KAP

INDUSTRY *IN MOTION*™

INTEGRATED ANNUAL REPORT **2013**

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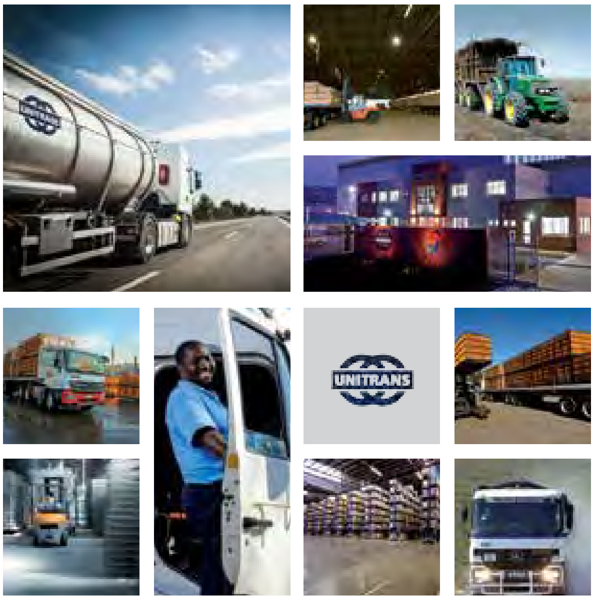
INDUSTRY *IN MOTION*™

OPERATING DIVISIONS AT A GLANCE

Supply chain solutions



Unitrans Supply Chain Solutions (USCS) designs, implements and manages supply chain solutions for a diverse range of blue chip customers in sub-Saharan African countries. Services include transportation, warehousing and distribution, mining and agricultural services, freight forwarding and clearing, and supply chain consulting services. USCS is committed to establishing long-term partnerships with its customers, enabling it to provide innovative solutions aligned to its partners' strategic business requirements. USCS adds value through reducing supply chain costs while increasing service levels and safety standards.

- Fleet in excess of **3 000 vehicles**
- Over **400 000 m² of warehousing** under management
- More than **220 million km** travelled annually
- **160 depots**
- **11 200 employees** in **10 African countries**

Passenger

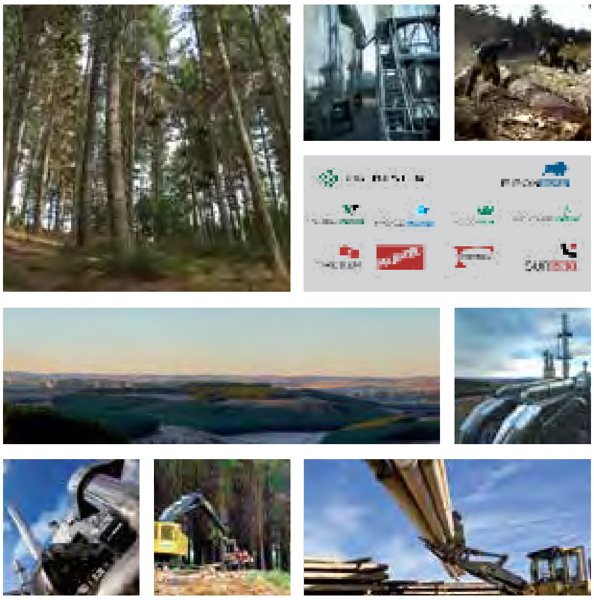
Unitrans Passenger provides transport to the public, tourist and personnel market segments, supplying an essential service to an estimated 11,2 million passengers per annum. The various brands, which cover personnel, commuter, intercity and tourism transport include Mega Bus, Mega Coach, Magic Bus, Mega Express, Greyhound, Citiliner and Bojanala Bus. Within the personnel and commuter businesses the focus is on long-term customer contracts. These contracts provide the group with long-term sustainable revenue and margins while the tourist and intercity markets support passenger volumes and profits. The Gautrain feeder and distribution service provides transport to daily commuter passengers between Johannesburg, Pretoria and OR Tambo International Airport.

- **1,2 million** intercity passengers transported annually
- **10 million** commuter passengers transported annually
- more than **1 200** vehicles comprising semi-luxury commuter buses, articulated buses, luxury coaches and minibuses
- More than **90 million km** travelled annually
- **23 depots** and **15 passenger terminals** throughout South Africa, Zimbabwe and Mozambique
- **3 300** employees

Revenue
R7 042 million

Operating profit
R686 million

Integrated timber

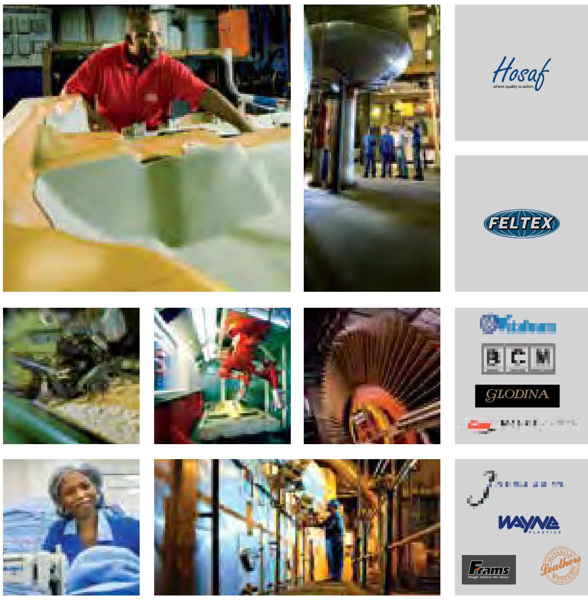


PG Bison manufactures and distributes sawn timber, poles, upgraded wood-based panel products and solid surfacing materials, and distributes decorative laminates, all with the strategic intent of being the number one manufacturer and upgrader of timber-based products in its chosen markets. "From seedling to lifestyle" encapsulates the vertical integration of this business; from the seedlings, through the forest plantations, the sawmills, poles plants, the resin plant, and the board manufacturing and upgrading facilities, it owns and manages its entire value chain, while behaving in a socially and environmentally responsible and sustainable manner.

- **91 000 ha of forestry land with 43 000 ha planted** in KwaZulu-Natal, North Eastern Cape, and Southern Cape
- **7 Manufacturing facilities**
- **620 000 m³ of panel products** produced annually
- **22 000 000 m² of panel products** upgraded annually
- **105 000 tons of resin** produced annually
- **2 100 000 trees planted annually** in accordance with sustainable forestry practices
- **2 000 employees**

Revenue	Operating profit
R2 392 million	**R347 million**

Manufacturing



The Manufacturing division manufactures a diverse range of products including various components used in the assembly of automotive vehicles; the raw material polyethylene terephthalate (PET resin) used to produce packaging for the beverage and other industries; materials and components for the furniture and bedding industry and fashion and industrial footwear. The manufacturing businesses are well-known, established companies and the division has a proud history of manufacturing quality products. These businesses are all based in southern Africa, operate from 26 manufacturing facilities and are focused on capitalising on the growth opportunities within the industries and markets they serve.

- Hosaf produces **130 000 tonnes of PET** annually
- Feltex produces and supplies components for cars manufactured in South Africa (approximately **530 000 units**) annually
- Vitafoam produces **14 800 tonnes of foam annually**
- BCM produces **bed springs for 3 000 mattresses** daily
- More than **25 brands** comprise the division's product offering
- **4 900 employees**

Revenue	Operating profit
R5 076 million	**R297 million**

GROUP AT A GLANCE

Listed on the JSE, KAP is an industrial group, predominantly located in and focused on business in emerging African markets.

KAP delivers services and manufactures products to a wide customer base through four main operating divisions.*

A SPECIALIST SUPPLY CHAIN SOLUTIONS DIVISION*

A PASSENGER TRANSPORT DIVISION*

AN INTEGRATED TIMBER DIVISION

A MANUFACTURING DIVISION

Highlights

Headline earnings per share
↑ by 20%
from 24.2 cents
to 29.1 cents

R2 254m
cash generated from operations

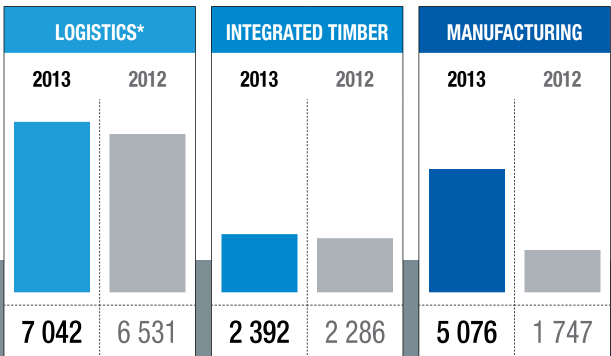
Dividend
↑ by 33%
from 6cps
to 8cps

Gearing ratio
improved
from 64%
to 50%

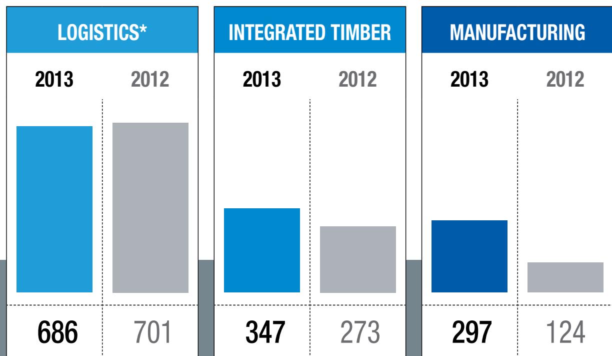
Net asset value per share
↑ from 238 cents
to 263 cents

Segmental analysis

Revenue (Rm)



Operating profit before capital items (Rm)



* *For financial reporting purposes, our supply chain solutions and passenger divisions have been combined into one logistics segment*

ABOUT THIS REPORT

2013 Integrated Report
of KAP Industrial Holdings Ltd (KAP)

We are pleased to provide you with the annual integrated report of KAP as recommended in the King Code of Governance Principles for South Africa 2009 (King III). The objective of our integrated annual report is to provide our stakeholders with insight into our performance and the way we manage our business. In this report, our business reporting focuses on our strategy and our ability to create long-term sustainable value for all stakeholders.

In compiling this report we were guided by the principles of integrated reporting which in turn address the needs of our various stakeholders, in compliance with the following framework or requirements:

- South African Code of Corporate Practice and Conduct as set out in the King III Report
- International Financial Reporting Standards (IFRS)
- JSE Ltd (JSE) Listings Requirements
- Companies Act 71 of 2008 as amended
- Discussion Paper as issued by the Integrated Reporting Committee (IRC) of South Africa and the Consultation Draft of the International Integrated Reporting Framework as issued by the International Integrated Reporting Council.
- The principles of the Global Reporting Initiative (GRI) G4

This integrated report seeks to provide a greater understanding of the group's strategy, its business model and its impact across economic, social and environmental areas and insight into how the group's businesses are managed.

Aligned with our business strategy, we describe the strategic risks and priorities of the group and show how our business and sustainability issues underpin and support a common strategy.

Social and environmental sustainability have been part of the group's strategy and business practices for many years. We have started monitoring and reporting on the data relevant and material to these matters. We are on a journey to fully implement processes of data collection and management throughout the group to provide information relevant to material and strategic issues to align our reporting process with global best practice. Sustainability information in this report relates to the full year and is a summary of comprehensive information which will be available on the website.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Following the reverse acquisition of the Steinhoff Industrial assets in 2012, the comparative results for 2012 include the traditional KAP assets for only three months.

Management has considered and applied the principles of King III on integrated reporting and the discussion paper of the IRC of South Africa in the preparation of this report to the furthest extent possible. As the concepts and practices of integrated reporting develop, management will aim to enhance disclosures and application as deemed appropriate.

The principle of materiality has been applied in determining the content and extent of disclosure in this integrated annual report.

Scope and boundary
The scope of the report includes all our operating subsidiaries and covers the reporting period 1 July 2012 to 30 June 2013. The audited annual financial statements were approved on 19 August 2013. This integrated annual report was approved for distribution on 18 October 2013 and includes reference to relevant events subsequent to year-end up to the approval date. All references to "KAP", "the group", "the company", "the business", "our" and "we" refer to KAP Industrial Holdings Ltd and its subsidiaries.

Approval of the integrated report
The board acknowledges its responsibility to ensure the integrity of the integrated report. The directors confirm they have collectively reviewed the content of the integrated report and believe it addresses all the material issues and is a fair presentation of the integrated performance of the group.

External assurance
Assurance and the contents of the integrated report were considered throughout the process. The board, assisted by the audit and risk committee, is ultimately responsible for overseeing the integrity of the integrated report. This was achieved through setting up appropriate teams and structures to undertake the reporting process and the review and approval of the integrated report. A combined assurance approach will be developed in future years to ensure the appropriate application of integrated reporting principles and the integrity of data contained in the report. External assurance obtained in the current year was limited to the audit opinion on the group's annual financial statements.

Forward-looking information
This integrated report contains certain forward-looking statements which relate to the financial position and results of the operations of the group. These statements are solely based on the view and considerations of the directors. These statements by their nature involve risk and uncertainty as they relate to events and depend on circumstances which may occur in the future. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, global and national economic and market conditions including interest and foreign exchange rates, gross and operating margins achieved, competitive conditions and regulatory factors. These forward-looking statements have not been reviewed or reported on by the group's external auditors.

More information
The integrated report is available on-line at: www.kap.co.za
A printed copy of the annual financial statements is available on request from: info@kap.co.za
We value your opinion regarding this integrated report – for further information, feedback or assistance, please contact us at: info@kap.co.za

group overview

INDUSTRY ***IN MOTION***™

J de V (JAAP) DU TOIT (59)

BAcc, CA(SA), CTA, CFA

Independent non-executive chairman

Jaap was appointed as senior general manager at the Trust Building Society in 1984, financial director at SMK Securities (Pty) Ltd in 1988 and portfolio director in 1990. In 1996 he was founder/director of PSG Group Ltd, as well as chairman of PSG Konsult Ltd. In August 2012 Jaap was appointed as the lead independent non-executive director for PSG Group Ltd and PSG Financial Services Ltd. Jaap has served, and currently serves, as chairman of various national committees and boards. Jaap was appointed as chairman of KAP Industrial Holdings Ltd in 2012 and is chairman of the nomination committee.

K J (JO) GROVÉ (64)

AMP (Oxford)

Chief executive officer

Jo has more than 38 years' experience in finance and banking. In 1976 he founded Medical Leasing Services, a company providing specialised financial services, mainly to medical doctors. In 1987 the business was sold to the Absa Group, the name was changed to MLS Bank and Jo was appointed chief executive, a position he held until 1995. He established Imperial Bank and served on the main board of Imperial Holdings until joining Unitrans Ltd as chief executive in September 1998. Jo was appointed as an executive director of Steinhoff International Holdings Ltd, following the approval and implementation of the acquisition by Steinhoff of the majority shareholding in Unitrans Ltd, subsequently becoming an alternate executive director on the Steinhoff International Holdings Ltd board in December 2007. He also serves on the board of the SA PGA Tour. Jo was appointed as chief executive officer of KAP Industrial Holdings Ltd in 2012.

J P (JOHN) HAVEMAN (39)

BAcc, BCompt (Hons), CA(SA), MBus

Chief financial officer

John qualified as a chartered accountant in 1999 after completing his articles at PricewaterhouseCoopers Inc. He joined the Daun group in 2002 as group financial manager of its South African operations and was appointed to the KAP Industrial Holdings Ltd board in 2005 as chief financial officer.

M J (MARKUS) JOOSTE (52)

BAcc, CA(SA)

Non-executive director

In 1998, Markus joined Gommagomma Holdings Proprietary Ltd (now Steinhoff Africa Holdings) as financial director. In 1998, Markus was appointed as executive director and took responsibility for the European operations of the Steinhoff Group and also for directing its international marketing and financial disciplines. In 2000, Markus was appointed group managing director of Steinhoff International Holdings Ltd and chairman of Steinhoff Africa Holdings and currently acts as chief executive officer of Steinhoff International Holdings Ltd.

Markus was appointed to the board of KAP Industrial Holdings Ltd in 2004. He also serves on the boards of various unlisted group companies and the following listed companies: PSG Group Ltd, JD Group Ltd and Phumelela Gaming and Leisure Ltd.

A B (BEN) LA GRANGE (39)

BComm (Law), CA(SA)

Non-executive director

Ben completed his articles with PricewaterhouseCoopers Inc. and spent two and a half years in their international and corporate tax division. He joined Steinhoff International Holdings Ltd in 2003 as manager in the corporate tax division whereafter he moved to the Steinhoff corporate finance division. He previously acted as chief financial officer for Steinhoff's Southern Hemisphere Operations and was appointed as chief financial officer of Steinhoff International on 5 March 2013. Ben was appointed to the board of KAP Industrial Holdings Ltd in 2012. Ben is also a non-executive director of JD Group Ltd.

J B (JB) MAGWAZA (71)

BA, MA (Ind Rel), Dip (IR), Dip (PM)

Independent non-executive director

JB is chairman of Tongaat-Hulett Group Ltd, Motseng Property Investment Holdings (Pty) Ltd, Imbewu Capital Partners and Nkunzi Investment Holdings (Pty) Ltd. He also serves as a non-executive director on the boards of Richards Bay Minerals, Rainbow Chickens Ltd, NPC-Cimpor (Pty) Ltd and Hulamin Ltd. He was appointed as an independent non-executive director of KAP Industrial Holdings Ltd in 2004. He is chairman of the human resources and remuneration committee and serves on the nomination committee.

I N (IPELENG) MKHARI (39)

BSoc Sci

Independent non-executive director

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 where she is currently the chief operations officer and a shareholder. She is a non-executive director of Delta Property Fund. She was appointed as an independent non-executive director of KAP Industrial Holdings Ltd in 2004 and is a member of the human resources and remuneration committee.

S H (STEVE) MÜLLER (52)

BAcc (Hons), CA(SA), Sanlam Executive Development Programme

Independent non-executive director

Steve qualified as a chartered accountant in 1985. In 1993 he joined Rand Merchant Bank as a senior credit manager and in 1995 he joined Genbel Investments. Over the next 13 years he fulfilled various capacities within that group, including chief operating officer: equities of Genbel Securities Ltd, executive director of Gensec Bank Ltd, serving as a non-executive director and member of the audit and remuneration committees of various investee companies within the Genbel Securities Group. During 2008 he left the group to pursue his own interests. Steve was appointed as an independent non-executive director of KAP Industrial Holdings Ltd in 2012 and is a member of the audit and risk committee. He has also recently been appointed as an independent non-executive director of Sacoil Holdings Ltd, a company listed on the Johannesburg Stock Exchange and of AIM (on the London Stock Exchange).

S H (SANDILE) NOMVETE (40)

EDP (Wits), Prop Dev. Prog. (UCT)

Independent non-executive director

Sandile is the chief executive officer of Delta Property Fund, which is listed on the Johannesburg Stock Exchange. He is also a co-founder and deputy chairman of Motseng Investment Holdings and has almost 15 years' experience in executive positions. Sandile entered the property sector in 1998, when he co-founded Motseng Investment Holdings, which eventually became the empowerment partner to Marriott Property Group. Sandile has also been affiliated with both NBS Bank and Tongaat Hulett Group and serves as a director on a number of non-listed entities, including the Black Association of Commercial Property Owners. He was previously the managing director of Motseng-Marriott Services which subsequently became Motseng Property Services. He has undergone a property development programme from University of Cape Town Graduate School of Business, as well as the executive development programme and finance for non-financial managers' diploma from the University of Witwatersrand Graduate School of Business. Sandile was appointed as an independent non-executive director of KAP Industrial Holdings Ltd in 2004 and is a member of the audit and risk committee.

P K (PATRICK) QUARMBY (59)

CA(SA) (Hons)

Independent non-executive director

Patrick was a partner at Ernst & Young until moving overseas in 1987. During his nine years overseas he was employed in the Corporate Finance Department of Schroders in London. He was one of the founding directors of Standard Bank in London and established Standard Bank's presence in Hong Kong. Patrick returned to South Africa and was appointed a director of Dimension Data Holdings Ltd in 1996, responsible for the global expansion of the group. He was the non-executive chairman of Datacraft Asia, an IT services company listed in Singapore, until it delisted in 2008, and an independent non-executive director of Unitrans Ltd until the acquisition by Steinhoff of Unitrans in 2007. Patrick was appointed as an independent non-executive director of KAP Industrial Holdings Ltd in 2012 and is the chairman of the audit and risk committee.

C J H (CHRIS) VAN NIEKERK (65)

BA

Non-executive director

After a long career in the chemical industry with the Sentrachem Group, where Chris managed several operations, he was appointed to the board of PG Bison in May 1998 as chief executive officer. Chris led the successful management buy-out of PG Bison from PGSI. Steinhoff Africa Holdings acquired PG Bison in 2006, expanding the business into sawmilling and forestry. Chris also holds several other directorships including those at NCP Chlorchem, Chlor Alkali Holdings, Walvis Bay Salt Holdings and Phumelela Gaming and Leisure Ltd. Chris was appointed as a non-executive director of KAP Industrial Holdings Ltd in 2012.

D M (DANIE) VAN DER MERWE (55)

BComm, LLB

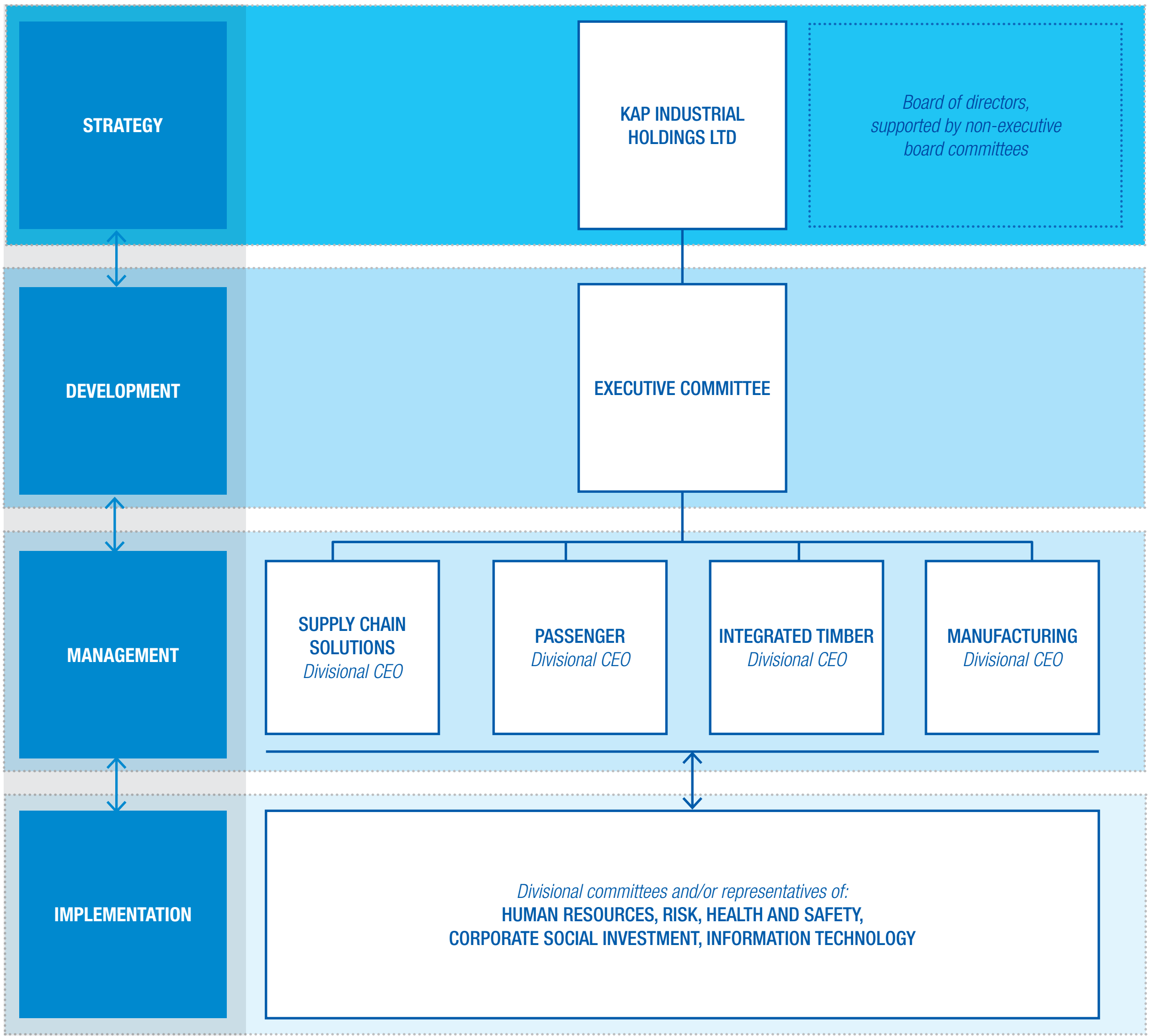
Non-executive director

Danie was admitted as an attorney of the High Court of South Africa in 1986 and practised as an attorney, specialising in the commercial and labour law fields. In 1990, Danie joined the Roadway Transport Group and was instrumental in developing the strategic direction and growth of this group. In early 1998, following the merger of Roadway Transport Group with Steinhoff Africa Holdings, Danie joined the Steinhoff group and was appointed to the Steinhoff International Holdings Ltd board in 1999. He previously acted as chief executive officer for Steinhoff's Southern Hemisphere Operations and was appointed as chief operating officer of the Steinhoff International group on 5 March 2013. Danie holds several other appointments within the group and currently serves on the boards of Steinhoff Asia Pacific Ltd, Steinhoff UK Holdings Ltd and JD Group Ltd. Danie was appointed as a non-executive director of KAP Industrial Holdings Ltd in 2005 and serves on the human resources and remuneration committee and on the nomination committee.

The board of directors is supported by an executive committee comprising executive directors and senior management of KAP Industrial. This team carries out the day-to-day management of the group and the tasks delegated to it by the board.

Management and reporting structure

Each division is encouraged to innovate and function in a way that is responsive, responsible and within the group's centralised governance structures. The empowerment of divisional management and employees enhances and sustains the entrepreneurial culture which ultimately adds value to the group.



GROUP OVERVIEW
Investment case

STRATEGIC PRIORITY #1

Solid returns on capital employed

STRATEGIC PRIORITY #2

Profitable revenue growth

African infrastructure and consumer growth

In line with economic growth expectations our operations are positioned towards emerging markets, with a specific focus on sub-Saharan African countries.

Access to scarce raw material

Owning and investing in key raw material businesses provides the group access to raw materials, which remain under threat. To build on this, we explore and successfully maintain sustainable long-term partnerships and contracts with key strategic suppliers.

Experience in African markets

Industry knowledge and expertise provide a competitive advantage.

Investment in infrastructure and technology

Investment in infrastructure and technology improves the use of raw materials, increases efficiencies, reduces cost and enables the businesses to continually create more innovative market-focused products.

Market share leadership

KAP concentrates on businesses that are number one or two in a specific industrial sector, with strong cash flows, or that have the potential to reach these levels in the short- to medium-term.

Established in high-barrier to entry industries

Worldwide volatility in fuel prices, pressure on natural resources, greater emphasis on sustainability and more stringent health and safety requirements have increased the barriers to entry within the logistics industry. In order to be competitive in this highly regulated industry, a significant degree of experience, scale and specialisation is required.

Industry diversification

Our model is one of diversification within industrial industries. Within our portfolio, certain cyclical industries are balanced by less cyclical businesses. This versatility facilitates the management of concentration risk and protects and enhances margins.

Focus on cash generative businesses

Investment in businesses with strong consistent cash flows.

Growing sustainable earnings

Securing long-term contracts, providing efficient supply chain solutions and effective warehouse management to customers, assist in growing sustainable earnings.

Owning strategic industrial properties protects our competitive advantage and also sustains the long-term cost structures of our business in the form of improved return on capital employed.

Creating the right platform

Our strategy is to capitalise on the industrial advantages within emerging African markets and we aim to be leaders in the markets that we serve.

The group remains focused on managing the long-term sustainability of its businesses and business practices to maintain and grow the benefits it provides to its stakeholders.

Our business activities are underpinned by our responsibility to:

- **Our shareholders and investors** who expect acceptable returns on investment
- **Our customers and partners** who rely on our ability as a business to remain competitive
- **Our employees and their communities** to be part of a fair, transparent and successful business
- **The environment** and our ability to manage our impact on it

Social awareness

We support the development of the consumer in emerging African countries by contributing to economic growth.

We further contribute towards community development and corporate responsibility investment and will continue to support the communities which we serve through sustainable initiatives.

Skills and talent management

Multifunctional skills and experience are required for our specialised and diverse businesses.

Access to and retention of skills and actively managing talent enhances our ability to provide products and services at competitive prices, whilst maintaining value and quality.

Decentralised management structure and entrepreneurial culture

To grow revenue and earn solid returns on capital employed, all management teams have the autonomy to employ the appropriate people to implement group strategy in a way that best aligns with their businesses.

This decentralised structure supports the retention and development of in-depth industry, market and consumer knowledge and relevant experience and enhances sustainable earnings growth in each division.

Transformation

We observe and align our day-to-day business practices in South Africa with the broad-based black economic empowerment (B-BBEE) codes and guidelines.

It is our commitment to make the principles of B-BBEE real and tangible for our group.

Sustainability

Sustainability remains a key consideration. We regularly review and adapt our policies and processes to reinforce our ability to be economically viable, socially responsible and environmentally sound. It is important for us to balance these three pillars of sustainability while remaining competitive in our chosen business markets.

GROUP OVERVIEW
Business model

Business inputs

Financial

The business effectively makes use of a balanced mix of equity and debt to fund operations and currently operates at comfortable levels of gearing.

read more on page 19: Chief financial officer's report

Infrastructure

- Over 400 000m² warehouse space under management
- More than 3 000 vehicles in the USCS fleet
- More than 1200 passenger vehicles
- 183 depots and 15 passenger terminals
- 33 manufacturing facilities
- 43 000 ha of timber plantations

read more on the inside front cover: Operating divisions at a glance

Employees

With more than 21 000 employees, investing in people is key to the group's efforts to attract and retain competent human resources to achieve its strategic objectives.

Group operations strive to go beyond compliance with regards to health and safety regulations.

read more on page 45: Remuneration report

Natural resources

With operations which are highly dependant on natural resources, such as raw materials, timber, energy and fuel, the group manages the use of these scarce resources in a sustainable manner.

read more on page 48: Abridged sustainability report

Relationships

Key working relationships are maintained with stakeholders including shareholders, financial institutions, technology partners, customers, governments, employees and representative bodies and communities.

read more on page 12: Stakeholders

Skills and experience

The collective skill set and experience of the group provide a competitive advantage for the group to be number one or two in specific industries and to provide service excellence to customers.

read more on page 24 - 39: Operational reviews

Specialised supply chain solutions

Passenger transportation

Manufacturing and distribution of timber-related products

Manufacturing of PET, automotive components, furniture and bedding components and footwear

INDUSTRY *IN MOTION*™

Business activities	Strategic outputs

SUPPLY CHAIN SOLUTIONS

Logistics services
Warehousing and distribution
Agricultural services
Mining services
Freight forwarding and clearing
Supply chain consulting

The division aims to grow its African businesses in the same industry sectors which have brought success in South Africa.
Mining, agriculture, construction and infrastructure projects as well as the petrochemical sector are being targeted.

PASSENGER

Commuter transport
Intercity transport
Tourism transport
Personnel transport

The division has a proven track record of organic growth across its market segments, assisted by its ability to optimise its return on invested capital.

INTEGRATED TIMBER

Plantation management
Sawmilling
Production and sale of timber products and resins used in the manufacturing process

A key strategic focus of this division is to enhance its manufacturing efficiency through investment in technology. The division has recently invested in the latest available particleboard and MDF continuous press technology, Melamine faced Board (MFB) technology and Foiling and Laminate Faced Board (LFB) technology, in order to produce superior quality products at the lowest cost of product to market.

MANUFACTURING

Design through international technology partners
Brand management
Material sourcing
Full-order production
Sales
On-time distribution

This division invests in businesses and facilities which are globally competitive producing high quality products for a range of industrial and retail customers.

Stakeholders

Our key stakeholders have been identified through ongoing engagement with various individuals, groups and organisations. We acknowledge the importance of the benefits that the group gains from their insights and continued interest in our business activities.

Stakeholder engagement is a partnership that we rely on. We strive to engage in a manner that is personal, open and honest. We use various platforms and methods of communication to reach, listen and respond.

There are no stakeholders with whom the group is not prepared to engage.

KAP has identified the following key stakeholders

Shareholders and investors

- Surveys
- Road shows
- Investor days
- One-on-one meetings
- Dedicated analyst and investor presentations
- Dedicated communication channels

Financial institutions

- Finance applications
- Media publication of financial results
- One-on-one meetings
- Road shows
- Credit participation
- Dedicated analyst and investor presentations
- Dedicated communication channels

Expectations:

That sustainable and profitable long-term growth is achieved through ethical and responsible business practices.

Customers

- Customer relationship managers
- Trade fairs and expos
- Satisfaction surveys
- Market research
- Customer liaison, complaints and returns
- Dedicated customer accounting and analysis

Suppliers/ service providers

- One-on-one meetings
- Supplier conferences
- Supplier reviews and audits
- Tender and procurement processes
- Supplier performance management assessments

Expectations:

To supply and receive quality products and services. It is the group's responsibility to continuously improve on the quality of our products and services, at a reasonable price, to deliver on our customers' expectations and to expect the same from suppliers.

Regulators

- Establish constructive relationships
- Comment on developments in regulations
- Participate in forums
- Regulatory reporting

Industry bodies and advisory councils

- Employer associations
- Industry associations
- Lobby groups on various matters
- Trade unions

Governments

- Establish constructive relationships
- Comment on developments in legislation
- Participate in forums
- Trade missions

Trade unions

- Trade union meetings
- Employee representative forums
- Operational workforce committees
- Management and employee representative interaction
- Bargaining councils

Expectations:

That the business operates in accordance with all relevant legislative and regulatory requirements.

Employees

- Communications from chief executives
- Newsletters
- Induction programmes
- Training sessions
- Road shows and briefings
- Employee surveys
- Performance management programmes
- Anti-fraud, ethics and corruption hot line
- Employer associations

Communities

- Participating forums
- Events and sponsorships
- Media channels

Press and media

- Interviews and publications
- Presentations
- Road shows

Expectations:

Open and robust communication, transparency and the long-term sustainability of the business.

reports to stakeholders

INDUSTRY ***IN MOTION***™

REPORTS TO STAKEHOLDERS
Chairman's report

JAAP DU TOIT Independent non-executive chairman

The KAP group, as one of Africa's largest industrial companies, adds value across its business units, providing supply chain solutions services, passenger transport, integrated timber and manufacturing services in a growing emerging market environment.

It is with pleasure that I present my report as the chairman of KAP Industrial Holdings for its maiden full financial year.

Strategy

The group's strategy has been crystallised substantially over the last year.

KAP will continue to prioritise: investments in emerging markets; industrial assets which are important players in their respective markets and industries; businesses with high barriers to entry; and, cash generation.

We believe this strategy will stand the group in good stead to grow earnings sustainably into the future.

Establishment of the executive team

During the year under review, the executive committee of the group has come into its own. Combining the CEO, the CFO, the four operational CEO's and the head of human resources, has served to ensure that all four of the divisions are aligned in the achievement of our main goal, creating wealth for shareholders.

Year under review

The 2013 financial year was marked by many conflicting signals by the global economy and emerging African markets.

The group delivered headline earnings of 29,1 cents per share, an increase of 20% on the prior year.

Cash flow during the year was particularly pleasing, with cash generated from operations of R2 254 million. The board was delighted to be able to declare a dividend of 8 cents per share, a 33% increase on 2012.

Despite pressures on various fronts, I am very pleased with the quality of the results which the group has delivered under the leadership of Jo Grové.

In particular, mention must be made of sterling performances by the Passenger and Manufacturing divisions. Following the successful restructure at PG Bison, the Integrated timber division reported much improved results compared to the previous year.

The supply chain solutions business experienced an industry strike and low-growth trading environment but it remains confident that current restructuring initiatives will support continued profitable growth.

Corporate governance

During the year there were no changes to the composition of the board, or to the various committees, which is testimony both to the stability and the appropriate mix of skills on the board and each committee.

For their service and contribution to the committees and to the board during the year, I would like to thank each of my fellow directors, particularly the chairpersons of the various committees of the board.

Corporate social responsibility

The divisions continue to manage environmental, social and governance issues to underscore the sustainability of the growing business. Continued investment in environmental, social and governance (ESG) initiatives is increasing throughout the group.

We remain committed to the principles of B-BBEE and support the South African government's policy towards an integrated and cohesive socio-economic society.

Investing in people

With over 21 000 employees in the group, management of people is a great responsibility, and it is imperative to ensure that we are investing sufficiently in our people and their communities.

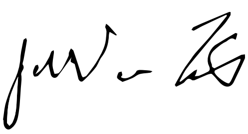
At director and senior manager level, the human resources and remuneration committee is responsible for retaining key employees, succession planning and appropriate and relevant remuneration structures.

About 60% of our employees participate in a Steinhoff International share scheme (S'khulasonke) and annually receive dividends after settlement of interest paid on the debt incurred to acquire the shares.

In a market where competition for key skills is fierce, we are committed to training and development of all our employees, and run a number of programmes to develop future talent.

Prospects

The group has an exciting future, with a focused strategic direction, and we look forward to a prosperous 2014.



Jaap du Toit
Independent non-executive chairman

Chief executive officer's report

JO GROVÉ **Chief executive officer**

Our strategy is to be in emerging markets, with industrial assets which will benefit from continued infrastructural growth on the African continent.

My executive team and I are very pleased to announce these results after the first full year of the newly constituted business.

Year under review

Now that the group is operating well in its new form, we have focused our efforts on three key drivers of future performance of the group:

Cash flow generation

The group has prioritised sustainable cash generation as a key performance indicator for all businesses and their management teams. During the year under review, the group delivered R2 254 million of operating cash flows. The cash was reinvested in the business to fund replacement capex, expansion capex and finally to repay debt, which we believe will stand us in good stead to take advantage of opportunities when they arise.

African growth

Our continued focus on Africa is paying dividends. In Unitrans Supply Chain Solutions (USCS), where the majority of our business is trading in South Africa, 21% of our revenue was generated in the rest of Africa and 38% of our EBIT was earned from outside South Africa.

We remain astutely aware of the risks in doing business in Africa and the return on investment hurdle rates are increased to compensate for the potential risks. Our strategy of following existing customers into Africa further assists in limiting risk in this regard.

The Passenger business has also grown its business outside of South Africa, with a significant contract for employee transport secured with Vale in Tete Province, Mozambique.

Focus on core strategic industrial assets

In line with our strategy, we determined that the food assets (Bull Brand Foods and Brenner Mills) were not core to the future of this business. As a result, we have disposed of Bull Brand Foods to Rhodes Food Group, and Brenner was sold to its management team in a management buy-out.

These assets remain quality businesses which will enhance any business they form part of, and I wish the management teams of these businesses and the new owners well with these quality assets.

Both transactions have been approved by the Competition Commission, and the effective date of the Bull Brand disposal was 1 August 2013, while the Brenner Mills disposal will be implemented during October 2103.

Segmental performance

USCS

While operations outside South Africa continued to grow profitably, the road freight industry strike impacted negatively on the South African results of USCS in the year under review.

The fuel and chemical division delivered a credible performance, and was able to secure a number of new contracts during the period, which more than offset the effects of the strike.

USCS is currently operating in a difficult economic environment, where its customers are under pressure, and the division is committed to reducing its cost structure and improving efficiencies in order to maintain its margins.

Passenger

The Unitrans Passenger operation delivered another good performance during the year.

Management was able to limit the impact of the road passenger industry strike, which resulted in the division gaining market share and customer loyalty.

The personnel transport side of the business continued to grow with the securing of new contracts.

The intercity division (Greyhound and Citiliner) gained market share through increased passenger numbers.

The Gautrain feeder services continue to support the division's performance, transporting over 20 000 passengers per day, which is expected to increase further.

Integrated timber

The restructuring efforts of 2012 have resulted in an excellent performance for PG Bison in the year under review.

The product and customer rationalisation strategy has resulted in the expected improved cash flows and margins.

The consolidation of the business over the last 12 months has been well received by all of our stakeholders, and bodes well for the future of KAP as an emerging market industrial group.

In addition, volumes have increased as a result of the positive market response to the customer-centric restructure of the business, which further benefited PG Bison.

The new medium-density fibre board (MDF) plant in Boksburg, commissioned during October 2013, is expected to deliver further margin benefits from January 2014.

Manufacturing

The PET resin division (Hosaf) continued to operate at full capacity, and delivered solid profits and cash, with only 1.5% downtime during the period.

The automotive components business (Feltex) was supported by strong vehicle build numbers in South Africa.

DesleeMattex and BCM delivered pleasing results during the period, although Vitafoam was negatively impacted by volatile raw material prices.

In the footwear division, Jordan felt the impact of the difficult retail environment, although the industrial footwear business improved compared to prior year, due to strategic investments in new gumboot technologies.

Outlook

The current slow economic conditions are expected to continue and have led to a focus on the containment of costs and heightened efficiencies to maintain margins in a more competitive, low volume environment.

The Logistics division will continue to focus on expansion into Africa.

The Integrated Timber division continues to focus on revenue growth and cost efficiencies. The commissioning of the new MDF plant will lead to further cost reductions, which should benefit margins.

Demand for PET resin remains high and volumes at Hosaf are expected to grow.

We will continue to actively seek new opportunities to grow the group.

Appreciation

The consolidation of the business over the last 12 months has been well received by all of our stakeholders, and bodes well for the future of KAP as an emerging market industrial group.

I would like to extend my sincere gratitude to all of our employees, shareholders, customers and suppliers for the support that they have given us.

Jo Grové
Chief executive officer

JOHN HAVEMAN Chief financial officer

We are very pleased with the cash generated from operations for the full year of R2 254 million which represents 169% of operating profit before capital items (2012: 174%).

Impact of the acquisition of the Steinhoff Industrial assets

In terms of the reverse acquisition in 2012, the comparative figures reflect the results of the Steinhoff Industrial assets for 12 months, and the results of the traditional KAP assets for three months. The only segment which is affected by this is the Manufacturing division.

Revenue

Revenue from continuing operations increased by 37% compared to 2012, 28% of which was due to the incorporation of the traditional KAP assets for the full year, and 9% of which was due to organic growth.

Operating profit before capital items

The operating profit of R1 330 million increased by 21% compared to 2012, 11% of which was due to the incorporation of the traditional KAP assets for the full year, and 10% of which was due to organic growth.

The Logistics segment's operating profit decreased from R701 million to R686 million due mainly to the impact of the road freight industry strike. The repositioned Integrated timber division improved its operating profit from R273 million to R347 million as a result of an increased focus on its manufacturing strategy.

The Manufacturing division's operating profit increased on a like for like basis from R242 million to R297 million due to a good performance from both the PET division (Hosaf) and the automotive components business (Feltex).

Headline earnings per share (HEPS) and earnings per share (EPS)

HEPS increased by 20% to 29.1 cents (2012: 24.2 cents). EPS increased by 2% due to the inclusion of the once-off gain from a bargain purchase in 2012.

Cash flow

Cash generated from operations for the full year of R2 254 million represents 169% of operating profit before capital items (2012: 174%) and includes a reduction in the working capital investment of R225 million (2012: R279 million).

During the year, we continued to invest in the growth of the business. Capital expenditure for the period under review is highlighted below:

	Total	Expansion	Replacement*
Supply Chain Solutions	626	251	375
Passenger	283	78	205
Integrated timber	244	238	6
Manufacturing	72	29	43
Total	**1 225**	**596**	**629**

** Net of government grants*

Non-current assets

The group's balance sheet is supported by a strong fixed asset underpin as follows:

	2013 Rm	2012 Rm
Land and buildings	1 500	1 549
Plant and machinery	1 449	1 560
Vehicles	3 051	2 802
Capital work-in-progress	255	70
Other	119	109
Total property, plant and equipment	**6 374**	**6 090**

Biological assets of R1 761 million (2012: R1 656 million) consist mainly of the timber plantations in PG Bison, and have increased in value net of harvesting costs, by R105 million during 2013 (2012: R131 million).

Net working capital

We are very pleased with the management of working capital, as indicated by the reduction of the net working capital balance to R339 million from R777 million.

Debt structure and finance costs

The group's net interest-bearing debt of R3 079 million (2012: R3 540 million) equates to a gearing ratio of 50% (2012: 64%). The majority of the debt is represented by a shareholder's loan from Steinhoff Africa Holdings (Pty) Ltd, with predetermined maturity dates which supports the capitalisation of the group in the medium to long-term.

	June 2013 Rm	June 2012 Rm
Net interest-bearing debt	**3 079**	3 540
Steinhoff	**3 242**	3 647
Other	**(163)**	(107)
Movement in debt		
Opening balance	**3 540**	3 711
Repayment of Steinhoff loan	**(405)**	(50)
Net debt raised/(repaid)	**(56)**	(121)
Closing balance	**3 079**	3 540

The shareholder's loans arose as a result of the acquisition of the Steinhoff Industrial assets during 2012. The balance of R3 242 million comprises the following loans:

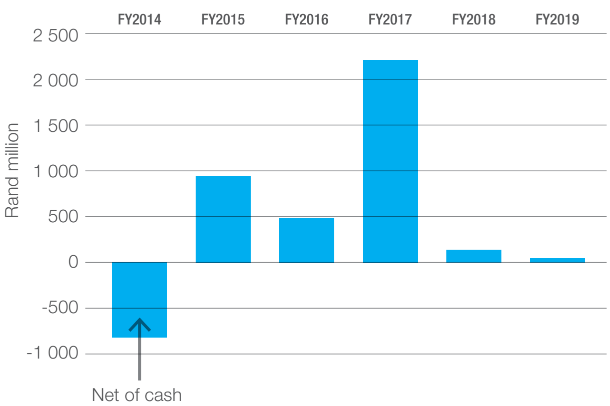
Loan	Balance Rm	Interest rate	Repayment terms
Amortising term loan	1 075	JIBAR + 310 bps	Biannual payments until Dec 2018
Revolving term loan	1 500	JIBAR + 285 bps	Maturity date: Dec 2016
Medium-term loan	620	JIBAR + 260 bps	Maturity date: Dec 2014
Short-term loan	47	Overnight rates	Annual review from Jan 2013
Total	**3 242**		

There are no covenants or events of default on any of the shareholder's loans. The claims on the shareholder's loans rank *pari passu* with all of the company's other senior unsecured debt.

Management remains confident in the serviceability of the debt as indicated by the improving EBITDA/interest cover ratio at 5.7 times (2012: 4.5 times).

Maturity of net interest-bearing debt

We remain comfortable with the group's debt maturity profile. During the year, longer-term debt was raised at favourable interest rates, the proceeds of which were used to reduce shorter-term debt. Cash on hand and short-term facilities are more than adequate to meet short-term debt repayment commitments.



Net asset value

The net asset value per share increased by 11% from 238 cents to 263 cents.

Risk management

The group's success in its overall strategy is largely attributable to its business philosophy which supports decentralised, autonomous business units with an entrepreneurial culture.

The board recognises that some elements of risk management can only be achieved on an integrated basis. Financial risks such as exchange rate risk, interest rate risk, liquidity risk and commodity price risk are largely controlled centrally.

Significant risks identified by management are as follows:

Financial risk

The group's financial instruments are listed in the notes to the group annual financial statements. Derivative instruments such as forward exchange contracts are used by the group for hedging purposes.

The group does not speculate in trading derivatives or other financial instruments.

A finance forum consisting of senior financial group executives meets regularly to analyse currency and interest rate exposure and to re-evaluate treasury management strategies in the context of prevailing economic conditions and forecasts. The finance forum also reviews the hedging policy of the group on a regular basis.

Liquidity risk

The group's policy is to spread debt maturities over a wide range of periods to manage excessive refinancing risk in any one-year period. The group further manages liquidity risk by monitoring the forecast cash flows and maintaining adequate unused borrowing facilities. In addition, the group uses a variety of sources to fund its activities in order to reduce any concentration risk and to mitigate liquidity risk.

The group uses a variety of debt suppliers and instruments to limit its exposure to any one supplier or instrument.

The group successfully extended its debt maturity profile during the year.

Currency risk

The principal objective of our currency risk management and hedging strategy is to seek to mitigate exposure to movements in foreign exchange rates for the major currencies that the group is exposed to, taking into account the potential effect on the group's net debt and related credit metrics. It is group policy to hedge exposure to operational cash transactions in foreign currencies other than the reporting currency of the underlying operation for a range of forward periods, but not to hedge exposure for the translation of reported profits in the different jurisdictions and ultimately for reporting purposes to rand. In addition, currency assets are hedged by way of currency borrowing where practicable or, alternatively, to effectively hedge all borrowings in currencies other than where such borrowings are used.

The responsibility for monitoring and managing these risks is that of management in conjunction with the central treasury and foreign exchange support functions.

Interest rate risk
Interest rate exposure is managed within limits agreed by the board. All treasury transactions are undertaken to manage exposure to underlying activities and no speculative trading is undertaken.

As part of the process of managing the group's borrowing mix, the interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

Credit risk
Trade accounts receivable and short-term cash investments pose a potential credit risk to the group. The role of the group's credit function is to set consistent standards for assessing, quantifying (scoring), monitoring, mitigating and controlling the credit risk introduced by contractual obligations of trading partners and commercial clients. The group's trade accounts receivable consist mainly of a large and widespread customer base.

Group companies continually monitor the financial position of their customers, and appropriate use is made of credit guarantee insurance. The granting of credit is controlled by application procedures and by setting account limits. Provision is made for both specific and general bad debt. At year-end, management did not consider there to be any material credit risk exposure that was not covered by credit guarantee insurance or the bad debt provision. In the current economic climate, a high level of attention is paid to analysing the creditworthiness of existing and potential customers.

Acquisition risk
A formal due diligence process and procedure is in place that sets out the approach and framework to be used when acquisitions are made. This includes continuous strategic analysis of intended targets, development of acquisition criteria, both in terms of the group's strategic direction and potential value creation for the respective business units of the group.

Merger and acquisition service providers are used to review and manage the entire process relating to mergers and the application and implementation of business combinations.

Merger and acquisition opportunities are reviewed and proposed to the board by the executive committee. If approval in principle is granted by the board, a committee of the board is tasked with finalising the process.

With its diverse and decentralised management structure the group mitigates acquisition risk.

Insurance risk
Where cost-effective, the group maintains a wide-ranging insurance programme, providing financial protection against unforeseen events which could cause financial loss.

All risks are considered to be adequately covered, except for political risks. Self-insurance programmes are in operation, covering primary levels of risk at a cost more advantageous than open-market premiums. Regular risk management audits are conducted by the group's risk management and insurance consultants, whereby improvement areas are identified and resultant action plans implemented accordingly.

Pension and provident fund risk
A suitably qualified board of trustees exists for each fund, where statutorily required, which, together with professional investment advisors and internal investment subcommittees, are responsible for evaluating the effectiveness of investment decisions. The group remains committed to its retirement obligations to current and former employees, and to retirement benefits in general as a key part of its remuneration package.

Financial strategy and targets

Consumer spending patterns remain uncertain. However, the group is confident that the diversity inherent in its earnings will continue to protect it against prolonged weakness in any of its businesses.

The group is continually evaluating and assessing the strength of its balance sheet and its debt maturity profile. Where required, it continues to support its main holding and operating subsidiaries with such capital and/or subordinated loans as may be required to efficiently fund the group's sustainable growth.

Corporate action

In line with its strategy to focus on the core strategic industrial assets within emerging markets, KAP announced the sale of its food assets during the year. These disposals were concluded after the year end.

Final dividend announcement

In light of the good cash flows for the year and the proceeds on the sale of the food assets expected in FY2014, the board has increased the gross dividend declared by 33% to 8 cents per share (2012: 6 cents per share) from income reserves, for the year ended 30 June 2013.

John Haveman
Chief financial officer


Tanzania
Zambia
Malawi
Namibia
Zimbabwe
Botswana
Mozambique
Madagascar
Swaziland
Lesotho
South Africa

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INDUSTRY ***IN MOTION***™

SUPPLY CHAIN SOLUTIONS

Unitrans Supply Chain Solutions (USCS) comprises a specialised diverse supply chain business which designs, implements and manages supply chains and logistics services through three subdivisions: fuel and chemicals, agriculture and mining; and freight and logistics

The business model of USCS is focused on providing specialised and bespoke supply chain services to long-term contractual customers. USCS is active in many industries and sub-Saharan African countries. These diverse revenue streams underscore the division's ability to grow revenue sustainably, with 21% of the USCS revenue earned outside South Africa.

STRATEGIC PRIORITIES

- Differentiation by building on our existing specialist skills and successful business model
- Managing our industry and customer exposure to guard against concentration risk
- Continued focus on operational excellence and the retention of specialist skills and existing customers
- Continuous improvement and innovation to ensure that our solutions remain competitive and are sustainable
- Introduction of niche multi-party warehousing solutions
- Continued management of risks with specific emphasis on health and safety, employee training and environmental impact

OUR DRIVE

We strive to be much more than just a commodotised logistics service provider. We make sure that in any solution to our customer there is an element of innovation and that what we deliver is excellence, in whatever we do.

SERVICES

- Supply chain and network design
- Inventory management and optimisation
- Transportation and logistics
- Warehouse design and optimisation
- Warehousing and distribution
- Hazardous goods: supply chain design and execution
- Diversified agricultural and mining services

REVENUE

43% FREIGHT AND LOGISTICS

36% FUEL AND CHEMICAL

21% AGRICULTURE AND MINING

INDUSTRY ***IN MOTION***™

OPERATIONAL REVIEW
Supply chain solutions

FRANK WAGNER

CEO, Unitrans Supply Chain Solutions

In 1986 Frank completed his studies as a chartered accountant while doing his articles at Greenwood Ironside Chartered Accountants. In 1987 he moved to Trencor Transport where he became the financial manager. In 1997 he was part of the management group which together with a BEE partner, acquired that division to form Crossroads Distribution.

Frank has been with Unitrans Supply Chain Solutions since 2006. In 2006 he became a director of the Road Freight Association, and served as chairman for two years.

Period under review

The division's operating profits for the year under review declined, mainly due to the road freight industry strike during September/October 2012 and generally depressed economic conditions. The strike was resolved with a three-year wage agreement, and industrial relations within the division have been good since the settlement.

Despite these setbacks, the majority of contracts in South Africa delivered acceptable performances. The mining services business unit delivered commendable results ahead of expectation in a tough operating environment.

Operations in the fuel and chemical sector also performed well. This was an excellent result in a market where restructuring of downstream activities and improved operations from rail and pipeline modes impacted negatively on volumes available to road tanker fleets.

Operations outside South Africa performed well with particularly strong performances from Botswana, Swaziland, Madagascar, Malawi and Tanzania.

All major contracts which came up for renewal during the past year were renewed for further periods ranging from three to seven years. New contracts were secured during the year with customers in the petroleum, household goods and chemical sectors.

The division performs ongoing contract reviews to identify and correct underperforming operations and, in the current environment, these efforts have intensified. Where reduced volumes and margin pressures have been identified, the operations are being restructured, cost bases realigned and efficiencies improved in order to maintain margins.

Management of health, safety and environmental matters by the division has again been good during the year under review, with positive trends in incidents and accidents recorded. Insurance and accident costs incurred remain well below industry norms and continued conformance to international standards is a key strategic focus area.

Prospects

Given the current low growth economic environment and assuming no significant improvement in this outlook, the division will continue to focus on cost and margin containment as well as service excellence to attract and retain customers.

The division remains focused on providing innovative, specialised and customised solutions on a long-term contractual basis to large blue chip clients. This strategy has served the division well over the years in delivering sustainable income streams.

Opportunities in other African countries are being identified and the division aims to continue to grow its African businesses in the same industry sectors which have brought success in South Africa. Mining, agriculture, construction and infrastructure projects as well as the petrochemical sector are being targeted.

Operations outside South Africa have been boosted with new contracts in Namibia and Zambia subsequent to 30 June 2013.

Relative calm is expected on the labour front in the road freight industry as a result of the multi-year settlement reached with unions in 2012.

Unitrans has invested in and promoted intermodal solutions for more than 10 years. The aggressive road to rail strategy being driven by the Department of Transport has created new opportunities to be pursued together with Transnet Freight Rail. The division has positioned itself appropriately to benefit from intermodal solutions which could result from this initiative.




* **"Operations outside South Africa performed well with particularly strong performances from Botswana, Swaziland, Madagascar, Malawi and Tanzania."**


CASE STUDY: STRATEGY = BUSINESS

UNITRANS' EXPERIENCE IN AFRICA BODES WELL FOR SUSTAINABLE LONG-TERM CONTRACTUAL SERVICES

Unitrans started operations in Malawi 23 years ago and has been providing logistical services on the Nchalo and Dwangwa sugar cane estates of Illovo Sugar since 1997. It currently handles over two million tons of sugar cane per season. The scope of services to Illovo includes; cane loading, haulage, road maintenance, as well as canal clearing and land preparation.

Unitrans uses specialised land trains for the haulage of the sugar cane, which significantly improves the payload, ensuring an on-going service built on cost effective and innovative solutions. This contract was recently extended for another seven years. Unitrans remains committed to Illovo Malawi's stringent health and safety culture, and will continue working towards the wellbeing of all stakeholders in the years to come.

Solid returns on capital employed → African infrastructure and consumer growth

Profitable revenue growth → Growing sustainable earnings

PASSENGER

Unitrans passenger is a diversified transport business, serving the personnel and commuter, intercity, and tourism markets. The core business offers long term contractual passenger transport solutions to large corporates and the government. The core business is supported by reasonably priced intercity transport to many cities in South Africa and extends to neighbouring African countries. In addition, luxury coaches serves the corporate and tourist market.

TRANSPORT = PERSONNEL >> COMMUTER >> INTERCITY >> TOURISM

STRATEGIC PRIORITIES

- New route networks to be introduced including Zambia and Malawi
- Ensure that the set performance criteria are met at all times
- Position ourselves for future expansion of the Gautrain network
- Increase our market share in corporate tourism
- Continue to operate partnerships with major players in inbound tourism.

SERVICES

- Mega Bus
- Bojanala Bus
- Greyhound
- Citiliner
- Mega Express
- Mega Coach
- Magic Bus

REVENUE

56% COMMUTER AND PERSONNEL TRANSPORT

29% INTERCITY

9% GAUTRAIN

6% TOURISM

INDUSTRY ***IN MOTION***™

OPERATIONAL REVIEW
Passenger

NICO BOSHOFF
CEO, Unitrans Passenger

Nico joined Unitrans Ltd in 1995 after the passenger transport business he owned was acquired by the Unitrans group. He was instrumental in developing the passenger business and its brands.

With many years' experience in the passenger transport industry, he was instrumental in the development of the Gautrain feeder and distribution project in Johannesburg, Gauteng.

Performance

The Passenger division reported a good set of results supported by strong growth from the Intercity division.

Megabus and Coach

Results from this division were supported by the drive to diversify revenue streams and reduce reliance on the mining sector.

The tourism market remains under pressure, resulting in reduced pricing. A strategic review of this business unit will be undertaken in the new financial year with a view to consolidating the business and improving efficiencies, in order to remain competitive.

Intercity

Intercity has had its best year to date. The new routes which were introduced during the financial year have bedded down well and we are seeing an increase in passenger numbers on these services. The intercity market remains price sensitive, with passengers willing to change to operators which offer the cheapest fare.

Bojanala Bus

The last quarter of the financial year was characterised by strike action in the bus industry as well as ongoing industrial action in the mining sector, both negatively impacting on our passenger numbers.

Mega Express (Gautrain Bus Feeder)

This division operates as a sub-contractor for Bombela Operating Company in terms of set routes and timetables. The key to ensuring that our profits are not eroded is to manage the performance of the service and costs. Performance targets (punctuality 95% and availability 99%) are in place to ensure that the bus service is aligned to the train timetable. The 15 year contract will conclude in 2026.

Prospects

In the short-term our organic growth strategy will continue, as this proved to be the key to our success in the past year.

With Unitrans Supply Chain Services having operated in selected African countries for over 10 years, we will follow suit and have identified Mozambique as having the potential to roll-out the expansion plan. We have successfully tendered for a 45 bus contract in the Tete Province, with operations expected to commence in April 2014.

The Rustenburg Rapid Transport (RRT) project is going full steam ahead with construction of bus lanes and platforms having commenced. The planned roll-out of phase 1 is scheduled for June 2015. The complete roll-out proposed is as follows:

Number of routes: 51
Number of buses: 854
Transfer terminals: 2
Stations: 25

"The new routes which were introduced during the financial year have bedded down well and we are starting to see an increase in passenger numbers on these services."

CASE STUDY: CUSTOMER SATISFACTION = MARKET SHARE

INVESTMENT IN ECO-FRIENDLY LUXURY COACHES ADDS TO ITS PROMISE OF "THE PEOPLE'S CHOICE"

The Intercity service of the Passenger division has not only added new routes to its footprint, but passengers can now experience a "business class" service on board the new Dreamliner coach. In a price-sensitive market, factors of differentiation should attract and retain customers. These ultra-luxury coaches bring new levels of comfort and technological advancement to the southern African intercity passenger market – where Greyhound services 150 destinations.

Being Euro 5-compliant means the Dreamliner is environmentally-friendly; it is the first intercity coach in Africa using selective catalytic reduction technology to limit harmful exhaust emissions, and its on-board diagnostics alert the driver if the level of air pollutants in the exhaust outlet is excessive. The reduced aerodynamic drag of the coach body also helps limit the CO^2 emissions while simultaneously reducing fuel consumption.

Market share leadership

Solid returns on capital employed

African infrastructure and consumer growth

INTEGRATED TIMBER

Our panel strategy is ultimately very simple: we strive to be the number one flat sheet manufacturer and upgrader in Africa, which could be achieved by harnessing our fully integrated business model. The division owns and manages almost 43,000 ha of plantations, from sowing seed in its own nurseries through to planting, tending and harvesting trees. These plantations yield approximately 670,000 m^3 of wood fibre per annum on a sustainable basis, primarily for consumption in our own manufacturing facilities. The modern Woodchem facility further provides security of supply of resin to our board production and upgrading facilities, on a flexible and cost-effective basis.

SEEDLINGS >> PLANTATIONS >> SAWMILLS >> MANUFACTURING >> UPGRADING >> DISTRIBUTION = LIFESTYLE PRODUCTS

STRATEGIC PRIORITIES

- Renewed focus on becoming the number one flat sheet board manufacturer and upgrader (value adding) in Africa
- Streamlining product ranges, marketing and sales activities and manufacturing assets
- Re-aligning and optimising logistics infrastructure, focus and costs
- Investment in strategic manufacturing and upgrading technology
- Production and sale of raw and upgraded particle board and medium-density fibre board (MDF), and sale of high-pressure laminate products
- Production and sale of formaldehyde and UF resins for consumption in its board manufacturing and board upgrading processes
- Production and sale of sawlogs, sawn timber, treated poles and packaging materials

PRODUCTS

- Panel products
- Southern Cape Timber
- Woodchem
- Weatherboard

REVENUE

70%
PANEL PRODUCTS

30%
OTHER

INDUSTRY *IN MOTION*™

OPERATIONAL REVIEW
Integrated timber

GARY CHAPLIN
CEO, PG Bison

Gary qualified as a chartered accountant in 1992.
In 1996, he joined a private family business prominent in the timber industry, which was acquired by the Steinhoff group.
He was appointed to the board of PG Bison on 1 August 2006, and was appointed as chief executive officer in October 2011.
During his 16 years within the Steinhoff group, Gary has managed a range of businesses and divisions relating to the timber industry, serving the domestic and international markets.

Period under review

PG Bison concluded a major restructure of its panel products division during the period under review. This involved streamlining the infrastructure, assets and product range of the division, which has successfully repositioned itself as a focused flat-sheet board manufacturer and primary upgrader in South Africa. This focused strategy has enjoyed widespread support across the customer base, and has enabled the division to deliver excellent cash generation and improved margins through significant cost savings and production efficiencies.

Market conditions for the period under review remained very competitive with subdued demand from the retail, construction, furniture and packaging sectors. Imported products continued to put market prices under pressure during the period. The division however showed satisfactory growth in revenue and continued to invest in focused marketing activities.

Cost pressure was experienced due to an increase in timber prices, an increase in the global commodity prices of underlying raw material components of resin manufacture, and an increase in energy costs (electricity, fuel, gas and coal). These cost pressures also affected competitors. Improved production efficiencies achieved through product rationalisation, and cost savings resulting from the restructure of the panel products division exceeded the effects of cost increases and price pressures during the period, and operating profit increased by 27%.

The division achieved a B-BBEE level 3 score during the period under review.

Prospects

Following its recent restructure, the division completed the period under review as a leaner and more focused business with lower panel products cost of production and overheads. Cost of product to market will continue to be improved as operational efficiencies of the streamlined business model become fully optimised during FY2014. This will include a streamlining of the warehousing and logistics model.

The division will continue to pursue volume growth. To this end the division has enhanced its particleboard production capacity. The new 400m^3 per day Siempelkamp Generation 8 Contirol continuous medium-density fibreboard (MDF) press was commissioned at its plant in Johannesburg during October 2013 and in November 2013 a new Melamine Faced Board (MFB) press will be commissioned at its plant in Ugie. A new Foil press is due to be commissioned in Piet Retief. During the year the division will also complete investigations into the feasibility of installing a Melamine Paper Impregnation Line at the Woodchem facility in Piet Retief.

Sales volume growth will be facilitated through the increased focus on product development, product and relationship marketing activities, and improved sales competencies. Increased focus will also be placed on streamlining its African footprint and exports into this region.




* "Cost pressure was experienced due to an increase in timber prices, an increase in the global commodity prices of underlying raw material components of resin manufacture, and an increase in energy costs (electricity, fuel, gas and coal)."


CASE STUDY: OPTIMISING EFFICIENCIES = SAVING ENERGY

OPTIMISING ENERGY EFFICIENCY THROUGH TECHNOLOGY AND NEW INFRASTRUCTURE

Two initiatives at PG Bison's new 400 m^3 per day Siempelkamp Generation 8 Contirol continuous Medium Density Fibreboard (MDF) line at its plant in Johannesburg are aimed at electricity and thermal energy savings.

The new MDF plant, commissioned during October 2013, has been fitted with the latest technology high efficiency motors with Variable Frequency Drive (VFD) speed control which regulates motor speed (and energy consumption) electronically by changing the frequency of the electric current supplied to the motors. By installing this technology, the estimated electricity savings equate to approximately 500 kw/h or R3 million per annum.

A Dieffenbacher ClassiSizer was also installed at the new plant to resize production waste material into combustible fine dust for heating the thermal oil required for the new MDF line. This initiative will generate approximately 2 Mw of Thermal Energy, and will reduce the need to burn fossil fuels for energy and thus reduce carbon emissions, resulting in an annual saving of approximately R7.5 million.

A 300m^3 fibre silo was also installed to capture residues from the MDF production process, either to recycle back into the process or to utilise as fuel.

Investment in technology and infrastructure

Profitable growth

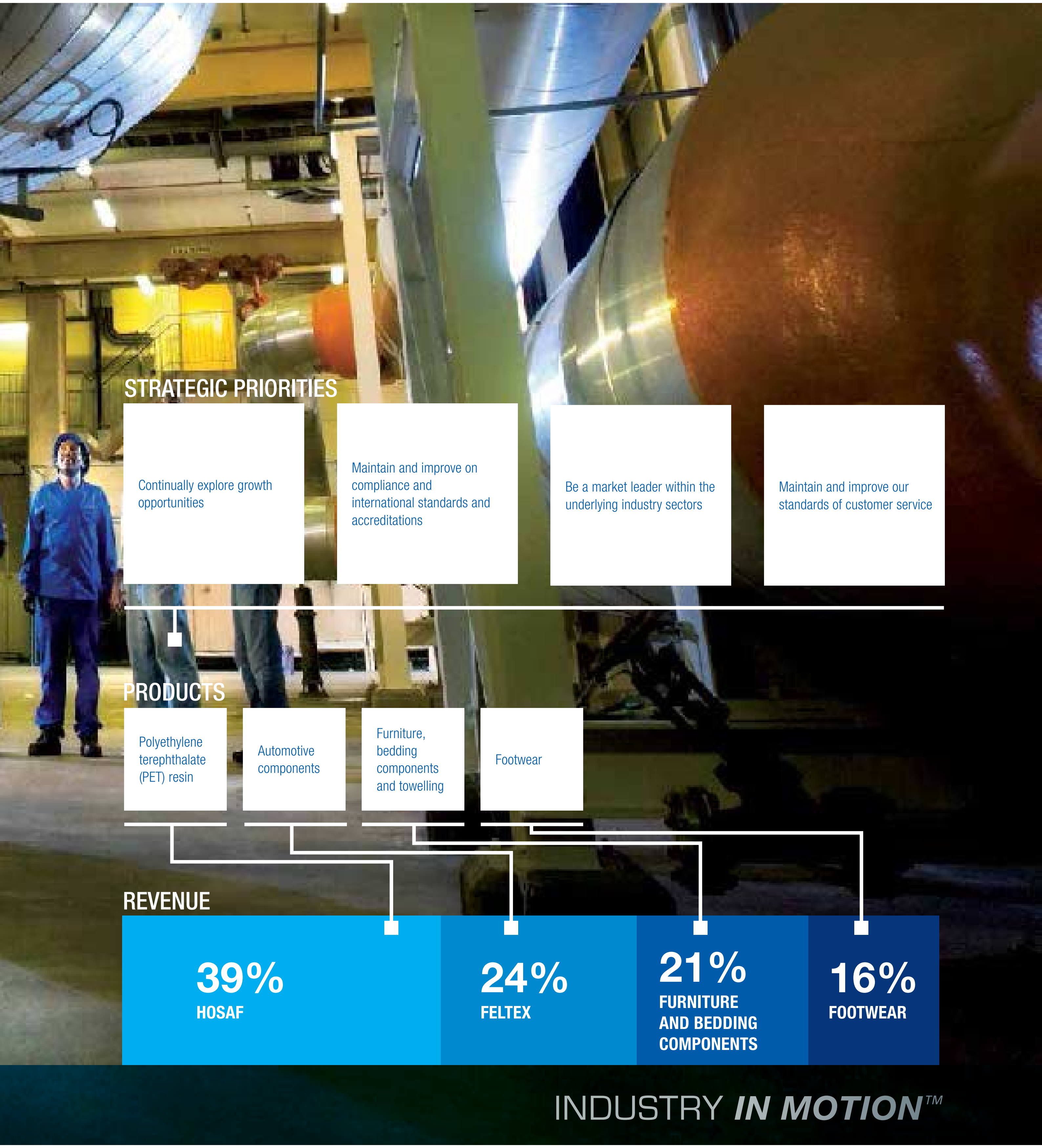
Access to scarce raw material

MANUFACTURING

The Manufacturing division consists of Hosaf (PET), Feltex (automotive components), furniture and bedding components, and footwear businesses. Hosaf is the market leader in the South African PET market. The PET market has grown by 7% during the past financial year. This continuing growth trend is led by the characteristics of PET which includes affordability, lightweight packaging, reduced transport costs, low breakage rates, energy efficiency and recyclability.

The Feltex business is exposed to all major original equipment manufacturers (OEMs) in South Africa and is the market leader in the moulded foam seat and the automotive trim (main floor carpets and acoustic products) markets. The performance of this business is closely linked to vehicle manufacturing volumes.

The furniture and bedding division is one of the major component suppliers to the furniture manufacturing industry in South Africa. The footwear business manufactures and imports a diverse branded range of industrial and fashion footwear.



STRATEGIC PRIORITIES

- Continually explore growth opportunities
- Maintain and improve on compliance and international standards and accreditations
- Be a market leader within the underlying industry sectors
- Maintain and improve our standards of customer service

PRODUCTS

- Polyethylene terephthalate (PET) resin
- Automotive components
- Furniture, bedding components and towelling
- Footwear

REVENUE

39% HOSAF

24% FELTEX

21% FURNITURE AND BEDDING COMPONENTS

16% FOOTWEAR

INDUSTRY ***IN MOTION***™

PAUL SCHOUTEN
CEO, Manufacturing

Paul qualified as a chartered accountant in 1977 before working in London for five years. Upon 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 served as CEO of KAP International Holdings from July 2003 to April 2012.

After the acquisition of the Steinhoff Industrial assets, Paul was appointed as CEO of KAP's Manufacturing division.

Period under review

The automotive division benefitted from the increase in vehicle build. There has been a strong focus on continuous improvement programmes and this has enhanced our ability to maintain margins in an extremely demanding market.

The PET resin business benefitted from strong demand for its products. Results were underpinned by a sterling performance at plant level with product quality being excellent and plant downtime being well within acceptable levels.

The furniture and bedding components division has also taken a lot of cost out of its business and it is now in a strong position to compete in its market and consolidate the division's position as the number one supplier to the industry.

The footwear division improved its performance on the industrial and gumboot side but fashion footwear (mostly imported) experienced margin pressure and lower demand. A significant restructuring and cost cutting exercise has been completed which will make this division more competitive in future.

In line with KAP's strategy of focusing on in its core industries, the food assets, Bull Brand and Brenner Mills, were sold subsequent to year-end.

Prospects

The division's strategic focus is to be a market leader in its sectors, and to continually pursue production efficiencies and cost control in order to remain cost competitive and enhance our position in the market.

South Africa has an excellent reputation for quality of vehicle build and this should ensure that the number of units built in South Africa continue to grow.

The industry strike that occurred in the early part of the 2014 financial year will have a limited impact on the results of the division supported by a comprehensive catch up plan on lost volumes. Feltex was awarded the contract for a major new vehicle model to be assembled in South Africa. After an initial period to allow for equipment change-over (and therefore a disruption in supply) volumes are expected to increase.

Hosaf is in a strong position in a rapidly growing PET market and the group will continue to explore ways to take advantage of this growth.

The furniture and bedding components division is well placed to take advantage of any improvement in the local market and will also investigate opportunities in export markets.

The diversity and balance between industrial footwear and fashion footwear, as well as the strength of our brands, will continue to support growth in the footwear division.




*** "The PET resin business benefitted from strong demand for its products. Results were underpinned by a sterling performance at plant level with product quality being excellent and plant downtime being well within accepted levels."**


CASE STUDY: TECHNOLOGY + CLIENT PARTNERSHIP

A SUSTAINABLE FUTURE

Part of Coca-Cola's global "sustainability" drive has been directed at renewable raw material sources.

In the South African market this has initially been targeted at the Valpre water bottle. The PET resin utilised in the bottle is manufactured by Hosaf in its Durban Plant with an ethylene glycol component which Coca-Cola sources from plants rather than oil. The resultant BioPET resin has a 30% plant content and is 100% recyclable – a truly sustainable packaging for the future world.

Solid returns on capital employed → **Market share leadership**

Profitable revenue growth → **Investment in technology and infrastructure**

corporate responsibility reports

INDUSTRY ***IN MOTION***™

Abridged corporate governance report

Corporate governance forms an integral component of the group's sustainability strategy. Our consolidated approach, at both divisional and group level, remains that of ensuring that the businesses and affairs of the group are managed in a responsible and ethical manner, to assist with the creation of value in the short, medium and long term for all stakeholders.

Corporate governance remains an integral component of the group's sustainability strategy.

This abridged report contains excerpts from the detailed corporate governance report which is available on the company's website at www.kap.co.za

Compliance with King III

A register detailing the extent of the group's compliance and application of the principles contained in the King Report on Corporate Governance (King III) is available on the company's website. During the period under review, the company reviewed and significantly revised its corporate governance structures and is substantially compliant with King III.

The only areas of non-compliance, for which explanations are given in the register on the company's website, are:

- The furnishing of financial information to the company's majority shareholder, Steinhoff International Holdings Ltd. The required flow of information between the Steinhoff group companies and the company is well-regulated to prevent any possible misuse thereof.
- The independent assurance of sustainability reporting and disclosure systems and processes to facilitate assurance are being rolled out.
- The evaluation of the board and its committees. This process was commenced in August 2013 following the first full year of trading of the enlarged group and operation of the restructured boards and committees post the acquisition of the Steinhoff Industrial assets in April 2012.

The board of directors

The board charter

The detailed responsibilities of the board are set out in a formal board charter. A revised board charter, aligned to King III and the Companies Act no. 71 of 2008 as amended (the Companies Act), was approved and adopted by the board during the period under review.

Composition

Details of the board of directors, including brief curricula vitae for each director are given on pages 4 to 6 of this integrated report.

There is a clear division of responsibilities at board level to ensure an appropriate balance of power and authority and no individual director has unfettered powers of decision-making.

Chairman and chief executive officer

The roles of the chairman and the chief executive officer have been formally defined and are separate.

Appointment requirements

Appointments to the board are based on levels of skill, acumen, experience and actual or potential contribution to the group.

Appointment process

Appointments to the board are formal and transparent and proposals for re-election to the board are recommended by the nomination committee and are considered by the board as a whole, subject to the approval of the shareholders at annual general meetings.

At the annual general meeting of shareholders to be held on 18 November 2013, shareholders will be asked to confirm the re-appointment of the following directors, who will be retiring by rotation in accordance with the provisions of the company's memorandum of incorporation:

J B Magwaza*
I N Mkhari*
D M van der Merwe **

** Independent non-executive director*
*** Non-executive director*

Brief curricula vitae of the directors seeking re-appointment are contained on pages 4 to 6 of this integrated report. The nomination committee supports the proposed re-elections of these board members.

Chief financial officer

The chief financial officer of the company is Mr J P Haveman. On 16 August 2013, a review of his function was undertaken by the audit and risk committee, who confirmed his appointment, as detailed in the report of the audit and risk committee on pages 58 and 59 of this integrated report.

Board meetings

The board meets at least four times a year or more frequently if necessary. Should circumstances so require, non-executive directors may meet without the executive directors being present.

Directors declare their interests in contracts and other appointments at all board meetings. Meetings are conducted according to a formal agenda, ensuring that the board properly addresses and follows up on all substantive matters.

Directors' access to management/information

All directors are afforded unrestricted access to management, including the company secretariat. Independent professional advice is available in appropriate circumstances and at the company's expense. During the year under review, none of the directors independently sought external advice paid for by the company.

Directors' remuneration

- Details of the remuneration for executive directors for the year ended 30 June 2013 are contained in note 33 of the annual financial statements on page 126. The executive directors do not earn fees for their services as directors.
- Non-executive directors receive fees for their board and committee participation. Details of the proposed fees payable to the non-executive directors, including fees for serving on the board's committees, in respect of the period 19 November 2013 to the date of the 2014 annual general meeting are included in the remuneration report on page 45 of this integrated report. The fees paid to non-executive directors for the period under review are reflected in note 33 to the annual financial statements on pages 126 and 127.

Executive committee

An executive committee, with primary responsibility for assisting and advising the chief executive officer (CEO) in implementing the strategies and policies determined by the board, managing the business and affairs of the company, prioritising the allocation of capital, technical and human resources and in ensuring best management practices, has been established and meets on a monthly basis.

Board committees

Audit and risk committee

During the period under review the board approved and adopted a revised committee charter, which is aligned with the requirements of the Companies Act and King III.

The chairman of the committee is elected by the board. The members of the audit and risk committee during the period under review and up to the date of this integrated report were/are as follows:

P K Quarmby* (chairman)
S H Muller*
S H Nomvete*

** Independent non-executive directors*

The re-election of these committee members, for whom brief curricula vitae are shown on pages 4 and 6 of this integrated report, will be proposed at the annual general meeting to be held on 18 November 2013. The nomination committee supports the proposed re-election of these committee members.

Human resources and remuneration committee

During the period under review, the terms of reference of the committee were revised and new terms of reference, aligned to the requirements of King III, were approved and adopted.

The committee is responsible for determining and approving the group's general remuneration policy, which is presented at each annual general meeting for a non-binding advisory vote by shareholders.

Details of the group's remuneration policy are contained in the remuneration report on pages 45 to 47 of this integrated report.

The members of the committee during the period under review and up to the date of this integrated report were/are as follows:

J B Magwaza (chairman)*
I N Mkhari*
D M van der Merwe**

** Independent non-executive director*

*** Non-executive director*

The nomination committee reviewed and confirmed the composition of the committee in August 2013 .

Nomination committee

A nomination committee, chaired by Mr J de V du Toit was formed in May 2013. Other members of the committee are Mr D M van der Merwe and Mr J B Magwaza. The board has approved and adopted terms of reference for the committee. The first meeting of the committee was held in August 2013.

Social and ethics committee

As permitted by the Companies Act, it has been decided by the board that the role of a social and ethics committee for the company shall be fulfilled by the Steinhoff International Holdings Ltd social and ethics committee. KAP management has a reporting line into this committee.

Accountability

The CEO is responsible for and accountable to the board for all group operations. As the group operates on a decentralised basis, divisional CEO's of the group's main operating divisions have been appointed to the executive committee to assist the CEO in fulfilling his responsibilities.

Although the board has delegated certain powers and authorities to executive management, the ultimate responsibility for retaining full and effective control of the group rests with the board.

Company secretary

The company secretary is appointed by the board.
The company secretary is Steinhoff Africa Secretarial Services Proprietary Ltd.

At the board meeting held on 21 May 2013, the board reviewed the appointment of the company secretary and was satisfied as to the competence, qualifications and experience of the individual directors on the board of the company secretary and confirmed that the company secretary was performing the role of gatekeeper of good governance in the company.

All directors have access to the advice and services of the company secretary. The company secretary is responsible for the duties set out in section 88 of the Companies Act and for ensuring compliance with the Listings Requirements of the JSE Ltd.

The certificate required to be signed in terms of section 88(2) of the Companies Act appears on page 57 of this integrated report.

The relationship between the company secretary's shareholder and the company secretary was also reviewed by the board and it was confirmed that an arms-length relationship had been maintained.

Reporting

Management reporting

Divisional management reporting disciplines include defined parameters for the reporting of litigation matters, compliance with legislation, any penalties incurred and risk analyses. Management reporting disciplines include the preparation of annual budgets, which are approved by the board. Operational and financial performance against the approved budgets is reported by the divisions to corporate office on a monthly basis. Profit and balance sheet projections are reviewed regularly and capital and borrowing levels are monitored on an ongoing basis.

Financial control and reporting

The board is responsible for ensuring that the group's companies maintain adequate records, and for reasonable, accurate, timeous and reliable reporting on the financial position of the group and on the results of its activities. To assist the board in effectively discharging this duty, financial reporting procedures have been put in place at all levels across the group.

Risk management

The board is accountable for the governance of risk management within the group and for ensuring compliance. The board monitors the adequacy and effectiveness of the divisions' risk management procedures, reviews any significant risks identified and considers the possible further investigation of opportunities revealed.

The audit and risk committee oversees group risk management. The role of internal audit is to examine, evaluate and report on and make recommendations to the audit and risk committee and the board regarding the adequacy and effectiveness of the group's risk management processes.

Internal control systems

The group's systems of internal controls, which are embedded in all key operations, provide reasonable, albeit not absolute, assurance that the company's business objectives will be achieved, subject to defined risk tolerance levels.

Internal audit

Internal audit is responsible for assessing the effectiveness of the group's risk management process and internal control framework.

Internal audit reports directly to the audit and risk committee and to divisional management and the divisional audit and risk committees.

No material breakdowns in internal controls across the group were highlighted by internal audit during the period under review.

External audit

The external auditors report on their audit findings to the divisional audit and risk committees and to the audit and risk committee of KAP.

The re-appointment of Deloitte & Touche, with Mr Michael van Wyk, a registered auditor and designated audit partner of Deloitte & Touche, as the individual who will undertake the audit for the financial year ending 30 June 2014, will be a matter for consideration by shareholders at the annual general meeting to be held on 18 November 2013.

Further information on the external auditors is contained in the report of the audit and risk committee on pages 58 and 59 of this integrated report.

Information communications technology (ICT)

During the period under review, the board approved and adopted an ICT charter. King III places a strong emphasis on ICT governance and this receives ongoing, focused management attention, as ICT forms an integral part of the group's management and reporting processes.

Ethics

KAP has adopted a formal code of ethics which was updated during the period under review. The revised code is available on the company's website.

The group has established various confidential whistle-blowing facilities, using dedicated hotlines for the reporting of suspected frauds or irregularities.

There were no material incidences of non-compliance with the code of ethics or fines or prosecutions for non-compliance with regulations or legislation during the period under review.

Insider trading

KAP has an insider trading policy which prohibits directors, prescribed officers and officers of the company and its material subsidiaries from dealing in the company's shares, either directly or indirectly, whilst in the possession of unpublished price sensitive information concerning the business and affairs of the group and its subsidiaries.

Interest in contracts

All employees must disclose, as and when appropriate, any interest in contracts to allow for the assessment of any conflict of interest. This policy extends to directors and prescribed officers and declarations of interest are tabled at the commencement of board meetings.

Going concern statement

The group annual financial statements set out on pages 54 to 129 have been prepared on the going concern basis as the directors, after making enquiries, have a reasonable expectation that the group has adequate resources to continue in operation for the foreseeable future.

CORPORATE RESPONSIBILITY
Remuneration report

At KAP our policy is to reward all employees fairly for their individual and joint contributions in the execution of the KAP business strategy and delivery of the group's operating and financial performance. KAP's remuneration philosophy is to remunerate all employees in a market-related, competitive manner to attract, motivate and retain a competent workforce.

KAP is a predominantly South African-based business with revenue also earned in some sub-Saharan African countries. KAP expects its executives to be mobile and to have knowledge and experience across borders. As a result, KAP competes for management skills and talent in a challenging market-place and its approach to remuneration needs to remain competitive.

To facilitate this, the board has established a human resources and remuneration committee (remuneration committee) which operates within defined terms of reference and authority granted to them by the board.

The KAP group remuneration committee comprises only non-executive directors, the majority of whom are independent non-executive directors. The chairman of the committee is an independent non-executive director. Executive directors and certain members of management attend meetings by invitation. This committee meets at least once a year and, should this be required, additional ad hoc meetings are convened.

Key considerations for the group remuneration committee are to:

- review the group's general remuneration policy, to be presented annually for a non-binding advisory vote by shareholders;
- review and approve annually the remuneration packages of the most senior executives, including incentive schemes, ensuring they are appropriate and in line with the remuneration policy;
- fullfil delegated responsibilities on KAP's share-based incentive plans, e.g. the appointment of trustees and compliance officers;
- approve the appointments and promotions of key executives;
- approve amendments to the KAP share-based incentive schemes, after consultation with shareholders and approval by the JSE Ltd;
- review the human capital management practices in place with reference to key focus areas and those specifically required by the South African labour legislation;
- review incidents (if any) of unethical behaviour by senior managers or the chief executive officer;
- review regularly the company's code of ethics;
- review regularly the remuneration committee's terms of reference and recommend amendments thereto as required;
- undertake an annual assessment of the effectiveness of the committee and report these findings to the board and the committee;
- review annually the recommendations of the group's divisional remuneration subcommittees and their annual assessment of compliance with the terms of reference prescribed by the group remuneration committee in order to establish if it can rely on the work of the subsidiary divisions' remuneration committees; and

Due to the diversity of the group and the decentralised management structures in the operating divisions, the remuneration committee has established divisional subcommittees. These committees are responsible for all human capital management and employee remuneration matters at divisional level.

The remuneration committee and divisional subcommittees are supported by established human resource departments at group and divisional level, responsible for the implementation and management of human resource and remuneration strategies, policies and practices.

Key considerations for the divisional subcommittees are to:

- review the pay structures and equitable base salary increases for all employees;
- review the performance management systems and processes;
- review the divisional annual performance incentive schemes and the measurement criteria;
- review the longer-term cash-settled incentive scheme for management staff; and
- review talent management and succession planning taking due cognisance of employment equity targets.

Alignment with strategy

KAP's group and divisional remuneration structures remain appropriate and are aligned with the group's long-term strategic business priorities, namely:

- to develop and grow our diversified industrial business in sub-Saharan Africa;
- to sustain and improve our leading positions in high barriers to entry markets;
- to sustainably increase our operating profit and cash flows;
- to grow sustainable long-term revenue having due regard to the sustainable longevity of the business.

Employee share ownership and "black" management share ownership plans

In accordance with its strategic transformation objectives, Steinhoff International Holdings Ltd, KAP's majority shareholder, has recognised the importance of affording its South African employees an opportunity to participate in the success of its businesses.

During 2009, Steinhoff implemented its employee and "black" management share participation schemes that effectively empowered most South African employees, the majority of whom are "black" (as defined in the Broad-Based Black Economic Empowerment Act no. 53 of 2003, as amended (the B-BBEE Act) other than senior executives participating in the Steinhoff share rights scheme. These schemes have now been extended to all qualifying KAP employees.

Service contracts

Executives' contracts are subject to terms and conditions of employment in South Africa. Top executive and non-executive directors' contracts do not contain "golden parachute" clauses.

Directors are subject to regulations on appointment and/or rotation in terms of the company's memorandum of incorporation and the Companies Act. There are no executive directors with a notice period of more than a calendar month. There are no executive directors' service contracts that include predetermined compensation as a result of termination exceeding one month's salary and benefits.

The executive directors and senior management do not have fixed-term employment contracts.

Non-executive directors' remuneration

In reviewing non-executive directors' fees, the board, assisted by the remuneration committee, makes recommendations to shareholders in light of, firstly, fees payable to non-executive directors of comparable companies and, secondly, the importance attached to the retention and attraction of high-calibre individuals as non-executive directors. Remuneration is reviewed annually, with reference to competitors and peer companies. Independent advice is obtained from specialist human resources consultants to review non-executive directors' remuneration. This remuneration is not linked to the company's share price or performance. Levels of fees are also set by reference to the responsibilities assumed by the non-executive directors in chairing the board and in chairing or participating in its committees. Non-executive directors do not qualify for shares in terms of the group's share incentive schemes. The board annually recommends remuneration of non-executive directors for approval by shareholders in advance.

		2014 R000	2013 R000
Board fees			
3.1	Independent non-executive chairman (all-inclusive fee)	636 000	600 000
3.2	Member*	254 000	240 000
Committee fees			
Audit and risk			
3.3	Chairman	215 000	200 000
3.4	Member	106 000	100 000
Human resources and remuneration			
3.5	Chairman	117 000	110 000
3.6	Member	53 000	50 000
Nomination**			
3.7	Chairman	5 000	-
3.8	Member	5 000	-

** A per meeting fee of R63 500 will be payable in respect of attendance at each of the scheduled four quarterly board meetings.*
*** The nomination committee was formed in May 2013.*
Directors' remuneration
Refer to note 33 of the annual financial statements for details on the remuneration earned by executive directors for the year ended 30 June 2013.

Remuneration policy

To assist the achievement of the group's business goals, the remuneration committee has put a remuneration policy in place.

The remuneration policy aims to follow the recommendations of King III and is based on the following principles:

- remuneration practices throughout the group are aligned with the applicable business strategies and objectives;
- total rewards are set at levels that are competitive and relative within the specific markets and industries;
- incentive-based awards are earned through achieving demanding performance measures and targets, with due regard for the sustainable well-being of all stakeholders over the short, medium and long-term;
- incentive plans, performance measures and targets are structured to operate effectively throughout the business cycle; and
- the design of longer-term incentives is prudent and does not expose stakeholders to a position where the sustainability of the company is placed at risk.

Elements of remuneration

The four elements of managerial remuneration consist of a base salary, benefits, annual bonus and longer-term incentives. The human resources and remuneration committee seeks to ensure an appropriate balance between the fixed and performance-related elements of managerial remuneration and between those aspects of the package linked to short-term financial performance and those aspects linked to longer-term sustainable stakeholder value creation. A further consideration is the need to attract, motivate and retain critical skills in the group. The committee considers each element of remuneration relative to the market and in determining its quantum, takes into account the performance of the company, the management team and the individual executive.

Base salary

The fixed element of remuneration is referred to as a base salary which incorporates all guaranteed cash benefits. Its purpose is to provide a competitive level of remuneration for each level of manager. The base salary is subject to annual review. It is set to be competitive with reference to market practice in companies comparable in size, market sector, business complexity and geographical location. Company performance, individual performance and changes in responsibilities are also taken into consideration when determining annual base salaries.

Benefits provide security for managerial employees and their families and include compulsory membership of a retirement fund and medical aid scheme. Employees have the flexibility of deciding on the level of their contributions to both benefits.

Remuneration and other benefits for bargaining council and related levels of employees are set through a process of collective bargaining with the major labour unions active in the various industries and countries in which we operate.

Annual bonus

An annual short-term incentive plan provides management teams with incentives to achieve their business's short and medium-term goals.

The annual cash bonus is based upon the achievement of group, divisional or company financial targets as well as strategic and personal performance objectives agreed to by the human resources and remuneration committee.

These objectives are set after taking into account that management is obliged to maintain the group's capital assets and to spend the appropriate depreciation charge on maintaining the group's assets. Any expansion or capital expenditure for capital acquisition or new projects are approved separately and take into account separate returns at the time of approval.

The annual budget and performance objectives for each and every business unit are assessed in taking into account the specific industry, its identified peers and/or competitors and the maturity of the group's operations.

Annual bonus potentials are set for management teams and are based on a percentage of team members' individual annual base salary.

The human resources and remuneration committee retains the discretion to make adjustments to bonuses earned at the end of the financial year, taking into account both company performance and the overall and specific contribution of the management teams to meeting the group's objectives.

Bonuses are determined and recorded in the financial year following that to which the performance relates. For members of the group's executive team, the performance measures for the annual bonus plan will include:

- Achievement of operational and financial growth objectives:
  - performance against budgeted profit target e.g. specific measurement of profit before tax; and
  - cash flow performance, taking into account minimum targets (throughout various divisions of the group) relating to minimum levels of cash to be generated as a percentage of operating profit achieved.
- Implementation of key strategic initiatives related to the strategic development and competitive positioning of KAP. In particular:
  - securing an appropriate and flexible capital and debt structure in order to minimise the risk of stressed debt or equity issuance in volatile economic environments;
  - implementation of risk management policy and framework; and
  - successful conclusion and implementation of strategic mergers, acquisitions and disposals.

The human resources and remuneration committee reviews measures annually, to ensure that the performance measures and the targets set are appropriate within the economic context and the performance expectations for the division or group.

Longer-term incentives (LTIs)

KAP competes for management skills and talent in the African market-place and its approach to remuneration takes account of the need to be competitive.

LTIs are awarded with the primary aim of retaining key staff members and aligning performance with the interests of investors over longer-term periods.

The allocation and target criteria of incentives are at the discretion of the human resources and remuneration committee. These targets take into account key group performance criteria over a three year period. In addition, individuals only qualify if they have also qualified for their annual bonuses as described under the bonus scheme above.

The human resources and remuneration committee has resolved to encourage participants in the company's share incentive schemes to maintain and/or invest in the share capital of the company, to align the interests of the participants with the interests of the shareholders in the company.

In the discretion of the human resources and remuneration committee, the participation in any grant and/or the vesting of rights (and/or the delivery of shares in the company) will be subject to the participant maintaining a minimum shareholding in the company as determined by the committee.

Allocation

The allocation of LTIs i.e. the KAP share rights scheme and divisional longer-term cash-settled bonus scheme is based on the responsibility of individuals who:

- are key to driving the long-term business strategy at group and/or divisional levels; and who
- are part of the group's succession and talent development plans for high potential and scarce competencies.

Target criteria

The targets for the longer-term cash-settled bonus scheme are set with reference to 3-year accumulative profit, cash and growth targets for the applicable division or company and the group for the duration of the measurement period.

The targets for the share rights incentives are set with reference to industry and market-related performance criteria for the duration of the measurement period.

Benchmark performance criteria are aligned with the group's long-term strategic priorities.

Performance criteria and the quantum of allocations are benchmarked against market practices taking due cognisance of base salary, annual incentives and longer-term incentives in practice in the market.

Scheme rules and the application thereof are regularly reviewed to ensure compliance with legislative and regulatory requirements.

CORPORATE RESPONSIBILITY
Abridged sustainability report

This report is intended to provide stakeholders with insight into the way we manage the group's businesses specifically related to sustainability. We describe how sustainability efforts underpin our strategy to create long-term sustainable value for stakeholders.

Overview and sustainability context

This abridged report contains excerpts from the detailed sustainability report which is available on the company's website at www.kap.co.za.

The sustainability report forms part of the group's integrated report.

This report has been prepared under the guidance of the requirements of the JSE Socially Responsible Index and with regard to the principles of the Global Reporting Initiative (GRI) G4.

Materiality

The principle of materiality has been applied by the group for reporting on sustainability aspects. The diversity of the group's businesses influence how the materiality of sustainability aspects is determined and how such issues are addressed, with varying levels of materiality applicable at group level and at divisional level.

Management and reporting

The group requires high standards of corporate responsibility at divisional and corporate level.

Reporting lines are defined from divisional level to the board of KAP Industrial (KAP), ensuring that the divisional approach to sustainability is in line with group policies. However, the ultimate responsibility for sustainability rests with the KAP board of directors.

Group committees support each of the divisions with regard to risk management, environmental, social and ethical aspects. Facilities (mostly the operational sites of the divisions) must maintain and enhance management systems that proactively and systematically address safety, health, environment and quality (SHEQ) risks.

As permitted by the Companies Act 71 of 2008 as amended (the Companies Act), the group, through a divisional representative, reports into the Steinhoff International Holdings Ltd social and ethics committee on all aspects as listed and described in the Companies Act. The Steinhoff committee was formally constituted in 2011 and is chaired by Dr Len Konar (independent, non-executive chairman of Steinhoff International Holdings Ltd).

Policies, targets and performance

Responsibility for the implementation and compliance with policies lies with the chief executive officer of each division. Due to the diversity of the group, principle group policies guide and determine the development and implementation of divisional policies. These policies are specific and relevant to the divisions.

As a minimum, compliance with the legislation and applicable regulations of each country where we are represented, and which need to be respected and adhered to, is a requirement.

Abridged sustainability report

Social

Investing in people is key to the group's efforts to attract and retain competent staff to achieve its strategic objectives.

Operating decisions are made at appropriate levels, with divisional human resources (HR) committees being responsible for the development of their people. Management, through the divisional HR committees, considers and advises on employee remuneration, medical and retirement benefits, employment equity/equal opportunities, black economic empowerment, succession planning, training and development, industrial relations and performance management.

Training and development

An appropriately skilled workforce is central to the achievement of the strategic goals of the group.

Targeted recruitment and remuneration practices, coupled with effective performance and talent management, play an integral part in ensuring access to a competent workforce at all levels. Yet, the need for skills, particularly in the technical and engineering disciplines, is ongoing.

Employees are informed of, and have equitable access to relevant training and development opportunities. Divisional targets for employee development are incorporated into the KPAs of each divisional chief executive officer who is ultimately responsible for the training and development of their divisional employees.

Managers are encouraged to participate in management development programmes, where available. Trainee programmes are sponsored by the group, to assist with the meeting of future skills requirements. The development needs of high-performing individuals, with particular emphasis on black employees, are receiving special attention.

To support these programmes, strong partnerships have been formed with relevant educational institutions and Sector Education and Training Authorities (SETAs).

Employee relations

Ethics

The group's code of ethics commits it to the highest standards of integrity, behaviour and ethics when dealing with stakeholders. Executive management, directors and staff are expected to observe their ethical and fiduciary obligations to ensure that the group's businesses are conducted using fair and commercially competitive practices.

The group has established various confidential whistle-blowing facilities, using dedicated hotlines for the reporting of suspected frauds or irregularities

There were no material incidences of non-compliance with the code of ethics or fines or prosecutions for non-compliance with regulations or legislation during the period under review.

Human rights

KAP has incorporated human rights principles into its practices, which are incorporated into its code of ethics, supporting its commitment to acting equitably and honestly in the conduct of its business.

The group supports the 10 principles of the Global Compact, as described by the Companies Act, which places legal responsibility on companies to take cognisance of all aspects of human rights. Initial steps to review and report on human rights principles have been put in place during the year and a full review of all divisions is expected by the end of the next reporting period.

Labour practices, trade unions and employee participation

All divisions have disciplinary policies and procedures in place, which are communicated appropriately. Instances of misconduct are addressed by implementing the provisions of disciplinary codes which allow for corrective behaviour as a first step towards resolving disciplinary issues. The codes 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.

Circumstances and legislation vary from country to country, which calls for some flexibility in the group's labour philosophy. All employees are managed according to the procedures stipulated in the labour laws of each operating country.

Many of the group's employees form part of labour groups or unions.

A large portion of the workforce is unionised. Where required, we have concluded recognition agreements with majority representative unions within the divisional business units.

During the reporting period there was labour action in the logistics division as a result of strikes in the national road freight and road passenger industries. This had a negative effect on the performance of USCS. The strike was however resolved with a three year wage agreement, and industrial relations within the division have been stable since the settlement. Management of the Passenger division was able to limit the impact of the road passenger industry strike, which resulted in the division gaining market share and customer loyalty.

The automotive component business also experienced an industry strike after year-end, which has subsequently been resolved.

Social

Health and safety

A key objective for the group is the creation and maintenance of an injury-free and safe workplace.

Health and safety are managed through committees by HR managers, divisional, and regional health and safety managers, risk managers and occupational health and safety representatives. External consultants and administrators are appointed when specialised expertise is required or when audits are conducted.

Regular hazard identification and risk assessments, internal audits, safety training, management reviews and third-party audits are undertaken.

All new operational employees receive health and safety induction training, with regular and ongoing reviews and training. In the logistics businesses, where operational risks could have a direct public impact, regular training includes driver training, the conveyance of dangerous goods by road, safe work procedures, defensive driving training and fatigue management. Training also includes first aid, fire-fighting and general safety awareness.

Integrated computerised safety, health, environmental and quality (SHEQ) management systems are in place, and assist greatly in the compilation of accurate and timeous SHEQ reports.

In-depth investigations are conducted into all incidents, and mitigation procedures are continuously reviewed.

We strive to go beyond mere compliance with relevant legislation. Accordingly, most of the divisions have been certified with international and national standards. Regular supplier and standard audits are carried out at these certified sites to ensure the retention of certifications. None of the group's divisions failed certification compliance audits during the year.

HIV/AIDS

HIV/AIDS is addressed in divisional policies, and divisions have holistic and comprehensive management programmes in place to promote awareness, prevention, treatment and support.

Confidentiality of an individual's HIV/AIDS status is particularly important in an environment where factors such as social stigma, lack of awareness and low socio-economic environments act as barriers to testing. Data regarding HIV/AIDS infection is not made available.

To ensure confidentiality and privacy, as well as the most appropriate medical and clinical expertise when treating HIV-positive and AIDS patients, the group makes use of external service providers for certain aspects of workplace programmes. The number of employees who participate in voluntary testing is encouraging.

To manage personal risk, employees are encouraged to ascertain their status through voluntary counselling and testing.

Broad-based black economic empowerment (B-BBEE)

The group is committed to the principles of Broad-Based Black Economic Empowerment. The B-BBEE Codes of Good Practice have been revised subsequent to the last ratings in which 75% of our group companies achieved a level 5 or better score. We will be evaluating the new codes and will establish a revised minimum group target after our evaluation of the codes, and our ability to sustainably comply with the revised targets.

In accordance with its strategic transformation objectives, Steinhoff International Holdings Ltd, KAP's majority shareholder, has recognised the importance of affording its South African employees an opportunity to participate in the success of its businesses.

Approximately 13 000 KAP Industrial employees participate in a Steinhoff International share scheme holding 40 377 900 Steinhoff International shares.

Products and services

We are committed to providing our customers with responsible and sustainable solutions when choosing our products and services.

Customer needs are mainly focused on efficiency, cost saving and the implementation of sustainable long-term solutions. The availability of raw materials is an aspect that receives great attention and we use resources responsibly providing customers with quality, sustainable and value products and services.

In our supply chain solutions and passenger divisions, great care is taken to ensure that all safety requirements regarding public transportation and road safety are adhered to and are supported by divisional policies and procedures.

Community relations and CSI

Throughout the group, divisions are involved in social projects that align with their strategies. Support is usually given to organisations within close proximity to the operation, to make a difference in the immediate communities where the divisions operate.

Socio-economic development

Geographical expansion and growth directly affect the immediate communities within which the group operates. The most outstanding example of this is Ugie – a small town nestled in the mountains of the North Eastern Cape.

The investment and subsequent progress of the PG Bison particle board manufacturing plant and the North Eastern Cape Forest (NECF) cluster in Ugie, have substantially benefitted, directly and indirectly, Ugie and its surrounding communities.

Abridged sustainability report
Environment

KAP is committed to proactively promoting awareness and to maintaining proper standards of environmental management throughout the group.

Policy and approach

KAP recognises its responsibility to manage and, where possible, reduce its environmental impact and carbon emissions through appropriate fuel and energy efficiency, pollution reduction and water conservation measures.

All divisions record data relating to energy consumption, waste management and water usage. Targets have been set at operational level within the divisions and are being aligned to the ISO 14001, OHSAS 18001 and NOSA requirements. Accredited auditors, including the SABS and Alexander Forbes Risk Services, monitor the achievement of objectives against the requirements of these standards. The group is committed to managing and assessing divisional targets.

Environmental impact assessments (EIAs) and the implementation of resultant environmental management plans (EMPs) are standard practice.

Environmental incidents and complaints are continuously monitored and, when an incident is recorded, corrective action is a priority. There were no material incidents reported during the period under review.

KAP subscribes to and endorses the Steinhoff International Environmental policy that is supported, in turn, by divisional policies.

Carbon footprint

The group operates in industries where energy and fuel consumption are the two main contributors of Scope 1 and Scope 2 carbon emissions.

The group first calculated its carbon footprint in FY2012. It participated for the first time in the Carbon Disclosure Project (CDP) and submitted a public report to the CDP in May 2013. The carbon footprint is calculated in accordance with the Greenhouse Gas Protocol (GHG).

The group remain focused on monitoring its Scope 1 and 2 emissions for the foreseeable future. Once a solid track record has been established, Scope 3 emissions will be included.

Fuel
Fuel usage is material in the supply chain solutions and passenger divisions, and is key to their sustainability strategies. Fuel consumption is managed through compliance with manufacturer's maintenance standards.

Fuel saving and efficiency is achieved through the optimum use of supply chain technologies and innovation, customer partnerships, replacing and recapitalising older technology in vehicles and equipment with new technology, and the use of driver/operator behaviour monitoring technology and systems to reduce fuel consumption. All fuel usage is accounted for in the carbon footprint Scope 1 calculation.

Energy
Many of the divisional sites participated in a Steinhoff programme to install electricity meters and to monitor and manage electricity usage, managed, with the divisions, by the Steinhoff Property team. The goal of this programme is to establish a reliable system throughout the group in preparation for the South African Power Conservation Programme's (PCP) national 10% electricity reduction initiative. Initial findings in the divisions (at selected locations) have already showed a saving in this regard.

A power purchase agreement was signed with a company to supply clean power to one of PG Bison's manufacturing facilities. The power will be generated from waste wood products.

Environment

Air, water and waste

Air
All divisions have to comply with environmental regulations and many business licences are dependent on regulatory assessments. An example of such legislation is the National Environment Management: Air Quality Act (NEM AQA) in South Africa.

A small number of the group's manufacturing facilities are responsible for minimal stack emissions. These stack emissions occur mainly in the timber operations and specifically in the pole manufacturing plants. Current emissions levels from these operations continue to remain well within permitted levels.

Water
Through our risk management structure, water management is regularly reviewed on a divisional basis. Managing and reducing water usage is already part of the divisional processes where water usage is critical. Water is recycled and reused where possible.

Effluent and waste
Effluent and waste are highly regulated and regular site inspections are conducted by relevant government departments or standards authorities.

Effluent from the manufacturing operations is mainly treated at local authority treatment plants, where effluent quality is constantly monitored. Where large quantities of water are used, effluent plants are in place to clean the used water. In the timber operations, most of the water used in one process is captured, cleaned and recycled into another process.

Waste water from the logistics operations is limited to the wash bays at the vehicle depots. The water used to wash the vehicles is cleaned and recycled.

Hazardous effluent may result from substances carried on behalf of customers, specifically in the Fuel and Chemical division of USCS. The division has stringent policies in place and works closely with the relevant authorities to ensure any such effluent is disposed of responsibly.

The Fuel and Chemical division has a robust risk management process in place to reduce the risk of harmful effects resulting from the transportation and spillages of hazardous materials. Ongoing health and safety, and driver training play a vital role in mitigating these risks.

Should spillages occur, detailed procedures are followed to contain, clean and rehabilitate any exposed areas. During the year under review there were no significant incidences of spillage.

Divisional waste management and reduction initiatives are in place that sort, compact, re-use, recycle, sell and discard waste in a sustainable manner.

Hazardous residual waste is disposed of through certified processes and by specialist and ethical waste disposal companies. Each disposal is effected at approved dump sites by approved waste management suppliers against the issue of certificates in compliance with legislation and ISO standards.

Biodiversity/Forestry
While not a material issue for the group, biodiversity has:

- an indirect impact through how we manage and monitor our own use and procurement of sustainable raw materials; and
- a direct impact through the management of our plantations, forestry land and wood products.

All our forests are managed according to the principles set out by the FSC (Forestry Stewardship Council) that calls for responsible forest management and is an international best practice guideline.

The only area where our land ownership could have a direct effect on the biodiversity of the surrounding land is in our timber operations at the North Eastern Cape Forest cluster.

The PG Bison plantation at Ugie boasts six natural heritage sites covering 5 700 hectares.

annual financial statements

INDUSTRY ***IN MOTION***™

INDEPENDENT AUDITOR'S REPORT

to the shareholders of KAP Industrial Holdings Limited

We have audited the consolidated financial statements of KAP Industrial Holdings Limited set out on pages 60 to 129, which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards 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 the consolidated 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 consolidated 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 judgment, 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of KAP Industrial Holdings Limited as at 30 June 2013, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 June 2013, we have read the Directors' Report, the Report of the Audit and Risk Committee and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per: M A Van Wyk
Partner
19 August 2013

Unit 11 Ground Floor
La Gratitude
97 Dorp Street
Stellenbosch, 7600
Western Cape

National Executive: LL Bam Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit DL Kennedy Risk Advisory NB Kader Tax TP Pillay Consulting K Black Clients & Industries JK Mazzocco Talent & Transformation CR Beukman Finance M Jordan Strategy S Gwala Special Projects TJ Brown Chairman of the Board MJ Comber Deputy Chairman of the Board Regional Leader: MN Alberts

A full list of partners and directors is available on request

DIRECTORS' REPORT
for the year ended 30 June 2013

The directors are pleased to present the audited annual financial statements of the group for the year ended 30 June 2013; this being the first full financial reporting period of the group following the reverse take-over of the Steinhoff Industrial assets on 2 April 2012. On this date, the Steinhoff Industrial assets were integrated into the KAP International Holdings Limited group ("the traditional KAP businesses") following which, on 6 December 2012 and with the approval of shareholders, the company changed its name to KAP Industrial Holdings Limited, to more accurately reflect the nature of the enlarged group's operations.

The comparatives in the annual financial statements consist of the results of the Steinhoff Industrial assets for the 12 months ended 30 June 2012 and the results of the traditional KAP businesses for the 3 months ended 30 June 2012.

Financial results

The results for the year under review are fully set out in the attached financial statements.

Distribution

The board has approved a dividend of 8 cents per share (2012: 6 cents per share) payable from income reserves on 7 October 2013 to shareholders registered on 4 October 2013. The dividend withholding tax of 15%, if applicable, will result in a net cash dividend of 6.8 cents per share.

Stated share capital

The authorised share capital of KAP Industrial Holdings Limited ("the Company") remains unchanged from prior year and consists of 6 000 000 000 shares of no par value, of which 2 346 187 888 (2012: 2 337 254 668) shares are in issue. 10% of the unissued shares were placed under the control of the directors at the annual general meeting of shareholders held on 14 November 2012.

Holding company

As at the date of this report, the ultimate controlling shareholder of the Company is Steinhoff International Holdings Limited. A shareholding of 61.78 % is held by a wholly-owned subsidiary of Steinhoff Africa Holdings Proprietary Limited, which in turn is a wholly-owned subsidiary within the Steinhoff International group of companies.

Subsidiary companies and joint ventures

The principal subsidiaries and joint ventures of the group are reflected in notes 32 and 13 to the annual financial statements.

Nature of business

The group, through its four main operating divisions, delivers and manufactures products to a wide customer base. The group's operating divisions comprise:

- A specialised logistics division that designs, implements and manages supply chain, warehousing and logistics services.
- A passenger transport division that provides personnel, tourist and commuter transport services.
- An integrated timber division incorporating timber plantations, sawmills and production facilities for resin and panel products.
- An industrial manufacturing division that manufactures automotive components, PET resin, furniture and bedding components, footwear and towelling.

Corporate activity

In line with the group's strategy to focus on strategic industrial assets within emerging markets, agreements were entered into for the disposal of the businesses comprising the group's food assets. Subject to the approval of the Competition Authorities, the business of Bull Brand Foods was sold to the Rhodes Food Group and the business of Brenner Mills was sold to a management consortium.

The approval of the Competition Authorities for the Bull Brand transaction was received in July 2013 and the effective date of the transaction was 1 August 2013. The approval of the Competition Authorities for the Brenner transaction is awaited as at the date of this report.

Directorate

There were no changes to the directorate during the period under review. The directors of the company are:

Executive directors

Karel Johan Grové (Chief Executive Officer)

John Peter Haveman (Chief Financial Officer)

Non-executive directors

Andries Benjamin la Grange

Markus Johannes Jooste

Christiaan Johannes Hattingh van Niekerk

Daniel Maree van der Merwe

Independent non-executive directors

Jacob de Vos du Toit
(Chairman: Board, Chairman: Nomination Committee)

Johannes Bhekhumuzi Magwaza
(Chairman: Human Resources and Remuneration Committee)

Ipeleng Nonkululeko Mkhari

Stephanus Hilgard Müller

Sandile Hopeson Nomvete

Patrick Keith Quarmby (Chairman: Audit and Risk Committee)

Directors' shareholding

At 30 June 2013, the present directors of the company held no direct or indirect interests in the company's issued ordinary shares other than:

John Peter Haveman	331 954 shares
Stephanus Hilgard Müller	300 004 shares
Jacob de Vos du Toit	500 000 shares

No shares were held by directors as at 30 June 2013 and there has been no change in the shareholders as disclosed above between the end of the period under review and the date of this report.

Directors' contracts

No contracts were entered into during the year in which any director and/or officer of the company had an interest and which significantly affected the affairs and business of the group.

Borrowing facilities and limits

The group's borrowing facilities and usage thereof are set out in notes 21 and 26. In terms of the memorandum of incorporation of the company and its subsidiaries; there is no limitation of borrowing powers.

Special resolutions

Details of special resolutions passed by the Company and its subsidiaries relating to material matters that affect the affairs of the group are set out on page 131.

Subsequent events

Other than the approval of the Bull Brand Foods transaction by the Competition Commission on 23 July 2013, with an effective date of 1 August 2013, no significant events have occurred in the period between 30 June 2013 and the date of this report.

Corporate governance

The directors subscribe to the principles incorporated in the King Code of Practices and Conduct as set out in King III. The Company complied with the principles contained in King III throughout the reporting period as detailed in the King III compliance register available on the company's website at www.kap.co.za.

Share incentive scheme

At the annual general meeting held on 14 November 2012, shareholders approved the new KAP Performance Share Rights Scheme ("the Scheme"). The maximum number of shares relating to shares reserved for the KAP International Holdings Limited Performance Share Plan ("old scheme") together with rights under the Scheme that may be used for implementation, will not exceed 366 274 553 shares in KAP.

During the year rights in respect of 19 699 627 shares were granted to participating employees under the Scheme.

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 No. 71 of 2008, as amended, is set out on pages 58 to 59 of these annual financial statements.

Auditor

It is recommended that, subject to the approval of the shareholders at the next annual general meeting of the Company, Deloitte & Touche continues in office as the Company's auditor.

Responsibility of directors

It is the directors' responsibility to ensure that the annual financial statements fairly present the state of affairs of the group. The external auditors are responsible for independently auditing and reporting on the financial statements.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance on the reliability of the financial statements, to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements set out in this report have been prepared by management on the basis of appropriate accounting policies which have been consistently applied except where stated otherwise. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

Going concern

The consolidated annual financial statements set out on pages 60 to 129 have been prepared on the going concern basis since the directors have every reason to believe the group has adequate resources in place to continue in operation for the foreseeable future.

Approval of annual financial statements

The consolidated annual financial statements and group annual financial statements for the year ended 30 June 2013, set out on pages 60 to 129, were approved by the board of directors and are signed on its behalf by:

J de V du Toit	**KJ Grové**
Independent non-executive chairman	Chief executive officer
19 August 2013	

COMPANY SECRETARY'S CERTIFICATE

The company secretary certifies, in accordance with Section 88(2) (e) of the Companies Act of South Africa, that the Company has lodged with the Registrar of Companies all such returns as are required for a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Steinhoff Africa Secretarial Services Proprietary Limited

Company secretary

19 August 2013

28 Sixth Street, Wynberg, Sandton

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 30 June 2013

Background

The committee's operation is guided by a formal detailed charter that is in line with the Companies Act of South Africa (the "Companies Act") and has been approved by the board. The committee has discharged all its responsibilities as contained in the charter. This process is supported by the audit and risk subcommittees which are in place for all operating divisions. These subcommittees meet regularly in terms of formal mandates and deal with all issues arising at the operational division or subsidiary level. The subcommittees then elevate any unresolved issues of concern to the KAP audit and risk committee.

The committee is pleased to present its report for the financial year ended 30 June 2013 as recommended by the King Report on Corporate Governance (King III) and in line with the Companies Act.

Objective and scope

The overall objectives of the committee are as follows:

- To review the principles, policies and practices adopted in the preparation of the accounts of companies in the group and to ensure that the annual financial statements of the group and any other formal announcements relating to the financial performance comply with all statutory and regulatory requirements as may be required.
- To ensure that the consolidated interim condensed financial statements of the group, in respect of the first six-month period, comply with all statutory and regulatory requirements.
- To ensure that all financial information contained in any consolidated submissions to KAP is suitable for inclusion in its consolidated financial statements in respect of any reporting period.
- To annually assess the appointment of the auditors and confirm their independence, recommend their appointment to the annual general meeting and approve their fees.
- To review the work of the group's external and internal auditors to ensure the adequacy and effectiveness of the group's financial, operating compliance and risk management controls.
- To review the management of risk and the monitoring of compliance effectiveness within the group.
- To perform duties that are attributed to it by the Companies Act, the JSE Limited and King III.

The committee performed the following activities:

- Received and reviewed reports from both internal and external auditors concerning the effectiveness of the internal control environment, systems and processes.
- Reviewed the reports of both internal and external auditors detailing their concerns arising out of their audits and requested appropriate responses from management resulting in their concerns being addressed.
- Made appropriate recommendations to the board of directors regarding the corrective actions to be taken as a consequence of audit findings.
- Considered the independence and objectivity of the external auditors and ensured that the scope of their additional services provided was not such that they could be seen to have impaired their independence.
- Reviewed and recommended for adoption by the board such financial information that is publicly disclosed which for the year included:
  - the annual financial statements for the year ended 30 June 2013, and
  - the interim results for the six months ended 31 December 2012.
- Considered the effectiveness of internal audit, approved the one year operational strategic internal audit plan and monitored adherence of internal audit to its annual plan.
- Meetings were held with the internal and external auditors where management was not present, and no matters of concern were raised.

The audit and risk committee is of the opinion that the objectives of the committee were met during the year under review. Where weaknesses in specific controls were identified, management undertook to implement appropriate corrective actions to address the weakness identified.

Membership

The members of the audit and risk committee are all independent non-executive directors of the group and were as follows throughout the period:

Patrick Keith Quarmby (Chairman)
Stephanus Hilgard Müller
Sandile Hopeson Nomvete

The committee is satisfied that the members thereof have the required knowledge and experience as set out in Section 94(5) of the Companies Act and Regulation 42 of the Companies Regulation, 2011.

The company secretary is the 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 or officers is by way of invitation.

Meetings

The audit and risk committee performs the duties required of it by Section 94(7) of the Companies Act by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditor.

Two formal meetings were held during the year by the audit and risk committee.

Internal audit

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 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.

External audit

The committee has satisfied itself through enquiry that the auditor of KAP Industrial Holdings Limited and its subsidiaries is independent as defined by the Companies Act. The committee, in consultation with executive management, has agreed to the audit fee for the 2013 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Audit fees are disclosed in note 2 to the financial statements.

There is a formal procedure that governs the process whereby the external auditor is considered for the provision of non-audit services and each engagement letter for such work is reviewed in accordance with set policy and procedure.

Meetings were held with the external auditor where management was not present, and no matters of concern were raised.

The committee has reviewed the performance of the external auditor and has nominated, for approval at the annual general meeting, Deloitte & Touche as the external auditor for the 2014 financial year with Mr Michael van Wyk as the designated auditor. This will be his third year as auditor of the company.

Accounting practices and internal control

Internal controls and systems have been designed to provide reasonable assurance as to the integrity and reliability of the financial information represented in the financial statements, and to safeguard, verify and maintain the assets of the group. Nothing has come to the attention of the committee or the directors to indicate that any material breakdown in the functioning of the group's key internal control systems has occurred during the year under review. The committee considers the group's accounting policies, practices and financial statements to be appropriate.

Annual financial statements

The audit committee has evaluated the consolidated annual financial statements for the year ended 30 June 2013 and considers that they comply, in all material aspects, with the requirements of the Companies Act and International Financial Reporting Standards. The committee has therefore recommended the annual financial statements for approval to the board. The board has subsequently approved the financial statements, which will be open for discussion at the forthcoming annual general meeting.

Evaluation of Chief Financial Officer

As required by JSE Listing 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 financial staff in this function.

PK Quarmby

Audit committee chairman

19 August 2013

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2013

	Notes	2013 Rm	2012[1] Rm
Continuing operations			
Revenue [2]		**14 360**	10 481
Cost of sales [2]		**(11 561)**	(7 949)
Gross profit		**2 799**	2 532
Other operating income		**559**	405
Distribution expenses		**(374)**	(451)
Other operating expenses		**(1 654)**	(1 388)
Capital items	1	**20**	81
Operating profit	2	**1 350**	1 179
Finance costs	3	**(468)**	(498)
Income from investments	3	**100**	117
Share of profit of associate companies	12	**9**	11
Profit before taxation		**991**	809
Taxation	4	**(274)**	(218)
Profit for the year from continuing operations		**717**	591
Discontinued operations			
(Loss)/profit for the year from discontinued operations	5	**(6)**	5
Profit for the year		**711**	596
Profit attributable to:			
Owners of the parent		**677**	574
Profit for the year from continuing operations		**683**	569
(Loss)/profit for the year from discontinued operations		**(6)**	5
Non-controlling interests		**34**	22
Profit for the year from continuing operations		**34**	22
Profit for the year from discontinued operations		**–**	–
Profit for the year		**711**	596
Earnings per share from continuing and discontinued operations:			
Earnings per share	6	**28.9**	28.4
Diluted earnings per share	6	**28.8**	28.2
Earnings per share from continuing operations:			
Earnings per share	6	**29.2**	28.2
Diluted earnings per share	6	**29.1**	28.0

1 The prior year figures have been re-presented to reflect the discontinued operations.

2 A reallocation of R291 million was done between revenue and cost of sales in the Logistics segment to bring prior year disclosure in line with current year disclosure.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2013

	2013 Rm	2012 Rm
Profit for the year	**711**	596
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains on defined benefit plans	**–**	2
Deferred taxation	**–**	(1)
	–	1
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**62**	(11)
	62	(11)
Total other comprehensive income/(loss) for the year, net of taxation	**62**	(10)
Total comprehensive income for the year, net of taxation	**773**	586
Total comprehensive income attributable to:		
Owners of the parent	**739**	564
Non-controlling interests	**34**	22
Total comprehensive income for the year	**773**	586

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2013

	Ordinary stated share capital Rm	Distributable reserves Rm
Balance at 1 July 2011	6 111	2 292
Reverse acquisition adjustment: Pre-reverse acquisition share capital of legal parent	858	–
Reverse acquisition adjustment: Movement in share capital of acquirer	–	–
Total comprehensive income for the year	–	574
Profit for the year	–	574
Other comprehensive loss for the year	–	–
Dividends paid in specie	–	(281)
Other dividends paid	–	(17)
Capital distribution to Steinhoff International Holdings Limited for share-based payments	–	(37)
Reverse acquisition adjustment: Elimination of pre-acquisition reserves of legal parent	–	–
Share-based payments	–	–
Other reserve movements	–	–
Balance at 30 June 2012	**6 969**	**2 531**
Net shares issued	**1**	**–**
Total comprehensive income for the year	**–**	**677**
Profit for the year	**–**	**677**
Other comprehensive income for the year	**–**	**–**
Ordinary dividends paid	**–**	**(140)**
Capital distribution to Steinhoff International Holdings Limited for share–based payments	**–**	**(15)**
Share-based payments	**–**	**–**
Transfer between reserves	**–**	**52**
Premium on acquisition of minority interest	**–**	**–**
Balance at 30 June 2013	**6 970**	**3 105**

Share-based payment reserve Rm	Reverse acquisition reserve Rm	Other reserves Rm	Total equity attributable to owners of the parent Rm	Non-controlling interests Rm	Total Rm
43	(4 476)	(22)	3 948	51	3 999
–	–	–	858	–	858
–	24	–	24	–	24
–	–	(10)	564	22	586
–	–	–	574	22	596
–	–	(10)	(10)	–	(10)
–	–	–	(281)	–	(281)
–	–	–	(17)	–	(17)
–	–	–	(37)	–	(37)
–	500	–	500	46	546
6	–	–	6	–	6
–	–	(1)	(1)	–	(1)
49	**(3 952)**	**(33)**	**5 564**	**119**	**5 683**
–	**–**	**–**	**1**	**–**	**1**
–	**–**	**62**	**739**	**34**	**773**
–	**–**	**–**	**677**	**34**	**711**
–	**–**	**62**	**62**	**–**	**62**
–	**–**	**–**	**(140)**	**(18)**	**(158)**
–	**–**	**–**	**(15)**	**–**	**(15)**
25	**–**	**–**	**25**	**–**	**25**
(50)	**–**	**(2)**	**–**	**–**	**–**
–	**–**	**(8)**	**(8)**	**–**	**(8)**
24	**(3 952)**	**19**	**6 166**	**135**	**6 301**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2013

	Notes	**2013 Rm**	2012 Rm
ASSETS			
Non-current assets			
Goodwill	7	**205**	183
Intangible assets	8	**1 106**	1 128
Property, plant and equipment	9	**6 374**	6 090
Investment property	10	**39**	39
Consumable biological assets	11	**1 761**	1 656
Investments and loans in associate companies	12	**109**	74
Loans receivable	14	**25**	9
Deferred taxation assets	15	**68**	76
		9 687	9 255
Current assets			
Inventories	17	**1 390**	1 367
Trade and other receivables	18	**2 373**	2 457
Short-term loans receivable	14	**5**	–
Cash and cash equivalents		**1 332**	1 346
		5 100	5 170
Assets classified as held for sale	19	**351**	15
		5 451	5 185
Total assets		**15 138**	14 440
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary stated share capital	20	**6 970**	6 969
Reserves		**(804)**	(1 405)
Total equity attributable to equity holders of the parent		**6 166**	5 564
Non-controlling interests		**135**	119
Total equity		**6 301**	5 683
Non-current liabilities			
Interest-bearing loans and borrowings	21	**3 919**	3 800
Interest and loans in joint-venture companies	13	**–**	–
Equalisation of operating lease payments		**13**	20
Employee benefits	22	**5**	12
Provisions	23	**59**	69
Deferred taxation liabilities	15	**853**	723
		4 849	4 624
Current liabilities			
Interest-bearing loans and borrowings	21	**351**	343
Employee benefits	22	**263**	264
Provisions	23	**82**	96
Trade and other payables	24	**3 016**	2 584
Share scheme settlement provision	25	**68**	103
Bank overdrafts and short-term facilities		**141**	743
		3 921	4 133
Liabilities classified as held for sale	19	**67**	–
Total equity and liabilities		**3 988**	4 133
		15 138	14 440

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2013

	Notes	2013 Rm	2012 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	28	**2 254**	1 906
Dividends received		**–**	1
Interest received		**100**	69
Interest paid		**(472)**	(444)
Dividends paid		**(158)**	(4)
Taxation paid		**(133)**	(68)
Net cash inflow from operating activities		**1 591**	1 460
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(1 225)**	(950)
Proceeds on disposal of property, plant and equipment		**175**	211
Additions to intangible assets		**(16)**	(26)
Net cash (outflow)/inflow on acquisition of subsidiaries and businesses	29	**(37)**	43
Net cash outflow on disposal of subsidiaries and businesses	30	**(1)**	–
(Increase)/decrease in loans receivable		**(31)**	125
Increase in short-term loans receivable		**(5)**	–
Net increase in investments in associate companies		**(28)**	(17)
Net decrease/(increase) in loans to joint-venture companies		**1**	(2)
Transactions with non-controlling interests		**–**	(1)
Net cash outflow from investing activities		**(1 167)**	(617)
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares issued		**1**	–
Decrease in bank overdrafts and short-term facilities		**(602)**	(950)
Increase in long-term interest-bearing loans and borrowings		**455**	611
(Decrease)/increase in short-term interest-bearing loans and borrowings		**(332)**	86
Net cash outflow from financing activities		**(478)**	(253)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(54)**	590
Cash and cash equivalents at the beginning of the year		**1 346**	770
Effects of exchange rate translations on cash and cash equivalents		**40**	(14)
Cash and cash equivalents at the end of the year		**1 332**	1 346

SEGMENTAL REPORTING

for the year ended 30 June 2013

	2013 Rm	2012[1] Rm
REVENUE		
Logistics[2]	**7 042**	6 531
Integrated timber	**2 392**	2 286
Manufacturing	**5 076**	1 747
	14 510	10 564
Inter-segment revenue eliminations	**(150)**	(83)
	14 360	10 481
OPERATING PROFIT BEFORE CAPITAL ITEMS		
Logistics	**686**	701
Integrated timber	**347**	273
Manufacturing	**297**	124
	1 330	1 098
RECONCILIATION BETWEEN OPERATING PROFIT PER INCOME STATEMENT AND OPERATING PROFIT BEFORE CAPITAL ITEMS PER SEGMENTAL ANALYSIS		
Operating profit per income statement (note 1)	**1 350**	1 179
Capital items	**(20)**	(81)
Operating profit before capital items per segmental analysis	**1 330**	1 098
TOTAL ASSETS		
Logistics	**5 139**	4 722
Integrated timber	**4 912**	4 449
Manufacturing	**3 544**	3 767
	13 595	12 938
RECONCILIATION BETWEEN TOTAL ASSETS PER STATEMENT OF FINANCIAL POSITION AND TOTAL ASSETS PER SEGMENTAL ANALYSIS		
Total assets per statement of financial position	**15 138**	14 440
Less: Cash and cash equivalents	**(1 332)**	(1 346)
Less: Investments and loans in associate companies	**(109)**	(74)
Less: Interest-bearing loans receivable	**(30)**	(9)
Less: Related-party receivables	**(72)**	(73)
Total assets per segmental analysis	**13 595**	12 938
GEOGRAPHICAL ANALYSIS		
Revenue		
Southern Africa	**14 360**	10 481
Non-current assets		
Southern Africa	**9 687**	9 255

1 The prior year figures have been re-presented to reflect the discontinued operations.

2 A reallocation of R291 million was done between revenue and cost of sales in the Logistics segment to bring prior year disclosure in line with current year disclosure.

Basis of segmental presentation

The segmental information has been prepared in accordance with IFRS 8: Operating Segments (IFRS 8) which defines requirements for the disclosure of financial information of an entity's operating segments. The standard requires segmentation based on the group's internal organisation and reporting of revenue and operating income based upon internal accounting methods.

Identification of segments

The group discloses its operating segments according to the entity components regularly reviewed by the chief operating decision-makers. The components comprise various operating segments located in Southern Africa. The revenue and non-current assets are further disclosed within the geographical areas in which the group operates. Segmental information is prepared in conformity with the measure that is reported to the chief operating decision-makers. These values have been reconciled to the consolidated annual financial statements. The measures reported by the group are in accordance with the accounting policies adopted for preparing and presenting the consolidated annual financial statements.

Segment revenue excludes value added taxation and includes intersegment revenue. Net revenue represents segment revenue from which intersegment revenue has been eliminated. Sales between segments are made on a commercial basis. Segment operating profit before capital items represents segment revenue less segment expenses, excluding capital items included in note 1. Segment expenses include distribution expenses and other operating expenses. Depreciation and amortisation have been allocated to the segments to which they relate.

The segment assets comprise all assets of the different segments that are employed by the segment and that either are directly attributable to the segment, or can be allocated to the segment on a reasonable basis.

Operational segments

Logistics

Unitrans Supply Chain Solutions includes, Unitrans Freight and Logistics (specialised distribution and warehousing services to the manufacturing, industrial and allied sectors of the economy), Unitrans Fuel and Chemical (specialised transportation and fuel logistics services to the petrochemical and gas industries), Unitrans Agriculture and Mining (transport and related logistics services to the agricultural and mining industries, including the sugar industry).

Unitrans Passenger derives its revenue through the transport of passengers under contract and through services to the public at large.

Manufacturing

Revenue is derived from the manufacturing and supply of raw materials, including automotive components, footwear, polyethylene terephthalate resin (PET), towelling, foam and bedding springs.

Timber

PG Bison's integrated value chain is built on forestry, timber beneficiation, board production and upgrading. Revenue is derived mainly from the manufacturing and upgrading of flat sheet board products.

Major customers

No single customer contributes 10% or more of the group's revenue.

SUMMARY OF ACCOUNTING POLICIES

for the year ended 30 June 2013

KAP is a South African registered company. The consolidated annual financial statements of KAP for the year ended 30 June 2013, comprise KAP and its subsidiaries (together referred to as the KAP Group) and the group's interest in associate companies and joint-venture companies.

Statement of compliance

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the interpretations adopted by the International Accounting Standards Board (IASB), the IFRS Interpretations Committee of the IASB (IFRIC), the requirements of the South African Companies Act, 2008, as amended, and have been audited in compliance with all the requirements of Section 29(1) of the South African Companies Act 2008, as required.

Adoption of new and revised Standards

During the current year, the group has adopted and early adopted all of the new and revised standards and interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2012. The adoption of these new and revised standards and interpretations has not resulted in material changes to the group's accounting policies.

The group adopted the following standards, interpretations and amended standards during the year:

IAS 1	Presentation of Financial Statements: Presentation of items of other comprehensive income
Circular 2/2013	Headline Earnings

Basis of preparation

The consolidated annual financial statements are prepared in millions of South African Rand (Rm) on the historical-cost basis, except for certain assets and liabilities which are carried at amortised cost, and derivative financial instruments and consumable biological assets which are stated at their fair value.

The preparation of consolidated annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the consolidated annual financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed in note 27.

The accounting policies set out below have been applied consistently to the periods presented in these consolidated annual financial statements, except where stated otherwise.

The accounting policies have been applied consistently by all group entities.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the group (including special-purpose entities). Control exists when the group has the power to, directly or indirectly, govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value 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. If the group's interest in the fair values of the identifiable net assets acquired exceeds the cost of acquisition (gain on bargain purchase), the excess is recognised in profit or loss in the period of acquisition. The interest of non-controlling shareholders is stated at the non-controlling interests' proportion of the fair values of the assets and liabilities recognised.

Non-controlling interests in the net assets (excluding goodwill) of 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 non-controlling interests' share of changes in equity since the date of the combination.

Subsequently, any losses applicable to the non-controlling interest are allocated to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

The annual financial statements of subsidiaries are included in the consolidated annual financial statements from the date that control commences until the date that control ceases.

All material intergroup transactions, balances, income and expenses and unrealised gains and losses between group companies are eliminated on consolidation.

Associate companies

An associate company is an entity over which the group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the entity, but which it does not control or jointly control.

The results of associate companies are incorporated in the consolidated annual financial statements using the equity method of accounting, from the date that significant influence commences until the date that significant influence ceases, except when the investment is classified as held-for-sale, in which case it is accounted for under IFRS 5: Non-current Assets Held-for-Sale and Discontinued Operations (IFRS 5). When the group's share of losses exceeds its investment in the associate company, the group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations, or made payments on behalf of an associate company.

Where a group entity transacts with an associate company, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate company, except where unrealised losses provide evidence of an impairment of the asset transferred.

Any difference between the cost of acquisition and the group's share of the net identifiable assets, liabilities and contingent liabilities, fairly valued, is recognised and treated according to the group's accounting policy for goodwill and is included in the carrying value of the investment in associate companies.

Joint-venture companies

A joint-venture company is defined as a contractual arrangement whereby two or more entities undertake an economic activity, which is subject to joint control. Joint control implies that neither of the contracting parties is in a position to unilaterally control the assets of the venture. Joint-venture companies are accounted for by the proportionate consolidation method whereby the attributable share of each of the assets, liabilities, income and expenses and cash flows of the joint-venture company is combined on a line-by-line basis with similar items in the group's consolidated annual financial statements, from the date that joint control commences until the date joint control ceases, except when the investment is classified as held-for-sale, in which case it is accounted for under IFRS 5. A proportionate share of intergroup items is eliminated and unrealised profits and losses are eliminated to the extent of the group's interest in the relevant joint-venture company, except where unrealised losses provide evidence of an impairment of the asset transferred.

Any difference between the cost of acquisition and the group's share of the net identifiable assets, liabilities and contingent liabilities, fairly valued, is recognised and treated according to the group's accounting policy for goodwill.

Deferred contingent purchase consideration

Where a structured business combination contains a puttable instrument on the interest of an apparent non-controlling shareholder, a financial liability for the present value of the best estimate thereof is recognised upon initial accounting for the business combination.

The liability arising is regarded as a deferred contingent purchase consideration and the unwinding of the present value of the liability is presented as an interest expense. Any other change in the liability is recognised through profit and loss if the acquisition was effective after the adoption of IFRS 3: Business Combination (revised) (IFRS 3), including the impact of changes in interest rates on liabilities measured at fair value.

If the puttable arrangement is not exercised and settled, the derecognition of the financial liability is treated as a disposal of the anticipated interest in the subsidiary in accordance with the group's accounting policy for common control transactions.

Common control transactions – premiums and discounts arising on subsequent purchases from, or sales to non-controlling interests in subsidiaries

Unless a purchase price allocation has been performed for separate annual financial statements and reversed for group consolidated accounts, any increases or decreases in ownership interest in subsidiaries without a change in control are recognised as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill arising on the acquisition of a subsidiary, associate company or joint-venture company represents the excess of the aggregate consideration transferred, non-controlling interest in the acquiree and in business combinations achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate company or joint-venture company recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is allocated to cash-generating units (CGUs) and is tested annually for impairment or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU 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. In respect of associate companies, the carrying amount of goodwill is included in the carrying amount of the investment in the associate company.

On disposal of a subsidiary, associate company or joint-venture company, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Gains on bargain purchases arising on acquisition are recognised directly as capital items in profit or loss.

Reverse takeover acquisition accounting

IFRS 3 defines the acquirer in a business combination as the entity that obtains control. Accordingly, a corporate action or business combination where another legal entity will obtain control of the entity itself is accounted for as a reverse acquisition.

A reverse acquisition is a business combination in which the legal acquirer (i.e. that entity that issues shares) becomes the acquiree for accounting purposes and the legal acquiree becomes the acquirer for accounting purposes. The accounting acquiree must meet the definition of a business for the transaction to be accounted for as a reverse acquisition. Guidance in IFRS 3 concludes that this is a reverse acquisition and that Steinhoff Industrial Assets is therefore the accounting acquirer and KAP the accounting acquiree for IFRS 3 purposes.

Reverse acquisitions are accounted for using the acquisition method under IFRS 3. Effectively, the financial results presentation will reflect the Steinhoff Industrial Assets acquiring the traditional KAP businesses at fair value. Consequently, for consolidation purposes, a fair value exercise is performed on the traditional KAP businesses. The equity structure appearing in the consolidated statement of financial position must reflect the equity structure of the legal parent, including the shares issued by the legal parent to effect the business combination.

The consolidated financial results and position will reflect:

- assets and liabilities of the Steinhoff Industrial Assets recognised and measured at their pre-combination carrying amounts;
- the assets and liabilities of traditional KAP recognised and measured at fair value in terms of the requirements of IFRS 3 at the effective date of the transaction;
- retained earnings and other reserves of the Steinhoff Industrial Assets before the business combination;
- the amount recognised as issued equity interests in the consolidated annual financial statements which is determined by adding the issued equity interest of the Steinhoff Industrial Assets outstanding immediately before the business combination to the fair value of the consideration transferred; and
- the creation of a reverse acquisition reserve to enable the presentation of the consolidated statement of financial position which combines the equity structure of the legal parent with the non-statutory reserves of the legal parent. Effectively, this reserve is required to ensure the correct equity structure of the legal parent is reflected after the business combination.

Intangible assets

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as an expense as it is incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process can be identified, the products and processes are technically and commercially feasible, it is probable that the asset created will generate future economic benefits, the cost can be measured reliably and the group intends to, and has sufficient resources, to complete development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Other intangible assets

Other intangible assets that are acquired by the group are stated at cost less accumulated amortisation and impairment losses. If an intangible asset is acquired in a business combination, the cost of that intangible asset is measured at its fair value at the acquisition date.

Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation of intangible assets is recognised in profit or loss on a straight-line basis over the assets' estimated useful lives, unless such lives are indefinite. An intangible asset is regarded as having an indefinite useful life when, based on analysis of all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortised but are tested for impairment annually or more often when there is an indication that the asset may be impaired. Other intangible assets are amortised from the date they are available for use.

The amortisation methods, estimated useful lives and residual values are re-assessed annually, with the effect of any changes in estimate being accounted for on a prospective basis.

Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost to the group, less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the costs of materials, direct labour, the initial estimate, where relevant, of the cost of dismantling and removing the items and restoring the site on which they are located, borrowing costs capitalised and an appropriate proportion of production overheads.

Where components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The gain or loss on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised as a capital item in profit or loss.

Leased assets

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease.

The capital element of future obligations under the leases is included as a liability in the statement of financial position. Lease payments are allocated using the effective-interest method to determine the lease finance costs, which are charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

Subsequent costs

The group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred, if it is probable that additional future economic benefits embodied within the item will flow to the group and the cost of such item can be measured reliably. Costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as an expense when incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis at rates that will reduce the book values to estimated residual values over the estimated useful lives of the assets.

Land is not depreciated. Leasehold improvements on premises occupied under operating leases are written off over their expected useful lives or, where shorter, the term of the relevant lease.

The depreciation methods, estimated useful lives and residual values are reassessed annually.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Investment property

Investment property is land and buildings which are held to earn rental income or for capital appreciation, or both.

Investment property is initially recognised at cost, including transaction costs, when it is probable that future economic benefits associated with the investment property will flow to the group and the cost of the investment property can be measured reliably. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. The cost of a self-constructed investment property is its cost at the date when the construction development is complete.

Investment property is accounted for under the cost model and the accounting treatment after initial recognition follows that applied to property, plant and equipment.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in capital items in the year of retirement or disposal. Transfers are made to investment property when there is a change in use of the property. Transfers are made from investment property when there is a change in use or when the amount will be recovered principally through a sale transaction.

Consumable biological assets

The group's timber plantations and livestock are classified as consumable biological assets. These assets are measured on initial recognition and at each reporting date at their fair value less estimated costs to sell. Costs to sell include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to the market. Gains and losses arising from changes in the fair value of the plantations less estimated costs to sell are recorded in profit or loss.

Borrowing costs

Borrowing cost is recognised as an expense in the period in which it is incurred, except to the extent that it is directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period to prepare for their intended use or sale. Borrowing costs directly attributable to these qualifying assets are capitalised as part of the costs of those assets.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs capitalised are the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purposes of obtaining a qualifying asset, the amount of borrowing costs capitalised is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate applied is the weighted average of the borrowing costs applicable to the borrowings of the group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

Capitalisation of borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Impairment of assets

The carrying amounts of the group's assets, other than assets carried at fair value, are reviewed at each reporting date to determine whether there is any indication of impairment.

If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated annually and when there is an indication of impairment.

An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss as capital items.

Financial assets are considered to be impaired if objective evidence indicates one or more events have had a negative effect on the estimated future cash flows of that asset. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs (group of units) and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of the group's loans and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets).

The recoverable amount of non-financial assets is the greater of an asset's 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-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

Reversal of impairment losses

An impairment loss in respect of loans and receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in previous years.

Taxation

Current taxation

Income taxation on the profit or loss for the year comprises current and deferred taxation. Income taxation is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised directly in other comprehensive income or equity. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Current taxation is the expected taxation payable on the taxable income for the year, using taxation rates enacted or substantially enacted at the reporting date, and any adjustment to taxation payable in respect of previous years.

Deferred taxation

Deferred taxation is provided for using the statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used in the computation of taxable income. The following temporary differences are not provided for: goodwill not deductible for taxation purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using taxation rates enacted or substantially enacted at the reporting date.

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associate companies and interest in joint-venture companies, except where the group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current taxation assets and liabilities on a net basis.

Deferred taxation assets and liabilities are measured at the taxation rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the taxation rates (and taxation laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred taxation liabilities and assets reflects the taxation consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

A deferred taxation asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset will be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling and distribution expenses.

The cost of harvested timber is its fair value less estimated costs to sell at the date of harvest, determined in accordance with the accounting policy for consumable biological assets. Any change in fair value at the date of harvest is recognised in profit or loss. The cost of other inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity.

Where necessary, the carrying amounts of inventory is adjusted for obsolete, slow-moving and defective inventories.

Cash and cash equivalents

Cash and cash equivalents are defined as bank, cash and short-term, highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are only included where the group has a legal right of set-off due to cash management.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. These assets may be a component of an entity, a disposal group or an individual non-current asset. Upon initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operation or a subsidiary acquired exclusively with a view to resell. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. A disposal group that is to be abandoned may also qualify as a discontinued operation, but not as assets held for sale.

Discontinued operations are separately recognised in the financial statements once management has made a commitment to discontinue the operation without a realistic possibility of withdrawal which should be expected to qualify for recognition as a completed sale within one year from date of classification.

Share-based payment transactions

Equity-settled

The fair value of the deferred delivery shares and the share rights granted to employees is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and is expensed over the period during which the employees are required to provide services in order to become unconditionally entitled to the equity instruments. The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. The amount recognised as an expense is adjusted to reflect the actual number of deferred delivery shares and the share rights that vest, except where forfeiture is only due to market conditions not achieving the threshold for vesting.

Group share-based payment transactions

Transactions in which a parent grants rights to its equity instruments directly to the employees of its subsidiaries are classified as equity-settled in the financial statements of the subsidiary, provided the share-based payment is classified as equity-settled in the consolidated financial statements of the parent.

The subsidiary recognises the services acquired with the share-based payment as an expense and recognises a corresponding increase in equity representing a capital contribution from the parent for those services acquired. The parent recognises in equity the equity-settled share-based payment and recognises a corresponding increase in the investment in subsidiary.

A recharge arrangement exists whereby the subsidiary is required to fund the difference between the exercise price on the share right and the market price of the share at the time of exercising the right. The recharge arrangement is accounted for separately from the underlying equity-settled share-based payment as follows upon initial recognition:

- The subsidiary recognises a share scheme settlement provision at fair value, using cash-settled share-based payment principles, and a corresponding adjustment against equity for the capital contribution recognised in respect of the share-based payment.
- The parent recognises a corresponding share scheme settlement asset at fair value and a corresponding adjustment to the carrying amount of the investment in the subsidiary.

Subsequent to initial recognition, the recharge arrangement is re-measured at fair value at each subsequent reporting date until settlement date to the extent vested. Where the settlement provision amount recognised is greater than the initial capital contribution recognised by the subsidiary in respect of the share-based payment, the excess is recognised as a net capital distribution to the parent. The amount of the settlement provision in excess of the capital contribution recognised as an increase in the investment in subsidiary is deferred and recognised as dividend income by the parent when settled by the subsidiary.

Employee benefits

Short-term employee benefits

The costs of all short-term employee benefits are recognised during the period in which the employee renders the related service. The provisions for employee entitlements to salaries, performance bonuses and annual leave represent the amounts which the group has a present obligation to pay as a result of the employee's services provided. The provisions have been calculated at undiscounted amounts based on current salary levels.

Defined contribution plans

Obligations for contributions to defined contribution pension plans and provident funds are recognised as an expense in profit or loss as incurred.

Defined benefit plans

The group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; those benefits are discounted to determine their present values, and the fair values of any plan assets are deducted. The calculations are performed by qualified actuaries using the projected unit credit method with actuarial updates being carried out at each reporting date.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that benefits vest immediately, the expense is recognised immediately in profit or loss.

Actuarial gains and losses are recognised in other comprehensive income in the period in which they occur.

Where the calculation results in a benefit to the group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past-service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Long-term service benefits

The group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted.

Provisions

Provisions are recognised when the group has a present constructive or legal obligation as a result of a past event, and it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

If the effect is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Restructuring

A provision for restructuring is recognised when the group has approved a detailed and formal restructuring plan, and the restructuring either has commenced, or has been announced publicly. Future operating costs are not provided for.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting the obligation under the contract.

Foreign currency

Foreign currency transactions

Transactions in currencies other than the functional currency of entities are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates ruling on the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of all foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at rates of exchange ruling at the reporting date. The revenues and expenses of foreign operations are translated at rates approximating the foreign exchange rates ruling at the date of the transactions.

Foreign exchange differences arising on translation are recognised in other comprehensive income and aggregated in the 'foreign currency translation reserve' (FCTR). The FCTR applicable to a foreign operation is released to profit or loss as a capital item upon disposal of that foreign operation.

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges, are recognised in other comprehensive income and accumulated in the FCTR. They are released to profit or loss as a capital item upon disposal of that foreign operation.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at the rates of exchange ruling at the reporting date.

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 provisions of the instrument.

Effective-interest method

The effective-interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of a financial instrument or, where appropriate, a shorter period.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or designated as at FVTPL.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling in the near future.
- It is part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking.
- It is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset, fair value adjustments and foreign exchange gains or losses. Fair value is determined in the manner described in note 16.

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.

The net gain or loss recognised in profit or loss incorporates any dividends and interest earned on the financial assets, profit sharing, impairments and foreign exchange gains or losses.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where 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 impacted.

For all other financial assets, including finance lease receivables, objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that would otherwise have been impaired or past due but have been renegotiated are accounted for by rolling over the old financial asset into the new financial asset with no resultant gain or loss from the renegotiation of the financial instrument.

Derecognition of financial assets
The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments issued by the group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recorded at proceeds received, net of direct issue costs.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under contract, as determined in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near future.
- It is part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking.
- It is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest accrued or paid on the financial liability, fair value adjustments and foreign exchange gains and losses. Fair value is determined in the manner described in note 16.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

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

The net gain or loss recognised in profit or loss incorporates any interest accrued or paid on the financial liability and foreign exchange gains or losses.

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, namely foreign exchange forward contracts. Further detail of derivative financial instruments are disclosed in note 16.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Goods sold and services rendered

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at reporting date. The stage of completion is assessed by reference to surveys of the work performed.

Revenue is not recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods as well as continuing management involvement with goods to a degree usually associated with ownership. Where the group acts as agent and is remunerated on a commission basis, only the commission income, and not the value of the business transaction, is included in revenue.

The recovery of duties and taxes payable on imports and exports are not recognised in revenue, but netted off against the expense paid on behalf of the customer.

Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

Interest

Interest is recognised on the time proportion basis, taking account of the principal debt outstanding and the effective rate over the period to maturity.

Dividend income

Dividend income from investments is recognised when the right to receive payment has been established.

Operating leases

Payments and receipts under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Segmental reporting

A segment is a distinguishable component of the group that is engaged in providing products or services which are subject to risks and rewards that are different from those in other segments. The basis of segmental reporting is representative of the internal structure used for management reporting as well as the structure in which the chief operating decision-makers review the information.

The basis of segmental allocation is determined as follows:

- Revenue that can be directly attributed to a segment and the relevant portion of the profit that can be allocated on a reasonable basis to a segment, whether from sales to external customers, or from transactions with other segments of the group.
- Operating profit that can be directly attributed to a segment and a relevant portion of the operating profit that can be allocated on a reasonable basis to a segment, including profit relating to external customers and expenses relating to transactions with other segments of the group.
- Total assets are those assets that are employed by a segment in its operating activities and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Total assets exclude investments in associate companies, certain interest-bearing loans receivable, related party receivables and cash and cash equivalents.

	Gross of taxation and non-controlling interests 2013 Rm	Net of taxation and non-controlling interests 2013 Rm	Gross of taxation and non-controlling interests 2012 Rm	Net of taxation and non-controlling interests 2012 Rm
1. CAPITAL ITEMS				
Continuing operations				
Capital items reflect and affect the resources committed in producing operating/trading performance and are not the performance itself. These items deal with the platform/capital base of the entity.				
(Income)/expenses of a capital nature are included in the 'capital items' line in the income statement. These (income)/expense items are:				
1.1 Foreign currency translation reserve released on disposal of subsidiary	**–**	**–**	(6)	(6)
1.2 Impairment	**29**	**23**	24	22
Associate companies	**–**	**–**	14	14
Goodwill	**8**	**8**	–	–
Intangible assets	**2**	**2**	–	–
Property, plant and equipment	**19**	**13**	8	6
Other	**–**	**–**	2	2
1.3 Gain on bargain purchase	**–**	**–**	(93)	(93)
1.4 Net loss on sale of investments and subsidiaries	**–**	**5**	–	–
1.5 Profit on disposal of property, plant and equipment	**(49)**	**(43)**	(6)	(7)
	(20)	**(15)**	(81)	(84)

		2013 Rm	2012 Rm
2.	**OPERATING PROFIT**		
	Continuing operations		
	Operating profit is stated after taking account of the following items:		
2.1	**Amortisation and depreciation**		
	Amortisation	**14**	9
	Depreciation	**739**	620
		753	629
	Recognised in:		
	Cost of sales	**563**	456
	Distribution expenses	**2**	4
	Other operating expenses	**188**	169
		753	629
2.2	**Auditor's remuneration**		
	Audit fees	**21**	19
	Fees for other services	**2**	–
		23	19
2.3	**Personnel expenses**		
	Retirement plans (note 2.4)	**193**	153
	Salaries and wages	**3 003**	2 463
	Share-based payments – equity-settled (notes 20.3 and 25)	**31**	23
		3 227	2 639
2.4	**Post-retirement benefit expenses**		
	Contributions to defined benefit plans	**8**	3
	Contributions to defined contribution plans	**185**	150
		193	153
2.5	**Net foreign exchange gains**		
	Net gain on forward exchange contracts	**(46)**	(9)
	Net gain on conversion of monetary assets	**(4)**	(2)
		(50)	(11)
2.6	**Operating lease charges**		
	Rental of properties	**140**	94
	Leases of plant, equipment, vehicles and other	**96**	78
		236	172
2.7	**Fair value adjustment on consumable biological assets (note 11)**	**(328)**	(308)
2.8	**Expenses directly attributable to timber plantations (note 11)**		
	Decrease due to harvesting	**223**	177
	Other operating expenses in respect of plantations	**214**	105
		437	282
2.9	**Government grants recognised in income**	**(6)**	(6)

	Expense Rm	Income Rm	Net Rm
3. FINANCE COSTS AND INCOME			
Continuing operations			
2013			
Banks	**113**	**(93)**	**20**
Loans	**49**	**(3)**	**46**
Other	**14**	**(3)**	**11**
Related party interest (note 31)	**292**	**(1)**	**291**
	468	**(100)**	**368**
2012			
Banks	118	(109)	9
Loans	78	(1)	77
Other	8	(7)	1
Related party interest (note 31)	294	–	294
	498	(117)	381

	2013 Rm	2012 Rm
4. TAXATION		
Continuing operations		
4.1 Taxation charge		
Normal taxation		
South African normal taxation – current year	**76**	41
South African normal taxation – prior year adjustment	**1**	(2)
Foreign normal taxation – current year	**48**	62
Foreign normal taxation – prior year adjustment	**2**	(1)
	127	100
Deferred taxation		
South African deferred taxation – current year	**141**	76
South African deferred taxation – prior year adjustment	**(4)**	2
South African deferred taxation – change in rate	**–**	39
Foreign deferred taxation – current year	**9**	–
Foreign deferred taxation – prior year adjustment	**(1)**	1
Foreign deferred taxation – change in rate	**(1)**	–
	144	118
Capital gains taxation		
Current year	**3**	–
	274	218
For detail on deferred taxation assets/(liabilities) refer to note 15.		
	%	%
4.2 Reconciliation of rate of taxation		
Standard rate of taxation	**28.0**	28.0
Effect of different statutory taxation rates of foreign subsidiaries in other jurisdictions	**–**	(0.3)
Effect of profit of associate companies	**(0.3)**	(0.4)
Prior year adjustments	**(0.3)**	(0.1)
Deferred taxation rate adjustments	**–**	4.8
Capital gains taxation	**0.3**	–
Net utilisation of unrecognised taxation losses and deductible temporary differences	**(0.3)**	–
Permanent differences, items charged at capital rates and other	**0.2**	(5.0)
Effective rate of taxation	**27.6**	27.0

	2013 Rm	2012 Rm

5. DISCONTINUED OPERATIONS

5.1 Disposal of foods group

On 21 June 2013, KAP announced the disposal of its food interests, Bull Brand Foods and Brenner Mills. This is in line with the group's approach of focusing on strategic industrial assets within emerging markets. On 23 July 2013, the Competition Commission approved the Bull Brand Food transaction without conditions, so the effective date of that transaction was 1 August 2013. Approval is still awaited for the Brenner Mills transaction.

5.2 Analysis of (loss)/profit for the year from discontinued operations

The results of the discontinued operations included in the income statement are set out below:

	2013 Rm	2012 Rm
Revenue	**1 026**	246
Cost of sales	**(856)**	(207)
Gross profit	**170**	39
Other operating income	**8**	5
Distribution expenses	**(59)**	(15)
Other operating expenses	**(98)**	(21)
Capital items	**(24)**	–
Operating (loss)/profit	**(3)**	8
Finance costs	**(3)**	(1)
(Loss)/profit before taxation	**(6)**	7
Taxation	**–**	(2)
(Loss)/profit for the year from discontinued operations	**(6)**	5
(Loss)/profit from discontinued operations attributable to:		
Owners of the parent	**(6)**	5
Non-controlling interests	**–**	–
	(6)	5

5.3 Capital items for the year from discontinued operations

	Gross of taxation and non-controlling interests 2013 Rm	Net of taxation and non-controlling interests 2013 Rm	Gross of taxation and non-controlling interests 2012 Rm	Net of taxation and non-controlling interests 2012 Rm
Profit on disposal of property, plant and equipment	**(1)**	**(1)**	–	–
Impairments	**21**	**18**	–	–
Expenses attributable to disposal of discontinued operations	**4**	**3**	–	–
	24	**20**	–	–

5.4 Cash flows from discontinued operations

	2013 Rm	2012 Rm
Net cash flow from operating activities	**47**	14
Net cash flow from investing activities	**(10)**	(10)
Net cash flow from financing activities	**(8)**	(1)
Net cash flow	**29**	3

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 *(continued)*

	2013 cents	2012 cents
6. EARNINGS		
The calculation of per share numbers uses the exact unrounded numbers which may result in differences when compared to calculating the numbers using the rounded number of shares and earnings as disclosed below.		
Basic earnings per share		
Basic earnings per share is calculated by dividing the net earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.		
From continuing operations	**29.2**	28.2
From discontinued operations	**(0.3)**	0.2
Basic earnings per share	**28.9**	28.4
Diluted earnings per share		
Diluted earnings per share is calculated by dividing the diluted earnings attributable to ordinary shareholders by the diluted weighted average number of ordinary shares in issue during the year. The calculation assumes conversion of all dilutive potential shares.		
From continuing operations	**29.1**	28.0
From discontinued operations	**(0.3)**	0.2
Diluted earnings per share	**28.8**	28.2
Headline earnings per share		
Headline earnings per share is calculated by dividing the headline earnings by the weighted average number of ordinary shares in issue during the year.		
From continuing operations	**28.5**	24.0
From discontinued operations	**0.6**	0.2
Headline earnings per share	**29.1**	24.2
Diluted headline earnings per share		
Diluted headline earnings per share is calculated by dividing the diluted headline earnings by the diluted weighted average number of shares in issue during the year.		
From continuing operations	**28.4**	23.9
From discontinued operations	**0.6**	0.2
Diluted headline earnings per share	**29.0**	24.1
Net asset value per ordinary share		
Net asset value per ordinary share is calculated by dividing the ordinary shareholders' equity by the number of ordinary shares in issue at year-end.		
Net asset value per ordinary share	**262.8**	238.1

	2013 million	2012 million
6. EARNINGS *(continued)*		
6.1 Weighted average number of ordinary shares		
Issued ordinary shares at beginning of the year	**2 337**	1 913
Effect of shares issued	**5**	106
Weighted average number of ordinary shares at end of the year for the purpose of basic earnings per share and headline earnings per share	**2 342**	2 019
Effect of dilutive potential ordinary shares – KAP share options	**9**	13
Weighted average number of ordinary shares for the purpose of diluted earnings per share and diluted headline earnings per share	**2 351**	2 032

	Rm	Rm
6.2 Earnings attributable to owners of the parent and diluted earnings		
Earnings from continuing operations attributable to owners of the parent and diluted earnings	**683**	569
Earnings from discontinued operations attributable to owners of the parent and diluted earnings	**(6)**	5
Earnings attributable to owners of the parent and diluted earnings	**677**	574
6.3 Reconciliation between earnings and headline earnings and diluted headline earnings		
Earnings from continuing operations attributable to owners of the parent and diluted earnings	**683**	569
Adjusted for capital items attributable to continuing operations (note 1)	**(15)**	(84)
Headline earnings from continuing operations attributable to owners of the parent and diluted headline earnings	**668**	485
Earnings from discontinued operations attributable to owners of the parent and diluted earnings	**(6)**	5
Adjusted for capital items attributable to discontinued operations (note 5)	**20**	–
Headline earnings attributable to owners of the parent and diluted headline earnings	**682**	490
6.4 Net asset value		
Attributable to ordinary shareholders	**6 166**	5 564

	2013 Rm	2012 Rm
7. GOODWILL		
Carrying amount at the beginning of the year	**183**	183
Arising on business combinations (note 29)	**30**	–
Impairments	**(8)**	–
Carrying amount at the end of the year	**205**	183
Cost	**246**	213
Accumulated impairment	**(41)**	(30)
Carrying amount at the end of the year	**205**	183

When the group acquires a business that qualifies as a business combination in respect of IFRS 3, the group allocates the purchase price paid to the assets acquired, including identifiable intangible assets, and the liabilities assumed. Any excess of the aggregate of the consideration transferred, non-controlling interest in the acquiree and, for a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; over the fair value of those net assets is considered to be goodwill. The goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit (CGU) that is expected to benefit from that business. Goodwill is assessed for impairment annually, irrespective of whether there is any indication of impairment.

Review of impairment

The impairment test compares the carrying amount of the unit, including goodwill, to the value in use, or fair value of the unit. The recoverable amount of the CGU is determined from the value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and the expected changes to selling prices and direct costs during the period. The discount rates are based on the weighted average cost of capital, while growth rates are based on management's experience and expectations. Growth rates used do not exceed the long-term average growth rate for the area in which the CGU operates. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market, and are derived from the most recent financial budgets and forecasts that have been prepared by management.

Where an intangible asset, such as a trademark, trade name and brand name and/or patent has been assessed as having an indefinite useful life (see note 8), the cash flow of the CGU, supporting the goodwill and driven by the trademark, brand or patent are also assumed to be indefinite.

An impairment charge is required for both goodwill and other indefinite life intangible assets when the carrying amount exceeds the recoverable amount. An impairment charge of R8 million was recorded for the year ended 30 June 2013 (2012: Rnil).

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 an estimated growth rate as set out on the next page.

All impairment testing was consistent with methods applied as at 30 June 2012.

7. **GOODWILL** *(continued)*

Impairment tests for CGUs containing goodwill

The following units have significant carrying amounts of goodwill:

	Pre-tax discount rate	Forecasted cash flows	2013 Rm	2012 Rm
Timber	11.44%	Budget year 1, thereafter specific projections until 30 June 2018. The long-term growth rate for 2019 and thereafter is estimated to be 5%.	**123**	123
Logistics	11.73%	Budget year 1, thereafter a 10% annual growth rate up to 2016. The estimated subsequent cash flows were based on declining growth rates.	**74**	52
Various other units	11.31%	Budget year 1, thereafter 5.6% annual growth rate up to 2018. The long-term growth rate is estimated to be 3.8% .	**8**	8
Carrying amount at the end of the year			**205**	183

	Patents and trademarks Rm	Software Rm	Other [1] Rm	Total Rm
8. INTANGIBLE ASSETS				
Balance at 1 July 2011	1 025	2	21	1 048
Additions	–	2	24	26
Amortisation	–	(1)	(8)	(9)
Acquired on acquisition of subsidiaries (note 29)	48	–	15	63
Balance at 30 June 2012	**1 073**	**3**	**52**	**1 128**
Additions	**–**	**8**	**8**	**16**
Impairment	**(7)**	**–**	**(1)**	**(8)**
Amortisation	**–**	**(4)**	**(10)**	**(14)**
Reclassify from property, plant and equipment	**–**	**3**	**–**	**3**
Assets held for sale	**(24)**	**–**	**–**	**(24)**
Acquired on acquisition of subsidiaries (note 29)	**–**	**–**	**5**	**5**
Balance at 30 June 2013	**1 042**	**10**	**54**	**1 106**
Cost	**1 059**	**40**	**92**	**1 191**
Accumulated amortisation and impairment	**(17)**	**(30)**	**(38)**	**(85)**
Net book value at 30 June 2013	**1 042**	**10**	**54**	**1 106**
Cost	1 091	25	80	1 196
Accumulated amortisation and impairment	(18)	(22)	(28)	(68)
Net book value at 30 June 2012	1 073	3	52	1 128

[1] Other intangible assets include customer relationships, contracts and licence agreements.

Patents and trademarks are considered to have indefinite useful lives as explained in note 27. In accordance with the group's accounting policy, an impairment test was performed on the carrying values of intangible assets with indefinite useful lives at year end. Budgeted operating cash flows for the related business units were projected and discounted at the units weighted average pre-tax cost of capital. An impairment charge of R8 million was recorded for the year ended 30 June 2013 (2012: Rnil).

8. INTANGIBLE ASSETS *(continued)*

Review of impairment

In determining the appropriate methodology to be adopted in the valuation of the value in use of the majority of the group's intangible assets, the relief from royalty approach was considered to be the most applicable as a primary valuation methodology because it is predominantly and widely used as a basis for the structuring of licensing agreements; both locally in the countries where these intangible assets originate and internationally, and this approach is generally accepted internationally as a reliable means of valuing trademarks.

IAS 38: Intangible Assets (IAS 38) gives guidance on how the fair value of intangible assets can be determined. The guidance has been applied throughout the valuation of the trade names, brand names and trademarks. Impairment tests typically take into account the most recent management forecast whereafter a reasonable rate of growth is applied based on market and industry conditions. Discount rates used in the discounted cash flow models are based on a weighted average cost of capital, while royalty rates used are determined with reference to industry benchmarks.

Impairment

All intangible assets were tested for impairment during the year under review and impairments of R8 million were recognised (2012: Rnil).

All impairment testing was done consistently with methods used in the prior years.

Useful lives

Under IAS 38, the useful life of an asset is either finite or indefinite. An indefinite life does not mean an infinite useful life, but rather that there is no foreseeable limit to the period over which the asset can be expected to generate cash flows for the entity. Intangible assets with an indefinite useful life are not amortised; they are tested for impairment at least annually.

The intangible assets acquired in business combinations, have been assessed as having indefinite useful lives. The majority of these trade names and brand names were assessed independently at the time of the acquisitions, and the indefinite useful life assumptions were supported by the following evidence:

- The industry is a mature, well-established industry.
- The trade names, brand names and/or trademarks are long-established relative to the market and have been in existence for a long time.
- The intangible assets relate to trade names, brand names, trademarks and patents rather than products and are therefore not vulnerable to typical product lifecycles or to the technical, technological, commercial or other types of obsolescence that can be seen to limit the useful lives of other trade names and brand names.
- There is a relatively low turnover of comparable intangible assets implying stability within the industry.

Royalty rates

The royalty rate represents the assumed amount which would be paid to the owner of the intangible asset as a royalty fee, expressed as a percentage of revenue, for the use of the intangible asset. It is necessary to look to the industry in which the brand is operational to determine an appropriate notional royalty rate.

		Land and buildings Rm	Plant and machinery Rm
9.	**PROPERTY, PLANT AND EQUIPMENT**		
	Balance at 1 July 2011	1 235	1 022
	Additions	15	66
	Assets held for sale	(2)	(12)
	Depreciation	(20)	(96)
	Disposals	(106)	(10)
	Impairment	–	(8)
	Acquired on acquisition of subsidiaries (note 29)	413	585
	Reclassification	14	12
	Exchange differences on consolidation of foreign subsidiaries	–	1
	Balance at 30 June 2012	**1 549**	**1 560**
	Additions	**32**	**66**
	Assets held for sale	**(47)**	**(26)**
	Depreciation	**(20)**	**(140)**
	Disposals	**(17)**	**(15)**
	Impairment	**(11)**	**(19)**
	Acquired on acquisition of subsidiaries (note 29)	**–**	**–**
	Reclassification	**14**	**19**
	Interest capitalised	**–**	**–**
	Reclassify to intangible assets	**–**	**–**
	Exchange differences on consolidation of foreign subsidiaries	**–**	**4**
	Balance at 30 June 2013	**1 500**	**1 449**
	Cost	**1 617**	**2 270**
	Accumulated depreciation and impairment	**(117)**	**(821)**
	Net book value at 30 June 2013	**1 500**	**1 449**
	Cost	1 649	2 318
	Accumulated depreciation and impairment	(100)	(758)
	Net book value at 30 June 2012	1 549	1 560

Long-haul motor vehicles, motor vehicles and equipment Rm	Capital work-in-progress Rm	Leasehold improvements Rm	Office and computer equipment, furniture and other assets Rm	Total Rm
2 549	39	17	63	4 925
818	18	7	26	950
–	–	(1)	(1)	(16)
(478)	–	(4)	(25)	(623)
(83)	–	–	(3)	(202)
–	–	–	–	(8)
5	41	–	37	1 081
9	(28)	3	(10)	–
(18)	–	–	–	(17)
2 802	**70**	**22**	**87**	**6 090**
863	**214**	**14**	**36**	**1 225**
(3)	**(4)**	**–**	**(1)**	**(81)**
(548)	**–**	**(5)**	**(33)**	**(746)**
(95)	**–**	**–**	**2**	**(125)**
(1)	**–**	**–**	**(1)**	**(32)**
12	**–**	**–**	**–**	**12**
(6)	**(30)**	**4**	**(1)**	**–**
–	**2**	**–**	**–**	**2**
–	**–**	**–**	**(3)**	**(3)**
27	**3**	**–**	**(2)**	**32**
3 051	**255**	**35**	**84**	**6 374**
5 331	**255**	**52**	**261**	**9 786**
(2 280)	**–**	**(17)**	**(177)**	**(3 412)**
3 051	**255**	**35**	**84**	**6 374**
4 708	70	36	276	9 057
(1 906)	–	(14)	(189)	(2 967)
2 802	70	22	87	6 090

9. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Land and buildings

Details of land and buildings are available for inspection by members on request at the various registered offices of the company and its subsidiaries.

Encumbered assets

Assets with a book value of R837 million (2012: R660 million) are encumbered as set out in note 21.

Insurance

Property, plant and equipment, with the exception of motor vehicles, bus fleet, long-haul motor vehicles and land, are insured at approximate cost of replacement. Motor vehicles are insured at market value. Bus fleet and long-haul motor vehicles are self-insured.

Impairment losses

Refer to 'Capital items' (note 1 and 5).

Useful lives

The estimated useful lives are reflected under 'Judgements and estimates' (note 27).

	2013 Rm	2012 Rm
10. INVESTMENT PROPERTY		
Carrying amount at the beginning of the year	**39**	–
Acquired on acquisition of subsidiaries (note 29)	**–**	39
Carrying amount at the end of the year	**39**	39

No depreciation was recognised on investment property in the current year as the residual values exceeded the carrying values of all properties classified as investment property.

At 30 June 2013, investment property was valued by management at R39 million (2012: R39 million).

No restrictions exist on the sale of investment property.

There are no material contractual obligations to purchase, construct or develop investment property. There are, however, service level agreements and building maintenance contracts in place with third-party contractors for security, repairs, maintenance and minor enhancements.

	2013 Rm	2012 Rm
11. CONSUMABLE BIOLOGICAL ASSETS		
Timber plantations		
Carrying amount at the beginning of the year	**1 651**	1 446
Acquired on acquisition of subsidiaries (note 29)	**–**	74
Decrease due to harvesting (note 2.8)	**(223)**	(177)
Fair value adjustment to plantations (note 2.7)	**328**	308
Carrying amount at the end of the year	**1 756**	1 651
Livestock	**5**	5
	1 761	1 656
Expenses incurred in the management and operations of plantations (including harvesting) (note 2.8)	**437**	282

The group owns and manages timber plantations for use in manufacturing timber products. In terms of IAS 41 - Agriculture, the plantations are valued at fair value less estimated costs to sell. The Faustmann formula and discounted cash flow models were applied in determining the fair value of the plantations. The principal assumptions used in the Faustmann formula include surveying physical hectares planted, age analysis and the industry mean annual incremental growth.

The fair value of mature standing timber, being the age at which it becomes marketable, is based on the market price of the estimated recoverable timber volumes, net of harvesting costs. The fair value of younger standing timber is based on the present value of the net cash flows expected to be generated by the plantation at maturity.

Livestock was introduced to the plantations as part of the fire prevention strategy of the group.

The group is exposed to a number of risks regarding its timber plantations:

- Regulatory and environmental risks
  The group's timber plantation operations are subject to laws and regulations. The group has established environmental policies and procedures aimed at compliance with local environmental and other laws. The Thesens and north-eastern Cape forests are Forestry Stewardship Council (FSC) certified. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.
- Supply and demand risks
  For external sale of timber, the group is exposed to risks arising from the fluctuations of price and sales volumes of timber. Where possible, the group manages these risks by aligning its harvest volume to market supply and demand. Management performs regular industry trend analysis to ensure that the group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.
- Climate and other risks
  The group's timber plantations are exposed to the risk of damage from climate changes, disease, forest fires and other natural forces. The group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry and pest disease surveys. The group also insures itself, where cost-effective, against natural disasters such as fire.

Encumbered consumable biological assets
None of the group's consumable biological assets are encumbered.

Commitments
There are no amounts committed for the development and acquisition of consumable biological assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013 *(continued)*

	Nature of business	2013 % holding	2012 % holding	2013 Rm	2012 Rm
12. INVESTMENTS IN ASSOCIATE COMPANIES					
PG Bison Kenya Limited	Retail outlet selling hardware materials	**50.0**	50.0	**10**	7
Xinergistix Limited	Industrial long-distance haulage	**27.6**	27.6	**52**	47
Manica Boards and Doors Private Limited (partially impaired)	Manufactures panel products	**40.0**	32.1	**23**	14
Peter Allan Building Materials Trust	Timber reseller	**50.0**	–	**–**	–
Non-trading entities				**12**	13
				97	81
Loans due by/(to) associate companies					
PG Bison Kenya Proprietary Limited				**–**	1
Manica Boards and Doors Proprietary Limited				**27**	11
Peter Allan Building Material Trust				**5**	–
Non-trading entities				**(20)**	(19)
				12	(7)
				109	74
Investment at cost					
PG Bison Kenya Proprietary Limited				**1**	4
Xinergistix Limited				**21**	21
Manica Boards and Doors Proprietary Limited (partially impaired)				**23**	14
Peter Allan Building Material Trust				**–**	–
Non-trading entities				**10**	10
				55	49
Attributable share of post-acquisition retained earnings					
At the beginning of the year				**32**	36
Current share of income				**9**	11
Impairment reversed/(impairment)				**3**	(14)
Dividends received				**(2)**	(1)
At the end of the year				**42**	32
				97	81
Commitments					
The group's obligation in respect of losses and contingent liabilities from associate companies is limited to the extent of the carrying values of the investments.					
Summarised information in respect of investments in associate companies					
Total assets				**718**	545
Total liabilities				**(476)**	(353)
Net assets				**242**	192
Group's share of net assets of associates				**78**	62
Revenue				**910**	692
Profit for the year				**15**	32
Group's share of profit of associate companies for the year				**9**	11

	Nature of business	Percentage holding 2013 %	2012 %
13. INTEREST IN JOINT-VENTURE COMPANIES			
Various unlisted joint-venture companies	Automotive, insurance captive, manufacturing and security services	**49 – 50**	49 – 50
Impairment losses			
No impairment loss was recognised in profit or loss for any period presented.			
Commitments			
The joint-venture companies did not have any contingent liabilities at year end.			
Financial information of the joint-venture companies consolidated is:			
Assets and liabilities			
Total assets		**123**	55
Total liabilities		**(84)**	(40)
Net assets		**39**	15
Income statement			
Revenue		**134**	19
Profit for the year		**10**	1

	2013 Rm	2012 Rm
14. LOANS RECEIVABLE		
Long-term loans		
Loans receivable carried at amortised cost	**25**	9
Short-term loans receivable	**5**	–

The unsecured loans receivable consist of various long and short-term loans bearing interest at market-related interest rates.

None of the loans receivable included as non-current financial assets are past due or impaired at reporting date and there are no indications that any of these counterparties will not meet their repayment obligations.

The fair value of loans are disclosed in note 16.

	2013 Rm	2012 Rm
15. DEFERRED TAXATION ASSETS/(LIABILITIES)		
15.1 Deferred taxation movement		
(Liabilities)/assets		
Balance at the beginning of the year	**(647)**	(466)
Deferred taxation of subsidiaries acquired (note 29)	**(1)**	(49)
Deferred taxation of subsidiaries disposed (note 30)	**–**	(9)
Amounts charged directly to other comprehensive income and equity		
Actuarial reserve	**–**	(1)
Share-based payments	**14**	(3)
Current year charge		
From continuing operations	**(144)**	(118)
From discontinued operations	**–**	(2)
Exchange differences on consolidation of foreign subsidiaries	**(7)**	1
Balance at the end of the year	**(785)**	(647)
15.2 Deferred taxation balances		
Assets		
Provision for taxation on temporary differences resulting from South African normal taxation rate (28%), South African capital gains taxation (SA CGT) rate (18.6%) and foreign taxation rates:		
Equalisation of operating lease payments	**–**	3
Prepayments and provisions	**10**	36
Property, plant and equipment	**(28)**	(538)
Share-based payments	**1**	13
Other	**2**	23
	(15)	(463)
Taxation losses and credits		
Taxation losses	**83**	539
Total deferred taxation assets	**68**	76
Realisation of the deferred taxation asset is expected out of future taxable income which was assessed and deemed to be reasonable.		
Liabilities		
Provision for taxation on temporary differences resulting from South African normal taxation rate (28%), SA CGT rate (18.6%) and foreign taxation rates :		
Intangible assets	**(166)**	(171)
Prepayments and provisions	**55**	49
Property, plant and equipment (including consumable biological assets)	**(1 312)**	(729)
Share-based payments	**22**	15
Other	**(13)**	(86)
	(1 414)	(922)
Taxation losses and credits		
Taxation losses	**561**	199
Total deferred taxation liabilities	**(853)**	(723)

		2013 Rm	2012 Rm
15.	**DEFERRED TAXATION ASSETS/(LIABILITIES)** *(continued)*		
15.3	**Unrecognised deferred taxation assets**		
	Deferred taxation assets have not been recognised in respect of the following items:		
	Taxation losses	**147**	110
	The taxation losses and deductible temporary differences do not expire under current taxation legislation. Deferred taxation assets have not been recognised in respect of these items because it is not yet certain that future taxable profits will be available against which the group can realise the benefits therefrom.		
15.4	**Taxation losses**		
	Estimated taxation losses available for offset against future taxable income	**2 496**	2 743

16. FINANCIAL INSTRUMENTS

The executive team is responsible for implementing the risk management strategy to ensure that an appropriate risk management framework is operating effectively across the group, embedding a risk management culture throughout the group. The board and the audit and risk committee are provided with a consolidated view of the risk profile of the group, and any major exposures and relevant mitigating actions are identified.

The system of risk management is designed so that the different business units are able to tailor and adapt their risk management processes to suit their specific circumstances.

Regular management reporting and internal audit reports provide a balanced assessment of key risks and controls. The financial director provides quarterly confirmation to the board that financial and accounting control frameworks have operated satisfactorily and consistently.

The group does not speculate in the trading of derivative or other financial instruments. It is group policy to hedge exposure to cash and future contracted transactions.

Financial instruments below excludes assets and liabilities held for sale and profit and loss from discontinued operations.

16.1 Total financial assets and liabilities

	At fair value through profit or loss[1] Rm	Loans and receivables and other financial liabilities at amortised cost Rm	Total carrying values Rm	Fair value of loans and receivables and other financial liabilities Rm	Total fair values Rm
2013					
Investments and loans	–	25	25	25	25
Non-current financial assets	–	25	25	25	25
Trade and other receivables (financial assets)	52	2 131	2 183	2 131	2 183
Short-term loans receivable	–	5	5	5	5
Cash and cash equivalents	–	1 332	1 332	1 332	1 332
Current financial assets	52	3 468	3 520	3 468	3 520
Long-term interest-bearing loans and borrowings	–	(3 919)	(3 919)	(3 919)	(3 919)
Non-current financial liabilities	–	(3 919)	(3 919)	(3 919)	(3 919)
Short-term interest-bearing loans and borrowings	–	(351)	(351)	(351)	(351)
Bank overdrafts and short-term facilities	–	(141)	(141)	(141)	(141)
Trade and other payables (financial liabilities)	–	(2 937)	(2 937)	(2 937)	(2 937)
Current financial liabilities	–	(3 429)	(3 429)	(3 429)	(3 429)
	52	(3 855)	(3 803)	(3 855)	(3 803)
Net gains recognised in profit or loss	(46)	(2)	(48)		
Net interest expense	–	370	370		

16. FINANCIAL INSTRUMENTS *(continued)*

16.1 Total financial assets and liabilities *(continued)*

	At fair value through profit or loss[1] Rm	Loans and receivables and other financial liabilities at amortised cost Rm	Total carrying values Rm	Fair value of loans and receivables and other financial liabilities Rm	Total fair values Rm
2012					
Investments and loans	–	9	9	9	9
Non-current financial assets	–	9	9	9	9
Trade and other receivables (financial assets)	7	2 285	2 292	2 285	2 292
Cash and cash equivalents	–	1 346	1 346	1 346	1 346
Current financial assets	7	3 631	3 638	3 631	3 638
Long-term interest-bearing loans and borrowings	–	(3 800)	(3 800)	(3 801)	(3 801)
Non-current financial liabilities	–	(3 800)	(3 800)	(3 801)	(3 801)
Short-term interest-bearing loans and borrowings	–	(343)	(343)	(343)	(343)
Bank overdrafts and short-term facilities	–	(743)	(743)	(743)	(743)
Trade and other payables (financial liabilities)	(1)	(2 493)	(2 494)	(2 493)	(2 494)
Current financial liabilities	(1)	(3 579)	(3 580)	(3 579)	(3 580)
	6	(3 739)	(3 733)	(3 740)	(3 734)
Net losses recognised in profit or loss on above financial instruments	2	6	8		
Net interest expense	–	382	382		

[1] This category includes derivative financial instruments that are not designated as effective hedging instruments.

16. FINANCIAL INSTRUMENTS *(continued)*

16.2 Fair values

The fair values of financial assets and financial liabilities are determined as follows:

Trade and other receivables and long and short-term loans receivable

The fair values of trade and other receivables and long and short-term loans receivable are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Derivatives

The fair values of forward exchange contracts are based on their listed market price, if available. If a listed market price is not available, then the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The fair values are not necessarily indicative of the amounts the group could realise in the normal course of business.

IFRS 7: Financial Instruments: Disclosure (IFRS 7), has established a three-level hierarchy for making fair value measurements:

- Level 1 – Unadjusted quoted prices for financial assets and financial liabilities traded in an active market for identical financial assets or financial liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the financial asset or financial liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs for the financial asset or financial liability that are not based on observable market data.

The fair values of the financial assets and liabilities as determined by the IFRS 7 hierarchy are as follows:

	2013 Level 2 Rm	2012 Level 2 Rm
Derivative financial assets	**52**	7
Derivative financial liabilities	**–**	(1)
	52	6

There were no Level 1 or Level 3 financial assets or financial liabilities as at 30 June 2013 or 30 June 2012 respectively.

16.3 Foreign currency risk

The group's manufacturing operating costs and expenses are principally incurred in South African rand. Its revenue derived from outside South Africa, however, is principally in US dollars.

It is group policy to hedge exposure to cash and future contracted transactions in foreign currencies for a range of forward periods, but not to hedge exposure for the translation of reported profits or reported assets and liabilities.

Exposure to currency risk

Currency risk (or foreign exchange risk) as defined by IFRS 7, arises on financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured. For the purpose of IFRS 7, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Differences resulting from the translation of subsidiary financial statements into the group's presentation currency are not taken into consideration.

16. FINANCIAL INSTRUMENTS *(continued)*

16.3 Foreign currency risk *(continued)*

The carrying amounts of the group's material foreign currency denominated monetary assets and liabilities that will have an impact on profit or loss when exchange rates change, at reporting date are as follows:

	Euros Rm	**US dollars Rm**
2013		
Trade and other receivables (financial assets excluding derivatives)	**11**	**33**
Cash and cash equivalents	**36**	**15**
Trade and other payables (financial liabilities excluding derivatives)	**(212)**	**(431)**
Pre-derivative position	**(165)**	**(383)**
Derivative effect	**27**	**25**
Open position	**(138)**	**(358)**
2012		
Trade and other receivables (financial assets excluding derivatives)	19	20
Cash and cash equivalents	15	24
Trade and other payables (financial liabilities excluding derivatives)	(85)	(387)
Pre-derivative position	(51)	(343)
Derivative effect	106	499
Open position	55	156

The following significant exchange rates applied during the year and were used in calculating sensitivities:

Rand	**Forecast rate [1] 30 June 2013**	Forecast rate [1] 30 June 2012	**Reporting date spot rate 30 June 2013**	Reporting date spot rate 30 June 2012
Euro	**12.4780**	9.8483	**12.9209**	10.3447
US dollar	**9.8958**	8.1050	**9.8780**	8.1700

[1] The forecast rates represent a weighting of foreign currency rates forecasted by the major banks that the group transacts with regularly. These rates are not necessarily management's expectations of currency movements.

Sensitivity analysis

The table below indicates the group's sensitivity at year end to the movements in the major currencies that the group is exposed to on its financial instruments. The percentages given below represent a weighting of foreign currency rates forecasted by the major banks that the group transacts with regularly. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2012.

16. FINANCIAL INSTRUMENTS *(continued)*

16.3 Foreign currency risk *(continued)*

The impact on the reported numbers of using the forecast rates as opposed to the reporting date spot rates is set out below.

Through (profit)/loss	**2013 Rm**	2012 Rm
Euro weakening by 3.4% (2012: weakening by 5.4%) to the rand	**5**	(3)
US dollar strengthening by 0.2% (2012: strengthening by 0.8%) to the rand	**(1)**	(1)

If the foreign currencies were to weaken/strengthen against the rand, by the same percentages as set out in the table above, it would have an equal, but opposite effect on profit or loss.

Foreign exchange contracts

The group uses forward exchange contracts to hedge its foreign currency risk against change in foreign denominated assets and liabilities. Most of the forward exchange contracts have maturities of less than one year after reporting date. As a matter of policy, the group does not enter into derivative contracts for speculative purposes. The fair values of such contracts at year-end, by currency, were:

	2013 Rm	2012 Rm
Short-term derivatives		
Assets		
Fair value of foreign exchange contracts		
Euro	**27**	–
US dollar	**25**	7
	52	7
Liabilities		
Fair value of foreign exchange contracts		
Euro	**–**	(1)
	–	(1)
Net derivative assets	**52**	6

Currency options are only purchased as a cost-effective alternative to forward currency contracts.

Changes in the fair value of forward exchange contracts of economically hedged monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied, are recognised in profit or loss.

16.4 Interest rate risk

As part of the process of managing the group's borrowings mix, the interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates. Interest rate exposure is managed within limits agreed by the board.

The interest and related terms of the group's interest-bearing loans are disclosed in note 21.

At the reporting date the interest rate profile of the group's financial instruments were:

	Variable JIBAR and SA prime Rm	Variable other Rm	Fixed Rate Rm	Non-interest-bearing Rm	Total Rm
16. FINANCIAL INSTRUMENTS *(continued)*					
16.4 Interest rate risk *(continued)*					
2013					
Non-current financial assets	**25**	**–**	**–**	**–**	**25**
Current financial assets	**860**	**496**	**28**	**2 136**	**3 520**
Non-current financial liabilities	**(3 817)**	**(3)**	**(61)**	**(38)**	**(3 919)**
Current financial liabilities	**(559)**	**(20)**	**(4)**	**(2 846)**	**(3 429)**
	(3 491)	**473**	**(37)**	**(748)**	**(3 803)**
2012					
Non-current financial assets	9	–	–	–	9
Current financial assets	943	260	47	2 388	3 638
Non-current financial liabilities	(3 710)	(20)	(1)	(69)	(3 800)
Current financial liabilities	(1 052)	(16)	(3)	(2 509)	(3 580)
	(3 810)	224	43	(190)	(3 733)

Sensitivity analysis

The group is sensitive to movements in the JIBAR and SA prime rates, which are the primary interest rates to which the group is exposed.

The sensitivities calculated below are based on an increase of 100 basis points for each interest category. These rates are also used when reporting sensitivities internally to key management personnel.

Through (profit)/loss	**2013 Rm**	2012 Rm
JIBAR and SA prime – 100 basis point increase	**35**	38

A 100 basis point decrease in the above rates would have had an equal, but opposite effect on profit or loss.

16. FINANCIAL INSTRUMENTS *(continued)*

16.5 Credit risk

Potential concentration of credit risk consists principally of short-term cash and cash equivalent investments, trade and other receivables, and loans receivable. The group deposits short-term cash surpluses with major banks of quality credit standing. Trade receivables comprise a large and widespread customer base and group companies perform ongoing credit evaluations on the financial condition of their customers, and appropriate use is made of credit guarantee insurance. At 30 June 2013, the group did not consider there to be any significant concentration of credit risk which had not been adequately provided for. The amounts presented in the statement of financial position are net of provisions for bad debts, estimated by the group companies' management based on prior experience and the current economic environment.

The carrying amounts of financial assets represent the maximum credit exposure.

The maximum exposure to credit risk at the reporting date without taking account of the value of any collateral obtained was:

	2013 Rm	2012 Rm
Non-current financial assets	**25**	9
Current financial assets	**3 520**	3 638
	3 545	3 647
The maximum exposure to credit risk at the reporting date by segment was (carrying amounts):		
Logistics	**1 710**	1 605
Manufacturing	**1 199**	1 313
Timber	**636**	729
	3 545	3 647
The maximum exposure to credit risk at the reporting date by geographical region was (carrying amounts):		
Southern Africa	**3 520**	3 629
Other regions	**25**	18
	3 545	3 647
Ageing of financial assets		
Not past due or impaired	**3 021**	3 185
Past due 1 to 30 days but not impaired	**350**	283
Past due 31 to 60 days but not impaired	**67**	68
Past due 61 to 90 days but not impaired	**25**	14
Past due more than 90 days but not impaired	**50**	33
Past due but not impaired in full	**32**	64
Impaired balance	**84**	156
Impairment provision	**(52)**	(92)
	3 545	3 647
Movement in provision for bad debts and impairments		
Balance at the beginning of the year	**(92)**	(51)
Additional provision raised	**(27)**	(20)
Amounts unused reversed	**12**	16
Amounts used during the year	**54**	7
Held for sale reclassification	**2**	–
Acquired on acquisition of subsidiaries	**(1)**	(44)
Balance at the end of the year	**(52)**	(92)

The group has liens over items sold until full payment has been received from customers. The fair value of collateral held against these loans and receivables is linked to the value of the liens. Furthermore the group has credit insurance to partially cover its exposure to risk on receivables. In addition to the liens over inventories, the group has collateral over other assets of counterparties valued at R294 million (2012: R277 million).

16. FINANCIAL INSTRUMENTS *(continued)*

16.6 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the entity could be required to pay its liabilities earlier than expected.

The group manages liquidity risk by monitoring forecast cash flows and by ensuring that adequate borrowing facilities are available. Cash surpluses and short-term financing needs of manufacturing and sales companies are mainly centralised in central office. These central treasury offices invest net cash reserves on the financial markets, mainly in short-term instruments linked to variable interest rates.

The following table details the group's remaining contractual maturity for its financial liabilities. The table has been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay. The table includes both interest and principal cash flows:

	2013 Rm	2012 Rm
0 to 3 months	**(3 134)**	(3 387)
4 to 12 months	**(580)**	(258)
Year 2	**(1 118)**	(300)
Years 3 to 5	**(1 398)**	(3 320)
After 5 years	**(1 879)**	(207)
	(8 109)	(7 472)

16.7 Treasury risk

A finance forum, consisting of senior executives of the group, meets on a regular basis to analyse currency and interest rate exposure and to review and, if required, adjust the group's treasury management strategies in the context of prevailing and forecast economic conditions.

16.8 Capital risk

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 capital structure of the group consists of debt, which includes the borrowings disclosed in note 21, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

	2013 Rm	2012 Rm
17. INVENTORIES		
17.1 Inventories at cost less provisions		
Consumables and spares	**206**	191
Finished goods and merchandise	**535**	566
Packing materials	**–**	9
Raw materials	**565**	496
Work-in-progress	**84**	105
	1 390	1 367
17.2 Inventories carried at net realisable value	**3**	3
17.3 Amount of write-down of inventories to net realisable value included as an expense during the year	**–**	(1)

	2013 Rm	2012 Rm
18. TRADE AND OTHER RECEIVABLES		
Trade receivables	**2 008**	2 054
Other amounts due	**131**	277
Less: Provision for bad debts	**(52)**	(92)
	2 087	2 239
Related-party receivables (note 31)	**44**	46
Derivative financial assets (note 16)	**52**	7
Trade and other receivables (financial assets)	**2 183**	2 292
Pension fund surplus	**–**	6
Prepayments	**96**	78
Taxation receivable	**11**	11
Value added taxation receivable	**83**	70
	2 373	2 457

The credit period on sales of goods varies based on industry norms. Where relevant, interest is charged at market-related rates on outstanding balances.

Before accepting any new customers, credit risk management performs credit assessments to assess the potential customer's credit potential and credit limit. The credit limits are reviewed on a regular basis as and when increased limits are required. Customers with material balances are subject to additional security requirements or are insured as appropriate.

In determining the recoverability of a customer, the group considers any change in the credit quality of the customer from the date credit was initially granted up to the reporting date.

Given the diverse nature of the group's operations, it does not have significant concentration of credit risk in respect of trade receivables, with exposure spread over a large number of customers. Accordingly, the directors believe that there is no further credit provision required in excess of the provision for bad debts.

No customer represents more than 5% of the total trade receivables at year end.

R50 million (2012: R30 million) of the BCM Holdings group's trade receivables, as well as the applicable insurance policies were ceded in favour of facilities with banks.

The group's exposure to currency and credit risk related to trade and other receivables is disclosed in note 16.3 and 16.5.

19. ASSETS/(LIABILITIES) CLASSIFIED AS HELD FOR SALE

On 21 June 2013, KAP announced the disposal of its food interests, Bull Brand Foods and Brenner Mills. This is in line with the group's approach of focusing on strategic industrial assets within emerging markets. On 23 July 2013, the Competition Commission approved the Bull Brand transaction without conditions, so the effective date of that transaction was 1 August 2013. Approval is still awaited for the Brenner Mills transaction.

These assets are available for immediate sale in their present condition. Management is committed to the sale, which is expected to occur within 12 months of being classified as held for sale.

The carrying amount of total assets held for sale still carried on the statement of financial position is:

	2013 Rm	2012 Rm
Assets		
Intangible assets	**24**	–
Property, plant and equipment	**81**	15
Investments and loans	**4**	–
Inventories	**114**	–
Trade and other receivables	**128**	–
	351	15
Liabilities		
Employee benefits	**(9)**	–
Trade and other payables	**(58)**	–
	(67)	–

	2013 Number of shares	2012 Number of shares
20. ORDINARY STATED SHARE CAPITAL		
20.1 Authorised		
Ordinary shares of no par value	**6 000 000 000**	6 000 000 000
20.2 Stated share capital		
Shares in issue at the beginning of the year	**2 337 254 668**	424 473 657
Shares issued during the year	**8 933 220**	1 912 781 011
Shares in issue at the end of the year	**2 346 187 888**	2 337 254 668

With effect from 1 April 2012, KAP became the legal parent company of Steinhoff's Industrial Assets by acquiring all the shares in Steinhoff's Industrial Assets from Steinhoff Africa Holdings Proprietary Limited. As this was accounted for as a reverse acquisition under IFRS 3, the equity structure in terms of the number of authorised and issued shares in the consolidated financial statements reflects the equity structure of KAP.

Reconciliation of share capital for purposes of accounting for the reverse acquisition in terms of IFRS 3: Business Combinations:

	2013 Rm	2012 Rm	2011 Rm
Opening balance (share premium and share capital)	**858**	900	930
Net shares issued	**1**	–	–
Capital distribution	**–**	(42)	(30)
Legal entity share capital and premium	**859**	858	900
Reverse acquisition adjustment	**5 253**	5 253	5 211
Re-instatement of legal entity share capital as part of reverse acquisition accounting	**858**	858	–
Closing balance	**6 970**	6 969	6 111

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the company.

20.3 Share-based payment

20.3.1 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 thirty days immediately prior to any allocation date) over 20 cents.

Shares were allocated on 1 July of each year until 1 July 2011 after which a new scheme was introduced.

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.

Reconciliation of options granted under the KAP Performance Share Plan	**2013 Options**	2012 Options
Balance at the beginning of the year	**31 504 738**	27 874 965
Options which expired during the year	**(14 449 642)**	(4 678 264)
Granted during the year	**–**	8 308 037
Balance at the end of the year	**17 055 096**	31 504 738

	Rm	Rm
Charged to profit or loss	**1**	1

Assumptions

The option pricing model used is the Black-Scholes model.

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	1 July 2011	1 July 2010	1 July 2009
Exercise price	R0.20	R0.20	R0.20
Volume weighted average price at grant date	R2.47	R2.31	R1.35
Options granted (millions)	8.3	8.7	14.4
Maximum term of option	3 years	3 years	3 years
Volatility	57.0%	64.0%	34.0%
Dividend yield	4.0%	3.0%	3.0%
Risk-free interest rate	6.4%	9.0%	9.0%
Forfeiture rate	1.0%	1.0%	1.0%
Market-related performance expectation	35.0%	35.0%	35.0%
Non-market-related performance expectation	28.8%	29.0%	29.0%

20.3 Share-based payment

20.3.2 KAP Performance Share Rights Scheme

At the annual general meeting of KAP Industrial Holdings Limited on 14 November 2012, a new share incentive scheme was approved and implemented. The share rights granted annually since this meeting are subject to the following scheme rules:

- Rights are granted to qualifying senior executives on an annual basis.
- Vesting of rights occur on the third anniversary of grant date, provided performance criteria as set by KAP's Remuneration Committee at or about the time of the grant date have been achieved.
- In the event of performance criteria not being satisfied by the third anniversary of the relevant annual grant, all rights attaching to the particular grant will lapse.

Reconciliation of rights granted under the KAP Performance Share Rights Scheme	**2013 Rights**	2012 Rights
Balance at the beginning of the year	**–**	–
Granted during the year	**19 699 627**	–
Balance at the end of the year	**19 699 627**	–
	Rm	Rm
Charged to profit or loss	**11**	–

Assumptions

The fair value of services received in return for share rights granted is measured by reference to the fair value of the share rights granted. The estimated fair value of the services received is measured based on the assumption that all vesting conditions are met and all employees remain in service. The pricing model used was the Black-Scholes model. The volatility was estimated using the KAP daily closing share price over a rolling three-year period.

Fair value of share rights and assumptions	2012 grant
Fair value at measurement date	R2.76
Share price at grant date	R3.15
Exercise price	R0.20
Expected volatility	37.9%
Dividend yield	2.5%
Risk-free interest rate	5.4%
Option life	3 years

20.3.3 Steinhoff Share Rights Scheme

For details on the Steinhoff Share Rights Scheme in which the executives of the Steinhoff Industrial assets participate, refer to note 25.

	2013 Rm	2012 Rm
21. INTEREST-BEARING LOANS AND BORROWINGS		
21.1 Analysis of closing balance		
Secured financing		
Capitalised finance lease and instalment sale agreements	**10**	32
Term loans	**45**	63
Phaello senior secured notes	**877**	300
	932	395
Unsecured financing		
Steinhoff Africa Holdings Proprietary Limited (note 31)	**3 242**	3 647
Steinhoff International Holdings Limited and its subsidiaries (note 31)	**2**	–
Unitrans Share Trust (note 31)	**28**	24
Other loans	**58**	72
	3 330	3 743
Total interest-bearing loans and borrowings	**4 262**	4 138
Portion payable before 30 June 2014 included in current liabilities	**(343)**	(338)
Total non-current interest-bearing loans and borrowings	**3 919**	3 800
Current interest-bearing loans and borrowings		
Portion of non-current interest-bearing loans and borrowings payable before 30 June 2014	**343**	338
Other current loans payable	**8**	5
Total current interest-bearing loans and borrowings	**351**	343
21.2 Analysis of repayment		
Repayable within the next year and thereafter		
Next year	**351**	343
Within two to five years	**3 861**	3 557
Thereafter	**58**	216
	4 270	4 116

All loans and borrowings are carried at amortised cost. The fair values of interest-bearing loans and borrowings are disclosed in note 16.

	Facility million	Maturity date	Interest rate	2013 Rm	2012 Rm
21. INTEREST-BEARING LOANS AND BORROWINGS *(continued)*					
21.3 Loan details					
Secured					
Capitalised finance lease and instalment sale agreements	R10	Various	6.5% to 7.4%	**10**	32
Secured hire purchase and lease agreements repayable in monthly instalments over periods of five to eight years. These leases are with various counterparties.					
Term loans					
Loan payable in monthly instalments of R0,4 million.	R24	1 June 2018	SA prime minus 5%	**23**	27
Amortising term loan repayable in quarterly instalments. This loan is secured by a charge over assets with a book value of R28,9 million (BIM = Banco International Mozambique prime rate).	MET28	9 April 2014	BIM plus 1%	**9**	18
Amortising term loan repayable in quarterly instalments of MGA624 million. The loan is secured by the assets purchased that it financed and in addition, €1.1 million guarantee from a bank.	MGA 2 877	17 August 2014	11%	**13**	18
Phaello senior secured notes					
PCF03U	R300	26 March 2016	3 month JIBAR plus 1.65%	**305**	300
PCF04U	R200	1 November 2016	3 month JIBAR plus 1.65%	**202**	–
PCF05U	R370	27 June 2017	3 month JIBAR plus 1.75%	**370**	–

The book value of assets encumbered in favour of the above term loans and finance lease and instalment sales agreements amounts to R837 million (2012: R660 million) together with a bank balance to the value of R519 million (2012: Rnil).

	Facility million	Maturity date	Interest rate	2013 Rm	2012 Rm
21. INTEREST-BEARING LOANS AND BORROWINGS *(continued)*					
21.3 Loan details *(continued)*					
Unsecured					
Amortising term loan	R1 075	15 December 2018	JIBAR plus 3.10%	**1 091**	1 259
The loan is repayable in semi-annual instalments, with the final instalment due on 15 December 2018. The loan is repayable in the following instalments: R100 million in December 2013; R125 million in June 2014; R125 million in December 2014; R125 million in June 2015; R125 million in December 2015; R100 million in June 2016; R100 million in December 2016; R75 million in June 2017; R75 million in December 2017; R75 million in June 2018; R50 million in December 2018.					
Revolving term loan	R1 500	15 December 2016	JIBAR plus 2.85%	**1 520**	1 510
Any portion of the loan is repayable on one month's prior notice by KAP on any interest date in multiples of R10 million. The maturity date is 15 December 2016.					
Medium-term loan	R620	15 December 2014	JIBAR plus 2.60%	**630**	805
Any portion, or the entire loan, is repayable on at least six months prior notice by KAP on any interest date. The maturity date is 15 December 2014.					
Overnight or short-term facility	R650	On demand	5.89%	**1**	73
This loan is repayable on demand. The interest rate is reset when JIBAR changes. It will be reviewed on an annual basis in January.					
Steinhoff International Holdings Limited and its subsidiaries	–	–	various	**2**	-
Unitrans Share Trust	–	–	0.00%	**28**	24
Other loans	–	various	various	**58**	72
				4 262	4 138
Current interest-bearing loans and borrowings					
Other		various	various	8	5
				8	5

	2013 Rm	2012 Rm
22. EMPLOYEE BENEFITS		
Performance-based bonus accrual	**106**	110
Christmas bonus accrual	**45**	43
Leave pay accrual	**91**	90
Post-retirement medical benefits	**5**	10
Other	**21**	23
Total liability	**268**	276
Transferred to short-term employee benefits	**(263)**	(264)
Long-term employee benefits	**5**	12

22.1 Defined contribution plans

The group has various defined contribution plans which employees contribute to. The assets of these schemes are held in administered trust funds separate from the group's assets.

22.2 Post-retirement medical benefits

	2013 Rm	2012 Rm
Balance at the beginning of year	**10**	–
Acquired on acquisition of subsidiaries	**–**	10
Contributions paid	**(1)**	(1)
Interest costs	**–**	1
Liabilities held-for-sale	**(4)**	–
Balance at the end of the year	**5**	10

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

	2013	2012
Healthcare cost inflation	**7.3%**	6.7%
Discount rate	**8.1%**	8.1%
Percentage married at retirement	**90.0%**	90.0%
Retirement age	**63 years**	63 years

	Accident and insurance fund provisions Rm	Closure costs Rm	IFRS 3 contingent liability provision Rm	Other Rm	Total Rm
23. PROVISIONS					
Balance at 1 July 2011	47	17	–	4	68
Additional provision raised	64	61	–	4	129
Amounts unused reversed	(33)	–	–	(1)	(34)
Amounts utilised	(39)	(25)	–	(2)	(66)
Acquired on acquisition of subsidiaries	–	–	69	–	69
Exchange differences on consolidation of foreign subsidiaries	(1)	–	–	–	(1)
Balance at 30 June 2012	**38**	**53**	**69**	**5**	**165**
Additional provision raised	**109**	**8**	**–**	**24**	**141**
Amounts unused reversed	**(37)**	**(4)**	**(10)**	**(3)**	**(54)**
Amounts utilised	**(60)**	**(48)**	**–**	**(3)**	**(111)**
Balance at 30 June 2013	**50**	**9**	**59**	**23**	**141**

	2013 Rm	2012 Rm
Non-current portion	**59**	69
Current portion	**82**	96
	141	165

Accident and insurance fund provisions

The Unitrans group covers its own expenses relating to damages to third-party property or goods transported. The fund relates to accidents that occurred but were not settled at reporting date.

Closure costs

A provision for closure costs is recognised when the group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

IFRS 3 contingent liability provision

A provision for contingent liabilities has been raised based on the IFRS 3 exercise in respect of the acquired assets.

	2013 Rm	2012 Rm
24. TRADE AND OTHER PAYABLES		
Trade payables	**2 207**	1 871
Accruals	**393**	350
Derivative financial liabilities (note 16)	**–**	1
Other payables and amounts due	**322**	246
Related-party payables (note 31)	**15**	26
Trade and other payables (financial liabilities)	**2 937**	2 494
Short-term equalisation of operating lease payments	**2**	1
Taxation payable	**21**	24
Value added taxation payable	**56**	65
	3 016	2 584

The fair value of trade and other payables is disclosed in note 16.

25. SHARE SCHEME SETTLEMENT PROVISION

Certain of the Steinhoff Industrial employees were on the Steinhoff Share Rights Scheme and Executive Share Rights Scheme prior to the reverse acquisition transaction. These employees will retain their benefits which they had prior to the acquisition under this scheme until the schemes are completed.

25.1 Steinhoff Share Rights Scheme

At the annual general meeting of Steinhoff International Holdings Limited on 1 December 2003, a new share incentive scheme was approved and implemented. Share rights granted annually until December 2009 fell under the rules of this scheme. Scheme rules included measurement of share price growth and headline earnings growth over a three-year period against the companies included in the INDI 25 Index, as well as reaching annual incentive bonus targets and continued service conditions.

Only one share grant remained unvested under this scheme and vesting occurred on 1 December 2012. Certain employees did not meet their annual incentive bonus targets, and the majority of rights forfeited during the year relate to these employees.

25.2 Steinhoff Executive Share Right Scheme

At the annual general meeting of Steinhoff International Holdings Limited on 6 December 2010, a new share incentive scheme was approved and implemented. The share rights granted annually since this meeting are subject to the following scheme rules:

- Rights are granted to qualifying senior executives on an annual basis.
- Vesting of rights occur on the third anniversary of grant date, provided performance criteria as set by Steinhoff's remuneration committee at, or about, the time of the grant date have been achieved.
- In the event of performance criteria not being satisfied by the third anniversary of the relevant annual grant, all rights attaching to the particular grant will lapse.

25. SHARE SCHEME SETTLEMENT PROVISION *(continued)*

Reconciliation of rights granted under the Steinhoff share rights schemes	**2013 Rights**	2012 Rights
Balance at the beginning of the year	**7 044 122**	9 763 039
Forfeited during the year	**(1 471 739)**	(3 337 745)
Exercised during the year	**(2 414 623)**	–
Granted during the year	**–**	1 814 530
Transferred in/(out) during the year	**973 081**	(1 195 702)
Balance at the end of the year	**4 130 841**	7 044 122

	Rm	Rm
Charged to profit or loss	**19**	23

Assumptions

The fair value of services received in return for share rights granted is measured by reference to the fair value of the share rights granted. The estimated fair value of the services received is measured based on the assumption that all vesting conditions are met and all employees remain in service. The pricing model used was the Black-Scholes model. The volatility was estimated using the Steinhoff daily closing share price over a rolling three-year period.

Fair value of share rights and assumptions	2011 grant	2010 grant	2009 grants
Fair value at measurement date	R21.30	R19.74	R6.98 to R11.07
Share price at grant date	R23.40	R21.50	R13.96 to R18.84
Exercise price	R0.005	R0.005	R0.005
Expected volatility	28.53%	23.80%	40.93% to 49.80%
Dividend yield	3.20%	2.91%	4.84% to 5.86%
Risk-free interest rate	6.12%	6.41%	7.82% to 8.29%
Option life	3 years	3 years	3 to 3.4 years

Steinhoff share scheme settlement provision affecting equity

Options granted under the Steinhoff Share Schemes are subject to a recharge arrangement whereby the company is required to pay Steinhoff the subscription price of shares granted to employees, equivalent to the quoted market price of such shares on the vesting date when the shares are secured by the company for delivery to the employees less the option subscription price payable by the employees.

This recharge arrangement does not impact on profit or loss, as the share scheme settlement provision is raised through equity.

The fair value of the share scheme settlement provision is determined based on the Black-Scholes model. The fair value of the provision is remeasured at each statement of financial position date and at settlement date. The model inputs at 30 June 2013 were as follows:

	2011 grant		2010 grant	
	2013	2012	**2013**	2012
Share price	**R 22.91**	R 24.65	**R 23.71**	R 24.65
Exercise price	**R 0.005**	R 0.005	**R 0.005**	R 0.005
Term	**17 months**	29 months	**5 months**	17 months
Volatility	**28.5%**	22.2%	**28.5%**	22.2%
Dividend yield	**4.9%**	4.4%	**7.9%**	4.9%
Risk-free interest rate	**5.6%**	5.5%	**5.1%**	5.5%

	2013 Rm	2012 Rm
26. COMMITMENTS AND CONTINGENCIES		
26.1 Capital expenditure		
Contracts for capital expenditure authorised	**414**	218
Capital expenditure will be financed from cash and existing loan facilities.		
26.2 Borrowing facilities		
In terms of the articles of association, the borrowing powers of the company are unlimited.		
26.3 Unutilised borrowing facilities at 30 June	**2 023**	1 469

26.4 Operating leases

	Property Rm	Plant, equipment, vehicles and other Rm	2013 Total Rm	2012 Total Rm
Amounts outstanding under non-cancellable operating lease agreements payable within the next year and thereafter:				
Next year	87	100	**187**	114
Within two to five years	175	214	**389**	248
Thereafter	54	8	**62**	60

Balances denominated in currencies other than South African rands were converted at the closing rates of exchange ruling at 30 June 2013.

26.5 Contingent liabilities

Certain companies in the group are involved in disputes where the outcomes are uncertain. However, the directors are confident that they will be able to defend these actions and that the potential of outflow or settlement is remote and, if not, that the potential impact on the group will not be material.

There is no other litigation, current or pending, which is considered likely to have a material adverse effect on the group.

The group has a number of guarantees and sureties outstanding at year end. However, the directors are confident that no material liability will arise as a result of these guarantees and sureties.

The group has issued cross-suretyships to various banks for the banking facilities available to the group.

26.6 Steinhoff Guarantees

Steinhoff Africa Holdings Proprietary Limited (Steinhoff Africa), has with the assistance of its parent group (Steinhoff International) and certain KAP subsidiaries entered into various funding facilities and programmes, which enabled Steinhoff Africa to provide KAP with a shareholder's financing facility.

The newly acquired subsidiaries of KAP have provided suretyships, guarantees and indemnities in respect of the liabilities of Steinhoff and Steinhoff Africa in respect of pre-existing funding and other funding.

Steinhoff Africa has advised that the aggregate contingent exposure in terms of the suretyships, guarantees and indemnities provided, does not exceed R5 800 million. Steinhoff Africa has also indemnified the new subsidiaries of KAP and has undertaken to hold them harmless against any claim which may be made against them in terms of such suretyships, guarantees and indemnities provided.

Given that the net asset value (NAV) of Steinhoff Africa is significantly higher than the aggregate contingent exposure, that the Steinhoff Group has guaranteed repayment of portions of the pre-existing funding and other funding, the benefits arising from the cost of funding from Steinhoff and the fact that Steinhoff Africa also remains bound as guarantor of some of the existing funding arrangement of the new KAP subsidiaries, KAP has agreed to keep these arrangements in place.

27. JUDGEMENTS AND ESTIMATES

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that 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 that have a significant risk of causing a 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 intangible assets with a finite life and property, plant and equipment are:

Intangible assets

Customer relationship	10 – 20 years
Contracts and licences	Over the term of the contract or project
Software	1 – 3 years

Patents, trademarks, trade names and brand names, which are considered to be well-established growing brands and product lines for which there is no foreseeable limit to the period in which these assets are expected to generate cash flows, are classified as indefinite useful life assets. The classification of such assets is reviewed annually.

Indefinite useful life intangible assets, excluding goodwill, recognised at fair value in business combinations, are expected to generate cash flows indefinitely and the carrying value would only be recovered in the event of disposal of such assets. Accordingly, deferred taxation is raised at the capital gains taxation rate on the fair value of such assets exceeding its taxation base.

Property, plant and equipment

Buildings	5 – 80 years
Bus fleet	5 – 10 years
Computer equipment	2 – 4 years
Long-haul motor vehicles	5 – 10 years
Motor vehicles	4 – 10 years
Office equipment and furniture	3 – 16 years
Plant and machinery	3 – 60 years

The 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 these assets are used.

Consumable biological assets

The fair value of standing timber which has become marketable, is based on the market price of the estimated recoverable timber volumes, net of harvesting costs. The fair value of younger standing timber is based on the present value of the net cash flows expected to be generated by the plantation at maturity.

Impairment of assets

Investments, goodwill, property, plant and equipment, investment property and intangible assets that have an indefinite useful life, and intangible assets that are not yet ready for use 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 these can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation, taxation rates and competitive forces.

Contingent liabilities

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

27. JUDGEMENTS AND ESTIMATES *(continued)*

Contingent assets

Management applies its judgement to the fact patterns and advice it receives from its attorneys, advocates and other advisors in assessing if a receivable is probable, more likely than not, or remote. This judgement application is used to determine if the receivable is recognised as a asset or disclosed as a contingent asset.

Valuation of equity compensation benefits

Management classifies its share-based payment scheme as an equity-settled scheme based on the assessment of its role and that of the employees in the transaction. In applying its judgement, management consulted with external expert advisors in the accounting and share-based payment advisory industry. The critical assumptions as used in the valuation model are detailed in note 20 and 25.

Post-employment benefit obligations

In applying its judgement to defined benefit plans, management consulted with external expert advisors in the accounting and post-employment benefit obligation industry.

Provision for bad debts

The provision for bad debts was based on a combination of specifically identified doubtful debtors and providing for older debtors.

Fair values in business combinations

Management uses valuation techniques to determine the fair value of assets and liabilities acquired in a business combination. Fair value of property, plant and equipment is determine by using external valuations as well as rental return on property.

Although a comprehensive valuation exercise is performed for each business combination, the group applies initial accounting for its business combinations which will allow the group a period of one year after the acquisition date to adjust the provisional amounts recognised for a business combination.

	2013 Rm	2012 Rm
28. CASH GENERATED FROM OPERATIONS		
Operating profit	**1 350**	1 179
Adjusted for:		
Operating (loss)/profit from discontinued operations	**(3)**	8
Depreciation and amortisation	**760**	632
Net of fair value adjustments of consumable biological assets and decrease due to harvesting	**(105)**	(131)
Gain on bargain purchase	**–**	(93)
Share-based payment expense	**31**	23
Other non-cash adjustments	**(4)**	9
Cash generated before working capital changes	**2 029**	1 627
Working capital changes		
Increase in inventories	**(136)**	(11)
(Increase)/decrease in trade and other receivables	**(41)**	185
Decrease in assets held for sale	**15**	–
Increase in net derivative financial assets	**(47)**	(9)
(Decrease)/increase in non-current and current provisions	**(24)**	28
Decrease in non-current and current employee benefits	**–**	(54)
Decrease in deferred government grants	**–**	(1)
Settlement of share scheme settlement provision	**(68)**	–
Increase in trade and other payables	**526**	141
Net changes in working capital	**225**	279
Cash generated from operations	**2 254**	1 906

	2013 Rm	2012 Rm
29. NET CASH FLOW ON BUSINESS COMBINATIONS		
During the current year, the group acquired the businesses of Steitex Proprietary Limited and Fresh Freight Johannesburg and Cape Town.		
The fair value of assets and liabilities assumed at date of acquisition was:		
Assets		
Intangible assets	**5**	63
Property, plant and equipment	**12**	1 081
Investment property	**–**	39
Consumable biological assets	**–**	74
Deferred taxation assets	**–**	28
Intergroup loans	**–**	88
Cash on hand	**–**	43
Liabilities		
Interest-bearing loans and borrowings	**(11)**	(62)
Deferred taxation liability	**(1)**	(77)
Bank overdrafts and short-term facilities	**–**	(300)
Working capital	**2**	698
Non-controlling interests	**–**	(46)
Total assets and liabilities acquired	**7**	1 629
Deemed non-cash consideration in terms of reverse acquisition rules	**–**	(1 357)
Goodwill at acquisition/(gain on bargain purchase)	**30**	(92)
Total consideration	**37**	180
Settled with loan account	**–**	(180)
Cash and cash equivalents on hand at acquisition	**–**	(43)
Net cash outflow/(inflow) on acquisition of subsidiaries	**37**	(43)

	2013 Rm	2012 Rm
29. NET CASH FLOW ON BUSINESS COMBINATIONS *(continued)*		
The carrying value of identifiable assets and liabilities immediately prior to the acquisition was:		
Assets		
Intangible assets	**5**	68
Property, plant and equipment	**12**	933
Investment property	**–**	39
Consumable biological assets	**–**	74
Deferred taxation assets	**–**	28
Intergroup loans	**–**	88
Cash on hand	**–**	43
Liabilities		
Interest-bearing loans and borrowings	**(11)**	(62)
Deferred taxation liability	**(1)**	(61)
Bank overdrafts and short-term facilities	**–**	(300)
Working capital	**2**	791
Non-controlling interests	**–**	(47)
Total assets and liabilities acquired	**7**	1 594

	2013 Rm	2012 Rm
30. NET CASH FLOW ON DISPOSAL OF SUBSIDIARIES AND BUSINESSES		
The carrying values of assets and liabilities disposed of at the date of disposal were:		
Assets		
Deferred taxation assets	**–**	9
Inventories	**4**	–
Trade and other receivables	**6**	13
Cash on hand	**1**	–
Liabilities		
Interest-bearing loans and borrowings	**(4)**	(22)
Trade and other payables, related-party payables and provisions	**(7)**	–
Carrying value of assets and liabilities disposed	**–**	–
Profit on disposal	**–**	–
Proceeds on disposal	**–**	–
Cash and cash equivalents on hand at disposal	**(1)**	–
Net cash outflow on disposal of subsidiaries	**(1)**	–

31. RELATED-PARTY TRANSACTIONS

Related-party relationships exist between shareholders, subsidiaries, joint-venture companies and associate companies within the group.

These transactions are concluded at arm's length in the normal course of business. All material intra-group transactions are eliminated on consolidation.

Trading transactions and balances

The following is a summary of material transactions with related-parties, associate companies and joint-venture companies during the year and receivables and payables balances at year end:

	2013 Rm	2012 Rm
Related-party loans payable:		
Steinhoff International Holdings Limited and its subsidiaries	**(3 272)**	(3 671)
Related-party receivables:		
JD Group Limited and its subsidiaries	**44**	38
Steinhoff International Holdings Limited and its subsidiaries	**–**	8
	44	46
Related-party payables:		
JD Group Limited and its subsidiaries	**–**	(4)
Steinhoff International Holdings Limited and its subsidiaries	**(15)**	(22)
	(15)	(26)
Share-scheme settlement provision:		
Steinhoff International Holdings Limited and its subsidiaries	**(68)**	(103)
Dividends paid to:		
Steinhoff International Holdings Limited and its subsidiaries	**(87)**	(298)
Sales to:		
JD Group Limited and its subsidiaries	**190**	75
Steinhoff International Holdings Limited and its subsidiaries	**–**	2
	190	77
Net operating fees, including administration and management fees, received from/(paid to):		
Steinhoff International Holdings Limited and its subsidiaries	**18**	(12)
Net rent received from/(paid to):		
JD Group Limited and its subsidiaries	**4**	(1)
Steinhoff International Holdings Limited and its subsidiaries	**(17)**	2
	(13)	1
Net rebates and settlement discounts received from/(paid to):		
JD Group Limited and its subsidiaries	**(14)**	(4)
Steinhoff International Holdings Limited and its subsidiaries	**–**	97
	(14)	93
Net finance costs paid to:		
JD Group Limited and its subsidiaries	**–**	(2)
Steinhoff International Holdings Limited and its subsidiaries	**(291)**	(292)
	(291)	(294)
Property sales (proceeds):		
Steinhoff International Holdings Limited and its subsidiaries	**48**	–

	Ownership 2013 %	Ownership 2012 %
32. MATERIAL SUBSIDIARIES		
KAP Manufacturing Proprietary Limited (previously known as Feltex Holdings Proprietary Limited)	**100**	100
Feltex Fehrer Proprietary Limited	**74**	74
PG Bison Holdings Proprietary Limited	**100**	100
PG Bison Limited	**100**	100
Unitrans Holdings Proprietary Limited	**100**	100
Unitrans Supply Chain Solutions Proprietary Limited	**100**	100
Unitrans Passenger Proprietary Limited	**100**	100

	Basic R	Company contributions R	Bonuses R	Other benefits R	Total R
33. DIRECTORS' REMUNERATION					
EXECUTIVE DIRECTORS					
2013					
Karel Johan Grové	**3 930 750**	**569 250**	**3 072 000**	**–**	**7 572 000**
John Peter Haveman	**1 620 272**	**321 225**	**–**	**58 503**	**2 000 000**
	5 551 022	**890 475**	**3 072 000**	**58 503**	**9 572 000**
2012					
Paul Cornelis Thomas Schouten[1;2]	1 747 504	426 400	1 624 953	46 729	3 845 586
Karel Johan Grové[3;4]	592 569	96 382	–	–	688 951
John Peter Haveman[2]	1 404 497	315 013	870 841	58 503	2 648 854
	3 744 570	837 795	2 495 794	105 232	7 183 391

1 Resigned on 25 April 2012

2 Paid by KAP Industrial Holdings Limited

3 Appointed on 25 April 2012

4 Paid by Unitrans Holdings Proprietary Limited

	2013 R	2012 R
33. DIRECTORS' REMUNERATION *(continued)*		
NON-EXECUTIVE DIRECTORS		
Daniel Maree van der Merwe [1]	**223 429**	110 500
Karl Ernst Schmidt	**–**	227 692
Ulrich Schäckermann	**–**	139 544
Christiaan Johannes Hattingh van Niekerk	**177 179**	19 233
Andries Benjamin la Grange [1]	**177 179**	19 233
Jacob de Vos du Toit	**434 178**	11 181
Patrick Keith Quarmby	**352 179**	2 308
Stephanus Hilgard Müller	**255 850**	956
Claas Edmund Daun [2]	**–**	189 716
Markus Johannes Jooste [1]	**177 179**	88 000
Johannes Bhekhumuzi Magwaza	**301 371**	215 000
Sandile Hopeson Nomvete	**255 850**	140 500
Fried Möller[3]	**–**	87 340
Ipeleng Nonkululeko Mkhari	**219 179**	113 500
	2 573 573	1 364 703

[1] Paid to Steinhoff International Holdings Limited as management fees

[2] Paid to Daun & Cie AG

[3] Paid to KAP Textile Holdings Limited

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

		Effective date – annual periods commencing on or after

34. NEW ACCOUNTING PRONOUNCEMENTS

At the date of authorisation of these annual financial statements, there are standards and interpretations in issue but not yet effective. These include the following standards and interpretations that have not been early adopted and may have an impact on future financial statements:

IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 19	Employee Benefits	1 January 2013
IAS 27	Separate Financial Statements	1 January 2013
IAS 28	Investments in Associates and Joint Ventures	1 January 2013
IAS 32	Financial Instruments: Presentation: Offsetting financial assets and financial liabilities	1 January 2013
IAS 36	Impairment of Assets: Recoverable amount disclosures for non-financial assets	1 January 2014
IAS 39	Financial Instruments: Recognition and Measurement: Novation of derivatives and continuation of hedge accounting	1 January 2014
IFRIC 21	Levies	1 January 2014

34.1 IFRS 9

In October 2010, the IASB issued an expanded and amended version of IFRS 9: Financial Instruments (IFRS 9). The statement addresses the classification and measurement of financial assets and financial liabilities. The new standard enhances the ability of investors and other users of financial information to understand the accounting of financial assets and financial liabilities and aims to reduce complexity. As the entire statement has not been finalised (e.g. hedge accounting), the group will first assess the standard in its entirety before adopting it.

34.2 IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28

In May 2011, the IASB issued IFRS 10: Consolidated Financial Statements (IFRS 10), IFRS 11: Joint Arrangements (IFRS 11) and IFRS 12: Disclosure of Interest in Other Entities (IFRS 12). These statements supersede IAS 27: Consolidated and Separate Financial Statements (IAS 27), IAS 28: Investments in Associates (IAS 28), IAS 31: Interest in Joint Ventures (IAS 31), SIC 12: Consolidation – Special Purpose Entities and SIC 13: Jointly Controlled Entities – Non–monetary Contributions by Venturers. In June 2012, the IASB published amendments to the transition guidance of IFRS 10, IFRS 11 and IFRS 12, these amendments will be adopted with the relevant IFRS. These IFRS redefine the principles of consolidation and the methods of consolidation. The group is in the process of compiling the information required by these standards and analysing the impact of the standards. The standards will be adopted in the next financial year.

34.3 IFRS 13

In May 2011, the IASB issued IFRS 13: Fair Value Measurement (IFRS 13). This IFRS defines fair value, provides a single framework for measuring fair value and requires disclosures about fair value measurement. The standard applies to other IFRS that require or permit fair value measurements or disclosures about fair value measurements. The group is in the process of analysing the impact of the standard. This standard will be adopted in the next financial year.

34.4 IAS 19 (revised)

In June 2011, the IASB revised IAS 19: Employee Benefits. The revision eliminates the corridor method (deferral of gains and losses on measurement of the defined benefit liability) in order to improve comparability and faithfulness of presentation. The revision streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring the remeasurements to be presented in other comprehensive income thereby separating these changes from those of the entity's day-to-day operations. The group is in the process of analysing the impact of the standard. This standard will be adopted in the next financial year.

34. NEW ACCOUNTING PRONOUNCEMENTS *(continued)*

34.5 IAS 32 (revised)

In December 2011, the IASB issued amendments to IAS 32: Financial Instruments: Presentation (IAS 32) and IFRS 7: Financial Instruments: Disclosures (IFRS 7). The amendment requires entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards, and the related net credit exposure. This information will help investors to understand the extent to which an entity has set off in its statement of financial position and the effects of rights of set-off on the entity's rights and obligations. The group does not expect any changes upon the adoption of this standard. This standard will be adopted in the next financial year.

34.6 IAS 36 (revised)

In May 2013, the IASB issued amendments to IAS 36: Impairment of Assets (IAS 36). The amendment published clarify the IASB's intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. The group does not expect any changes upon the adoption of this standard. This standard will be adopted by the effective date.

34.7 IAS 39 (revised)

In June 2013, the IASB issued amendments to IAS 39: Financial Instruments: Recognition and Measurement (IAS 39). The amendment will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. The group is in the process of evaluating the impact the amendments will have on the group. This standard will be adopted by the effective date.

34.8 IFRIC 21

In May 2013, the IASB issued a new interpretation which clarifies that the obligating event (as defined in IAS 37: Provisions, Contingent Liabilities and Contingent Assets) that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The group is in the process of evaluating the impact the interpretation will have on the group. This standard will be adopted by the effective date.

ANNEXURE A
SHAREHOLDERS' PROFILE
as at 30 June 2013

	2013		2012	
	No of shares	**%**	No. of shares	%
Directors of the company				
J de V du Toit	**500 000**	**0.021**	–	–
JP Haveman	**331 954**	**0.014**	–	–
SH Müller	**300 004**	**0.013**	–	–
Subtotal	**1 131 958**	**0.048**	–	–
Directors of subsidiaries of the group				
GF Nortje	**56 119**	**0.002**	–	–
UMG Frigerio	**361 642**	**0.015**	–	–
M Balladon	**2 317 916**	**0.099**	2 000 000	0.09
C van der Schyff	**57 048**	**0.002**	–	–
P White	**1 360 867**	**0.058**	1 004 950	0.04
SL Bird	**161 403**	**0.007**	–	–
B Pollock	**534 637**	**0.023**	150 000	0.01
N Whitehead	**143 771**	**0.006**	–	–
GS Litkie	**–**	**–**	2 135 051	0.09
Total	**6 125 361**	**0.260**	5 290 001	0.23

	2013			
Public/non-public shareholding	**No. of shareholders**	**%**	**No. of shares**	**%**
Steinhoff International Holdings Limited [1]	**1**	**0.03**	**1 449 561 154**	**61.78**
Directors of the company and its subsidiaries	**11**	**0.36**	**6 125 361**	**0.26**
Non-public shareholders	**12**	**0.39**	**1 455 686 515**	**62.04**
Public shareholders	**3 082**	**99.61**	**890 501 373**	**37.96**
Total	**3 094**	**100.00**	**2 346 187 888**	**100.00**

	2013	
Breakdown of beneficial shareholders holding 1% or more [2]	**No. of shares**	**%**
Steinhoff International Holdings Limited [1]	**1 449 561 154**	**61.78**
Allan Gray	**163 036 759**	**6.95**
Investec	**118 492 030**	**5.05**
Government Employees Pension Fund	**100 572 405**	**4.29**
Sanlam	**56 354 734**	**2.40**
Eskom Pension and Provident Fund	**46 588 058**	**1.99**
Investment Solutions	**32 170 353**	**1.37**
Metal and Engineering Industries Fund	**31 597 721**	**1.35**
Transnet Pension Fund	**24 981 596**	**1.06**
Total	**2 023 354 810**	**86.24**

	2013	
Breakdown of institutional shareholders holding 1% or more	**No. of shares**	**%**
Investec Asset Management	**371 098 219**	**15.82**
Allan Gray Asset Management	**308 812 994**	**13.16**
Public Investment Corporation	**72 573 912**	**3.09**
Sanlam Investment Management	**52 882 798**	**2.25**
Total	**805 367 923**	**34.32**

1 Shares held via Ainsley Holdings Proprietary Limited, a subsidiary of Steinhoff Africa Holding Proprietary Limited.

2 During September 2012, Daun & Cie AG sold 136 366 623 shares, reducing its shareholding in the Company from 7.11% to 1.27% as at 28 September 2012. Subsequent to these transactions Daun & Cie AG further reduced its shareholding in the Company to nil as at 30 June 2013.

SPECIAL RESOLUTIONS
passed during the year ended 30 June 2013

Authorisation for:

1. KAP International Holdings Limited

   Registration number 1978/000181/06

   Resolutions passed at the annual general meeting of shareholders held on 14 November 2012:

   - The remuneration of the non-executive directors for the period from 14 November 2012 to the date of the 2013 annual general meeting.
   - The acquisition by the company and any of its subsidiaries of shares issued by the company.
   - The provision by the company of financial assistance to any related or inter-related company , in accordance with the provisions of Section 25(3) (a)(ii) of the Companies Act No. 71 of 2008, as amended (" the Companies Act ").
   - The change of name of the company on 6 December 2012 to KAP Industrial Holdings Limited.
   - The adoption of a replacement Memorandum of Incorporation in compliance with the provisions of the Companies Act and the Listings Requirements of the JSE Limited.

2. Group subsidiaries

   Specific special resolutions:

   - The change of name on 7 November 2012 of Aramex SA Proprietary Limited registration number 2002/011048/07 to Unitrans Freight and Logistics Financing Proprietary Limited.
   - The sale on 23 July 2012 by Moxwood Proprietary Limited registration number 1980/004035/07 to Bravo Group Manufacturing Proprietary Limited of component assets.
   - The change of name on 16 April 2013 of Steinhoff Southern Cape Proprietary Limited registration number 1957/001327/07 to PG Bison Southern Cape Proprietary Limited.
   - The change of name on 7 November 2012 of Dano Textile Industries Proprietary Limited registration number 1951/003269/07 to Glodina Proprietary Limited .
   - The change of name on 2 January 2013 of SHF Raw materials Proprietary Limited registration number 1988/070308/07 to KAP Raw Materials Proprietary Limited.
   - The change of name on 8 February 2013 of Feltex Holdings Proprietary Limited registration number 1957/001891/07 to KAP Manufacturing Proprietary Limited.

   General special resolutions:

   - During the period under review, shareholders of a number of group subsidiaries passed/renewed special resolutions in accordance with the provisions of Section 45(3) (a)(ii) of the Companies Act of South Africa, authorising the provision of direct or indirect financial assistance to related or inter-related companies.
   - In addition, shareholder approval, by way of special resolutions, was granted for the adoption of a new Memoranda of Incorporation for group subsidiaries, in compliance with the requirements of the Companies Act.

SHAREHOLDERS' DIARY

Annual general meeting 2013	Monday, 18 November 2013 at 12:30
Announcement of interim results	February 2014
Announcement of annual results and anticipated declaration of dividend/distribution	August 2014
Annual general meeting 2014	November 2014

CORPORATE INFORMATION

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2018

Registration number
1978/000181/06

Share code
KAP

ISIN
ZAE000171963

Company secretary
Steinhoff Africa Secretarial Services
Proprietary Limited
28, Sixth Street, Wynberg, Sandton 2090
PO Box 1955
Bramley
2018

External auditors
Deloitte & Touche

Sponsor
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