CORPORATE INFORMATION

KAP International Limited

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

Postal address
PO Box 3639
Paarl
7620

Registered address
First Floor, New Link Centre
1 New Street
Paarl
7646

Telephone
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Facsimile
021 872 9064

E-mail
info@kapinternational.com

Website
www.kapinternational.com

Registration number
1978/000181/06

Share code
KAP

ISIN
ZAE000059564

Company secretary
M Balladon CA(SA)
Telephone 031 460 4203

External auditors
Deloitte & Touche

Internal auditors
KPMG

Sponsor
PSG Capital (Pty) Limited
First Floor, Ou Kollege
35 Church Street
Stellenbosch
7600

PO Box 7403
Stellenbosch
7599

Telephone 021 887 9602
Facsimile 021 887 9624

Bankers
FirstRand Bank Limited
Nedbank Limited
The Standard Bank of South Africa Limited
Investec Bank Limited

Transfer secretaries
Computershare Investor Services (Proprietary) Limited

Ground Floor
70 Marshall Street
Johannesburg
2001

PO Box 61051
Marshalltown
2107

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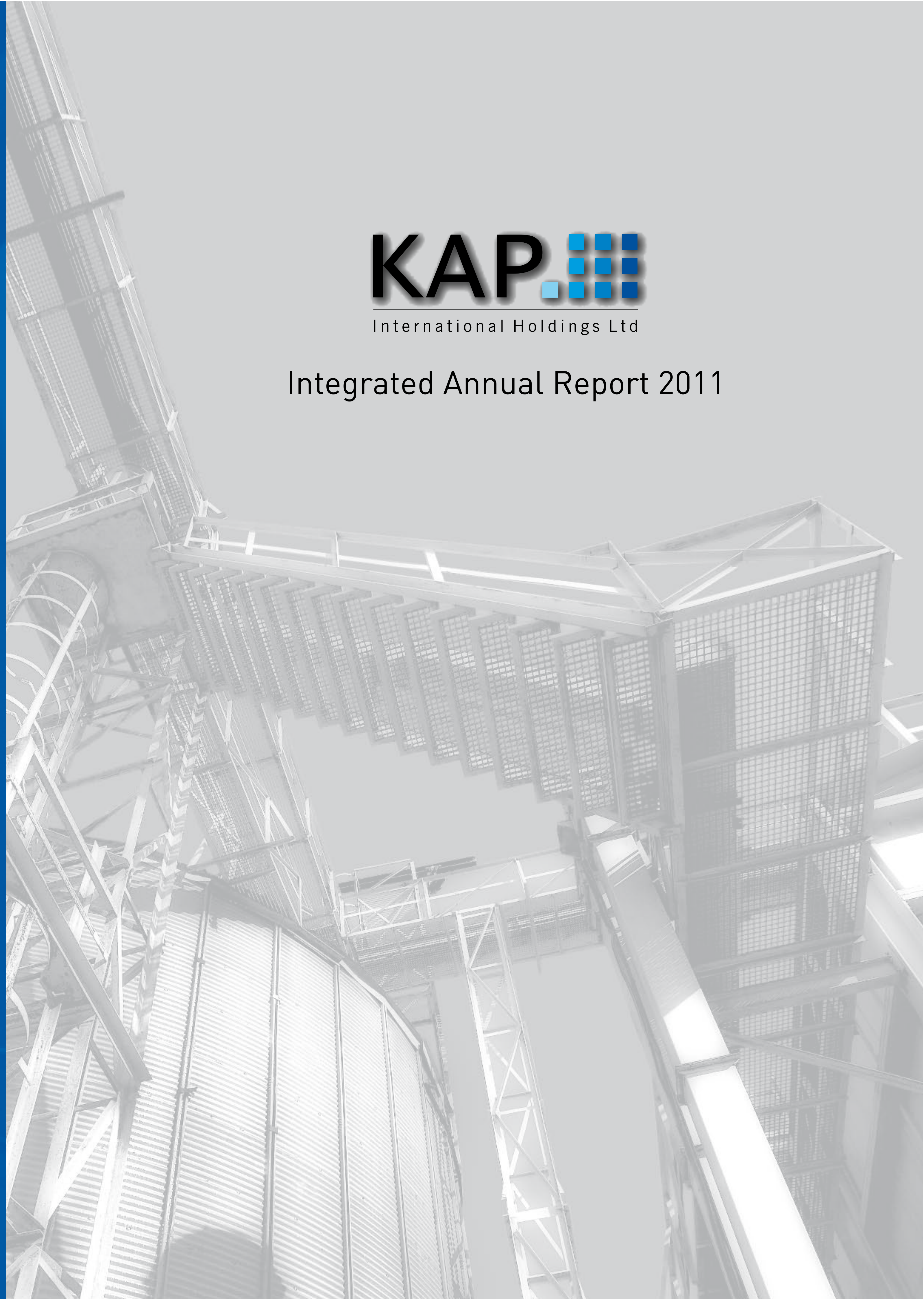
KAP International Holdings Ltd

www.kapinternational.com

KAP Integrated Annual Report 2011



KAP International Holdings Ltd

Integrated Annual Report 2011

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Group Profile

KAP International Holdings Limited is an investment company with a portfolio of diverse manufacturing businesses. These include canned and value-added meals, maize milling, leather products, footwear, bottle resin, automotive products and towelling products.

The company is listed on the JSE under the Diversified Industrial sector. The group employs 4 192 people and controls assets of R2,6 billion which generated revenue of R4,4 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 and Hammanskraal.

HIGHLIGHTS

* Headline earnings from continuing operations improve by 44% to 32,7 cents per share
* Earnings improve from 20,6 cents to 30,9 cents per share
* Further improvement of interest-bearing debt/equity ratio to 9,1%
* Free cash flow of R223,5 million
* Capital distribution of 10 cents per share

Financial Highlights

Continuing operations	Year ended 30 June 2011	Year ended 30 June 2010
Revenue from continuing operations (Rm)	4 217,1	3 842,9
Operating profit (Rm)	231,6	202,8
Income attributable to ordinary shareholders (Rm)	131,0	87,4
Earnings per share (cents)	32,7	22,4
Headline earnings per share (cents)	32,7	22,7
Net asset value per share (cents)	336,8	312,6
Shareholders' funds (Rm)	1 429,7	1 327,0
Net interest-bearing debt to equity (%)	9,1	23,9
Distribution per share	10,0	7,0

OPERATIONAL STRUCTURE

GEOGRAPHICAL SPREAD OF BRANDS

1	**Makado** Brenner Mills
2	**Bela Bela** Brenner Mills
3	**Rosslyn** Feltex Automotive
4	**Hammanskraal** Brenner Mills
5	**Krugersdorp** Bull Brand Foods
6	**Pretoria** Brenner Mills
7	**Johannesburg** United Fram Wayne Plastics
8	**Durban** Feltex Automotive Glodina Hosaf
9	**East London** Feltex Automotive
10	**Port Elizabeth** Feltex Automotive
11	**Cape Town** Mossop Western Leathers Jordan

INDUSTRIAL SEGMENT

FELTEX AUTOMOTIVE

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

INDUSTRIAL FOOTWEAR

- Frams: Manufacturer of safety footwear
- Wayne Plastics: Manufacturer of gumboots
- Tannery supplying bovine leather to footwear and leather goods industry

Hosaf: Manufacturer of PET bottle resin

CONSUMER SEGMENT

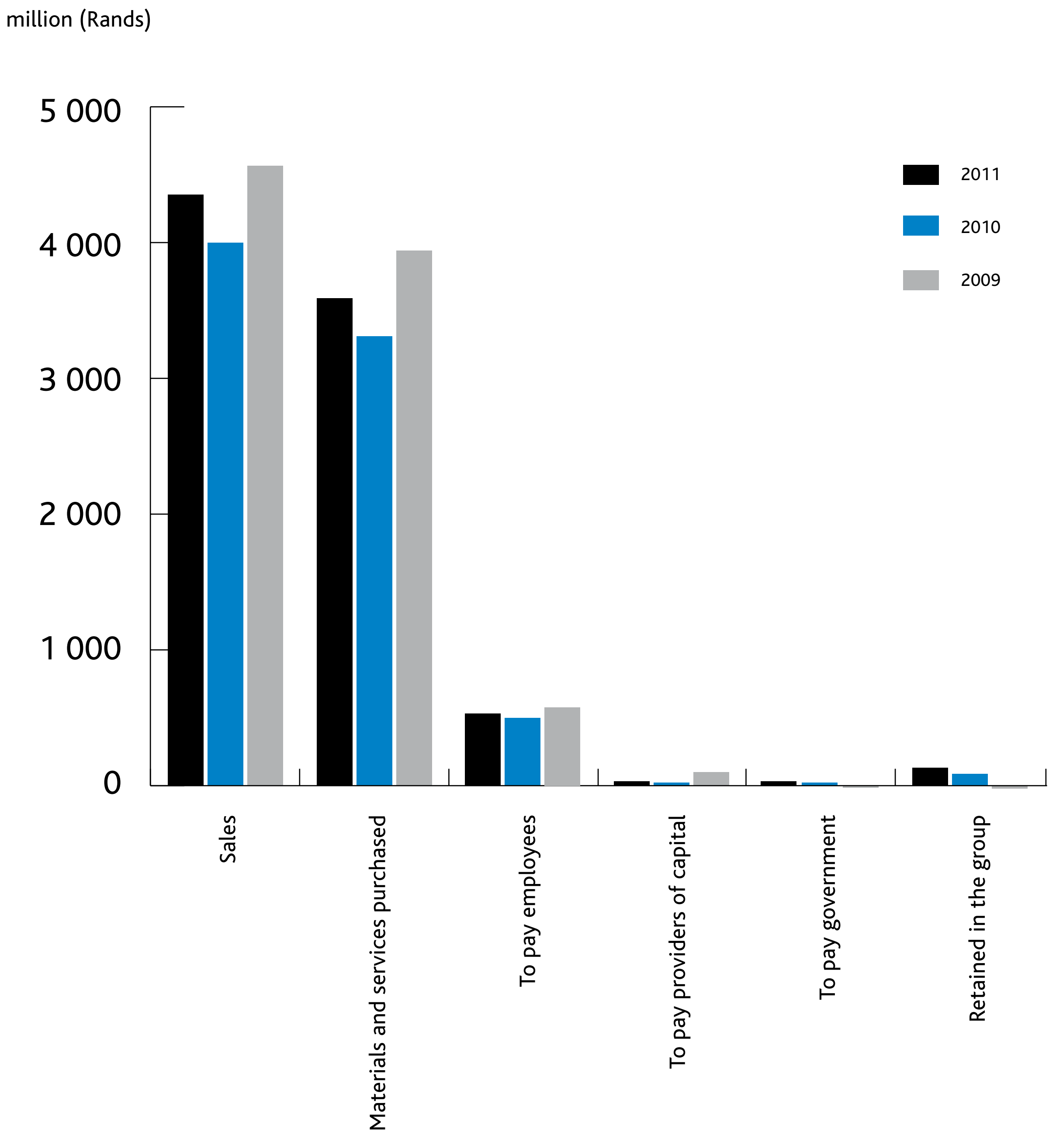
- Bull Brand: Canned and value-added meal manufacturer
- Brenner Mills: Maize miller
- Jordan: Branded fashion and sports footwear manufacturer, importer and distributor
- Glodina: Towel manufacturer

SHAREHOLDER PROFILE

Shareholder spread	No. of shareholders	%	No. of shares	%
1 – 1 000 shares	1 275	64,66	206 438	0,05
1 001 – 10 000 shares	458	23,23	1 805 235	0,43
10 001 – 100 000 shares	141	7,15	4 470 780	1,05
100 001 – 1 000 000 shares	72	3,70	28 482 201	6,71
1 000 001 shares and over	25	1,27	389 509 003	91,76
Total	1 971	100,00	424 473 657	100,00
Distribution of shareholders				
Banks/brokers	26	1,32	2 197 063	0,52
Close corporations	27	1,37	157 646	0,04
Endowment fund	2	0,10	3 500	–
Individuals	1 668	84,58	15 073 792	3,55
Insurance companies	7	0,35	1 238 800	0,29
Medical schemes	2	0,10	861 075	0,20
Mutual funds	16	0,81	21 268 538	5,01
Nominees and trusts	98	4,97	2 064 460	0,49
Other corporations	26	1,32	31 296	0,01
Private companies	39	2,03	176 929 614	41,68
Public companies	3	0,15	144 321 548	34,00
Retirement funds	57	2,89	60 326 325	14,21
Total	1 971	100,00	424 473 657	100,00
Public/non-public shareholders				
Non-public shareholders	**6**	**0,30**	**325 483 203**	**76,68**
Daun & Cie AG	1	0,05	175 872 159	41,43
Steinhoff Africa Holdings (Pty) Ltd	1	0,05	144 321 043	34,00
Directors/officers of the group	4	0,20	5 290 001	1,25
Public shareholders	**1 965**	**99,70**	**98 990 454**	**23,32**
Total	1 971	100,00	424 473 657	100,00
Beneficial shareholders holding 1% or more				
Daun & Cie AG			175 872 159	41,43
Steinhoff Africa Holdings (Pty) Ltd			144 321 043	34,00
Investec Asset Management			14 846 766	3,50
Government Employees Pension Fund			13 834 386	3,26
Chemical Industries National Provident Fund			7 014 265	1,65
Eskom Pension and Provident Fund			5 718 277	1,35
Mines Pension Fund			4 465 451	1,05
Total			366 072 347	86,24
Institutional shareholders holding 1% or more				
Argon Asset Management			36 808 594	8,67
Investec Asset Management			34 181 582	8,05
Eskom Pension and Provident Fund			5 718 277	1,35
Total			76 708 453	18,07
Resident/non-resident				
Non-resident	34	1,77	179 181 101	42,21
Resident	1 937	98,23	245 292 556	57,79
Total	1 971	100,00	424 473 657	100,00

VALUE-ADDED STATEMENT

	30 Jun 2011 Rm	30 Jun 2010 Rm	30 Jun 2009 Rm
Revenue	**4 351,7**	4 000,2	4 564,2
Materials and services purchased	**3 559,5**	3 309,4	3 939,7
Wealth created	**792,2**	690,8	624,5
Distributed as follows:			
To pay employees	**532,8**	499,4	576,5
To pay providers of capital	**65,7**	57,9	99,6
To pay government	**62,7**	46,1	(14,3)
Retained in the group	**131,0**	87,4	(37,3)
Wealth allocated	**792,2**	690,8	624,5



SIX-YEAR FINANCIAL REVIEW

	30 Jun 2011 Rm	30 Jun 2010 Rm	30 Jun 2009 Rm	30 Jun 2008 Rm	30 Jun 2007 (18 months) Rm	31 Dec 2005 Rm
Group summarised statement of comprehensive income						
Revenue	4 351,7	4 000,2	4 564,2	4 620,4	5 242,2	2 975,1
Operating profit	265,9	198,7	31,9	200,1	338,5	225,5
Net pension fund surplus	–	–	–	–	–	50,6
Restructuring costs	(34,3)	(7,7)	(85,4)	–	–	(10,9)
Net finance costs	(32,7)	(54,2)	(77,5)	(75,9)	(51,1)	(19,4)
Unwinding of discount on business combination	–	–	(4,1)	(5,8)	–	–
Share of results of joint ventures	2,0	3,0	2,7	3,7	3,2	0,7
Profit/(loss) before taxation	200,9	139,8	(47,0)	122,1	290,6	246,5
Taxation	(62,7)	(46,1)	14,3	7,7	(53,0)	(45,6)
Non-controlling interests	(7,2)	(6,3)	(4,6)	(7,5)	(11,6)	(6,2)
Net profit/(loss) attributable to owners of the company	131,0	87,4	(37,3)	122,3	226,0	194,7
Group summarised statement of financial position						
Property, plant, equipment and investment properties	911,8	958,2	999,9	828,2	709,1	529,5
Pension fund surplus	23,8	34,1	39,4	48,4	54,3	50,6
Deferred taxation	20,4	68,3	107,3	91,3	67,9	95,1
Total investments, loans receivable and goodwill	91,1	89,4	88,8	87,0	92,6	34,1
Inventories and receivables (excluding short-term loans receivable)	1 459,8	1 258,4	1 214,7	1 650,4	1 463,4	1 036,8
Cash and cash equivalents	128,7	101,8	58,5	55,1	2,4	2,2
Total assets	2 635,6	2 510,2	2 508,6	2 760,4	2 389,7	1 748,3
Shareholders' funds	1 429,7	1 327,0	1 238,6	1 276,2	1 166,1	1 041,2
Non-controlling interests	42,1	37,7	33,5	32,5	25,0	14,0
Deferred taxation	24,4	20,6	23,8	37,5	29,1	17,6
Total borrowings	263,3	427,4	573,4	602,0	537,0	245,0
Retirement benefit obligation	9,7	10,6	11,3	11,7	14,0	19,8
Current liabilities (excluding short-term borrowings)	866,4	686,9	628,0	800,5	618,5	410,7
Total equity and liabilities	2 635,6	2 510,2	2 508,6	2 760,4	2 389,7	1 748,3
Group cash flow						
Cash generated from operations	288,3	268,6	136,3	256,3	397,2	218,5
Net working capital changes	(18,3)	28,4	231,8	0,8	(177,9)	(85,5)
Net finance costs	(32,7)	(54,2)	(77,5)	(75,9)	(51,1)	(19,4)
Taxation paid	(13,8)	(8,9)	(14,2)	(10,6)	(14,0)	(3,1)
Net cash outflow from investing activities	–	(42,5)	(230,5)	(160,4)	(219,5)	(139,1)
Total cash flows from operating and investing activities	223,5	191,4	45,9	10,2	(65,3)	(28,6)

SIX-YEAR FINANCIAL REVIEW
continued

	30 Jun 2011	30 Jun 2010	30 Jun 2009	30 Jun 2008	30 Jun 2007 (18 months)	31 Dec 2005
Ratios and statistics						
Profitability						
Operating profit as percentage of revenue (%)	6,1	5,0	1,1	4,3	6,5	7,6
Net profit/(loss) as percentage of revenue (%)	3,0	2,2	(0,8)	2,7	4,3	6,5
Return on equity (%)[1]	9,9	7,1	(2,9)	10,5	21,7	22,4
Leverage						
Interest-bearing debt to equity (%)[2]	9,1	23,9	40,5	39,7	43,4	22,1
Liquidity						
Current ratio[3]	1,5	1,3	1,1	1,5	1,4	1,8
Interest cover (times)[4]	8,1	3,7	0,6	2,4	6,6	11,6
Productivity						
Total assets turn	1,7	1,6	1,8	1,7	2,2	1,7
Number of employees	4 192	4 232	4 751	6 082	6 228	4 681
Assets per employee (R)	628 721	593 147	528 015	453 864	383 702	373 489
Annualised revenue per employee (R)	1 038 096	945 227	960 682	759 684	707 612	635 570
Share statistics						
Number of shares in issue (000)	424 474	424 474	424 474	424 474	424 473	423 266
Weighted average number of shares in issue (000)	424 474	424 474	424 474	424 474	424 063	421 477
Headline earnings/(loss) per share (cents)[5]	24,7	21,0	(3,2)	28,4	52,5	45,7
Earnings/(loss) per share (cents)[6]	30,9	20,6	(8,8)	28,8	53,3	46,2
Distributions paid per share (cents)	7,0	–	–	–	17,0	12,0
Net asset value per share (cents)[7]	336,8	312,6	291,8	300,7	274,7	246,0
Total number of shares traded (million)	37,1	22,4	48,1	112,1	204,9	208,4
Total value of shares traded (Rm)	88,3	48,0	66,1	326,7	820,7	719,7
Market price at year-end (cents)	262	229	135	210	356	375
– highest closing price (cents)	265	250	220	390	494	415
– lowest closing price (cents)	175	125	115	200	343	293
Market capitalisation at year-end (Rm)	1 112	972	573	891	1 511	1 587
Price/earnings ratio[8]	8,5	10,9	n/a	7,39	9,93	8,13

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

4 **Interest cover**
The number of times that net finance cost is covered by operating profit.

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

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

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

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

DIRECTORS AND OFFICERS

DIRECTORS

F Möller (66)
(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 (38)
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 shareholder of Motseng Investment Holdings.

C E Daun (68)
(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 (56)
BCom, BCom (Hons), CA(SA)
Independent non-executive director
Chairman 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.

D M van der Merwe (54)
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 (50)
BAcc, CA(SA)
Non-executive director
Member of human resources and remuneration committee

Markus is the chief executive officer of Steinhoff International Holdings Limited and serves on several boards in the Steinhoff group's operations in Africa, Europe, the UK and Australia. He also serves as non-executive director on the boards of PSG Group Limited (member of the human resources and remuneration committee), Phumelela Gaming and Leisure Limited (member of the human resources and remuneration committee) and Capitec Holdings Limited (member of the Directors' Affairs Committee).

J B Magwaza (69)
BA, MA (Ind Rel), Dip (IR), Dip (PM)
Lead independent non-executive director
Chairman of human resources and remuneration committee,
Chairman of transformation committee

JB holds chairmanship positions at Tongaat-Hulett Group Limited, Pamodzi Investment Holdings (Pty) Limited, Motseng Property Investment Holdings (Pty) Limited, Mutual & Federal Limited and Nkunzi Investment Holdings (Pty) Limited and serves as non-executive director on the boards of Richards Bay Minerals, Rainbow Chickens Limited, NPC-Cimpor (Pty) Limited, Dorbyl Limited and Hulamin Limited.

U Schäckermann (64)
(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.

I N Mkhari (37)
BSoc Sci
Independent non-executive director
Member of human resources and 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 shareholder of Motseng Investment Holdings. She is a non-executive director of SA Corporate Real Estate Fund.

P C T Schouten (56)
CA(SA), MBA (UCT)
Chief executive officer (CEO)
Member of human resources and 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 2003.

J P Haveman (37)
BAcc, BCompt (Hons), CA(SA), MBus
Chief financial officer (CFO)

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 in 2005 as CFO.

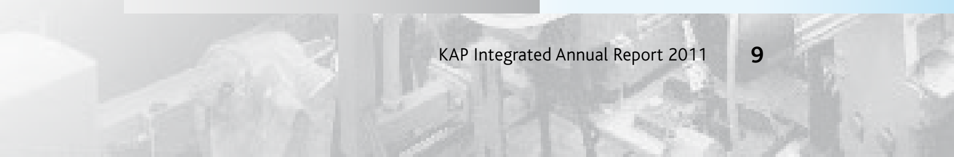
OFFICER

M Balladon (49)
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.

EXECUTIVE COMMITTEE

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



CHAIRMAN'S AND CEO'S REPORT

PERFORMANCE

We submit our report to shareholders for the year ended 30 June 2011.

Revenue and earnings

Revenue for the year from continuing operations increased to R4,22 billion (2010: R3,84 billion) due to good growth in the automotive and PET divisions.

Operating profit before restructuring costs improved by 34% to R265,9 million, which includes a profit of R41,7 million on the disposal of property, plant and equipment. Coupled with a reduction in interest, this resulted in headline earnings per share improving to 24,7 cents from 21,0 cents. Headline earnings per share from continuing operations also increased significantly to 32,7 cents from 22,7 cents in 2010.

Earnings per share increased by 49% from 20,6 cents to 30,9 cents.

Financial position and cash flow

Net interest-bearing borrowings decreased by a further R191,0 million to R134,6 million (2010: R325,6 million), and the year-end interest-bearing debt/equity ratio was 9,1% (2010: 23,9%).

Focus remains on operating cash flows and strict control of capital expenditure.

Capital distribution

In light of the improved cash flow, the board has declared a final capital distribution of 10 cents per share, (2010: 7 cents).

OPERATIONAL OVERVIEW

Industrial segment

Feltex Automotive

Globally, vehicle sales have recovered but are still off their peak particularly in Europe and the USA. South African vehicle sales are showing a trend towards imported vehicles which now comprise 51% of local sales. However, South African produced vehicles for the financial year have increased from 392 299 to 471 847 units. Exports account for 56% of the vehicles produced in South Africa. Most vehicles exported are destined for customers in Europe and North America – markets where sustained future economic growth is uncertain.

Industrial Footwear

Wayne Plastics continued to deliver satisfactory returns. United Fram remains under pressure, but management is confident that the initiatives put in place will counter the reduced demand. Mossop is still feeling the effects of the downturn in the global leather market.

Hosaf

The polymer plant in Durban continues to run at targeted production capacities, giving consistent yields and quality. Sales increased by 10% over the previous period as a result of favourable market conditions and further market penetration. Margins were supported by gains on inventory due to rising commodity prices over the period.

CHAIRMAN'S AND CEO'S REPORT continued

OPERATIONAL OVERVIEW continued

Consumer segment

Glodina

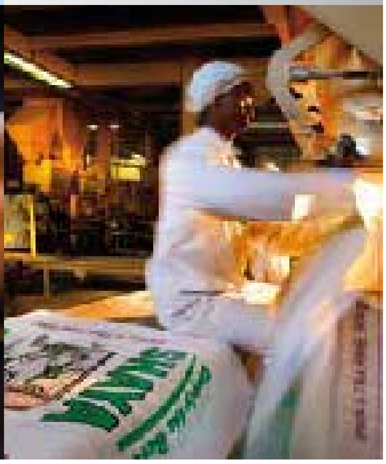
Glodina improved operating profit despite the price of cotton escalating by nearly 400% over the past twelve months and the slow-down in consumer spending. Operating expenses were cut by 10% and investments in capital upgrades ensured that costs were further reduced and efficiencies improved.

Jordan

Pairs sold increased by some 21% from 2,085 million in 2010 to 2,530 million in 2011. Increased sales occurred across all divisions, with our strong brands performing well, particularly in the Sports, Ladies' and Corporate divisions.

Brenner Mills

2011 was a challenging year for the maize industry as a whole, and for Brenner. Although local yields were reasonable, world food stocks are low. Global demand is outpacing production, which has resulted in the depletion of stocks and rising prices. Sales in the white maize division are still under pressure and Brenner has rationalised its cost base to compensate.



Bull Brand Foods

Although strong cost control and improved plant efficiencies off-set some of the increased input costs, margins remained under pressure.

Corporate activity

During the period under review the group sold its polyester staple fibre business in Cape Town. As a consequence of this sale the recycling plant in Alrode, which supplied feedstock to Cape Town Fibres, was closed.

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 the good competitive positioning of our industrial businesses will continue to support earnings growth in future.

Appreciation

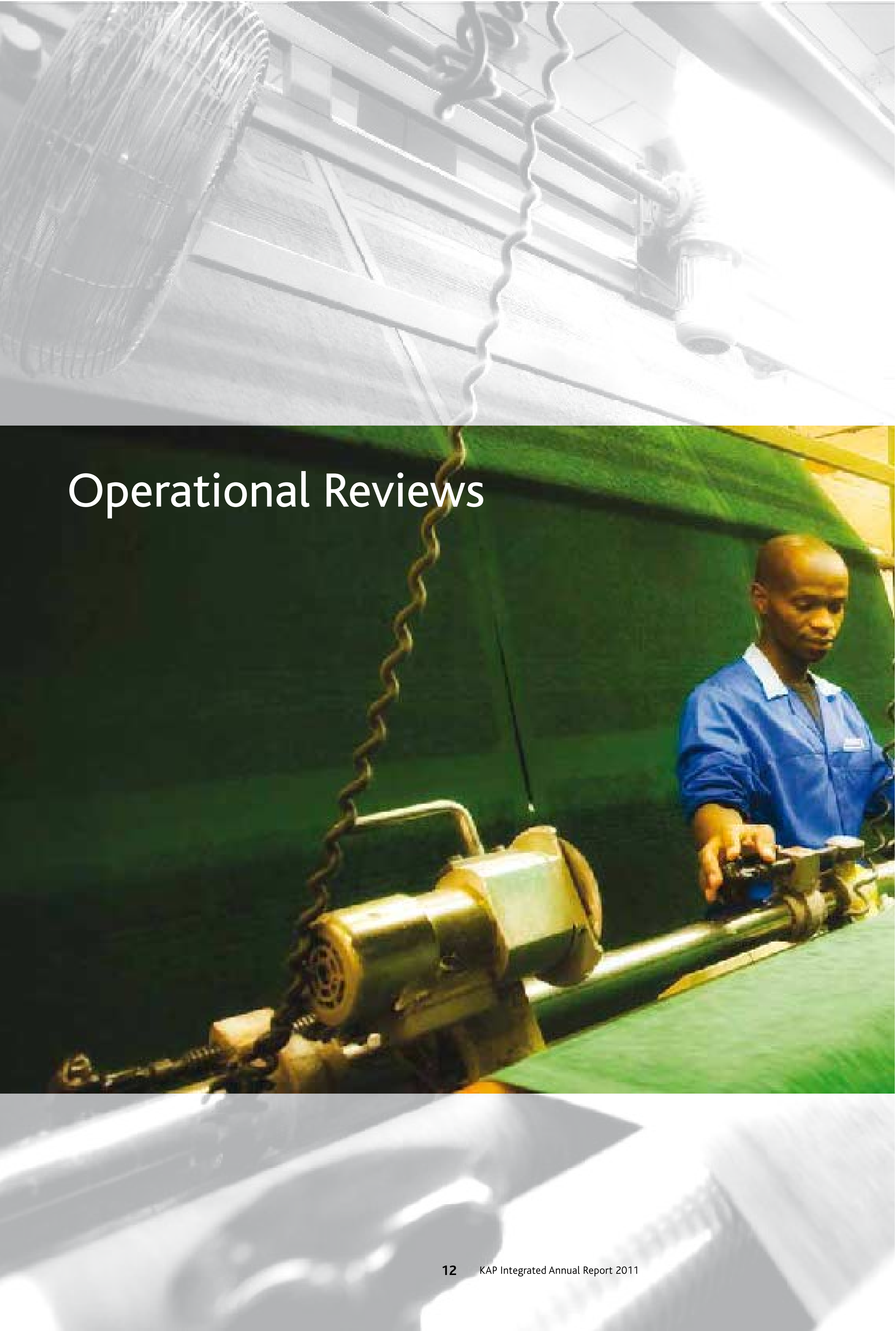
As always, we are grateful to our shareholders, employees and other stakeholders, and thank them for their continued support.

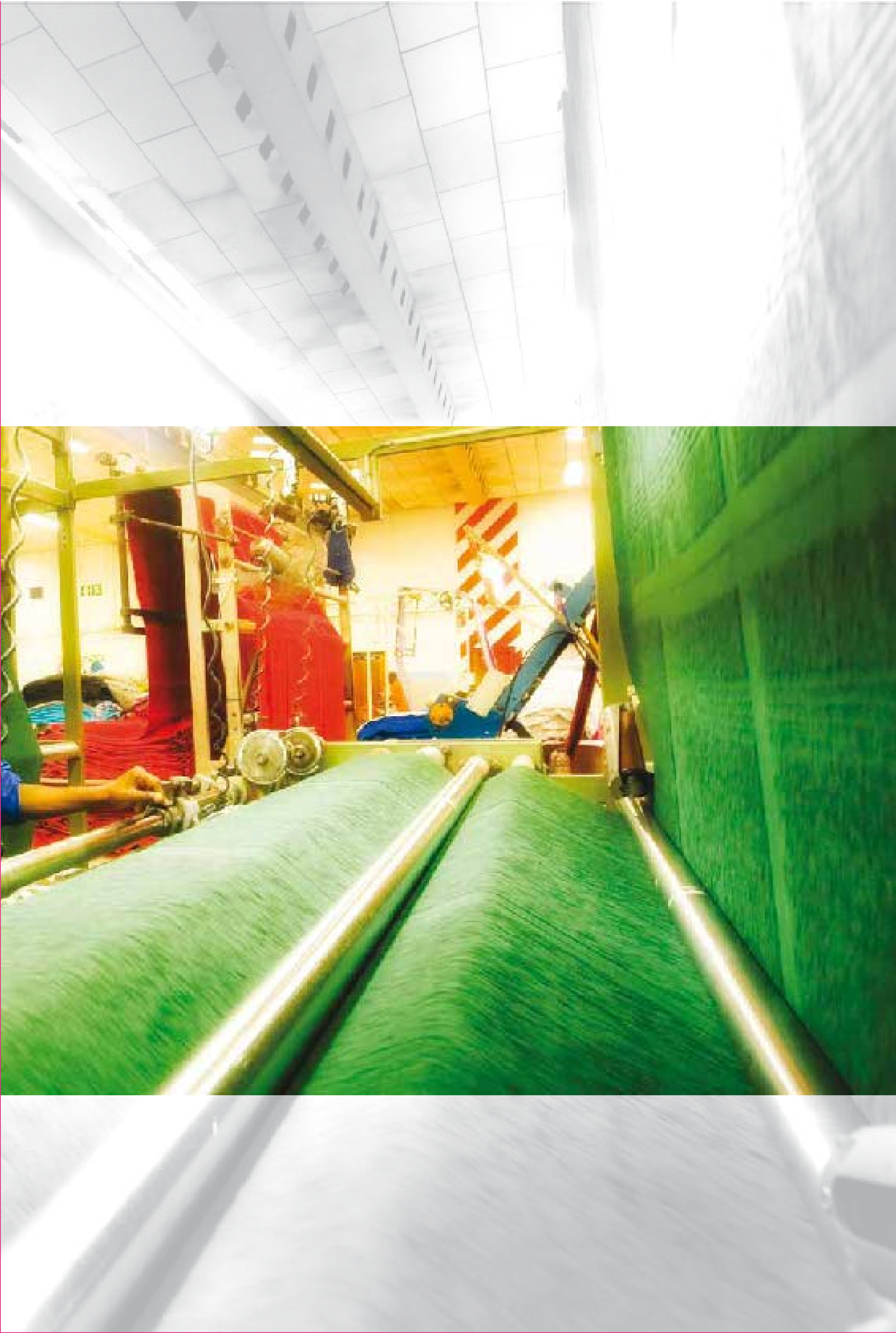
Claas Daun
Non-executive chairman

Paul Schouten
Chief executive officer

5 September 2011

Operational Reviews





Operational Reviews

FELTEX AUTOMOTIVE

Operational review

Profile

Feltex Automotive is one of South Africa's largest automotive component manufacturers and has manufacturing facilities situated in Durban, Rosslyn, Port Elizabeth and East London, in close proximity to the Original Equipment Manufacturer plants.

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

Year under Review

The division has shown continued profitability growth in all business units except Futuris Feltex. Working capital was well managed and cash generation strong. The division achieved all its 2011 targets and increased investment in improving efficiency and ongoing emphasis on people development across all levels of staff. Further improvements are envisaged through investment in machinery and people.

Globally, vehicle sales have recovered but are still off their peak particularly in Europe and the United States of America. South African vehicle sales are showing a disturbing trend towards imported vehicles which now comprise 51% of local sales. South African produced vehicles for the financial year have increased from 398 419 to 471 847 units. Exports account for 56% of the vehicles produced in South Africa. Most vehicles exported are destined for customers in Europe and North America – markets where sustained future economic growth is likely to be challenging.

The 2011 financial year was marred by strikes at Original Equipment Manufacturer plants and the component sector. Eight days were lost in August 2010 due to the Original Equipment Manufacturers strike and 13 days were lost in September 2010 due to the strike in the components sector. Aggressive catch-up plans were implemented by Original Equipment Manufacturers to meet export order commitments. As a result increased costs were incurred which impacted margins. Production scheduling normalised from January 2011.

The period from April to June 2011 was impacted by the earthquake in Japan which resulted in worldwide shortages in key components. Changes to production schedules put strain on supply chains and efficient manufacturing – but as far as possible the costs of these were minimised.

The strong average exchange rate for the financial year has put pressure on product pricing, making the meeting of international benchmarks in a relatively high inflationary environment challenging.

AUTOMOTIVE TRIM

FOAM CONVERTING

Prospects

The 2012 financial year will be a difficult one for the Automotive division with vehicle production expected to be slightly lower than 2011 levels. Two new models being the Ford T6 (Ranger) and BMW F30 (3 series) programmes will commence production in this financial year. Volumes at those vehicle manufacturers will be impacted by the run-out of the old model and the ramp-up of the new model. Apart from requiring additional investment, significant costs and inefficiencies will be incurred at commencement of production. The full benefits of these new programmes will only be realised in the 2013 financial year.

The introduction of the Automotive Production and Development Programme in 2012 precipitates more bullish sentiment among South African automotive manufacturers with most forecasting increasing capacity. However, with approximately 56% of locally-manufactured vehicles exported, to predominantly Europe and the United States, sales volumes are thus dependent on the economic climate in those markets. The Automotive division is thus very cautious about future volumes growth in the industry.

Economic conditions will remain challenging and the balancing of current wage increase demands and expectations of labour, to the necessity of international price competitiveness and productivity, to maintain export markets in a strong exchange rate environment, will be a stern challenge for the automotive industry.

Operating profit is expected to improve as operational efficiencies are realised, but these will be partially off-set by slightly reduced volumes, the costs incurred in the new model launches and pressure on product pricing if the relatively strong exchange rate environment persists.

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

INDUSTRIAL FOOTWEAR
Operational review

Profile

Wayne Plastics and United Fram

Wayne Plastics is the largest manufacturer of PVC gumboots in Africa and supplies customers worldwide. The company manufactures predominantly industrial boots for men and ladies, as well as a small fashion offering for ladies and children. The industrial gumboots are used in various industries including agriculture, food and mining. Each industry has its own specification depending on the application, for example, food processing needs a nitrile additive for acid protection and the mining industry requires steel toe caps and nail penetration protectors.

United Fram manufactures and supplies leather safety footwear to customers in the construction, mining, military and other industries throughout Africa. It is the only manufacturer in Africa that has state-of-the-art soling technology that enables it to apply a direct injection polyurethane to thermo polyurethane, and a direct injection polyurethane to rubber sole its products and is the only manufacturer to have a direct soling rubber facility used mainly for military footwear throughout Africa.

From a quality assurance perspective not only do both facilities manufacture their boots in accordance with the SABS mark of approval, but have attained accreditation to carry a number of other international quality standard marks on their products.

Year under Review

The year under review has been challenging as we saw the completion of many of the infrastructure projects in the country and experienced the effects of the global economic downturn, which affected the demand for our products. This, coupled with the strong Rand, saw more and more leather footwear being imported into the country from the East, as the local distributors scrambled for a part of the reducing footwear market. The once loyal distributors who usually purchased our products turned to the cheaper alternative to protect their margins.

The leather division is in the process of a complete overhaul to meet these challenges. The new injection machine's soling has been well received in the market. The division has strategically decided not to compete at the bottom-end of the market against low-quality cheap Chinese imports, but to rather reposition its offering to the middle- and upper-end of the market. Several new design products have been developed and these will be in full production early in the new financial year. A new marketing manager has been appointed to help with the repositioning of our brand and image to the market.

Local competition in the gumboot market continues to expand and has priced its products very aggressively. Despite the increased competition the gumboot division has maintained volumes in most markets, but at reduced margins. To supply better delivery lead times and service, an additional machine has been ordered and will arrive and be commissioned in the last quarter of 2011. We are confident that with the additional capacity this will enable us to shorten lead times and improve service levels to such an extent that we will win some of the lost opportunity locally. With the arrival of the new moulds there will be increased focus on increasing our export markets across the world with orders already received from Australia. This product will be selectively introduced into South Africa as the moulding capacity is limited. From an international perspective, the additional capacity will enhance our flexibility and we will be able to secure new markets.

Expenses and working capital remain well managed as has become the culture of the business units.

Prospects

The prospects for the leather division are exciting, with newly-designed products, a renewed marketing effort focusing on better service and coupled with a fresh new customer-focused image, all translating into increased market share and better volumes. The division will embrace new developments more frequently and this will be an ongoing part of the business culture with new styles continuously being introduced to the market.

The most exciting prospect is the expansion programme and additional machine being installed at Wayne Plastics, increasing its manufacturing capability and flexibility and translating to better customer service. Currently under investigation is the prospect of a new gumboot made from different materials and offering massive weight advantages over that of a PVC product. This product will possibly have the capability of incorporating a composite toe cap instead of steel, thus making it even lighter and metal free. This could be one of the world's first gumboots with a composite toe cap. We are looking to export substantial quantities of this product as our research has revealed that it could be competitively manufactured in South Africa.

Jeff Burland BCompt
Divisional managing director

INDUSTRIAL FOOTWEAR continued
Operational review

Profile

Mossop Western Leathers is the largest footwear tannery in southern 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 recognised as one of the world's leading suppliers of polyurethane laminated leathers.

Year under Review

Mossop Western Leathers, like most footwear tanneries internationally, experienced a challenging year with extreme pressures on volumes and margins due to macroeconomic factors that impacted negatively on the division. The recession's unfavourable effect on meat consumption had the effect that the global cattle herd shrunk by 10 –15% and the shortage of hides triggered hide price increases of around 50%, the highest in over 20 years.

Mossop could not adjust its leather prices to fully accommodate the above-mentioned hide price increases due to the continued strengthening of the Rand which resulted in increased leather and leather shoe imports. Imports were mostly from countries such as India and China that were not fully exposed to the hide price increases due to the fact that they protect their hide resources through stringent duties on the export of their hides.

The result of these adverse conditions was that Mossop did not achieve its targets but, due to various efficiency and savings initiatives, it still remained profitable.

Prospects

Despite the unpredictability of the global economy, Mossop remains hopeful that the global tanning industry has recovered from the 2008/9 crisis and that profitability will improve in the new financial year.

Targeted government incentives will contribute significantly to accelerate the recovery.

South Africa's Department of Trade and Industry's present investigation to implement protective duties on hide exports is welcomed and could have a very positive effect on the tanning, footwear and automotive industries.

Willie Kotzé MBA
Divisional managing director

HOSAF
Operational review

Profile

Hosaf produces PET resin for the bottle and packaging industries in southern Africa.

Hosaf has access to international expertise through carefully selected global partners, ensuring that its products compete on the global market. Hosaf has accreditation from some of the biggest and most respected packaging brand names in the world.

Current production capacity of its polymer plant in Durban stands at 125 000 tonnes per annum.

Year under Review

The polymer plant in Durban continues to run at targeted production capacities, giving consistent yields and quality, and providing a world-class quality product to South African bottlers.

To assist the industry in the light-weighting of bottles, which reduces the quantity of PET required per bottle, Hosaf has added to its product range a fast-reheat resin which is produced under licence from Invista.

Revenue rose 10% over the previous period as a result of favourable market conditions and further market penetration.

Hosaf's presence in the southern African region continues to expand and year-on-year growth was in excess of 60% to 5 000 tonnes per annum.

As the division is now unable to supply the entire local market, we have had to import PET to supplement production.

During the period under review Hosaf sold its polyester staple fibre business in Cape Town. As a consequence of this sale the recycling plant in Alrode, which supplied feedstock to Cape Town Fibres, was closed.

Hosaf
where quality is action

Prospects

Demand for PET resin in South Africa is expected to grow in line with world trends at 6%, while growth in other southern African states is expected to be significantly higher.

As customers have started to request a recycled PET component to their offtake, Hosaf has completed pilot plant trials with technology that can be used to blend recycled PET flake back into the virgin PET polymer process. A feasibility study on this project is expected to be completed in the coming months.

The positive outlook for growth in both the local and regional markets has resulted in Hosaf initiating a project to potentially further increase the PET production capacity of Hosaf. Several options have been identified and the relevant feasibilities will be completed during the coming financial year.

Peter White BSc (Hons) Textile Technology
Divisional managing director

BULL BRAND FOODS
Operational review

Profile

Bull Brand Foods is the market leader in canned meals, providing good quality and value for money products to the retail, wholesale and informal markets throughout southern Africa. The cannery in Krugersdorp produces iconic South African brands such as Bull Brand, Gants, Spekenam and Apex, as well as private label and house brands to leading retailers. The value-added meat (VAM) plant focuses on licensed products for fast food franchises and the food services sector as well as a newly-rebranded "Bull Brand biltong" range and frozen meat products for the retail/wholesale market.

Year under Review

The canned meat sector has been under price and margin pressure over the last few years. Canned fish prices are at low levels with an abundant supply of fish and full availability of fishing quotas in South African and Namibian waters. Beef prices and input costs have risen steadily, resulting in an increased demand for canned fish at the expense of canned meat products – capping pricing and reducing margins for these products. In order to remain competitive Bull Brand has focused on containing costs, improving plant efficiencies and promoting higher margin products, particularly in round cans. Overall sales to the retail markets have grown slightly, albeit at significantly reduced margins. Bull Brand has gained some good tender business but the strong South African Rand has adversely affected competitiveness in export markets into Africa where volumes have declined slightly.

A new marketing function was introduced to focus on new product development and to actively reposition and promote our brands in line with a consumer market survey which was conducted by Prof. Simpson of the Unilever Institute of Marketing. This has yielded a good pipeline of new products and a successful promotional programme throughout the year.

The Halaal accreditation of our products from the Muslim Judicial Council has been widely promoted and is having a positive effect on demand for our products, particularly into the wholesale and informal sectors.

Demand for VAM products from the fast food franchise sector dropped off significantly after the 2010 FIFA World Cup™ and has remained at low levels and reduced production volumes for the review period.

New product development and innovation has resulted in the launch of an exciting new chunky chicken product which will be expanded into a canned chicken product range under the Gants brand over the next 12 months.

Prospects

Gants chunky chicken was launched in June 2011, and is the first locally-produced canned chicken product in the market, will compete in the higher LSM market, and provides an attractive alternative to canned tuna. Further variants and flavours will be released to develop this range into a full retail category.

The "Bull Brand" biltong range in its new livery will be distributed via a national agent who will service the forecourt and hospitality markets to supplement sales through the retail channel. In addition, a range of frozen VAM products has been introduced into the food services and wholesale channels, focusing on the catering sector.

Bull Brand's focus will remain on achieving growth, reducing costs and improving efficiencies to ensure sustainable profitability. A lean manufacturing programme has been introduced to reduce costs and ensure a culture of continuous improvement throughout the company.

Gareth Campbell
Divisional managing director

BRENNER MILLS
Operational review

Profile

Brenner Mills has been a maize miller in South Africa for over 70 years. Brenner operates out of five factories, three in Limpopo and two in Gauteng. Outsourced distribution centres are spread over the rest of the country. The customer base includes the national chain stores, national wholesale, independent retailers and wholesalers, as well as spazas and corner cafés servicing the lower 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, supplies 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, birdseeds including 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

2011 was a challenging year for the maize industry as a whole, and for Brenner. Although local yields were good, world food stocks are low. Global demand is outpacing production, which has resulted in the depletion of stocks and rising prices.

The Chinese demand for feed and corn starch, coupled with increasing ethanol production, are responsible for the present scenario.

Sales in the White Maize division slowed towards the end of 2010, going into 2011. A slight uptrend has however been seen in the last months of the financial year.

The Diverse Products division performed well under difficult trading conditions.

There are still challenges in the Animal Feeds division, and this is reflected in slow sales of these products.

Prospects

The year ahead will be challenging in terms of managing costs with continually rising input costs.

Expansion across the country's borders will continue to be explored.

The recent restructuring of personnel and skills, whereby a number of functions have been centralised at the Brenner head office, will have a positive impact in the new financial year.

Steven Brenner
Divisional managing director

Eric Goldblum
Divisional executive chairman

JORDAN
Operational review

Profile

Jordan maintains a strong position in the South African footwear environment, both manufacturing and importing superior footwear.

As a leading marketer and distributor to the South African market, Jordan holds the licensing and distribution rights to a collection of prominent local and global brands each offering an extensive range:

Ladies – Bronx Ladies.
Mens – Bronx, Anton Fabi, Jordan and Renegade
Sport – Olympic and Asics (also incorporating the heritage range Onitsuka Tiger)
Corporate – Tender and Bronx Safety

The company-owned trademarks are manufactured in the production facility in Cape Town and under stringent supervision in China where satellite offices are strategically based.

The company's diverse customer base includes approximately 900 independent retailers and most major chain stores in South Africa. The chain stores are supplied with both Jordan-owned brands as well their house brands. Of these, Edgars is still the company's largest chain store buying both imported and locally-manufactured branded footwear. The supply of corporate footwear to government/parastatal departments and the security industry, both in South Africa and in BLNS countries also remains a key characteristic. The small chain of Jordan factory outlets is ably selling slow-moving and residual footwear in South Africa and Namibia.

Jordan has a strong and dynamic management team which is highly respected in the industry.

Year under Review

Pairs sold increased by some 21% from 2,085 million in 2010 to 2,530 million in 2011. The largest growth areas were in the Ladies' division, Sports division with Asics and the Corporate division where the range was enhanced by the inclusion of the steel toe cap range under the Bronx Brand.

Revenue increased by 23% compared to the previous year, while margins increased due to the strengthening of the Rand compared to the previous financial year.

Imported products increased by 26% in value terms as a result of the increased pairs sold. Own Manufacturing increased by 14% in value as a result of increased tenders awarded to Jordan.

Operating costs were kept under control but increased in line with the increased sales. Dedicated focus on excess and aged stock reaped rewards which resulted in inventory being significantly reduced over the period.

The dedicated quality control offices in China were expanded from two offices to three with the opening of an additional facility in Donguan for the Ladies' division. These three offices ensure that the footwear manufactured in China complies with strict quality control standards Jordan is recognised and respected for.

Prospects

A sophisticated new computer system for Own Manufacturing is set to be implemented early into the new financial year. The information that would be available from the new system will support management in timely and accurate decision-making.

The Own Manufacturing side will be boosted by PUMA production which should commence in the first quarter. We are looking forward to a long-term relationship with PUMA for contract manufacturing.

Asics, which dominates the South African running market, will now include a range of running apparel. Our local Asics team will be increased in order to place more emphasis on team sports such as netball, hockey and cricket and grow market share.

We are also strengthening our marketing team to support all the divisions.

Jordan furthermore intends to expand its supplier base from predominantly China to Vietnam.

Brian Pollock Dip Management ABSI
Divisional managing director

GLODINA
Operational review

Profile

Glodina is the market leader in terry towel manufacture in South Africa.

Over the past 60 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 to the hospitality industry.

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

Our relentless pursuit of offering service excellence, product quality and innovation has placed the brand in an enviable position in the market-place.

Year under Review

The past twelve months were characterised by the global price of cotton, a major input for Glodina, escalating by nearly 400%. Cotton prices increased to an all-time high after crops in both China and Pakistan were ravaged by floods. Furthermore, unseasonal weather in the US affected their crop yields. The resultant lint shortages led the world's major yarn exporting nation, India, to ban its export of cotton lint and cotton yarn. Commodity speculators further exploited lint shortages, driving prices even further upward.

Raw material prices spiked and supply became erratic. During this period Glodina had no option but to pass on the substantial price increases to the retailers. To minimise the effects of these price hikes, re-engineering of products utilising alternate and more cost-effective yarn qualities was undertaken. The company also reduced process costs.

The retail sector was negatively impacted with the slow-down in consumer spending caused by the increased price points. Volumes through the factory reduced and as a consequence production recoveries suffered.

Glodina's strategy during this period was to counteract this threat aggressively. Operating expenses were slashed by 10% and investments in capital upgrades ensured that costs were further reduced and efficiencies improved.

Revenue during the period improved by 5% year on year, and operating profit grew by 7%.

GLODINA

Prospects

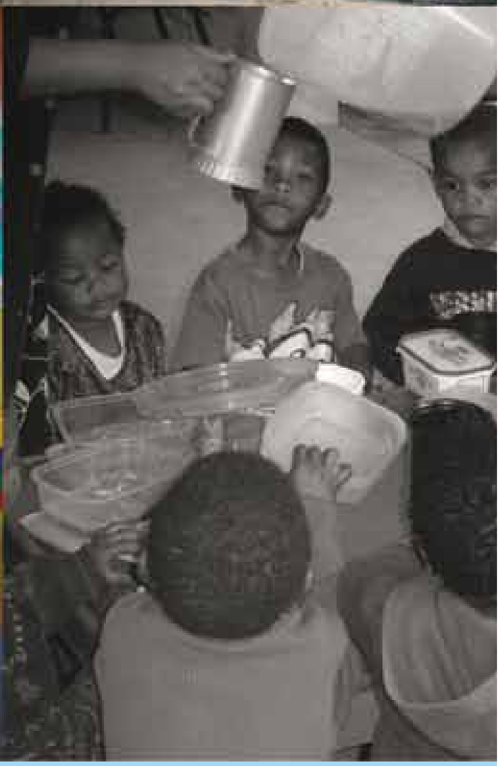
Glodina is well placed to achieve its earnings growth target for 2012. The medium- to long-term growth targets should be achieved. The company will invest in substantial capital projects to generate sustainable revenue growth and cost efficiencies, and will continue on its cost optimisation and efficiency improvement drives.

Our vision is to achieve sustainable growth in the company's market share by offering better value for money towelling products and related product extensions.

Glodina is confident that it will be able to compete with imported products despite margin pressure.

Paul Redondi Dip Textile Engineering (Bergamo)
Divisional managing director


Sustainability Report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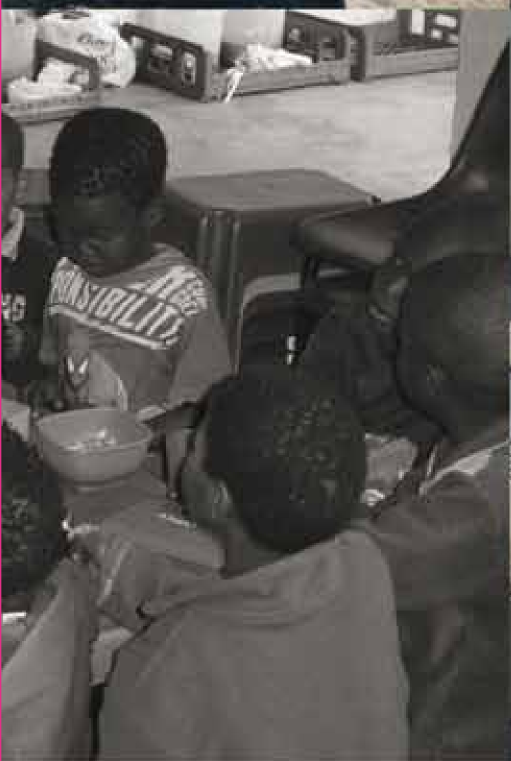
LIZZARD



SUSTAINABILITY REPORT

GRI Ref

GROUP HISTORY AND PROFILE 2.1

In July 2003 Daun & Cie gained control of Kolosus Holdings Limited, which consisted of a fresh and canned meat division (Bull Brand Foods), an automotive leather business (Kolosus Automotive Leathers) and a footwear leather operation (Mossop Western Leathers). Kolosus was a JSE-listed company which was used as a vehicle for the listing of Feltex, Jordan, United Fram, Wayne Plastics, Hosaf and Glodina in 2004, following which Kolosus was renamed KAP International Holdings Limited. Brenner Mills was acquired in 2007.

All significant divisions of KAP are divisions of a 100%-owned 2.6
subsidiary, Feltex Holdings (Pty) Limited, with the exception of:

- Dano Textile Industries (Pty) Limited
- Feltex Fehrer (Pty) Limited
- Rieter Feltex (Pty) Limited, and
- Feltex Futuris (Pty) Limited.

CHANGES TO GROUP STRUCTURE AND SIZE 2.9

During the period, the Hosaf Cape Town Fibres and Recycling divisions were sold to a third party.

There were no changes in capital structure, with the exception of a further reduction in net interest-bearing borrowings over the period, as indicated in the six-year review on pages 6 and 7 of this integrated report.

The current shareholding of KAP is indicated on page 4 of this integrated report. There have been no significant changes in shareholding over the period.

AWARDS RECEIVED DURING THE PERIOD 2.10

The group is committed to obtaining the highest level of external recognition for the quality of its products and processes. Details of the broad spectrum of third-party certifications are specified elsewhere in this report.

REPORTING BOUNDARIES 3.1 3.6

This integrated report covers all operations which KAP controls in South Africa and Namibia. All divisions and subsidiaries form part of the report and their specific contributions are described where necessary. The group operates in South Africa as per the map on page 2.

There are no limitations on the scope or boundary of this report. 3.7

Comparative numbers, when available, are adjusted where appropriate to ensure comparability. 3.8

As this is the first report of its type, there are no restatements of 3.10 3.11
information or changes in the scope, boundary or measurement 3.3
methods used. This report will serve as a base for future reports.

SUSTAINABILITY REPORT 1.1

THE CONTEXT

KAP operates 19 industrial facilities in southern Africa, employing over 4 000 people across a range of manufacturing processes.

GRI Ref

The impact of our operations on society and the environment is regularly assessed for compliance with all relevant labour and environmental legislation. We are pleased to report that we have continued to improve our performance in these areas.

Sustainable development seeks to integrate the needs of the present without compromising the feasibility of the future – a goal to which KAP is firmly committed.

Indeed, with a view to integrating sustainability into daily operations, KAP divisions are measured against Key Performance Indicators within a broad group policy which requires divisions to focus their energies and resources on the sustainability issues which are material to stakeholders, society and the environment.

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

While we are generally satisfied with our performance across a broad range of Key Performance Indicators, KAP will continue to focus on areas of weakness with a view to driving overall strategic growth.

REPORTING PERIOD AND CYCLE

Wherever possible, quantitative performance data for key sustainability indicators is provided for the annual financial reporting period (1 July 2010 – 30 June 2011). 3.2

PROCESS FOR DEFINING REPORT CONTENT

This report has been prepared in accordance with the guidelines 3.3
of the Global Reporting Initiative (GRI) Index and meets the 3.5
requirements of reporting level C. This report has not been independently assured.

The group intends to improve its application level over a period of time.

GRI CONTENTS

For the GRI G3 contents page, please refer to page 50 of this integrated report.

STAKEHOLDER ENGAGEMENT 3.12

KAP is accountable to a range of stakeholders. Regular and open dialogue with internal and external stakeholders informs the group's decision-making. The objective of this stakeholder engagement process is to build sustainable, stable and 4.14
mutually-beneficial relationships. With this goal in mind, KAP has identified the following key stakeholders:

- customers;
- employees;
- suppliers/service providers;
- shareholders*;
- financial institutions*;
- analysts*;
- press/media;

GRI Ref

- governments;
- regulators;
- trade unions; and
- local communities/non-governmental organisations.

* Stakeholders expected to use this report.

The group engages with all stakeholders to varying degrees. There are no stakeholders with whom the group is not prepared to engage.

STAKEHOLDER COMMUNICATION

KAP is in regular contact with its largest customers to ensure exceptional customer service levels. Shareholders' and analysts' expectations are that sustainable and profitable long-term growth is achieved through ethical and responsible business practices. 4.15

Customers', suppliers' and service providers' expectations are that they can grow their business by supplying quality products that are desired by their customers. It is the group's responsibility to continuously improve the quality, taste and innovative features of its products at a reasonable price in line with these expectations.

Government authorities' and regulators' expectations are that the business operates in accordance with all relevant legislative requirements.

In this context, it is the group's responsibility to clearly and openly communicate its business strategy and financial results. Communication takes place through meetings with management, telephonic conversations, internet and-email.

Annual results presentations are held in Johannesburg and Cape Town, and results are discussed with large individual shareholders on a one-on-one basis.

Engagement with the media takes place on a formal as well as informal basis with press releases, SENS announcements and publishing of relevant information on the KAP website. Shareholders are also encouraged to attend the company's annual general meeting.

ECONOMIC PERFORMANCE

The economic performance of the group is summarised in the annual financial statements commencing on page 54 of this integrated report. It is also illustrated in our Highlights and Six-year Financial Review sections, as well as commented on in our Chairman's and Chief Executive Officer's Report and Operational Reviews.

A key factor contributing to our economic performance is our commitment to quality management across all our businesses. Consistent attention to quality assurance and right-first-time delivery pays dividends not only in product quality but also in customer satisfaction and employee motivation – truly a win-win situation.

GRI Ref

In the year under review, the divisions performed in this regard as follows:

Hosaf recorded no legal non-compliances or fines and its ISO 9001:2008 systems were audited and accredited by Dekra.

Feltex maintained certification on all its sites: Durban, Port Elizabeth, East London and Rosslyn. It also introduced a number of new product and process innovations: the F30 New Carpet Line for BMW and the T6 New Carpet and Hot Air Line for Ford – both in the Feltex Trim Rosslyn plant.

In addition, Feltex received a number of awards from its customers for quality delivery, as follows:

- Feltex Fehrer won an On-time Delivery Performance Award from Toyota Boshoku.
- Rieter Feltex won an award for cost management by Toyota SA.
- Rieter Feltex was also placed third in the Manufacturing Trophy competition held internationally within the Rieter Manufacturing Group.
- Feltex Automotive received an award for its support of and participation in the Durban Automotive Cluster.

The **Industrial Footwear** division integrated its safety, health, environment and quality (SHEQ) management systems into one system last year and this will be put under review by Alexander Forbes Risk Management auditors, in line with a number of our other divisions.

Mossop continues to manage its quality processes to rigorous internal standards.

Brenner Mills is quality audited every six months by large customers, and maintains its internal standards to a high level.

Jordan complies with the updated ISO 9001:2008 and has been rewarded the SANS 421:2008 mark for Goodyear factory footwear welted with stitched or attached outer soles. Jordan has also opened an additional office in Doncheng during 2011 (for ladies' shoes) where its quality managers are now based. The intention is to do more work-in-progress audits to further enhance quality systems. Finally, as of this year, the Jordan quality manager serves on the Technical Committee of SABS for footwear (TC216).

Glodina continues to be certified to ISO 9001 and there were no negative findings from the last audit. The in-house embroidery operation has been expanded and now benefits from laser technology.

ENVIRONMENTAL PERFORMANCE

MANAGEMENT APPROACH

KAP is mindful of the earth's resources as it runs its operations. It consequently recognises its responsibility to reduce its emissions through appropriate energy efficiency, pollution reduction and water conservation measures. Particular emphasis has been placed on reducing water usage and

GRI Ref

pollution as it becomes increasingly clear that South Africa's water resources and management face increasing challenges. Research is regularly undertaken to measure and monitor the impact of operations on the environment, resulting in systems that ensure resources are used in a sustainable manner.

Policies and practices are in place to ensure that operations are managed within the relevant statutory and legal parameters and KAP's self-defined best practice requirements.

Key environmental risks continue to be identified and appropriate action taken to reduce or eliminate risks. Environmental incidents and complaints received are monitored and appropriate corrective action is taken. As an example, there were six minor findings in the last SABS recertification at our Glodina operation, all of which have been rectified: its ISO-approved 14001 Environmental Management System, common to all our plants, remains in place.

All our divisions record data relating to energy consumption, waste management and water conservation. Specific targets have been set at each operation and are being aligned to the ISO 14001, OHSAS 18001 and NOSA requirements. Accredited auditors such as SABS and Alexander Forbes Risk Services monitor the achievement of these objectives.

Environmental impact assessments (EIAs) and the implementation of resultant environmental management plans (EMPs) are standard practice. In summary, as the following more detailed sections attest, all our divisions are committed to conducting themselves in an environmentally responsible way. There were no significant spills during the period.

ENERGY CONSUMPTION

The group's energy costs form a major part of its cost base and is always in focus.

Due to problems with Johannesburg metro billing, the group is unable to quantify electricity consumption for the Johannesburg-based operations. The group is investigating alternative means of measuring electricity consumption.

At **Feltex** specific energy-saving initiatives are driven through the ISO 14001 project and the following measures have been implemented:

GRI Ref

Installation of translucent roof sheets to increase sunlight into the building, thus minimising electricity usage for lighting

Installation of Powerstar electricity meters which record consumption per second: this allows us to increase production during low peak periods

In addition, at **Bull Brand** electricity plays a major role in production, so the reduction of electricity usage, as well as concomitant cost savings and environmental benefits, have been emphasised by the following measures:

- converters and time switches on shrink tunnels;
- shutting down the engine room during peak times;
- shift changes to production times outside of peak energy usage periods;
- shifting of start-up times; and
- switching off of all components not in use.

AIR QUALITY

Some of KAP's divisions burn coal as a boiler fuel and current emissions levels continue to remain well within the permitted requirements. Electric alternatives have been evaluated, but the cost is prohibitive due to the ongoing price increases being implemented by Eskom.

GRI Ref

Particular initiatives at **Feltex** with regard to greenhouse gas and other pollution initiatives are driven by our ISO 14001 environmental management system and all Feltex sites are certified. Future plans for a focused CO_2 Footprint Project are being considered.

United Fram has introduced a number of environmental processes, such as improved air extraction from the spray room, and it is anticipated that these processes will help reduce air pollution and thereby reduce the effects on the environment and employees.

In addition, at **Bull Brand** 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 division is currently investigating a control mechanism which will lead to more effective steam generation, which will result in less coal consumption and a reduction in air pollution.

At **Jordan** the City Of Cape Town Air Quality Management department audited emissions and the operation was found to be an emission-free factory. A monitoring system has also been implemented in the manufacturing division when distributing solvents. This system reduces the dispersion of fumes into the air and has been audited and passed by SABS.

Finally, at **Glodina** oil burners are being scrapped and replaced with a new steam-powered Stenter machine which eliminates air pollution from the drying process and is far more energy efficient.

WATER CONSUMPTION

Together with climate change, the management of water resources is an area of increasing importance for a water-scarce country such as South Africa. It's an issue that will grow in prominence as societal water demand increases and climate change impacts on water resources.

KAP's operations continue to focus on water usage in order to ensure that this finite resource is managed in as efficient and responsible a manner as possible.

EN8

Due to billing problems, particularly in the Johannesburg area, water consumption for the group cannot be reliably measured at this stage. Water is supplied by local authorities.

At **Feltex** water meters have been installed for each plant and water consumption is measured and monitored on a monthly basis.

Already, at **Bull Brand** the existing purification plant has been a major success in reducing both oxygen demand and chemical load in effluent water.

At **Glodina** a number of new water recycling options are being considered.

GRI Ref

EFFLUENT MANAGEMENT

Effluent from all our operations is treated at local authority treatment plants, where effluent quality is constantly monitored.

At **Hosaf** the site effluent treatment plant is fully operational and pH management has been effectively resolved to meet municipal bylaw parameters. Effluent volume has continually reduced on an annual basis.

Global Carbon Exchange is currently conducting a carbon footprint analysis for the Hosaf Durban site.

At **Jordan** the main store is made from fibre cement sheeting (which contains asbestos fibres). This has been evaluated and found to have 0 fibres per 100 fields. An additional full Risk Assessment survey is to be done by an independent service provider.

At **Glodina** an effluent leak at a municipal discharge point was addressed and a 20% saving on salt used in reactive dyeing has also been achieved.

WASTE MANAGEMENT

In line with effluent management, reduction and reuse of solid waste is an ongoing area of emphasis for all our divisions. More specifically, at **Feltex** an additional chopping machine was bought for Trim Rosslyn to reduce the size of waste designated to be disposed of and transported to our Durban non-woven plant for recycling into felt production.

SOCIAL PERFORMANCE

Social performance embraces health and safety management, employee development and performance, and employment equity. KAP has over 4 000 employees across eight divisions and 19 sites, geographically spread throughout South Africa.

All KAP operations comply with the requirements of the Occupational Health and Safety Act. Management in each of the line operations is charged with ensuring that all legal requirements are met and that regular audits are conducted to ensure compliance with the Act.

SAFETY AND RELATED RISK MANAGEMENT

From a group point of view, management is committed to improving the level of risk management across all divisions, and the results of this commitment are demonstrated in the following table of Risk Assessment scores from our consultants, Alexander Forbes, which monitors all principal areas of risk, such as fire, security, OHS Act, etc. HR5

GRI Ref

	2010	2009	2008	2007
Bull Brand	89%	82%	80%	78%
Dano Textiles	92%	89%	88%	88%
Feltex Port Elizabeth	93%	88%	85%	87%
Feltex East London	86%	80%	75%	65%
Feltex Rosslyn	90%	87%	83%	86%
Feltex Durban	89%	85%	82%	83%
Hosaf Durban	90%	90%	87%	81%
Jordan	89%	86%	86%	81%
Mossop	88%	88%	85%	75%
United Fram	89%	89%	88%	87%
Wayne Plastics	86%	85%	83%	81%
Brenner Mills	73%	64%	61%	51%
Group "average"	**88%**	**84%**	**82%**	**79%**

One of KAP's key objectives is the creation and maintenance of an injury-free workplace. No fatalities occurred during the reporting period. Safety committees exist in all divisions to ensure ongoing management of safety, health and environmental performance. Included in this process are regular hazard identification and risk assessments, internal audits, safety training, management reviews and third-party audits.

At **Hosaf** ISO 18000 Safety Management Systems are in place (although they are not audited) and no major incidents occurred during this period.

The **Feltex** OHSAS 18001 Safety Management System has not yet been certified, but some of the OHSAS 18001 elements are being integrated into the existing management system. The plan is to prepare for the certification in the 2011/12 financial period.

Non-complying actions are included and driven through a continual improvement plan that is monitored on a monthly basis. There were no safety, health, environmental or Department of Labour fines in the period under review.

At **Bull Brand** there has been a major improvement in the safety risk rating: this was a highlight for Bull Brand Foods. There have been no penalties imposed on Bull Brand Foods this year.

No formal OHSAS 18001 Safety Management System has been implemented, but Bull Brand ensures legal compliance. The Department of Labour undertakes regular inspections and no significant compliance orders were issued. The legal requirements with regards to the election, training and meetings of health and safety representatives were complied with.

At **Jordan** the OHSAS 18001 Safety Management System has recently been audited by Alexander Forbes, and we have also had our fire evacuation drill audited by an independent company. All procedures were found to be of sound practice, barring some minor suggestions which have already been implemented.

GRI Ref

Glodina's site has been recertified by SABS to OHSAS 18001: 2007 standards. There were ten findings (all since addressed) from the last recertification audit in May 2011, including four injuries on duty for 2011, which fortunately did not result in permanent disabilities.

EMPLOYEE WELLNESS

Ongoing occupational health programmes are in place at all our sites. They are designed to eradicate health risks such as noise-induced hearing loss and occupational diseases such as asthma. Risk and hygiene monitoring is carried out periodically to avoid exposure to health hazards in the workplace. Further, occupational health audits were conducted during the reporting period, building on the solid platform that has been established.

At **Hosaf** an on-site health-care clinic outsourced to Life Health is staffed by a sister and an occupational health doctor, who provide comprehensive occupational and primary health-care services to the staff. Annual employee medical checks include legislated audiometric testing.

At **Feltex** external health centre facilities are used. For the Rosslyn plants, Prime Cure Clinics are utilised. Regular medical surveillance is carried out and pamphlets are distributed and displayed to encourage employees to be aware of chronic conditions. A Discovery medical aid consultant is on site every month to provide information on the management of a healthy lifestyle. Weekly paid employees are trained by peer educators.

At **Mossop** Western Leathers, as there is no on-site clinic, free transport is provided where medical attention is required, and flu injections are given annually to all employees.

At **Bull Brand** the on-site clinic was closed this year due to the closure of the fresh meat division, but annual medical surveillance continues through an external contracted service.

At **Jordan** the industry has set up health-care centres in areas which are close to where our employees reside, giving them access to quality health care at a fraction of the normal cost as it is subsidised by the industry. The introduction of these health-care centres has significantly reduced absenteeism as the clinics are for the exclusive use of employees working in the industry.

A family planning nurse is hosted once a month, giving employees easy access to contraceptives and reproductive health advice. Annual pap smears for female employees also take place on the premises, at no cost to the employees.

GRI Ref

Jordan also hosts the Western Cape Blood Transfusion services for the region on a quarterly basis. All employees are encouraged to participate by donating blood.

At **Glodina** the health-care facilities consist of an on-site clinic, a full-time nurse, an HIV/AIDS counsellor and a doctor once a week. Annual medical surveillance is ongoing in line with the OHSA and both entry and exit medicals, as well as an occupational hygiene survey, are conducted. Finally, this year we have begun to sponsor a Weight Watchers programme for overweight employees.

HIV/AIDS MANAGEMENT

Holistic and comprehensive HIV and AIDS management programmes are in place: the key aspects are awareness, prevention, treatment, care and support, as well as the encouragement of employees to find out their status through voluntary counselling and testing (VCT). To ensure confidentiality and privacy, as well as the most appropriate medical and clinical expertise when treating HIV and AIDS patients, the group makes use of external service providers for certain aspects of the workplace programmes. HR6 HR7

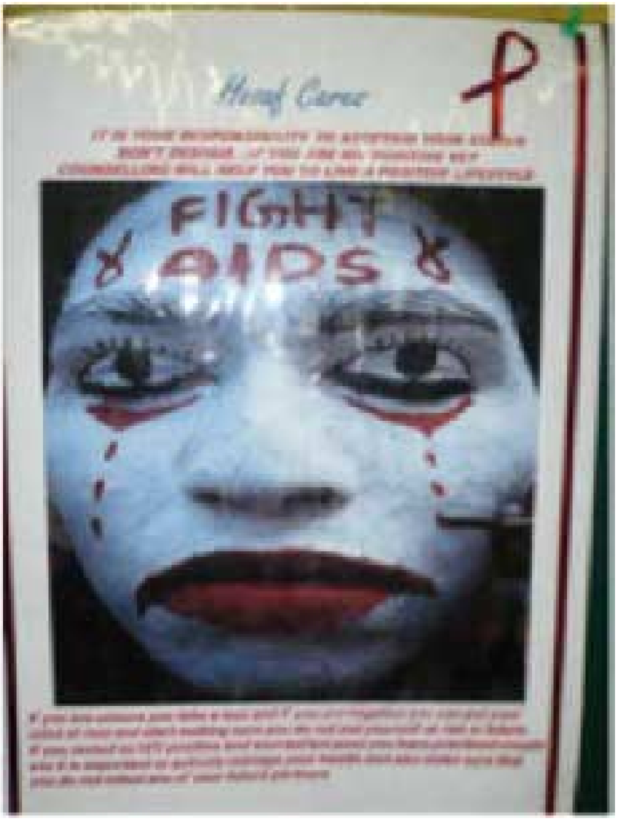
The specific initiatives of some of our sites are reported on below.

Hosaf is a member of SABCOHA, an organisation that provides HIV-related education and training and is also part of the Durban Chemical Cluster HIV and AIDS programme. Hosaf commemorated World AIDS Day by running a VCT programme and a poster competition.

1st: Mr B Essop, Salary Administrator

GRI Ref

2nd: Mrs M Chitalali, Receptionist



3rd: Mrs D Naidoo, Management Secretary

GRI Ref

Hosaf management team on World AIDS Day

At **Feltex** the SANS 16001 AIDS Management System has not yet been fully certified but this is planned for the 2011/12 financial year.

Feltex is subscribed to the Durban AIDS Council HIV and AIDS programme and has commenced implementation of the programme at its Durban site. This entails the training of a committee, peer educators and champions. Ongoing voluntary counselling and testing of employees is already taking place. Port Elizabeth, East London and Durban plant training has been completed and the programme will be rolled out to Rosslyn during the 2011/12 financial year.

Mossop has partnered with SACTWU's Worker Health programme on a TB campaign under the auspices of its SANS 16001 AIDS Management System.

For **Bull Brand,** AIDS Management Programme Trust Deeds are currently being registered. The process will be completed early in the new financial year.

At Jordan HIV testing is done on the premises twice a year, through a professional service provider. In 2011, 422 employees were tested, with a zero infection rate.

Glodina is certified to SANS 16001 and is partnered with international NGO Jhpiego. World AIDS Day 2010 was a great success with 384 employees tested on the last VCT drive. Currently Glodina has a 25% HIV prevalence, the third round of the peer educator programme has been completed and a full-time HIV and AIDS counsellor has been trained and is now operating on site.

PEOPLE DEVELOPMENT

Human capital investment is a key strategy for the group and ensures it attracts and retains competent staff to achieve its strategic objectives. The industrial relations structures of all group divisions have been structured to promote effective employee relations and identify and resolve areas of potential conflict.

GRI Ref

Initiatives implemented throughout the group include specific training and development programmes, effective employee relations, professional recruitment and selection processes, internal promotions, market-related remuneration and open communication channels, as well as effective relationship building with employee representative bodies and employee assistance programmes.

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 encourage people to think constantly about how they can improve themselves and the operations.

An appropriately skilled workforce is central to the achievement of the strategic goals of the business. The need for skilled people, particularly in the technical and engineering disciplines, is an ongoing requirement, so it is vital to ensure an appropriate pipeline of skilled people to meet future skills requirements. Targeted recruitment and remuneration practices, coupled with effective performance and talent management, play an integral part in ensuring that the organisation continues to have access to a competent workforce at all levels.

Some of the interventions include fast-tracked development, recruitment from outside and addressing succession planning gaps by ensuring an appropriate pipeline of skilled people to meet future skills requirements.

SKILLS DEVELOPMENT

Potential managers are encouraged to participate in management development programmes, where available.

Learnerships, bursaries and trainee programmes continue to be sponsored by the group to assist with the meeting of future skills requirements. To support these programmes, strong partnerships have been formed with relevant educational institutions and Sector Education and Training Authorities (SETAs). Workplace skills plans and implementation reports are submitted to the relevant SETA on an annual basis.

Effective skills development is critical to the maximum effectiveness of the business at all levels. This includes supervisory, management and leadership development, learnerships, in-service training, operator training, general skills development of shop-floor employees, and effective coaching and mentoring processes. Competency gaps and individual training and development needs are being identified and action plans developed to address these needs. Action plans are also developed to address the needs of high-performing individuals, with particular emphasis on black employees.

Employee skills development initiatives vary from division to division. Highlights are as follows:

GRI Ref

The **Hosaf** site has been accredited as a forklift training service provider by the Department of Transport. Two employees have successfully completed all related training and have started training new forklift drivers.

Apprenticeships include an initiative with Capital Outsourcing whereby nine electrical, instrumentation and mechanical apprentices have completed the first phase of training at a FET College and are currently doing practical training on-site. Two additional schemes exist, one with the Athol Munday Training School, where three mechanical apprentices are preparing for their trade test, and the other with Sasol, with one electrical apprentice preparing for the trade test.

Hosaf – Apprenticeship Class of 2011

At **Feltex** ten apprentices have been registered, of whom three are black women. One apprentice successfully completed his trade test during the period. In addition, 47 learnerships, 264 skills programmes and six in-service trainees are currently registered. A further 20 candidates have been identified for training and R165 074 has already been invested in their development.

The **United Fram** division is proud to announce that three of its learners were amongst the ten best learners nationally in the Bottom Stock Learnership Programme run by the CTFL Seta.

At **Mossop** four employed learners are registered on a learnership programme: the National Certificate in CTFL Manufacturing Processes: Leather. There are also four employment equity employees studying through the International School of Tanning Technology and seven employment equity supervisors have followed a management development programme through the Business Development Unit, Cape Town.

At **Bull Brand** several staff development and performance management initiatives have been embarked on during the period, including the piloting of a new electronic performance management tool. As well as improving the monitoring of staff development and performance management through better reporting tools, the new tool can select and assess behavioural competencies.

GRI Ref

Bull Brand Foods has taken the initiative in the training and development of the unemployed. The focus is on training apprentices to get them exposed to the working environment, gain insight into the industry and equip them with the skills required to succeed in their future employment. Five apprentices started with their training on 1 May 2011 and are expected to continue until June 2013. Twenty-nine learners completed their training during the period. New learnerships commenced in July 2011. Learnerships are for both the employed and unemployed.

Two university students will join Bull Brand to gain experience in our Food and Technology department this year. Twenty of our supervisors will undergo a year-long NQF Level 4 qualification to support our employees in acquiring management skills. Five employees have been given bursaries to further their studies in finance, HR, operations, projects and computer studies.

Brenner Mills currently has 15 employees on learnerships.

At **Jordan** 11 learners are currently enrolled into the learnership programme in footwear processes, which runs over a period of eight months. Thirteen learners graduated during the period.

Jordan also actively develops key previously disadvantaged employees for succession purposes, providing them with the necessary skills they require for future growth within the organisation.

At **Glodina** one knitting apprentice has recently passed the trade test as a knitting technician and five other apprentices are registered on fitter and electrical apprenticeships.

There are also 20 learnerships in place and seven supervisors attending the business management development programme, while six supervisors are attending the specialist operations management programme through the Business Unit at Durban University of Technology. Glodina also offers life skills and adult basic education and training internally. This includes debt management and counselling, which is provided by an external service provider.

PERFORMANCE MANAGEMENT

Disciplinary procedures

Our disciplinary code and procedures make provision for corrective behaviour as a first step towards resolving disciplinary issues. They have been drawn up in order to apply discipline in a fair and consistent manner, in line with the relevant labour legislation. If employees feel unjustly treated, they can exercise their rights in terms of the particular division's internal appeal procedure and the relevant legislation. Site-specific disciplinary codes and procedures have been negotiated with the relevant trade unions, where applicable.

GRI Ref

Grievance procedures

The group grievance procedures are intended to create an environment that is conducive to constructive employee relations, by facilitating prompt and fair action by the group when employees raise legitimate complaints. The intention of the grievance procedures is to ensure that grievances are resolved as near to their point of origin as possible, and as fast as possible.

Remuneration principles

The group recognises that one of its competitive sources of value is its people and, in order to meet the corporate goals and business objectives, the reward policies and objectives must be an integral part of an overall human resource strategy. That strategy is geared to achieve the following objectives:

- to support business strategies;
- to motivate and reinforce superior performance;
- to reinforce "living the values" in an outstanding and demonstrative manner;
- to encourage the development of organisational and individual performance;
- to encourage the development of competencies required to meet future business needs;
- to allow employees to share in the success of the company;
- to attract and retain high-quality individuals with the optimum mix of competencies;
- to be congruent with legislation; and
- to secure the commitment of its people to KAP's goals and purposes via the optimum mix of financial and non-financial rewards.

These remuneration principles are further founded on the demands of internal equity and external market competitiveness in the automotive and food manufacturing and processing industries, together with benchmarking against large companies, with a number of business units and functions attracting premium remuneration.

Remuneration setting and ranges

Corporate Human Resources and, where appropriate, divisional Human Resources, negotiate remuneration mandates on behalf of line management. Remuneration levels are set within the boundaries of KAP's remuneration guidelines, as listed above.

Corporate Human Resources monitors remuneration practices throughout KAP and ensures that procedures determined by the KAP management team and the human resources and remuneration committee of the KAP board are implemented. Deviations and trends are reported to executive management and the committee where applicable.

Role levels, job evaluation manager points and market medians form the basis of remuneration range structures. Remuneration ranges with minimum and maximum values are utilised in order to allow for flexibility of remuneration based on market trends and performance. Remuneration ranges are reviewed at least annually to ensure ongoing market competitiveness.

GRI Ref

Remuneration packages

In general, KAP uses individual total cost to company as the basis for determining market competitiveness. The 50th percentile market benchmark value is on average KAP's rate of remuneration for a full performing employee as defined by KAP's performance rating scale.

Performance reward

Remuneration for performance is based on the premise that employees are motivated when:

- they understand what is required;
- how it is to be achieved;
- how it is to be measured;
- standards of performance are fairly set;
- there is appropriate authority to act; and
- potential rewards are market related.

Managers consult with their subordinates to agree the basis upon which their performance will be measured and employees are expected to deliver commendable performance for commendable reward.

Variable remuneration

Incentives are based on divisional and group performance. Incentives are revised annually and it remains the prerogative of management whether to continue any initiative that does not form part of the conditions of service of the group.

Communication of remuneration issues

Remuneration and performance expectations are communicated clearly and frequently to employees so that they understand what is expected of them. The role of each element of remuneration is explained in appropriate terms via various communication channels to all employees. KAP's remuneration philosophy and guiding principles are made available to all employees.

General employee communication

Employees are kept abreast of local and corporate business development via internal newsletters, divisional intranets, briefings and internal memos. The biannual results presentations are made available to staff by invitation and also on the company website.

Child labour, forced and compulsory labour

All our divisions strictly prohibit child, forced or compulsory labour. All employees enter into either open-ended, fixed-duration or temporary contracts in accordance with applicable national legislation.

Freedom of association HR6 HR7

The group does not discourage membership of trade unions and/or collective bargaining arrangements.

GRI Ref

SOCIAL TRANSFORMATION

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

The group is committed to the principles of black economic empowerment, and at board level the transformation committee is a formally-appointed advisory committee. This committee 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.

HUMAN RIGHTS PERFORMANCE

South Africa is a signatory to the Universal Declaration of Human Rights, which is in turn reflected in the country's progressive Constitution. KAP has incorporated human rights principles into its practices, and operates within its code of ethics (see below), which supports its commitment to a policy of acting equitably and honestly in the conduct of its business. The company expects all employees to share this commitment to high moral, ethical and legal standards.

In turn, employees expect the group to operate ethically and responsibly in a safe, respected and fairly compensated environment. It is the group's responsibility to ensure ethical management procedures are in place to protect employees, support diversity and reward performance.

CODE OF ETHICS

The group's code of ethics framework commits it 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. Executive management is 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.

CORPORATE SOCIAL INVESTMENT

The group is closely involved with the communities in which it operates. The divisions are involved with a range of community projects, as described below.

SO1 **Hosaf** supports a number of community projects. It gives assistance to Crisis Careline, which is a non-governmental organisation that serves the community surrounding the Durban facility. Financial assistance is also given to the South African Children's Home, and a school that borders the Durban plant, Umbilo Secondary School, has been part of the Hosaf social responsibility programme since 1994. During the current period Hosaf provided much-needed desks and teaching aids for the school's mathematics centre.

GRI Ref

HR5

The Umbilo Secondary School Principal Mr B Mueller photographed receiving the desks purchased by Hosaf for the Mathematics Centre

Umbilo School Mathematics Centre: The two standing students are peer educators who help others during the lunch break to polish their mathematics skills

GRI Ref

Hosaf also donated R40 000 in bursaries to 13 university students whose parents are Hosaf employees.

Feltex donated R300 000 worth of hides to the KZN Society for the Blind this year and supported local enterprise development by providing free parking, security, electricity and water to catering company outfit "The Golden Girls". They have also provided free parking for trucks to "New Horizons" which is a company that provides transport of finished goods to our customers for the Durban plants and donated a further R900 000 worth of leather hides to the Umqhele Women organisation and Injiya Interiors.

The bags that Umqhele ladies made from donated leather as part of the Enterprise Development

Using the leather to do upholstering and ottomans

Feltex is also sponsoring 11 employees with bursaries through their part-time study scheme.

The **United Fram** division offers bursaries to deserving staff to further their studies in the fields of management development, commerce and logistics.

One of **Wayne Plastics'** employees, who is a keen marathon runner, was presented with a pair of Asics running shoes early in the year to encourage and help his performance in races. We are proud to report that he achieved a silver medal in this year's Comrades marathon as well as silver medals in other events.

GRI Ref

Simon Segau receiving his Asics shoes

Mossop sponsors an organisation called "Ma's vir Wellington". This organisation feeds needy children in the Wellington community on a daily basis. Mossop also sponsors a number of employee sports and social clubs, namely the Darts Club, the Choir Group, the Fun Walk Team and the Bowls Team, who were overall winners of the Wellington Businessmen Tournament in 2011.

Needy children in Wellington being fed

They also support local enterprise development by selling discounted leathers to BEE shoe companies. Bursaries and study loans are also offered to employees and their children.

Bull Brand is currently sponsoring an established black boxing academy, as well as a nursery boxing tournament, through the BRD Boxing Academy. It also views enterprise development as an integral part of developing and fostering black small enterprise

GRI Ref

development in South Africa, including Glodina's own canteen service provider.

For **Brenner Mills** the highlight of the year was the Annual Soccer Day on Youth Day, 16 June 2011. This event took place in Kwathema and involved the primary schools from the area. Brenner Mills sponsored the soccer balls, kits and trophy, as well as free food for all who attended. There was a good turnout and a great day was had by all. The winner of this year's trophy was a team calling themselves Ayoba-yo, who beat Dixie Land 2 – 0.

Working with the local community to protect and promote their culture, Brenner also sponsored the Dikwena cultural group this year, whose members range from ages six to 21 years old.

In conjunction with one of our customers, Innomark, a community donation was made in Diepsloot, where each family received Shaya maize meal, as well as some sugar.

Hand-out in Diepsloot

GRI Ref

As has become custom, Brenner again hosted a primary school at the Hammanskraal Mill. This year was the turn of Itereleng Primary School in Temba. The children got to see the milling process and hear about career options in the milling industry.

Itereleng Primary School visit to Mill

Maize meal and food parcels were also given out to various charities and organisations, a few of which are mentioned here: Department of Agriculture Makhado, Mbokoila Home-based Care, A.N.C. Vhembe Region, National S.A.P.S Half Marathon Limpopo area, United Reformed Church Kranskop, Thanya Day Care, Bosele Créche, Reformed Church De Hoop, Bosveld Hunters and Conservation Society, and Meals on Wheels.

Finally, social responsibility and marketing promotion were combined in a "SCRATCH TO WIN" promotion. This was very successful. Customers won fridges, ovens and other large electrical appliances.

Customer with stove

Jordan adopted the Holy Cross Children's Home in Ravensmead in 2009. Holy Cross Children's Home is a haven that provides a home for 115 abused or neglected children between the ages of two and 18. Jordan hosts a monthly birthday party at the end of each month for all the children in the home who have celebrated their birthdays in that month. It also provided school shoes, bags and stationery for all the children and is currently busy with a project to paint the rooms of the caregivers at the home.

In addition, Asics and Olympic are still supporting their respective under-23 Top Club cycling teams. The Asics cycling team has won medals in races such as the Berge & Dale, WILRO and Gauteng Provincial Championships. Furthermore, one of the riders has been offered a PRO contract with MTN Qhubeka. The Asics team is currently ranked seventh in the latest team standings. Their sister team, Olympic, is also performing well, with riders that have achieved top ratings in UK races. They have also entered the Nissan Trailseeking series and been selected to represent University of Johannesburg on the national student tour.

Birthday parties at Holy Cross Children's Home

Table View Football Club in action

SUSTAINABILITY REPORT
continued

The Olympic Cycling Team

The Asics Cycling Team

Olympic has also reached out to assist Ubunye Educare Centre. This school has 120 children, whom they both feed and educate. Olympic is assisting this centre with ongoing monetary support and provides them with additional household supplies and school bags. When needed, Asics and Olympic also sponsor community-driven projects in the form of sports clubs and leagues involved in the townships. Currently Asics and Olympic sponsor full soccer kits and balls across all the senior teams at the Table View Soccer Club, along with additional tracksuits and T-shirts for the coaches. Jordan has also recently embarked on a sponsorship of Tygerberg Rugby Club. This local club aims to train the youth and provide them with a safe place to play and compete against local teams.

Jordan has also maintained a sponsorship with the Somerset College Hockey Outreach Project. This is a development and training programme for the children of the local community in Somerset West.

SUSTAINABILITY REPORT
continued

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 Du Noon. We also supply various organisations with food parcels.

Boland School of Autism

Little Angels handing out food parcels to crèche in Du Noon

Baby packs delivered in Du Noon by Little Angels

The Ubunye Educare Centre with their new school bags

Glodina has a partnership with the Jhpiego NGO and the Department of Health and has donated R137 100 worth of towels to local HIV/AIDS centres.

It also supports a canteen managed by a local community member, by providing free parking, security, electricity and water to the enterprise. The company also continues to support two former employees by outsourcing CMT work to their small businesses.

In terms of bursaries, Glodina supports one full-time textile technologist, one part-time BCom degree student and contributes towards part-time MBA degree courses for four managers.

PRODUCT PERFORMANCE

THIRD-PARTY CERTIFICATIONS

KAP divisions have embarked on programmes to conduct third-party audits and/or certifications. In this regard, targets have been set for third-party audits and certifications associated with NOSA, OHSAS 18001, ISO 14001, ISO 9001 and HACCP/GMP. GRI Ref

FOOD SAFETY

The food divisions, Brenner Mills and Bull Brand Foods, have over many years developed a reputation as producers of high-quality products. In order to ensure that this reputation is maintained, the divisions enforce strict quality standards across their product ranges.

In addition, ongoing attention is paid to the requirements of the SABS, ISO 9001, the Hazard Analysis Critical Control Point system (HACCP) and ISO 22000, in terms of food safety.

FEEDBACK ON THIS SUSTAINABILITY REPORT

To give feedback regarding your view of the sustainability element of this integrated report, please contact us at:

Tel +27 (21) 872 8726
E-mail: info@kapinternational.com 3.4

Masigcine Children's Home makeover

Umkhoma surfing development sponsorship

CORPORATE GOVERNANCE

The King Code of Corporate Practices and Conduct

KAP has made good progress on improving its compliance with King III and reports as follows:

- The board charter was updated to comply with King III including the term of office of the chairman and the appointment of the lead independent non-executive director.
- The membership and the charter of the audit and risk committee was updated during the 2011 financial year. The appointment of members by shareholders will be done at the AGM to be held on 2 December 2011.
- The non-executive directors' fees will be authorised by shareholders in advance and the remuneration policy will be tabled at the AGM to be held on 2 December 2011.
- Sustainability reporting through incremental compliance with the Global Reporting Initiative Index commenced in the 2011 financial year.
- The internal audit processes have been broadened.
- Documentation has been formalised to validate and improve reporting on management's ongoing initiatives on:
  * IT risk and strategy;
  * risk management, assurance and quantification; and
  * legal and regulatory compliance.

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 policies 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 group'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 group board comprises two executive directors and nine non-executive directors. 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 chairman is re-elected by the board on an annual basis. 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. Mr J B Magwaza was appointed lead independent non-executive director. The names of the executive and non-executive directors are set out on pages 8 and 9.

The attendance of the directors at board meetings and committee meetings for the year is set out below:

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

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

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 investment in employees and communities, are critical for the long-term sustainability of the group. The committee is tasked with developing and monitoring 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.

Human resources and remuneration committee

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

Audit and risk committee

For more information, please refer to the Report of the Audit and Risk Committee on pages 57 – 58.

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.

Environment, sustainability and social investment

For more information, please refer to the Sustainability Report.

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 55 to 100 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.

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 the affairs of the group at the group's expense. The company secretary is responsible for the duties set out in the Companies Act.

Further governance information

For more information, please refer to the Sustainability Report.

GLOBAL REPORTING INITIATIVE INDEX (GRI) G3 CONTENTS – APPLICATION LEVEL C INDEX

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2.4	Location of organisation's headquarters	**Group profile**	1
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	**Operational structure**	2
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Profile disclosure	Description	Section	Page
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4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	**Sustainability**	33
4.14	List of stakeholder groups engaged by the organisation	**Sustainability**	33
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Financial Statements

Annual Financial Statements

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 2011, 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 55 to 100.

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 the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 2011, 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 the requirements of the Companies Act of South Africa.

Deloitte & Touche

Deloitte & Touche

Registered Auditor
Per R J Hofmeyr
Partner

5 September 2011

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, Risk Advisory; N B Kader, Tax & Legal Services; L Geeringh, Consulting; L Bam, Corporate Finance; J K Mazzocco, Human Resources; C R Beukman, Finance; T J Brown, 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 audited annual financial statements of the company and the group for the year ended 30 June 2011.

HOLDING COMPANY

At the date of this report, the company has no majority shareholder. The largest minority shareholders are Daun & Cie AG (41,4%) and Steinhoff Africa Holdings (Pty) Limited (34,0%). 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, leather products, footwear, bottle resin, automotive components and towelling products. Their activities are dealt with more fully elsewhere in this integrated 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 10 cents (2010: 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 authority 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 2011 and at the date of this 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
U Schäckermann	Independent non-executive director
J B Magwaza	Lead independent non-executive director
I N Mkhari	Independent non-executive director
S H Nomvete	Independent non-executive director

Directors retiring by rotation are Messrs F Möller, J P Haveman, D M van der Merwe and J B Magwaza. These directors are all eligible and offer themselves for re-election. Details of each of the directors are set out on pages 8 and 9 of this integrated annual report.

COMPANY SECRETARY

The business and postal address of the company secretary, M Balladon, is set out on the inside back cover of this integrated report.

DIRECTORS' SHAREHOLDING

At 30 June 2011, the present directors of the company held direct and indirect interests in 175 872 159 shares or 41,4% (2010: 175 807 101 shares or 41,4%) of the company's issued ordinary shares. Further details are set out in note 30 to the financial statements.

No contracts were entered into during the year, other than already disclosed in this integrated 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

For more information, please refer to the Corporate Governance Report on pages 48 and 49.

SUBSIDIARY COMPANIES AND JOINT VENTURES

The principal subsidiaries and joint ventures of the group are reflected in notes 5 and 6. The aggregate net profits of consolidated subsidiaries amount to R131,4 million (2010: R88,0 million). The aggregate net losses amount to R0,4 million (2010: R0,7 million).

BORROWING FACILITIES AND LIMITS

The group's borrowing facilities and usage thereof are set out in notes 11 and 18. 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 at the 2010 annual general meeting, but no shares were repurchased.

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 and risk 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

DIRECTORS' REPORT
continued

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.

ANNUAL FINANCIAL STATEMENTS

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 preparation of the financial statements was supervised by the chief financial officer, Mr J P Haveman. 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 94(7)(f) of the Companies Act of 2008, is set out on pages 57 and 58 of this integrated report.

BOARD EVALUATION OF AUDIT AND RISK COMMITTEE

The board of directors believes that the committee has satisfied its responsibilities for the year in compliance with its term of reference and with the Companies Act, 2008.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements and group annual financial statements for the year ended 30 June 2011, set out on pages 55 to 100, were approved by the board of directors and are signed on its behalf by

C E Daun
Non-executive chairman

P C T Schouten
Chief executive officer

5 September 2011

COMPANY SECRETARY'S CERTIFICATE

I certify, in accordance with the Companies Act, 1973, as amended and the Companies Act, 2008, as amended (the Acts) that, to the best of my knowledge and belief, the company has lodged with the Companies and Intellectual Property Registration Office (Companies and Intellectual Property Commission from 1 May 2011) all such returns as are required for a public company in terms of the Acts and all such returns are true, correct and up to date.

M Balladon
Company secretary

5 September 2011

1 New Street, Paarl

REPORT OF THE AUDIT AND RISK COMMITTEE
for the year ended 30 June 2011

AUDIT AND RISK COMMITTEE CHARTER

The audit and risk committee (the 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 (KAP International Holdings Limited) and its wholly-owned subsidiaries.

The group company secretary is secretary of this committee. The committee comprises three independent, non-executive directors, and is considered to have sufficient financial skills and knowledge to carry out its duties and responsibilities. Attendance at meetings by other directors is by way of invitation.

ATTENDANCE

The committee met twice during the year, with full attendance by all members, with detailed attendance information on page 48 of this integrated report.

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.

CONFIDENTIAL MEETINGS

All committee agendas provide for confidential meetings between the committee members and the internal and external auditors.

EXTERNAL AUDITORS

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, and all services by the external auditors are preapproved by the committee. The committee is satisfied that the external auditor (Deloitte & Touche) 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 terms of engagement and the fees of the external auditors as disclosed in note 23 of the annual financial statements.

POLICY REGARDING NON-AUDIT SERVICES

As a general rule the group's spending on non-audit services provided by the external auditors should not exceed 50% of its spending on audit and related services. The actual spend is reviewed annually.

INTERNAL CONTROLS

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.

Nothing has come to the attention of the 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.

REPORT OF THE AUDIT AND RISK COMMITTEE
continued

INTERNAL AUDIT

KPMG, the group's independent internal auditors, operate in terms of the internal audit charter and under the direction of the committee which approves the scope of the work to be performed. Significant findings are reported to both executive management and the 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 committee is satisfied with the effectiveness and performance of the internal auditors and compliance with their mandate. The committee is also satisfied that the internal auditors have the necessary resources, budget, standing and authority to enable them to discharge their functions.

RISK

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 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 with a comprehensive set of group policies and standards to cover all aspects of operational risk control. Performance is measured on a regular basis by means of 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.

The committee has approved a comprehensive risk management process designed to improve the risk maturity profile of the group to become more compliant with the provisions of King III.

EVALUATION OF CHIEF FINANCIAL OFFICER

As required by JSE Listings Requirement 3.84(h), as well as the recommended practice as per King III, the committee has assessed the competence and performance of the group chief financial officer and believes that he possesses the appropriate expertise and experience to meet his responsibilities in that position. 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.

RECOMMENDATION OF INTEGRATED REPORT

Based on processes and assurances obtained, we recommend the integrated report to the board for approval.

K E Schmidt
Chairman: audit and risk committee 5 September 2011


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STATEMENTS OF FINANCIAL POSITION
as at 30 June 2011

		GROUP		COMPANY	
	Notes	30 Jun 2011 Rm	30 Jun 2010 Rm	30 Jun 2011 Rm	30 Jun 2010 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	2	883,1	926,3	0,7	0,7
Investment property	3	19,5	19,4	0,2	0,2
Goodwill	4	66,7	66,7	–	–
Interests in subsidiaries	5	–	–	760,4	819,1
Interests in joint ventures	6	24,4	22,7	0,7	0,7
Pension fund surplus	7	3,8	25,1	–	–
Deferred taxation assets	8	20,4	68,3	1,6	1,2
		1 017,9	1 128,5	763,6	821,9
Current assets					
Assets held-for-sale	12	9,2	12,5	–	–
Pension fund surplus	7	20,0	9,0	–	–
Inventories	9	729,8	646,3	–	–
Accounts receivable	10	730,0	612,0	0,1	3,3
SARS – income taxation receivable		–	0,1	–	–
Bank balances and cash	11	128,7	101,8	3,1	4,3
		1 617,7	1 381,7	3,2	7,6
Total assets		2 635,6	2 510,2	766,8	829,5
EQUITY AND LIABILITIES					
Capital and reserves					
Issued share capital	13	84,9	84,9	84,9	84,9
Share premium	14	814,9	844,6	814,9	844,6
Foreign currency translation reserve		0,2	–	–	–
Share-based payment reserve	15	2,2	1,0	2,2	1,0
Retained income/(accumulated loss)	16	527,5	396,5	(144,2)	(144,8)
Equity attributable to equity holders of the parent		1 429,7	1 327,0	757,8	785,7
Non-controlling interest	17	42,1	37,7	–	–
Total equity		1 471,8	1 364,7	757,8	785,7
Non-current liabilities					
Interest-bearing borrowings	18	22,5	30,5	–	–
Retirement benefit obligations	19	9,7	10,6	–	–
Deferred taxation liabilities	8	24,4	20,6	–	–
		56,6	61,7	–	–
Current liabilities					
Accounts payable	20	812,5	633,4	5,8	4,3
Provisions	21	53,3	50,1	2,9	1,9
SARS – income taxation payable		0,6	3,4	0,3	0,3
Interest-bearing borrowings	18	22,2	72,7	–	–
Bank overdrafts	11	218,6	324,2	–	37,3
		1 107,2	1 083,8	9,0	43,8
Total liabilities		1 163,8	1 145,5	9,0	43,8
Total equity and liabilities		2 635,6	2 510,2	766,8	829,5

STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 30 June 2011

		GROUP		COMPANY	
	Notes	Year ended 30 Jun 2011 Rm	Year ended 30 Jun 2010 Rm	Year ended 30 Jun 2011 Rm	Year ended 30 Jun 2010 Rm
Continuing operations					
Revenue	22	4 217,1	3 842,9	17,7	23,6
Cost of sales		(3 370,1)	(3 026,8)	–	–
Gross profit		847,0	816,1	17,7	23,6
Other operating income		26,1	13,1	0,1	0,1
Operating expenses		(641,5)	(626,4)	(20,9)	(24,7)
Operating profit/(loss) before restructuring costs		231,6	202,8	(3,1)	(1,0)
Restructuring costs		(2,9)	(0,6)	–	–
Operating profit/(loss)	23	228,7	202,2	(3,1)	(1,0)
Interest paid	24	(28,9)	(56,5)	(0,1)	(1,7)
Interest received	24	3,3	3,7	–	0,7
Share of results of joint ventures	6	2,0	3,0	–	–
Profit/(loss) before taxation and impairment of subsidiaries		205,1	152,4	(3,2)	(2,0)
Net subsidiary impairment reversals and loan write-offs		–	–	3,4	0,9
Profit/(loss) before taxation		205,1	152,4	0,2	(1,1)
Taxation	25	(59,1)	(51,4)	0,4	0,3
Profit/(loss) after taxation from continuing operations		146,0	101,0	0,6	(0,8)
Discontinued operations					
Revenue	22, 26	134,6	157,3	–	–
Operating profit/(loss) before restructuring costs	26	34,3	(4,1)	–	–
Net loss from discontinued operations	26	(7,8)	(7,3)	–	–
Total profit/(loss) for the year		138,2	93,7	0,6	(0,8)
Other comprehensive income					
Movement in foreign currency translation reserve		0,2	–	–	–
Total comprehensive income/(loss) for the year		138,4	93,7	0,6	(0,8)
Profit/(loss) attributable to:					
Owners of the company		131,0	87,4	0,6	(0,8)
Non-controlling interest		7,2	6,3	–	–
		138,2	93,7	0,6	(0,8)
Total comprehensive income/(loss) attributable to:					
Owners of the company		131,2	87,4	0,6	(0,8)
Non-controlling interest		7,2	6,3	–	–
		138,4	93,7	0,6	(0,8)
Earnings per share		cents	cents		
Earnings per share (basic and diluted)	27	30,9	20,6		
Earnings per share – continuing operations		32,7	22,4		
Headline earnings per share (basic and diluted)	27	24,7	21,0		
Headline earnings per share – continuing operations		32,7	22,7		

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2011

	Notes	GROUP Year ended 30 Jun 2011 Rm	GROUP Year ended 30 Jun 2010 Rm	COMPANY Year ended 30 Jun 2011 Rm	COMPANY Year ended 30 Jun 2010 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	13	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 distribution	28	(29,7)	–	(29,7)	–
Balance at the end of the year	14	814,9	844,6	814,9	844,6
RESERVES					
Foreign currency translation reserve					
Balance at the beginning of the year		–	–	–	–
Other comprehensive income		0,2	–	–	–
Balance at the end of the year		0,2	–	–	–
Share-based payment reserve					
Balance at the beginning of the year		1,0	–	1,0	–
Movement for the year		1,2	1,0	1,2	1,0
Balance at the end of the year	15	2,2	1,0	2,2	1,0
Retained income/(accumulated loss)					
Balance at the beginning of the year		396,5	309,1	(144,8)	(144,0)
Total comprehensive income/(loss) for the year		131,0	87,4	0,6	(0,8)
Total profit/(loss) for the year		131,0	87,4	0,6	(0,8)
Other comprehensive income		–	–	–	–
Balance at the end of the year	16	527,5	396,5	(144,2)	(144,8)
NON-CONTROLLING INTEREST					
Balance at the beginning of the year		37,7	33,5	–	–
Share of net profit for the year		7,2	6,3	–	–
Dividends paid		(2,8)	(2,1)	–	–
Balance at the end of the year	17	42,1	37,7	–	–
TOTAL EQUITY		1 471,8	1 364,7	757,8	785,7

STATEMENTS OF CASH FLOWS
for the year ended 30 June 2011

		GROUP		COMPANY	
	Notes	Year ended 30 Jun 2011 Rm	Year ended 30 Jun 2010 Rm	Year ended 30 Jun 2011 Rm	Year ended 30 Jun 2010 Rm
Cash flows from operating activities					
Cash receipts from customers		4 282,1	3 934,5	–	–
Cash (paid to)/received from suppliers and employees		(4 012,1)	(3 637,5)	4,0	3,9
Cash generated from operations	29.1	270,0	297,0	4,0	3,9
Net interest paid		(32,7)	(54,2)	(0,1)	(1,0)
Taxation (paid)/refunded	29.2	(13,8)	(8,9)	–	0,3
Net cash inflow from operating activities		223,5	233,9	3,9	3,2
Cash flows from investing activities					
Purchase of property, plant and equipment					
To maintain operations		(49,6)	(34,2)	(0,2)	–
To expand operations		(11,9)	(29,1)	–	(0,5)
Capital incentive grants received		4,5	–	–	–
Proceeds on disposals of property, plant and equipment		56,6	18,4	0,1	0,1
Decrease in interests in subsidiaries		–	–	62,0	181,0
Increase in loan to joint venture		(2,2)	(0,8)	–	–
Dividends received from joint venture		2,6	3,2	–	–
Net cash (outflow)/inflow from investing activities		–	(42,5)	61,9	180,6
Total cash flows from operating and investing activities		223,5	191,4	65,8	183,8
Cash flows from financing activities					
Capital distributions		(29,7)	–	(29,7)	–
Dividends and distributions paid to minorities		(2,8)	(2,1)	–	–
Net decrease in interest-bearing borrowings, excluding bank overdrafts		(58,5)	(128,2)	–	(41,8)
Net cash outflow from financing activities		(91,0)	(130,3)	(29,7)	(41,8)
Net increase in cash and cash equivalents		132,5	61,1	36,1	142,0
Cash and cash equivalents at the beginning of the year	11	(222,4)	(283,5)	(33,0)	(175,0)
Cash and cash equivalents at the end of the year	11	(89,9)	(222,4)	3,1	(33,0)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

GENERAL INFORMATION

KAP International Holdings Limited is a company incorporated in the Republic of South Africa under the Companies Act, 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 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 statement of comprehensive income 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 party 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.

Goodwill is recognised as an asset and annually reviewed for impairment. A gain on a bargain purchase 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 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.

1.10 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.

1.11 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.

1.11.1 Financial assets

1.11.1.1 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.

1.11.1.2 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.

1.11.2 **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.

1.11.3 **Equity instruments**

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

1.11.4 **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 profit or loss.

1.11.5 **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.

1.12 **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.

1.12.1 **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.

1.12.2 **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.

1.13 **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.

1.14 **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.

1.15 **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.

1.16 **Trade payables**

Trade payables are stated at their nominal value.

1.17 **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.

1.18 **Foreign currencies**

1.18.1 **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.

1.18.2 **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.

1.19 **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 or 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.

1.20 **Government grants**

Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are credited to property, plant and equipment and the related depreciation charge is reduced on a systematic and rational basis over the remaining useful lives of the related assets.

Government grants receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

1.21 **Research and development costs**

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

1.22 **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 any gain on a bargain purchase.

1.23 **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, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. 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.

1.24 **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.

1.25 **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 and non-current liabilities. Capital expenditure includes additions to property, plant and equipment.

1.26 **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.

1.27 **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 the 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.

1.28 **Distribution cover**

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

1.29 **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 2011							
COST							
Balance at the beginning of the year	1 178,6	195,2	877,3	89,1	0,3	12,3	4,4
Additions	61,5	4,2	44,9	12,4	–	–	–
Government capital incentives	(4,5)	–	(4,5)	–	–	–	–
Disposals	(184,2)	(8,8)	(160,9)	(14,5)	–	–	–
Transfers between fixed asset categories	–	0,3	9,0	6,5	–	(11,4)	(4,4)
Transfers from held-for-sale assets	1,3	–	1,3	–	–	–	–
Balance at the end of the year	1 052,7	190,9	767,1	93,5	0,3	0,9	–
ACCUMULATED DEPRECIATION AND IMPAIRMENTS							
Balance at the beginning of the year	(252,3)	(1,6)	(189,5)	(55,8)	(0,3)	(2,0)	(3,1)
Depreciation	(69,9)	(0,6)	(55,9)	(13,4)	–	–	–
Disposals	169,2	0,2	155,9	13,1	–	–	–
Impairments	(15,6)	–	(14,8)	(0,8)	–	–	–
Transfers between fixed asset categories	–	(0,1)	0,2	(4,4)	–	1,2	3,1
Transfers from held-for-sale assets	(1,0)	–	(1,0)	–	–	–	–
Balance at the end of the year	(169,6)	(2,1)	(105,1)	(61,3)	(0,3)	(0,8)	–
Carrying value	883,1	188,8	662,0	32,2	–	0,1	–
COMPANY 2011							
COST							
Balance at the beginning of the year	3,2	–	–	3,2	–	–	–
Additions	0,2	–	–	0,2	–	–	–
Disposals	(0,3)	–	–	(0,3)	–	–	–
Balance at the end of the year	3,1	–	–	3,1	–	–	–
ACCUMULATED DEPRECIATION							
Balance at the beginning of the year	(2,5)	–	–	(2,5)	–	–	–
Depreciation	(0,2)	–	–	(0,2)	–	–	–
Disposals	0,3	–	–	0,3	–	–	–
Balance at the end of the year	(2,4)	–	–	(2,4)	–	–	–
Carrying value	0,7	–	–	0,7	–	–	–

Details of 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 group's corporate head office. 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 18.

The market value of land and buildings is R487,5 million (2010: R560,8 million) based on a index-based valuation performed by independent valuators Rode & Associates (Pty) Limited. The market value of land and buildings reduced in comparison to 2010 due to disposals of discontinued operations.

Borrowing costs capitalised to the cost of plant and equipment during the year amounted to R0,3 million (2010: Rnil) at the prime overdraft rate.

2 PROPERTY, PLANT AND EQUIPMENT

	Total Rm	Land and buildings owned Rm	Plant and machinery owned Rm	Other assets owned Rm	Land and buildings leased Rm	Plant and machinery leased Rm	Other assets leased Rm
GROUP 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	–	–	–

	GROUP		COMPANY	
	30 Jun 2011 Rm	30 Jun 2010 Rm	30 Jun 2011 Rm	30 Jun 2010 Rm
3 INVESTMENT PROPERTY				
COST				
Balance at the beginning of the year	20,5	6,5	0,2	0,2
Additions	0,1	0,3	–	–
Transfers from held-for-sale	–	13,7	–	–
Balance at the end of the year	20,6	20,5	0,2	0,2
ACCUMULATED DEPRECIATION				
Balance at the beginning of the year	(1,1)	(1,0)	–	–
Transfers from held-for-sale	–	(0,1)	–	–
Balance at the end of the year	(1,1)	(1,1)	–	–
Carrying value	19,5	19,4	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 group's corporate head office.

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 R1,8 million (2010: R1,3 million) was received and direct expenses of R1,4 million (2010: R1,6 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 R26,1 million as at 30 June 2011 (2010: R29,1 million). The remaining investment property was valued at R16 million (2010: no valuation done).

	GROUP	
	30 Jun 2011 Rm	30 Jun 2010 Rm
4 GOODWILL		
Cost		
Balance at the beginning and 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 2011	Forecast cash flows 2011	Discount rate 2010	Forecast cash flows 2010	Goodwill 2011 Rm	Goodwill 2010 Rm
Caravelle Carpets	8,5%	20 years, 5% growth rate	8,5%	5 years, 5% growth rate	4,9	4,9
Brenner Mills	8,5%	20 years, 5% growth rate	8,5%	20 years, 5% 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.

	COMPANY	
	30 Jun 2011 Rm	30 Jun 2010 Rm
5 INTERESTS IN SUBSIDIARIES		
Investments in subsidiaries	59,9	59,8
Shares at cost	59,9	82,3
Provisions against investments	–	(22,5)
Net loans to subsidiaries	700,5	759,3
Net loans to subsidiaries at cost	701,0	918,5
Provisions against loans	(0,5)	(159,2)
Carrying value	760,4	819,1

The details of the subsidiaries are noted in Annexure A.

The company has deferred its right to claim repayments of loans amounting to R0,5 million (2010: R159,2 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		COMPANY	
	30 Jun 2011 Rm	30 Jun 2010 Rm	30 Jun 2011 Rm	30 Jun 2010 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)	3,1	3,6	–	–
Carrying value of investments before loans	13,9	14,4	0,7	0,7
Unsecured loans to joint ventures	10,5	8,3	–	–
Carrying value including loans receivable	24,4	22,7	0,7	0,7
Directors' valuation	24,4	22,7	2,0	1,8

	Percentage holdings		Cost		Post-acquisition reserves		Loans to		Net carrying amount	
	2011 %	2010 %	2011 Rm	2010 Rm	2011 Rm	2010 Rm	2011 Rm	2010 Rm	2011 Rm	2010 Rm
Group										
Rieter Feltex Automotive Manufacturing (Pty) Ltd[1]	49	49	9,6	9,6	3,3	2,8	–	–	12,9	12,4
Futuris Feltex (Pty) Ltd[1]	50	50	–	–	(1,0)	0,2	10,5	8,3	9,5	8,5
Cell Captive Number 22 of Guardrisk Insurance Company Ltd[2]	50	50	1,2	1,2	0,8	0,6	–	–	2,0	1,8
			10,8	10,8	3,1	3,6	10,5	8,3	24,4	22,7

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) Limited has a 31 December year-end and unaudited results have been included in the annual financial statements.

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

The company's interest in joint ventures comprises its share in Cell Captive Number 22 of Guardrisk Insurance Company Limited.

During the course of 2010, Rieter Feltex (Pty) Limited amalgamated into Rieter Feltex Automotive Manufacturing (Pty) Limited through a business amalgamation.

	GROUP 30 Jun 2011 Rm	GROUP 30 Jun 2010 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	66,6	67,3
Net profit before taxation	3,6	5,2
Taxation	(1,6)	(2,2)
Net profit after taxation	2,0	3,0
Equity and liabilities		
Share capital and premium	0,9	0,9
Distributable reserves	13,0	13,6
Long-term liabilities	11,1	11,0
Deferred taxation	1,8	2,1
Current liabilities	23,7	25,2
Total equity and liabilities	50,5	52,8
Assets		
Property, plant and equipment	18,8	19,0
Other current assets	19,3	20,6
Deferred taxation	0.3	
Cash and cash equivalents	12,1	13,2
Total assets	50,5	52,8

	GROUP 30 Jun 2011 Rm	GROUP 30 Jun 2010 Rm	COMPANY 30 Jun 2011 Rm	COMPANY 30 Jun 2010 Rm
7 PENSION FUND SURPLUS				
Balance at the beginning of the year	34,1	39,4	–	–
Investment returns	1,9	2,8	–	–
Utilised for contribution holiday	(12,2)	(8,1)	–	–
Balance at the end of the year	23,8	34,1	–	–
Less: current portion	(20,0)	(9,0)	–	–
Non-current portion	3,8	25,1	–	–

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

	GROUP 30 Jun 2011 Rm	GROUP 30 Jun 2010 Rm	COMPANY 30 Jun 2011 Rm	COMPANY 30 Jun 2010 Rm
8 DEFERRED TAXATION				
Deferred taxation assets	20,4	68,3	1,6	1,2
Deferred taxation liabilities	(24,4)	(20,6)	–	–
Net deferred taxation (liability)/asset	(4,0)	47,7	1,6	1,2
Balance at the beginning of the year	47,7	83,5	1,2	0,9
Movement during the period attributable to:				
– temporary differences	(51,7)	(35,8)	0,4	0,3
Balance at the end of the year	(4,0)	47,7	1,6	1,2
The balance consists of the following temporary differences:				
Property, plant and equipment	(176,7)	(153,7)	–	–
Taxation losses	147,8	177,1	0,2	0,4
Provisions	26,8	26,1	1,4	0,8
Prepayments	(1,9)	(1,8)	–	–
	(4,0)	47,7	1,6	1,2

The group has estimated taxation losses amounting to R53,6 million (2010: Rnil) for which no deferred taxation asset has been recognised.

	GROUP 30 Jun 2011 Rm	GROUP 30 Jun 2010 Rm	COMPANY 30 Jun 2011 Rm	COMPANY 30 Jun 2010 Rm
9 INVENTORIES				
Raw materials	187,2	148,8	–	–
Finished goods	335,1	317,1	–	–
Work in progress	45,8	54,0	–	–
Consumable stores	28,8	30,7	–	–
Goods in transit	143,2	109,8	–	–
Less: provision for obsolescence	(10,3)	(14,1)	–	–
Carrying value	729,8	646,3	–	–
Included in the amounts above are the following inventories held at net realisable value	62,4	67,4	–	–

The cost of inventories recognised as an expense during the year in respect of continuing operations was R2 806,1 million (2010: R2 606,2 million). The cost of inventories recognised as an expense includes R28,4 million (2010: R0,8 million) in respect of write-downs of inventory to net realisable value. The current year write-down of inventory was incurred on sale of the Hosaf fibres and recycling plants.

	GROUP		COMPANY	
	30 Jun 2011 Rm	30 Jun 2010 Rm	30 Jun 2011 Rm	30 Jun 2010 Rm
10 ACCOUNTS RECEIVABLE				
Trade receivables	633,2	563,6	–	–
Less: provision for impairment of trade receivables	(8,5)	(21,1)	–	–
Net trade receivables	624,7	542,5	–	–
Prepayments and deposits	19,3	12,4	0,1	0,1
SARS – VAT	18,9	20,8	–	–
Other receivables	66,8	35,4	–	3,2
Net forward exchange contract assets	0,3	0,9	–	–
Carrying value	730,0	612,0	0,1	3,3

Credit periods and interest charged on overdue accounts vary widely depending on the nature of the business. The provision for irrecoverable amounts has been determined by reference to past experience. There are no customers with balances that are individually significant to the group.

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

Balance at the beginning of the year	21,1	17,8	–	–
Charged to profit or (utilised)/loss	(12,6)	3,3	–	–
Balance at the end of the year	8,5	21,1	–	–

Ageing of impaired accounts receivable:

0 – 30 days	1,4	1,4	–	–
31 – 60 days	0,3	0,5	–	–
61 – 90 days	0,2	0,1	–	–
91 – 120 days	1,7	1,9	–	–
120 days +	4,9	17,2	–	–
Total	8,5	21,1	–	–

At 30 June 2011 receivables amounting to R102,9 million (2010: R76,2 million) were past due but not impaired. These relate to customers who have no recent history of default.

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

0 – 30 days	61,7	28,0	–	–
31 – 60 days	22,7	20,4	–	–
61 – 90 days	11,6	23,2	–	–
91 – 120 days	1,5	1,9	–	–
120 days +	5,4	2,7	–	–
Total	102,9	76,2	–	–

The ageing of these receivables is shown below:

0 – 30 days	–	–	–	–
31 – 60 days	49,7	29,2	–	–
61 – 90 days	32,6	33,3	–	–
91 – 120 days	11,3	9,4	–	–
120 days +	9,3	4,3	–	–
Total	102,9	76,2	–	–

The total past due receivables covered by credit insurance amounts to R38,8 million (2010: R28,1 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 approximation of their fair values.

	GROUP		COMPANY	
	30 Jun 2011 Rm	30 Jun 2010 Rm	30 Jun 2011 Rm	30 Jun 2010 Rm

11 CASH AND CASH EQUIVALENTS

	GROUP 30 Jun 2011 Rm	GROUP 30 Jun 2010 Rm	COMPANY 30 Jun 2011 Rm	COMPANY 30 Jun 2010 Rm
Bank balances and cash	128,7	101,8	3,1	4,3
Bank overdrafts	(218,6)	(324,2)	–	(37,3)
Cash and cash equivalents	(89,9)	(222,4)	3,1	(33,0)

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 Limited
Short-term banking facility of R200 million, a R2 million guarantee facility and a R32 million asset-based finance facility secured by an unlimited cross-suretyship in favour of the bank by KAP International Holdings Limited, Feltex Holdings (Pty) Limited, Dano Textile Industries (Pty) Limited and KAP Investments (Pty) Limited, and an unrestricted cession of credit balances held at FirstRand Bank.

The Standard Bank of South Africa Limited
Short-term banking facility of R151 million, R13 million FEC facility, R3 million guarantee facility and a R75 million asset-based finance facility secured by an unlimited cross-suretyship in favour of the bank by KAP International Holdings Limited, Bull Brand Foods (Pty) Limited, Feltex Holdings (Pty) Limited and Dano Textile Industries (Pty) Limited.

Nedbank Limited
Short-term banking facility of R150 million and a R50 million FEC facility secured by an unlimited cross-suretyship in favour of the bank by KAP International Holdings Limited, Feltex Holdings (Pty) Limited, Dano Textile Industries (Pty) Limited, Hosaf Recycling (Pty) Limited and KAP Investments (Pty) Limited.

Investec Bank Limited
Short-term banking facility of R35 million and a US$5 million FEC facility secured by an unlimited cross-suretyship in favour of the bank by KAP International Holdings Limited, Feltex Holdings (Pty) Limited, Bull Brand Foods (Pty) Limited, Dano Textile Industries (Pty) Limited, Hosaf Recycling (Pty) Limited and KAP Investments (Pty) Limited.

12 ASSETS AND LIABILITIES OF DISPOSAL GROUPS AND NON-CURRENT ASSETS HELD FOR SALE

	GROUP 30 Jun 2011 Rm	GROUP 30 Jun 2010 Rm
DISPOSAL GROUP'S ASSETS AND LIABILITIES		
Property, plant and equipment	9,2	11,6
Inventory	–	0,9
Total assets of disposal group	9,2	12,5
Total liabilities of disposal group	–	–
NON-CURRENT ASSETS HELD FOR SALE		
Total non-current assets held for sale	–	–
Liabilities associated with non-current assets held for sale	–	–
Total assets classified as held for sale	9,2	12,5
Total liabilities associated with assets classified as held for sale	–	–

	GROUP 30 Jun 2011 Million	GROUP 30 Jun 2010 Million	COMPANY 30 Jun 2011 Million	COMPANY 30 Jun 2010 Million
13 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 the 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 has the authority to issue and allot shares at its discretion.

	Rm	Rm	Rm	Rm
Issued				
Balance at the beginning and the end of the year	84,9	84,9	84,9	84,9
14 SHARE PREMIUM				
Balance at the beginning of the year	844,6	844,6	844,6	844,6
Capital distributions	(29,7)	–	(29,7)	–
Balance at the end of the year	814,9	844,6	814,9	844,6
15 SHARE-BASED PAYMENT RESERVE				
Balance at the beginning of the year	1,0	–	1,0	–
Movement for the year	1,2	1,0	1,2	1,0
Balance at the end of the year	2,2	1,0	2,2	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 42 447 000 share appreciation rights (SARs) to senior employees of the group (to a maximum for one participant of 2,5% of the company's issued ordinary share capital), 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 option pricing model used is the Black-Scholes model.

The significant assumptions relating to the scheme per allotment 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:			
Grant date	1 Jul 2010	1 Jul 2009	1 Jul 2008
Exercise price	R0,20	R0,20	R0,20
Volume weighted average price at grant date	R2,29	R1,35	R2,19
Options granted (millions)	8,7	14,4	9,3
Maximum term of option	3 years	3 years	3 years
Volatility	64%	34%	49%
Dividend yield	3%	3%	8%
Risk-free interest rate	9%	9%	11%
Forfeiture rate	1%	1%	1%
Market-related performance expectation	35%	35%	20%
Non-market-related performance expectation	29%	29%	19%

	GROUP		COMPANY	
	30 Jun 2011 Million	30 Jun 2010 Million	30 Jun 2011 Million	30 Jun 2010 Million
15 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)	28,4	18,0	28,4	18,0
Options which expired during the period	(9,3)	(4,0)	(9,3)	(4,0)
Granted during the period	8,7	14,4	8,7	14,4
Balance at the end of the period (No. of options)	27,8	28,4	27,8	28,4
Charge to profit or loss (Rm)	1,2	1,0	1,2	1,0

	Rm	Rm	Rm	Rm
16 RETAINED INCOME/(ACCUMULATED LOSS)				
Company	(144,2)	(144,8)	(144,2)	(144,8)
Subsidiaries	668,6	537,7	–	–
Joint ventures	3,1	3,6	–	–
	527,5	396,5	(144,2)	(144,8)
17 NON-CONTROLLING INTEREST				
Represented by Feltex Fehrer (Pty) Ltd (26% minority):				
Balance at the beginning of the year	37,7	33,5	–	–
Share of net profit for the year	7,2	6,3	–	–
Dividends paid	(2,8)	(2,1)	–	–
Balance at the end of the year	42,1	37,7	–	–
18 INTEREST-BEARING BORROWINGS				
18.1 **Long-term liabilities comprise:**				
Secured loans	44,7	49,0	–	–
Unsecured loans	–	54,2	–	–
	44,7	103,2	–	–
Less: current portion	(22,2)	(72,7)	–	–
Non-current portion	22,5	30,5	–	–
18.2 **Secured loans comprise:**				
Finance leases	9,8	10,5	–	–
Secured over:				
Plant and machinery with a book value of	3,8	11,2	–	–
Interest rate (%)	6,8 – 8,0	8,2 – 9,0	–	–
Repayable in monthly instalments of	0,5	0,4	–	–
Last payment	2014	2013	–	–
Instalment sale agreements	34,9	38,5	–	–
Secured over:				
Plant and machinery with a book value of	61,0	62,4	–	–
Interest rate (%)	6,5 – 8,8	7,5 – 10,3	–	–
Repayable in monthly instalments of	1,5	1,4	–	–
Last payment	2014	2014	–	–
Total secured loans	44,7	49,0	–	–
18.3 **Unsecured loans comprise:**				
The Hongkong and Shanghai Banking Corporation Ltd (HSBC)	–	54,2	–	–
Interest rate (%)	–	11,0	–	–
Repayable in monthly instalments of	–	4,2	–	–
Last payment	–	2011	–	–

In the prior year a cross-suretyship was provided by KAP International Holdings Limited, Feltex Holdings (Pty) Limited, Dano Textile Industries (Pty) Limited, Bull Brand Foods (Pty) Limited, Brenner Mills (Pty) Limited and KAP Investments (Pty) Limited. This loan was repayable on demand. The loan was settled during the year.

Total unsecured loans	–	54,2	–	–

	GROUP 30 Jun 2011 Rm	GROUP 30 Jun 2010 Rm	COMPANY 30 Jun 2011 Rm	COMPANY 30 Jun 2010 Rm
18 INTEREST-BEARING BORROWINGS continued				
18.4 Reconciliation of the total minimum lease payments to the present value of finance leases				
Minimum lease payments:				
Up to one year	5,8	4,7	–	–
Two to five years	4,9	6,9	–	–
More than five years	–	–	–	–
Total minimum lease payments	10,7	11,6	–	–
Future finance charges	(0,9)	(1,1)	–	–
Present value	9,8	10,5	–	–
Analysed as follows:				
Up to one year	5,1	4,2	–	–
Two to five years	4,7	6,3	–	–
More than five years	–	–	–	–
19 RETIREMENT BENEFIT OBLIGATIONS				
19.1 Post-retirement medical benefits				
Balance at the beginning of the year	10,6	11,3	–	–
Contributions paid	(1,3)	(1,4)	–	–
Interest cost	0,9	1,0	–	–
Actuarial gains	(0,5)	(0,3)	–	–
Balance at the end of the year	9,7	10,6	–	–

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

	30 Jun 2011 %	30 Jun 2010 %
Health-care cost inflation	7,0	7,0
Discount rate	8,5	9,2
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 2011. The main actuarial assumption is that the company continues to provide subsidies at current levels.

19.2 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 R33,6 million (2010: R31,8 million). The company contribution in respect of retirement benefit obligations amounted to R1,0 million (2010: R1,0 million).

	GROUP		COMPANY	
	30 Jun 2011 Rm	30 Jun 2010 Rm	30 Jun 2011 Rm	30 Jun 2010 Rm

20 ACCOUNTS PAYABLE

	30 Jun 2011 Rm	30 Jun 2010 Rm	30 Jun 2011 Rm	30 Jun 2010 Rm
Trade payables	725,1	555,5	–	–
Accruals	53,8	52,6	4,0	4,0
Other payables	22,2	20,9	0,2	0,1
SARS – VAT	9,3	4,4	1,6	0,2
Forward exchange contract liabilities	2,1	–	–	–
Carrying value	812,5	633,4	5,8	4,3

Credit periods obtained vary widely among the operations. No significant interest is charged on the trade payables. The group has credit 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.

21 PROVISIONS

	Opening balance Rm	Amounts added (released) Rm	Amounts utilised Rm	Closing balance Rm
2011				
GROUP				
Leave pay and bonuses	49,9	29,3	(25,9)	53,3
Warranties	0,2	(0,2)	–	–
	50,1	29,1	(25,9)	53,3
COMPANY				
Leave pay and bonuses	1,9	2,5	(1,5)	2,9
	1,9	2,5	(1,5)	2,9
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

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.

	GROUP		COMPANY	
	Year ended 30 Jun 2011 Rm	Year ended 30 Jun 2010 Rm	Year ended 30 Jun 2011 Rm	Year ended 30 Jun 2010 Rm
22 REVENUE				
The group's revenue comprises mainly the sale of goods (company management fees)				
– continuing operations	4 217,1	3 842,9	17,7	23,6
– discontinued operations	134,6	157,3	–	–
	4 351,7	4 000,2	17,7	23,6
23 OPERATING PROFIT/(LOSS)				
Operating profit/(loss) for both continuing and discontinued operations includes the following items which require separate disclosure:				
Income				
Government incentives received				
– Production Incentive subsidy	4,4	–	–	–
– Small Medium Enterprise Development Programme	–	2,1	–	–
– Sector Education and Training Authority	1,6	1,3	–	–
Profit on disposal of property, plant and equipment	41,7	3,0	–	–
Returns on pension fund surplus	1,9	2,8	–	–
Net subsidiary impairment reversals and loan write-offs	–	–	3,4	0,9
Expenses				
Audit fees				
– current period	4,6	4,3	1,7	1,3
– prior year under/(over) provision	0,3	0,1	(0,2)	(0,1)
– other services	1,8	1,8	1,1	1,1
– audit-related services	0,1	0,1	–	–
– taxation	1,0	1,0	1,0	1,0
– royalty certificates	0,1	0,1	–	–
– agreed-upon procedures	0,2	0,1	–	–
– government grants	0,3	0,2	0,1	0,1
– DA 190 audit	0,1	0,1	–	–
– technical accounting	–	0,2	–	–
Bad debts	6,9	3,9	–	–
Depreciation on property, plant and equipment (refer note 2 for breakdown)	69,9	70,8	0,2	0,5
Foreign exchange losses	19,7	8,3	–	–
Fees paid to non-employees				
– administrative services	0,2	0,2	–	–
– technical services	11,0	11,5	0,3	0,4
– secretarial services	0,2	0,2	0,1	0,2
Impairment of inventory	28,4	0,8	–	–
Impairments				
– plant and machinery	17,7	4,2	–	–
Operating lease charges				
– land and buildings	8,4	14,4	–	–
– plant and equipment	4,2	5,0	–	–
– other assets	6,5	5,2	–	–
Research and development	0,3	0,1	–	–
Staff costs				
– salaries and wages	494,5	462,5	7,5	6,0
– termination costs	3,5	4,1	–	–
– company contributions to retirement funds	33,6	31,8	1,0	1,0
– share-based payments	1,2	1,0	1,2	1,0

	GROUP		COMPANY	
	Year ended 30 Jun 2011 Rm	Year ended 30 Jun 2010 Rm	Year ended 30 Jun 2011 Rm	Year ended 30 Jun 2010 Rm

24 FINANCE COSTS

Interest paid	(36,3)	(57,9)	(0,1)	(1,7)
– bank overdrafts	(26,4)	(49,9)	(0,1)	(1,7)
– finance leases and instalment sale agreements	(2,7)	(2,8)	–	–
– loans	–	(1,2)	–	–
– other	(7,2)	(4,0)	–	–
Less: amounts included in the cost of qualifying assets (note 2)	0,3	–		–
	(36,0)	(57,9)	(0,1)	(1,7)
Interest received	3,3	3,7	–	0,7
– subsidiaries and related parties (note 36)	0,4	–	–	0,7
– other	2,9	3,7	–	–
Net finance costs	(32,7)	(54,2)	(0,1)	(1,0)

25 TAXATION

South African normal taxation				
Current taxation – current year	10,0	9,1	–	–
Current taxation – prior year	–	0,3	–	–
Deferred taxation – current year	50,5	31,5	0,8	(0,4)
Deferred taxation – prior year	1,1	4,3	(0,4)	0,1
Secondary taxation on companies	1,1	0,9	–	–
Taxation charge/(credit) for the year	62,7	46,1	0,4	(0,3)
– Continuing operations	59,1	51,4	0,4	(0,3)
– Discontinued operations	3,6	(5,3)	–	–

	%	%	%	%
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	1,0	(0,6)	(430,0)	(14,3)
– taxation attributable to joint ventures	(0,3)	(0,6)	–	–
– adjustments in respect of previous years	(0,5)	5,5	202,0	14,3
– deferred taxation in respect of taxation losses foregone	3,8	0,1	–	–
– capital gains taxation	(1,3)	–	–	–
– secondary taxation on companies	0,5	0,6	–	–
Effective rate	31,2	33,0	(200,0)	28,0

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011 (continued)

	GROUP Year ended 30 Jun 2011 Rm	GROUP Year ended 30 Jun 2010 Rm
26 LOSS FROM DISCONTINUED OPERATIONS		
Revenue	134,6	157,3
Cost of sales	(120,9)	(136,6)
Gross profit	13,7	20,7
Other operating income	42,9	8,2
Operating expenses	(22,3)	(33,0)
Restructuring costs	(31,4)	(7,1)
Operating profit/(loss)	2,9	(11,2)
Interest paid	(7,1)	(1,4)
Interest received	–	–
Loss before taxation	(4,2)	(12,6)
Tax on discontinued operations	(3,6)	5,3
Loss after taxation	(7,8)	(7,3)
Cash flows from discontinued operations:		
Net cash flows from operating activities	(42,6)	11,4
Net cash flows from investing activities	54,2	14,4
Net cash flows from financing activities	(12,9)	(23,8)
Net cash flows	(1,3)	2,0
The Hosaf fibres and recycling plants (included in the industrial segment) were sold during the year.		
27 EARNINGS PER SHARE		
Earnings		
Net profit per the statement of comprehensive income	131,0	87,4
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)	424,5	424,5
– diluted earnings	131,0	87,4
Earnings per share (cents)	30,9	20,6
Diluted earnings per share (cents)	30,9	20,6
Reconciliation between earnings and headline earnings		
Earnings		
Net profit per the statement of comprehensive income	131,0	87,4
Adjustments		
Impairments		
– gross	17,7	5,6
– taxation effects	(5,0)	(1,6)
Profit on disposal of property, plant and equipment		
– gross	(41,7)	(3,0)
– taxation effects	2,7	0,8
Headline earnings	104,7	89,2
Headline earnings per share (cents)	24,7	21,0

	GROUP		COMPANY	
	Year ended 30 Jun 2011 Rm	Year ended 30 Jun 2010 Rm	Year ended 30 Jun 2011 Rm	Year ended 30 Jun 2010 Rm
28 DISTRIBUTIONS PER SHARE				
Distributions declared	29,7	–	29,7	–
Distributions declared (cents)	7,0	–	7,0	–
Distributions paid	29,7	–	29,7	–
Distributions paid (cents)	7,0	–	7,0	–
Distributions paid in cash	29,7	–	29,7	–
Total distributions paid	29,7	–	29,7	–

After 30 June 2011 the board declared a distribution of 10 cents per share (R42,4 million).

29 STATEMENT OF CASH FLOWS

	GROUP 2011 Rm	GROUP 2010 Rm	COMPANY 2011 Rm	COMPANY 2010 Rm
29.1 Cash generated from operations				
Profit/(loss) before taxation	200,9	139,8	0,2	(1,1)
Adjusted for:				
Depreciation	69,9	70,8	0,2	0,5
Impairments	17,7	4,2	–	0,3
Profit on disposal of property, plant and equipment	(41,7)	(3,0)	–	–
Decrease in retirement benefit obligation	(0,9)	(0,7)	–	–
Movement in foreign currency translation reserve	0,2	–	–	–
Net finance costs	32,7	54,2	0,1	1,0
Income from joint ventures	(2,0)	(3,0)	–	–
Impairment of subsidiaries	–	–	(3,4)	(0,9)
Pension fund surplus movement	10,3	5,3	–	–
Share-based payment reserve movement	1,2	1,0	1,2	1,0
Operating cash flows before changes in working capital	288,3	268,6	(1,7)	0,8
Changes in working capital:				
(Increase)/decrease in inventory	(82,6)	44,1	–	–
(Increase)/decrease in accounts receivable	(118,0)	(73,7)	3,2	2,8
Increase in accounts payable and provisions	182,3	58,0	2,5	0,3
Cash generated from operations	270,0	297,0	4,0	3,9
29.2 Taxation (paid)/refunded is reconciled as follows:				
Amounts unpaid at the beginning of the year	(3,3)	(1,9)	(0,3)	–
Charged to the statement of comprehensive income (net of deferred tax)	(11,1)	(10,3)	–	–
Amounts unpaid at the end of the year	0,6	3,3	0,3	0,3
Taxation (paid)/refunded	(13,8)	(8,9)	–	0,3

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for the year ended 30 June 2011 (continued)

30 DIRECTORS' EMOLUMENTS

Year ended 30 June 2011

Executive directors**	Basic salary R'000	Company contributions R'000	Bonuses R'000	Total R'000
P C T Schouten	1 995	520	855	3 370
J P Haveman	1 303	322	559	2 184
Total	3 298	842	1 414	5 554

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+		70
D M van der Merwe#		80
K E Schmidt	Chairman of audit and risk committee	159
U Schäckermann	Member of audit and risk committee	111
Total		1 045
Other prescribed officers		
D Konar	Previous chairman of audit and risk committee	42
A B la Grange#	Previous member of audit and risk committee	14
Total		55

* Paid to Daun & Cie AG.
** No persons other than the executive and non-executive directors and members of the audit and risk committee of KAP International Holdings Limited were identified as prescribed officers of the company.
\# Paid to Steinhoff International Holdings Limited.
\+ Paid to KAP Textile Holdings SA Limited.

Directors' shareholding as at 30 June 2011 (number of shares)	Beneficial direct	Beneficial indirect	Total	%
C E Daun	–	175 872 159	178 872 159	41,4

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.

All remuneration disclosed above was paid to directors in respect of services rendered as directors of the company.

30 DIRECTORS' EMOLUMENTS continued

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 audit and risk committee	29
U Schäckermann	Member of 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 Limited.

+ Paid to KAP Textile Holdings SA Limited.

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 options or conditional options have been granted to non-executive directors.

31 FOREIGN EXCHANGE DERIVATIVE INSTRUMENTS AND FOREIGN CURRENCY RISK MANAGEMENT

31.1 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.

31.2 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 10 and 20 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 2011 Rm	Estimated market value 2011 Rm	FEC (liabilities)/ assets 2011 Rm	FEC value 2010 Rm	Estimated market value 2010 Rm	FEC assets/ (liabilities) 2010 Rm	Average contract rate 2011	Average contract rate 2010
USD	207,4	205,4	(2,0)	(187,4)	(189,3)	1,9	6,91	7,46
EUR	45,1	45,4	0,3	(33,0)	(31,9)	(1,1)	9,90	9,93
GBP	5,1	5,0	(0,1)	(4,9)	(5,0)	0,1	11,23	11,40
Total	257,6	255,8	(1,8)	(225,3)	(226,2)	0,9		

31.3 Uncovered foreign currency balances

Foreign currency	Foreign amount 2011 Million	Foreign amount 2010 Million	Rate 2011	Rate 2010	Rand amount 2011 Rm	Rand amount 2010 Rm
The following unhedged and uncovered foreign assets relating to accounts receivable were in existence at period-end:						
USD	1,3	0,9	6,83	7,65	8,8	6,6
EUR	–	–	–	9,34	–	0,1
AUD	0,1	–	7,26	–	0,4	–
					9,3	6,7
The following unhedged and uncovered foreign liabilities relating to accounts payable were in existence at period-end:						
USD	1,7	2,7	6,83	7,65	11,4	21,2
EUR	–	0,3	9,85	9,34	0,4	2,6
					11,8	23,8

31 FOREIGN EXCHANGE DERIVATIVE INSTRUMENTS AND FOREIGN CURRENCY RISK MANAGEMENT continued

31.3 Uncovered foreign currency balances continued

The post-taxation impact on the statement of comprehensive income and equity as at 30 June 2011 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	2011 Rm	2010 Rm
Potential impact on earnings with a 10% increase			
USD	10%	(0,3)	(1,4)
EUR	10%	–	(0,3)
AUD	10%	–	–
Potential impact on earnings with a 10% decrease			
USD	10%	0,3	1,4
EUR	10%	–	0,3
AUD	10%	–	–

Foreign currency sensitivity analysis

The tables above assume a 10% change 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 2010.

	GROUP		COMPANY	
	30 Jun 2011 Rm	30 Jun 2010 Rm	30 Jun 2011 Rm	30 Jun 2010 Rm
32 CAPITAL COMMITMENTS				
Capital expenditure authorised by directors				
– contracted	30,0	8,0	–	–
– not yet contracted	80,9	49,4	–	–

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

33 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:

	Group 30 Jun 2011 Rm	Group 30 Jun 2010 Rm	Company 30 Jun 2011 Rm	Company 30 Jun 2010 Rm
Within one year	25,2	27,7	–	0,1
In the second to fifth years inclusive	54,4	42,8	–	–
Over five years	2,0	2,3	–	–
	81,6	72,8	–	0,1

34 OPERATING LEASE RECEIVABLES

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

	Group 30 Jun 2011 Rm	Group 30 Jun 2010 Rm	Company 30 Jun 2011 Rm	Company 30 Jun 2010 Rm
Within one year	3,8	0,8	0,1	–
In the second to fifth years inclusive	7,3	0,4	–	–
Over five years	–	–	–	–
	11,1	1,2	0,1	–

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35 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 15.

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 19.

Assets held for sale

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

36 RELATED PARTIES

36.1 Related entities

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

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 Limited (subsidiary of Daun & Cie AG) and its subsidiaries or associates

Mooi River Home Textile (Pty) Limited

Union Spinning Mills (Pty) Limited

SA Fine Worsteds (Pty) Limited

Courthiel Holdings (Pty) Limited and its subsidiaries

Wellington Industries (Pty) Limited

African Hide Trading (Pty) Limited

Court Fabrics and Yarns (Pty) Limited

Taaiboschbult Feedlot (Pty) Limited

Daun & Cie AG and its subsidiaries

KAP Beteiligungs AG

Other

Loungefoam (Pty) Limited

Companies controlled by the non-executive directors Ms I N Mkhari and Mr S H Nomvete

Motseng Investment Holdings (Pty) Limited

Motseng Outsourced Services (Pty) Limited

Steinhoff Africa Holdings (Pty) Limited

Steinhoff Africa Holdings (Pty) Limited 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 2011 Rm	GROUP Year ended 30 Jun 2010 Rm

36 RELATED PARTIES continued

36.1 Related entities continued

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

	Year ended 30 Jun 2011 Rm	Year ended 30 Jun 2010 Rm
Sale of goods to		
KAP Textile Holdings SA Ltd	6,4	6,8
Rieter Feltex Automotive Manufacturing (Pty) Ltd	5,9	6,1
Motseng Investment Holdings (Pty) Ltd	19,9	11,8
Steinhoff Africa Holdings (Pty) Ltd and subsidiaries	0,7	1,3
Futuris Feltex (Pty) Ltd	2,4	3,0
Other	3,2	2,0
	38,5	31,0
Management fees received from		
Rieter Feltex Automotive Manufacturing (Pty) Ltd	–	1,0
Futuris Feltex (Pty) Ltd	–	0,5
	–	1,5
Purchase of goods and services from		
African Hide Trading (Pty) Ltd	4,4	1,7
Steinhoff Africa Holdings (Pty) Ltd	0,7	0,4
Futuris Feltex (Pty) Ltd	46,7	41,8
Unitrans Freight (Pty) Ltd	12,3	9,2
Other	–	–
	64,1	53,1
Interest received from		
Futuris Feltex (Pty) Ltd	0,4	–
	0,4	–
Rent paid to		
Courthiel Holdings (Pty) Ltd	–	0,4
KAP Textile Holdings SA Ltd	0,2	–
UKW Properties (Pty) Ltd	–	0,2
Wellington Industries (Pty) Ltd	0,5	–
	0,7	0,6

Sale of property

During the year Feltex Holdings (Pty) Limited sold a portion of a property situated in Cape Town to Steinhoff Africa Holdings (Pty) Limited for a consideration of R14,8 million, based on an independent valuation of the property.

Purchase of equipment

During the prior year Feltex Holdings (Pty) Limited acquired fixed assets from Futuris Feltex (Pty) Limited to the value of R3,8 million. Futuris Feltex (Pty) Limited is a joint venture of the group.

	GROUP	
	Year ended 30 Jun 2011 Rm	Year ended 30 Jun 2010 Rm
36 RELATED PARTIES continued		
36.1 Related entities continued		
Related party balances at year-end		
Accounts receivable		
KAP Textile Holdings SA Ltd	–	2,9
Motseng Investment Holdings (Pty) Ltd	1,7	0,6
Futuris Feltex (Pty) Ltd	2,8	0,6
Rieter Feltex (Pty) Ltd	0,6	0,6
Steinhoff Africa Holdings (Pty) Ltd and subsidiaries	0,6	–
Other	–	0,3
	5,7	5,0
Accounts payable		
Steinhoff Africa Holdings (Pty) Ltd and subsidiaries	2,3	1,9
Futuris Feltex (Pty) Ltd	1,0	8,0
	3,3	9,9

No provision for doubtful debts existed at the end of the current or prior year pertaining to any of the above related parties.

No bad debts were written off during the current or prior year pertaining to the above related party balances.

36.2 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 2011 Rm	Year ended 30 Jun 2010 Rm	Year ended 30 Jun 2011 Rm	Year ended 30 Jun 2010 Rm
Compensation of key management				
Short-term benefits	63,2	57,3	4,8	3,9
Post-employment benefits	–	0,3	–	–
Share-based payments	1,2	1,0	1,2	1,0
Termination benefits	0,5	0,9	–	–
	64,9	59,5	6,0	4,9

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

36 RELATED PARTIES continued

36.3 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, J B Magwaza and S H Nomvete are officers and shareholders of Motseng Investment Holdings (Pty) Limited, which engages in various arm's length transactions with KAP International Holdings Limited and its subsidiaries.

M J Jooste is the chief executive officer of Steinhoff International Holdings Limited, the holding company of Steinhoff Africa Holdings (Pty) Limited, which holds 34,0% in KAP International Holdings Limited.

D M van der Merwe, a director of Steinhoff International Holdings Limited, is the chief executive officer of Steinhoff Africa Holdings (Pty) Limited.

36.4 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 2011 Rm	Year ended 30 Jun 2010 Rm
Transactions with entities in the group		
Interest received from		
Feltex Holdings (Pty) Ltd	–	0,7
	–	0,7
Management fees received from		
Dano Textile Industries (Pty) Ltd	–	0,6
Feltex Holdings (Pty) Ltd	17,7	23,0
	17,7	23,6

Balance at year-end

Loan balances – see note 5 and detailed disclosure in annexure A.

37 CONTINGENT LIABILITIES AND GUARANTEES

The company has issued cross-suretyships to various banks for the banking facilities available to the group. Refer to note 11 in this regard.

The company has issued various guarantees in favour of suppliers to group companies, and has subordinated various loans to subsidiaries where necessary.

At year-end, the net overdraft position of the group amounted to R89,9 million (2010: R222,4 million).

Various South African banks have issued guarantees amounting to R10,9 million (2010: R11,1 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) Limited in terms of the share sale agreement. At the date of the annual financial statements, the outcome of the investigation is uncertain and therefore the financial effect cannot be determined.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011 (continued)

38 FINANCIAL INSTRUMENTS

38.1 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 2010.

The capital structure of the group consists of net debt (borrowings as detailed in notes 18 and 11 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 13 to 17).

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 2011 Rm	Year ended 30 Jun 2010 Rm	Year ended 30 Jun 2011 Rm	Year ended 30 Jun 2010 Rm
Debt	263,3	427,4	–	37,3
Bank balances and cash	(128,7)	(101,8)	(3,1)	(4,3)
Net debt	134,6	325,6	(3,1)	33,0
Equity	1 471,8	1 364,7	757,8	785,7
Net debt to equity ratio	9,1%	23,9%	(0,4%)	4,2%

38.2 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.

38.3 Categories of financial instruments

	GROUP		COMPANY	
	Year ended 30 Jun 2011 Rm	Year ended 30 Jun 2010 Rm	Year ended 30 Jun 2011 Rm	Year ended 30 Jun 2010 Rm
Financial assets				
Cash and bank balances	128,7	101,8	3,1	4,3
Foreign currency derivative instruments	0,3	0,9	–	–
Loans and receivables	745,1	645,2	0,1	3,3
Financial liabilities				
Foreign currency derivative instruments	2,1	–	–	–
Amortised cost	1 074,7	1 070,4	4,5	41,7

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

38. 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.

38 FINANCIAL INSTRUMENTS continued

38.5 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 2011					
ASSETS					
Pension fund surplus	7,1%	20,0	3,8	–	23,8
Loans to joint ventures	Interest-free	–	10,5	–	10,5
Accounts receivable	Interest-free	711,1	–	–	711,1
Cash and cash equivalents	3,0%	128,7	–	–	128,7
		859,8	14,3	–	874,1
LIABILITIES					
Finance leases	6,8% – 8,0%	5,1	4,7	–	9,8
Instalment sale agreements	6,5% – 8,8%	17,2	17,7	–	34,9
Accounts payable	Interest-free	803,2	–	–	803,2
Bank overdrafts	7,55% – 8,75%	218,6	–	–	218,6
		1 044,1	22,4	–	1 066,5
COMPANY 2011					
ASSETS					
Loans to subsidiaries					
– interest-free	Interest-free	–	–	700,5	700,5
Accounts receivable	Interest-free	0,1	–	–	0,1
Cash and cash equivalents	3,0%	3,1	–	–	3,1
		3,2	–	700,5	703,7
LIABILITIES					
Accounts payable	Interest-free	4,5	–	–	4,5
		4,5	–	–	4,5

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 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% – 9,00%	4,2	6,3	–	10,5
Instalment sale agreements	7,50% – 10,25%	14,4	24,1	–	38,5
HSBC	11,0%	54,2	–	–	54,2
Accounts payable	Interest-free	629,0	–	–	629,0
Bank overdrafts	8,50% – 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					
Loans from subsidiaries					
– interest-free	Interest-free	–	–	38,4	38,4
Accounts payable	Interest-free	4,3	–	–	4,3
Bank overdrafts	8,2% – 10,0%	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.

38 FINANCIAL INSTRUMENTS continued

38.5 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 2011 would decrease or increase by R3,3 million (2010: R6,5 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 2011 would decrease or increase by R0,05 million (2010: R0,7 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.

38.6 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.

38.6.1 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.

38.6.2 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 2011				Year ended 30 June 2010			
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 fair value								
Derivative financial assets	–	0,3	–	0,3	–	0,9	–	0,9
Total	–	0,3	–	0,3	–	0,9	–	0,9
Financial liabilities at fair value								
Derivative financial liabilities	–	2,1	–	2,1	–	–	–	–
Total	–	2,1	–	2,1	–	–	–	–

	GROUP		COMPANY	
	Year ended 30 Jun 2011	Year ended 30 Jun 2010	Year ended 30 Jun 2011	Year ended 30 Jun 2010
39 NUMBER OF EMPLOYEES				
Number of employees at period-end	4 192	4 232	6	6

40 NEW ACCOUNTING PRONOUNCEMENTS

40.1 **New Standards and Interpretations adopted**

Management has not identified any accounting pronouncements effective during the course of the 2011 reporting period that will have a material impact on the consolidated financial statements.

40.2 **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 the amendment	Annual periods on or after
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	1 January 2011
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
	Amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period	1 July 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
IFRS 10 Consolidated Financial Statements	New standard that replaces the consolidation requirements in SIC 12 Consolidation: Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess	1 January 2013
IFRS 11 Joint Arrangements	New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles	1 January 2013
IFRS 13 Fair Value Measurement	New guidance on fair value measurement and disclosure requirements	1 January 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011 (continued)

40 NEW ACCOUNTING PRONOUNCEMENTS continued

40.2 Future Standards and Interpretations continued

Standard	Details of the amendment	Annual periods on or after
IAS 1 Presentation of Financial Statements	Clarification of statement of changes in equity	1 January 2011
	New requirements to group together items within other comprehensive income that may be reclassified to the profit or loss section of the statement of comprehensive income in order to facilitate the assessment of their impact on the overall performance of an entity	1 July 2012
IAS 12 Income Taxes	Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale	1 January 2012
IAS 19 Employee Benefits	Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans	1 January 2013
IAS 24 Related Party Disclosures	Simplification of the disclosure requirements for government-related entities Clarification of the definition of a related party	1 January 2011
IAS 27 Consolidated and Separate Financial Statements	Consequential amendments resulting from the issue of IFRS 10, 11 and 12	1 January 2013
IAS 28 Investments in Associates	Consequential amendments resulting from the issue of IFRS 10, 11 and 12	1 January 2013
IAS 34 Interim Financial Reporting	Clarification of disclosure requirements around significant events and transactions including financial instruments	1 January 2011
Interpretations		
IFRIC 13 Customer Loyalty Programmes	Clarification on the intended meaning of the term "fair value" in respect of award credits	1 January 2011

ANNEXURE A – SUBSIDIARIES

Subsidiary	Nature/status	Issued share capital 2011 R	Issued share capital 2010 R	Effective interest 2011 %	Effective interest 2010 %	Interest of company 2011 Rm	Interest of company 2010 Rm	Loan due by/(to) 2011 Rm	Loan due by/(to) 2010 Rm
Brenner Mills (Pty) Ltd	M	1 000	1 000	100	100	–	–	–	–
Bull Brand Holdings (Pty) Ltd	L	–	3 000 000	–	100	–	–	–	(3,0)
Casa Rosada Investments (Pty) Ltd	D	450	450	100	100	–	–	–	–
Conshu Holdings (Pty) Ltd	D	78 879 000	78 879 000	100	100	2,4	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	728,1	791,4
Gants Foods (Pty) Ltd	L	–	200	–	100	–	–	–	0,2
Hides & Skins Brokers (Pty) Ltd	A	5 000	5 000	100	100	–	–	–	–
KAP Investments (Pty) Ltd	I	2 490 001	2 490 001	100	100	–	–	7,5	6,3
Kolosus Leathers (Pty) Ltd	L	–	115 000	–	100	–	22,5	–	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	–	–	–	–
Vetmesting Co-operative Ltd	D	200	200	100	100	–	–	(32,6)	(32,6)
Western Wools (Pty) Ltd	L	–	104 810	–	100	–	–	–	(0,1)
All other subsidiaries						0,1	–	–	(0,2)
Total						59,9	82,3	701,0	918,5

Nature/status of business

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

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

(Switzerland)

ANNEXURE B – SEGMENTAL REPORTING
for the year ended 30 June 2011

For management purposes, the group is organised into two main operating segments, an industrial segment and a consumer segment. Segments are identified by management for the purpose of resource allocation and assessment of segment performance. These are determined by the types of goods provided. The group's reportable segments under IFRS 8 are therefore as follows:

- the industrial segment consisting of the Feltex Automotive, Industrial Footwear and Hosaf divisions; and
- the consumer segment consisting of the Bull Brand Foods, Brenner Mills, Glodina and Jordan divisions.

Two operations (Hosaf fibres and recycling plants) were discontinued during the current reporting period. The segment information reported here includes disclosure relating to these discontinued operations as well as those operations discontinued in the prior reporting period. Please see Note 26 for further information relating to discontinued operations.

The following is an analysis of the group's revenue and other results from continuing and discontinued operations by reportable segment:

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	Government capital incentive 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 2011													
Industrial	2 712,7	189,2	(48,4)	–	1 775,7	1 335,8	38,3	(3,4)	(26,7)	3,3	(49,8)	2,0	24,4
Consumer	1 504,4	42,4	(18,7)	–	770,2	758,2	23,2	(1,1)	(2,2)	–	(9,3)	–	–
Other	–	–	–	–	353,8	282,4	–	–	–	–	–	–	–
Intra-group	–	–	–	–	(339,3)	(1 288,9)	–	–	–	–	–	–	–
	4 217,1	231,6	(67,1)	–	2 560,4	1 087,5	61,5	(4,5)	(28,9)	3,3	(59,1)	2,0	24,4
Year ended 30 June 2010													
Industrial	2 339,8	146,5	(52,1)	(0,2)	1 571,1	1 208,3	38,5	–	(44,0)	3,7	(40,6)	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)	–	–	–	–	–	–	–
	3 842,9	202,8	(66,6)	(0,2)	2 394,0	971,1	63,0	–	(56,5)	3,7	(51,4)	3,0	22,7

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	Government capital incentive 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 2011													
Industrial	134,6	35,4	(2,8)	(15,6)	66,0	76,3	–	–	(7,1)	–	(4,5)	–	–
Consumer	–	(1,1)	–	(2,1)	9,2	–	–	–	–	–	0,9	–	–
	134,6	34,3	(2,8)	(17,7)	75,2	76,3	–	–	(7,1)	–	(3,6)	–	–
Year ended 30 June 2010													
Industrial	155,4	(4,1)	(3,9)	(4,0)	104,2	164,9	0,3	–	(1,4)	–	5,3	–	–
Consumer	1,9	–	(0,3)	–	12,0	9,5	–	–	–	–	–	–	–
	157,3	(4,1)	(4,2)	(4,0)	116,2	174,4	0,3	–	(1,4)	–	5,3	–	–

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 operation section of this integrated report.

Inter-segmental revenue earned by the industrial segment from the consumer segment amounted to R3,7 million for the year ended 30 June 2011 (2010: R3,4 million). Inter-segmental revenues are eliminated.

NOTICE OF ANNUAL GENERAL MEETING
for the year ended 30 June 2011

KAP INTERNATIONAL HOLDINGS LIMITED

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

Notice is hereby given that the 33rd 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, 2 December 2011, at 12:30.

Purpose

The purpose of the meeting is to transact the business set out in the agenda below. For the avoidance of doubt, the articles of association of the company are now referred to as the memorandum of incorporation in terms of the new Companies Act 2008 (Act 71 of 2008), as amended (the Companies Act), which became effective on 1 May 2011, but for the sake of simplicity are still referred to as the articles of association in this notice.

Agenda

1 To consider and, if deemed fit, approve, with or without modification, the following ordinary resolutions:

Note:

For any of the ordinary resolutions numbers 1 to 6 , 8 and 9 to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof. For ordinary resolution number 7 to be adopted, more than 75% of the voting rights exercised on such ordinary resolution must be exercised in favour thereof.

1.1 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 2011.

The reason for ordinary resolution number 1 is that the Companies Act requires that the audited annual financial statements of the company be presented to the shareholders of the company at the annual general meeting.

1.2 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 2011, as disclosed in the annual financial statements.

The reason for ordinary resolution number 2 is that the articles of association of the company require that shareholders approve the directors' remuneration, as disclosed in the annual financial statements.

1.3 Ordinary Resolution Number 3

To table as one resolution, the election of the following directors, each to be dealt with as a separate re-election:

1.3.1 To re-elect as director Mr F Möller, who retires by rotation in terms of the articles of association of the company and, being eligible, offers himself for re-election.

The summary of the *curriculum vitae* of Mr F Möller is reflected on page 8.

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

The summary of the *curriculum vitae* of Mr J P Haveman is reflected on page 9.

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

The summary of the *curriculum vitae* of Mr D M van der Merwe is reflected on page 8.

1.3.4 To re-elect as director Mr J B Magwaza, who retires by rotation in terms of the articles of association of the company and, being eligible, offers himself for re-election.

The summary of the *curriculum vitae* of Mr J B Magwaza is reflected on page 8.

The reason for ordinary resolution number 3 is that the articles of association of the company and, to the extent applicable, the Companies Act, require that a component of the directors rotate at the annual general meeting and, being eligible, may offer themselves for re-election as directors.

1.4 Ordinary Resolution Number 4

Note:
For avoidance of doubt, all references to the audit and risk committee of the company is a reference to the audit committee as contemplated in the Companies Act.

To table as one resolution the appointment or reappointment, as the case may be, of the following members of the audit and risk committee until the next annual general meeting, each to be dealt with as a separate appointment or reappointment:

1.4.1 Mr K E Schmidt;

1.4.2 Mr U Schäckermann; and

1.4.3 Mr S H Nomvete.

The *curriculum vitae* of each of these committee members are set out on page 8.

The reason for ordinary resolution number 4 is that the company, being a public listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be appointed, or reappointed, as the case may be, at each annual general meeting of a public listed company.

1.5 Ordinary Resolution Number 5

"Resolved that Deloitte & Touche of Cape Town be appointed as the auditors of the company, on the recommendation of the audit and risk committee, with Mr Michael van Wyk, a registered auditor and member of the firm as the individual who will undertake the audit, until the next annual general meeting, and that their remuneration for the year ended 30 June 2011 as determined by the audit and risk committee be confirmed."

The reason for ordinary resolution number 5 is that the company, being a public listed company, must have its financial results audited and such auditor must be appointed or reappointed each year at the annual general meeting of the company as required by the Companies Act.

1.6 Ordinary Resolution Number 6

"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 the provisions of the Companies Act, the articles of association of the company and the Listings Requirements of the JSE Limited (Listings Requirements)."

The reason for ordinary resolution number 6 is that the board requires authority from shareholders in terms of its articles of association to issue shares in the company. This general authority, once granted, allows the board from time to time, when it is appropriate to do so, to issue ordinary shares as may be required inter alia in terms of capital-raising exercises and/or to maintain a healthy capital adequacy ratio.

1.7 Ordinary Resolution Number 7

"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 Companies 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."

For listed entities wishing to issue shares for cash, it is necessary for the board not only to obtain the prior authority of the shareholders as may be required in terms of their articles of association contemplated in ordinary resolution number 6 above but it is also necessary to obtain the prior authority of shareholders in accordance with the Listings Requirements. The reason for ordinary resolution number 7 is accordingly to obtain a general authority from shareholders to issue shares for cash in compliance with the Listings Requirements.

At least 75% of the shareholders present in person or by proxy and entitled to vote at the annual general meeting must cast their vote in favour of this resolution.

1.8 Ordinary Resolution Number 8

"Resolved that the directors of the company be and are hereby authorised, to the extent required, by way of a general authority, to distribute to shareholders of the company any share capital and reserves of the company or make any payments to shareholders of any nature subject to the provisions of the Companies Act, to the extent applicable, 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);
- the general distribution is made pro rata to all shareholders; 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 reason for ordinary resolution number 8 is to grant the company to the extent required by its articles of association, a general authority to make distributions and payments of any nature to shareholders on the basis set out in this resolution.

1.9 Ordinary Resolution Number 9

"Resolved to endorse through a non-binding advisory vote, the company's remuneration policy as set out on page 40 of the integrated annual report."

The reason for ordinary resolution number 9 is that King III recommends that the remuneration policy of the company be endorsed through a non-binding advisory vote by shareholders at the annual general meeting.

NOTICE OF ANNUAL GENERAL MEETING
continued

2. To consider and, if deemed fit, pass, with or without modification, the following special resolutions:

Note:
For the special resolutions to be adopted, more than 75% of the voting rights exercised on each special resolution must be exercised in favour thereof.

2.1 Special Resolution Number 1

"Resolved that as a special resolution that the company, and/or any of it subsidiaries, be and is hereby authorised, as a general approval, to repurchase any of the shares issued by it, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of the Companies 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 its 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."

The reason for and effect of special resolution number 1 is to grant the directors a general authority in terms of the Act, for the acquisition by the company, or by any of its subsidiaries, of shares issued by it on the basis reflected in the special resolution.

2.2 Special Resolution Number 2

"Resolved that, as a special resolution, the remuneration as set out in the table below, to be paid to non-executive directors for their service as non-executive directors of the company for the ensuing year to the 2012 annual general meeting, as recommended by the human resources and remuneration committee and the board, and/or on any other basis as may be recommended by the human resources and remuneration committee and approved by the board, be approved:

Proposed directors' fees from 1 July 2011 to 2012 AGM

	CURRENT		PROPOSED	
	Annual retainer R	Per meeting fee R	Annual retainer R	Per meeting fee R
Chairman	100 000	15 000	110 000	17 500
Non-executive directors	40 000	10 000	40 000	12 000
Audit and risk committee chairman	100 000	–	100 000	10 000
Audit and risk committee member	18 000	–	18 000	7 500
Human resources and remuneration committee chairman	50 000	–	80 000	10 000
Human resources and remuneration committee member	15 000	–	15 000	7 500
Transformation committee chairman	32 000	–	32 000	5 000
Transformation committee member	15 000	–	15 000	4 000
Social and ethics committee chairman	32 000	–	32 000	5 000
Social and ethics committee member	15 000	–	15 000	4 000"

The reason for special resolution number 2 is for the company to obtain the approval of shareholders by way of special resolution for the payment of remuneration to its non-executive directors in accordance with the requirements of the Companies Act.

The effect of special resolution number 2 is that the company will be able to pay its non-executive directors for the services they render to it as directors without requiring further shareholder approval until the next AGM.

2.3 Special Resolution Number 3

"Resolved in terms of section 45(3)(a)(ii) of the Companies Act of 2008 (Act 71 of 2008), as amended (the Companies Act), as a general approval, that the board of the company be and is hereby authorised to approve that the company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in section 45(1) of the Companies Act) that the board of the company may deem fit to any company or corporation that is related or interrelated ("related" or "interrelated" will herein have the meaning attributed to it in section 2 of the Companies Act) to the company, on the terms and conditions and for amounts that the board of the company may determine, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the company."

The reason for and effect of special resolution number 3 is to grant the directors of the company the authority until the next annual general meeting to provide financial assistance to any company or corporation which is related or interrelated to the company. This means that the company is authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries or associated companies.

3. Other business

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

INFORMATION RELATING TO SPECIAL RESOLUTION NO. 1

1. The board does not intend to use the authority in terms of special resolution number 1 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 Companies Act and JSE 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. The following general information is reflected in the integrated 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 30)
- share capital of the company (refer to note 13)

The directors, whose names are given on pages 8 and 9 of the integrated 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 2011. The directors are not aware of any information or 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.

Special resolution number 1 is a renewal of a special resolution taken at the previous annual general meeting on 26 November 2010.

NOTICE OF ANNUAL GENERAL MEETING
continued

Voting

The date on which shareholders must be recorded as such in the share register maintained by the transfer secretaries of the company (the share register) for purposes of being entitled to receive this notice is Friday, 28 October 2011.

The date on which shareholders must be recorded in the share register for purposes of being entitled to attend and vote at this meeting is Friday, 25 November 2011, with the last day to trade being Friday, 18 November 2011.

Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the annual general meeting and must accordingly bring a copy of their identity document, passport or driver's licence to the annual general meeting. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretaries for guidance.

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 33rd annual general meeting to be held at 12:30 on Friday, 2 December 2011, 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 annual 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 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 on the reverse hereof):

		NUMBER OF VOTES (ONE VOTE PER SHARE)		
		In favour of	Against	Abstain
Ordinary resolutions				
1.1	Adoption of annual financial statements			
1.2	Confirm directors' remuneration			
1.3	Re-election of directors retiring by rotation			
1.3.1	F Moller			
1.3.2	J P Haveman			
1.3.3	D M van der Merwe			
1.3.4	J B Magwaza			
1.4	Elect members of the audit and risk committee			
1.4.1	K E Schmidt			
1.4.2	U Schäckermann			
1.4.3	S H Nomvete			
1.5	Reappointment of auditors			
1.6	Placing the unissued shares under the directors' control			
1.7	General authority to issue unissued shares for cash			
1.8	Capital payments to shareholders			
1.9	Non-binding advisory vote endorsing company's remuneration policy			
Special resolutions				
2.1	Authority to repurchase shares			
2.2	Authority to pay non-executive directors' remuneration for their services as directors			
2.3	Authority to grant loans to subsidiaries and to guarantee the debt of its subsidiaries or associated companies			
3	Transact other business			

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 2011

Signature

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

FORM OF PROXY

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 annual general meeting, must arrange with 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 annual general meeting". The person whose name appears first on the form of proxy and who is present at the annual 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 annual 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 annual general meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual 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 annual 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 annual 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 annual general meeting, therefore not later than 12:30 on Wednesday, 30 November 2011.
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