interest received Rm	Income tax (expense)/ income Rm	Share of results of joint ventures Rm	Interest in joint ventures Rm
Year ended 30 June 2010												
Industrial	**27,8**	**0,5**	**–**	**(4,0)**	**5,9**	**55,4**	**–**	**(1,5)**	**–**	**2,6**	**–**	**–**
Consumer	**1,9**	**–**	**(0,3)**	**–**	**12,0**	**9,5**	**–**	**–**	**–**	**–**	**–**	**–**
	29,7	**0,5**	**(0,3)**	**(4,0)**	**17,9**	**64,9**	**–**	**(1,5)**	**–**	**2,6**	**–**	**–**
Year ended 30 June 2009												
Industrial	57,7	(8,5)	(2,1)	(6,0)	84,8	185,5	0,8	(10,3)	–	19,9	–	–
Consumer	667,5	(6,8)	(3,2)	(8,5)	19,0	3,1	–	(8,8)	0,9	14,9	–	–
	725,2	(15,3)	(5,3)	(14,5)	103,8	188,6	0,8	(19,1)	0,9	34,8	–	–

The consumer and industrial segment provides diversified products to a broad spectrum of different customers.

Type of products and services from which each reportable segment derives its revenues are disclosed in the front section of this report.

Inter-segmental revenue earned by the consumer segment from the industrial segment amounted to R3,4 million for the year ended 30 June 2010 (2009: R5,2 million). Inter-segmental sales are eliminated.

Notice is hereby given that the 32nd 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 Friday, 26 November 2010, 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 receive, 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 year ended 30 June 2010.

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 year ended 30 June 2010, as disclosed in the annual financial statements.

3. **Ordinary Resolution Number 3**

   3.1 To re-elect as director Mr P C T Schouten, 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 P C T Schouten is reflected on page 9.

   3.2 To re-elect as director Mr S H Nomvete, 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 S H Nomvete is reflected on page 8.

   3.3 To re-elect as director Ms I N Mkhari, who retires by rotation in terms of the articles of association of the Company and, being eligible, offers herself for re-election.

   The summary of the curriculum vitae of Ms I N Mkhari is reflected on page 9.

4. **Ordinary Resolution Number 4**

   4.1 To elect as director Mr K E Schmidt appointed by the board, and retiring in accordance with the articles of association of the Company and, being eligible, offers himself for re-election.

   The summary of the curriculum vitae of Mr K E Schmidt is reflected on page 8.

   4.2 To elect as director Mr U Schäckermann appointed by the board, and retiring in accordance with the articles of association of the Company and, being eligible, offers himself for re-election.

   The summary of the curriculum vitae of Mr U Schäckermann is reflected on page 8.

5. **Ordinary Resolution Number 5**

   To appoint Deloitte & Touche of Cape Town as the auditors of the Company, on the recommendation of the audit and risk committee, as contemplated under sections 270, 270A and 274 of the Companies Act, 1973 (Act 61 of 1973), as amended with Mr 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 year ended 30 June 2010 as determined by the audit and risk committee.

6. **Ordinary Resolution Number 6**

   To consider and, if deemed fit, to pass the following ordinary resolution with or without modification: "Resolved that the unissued ordinary shares in the capital of the Company, be 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")."

7. **Ordinary Resolution Number 7**

   To consider and, if deemed fit, to pass the following ordinary resolution with or without modification: "Resolved that, subject to ordinary resolution number 6 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 a period of 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."

8. **Ordinary Resolution Number 8**

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, 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 a period of 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 authority 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."

9. **Ordinary Resolution Number 9**

To consider and, if deemed fit, to pass the following ordinary resolution with or without modification: "Resolved that, 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 to amend the KAP International Holdings Limited Performance Share Plan, which was originally approved by shareholders in general meeting on 11 April 2007, and needs to be amended to comply with Schedule 14 of the JSE Listings Requirements, published effective 15 October 2008, as detailed below:

1. Clause 2.3.1 which currently reads as

   " **"Act"** means the Companies Act No. 61 of 1973, as amended." To be amended to

   " **"Act"** means the Companies Act No. 61 of 1973, as amended or the Companies Act No. 71 of 2008 when same comes into force".

2. Clause 6.1 which currently reads as

   "The aggregate number of SARs which may be allocated to participants under the plan shall not exceed a number that will result in the settlement to participants in terms of the plan of more than 10% of the Company's issued ordinary share capital from time to time." To be amended to

   "The aggregate number of SARs which may be allocated to participants under the plan shall not exceed 42 447 000 ordinary shares of the Company."

3. Clause 6.2 which currently reads as

   "The aggregate number of SARs that may be allocated to any one participant in terms of the plan shall not exceed a number that will result in the settlement to participants in terms of the plan of more than 2,5% of the Company's issued ordinary share capital." To be amended to

   "The aggregate number of SARs that may be allocated to any one participant in terms of the plan shall not exceed 10 600 000 ordinary shares of the Company."

4. Clause 12.2 which currently reads as

   "Any amendment to the plan shall be sanctioned by the shareholders of the Company in general meeting and any stock exchange upon which shares, at the time, are listed." To be amended to

   "Any amendment to the plan shall be sanctioned by the shareholders of the Company in general meeting and the JSE, or any other stock exchange upon which shares, at the time, are listed."

10. 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 a period of 15 months from the passing of this special 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."

11. Ordinary Resolution Number 10

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 authority 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 and the Group 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 8 and 9)
- major shareholders of the Company (refer to page 4)
- director's interest in the Company's securities (refer to note 31)
- share capital of the Company (refer to note 14)

The directors, whose names are given on pages 8 and 9 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 year ended 30 June 2010. 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 annual 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 annual 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 Central Securities Depository Participant ("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

FORM OF PROXY

KAP INTERNATIONAL HOLDINGS LIMITED

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

PROXY

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

For use at the 32nd annual general meeting to be held at 12:30 on Friday, 26 November 2010, 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 general 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			
P C T Schouten			
S H Nomvete			
I N Mkhari			
4 Elect directors appointed by the board			
K E Schmidt			
U Schäckermann			
5 Reappointment of auditors			
6 Placing the unissued shares under the directors' control			
7 General authority to issue unissued shares for cash			
8 Capital payments to shareholders			
9 Amend KAP International Holdings Limited Performance Share Plan			
10 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 2010

Signature

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

NOTES TO FORM OF PROXY

1. This form of proxy should only be used by certificated shareholders or shareholders who have dematerialised their shares with own name registration.
2. All other shareholders who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker and wish to attend the general meeting, must arrange with the CSDP or broker concerned to provide them with the necessary written authorisation to attend the annual general meeting or, should they not wish to attend, the shareholders must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A shareholder may insert the name/s of one or more proxies, none of whom need be a member of the company, in the space provided, with or without deleting "the chairman of the general meeting". The person whose name appears first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairman of the general meeting.
4. A shareholder's instructions on the form of proxy must be indicated by the insertion of a number of shares or an "X", if you wish to vote all your shares, in the appropriate space provided. Failure to comply with the above will be deemed to authorise the chairman of the general meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions at the general meeting, or any other proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all of the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
5. In order to be effective, completed proxy forms must reach the transfer secretaries so as to arrive not less than 48 hours before the time fixed for the meeting excluding Saturdays, Sundays and public holidays.
6. The completion and lodging of this form of proxy shall in no way preclude the shareholder from attending, speaking and voting in person at the general meeting to the exclusion of any proxy appointed in terms hereof.
7. Should this form of proxy not be completed and/or received in accordance with these notes, the chairman may accept or reject it, provided that in the case of acceptance, the chairman is satisfied as to the manner in which the shareholder wishes to vote.
8. Documentary evidence establishing the authority of the person signing this form of proxy in a representative or other legal capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairman of the general meeting.
9. The chairman shall be entitled to reject the authority of a person signing the form of proxy:
   - 9.1 under a power of attorney; or
   - 9.2 on behalf of a company unless that person's power of attorney or authority is deposited at the registered office of the transfer secretaries not less than 48 hours before the meeting, therefore not later than 12:30 on 24 November 2010.
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

CORPORATE INFORMATION

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7646

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7620

Registered address
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Internet
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Registration number
1978/000181/06

Share code
KAP

ISIN
ZAE000059564

Company secretary
M Balladon CA(SA)

Transfer secretaries
Computershare Investor
Services (Proprietary) Limited

Ground Floor
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Johannesburg
2001

PO Box 61051
Marshalltown
2107

Telephone 011 370 5000
Facsimile 011 688 7710

Auditors
Deloitte & Touche

Attorneys
Pohl & Stuhlinger

Sponsor
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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