KAP

Integrated into every day












Integrated Report 2016

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KAP Industrial Holdings Limited is a JSE-listed diversified industrial group consisting of logistics and manufacturing businesses.

KAP provides contractual **logistics services** for bulk commodities like fuel, cement, agriculture and food, using specialised transport equipment under the Unitrans brand. **Personnel, commuter, tourist** and **intercity passengers** are transported through a range of brands, including Megabus, Mega Coach, Greyhound and Citiliner.

KAP also **manufactures a broad range of products** in large-scale, state-of-the-art factories that supply to industrial and retail customers. Products include timber; chipboard and medium-density fibreboard (MDF); polyethylene terephthalate (PET), which is used to make plastic packaging; automotive components and accessories used in all major car brands; and bedding products.

Key performance objectives

The group's strategy provides the divisional businesses with guiding principles and direction to enable them to formulate and implement their business plans, in order to achieve challenging performance objectives.

Profitable revenue growth

The group aims to grow revenue in a responsible and sustainable manner through mutually beneficial long-term partnerships with strategic customers. Revenue growth will be achieved through expansion of existing operations, products and services, growth in market share and entry into new markets.

READ MORE Unitrans **page 66**

READ MORE Feltex **page 72**

Solid returns on capital employed

Long-term contracts, owning strategic industrial properties and key raw materials, and a continued focus on driving efficiencies sustain the long-term cost structures of the group and support sustainable and improved returns on capital employed.

READ MORE Safripol and Lucerne **page 15, 28**

Strong cash generation

Operational strategies are directed towards cash generation and growth is focused towards investment in businesses with consistent strong cash flows.

Disciplined execution of the group's strategy has resulted in ...

Revenue from continuing operations increased by **4%** to **R16.2bn**

Operating profit from continuing operations increased by **19%** to **R2.0bn**

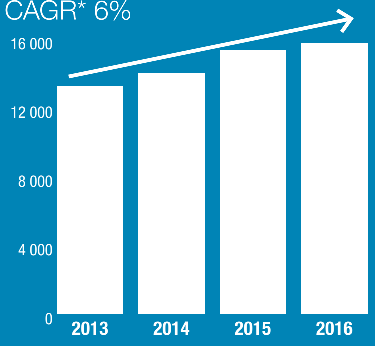
Headline earnings per share from continuing operations increased by **18%**

Cash generated from operations increased by **44%**

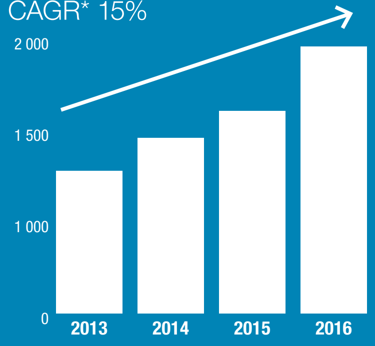
Dividend per share increased by **20%**

R4.1bn
Safripol acquisition after 30 June 2016•

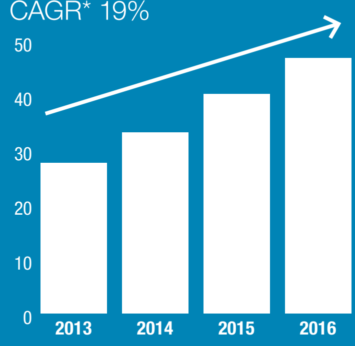
Revenue (Rm)
CAGR* 6%



Operating profit (Rm)
CAGR* 15%



HEPS (cents)
CAGR* 19%



*• Subject to regulatory approvals * Compound annual growth*

The group's performance objectives are realised through five strategic drivers

1 Market leadership

KAP's businesses are either market leaders or have the ability to be, through market share growth in their specific industry sectors.

High barriers to entry

The group's significant experience, scale and specialisation provide a competitive advantage in highly regulated industries. Access to key raw materials, licences to operate, specialist skills and expertise, and benefits derived from economy of scale, contribute to higher barriers to entry.

Adding value through specialisation

The group is focused on adding value to its customers through the provision of value-added products and services, thereby mitigating some degree of risk against the volume and price pressures inherent in the commodity markets.

Industry diversification

The group is diversified across various industries, market sectors and its product and/or service mix. This diversity enables the group to manage concentration risk and provides a level of protection to stabilise margins.

Leveraging our African base

Operations are positioned towards servicing customers in emerging markets, with a specific focus on sub-Saharan African countries. The group leverages its industry knowledge and expertise of African markets to provide a competitive advantage.

Diversified logistics

48% of total group revenue

Revenue for the diversified logistics segment **increased to R7 899 million** for the period. The operating profit of the diversified logistics segment **increased by 14% to R1 006 million** from R880 million.

Diversified industrial

52% of total group revenue

Revenue for the diversified industrial segment **increased by 7% to R8 440 million** for the period. The operating profit of the diversified industrial segment **increased by 24% to R978 million** from R786 million.

Contractual logistics	**36%**
Passenger transport	**12%**

Integrated timber	**17%**
Chemical	**18%**
Automotive components	**9%**
Integrated bedding	**8%**

Contractual logistics

Specialised contractual supply chain and logistics services

Passenger transport

Personnel, commuter, intercity and tourist transport

Integrated timber

Forestry and timber manufacturing operations with primary and secondary processing

Chemical

Manufacture of PET, resin and formaldehyde

Automotive components

Manufacture of components used in new vehicle assembly and retail aftermarket vehicle accessories

Integrated bedding

Manufacture of foam, fabrics, springs, bases and mattresses

DIVERSIFIED LOGISTICS

Contractual logistics

Contributing **36%** of total group revenue

R5.9bn

Operating profit increased by

13%

Passenger transport

Contributing **12%** of total group revenue

R2.0bn

Operating profit increased by

17%

DIVERSIFIED INDUSTRIAL

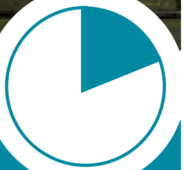
Integrated timber

Contributing **17%** of total group revenue

R2.9bn

Operating profit increased by

13%



Chemical

Contributing **18%** of total group revenue

R3.1bn

Operating profit increased by

29%

Automotive components

Contributing **9%** of total group revenue

R1.6bn

Operating profit increased by

29%

Integrated bedding

Contributing **8%** of total group revenue

R1.4bn

Operating profit increased by

58%

Reports to stakeholders

"The group's results for the year reflect the disciplined execution of KAP's strategy."

Jaap du Toit – Independent non-executive chairman

Since the formation of the 'new' KAP in 2012, the group has focused on the disciplined execution of its strategy, which has involved the disposal of non-core businesses, the rationalisation of remaining operations, organic expansion activities, and the acquisition of complementary businesses. The cumulative effect of this strategy execution is reflected in the 2016 results.

Since all major disposal and rationalisation activities are now complete, KAP is well positioned with strategically aligned cash generative businesses and a strong balance sheet, to take advantage of growth opportunities that are likely to present themselves in the current challenging economic environment.

Year under review

I am pleased with the company's performance for the year under review. Revenue from continuing operations increased by 4%, while operating profit before capital items from continuing operations increased by 19%. The improvement in operating margin is the result of management's disciplined focus on improving the quality of revenue and rationalising the company's cost base. Management of the balance sheet was sound in terms of the capital/debt structure, strategic investment in assets and working capital management. Particularly pleasing was the cash generated from operations, which increased by 44% and positions the company well in terms of funding its operations and expansion plans.

The company concluded the acquisition of Autovest Limited during the year, which brings scale and diversification to the automotive components division and provides a platform for further growth.

Management efforts around acquisitions during the year were rewarded with the acquisitions of Safripol Holdings Proprietary Limited ('Safripol') (subject to regulatory approvals) and Lucerne Transport Proprietary Limited ('Lucerne') that will be effective after 30 June 2016. The acquisition of Safripol for R4.1 billion is particularly exciting in terms of the scale that it brings in respect of KAP's balance sheet and the exposure to the chemical sector.

Corporate governance

During the year, John Haveman resigned from the board after 10 years with the company in order to pursue his own interests. I express my sincere gratitude to John for his loyalty and service to the company, and for his assistance in facilitating an orderly transition to Frans Olivier, who replaced John as chief financial officer on 15 April 2016. There were no other changes to the board during the year. The board of directors and its various subcommittees continued to function effectively during the year.

I express my sincere gratitude to each of my fellow directors for their service and contribution to the board and various subcommittees of the board.

Corporate social responsibility

The company continued to pursue a sound and balanced approach to its corporate social responsibilities and the impact that its operations have on its various stakeholders and the environment.

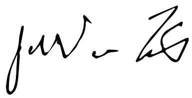
Significant focus was placed on the new broad-based black economic empowerment (B-BBEE) codes of good conduct during the year and the impact that the various changes to these codes would have on the operating divisions. The company remains committed to the principles of B-BBEE and continues to pursue a balanced approach to the transformational impact thereof.

Significant focus was also placed on training and development in the company, from executive level through to general employees. Our ability to employ, train and retain critical skills is a priority in our highly specialised industries and sectors. Technical skills at the right level have become a scarce commodity and, throughout the group, we endeavour to train and retain those employees who keep the group operationally active. The management of people is an important responsibility and it is imperative to ensure that we are sufficiently investing in our people.

Our engagements with communities continued to yield productive and mutually beneficial results.

Prospects

I am excited about the company's prospects despite the economic and political challenges that we face. The management team has shown strong discipline in the execution of its strategy, which has led to exciting expansion opportunities and strategic acquisitions. These provide a strong platform for the continued growth of the company.



Jaap du Toit
Independent non-executive chairman

"Continued focus on optimising existing operations, organic expansion activities and the acquisition of complementary businesses resulted in solid earnings growth."

Gary Chaplin – Chief executive officer

Corporate review

The year under review saw further alignment and expansion of the group and its operations to strengthen its position as a diversified logistics and industrial group predominantly located in and focused on doing business in African markets.

The group remains focused on providing sustainable value to our shareholders through three core objectives – to grow profitable revenue, to generate solid returns on capital employed and to maintain strong profit-to-cash conversion. These objectives are enabled and supported by the five strategic drivers discussed in more detail below. These drivers provide competitive advantage to the company and act as a guideline to direct strategy formulation and implementation by the businesses within the group.

Market leadership

KAP strives to be the leader in the various markets served by its diversified portfolio of businesses. We believe that market leadership provides for economy of scale and for the accumulation of specialist skills that allow us to better serve our customers and grow our businesses.

High barriers to entry

KAP strives to protect its investments and revenue stream through entering markets with high barriers to entry. The company therefore operates in industries where access to key resources, specialist intellectual property, licences, technologies and the like are key to providing products and services. Our continuous investment in latest technology infrastructure and assets provides the base from which we deliver world-class products and services at sustainable margins to our customers. The group's high level of specialist skills, experience and scale provides further competitive advantage, illustrated by our consistent delivery on customer expectations, often in highly regulated environments.

Diversification

KAP has positioned itself in various businesses that are diversified across industries, market sectors, products, services and currencies in order to sustain consistent performance through business cycles. The group is also diversified from a geographic perspective, with locations in 13 African countries, which further balances the impact of macro-economic factors.

Adding value through specialisation

KAP strives to protect and enhance operating margins by focusing on the provision of specialised and value-added products and services in all upstream and downstream processes. Our management teams work constantly on continuous improvement programmes in order to further enhance the margin and high barrier to entry nature of these processes.

Leveraging our African base

KAP is represented with a footprint in 13 African countries, which it has grown in association with existing clients and multinationals in order to manage the risks of entering new territories and to provide a sustainable revenue base. This model and the existing footprint provides a platform for further growth and expansion in the region. Return on investment hurdle rates and cash management policies are applied in order to compensate for potential risks associated with doing business in certain territories.

Year under review

Revenue from continuing operations increased by 4% to R16 232 million from R15 664 million. Operating profit before capital items from continuing operations increased by 19% to R1 984 million from R1 666 million. Operating margin increased to 12.2% from 10.6% as a result of an improvement in the quality of revenue and the rationalisation of the group's cost base.

Diversified logistics

Revenue for the diversified logistics segment increased marginally to R7 899 million for the period, despite the lower average fuel price that is contractually passed on to customers and that has the effect of reducing revenue. The operating profit of the diversified logistics segment increased by 14% to R1 006 million from R880 million.

The consolidation and rationalisation of the Unitrans Supply Chain Solutions ('Unitrans') operations into a single contractual logistics division was successfully concluded during the year. This facilitated growth within specific industry sectors, further optimising the utilisation of assets and infrastructure, and resulting in enhanced operating efficiencies. This provided the platform for the reallocation of capital towards higher return activities and the reduction in overhead costs, which improved operating margins.

Unitrans produced growth in the food, petrochemical and infrastructure sectors. Subdued activity in the mining and agriculture sectors was well managed, with strong focus on cost containment and fleet utilisation.

The passenger transport division performed well with the commuter, intercity and Gautrain bus feeder operations offsetting low passenger activity in the mining sector. Activity in the tourism sector showed improvement and operations in Mozambique continued to perform well. The division benefited from lower average fuel prices in certain sectors.

Diversified industrial

Revenue for the diversified industrial segment increased by 7% to R8 440 million for the period. The operating profit of the diversified industrial segment increased by 24% to R978 million from R786 million.

The integrated timber division improved revenue and operating margin as a result of its recent MDF expansion, continued focus on its value-add strategy and a significant improvement in its sawmilling operations.

Similarly, the chemical division showed good revenue growth and operating margin improvement. Woodchem benefited from strong market share gains and successfully commissioned its paper impregnation plant. Hosaf continued to operate at full capacity. While revenue remained flat, operating margin at Hosaf was supported by stable international PET margins and by improved operational efficiencies and reduced operating costs.

The company concluded the acquisition of Autovest Limited during the year. Autovest is engaged in the manufacture of automotive accessories that are sold in the retail aftermarket via franchised fitment centres, which gives the automotive components division exposure to the broader retail aftermarket that includes the sale of both imported and domestically assembled vehicles. The Autovest operations performed well during the three months since acquisition, and good progress was made with its integration into the group. In the existing automotive components operations, investments in technology upgrades and continuous improvement projects, associated with new model introductions, have resulted in a good performance by Feltex.

In the integrated bedding division, operating margin improvement resulted from continued integration efficiency and cost-saving initiatives. Restonic performed well, while the Vitafoam and DesleeMattex operations both showed strong improvement. The division made significant progress in the implementation of its strategy of decentralised mattress assembly and distribution.

Outlook

Management continues to focus on optimising and expanding its existing operations and on growing its market share in all areas of operation. Management remains optimistic that these activities will provide a solid platform for continued growth of the group, despite the current challenging economic environment.

In the diversified logistics segment, certain key contracts were renewed during the year and a healthy volume of new contracts was secured, providing strong momentum for FY2017. It is expected that improved efficiencies and significantly reduced costs resulting from the rationalisation of this division will result in further contract renewals, extensions and the procurement of additional contracts in the sectors within which the group operates.

In the diversified industrial segment, the momentum of existing operations is expected to continue during FY2017. This will be supported by the acquisition of Autovest and certain expansion projects implemented during FY2016. These projects include PG Bison's high-gloss line and the Woodchem paper impregnation plant. Certain key projects, including, among others, the expansion of the Hosaf PET operation the upgrade of the PG Bison Piet Retief particleboard line and the construction of the new integrated bedding factory, are progressing on schedule.

Acquisitions concluded after 30 June 2016

The group continues to pursue acquisition opportunities in accordance with its strategy. To this end, the group has concluded the following transactions subsequent to 30 June 2016:

Safripol Holdings Proprietary Limited ('Safripol')

The group concluded a transaction, subject to certain conditions precedent, whereby KAP will acquire 100% of the equity and claims in Safripol for R4.1 billion, effective 1 January 2017. Safripol manufactures polypropylene and high-density polyethylene, which are used in the manufacture of a broad range of plastic injection and blow-moulded products. This business operates with a similar business model to that of Hosaf, and produces products that are complementary to those of Hosaf.

Lucerne Transport Proprietary Limited ('Lucerne')

KAP will acquire 100% of the equity and claims in Lucerne, effective 1 September 2016. Lucerne's operations are complementary to those of Unitrans, specifically in terms of bulk liquid tanker transport of chemicals and edible oils.

Transformation

In addition to its shareholders, KAP has various other stakeholders, including its employees, suppliers, customers and the communities located in the areas within which its businesses operate. The company addresses the interests of these stakeholders primarily through the broad-based black economic empowerment (B-BBEE) framework, which it believes is the most effective and regulated mechanism to contribute to the challenges and opportunities within the South African economy.

Appreciation

KAP is made up of a number of quality businesses that are managed and operated by loyal and dedicated staff. On behalf of the board of directors I express my sincere gratitude to these individuals for their ongoing commitment to the company, and to our shareholders, business partners and other stakeholders for their continued support.

Gary Chaplin
Chief executive officer

"The group continues to improve performance through focused investment."

Frans Olivier – Chief financial officer

Key metrics	**FY16**	FY15	Improvement
Revenue (Rm)*	16 232	15 664	4%
Operating profit before capital items (Rm)*	1 984	1 666	19%
Operating margin* (%)	12.2	10.6	160 bps
Headline earnings (Rm)*	1 163	969	20%
Headline earnings per share (cents)*	47.8	40.6	18%
Cash generated from operations (Rm)	3 285	2 275	44%
Gearing (%)	24	27	300 bps
Net asset value per share (cents) as at 30 June	355	320	11%

** Continuing operations*

READ MORE
Financial statements, **page 93**

During the year under review the group continued to grow through investment in strategically aligned, established businesses and operations with high barriers to entry that enhance the group's quality of earnings in respect of solid margins and strong cash conversion. The implementation of KAP's strategy resulted in revenue growth of 4% to R16 232 million and operating profit before capital items growth of 19% to R1 984 million. Increased profitability resulted in margins increasing to 12.2% from 10.6%.

The group acquired the business of Autovest Limited ('Autovest') effective 1 April 2016, in line with the group's strategy to invest in businesses with strong cash generation that are market leaders in the industry they operate in.

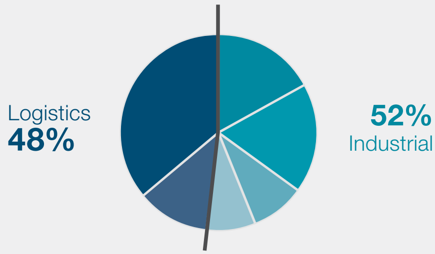
Income statement

Revenue

KAP's FY16 group revenue remained well balanced, as illustrated in **figure 1**. The diversification of revenue protects the group from volatility in specific markets. Diversification is achieved across various industries, market sectors, territories and also in terms of product and service mix.

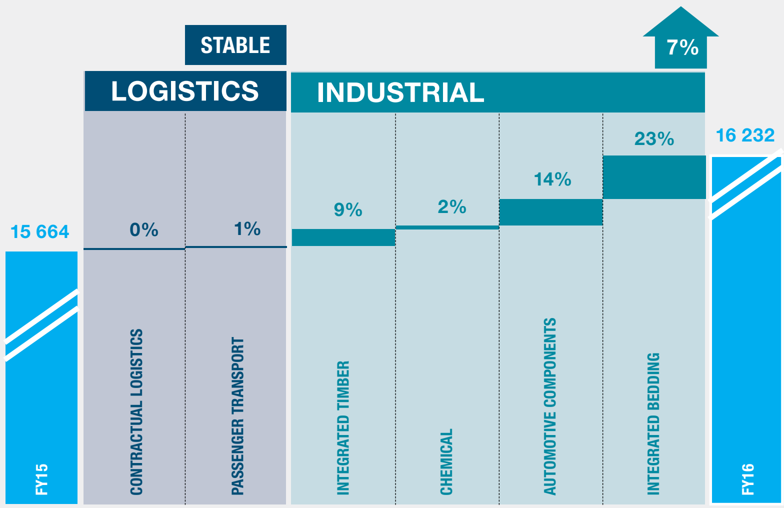
Revenue for the diversified logistics segment increased to R7 899 million for the period, while the diversified industrial segment revenue increased to R8 440 million through good organic growth. Revenue includes 12 months of Restonic, acquired on 2 January 2015, and three months of Autovest. Revenue growth by segment is illustrated in **figure 2**.

Fig. 1 Revenue per division



Contractual logistics	36%
Passenger transport	12%
Integrated timber	17%
Chemical	18%
Automotive components	9%
Integrated bedding	8%

Fig. 2 Revenue analysis (Rm)



Operating profit

The operating profit for the group increased by 19% from R1 666 million to R1 984 million, as highlighted in more detail in **figure 3**. The operating profit of the diversified logistics segment increased by 14% to R1 006 million from R880 million, resulting in margins increasing to 12.7% from 11.2%. The operating profit of the diversified industrial segment increased by 24% to R978 million from R786 million, resulting in margins increasing to 11.6% from 10.0%.

This has been the fourth consecutive year of operating margin expansion as is highlighted in **figure 4**.

Fig. 3 Operating profit analysis (Rm)

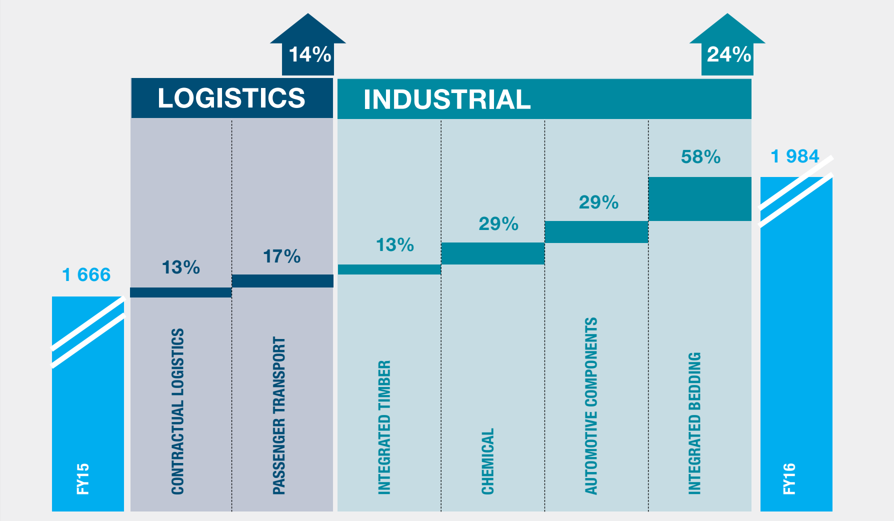
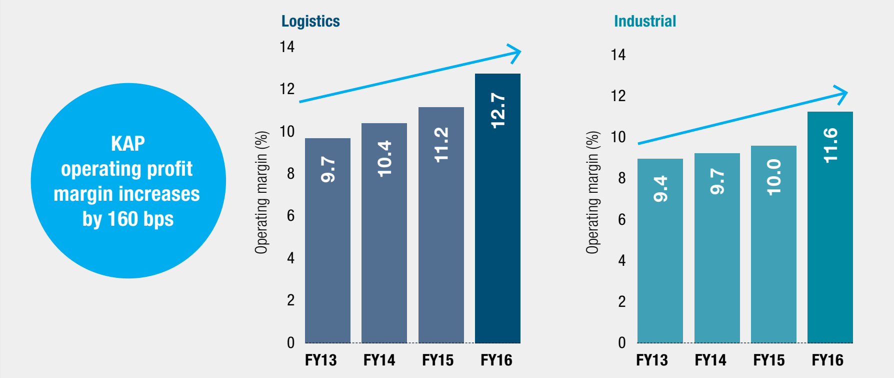


Fig. 4 Operating margin % analysis



Tax rate

The effective tax rate increased to 28.8% from 26.9% as a result of withholding taxes emanating from the repatriation of funds from non-South African territories, which is part of a broader process to optimise cash management for the group.

Discontinued operations

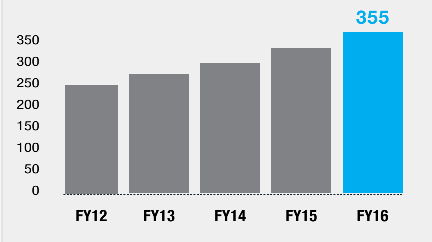
There were no discontinued operations in FY16. The following businesses were disposed of or closed in FY15 and are included in discontinued operations of the prior year: Footwear, Weatherboard/Braecroft, BCM and Fresh Freight.

Balance sheet

Net asset value (NAV)

The NAV per share increased by 11% to 355 cents at 30 June 2016, from 320 cents in the prior year (see **figure 5**).

Fig. 5 Net asset value (cents per share)



Property, plant and equipment

KAP's earnings are underpinned by a solid asset base of infrastructure, plant, machinery and vehicles, as illustrated below.

Property, plant and equipment

	2016 Rm	2015 Rm
Land and buildings	1 585	1 493
Plant and machinery	1 797	1 660
Vehicles	3 825	3 572
Capital work-in-progress	707	194
Other	138	119
Total property, plant and equipment	8 052	7 038

Intangible assets and goodwill

Intangible assets predominantly include patents and trademarks that are used by the diversified industrial businesses, thereby securing market share leadership and creating barriers to entry. The fair value of assets and liabilities of Autovest at acquisition was R163 million, with a purchase price of R560 million, resulting in goodwill of R397 million recognised in the year under review. All intangible assets and goodwill were assessed for impairment in terms of International Financial Reporting Standards (IFRS).

Biological assets

The group's biological assets (mainly timber plantations) of R1 890 million (FY15: R1 824 million) support the earnings within the diversified industrial segment. The valuation technique in respect of the plantations is consistent with that used in previous years, with the Faustmann formula and discounted cash flow models being applied in determining the value. Detailed information is provided on planted hectares and standing volumes in note 11 to the audited consolidated financial statements.

Debt structure and finance costs

To enable the group to invest in infrastructure and technology, it is imperative that a sound capital structure be maintained. The objective of the group's capital management strategy is to maintain an optimal level of capital in the most cost-effective manner from a variety of funding sources. As the group supports operations from a central treasury, gearing is monitored on a group-wide basis, in line with external covenants and internal limits set by the board.

Net interest-bearing debt reduced marginally to R2 069 million from R2 089 million. The debt structure and cover ratios are reflected in **figure 6** as follows:

Fig. 6 Debt structure

Debt structure	30 Jun 2016 Rm	30 Jun 2015 Rm
Interest-bearing long-term liabilities	4 204	3 129
Interest-bearing short-term liabilities	431	327
Bank overdrafts and short-term facilities	36	3
Cash and cash equivalents	(2 602)	(1 370)
Net interest-bearing debt	2 069	2 089
Total equity (excluding non-controlling interests)	8 667	7 761
Net interest-bearing debt:equity	24%	27%
EBITDA*	2 790	2 450
Net finance charges*	313	289
EBITDA:interest cover (times)	8.9	8.5
Net debt:EBITDA (times)	0.7	0.9

** From continuing operations*

External covenant requirements

Net debt to annualised EBITDA < 3.2 times	EBITDA interest cover > 4.5 times

The group has sufficient headroom under these covenants for continued operations, committed capital projects and to take advantage of potential acquisitions. The debt serviceability ratios have continuously improved over recent years, as illustrated in **figures 7 – 10.**

Fig. 7 Net debt (Rm)

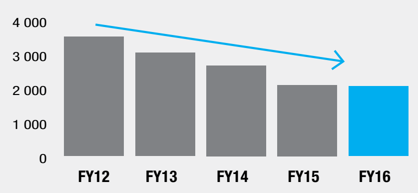


Fig. 8 Net debt to EBITDA (times)*

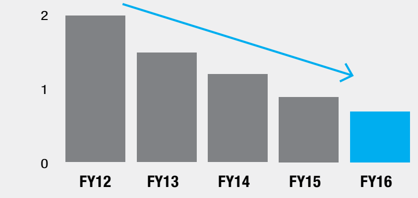


Fig. 9 EBITDA interest cover (times)*

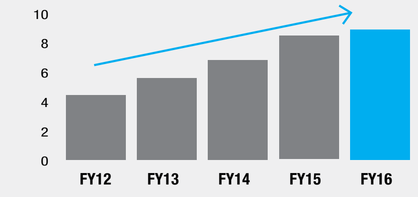
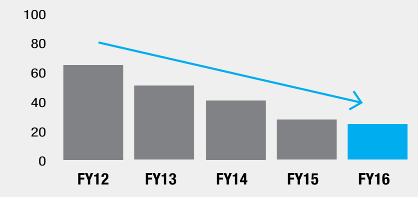


Fig. 10 Net debt to equity (%)



** Including discontinued operations*

Chief financial officer's report ... continued

Given the prevailing uncertainty in financial markets, availability of funding and liquidity remains a primary focus. The group focused on refinancing activities and successfully addressed all its short and medium-term refinancing needs. The debt maturity profile, which is the result of these activities, is reflected in **figure 11.**

The group finances its operations through cash generated from operations and a mix of short, medium and long-term bank credit facilities, bank loans and domestic medium-term notes. This provides the group with a balanced range of funding sources, as reflected in **figure 12**.

In November 2015, Global Credit Ratings issued an update to its rating of KAP, upgrading KAP's long-term debt rating to A(ZA) from A-(ZA) and upgrading KAP's short-term debt rating to A1(ZA) from A1-(ZA), both with a stable outlook.

Fig. 11 Maturity of net interest-bearing debt as at 30 June 2016

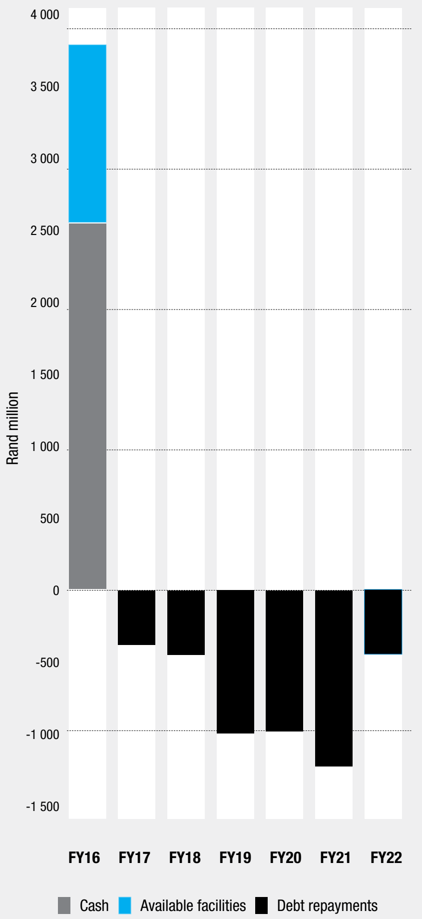
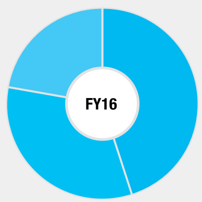


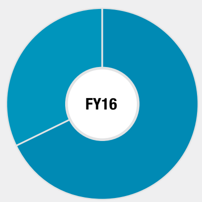
Fig. 12 Treasury activity

KAP has developed a diversified independent funding structure since 2012



	FY16
Banks and financial institutions	45%
Listed notes	33%
Unlisted notes	22%

KAP increased fixed interest rate funding exposure since 2012



	FY16
Floating interest rate funding	68%
Fixed interest rate funding	32%

Cash flow statement

Cash generated from operations

Cash generated from operations increased by 44% to R3 285 million from R2 275 million. The conversion ratio of operating profit before capital items into cash generated from operations increased to 166% from 137%, highlighting the group's focus on cash generation and underscoring the quality of earnings.

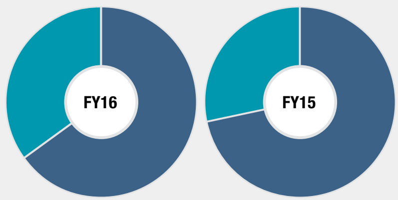
Capital expenditure

The group's focus on investment in infrastructure and technology is reflected in the R1 717 million spent during the year on capital expenditure (capex). Expansion capex of R752 million makes up more than 40% of the group's capex that will facilitate growth opportunities within the group's strategic parameters. Replacement capex, net of disposal proceeds and government grants of R965 million continue to be managed over time in relation to the depreciation charge, which amounted to R790 million in the year under review.

It is anticipated that expansion capex spend will increase in the next financial year in support of the expansion of the Hosaf plant, as well as the upgrade of the PG Bison Piet Retief particleboard line.

The split of capital expenditure per segment is illustrated in **figure 13.**

Fig. 13 Capital expenditure per segment (%)



	FY16	FY15
Diversified logistics	65%	72%
Diversified industrial	35%	28%

Other investing activities

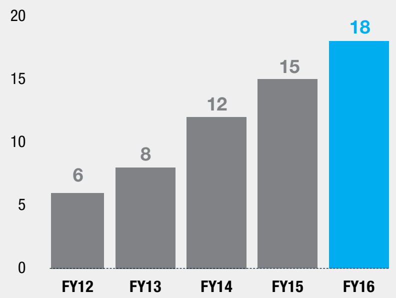
During the year R560 million was paid for the acquisition of Autovest on 1 April 2016.

Dividends

Due to the improved earnings and strong cash generation in FY16, the group increased its dividend per share by 20% from 15 cents to 18 cents, to be paid from income reserves.

The growth in the group's dividends over time is illustrated below in **figure 14.**

Fig. 14 Dividend per share (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 and liquidity risk, are largely controlled centrally. The group draws attention to some pertinent risks within the business:

Financial risk

The group's financial instruments are listed in note 30 to the audited consolidated financial statements.

Liquidity risk

The group's policy remains to spread debt instruments over a range of maturity dates and a variety of funding sources to reduce refinancing risk and concentration risk.

Currency risk

The principal objective of our currency risk management and hedging strategy remains to mitigate exposure to movements in foreign exchange rates to secure purchase or sales orders for products, services and capex.

Interest rate risk

The group's policy remains to spread debt instruments between variable and fixed interest rates in line with expected movements in interest rates.

Credit risk

The group's trade accounts receivable consists 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 insurance. 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 had not been covered by the bad debt provision or credit insurance.

Insurance risk

The group maintains an insurance programme including a degree of self-insurance, providing financial protection against unforeseen events that could cause financial loss. All material risks are considered to be adequately covered, except for political risks. Regular risk management audits are conducted whereby improvement areas are identified and resultant action plans implemented accordingly.

Looking ahead

Management continues to focus on optimising and expanding its existing operations and on growing its market share in all areas of operation.

Management also remains focused on executing its strategy and ensuring that an adequate capital structure is maintained.

The diversity inherent in the group's earnings will continue to protect it against volatile trading conditions, and continued investment into operations and acquisitions done after year-end will support sustainable growth into the future.

Frans Olivier
Chief financial officer

Diversified logistics

Diversified logistics: **Contractual logistics**

9 060 employees

Successful conclusion of 'One Unitrans' strategy

Gross revenue remained stable at **R5.9 billion,** while operating profit **increased by 13%**

Contributing **36%** of total group revenue

R5.9bn

+245 million km travelled per annum

3 012 revenue-earning vehicles

Ongoing investment in people – **299 learnerships**

A specialised supply chain company

The consolidation and rationalisation of the ‘Unitrans Freight and Logistics’ and ‘Unitrans Fuel, Agriculture and Mining’ divisions into a single contractual logistics division, which we branded internally as the ‘One Unitrans’ strategy, was successfully completed during the year. This has created a more efficient and effective organisation, simplifying the business structure, facilitating growth within specific industry sectors, improving the utilisation of assets and clarifying the lines of communication with customers and suppliers. The strategy and corporate structure now aligns with clearly defined markets and areas of operation.

“Our aim is to be the leading supply chain partner providing specialist services in our chosen markets.”

Theunis Nel,
CEO: Contractual logistics division

Operational review – Contractual logistics

The primary driver of the 'One Unitrans' strategy, which was concluded during the year, was to provide a clear framework for the company's engagement with the market in identified sectors.

Business environment

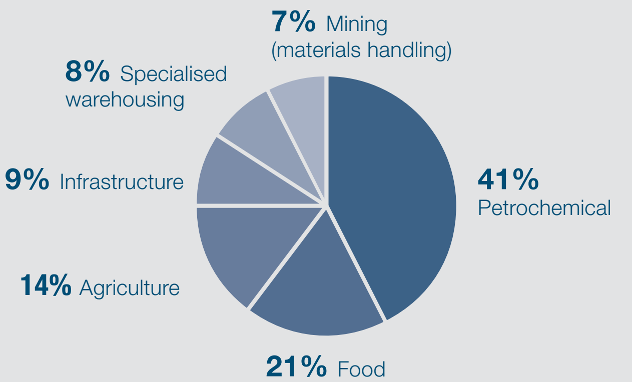
Unitrans was exposed to challenging trading conditions during the period under review, primarily as a result of a depressed commodity sector and severe drought conditions in southern Africa and the effects thereof on the economy in general. These are, however, cyclical factors that do not affect the core business of Unitrans, which is based on medium-term contractual work and whose model has proved to be resilient through similar economic cycles. Volume gains in the petrochemical and food sectors were sufficient to offset the impact of these cyclical factors, which illustrates the value of Unitrans' diverse revenue base and its focus on the area of 'essential goods and services'.

The division's exposure to various non-South African territories continued to provide strong underlying support to the group's revenue, operating margin and growth opportunities. Currency volatility is closely managed by the group's treasury team in order to create natural hedges between various currencies and to optimise the repatriation of cash into the group's South African cash management system.

The revised road freight transport and logistics subsector broad-based black economic empowerment (B-BBEE) codes have created challenges in terms of meeting legislative and customer requirements. Good progress was made in this regard during the year.

Skills retention remains a key element in the operations of Unitrans, and ongoing investment in people with increased focus on learnership and graduate programmes is part of the long-term business strategy.

Revenue by sector



130 operating sites
in **11** African countries

Botswana, Kenya, Lesotho, Madagascar, Malawi, Mozambique, Namibia, South Africa, Swaziland Tanzania, Zambia

Services

Petrochemical
Transportation (bridging and distribution), terminal management and warehousing of petrochemical, lubricants and gas products

Agriculture
Load and haul services, bush clearing, land forming and field preparation, harvesting, infrastructure development and estate ancillary services

Mining and infrastructure
Materials handling, including loading and haulage services, road infrastructure maintenance, quarry and mine work, and transportation of explosives in the mining and cement industries

Food
Specialised transportation solutions in the food and FMCG* industries, including on-farm and on-road activities, using cutting-edge technology and management solutions while maintaining high levels of biosecurity

Specialised warehousing
Supply chain and network design, inventory management and optimisation, warehouse design and optimisation and freight forwarding and clearing

** Fast-moving consumer goods*

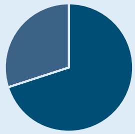
The 'One Unitrans' strategy proved to be critical for the company in terms of protecting and growing its revenue in an increasingly competitive landscape.

Group strategy

1 Market leadership	The 'One Unitrans' strategy provides for the economy of scale and efficiency benefits of a national business that are applied in order to secure market leadership in five specific sectors.
High barriers to entry	Unitrans operates primarily in areas that require specialised equipment, technology, expertise and regulatory controls in order to provide a broad range of end-to-end logistics solutions.
Industry diversification	Unitrans provides a diverse range of services across five industry sectors and earns 30% of its revenue from territories outside of South Africa, which mitigates against concentration risk.
Adding value through specialisation	Unitrans consistently invests to remain at the forefront of technology in specialised logistics in order to improve operating efficiencies and thereby enhance margins.
Leveraging our African base	The 'One Unitrans' strategy provides a framework of specialist skills and expertise in five specific sectors in order to provide a consolidated service offering in territories where it enjoys an existing footprint.

Key facts

Geographical areas of operation (revenue)



70% South Africa

30% Rest of Africa

Continuous decrease in accident-related costs

With a focus on continuous improvement, ISO standards are being rolled out to operations outside of South Africa. Certifications include: ISO 9001, 14 001, OHSAS 18 001 NOSA integration systems, RTMS, SQAS

Long-term fuel consumption savings of more than 16% on certain contracts

R858 million capex employed for expansion and replacement of specialised vehicles

B-BBEE level 3, with business practices aligned to meet requirements

New operational structure provides a consolidated service offering from an existing footprint in Africa

Customer base growth into Kenya

Operational review – Contractual logistics ... continued

Commentary

Unitrans delivered solid results for the year, with revenue remaining stable at almost R6 billion and operating profit increasing by 13%. Revenue was impacted by a lower fuel price and subdued activity in the mining and agriculture sectors. This was mitigated by increased volume in the petrochemical and food sectors. Value of the 'One Unitrans' strategy was realised, with renewed cooperation between the various business units, improved asset utilisation and a reduction in cost which had the effect of margin improvement and profit growth. The operational restructure of 'One Unitrans' also required standardisation of processes and systems. A new Enterprise Resource Planning (ERP) system was successfully implemented in South Africa.

Ongoing investment in new fleet is important to remain abreast of latest technology and to facilitate continuous improvements in our service offering to customers. Net capital expenditure of R858 million was incurred on expansion and replacement of the logistics fleet.

The company was active in the market and successfully renewed contracts providing approximately R1.4 billion of annual revenue, and secured new contracts providing R400 million of annual revenue during the year.

Outlook

Unitrans will continue to extract the benefits of its 'One Unitrans' strategy into the 2017 financial year. The specific sector focus and efficiency improvements of this initiative positions the business competitively in terms of pricing in relation to contract renewals and extensions and the procurement of new contracts. This strategy also provides a clear framework for growth in non-South African territories on the basis of a consolidated service offering from an existing footprint.

Subsequent to 30 June 2016, Unitrans concluded a transaction to acquire 100% of the equity and claims in Lucerne Transport Proprietary Limited, effective 1 September 2016. Lucerne's operations are complementary to those of Unitrans, specifically in terms of bulk liquid tanker transport of chemicals and edible oils, and this represents a clear growth opportunity for Unitrans within the parameters of its strategy.

Subsequent to 30 June 2016, Unitrans also successfully increased its shareholding in Xinergistix Proprietary Limited to 51.4%. Xinergistix is engaged primarily in line-haul work, but will provide some unique operating and infrastructure synergies to Unitrans.

Transporting everyday products, including fuel, food, cement and agricultural products

The contractual nature of Unitrans' business model, together with the specialised nature of services diversified across various sectors, provides the basis for consistent earnings

Diversified logistics: **Passenger transport**

3 719 employees

10 million passengers per annum

Operating profit **increased by 17%** on the prior year

Contributing **12%** of total group revenue

R2.0bn

+108 million km travelled per annum

1 350 revenue-earning vehicles

Successful implementation of Compressed Natural Gas (CNG) Scania buses into fleet, resulting in increased efficiencies

"We strive to be the preferred passenger transport service provider to companies and individuals."

Nico Boshoff,
CEO: Passenger transport division

A unique diversified passenger business

It is estimated that 70% of South Africa's population is dependent on public or employer-provided transport. Unitrans Passenger services the tourist, intercity, commuter and personnel transport sectors.

Operational review – Passenger transport

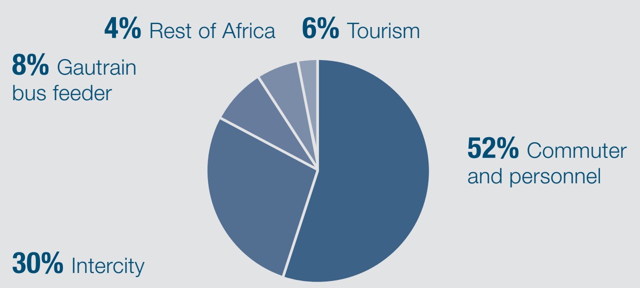
The passenger division is the most diversified passenger transport business of its kind in South Africa and its hands-on management team and continuous improvement processes have consistently ensured safe and efficient travel for its customers.

Business environment

Megabus operates in the commuter and personnel markets under mid to long-term contracts with government, as well as with large corporate entities. The Megabus service remains the mainstay of the passenger transport division with its annuity income business model. The intercity business operates in southern Africa under the Greyhound and Citiliner brands. The intercity and tourism operations are leaders in this segment and offer a high standard of safety and service, which is critical in order to remain competitive and to differentiate the division. Mega Express operates and manages the Gautrain feeder and distribution service, which was the first of its kind in commuter transport in South Africa. Mega Coach and Magic Transfers service the inbound tourism markets and the South African corporate market.

Passenger safety is a critical element of management in the passenger transport division. The division consistently reports low incident rates due to diligent driver training and control procedures, and disciplined vehicle maintenance in an environment where road safety is often affected by third-party behaviour and road surface conditions. Vehicles are also equipped with tracking devices, speed control and monitoring equipment.

Revenue split



25 depots, **15** servicing terminals, **143** intercity destinations

Mozambique: Maputo, Tete, Beira
South Africa: Nationally
Zimbabwe: Bulawayo, Harare

Products and brands

Commuter	Personnel	Tourism	Intercity
Megabus Mega Express	Bojanala Bus Megabus Bapotrans (New in FY2016)	Mega Coach Magic Transfers	Greyhound Citiliner

Group strategy

1 Market leadership	Greyhound and Citiliner are market leaders in intercity travel, while the commuter and personnel operations are leaders in the regions within which they operate. The economy of scale benefits of a large national business facilitate continued investments in order to effectively compete with regional competitors.
High barriers to entry	The passenger transport sector is highly regulated in terms of operating licences, vehicle maintenance and safety.
Industry diversification	The passenger division has a balanced exposure to the commuter, personnel, intercity and tourism sectors.
Adding value through specialisation	The passenger division consistently invests to remain at the forefront of technology in passenger transport and safety, in order to improve the customer experience and operating efficiencies, which enhances margins.
Leveraging our African base	The passenger division has effectively leveraged off the Unitrans footprint in Mozambique to secure a 60-bus personnel contract.

Key facts

- R265 million capex invested in new fleet
- 36 million litres of fuel used per annum
- 108 million km travelled annually
- 10 million passengers per annum
- Staff turnover remained low at 2% (FY15: 2%)
- R3.6 million investment in employee training
- R579 million spent on salaries and employee benefits for the year
- Fleet size increased from 45 vehicles at start of contract in Mozambique to 60 vehicles
- Additional work secured with existing customer

Operational review – Passenger transport ... continued

Commentary

The passenger transport division delivered good results for the year, with revenue increasing by 1% despite subdued activity in its areas of operation, and operating profit increasing by 17%. The nature of this business allows for rapid and effective reallocation of resources, which enabled the division to 'sweat' its assets during periods of lower passenger activity.

The Megabus business performed well in both the commuter and personnel operations. The business secured three significant new contracts for three, five and eight-year terms, and successfully implemented its pilot project with Compressed Natural Gas (CNG) Scania buses at its operations in Virginia in the Free State.

The intercity business also performed well despite competitive pricing and increased competition from low-cost airlines and small operators on major routes. The business commenced with a number of initiatives to grow its market share, which included improved service levels, rebranding of terminals and sales offices, amendments to timetables on certain services in response to customer demands, and the addition of new routes to existing networks.

The Bojanala Bus business was exposed to a particularly challenging environment, with a reduction in passenger numbers due to the current commodity cycle. Management has commenced with the necessary action plans to reposition this business in order to provide required returns within the current environment.

The tourism division benefited from a recovery in passenger activity.

The personnel contract operation in Tete, Mozambique, delivered pleasing results and performed ahead of expectations, which resulted in the contract being expanded with additional buses.

Outlook

The business environment for the passenger transport division is expected to remain challenging as a result of generally subdued economic activity. The division, however, remains well positioned in terms of its modern and well-maintained asset base, diversification and strong cash conversion to sustain above-average returns on capital employed and to competitively pursue expansion opportunities.

Providing transport to 10 million South African passengers

The nature of this business allows for rapid and effective reallocation of resources

Diversified industrial

Diversified industrial: **Integrated timber**

1 376 employees

225 000 tonnes of residue fibre consumed

Gross revenue **increased by 9%**

Contributing **17%** of total group revenue

R2.9bn

42 215 ha of planted forests

Investment in technology continues to improve margins

690 000 m³ board capacity

Improvement in southern Cape sawmilling operations

Continued operational cost savings and efficiency improvements

An integrated business model

> *"Our aim is to be the leading manufacturer and primary upgrader of timber products in our chosen markets."*
>
> **Gerhard Victor,**
> **CEO: Integrated timber division**

PG Bison harnesses the benefits of an integrated business model by owning and managing its own forestry and timber operations with primary manufacturing and value-adding facilities

Operational review – Integrated timber

PG Bison manufactures and distributes sawn timber, poles, wood-based panel products, decorative laminates and solid surfacing materials.

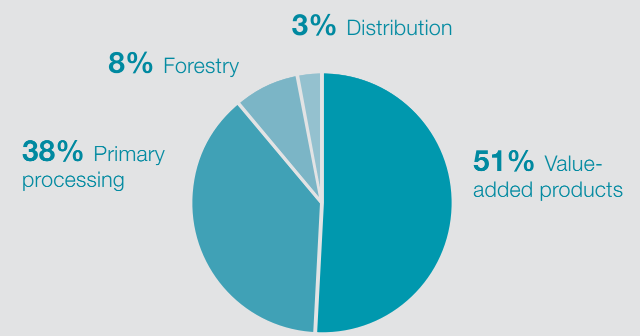
Business environment

The retail, construction, furniture and residential development sectors to which PG Bison's operations are exposed have experienced rapid change with consolidation taking place in certain sectors and fragmentation in others. This has resulted in evolving requirements of the market in terms of product range and service offering. PG Bison, through its continuous investment in product development, marketing and manufacturing technology, combined with integration into key raw materials on its own and via its associate companies in KAP, is well positioned to navigate this evolving environment.

PG Bison's access to key raw materials in the form of timber from its own plantations and resin and impregnated paper from Woodchem remain long-term strategic imperatives that serve to mitigate anticipated timber supply constraints in South Africa and upward raw material pricing pressure.

PG Bison remains committed to growing its supply of product into African territories outside of South Africa in order to facilitate a sustainable and diversified revenue base and to promote economy of scale benefits at its operations.

Revenue split



6 manufacturing plants

Sales and distribution
Botswana, DRC, Ghana, Lesotho, Madagascar, Malawi, Mozambique, Namibia, Nigeria, Reunion, Sudan, Swaziland, Tanzania, Zambia

Operations
Kenya, South Africa, Uganda, Zimbabwe

Products and services

Forestry	**Primary processing – Timber**	**Primary processing – Board**	**Upgrading**	**Distribution**
Sawlogs, poles, pulpwood	Structural timber (Thesen), poles (Woodline)	Particleboard (BisonBord), medium-density fibreboard (MDF) (SupaWood)	Foil (DecoBord) (Formica Lifeseal worktops), melamine face board (MelaWood); gloss board (MelaWood Supagloss)	High-pressure laminates (Formica), solid surfacing (Corian)

Group strategy

1 Market leadership	PG Bison is the largest manufacturer of particleboard and MDF in southern Africa.
High barriers to entry	PG Bison has secured strategic control over its major raw materials and has invested in state-of-the-art facilities to convert these into world-class products at the lowest cost to market.
Industry diversification	PG Bison has a balanced exposure to various market sectors and customers, with a broad range of primary and value-added products.
Adding value through specialisation	PG Bison has made significant investment in product-upgrading facilities to increase the ratio of value-added products it produces and sells.
Leveraging our African base	Southern and east Africa remain important growth markets for PG Bison in terms of export sales and manufacturing investments.

Key facts

- Material annual cost saving through recent business re-engineering
- Largest and most advanced manufacturing plants in Africa
- 92 994 ha of forestry land
- Internal manufacturing of melamine face board (MFB) paper in conjunction with Woodchem
- Improved efficiencies for lowest cost-to-market supplier
- Preferred supplier of branded products
- R6.3 million spent on training for the year, 175 learnerships, four bursaries, 43 apprentices
- 110 000 tonnes wood fibre recycled into energy
- Target set for continued growth in exports

Commentary

The integrated timber division performed well for the year, showing 9% revenue growth supported mainly by the capacity increase at the Boksburg MDF plant. Core operating profit, which excludes the impact of the forest revaluation, increased by 31% for the year, primarily as a result of the technology and efficiency improvements of the new MDF plant, an increased ratio of value-added product sales and a strong improvement in the company's sawmilling operations in the southern Cape. Continued focus on utilising unique systems and technology, which improves the service offering to our customers, enabled the division to defend its market share while at the same time improving its stock profile and availability.

Outlook

With market conditions expected to remain competitive for the foreseeable future, the division will continue to pursue its strategy through investment in its products, customers, staff, systems, and manufacturing assets in order to produce fit-for-purpose products at the lowest cost to market.

The focus remains on providing value-added products and improving operational efficiencies through investing in technology and creating a culture of innovation. To this end, the division will replace the 31-year old Piet Retief chipboard press with a state-of-the-art continuous chipboard line in 2017. Similar to the Boksburg upgrade, this plant will improve efficiencies and raw material utilisation to produce a superior quality product. The commissioning of a new MFB line at the Piet Retief plant, in conjunction with the chipboard press, will increase the capacity for upgraded products in line with the divisional strategy.

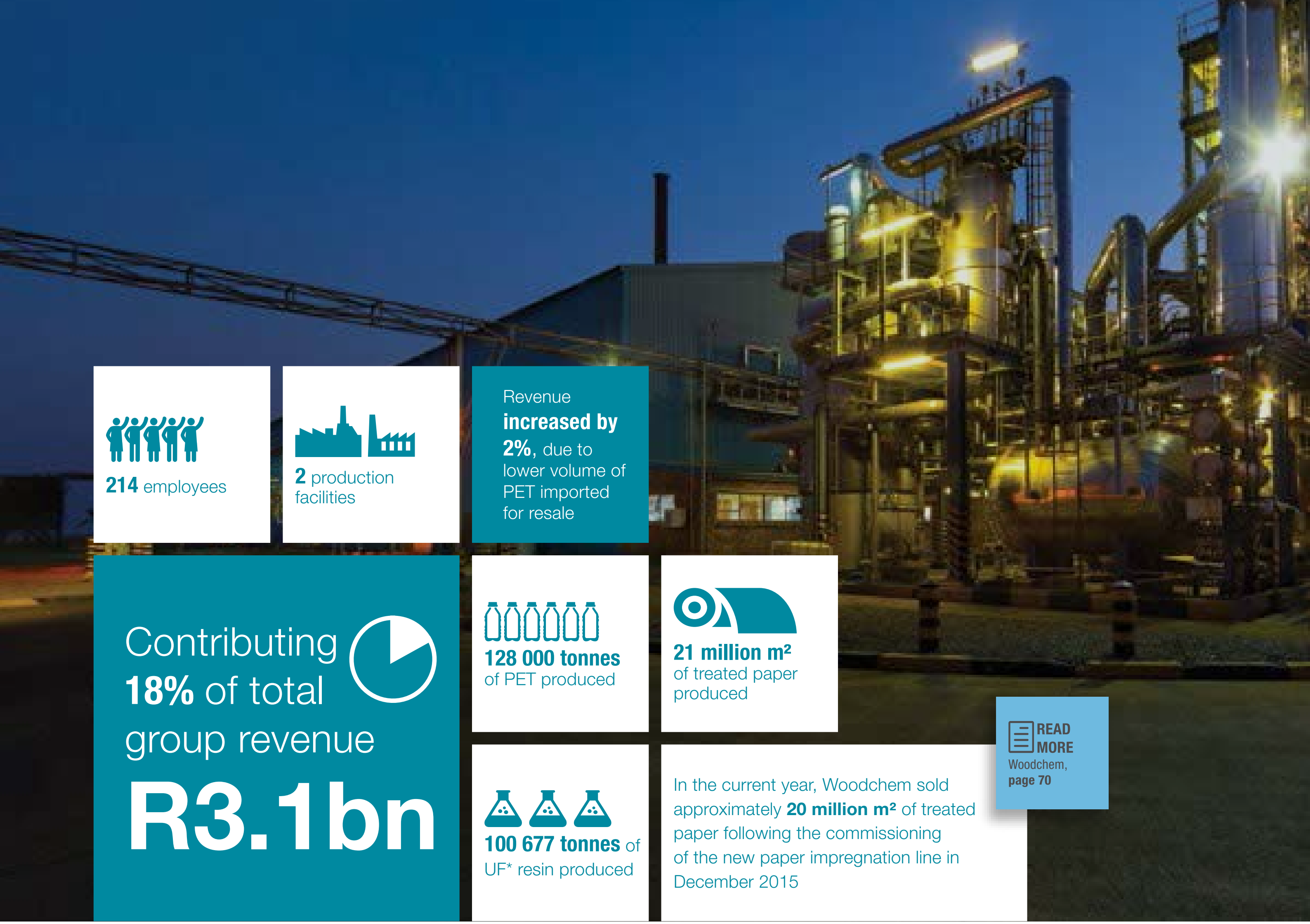
A third-phase upgrade to the MDF line in Boksburg will increase capacity by 11% and will be commissioned in July 2017. The commissioning of a gloss-overcoating line in June 2016 provides another significant competitive advantage to the MDF plant.

Changes implemented at Thesens sawmill in 2016 will deliver much improved results for the future.

Our products turn houses into homes

Technology investments continue to drive product quality and operational efficiencies

Diversified industrial: **Chemical**



214 employees

2 production facilities

Revenue **increased by 2%**, due to lower volume of PET imported for resale

Contributing **18%** of total group revenue

R3.1bn

128 000 tonnes of PET produced

21 million m² of treated paper produced

100 677 tonnes of UF* resin produced

In the current year, Woodchem sold approximately **20 million m²** of treated paper following the commissioning of the new paper impregnation line in December 2015

READ MORE Woodchem, **page 70**

** Urea formaldehyde concentrate*

> ***"Our aim is to deliver premium products through leading technical expertise and world-class technology."***
>
> **Leigh Pollard,**
> **CEO: Chemical division**

A specialised chemical manufacturing division

The Hosaf and Woodchem businesses were combined into a focused chemical division during the prior financial year, which resulted in the implementation of a common management philosophy, thereby creating procurement, production, commercial, administrative and capital investment benefits that flowed into the current year.

This division operates state-of-the-art equipment in world-class manufacturing plants, with the lowest emissions and energy consumption in its sector. The high level of technical expertise required to manage these plants was a key determinant in creating a focused chemical division.

Operational review – Chemical

Woodchem SA is the largest producer of urea formaldehyde (UF) resins in Africa. The new paper impregnation line makes Woodchem the largest producer of impregnated paper in Africa. Hosaf is the only producer in South Africa of virgin polyethylene terephthalate (PET), which is used in the beverage industry.

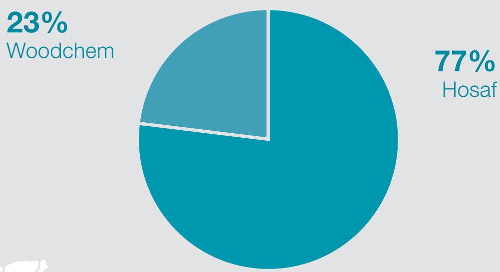
Business environment

Hosaf produces PET resin from three key chemical raw materials, which are sourced from international suppliers. Because of its high intrinsic viscosity and clarity, PET is used in South Africa primarily in the bottling industry for carbonated soft drinks. Hosaf is the only manufacturer of virgin PET in South Africa, supplying a market that grows, on average, by 7% per annum.

Woodchem manufactures formaldehyde gas through a continuous process of catalytic oxidation of methanol and absorption of the gas in liquid. Formaldehyde from Woodchem is further processed into UF resin for use primarily in the timber panel industry. Woodchem is the largest manufacturer of UF resin in South Africa.

Woodchem commissioned a paper impregnation line during the current year whereby specialist décor paper is imported and treated with urea and melamine resins, which are manufactured on site. The resin impregnation gives the paper strong mechanical properties, making it ideal for use as decorative laminates, industrial laminates and laminates for melamine-faced board (MFB).

Revenue split



2 production facilities

Sales and distribution: Exports to Zambia and Zimbabwe

Operations: Hosaf: Durban, Woodchem: Piet Retief

Products and services

PET, resin and polymers
Primarily used in the manufacture of bottles for carbonated soft drinks

Formaldehyde and UF resin
Primarily used in the timber panel industry

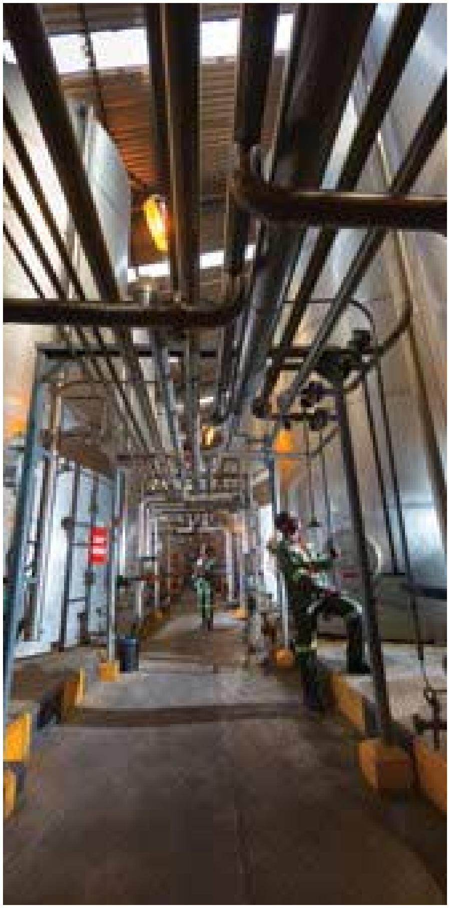
Impregnated paper
Primarily used in the timber panel industry to manufacture MFB

Group strategy

Market leadership	The chemical division is the only manufacturer of PET and impregnated paper in southern Africa, and the largest manufacturer of UF resin.
High barriers to entry	Following the R700 million upgrade of the PET manufacturing facility, the chemical division comprises the latest technology manufacturing equipment, which produces on a globally competitive basis.
Industry diversification	The division is balanced in terms of its exposure to the timber and bottling sectors. The acquisition of Safripol, which is subject to regulatory approvals, will add further diversification into the packaging sector.
Adding value through specialisation	Research and development of new product derivatives and manufacturing processes remain at the forefront of the division's strategy
Leveraging our African base	With the Hosaf upgrade and Safripol acquisition the division will be well placed to take advantage of existing markets in neighbouring countries.

Key facts

- Good progress on Hosaf capacity expansion to 240 000 tonnes per annum
- Hosaf continues to produce 'bio PET' made from renewable sugarcane resources
- Commissioned state-of-the art paper impregnation line
- R1 million investment in employee training and development
- Enrolled senior management with University of Stellenbosch Executive Development (USB-ED) for a Senior Management Development Programme
- Member and financial contributor to PETco in support of national PET recycling initiatives, with a goal of 0% waste to landfill and certified waste disposal



Commentary

The chemical division performed well for the year. Although revenue only increased by 2%, this was primarily the result of a planned reduction in PET volumes imported for resale at very thin margins. Both Hosaf and Woodchem sold their full production capacities, which provided for economy of scale with resultant efficiency benefits. Currency and raw material commodity price fluctuations were well managed, thereby protecting margins. The commissioning of the paper impregnation line in December 2015 enabled Woodchem to supply KAP's integrated timber division, PG Bison, with 20 million m^2 of impregnated paper during the year, which was previously imported. The division was able to report a 29% increase in operating profit.

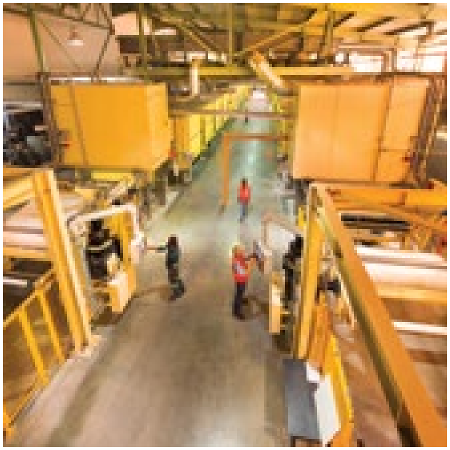
Good progress was made during the year on the expansion project at Hosaf, which involves increasing production capacity from 128 000 tonnes to 240 000 tonnes per annum. Construction activity on site and the manufacture of the plant is well advanced and it is expected that this expansion will be commissioned in August 2017. The expansion will improve the competitiveness of Hosaf by providing economy of scale benefits, and the technology being utilised will facilitate improved quality and performance criteria of the PET produced.

Outlook

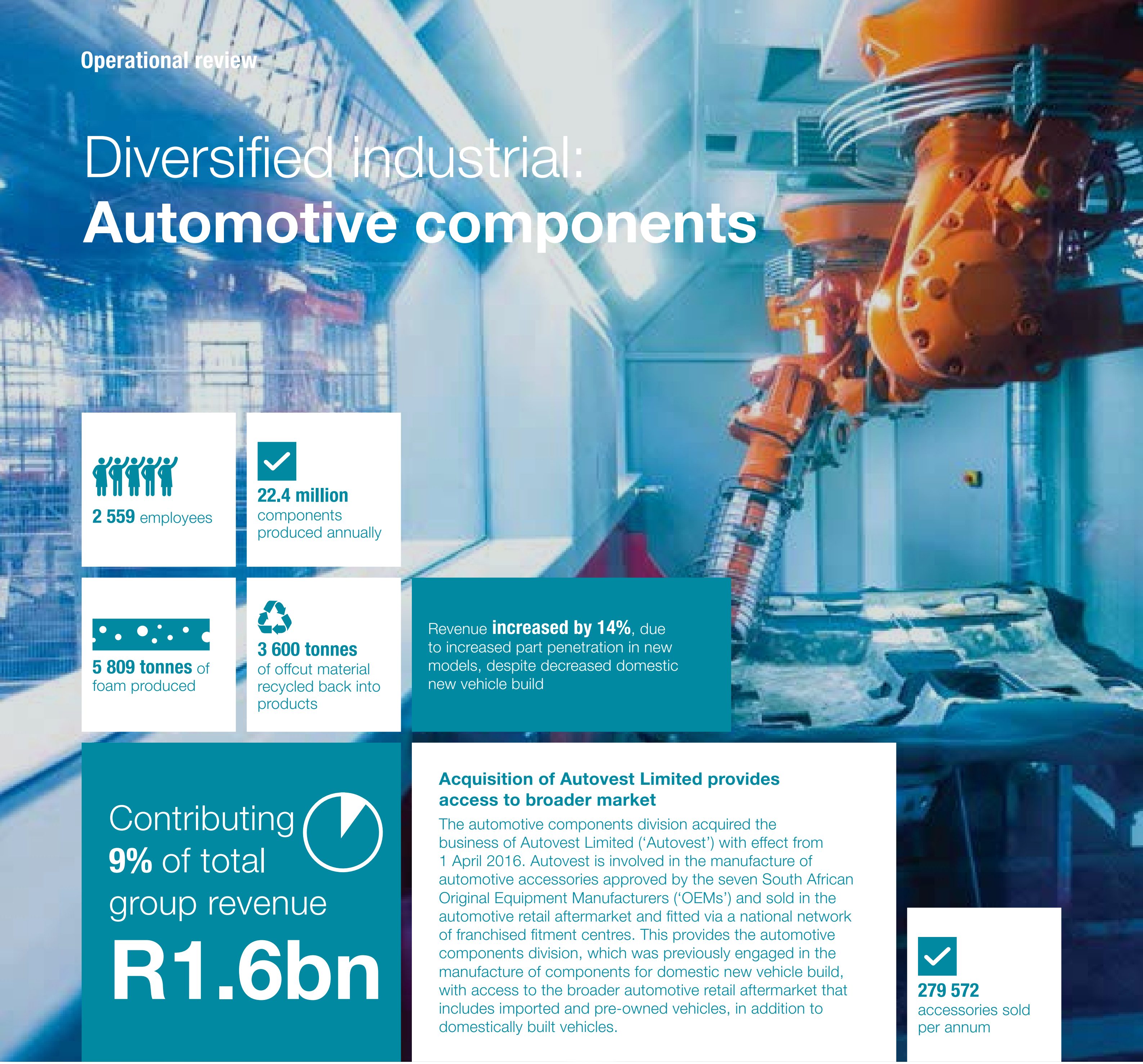
The various expansion activities initiated by the division create a solid platform for growth. The production capacity of Hosaf after the expansion will match anticipated domestic consumption, and will provide export opportunities. The paper impregnation line provides opportunities for volume growth through market share gains, which will yield significant economy of scale benefits. A third formaldehyde line at Woodchem is currently under investigation.

The acquisition of Safripol, concluded after 30 June 2016 and subject to certain conditions precedent, will expand the chemical division into the manufacture of polypropylene and high-density polyethylene.

Expansion activities provide a solid foundation for growth



The Woodchem paper impregnation plant introduced 20 million m^2 of new product produced and supplied to PG Bison



Diversified industrial: **Automotive components**

2 559 employees

22.4 million components produced annually

5 809 tonnes of foam produced

3 600 tonnes of offcut material recycled back into products

Revenue **increased by 14%**, due to increased part penetration in new models, despite decreased domestic new vehicle build

Contributing **9%** of total group revenue

R1.6bn

Acquisition of Autovest Limited provides access to broader market

The automotive components division acquired the business of Autovest Limited ('Autovest') with effect from 1 April 2016. Autovest is involved in the manufacture of automotive accessories approved by the seven South African Original Equipment Manufacturers ('OEMs') and sold in the automotive retail aftermarket and fitted via a national network of franchised fitment centres. This provides the automotive components division, which was previously engaged in the manufacture of components for domestic new vehicle build, with access to the broader automotive retail aftermarket that includes imported and pre-owned vehicles, in addition to domestically built vehicles.

279 572 accessories sold per annum

Leading technological and manufacturing capabilities

"Our aim is to be the supplier of choice with leading technology and globally competitive manufacturing capabilities."

Ugo Frigerio,
CEO: Automotive components division

The automotive components division is well placed through its economy of scale and international technology agreements and partnerships to benefit from continued new model introductions in South Africa.

Operational review – Automotive components

The division aims to be market driven and internationally competitive through strategic international alliances and the adoption of global best practice.

Business environment

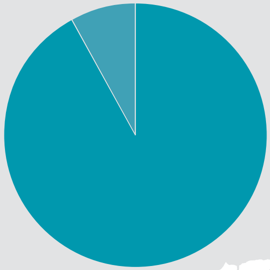
With world-class quality and manufacturing capabilities, South Africa remains a production destination of choice for international OEMs as a strategic gateway to the African continent. Annual vehicle production by international OEMs in South Africa has reduced by 4% to 541 638 units from 562 417 units in the prior year, predominantly due to a major model changeover for the Toyota Hilux. The industry's objective is to reach 1 000 000 units produced per annum by 2020. South Africa's vehicle build is spread over seven OEMs that build 12 models, with approximately 55% of all vehicles produced being exported.

The Automotive Production and Development Programme (APDP), which currently runs to 2020, provides an element of certainty to the business environment. As a result of this, replacement models are being secured by the South African OEMs as the current models reach the end of their production periods.

The trend of centrally manufacturing 'stripped down' model configurations for global distribution, and the fitment of accessories in-country according to regional requirements, provides a sound base for the sale of aftermarket automotive accessories like those manufactured by Autovest. The increased demand for SUVs* is also encouraging as these vehicles provide greater scope for accessorising.

Revenue split

By division



17 manufacturing plants

Durban, East London, Port Elizabeth, Pretoria

Products and services

Feltex automotive trim
Textile-based automotive acoustic

Caravelle
Overlay carpets/loose-lay vehicle mats

IAC Feltex
Acoustically engineered tufted automotive carpet and A, B and C pillars

Maxe
Premium automotive accessories made from mild and stainless steel, supplying the LCV•, SUV* and truck markets

Rhino Linings
Supplier of locally developed spray-on and drop-in bin linings for LCV• and selected industrial applications

Auto Armor
Supplier of a range of vehicle protection products that include window and paint protection film, as well as paint and interior surface treatments

Feltex foam converting
Polyester and polyether flexible, semi-rigid and rigid thermoformable foams for use in vehicles and high-tech industrial products

Feltex Fehrer
Polyurethane flexible foam, moulded seats, conventional and pour-in-place headrests, foam pads, side bolsters and armrests

Autoneum Feltex
Underfloor systems for thermal and impact protection and aluminium heatshields

SA Canopy/Bucco Canopies
Supplier of locally manufactured and imported fibreglass canopies

Kilber Products
Steel products to the independent aftermarket, including tow bars, bull bars, roll bars and sidesteps

Autovest
130 franchise fitment centres for automotive accessories

** Sport utility vehicle • Light commercial vehicle*

Group strategy

1 Market leadership	Feltex Automotive commands high market share throughout the sector in terms of the products that it produces, while Autovest, with its leading brands, has a national network of 130 franchised fitment centres serving as an execution platform.
High barriers to entry	International technology partnerships, OEM-approvals, the five to ten-year model life cycles and economy of scale facilitate a globally competitive cost base.
Industry diversification	The automotive components division is balanced between components for new vehicle build across all seven OEMs and aftermarket accessories across a broad range of products.
Adding value through specialisation	Based on its balance across all seven OEMs the division is highly skilled at implementing new model introductions and extending the technology benefits thereof throughout its operations.
Leveraging our African base	The division is competitively placed to take advantage of export opportunities as vehicle assembly is initiated in African countries.

Key facts

- R3.6 million investment in training
  32 learnerships during the year
- Acquisition of Autovest Limited at R560 million
- R71 million investment in new technology to facilitate new models
- R1 million investment in technology systems during the year
- Just-in-time and Just-in-sequence supply to all OEM fitment centres in close proximity to dealerships
- Close relationship with local OEMs and dealerships, expanding African footprint

Commentary

The automotive components division reported a 14% increase in revenue and a 29% increase in operating profit for the year as a result of increased parts penetration, and continued automation initiatives and technology upgrades following new model introductions and the acquisition of Autovest effective 1 April 2016. Operating margin was further enhanced by improved product mix. The Autovest operations performed to expectation for the three months from acquisition and integration of this business into the group is well advanced.

Capital investments net of disposal during the year of R71 million were focused on preparing for the new Toyota Hilux model launched in January 2016, and improving efficiencies in the production processes of other models.

Outlook

The automotive components division is well placed to benefit from the success of recently introduced models such as the Mercedes Benz C Class and Toyota Hilux, and anticipated new model introductions like the Volkswagen Polo and BMW X3. New model introductions provide Feltex with the ability to increase its parts penetration (market share) and to employ new technology. Focus on localisation of component manufacturing, in line with the APDP incentive scheme, remains a priority for the business, as does continuous improvement through training and development, technology investments and research and development.

Rationalisation of the Autovest business model, with increased focus and investment in the sales and marketing function, improved efficiency in the franchised fitment network as an execution platform and improved information systems, are expected to provide volume growth and margin improvement.

Feltex leverages off international technology partnerships to remain globally competitive

The business continues to seek opportunities to diversify its product range and to better utilise its strategic access to raw materials and technology

Diversified industrial: **Integrated bedding**

1 497 employees

105 000 m² production space

R120 million net capex for the year

7.4 million linear metres of fabric produced annually

Contributing **8%** of total group revenue

R1.4bn

Second largest inner-spring bedding manufacturer in southern Africa

Operating profit **increased by 58%** as a result of integration synergies

Introduction of new foam technology and foam branding

Supply of raw materials into the African bedding markets

In excess of **300 000** mattresses produced annually

Decentralisation of mattress assembly and distribution to five strategic locations

> ***"Our aim is to be the leading manufacturer of bedding-related products in southern Africa by utilising world-class technology and expertise."***
>
> **Michael Metz, CEO: Integrated bedding division**

Leading technological and manufacturing capabilities

Operating from strategically positioned locations throughout South Africa and Namibia, the division's extensive infrastructure and scale benefits reduce costs and enable the division to provide products and services to customers at competitive prices.

Operational review – Integrated bedding

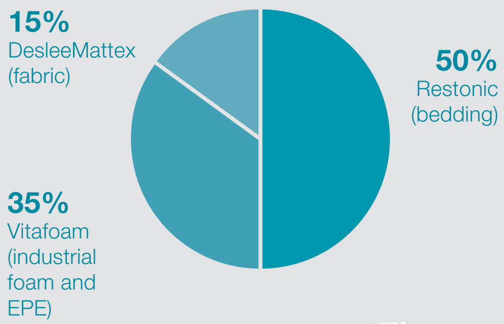
The implementation of the integrated bedding strategy resulted in a clearly defined operating structure with centres of specialisation.

Business environment

Within the global furniture retail sector the bedding product range has proved to be resilient through economic cycles. The bedding sector has remained stable in the South African context, despite many consumers being financially stressed. A trend has developed toward speciality bedding retail outlets, which has added further support to the sector.

Mattresses and bases are expensive products to transport due to their size and as such the mattress manufacturing industry is highly fragmented with numerous regional operators. The strategy of KAP integrated bedding is to manufacture key raw materials centrally using state-of-the-art technology, which provides economy of scale, and to combine the production of foam and the assembly of mattresses in key regional locations to facilitate regional distribution. This enables the division to supply national brands at regional locations on a competitive basis.

Revenue split



12 locations

Johannesburg, Cape Town, Port Elizabeth, Durban, Windhoek

Products and services

Restonic
Manufacturer of mattresses and base sets under the following brands: Restonic, Genessi, Sleepmasters, Dunlopillo, Cozy Nights and Vita Rest

Vitafoam
Manufacturer of flexible polyurethane foam, expanded polyethylene and fibre products for various industrial applications

DesleeMattex
Manufacturer of knitted and woven jacquard fabrics for use in the mattress industry

Group strategy

Strategy	
1 Market leadership	The integrated bedding division is the only manufacturer of mattress fabric, the largest manufacturer of flexible polyurethane foam and the second-largest manufacturer of branded mattresses in southern Africa.
High barriers to entry	The integrated bedding division is fully integrated into the manufacturing of all primary raw materials using state-of-the-art machinery.
Industry diversification	The division is well balanced in terms of its exposure to industrial foam, fabric and mattress markets.
Adding value through specialisation	The integrated bedding division is investing in a state-of-the-art facility in Johannesburg to consolidate the operations of five sites into a single location, utilising latest technology production processes and equipment in order to produce innovative products at the lowest cost to market.
Leveraging our African base	The division recently invested R12 million in its operations in Namibia in order to increase production capacity to service its growing market.

Key facts

- Increased demand for our products
- Improved margins due to technology investments
- Increased margins through economy of scale
- Higher cash generation
- Increased efficiencies
- Increased demand from customers for new technology products
- Savings in logistics costs
- Improved lead times to delivery
- Reduced customer support response times
- Growth outside of South African borders

Commentary

The integrated bedding division performed well for the year, showing 23% revenue growth and 58% growth in operating profit. The integration process following the acquisition of Restonic is near completion, with decentralised mattress assembly and distribution of all Restonic products taking place at five locations in Johannesburg, Cape Town, Durban, Port Elizabeth and Windhoek. Good volume growth in Vitafoam and DesleeMattex was facilitated by the integration, and resulted in strong expansion in operating margin for the division as this intercompany revenue is eliminated on consolidation. Centralisation of support functions, together with synergies in procurement and logistics, also supported an improvement in operating margin.

Significant progress was made during the year in the construction of the new Restonic factory, which will ultimately consolidate five facilities in Johannesburg into a single site and increase manufacturing, assembly and distribution efficiencies.

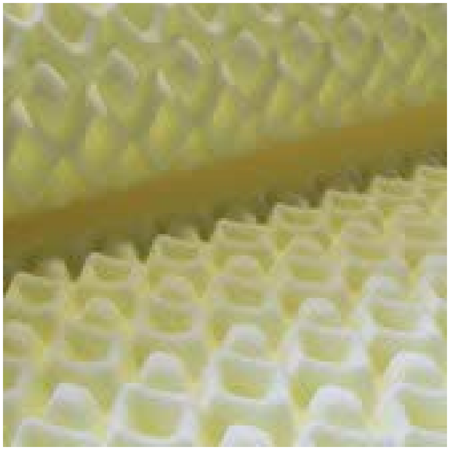
Outlook

The retail focus on bedding products in the context of a subdued furniture sector is expected to continue, and will provide a sound platform for KAP's integrated bedding division. The new operating structure within the division, with focused management in specific product sectors, is expected to bring operational efficiencies and market share gains and will promote further internal integration.

The completion of the new factory in Johannesburg is expected in April 2017. This modern state-of-the-art investment will provide well-considered workflow systems and production lines, energy-efficient air ventilation systems, off-the-grid energy capability and a zero waste policy, thereby reducing costs, while also improving product quality and ensuring sustainability. New technology investments will drive margin improvements and enhance product quality.

Integration leads to margin improvement

A trend towards specialised bedding retail provides a sound platform to support the division’s growth



Case studies

Environmental, social and corporate governance form the basis of sustainability

The group remains focused on managing its long-term sustainability for the benefit of:

- its **shareholders** and **investors,** who expect acceptable returns on investment;
- its **customers** and **suppliers,** who rely on its ability to remain competitive;
- its **employees** and their **communities;** and
- the **environment** and its ability to manage its impact thereon.

Sustainability

The group regularly reviews and adapts its policies and processes to reinforce its ability to be economically viable, socially responsible and environmentally sound, while still remaining competitive.

Social awareness

The group supports the development of the consumer in African countries by contributing to economic growth through its active involvement in infrastructural services and general business in these countries. The group also supports the communities in which it operates through various community development and employment programmes.

Transformation

The group observes and proactively aligns day-to-day business practices in South Africa with the broad-based black economic empowerment (B-BBEE) codes. Commitment to the principles of B-BBEE, to make it real and tangible for the group and its employees, is a key priority.

Skills and talent management

Multifunctional skills and experience are required for specialised and diverse employment in each business. Access to skills, actively managing talent and employee retention enhance the group's ability to provide value and quality products and services at competitive prices.

Water and land

Manufacturing processes are dependent on water, which is in scarce supply. The group aims to reduce and manage water usage and protect natural resources and areas of biodiversity.

Scarce raw materials

Raw materials are often scarce and in certain instances subject to commodity and import price fluctuations. Ownership and effective management of raw materials in manufacturing processes secure the long-term supply and pricing thereof.

Fuel

Significant fuel usage and fluctuations in fuel prices necessitate the management of fuel consumption and cost efficiencies to ensure profitability and competitiveness in the market. Investment in new technology reduces fuel consumption and emissions.

Energy

Energy usage in manufacturing industries influence cost of products and requires optimisation and the evaluation of alternative energy sources to ensure profitability and competitiveness in the market.

Waste

Waste production and cost of waste management in upstream and downstream processes impact profitability. Reducing waste and using recycled materials increases efficiencies and margins on manufactured products.

Results of implementation

18 995 employees

ISO, NOSA, OHSAS and RTMS systems and accreditations are in place in **80%** of Unitrans' specialist logistics operations and **in more than 80%** of the group's manufacturing facilities.

R80.7 million invested in training

B-BBEE

Ongoing **B-BBEE** commitment

42 215 ha of forested land

CSI projects are focused towards HIV/Aids, education and enterprise development

91.6% black employees

8.4% white employees

8% reduction in total **CO_2e** emissions compared to previous year

110 000 tonnes of **wood fibre** residue recycled into energy

Vehicle and chemical waste **recycled** with certified waste removal agencies

48 684 ha of protected **biodiversity** land areas

Latest Euro 5 coaches

R10 million estimated cost saving from new **thermal energy plant**

0% waste to landfill target set at certain manufacturing facilities

Case study

Aligning structure with strategy

Focus

To consolidate the group's operations into a single business with a single strategy and focused management team

Profitable revenue growth

Consolidating the 'Unitrans Freight and Logistics' and 'Unitrans Fuel, Agriculture and Mining' divisions into 'One Unitrans' resulted in the strategic realignment of the company. The strategy and corporate structure now aligns with clearly defined markets and areas of operation. Focused on contractual logistics, Unitrans is well positioned to facilitate growth within specific industry sectors, to optimise the utilisation of assets and infrastructure and to improve efficiencies.

Group strategy		Implementation	Results
1 Market leadership	Scale benefits of one consolidated organisation that is geared for growth		
Adding value through specialisation	Centres of excellence provide specialist logistics solutions to specific sectors		
Leveraging our African base	South African framework provides the basis for a consolidated service offering in African territories		

Implementation

The 'One Unitrans' strategy was rolled out across all business units and shared with its 9 060 employees.

Existing business silos were reorganised into centres of excellence, internal competition and duplication were eliminated and an environment that nurtures cooperation throughout the business's areas of specialisation was created.

A framework of values that acts as Unitrans' guiding principles was created, focusing on the following:

- Integrity and honesty are core to our existence, we strive to be above suspicion and beyond reproach
- We are passionate and committed to the cause and do not tolerate less than the best
- We share in a sense of ownership as if it is our own business and we are accountable for results, actions and outcomes
- We believe in the value of teamwork, respect for others, self and the environment
- We remain humble in our pursuit to be the best

Part of the process was to bring diverse teams together to believe in a united Unitrans. Activities of reorganisation included:

- Reallocating employees to better utilise key skills and experience.
- All operational executives were brought together into one head office, creating one executive team
- Redistribution and improved allocation of assets between contracts to align with short and long-term requirements of the business
- Reorganising shared infrastructure led to the consolidation of three administrative centres (previously located in Johannesburg, Cape Town and Durban) into one head office in Cape Town. Multiple depots, workshops and training centres, spread across various contracts were also brought together into five central locations.
- Simplifying and coordinating business development initiatives between business units and centres of excellence.
- Standardising all ERP and IT systems throughout the group.

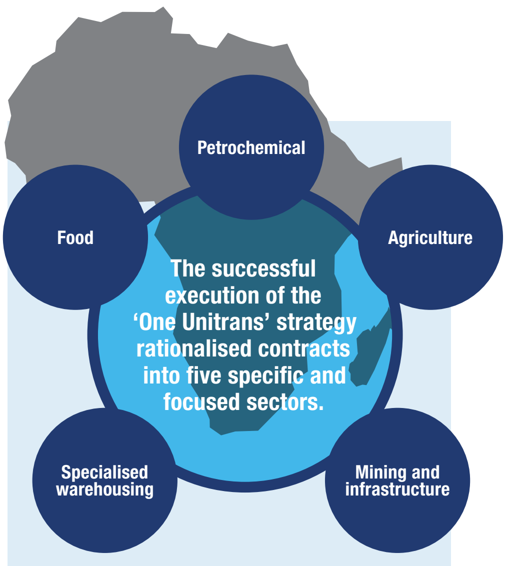
Results

The reorganisation of the business made it possible to maximise synergies and opportunities within the business units; it improved efficiencies by focusing on core competencies; it increased teamwork and improved utilisation of intrastructure and assets. Working together as 'One Unitrans' led to a renewed focus on customer service and revenue growth.

Bringing together management and operational teams, consolidating premises and simplifying the sales activities enhanced cooperation, improved effective decision making and eliminated any confusion the old structure might have created with customers.

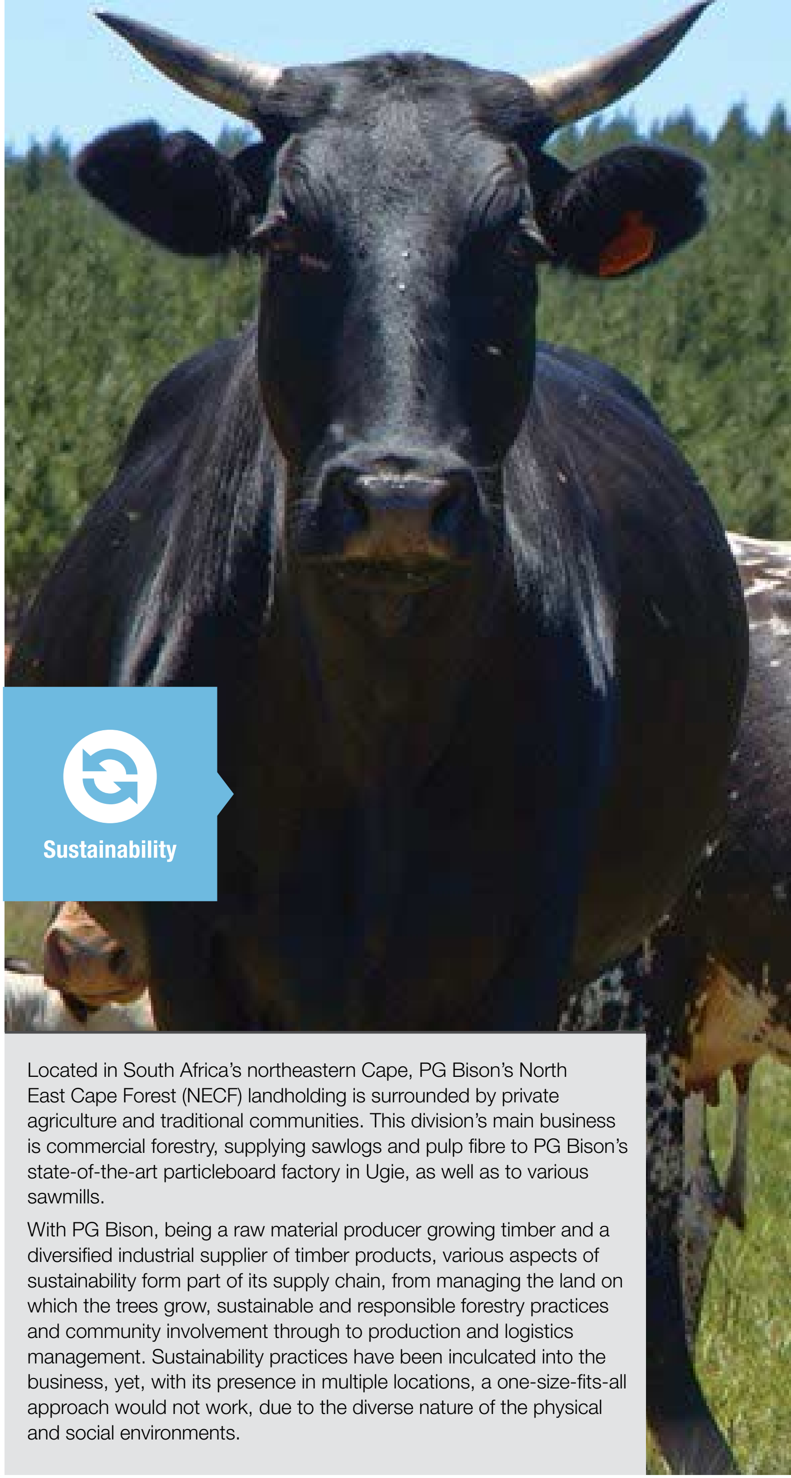
The business is focused on world-class safety and compliance in all spheres of its operations – aimed at achieving excellence.

Aligned with core customers through innovation and continuous improvement, Unitrans is in a position to provide a value offering that will ensure its sustainability. Business units are now aligned in their approach with contract tenders within specific sectors. Improved communications and teamwork will also lead to faster and more effective decision-making.



Case study

Responsible management of resources



To optimise the land resources of the group in a manner that promotes the primary objective of forestry

Sustainability

PG Bison has a clear focus on sustainability with various initiatives throughout its vertically integrated supply chain. At its forestry operations in the northeastern Cape initiatives include silvo-pastoral activities.

PG BISON

Located in South Africa's northeastern Cape, PG Bison's North East Cape Forest (NECF) landholding is surrounded by private agriculture and traditional communities. This division's main business is commercial forestry, supplying sawlogs and pulp fibre to PG Bison's state-of-the-art particleboard factory in Ugie, as well as to various sawmills.

With PG Bison, being a raw material producer growing timber and a diversified industrial supplier of timber products, various aspects of sustainability form part of its supply chain, from managing the land on which the trees grow, sustainable and responsible forestry practices and community involvement through to production and logistics management. Sustainability practices have been inculcated into the business, yet, with its presence in multiple locations, a one-size-fits-all approach would not work, due to the diverse nature of the physical and social environments.

Group strategy

1 Market leadership	Strategic control over raw materials mitigates against supply constraints and price pressure
High barriers to entry	Controlling raw material resources
Scarce raw materials	Responsible management of raw material supply to ensure sustainability
Water and land	Responsible management of natural resources

Implementation

Environmentally responsible forestry management

All commercial forestry activities (planting, weeding, harvesting and transport) are managed in accordance with the South African Forest Industry's Best Practice and Forest Stewardship Council (FSC) management principles.

All non-commercial forestry areas have been mapped, using a vegetation mapping standard developed for the South African forestry industry. Records include information on fauna and flora, rare and endangered species and areas of special interest (ASIs). These ASIs are of cultural, historical and archaeological interest, or have outstanding natural features, all of which are protected in terms of the company's forest management plan.

Results and benefits

Recording the data and implementing the standardised conservation management plans for NECF's plantations ensure the sustainable management of forestry land, coordinate long-term plantation management actions and prioritise long-term planning. It also provides a schedule for the eradication of alien vegetation and conservation burning.

The recorded ASIs on NECF landholdings include palaeontological sites, archaeological sites, historical sites, structures, buildings and ruins, caves, waterfalls, vegetation that has historical interest, graves and riparian special management zones.

No ASI may be destroyed or altered in any way. Where possible, areas of special conservation signi cance have been awarded natural heritage site status. These areas are managed and monitored in accordance with NECF's conservation plans. Where needed, areas are maintained through weeding operations scheduled in the annual plans of operation.

Implementation

Land use and biodiversity

The NECF landholding is classified as a mosaic plantation. Unlike the norm where large areas of land are planted with trees, the Ugie forests consist of smaller patches, spread out across the entire land area. Of the 76 400 hectares of land owned, 33 200 hectares are afforested. The rest of the land consists of either protected wetlands or is being used for other land activities.

The areas not suitable for commercial forestry are used for cattle farming. NECF has a registered Nguni stud and more than 2 900 cattle. Where land borders on certain local communities, PG Bison provides grazing to the local cattle owners.

Several species of animals, previously common to the area, have been re-introduced, while other species like the Cape Grysbok, have immigrated naturally.

Although the game is not commercially managed, their presence forms part of an integrated environmental management plan. Species now include, among others, Burchell's Zebra, Blesbuck, Mountain Reedbuck, Southern (Common) Reedbuck, Grey Rhebuck, Grey (Common) Duiker, Bushbuck and Black Wildebeest.

Results and benefits

The aim of establishing a commercial cattle herd forms part of a holistic fire prevention strategy where grazing reduces fuel loads in the areas between the planted trees. Ultimately the maintenance of certain areas to feed crops can provide the dual benefit of sustaining a commercial herd, while at the same time providing effective fire breaks. The long-term goal is for the herd to provide an additional income stream.

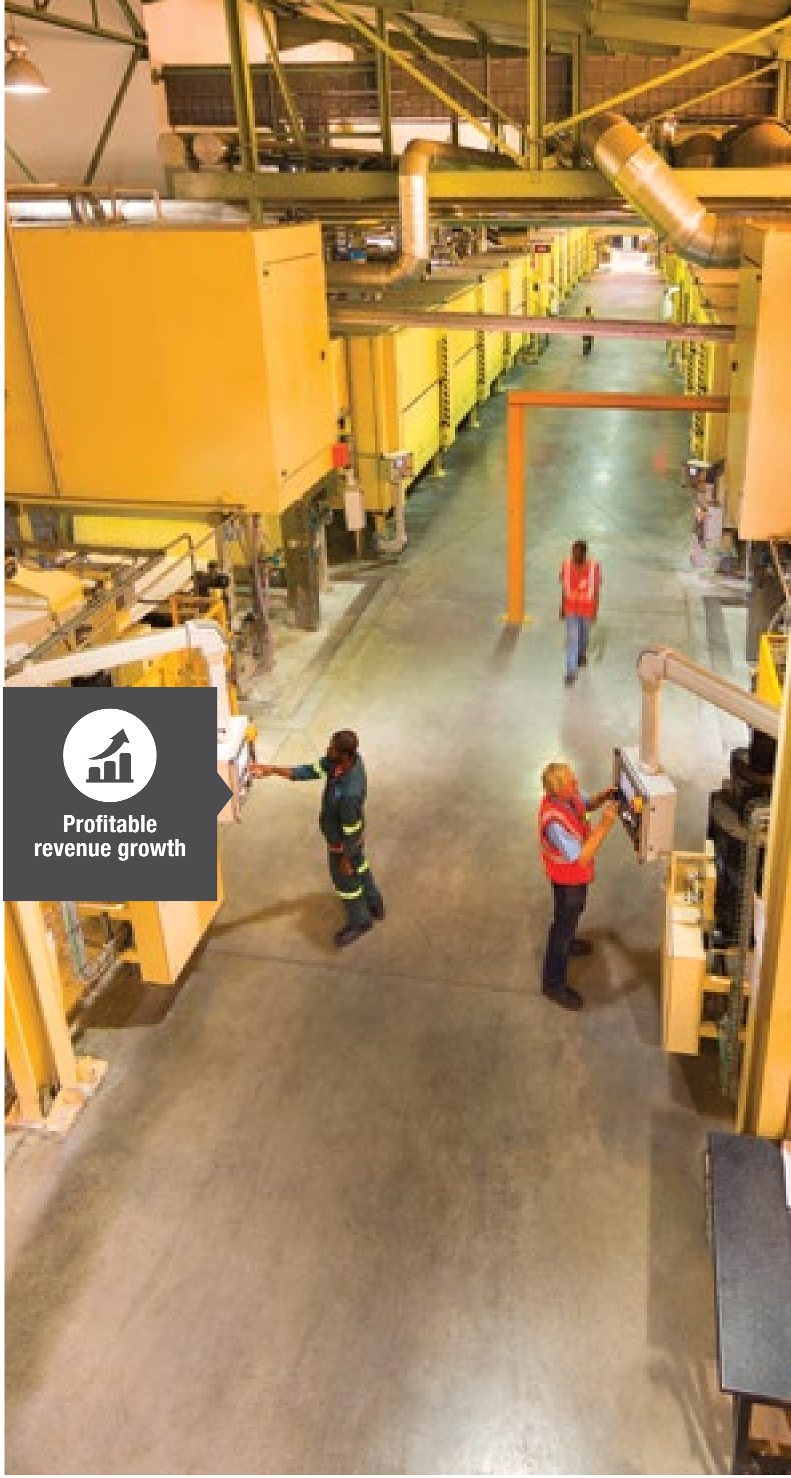
Through its long-standing partnerships and trusted relationships with neighbouring communities, management has reduced the number of fires emanating from surrounding communities.

Case study

Diversification adds value

To expand its product offering and provide a locally produced, high-quality product of international standards

Profitable revenue growth



Woodchem SA produces various urea formaldehyde resins for the panel industry in sub-Saharan Africa. The formaldehyde, Woodchem's base raw material, is sold into over 30 different industries in South Africa.

Two formaldehyde plants and a resin plant enable Woodchem to produce 120 000 tonnes of manufactured material per annum.

In 2007, an additional formaldehyde plant was put in production, which doubled its formaldehyde production capacity from 45 000 tonnes to 90 000 tonnes per annum. This production increase enabled the expansion into paper impregnation.

WOODCHEM

Group strategy

Market leadership	Only manufacturer of impregnated paper in sub-Saharan Africa
High barriers to entry	Implementation of the latest resin technology
Industry diversification	Introduction of additional product ranges (previously imported) to a diversified client portfolio
Adding value through specialisation	Decrease of imported products and increase of own manufacturing capabilities
Energy	Increased energy efficiency by using steam from upstream process
Water and land	Decreased water consumption through recycling

Implementation

Woodchem SA invested R110 million and commissioned two paper impregnation lines, making this is the only factory of its kind in sub-Saharan Africa. World leaders in the industry assisted with technical support and assured that the implementation of the new production line allows for superior products and cost savings to customers. They also assisted with implementing best operating practice throughout the process.

In addition, R4 million was invested in the installation of syrup reactors that produce the laminating syrups used to treat the raw décor paper.

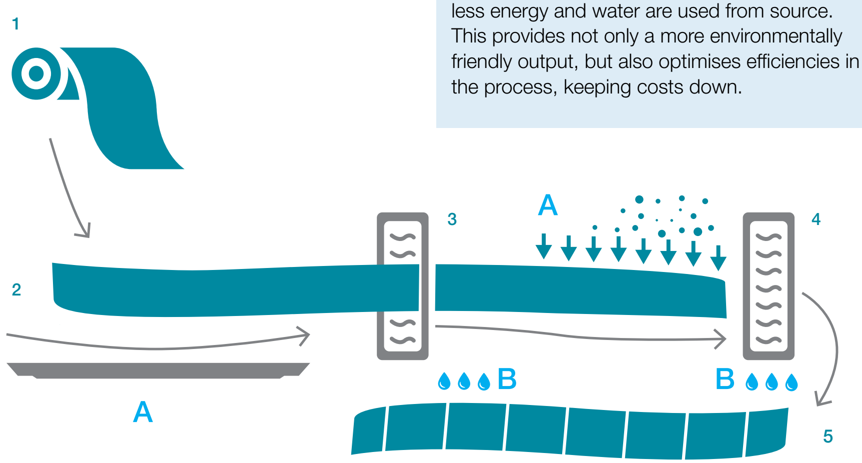
Results and benefits

The expanded scope of expertise and resin technology enabled Woodchem to add additional product ranges. By only importing décor paper for treatment, the implementation of the process increased local manufacturing activities. This also resulted in PG Bison not having to import treated décor paper anymore.

The total production capacity of the impregnation production line is 80 million m^2 per annum.

Quality training and the implementation of continuous improvement structures resulted in significant reductions in total waste values and machine downtime since start-up.

By using steam from upstream processes and recycling water from downstream processes, less energy and water are used from source. This provides not only a more environmentally friendly output, but also optimises efficiencies in the process, keeping costs down.



1 The process of paper impregnation commences with raw décor paper being fed into a production line.

2 It passes through a first bath to impregnate the paper with urea formaldehyde syrup.

3 When passing through the first oven, the impregnated paper dries to a specific volatile content before passing through the coating station to be impregnated with melamine formaldehyde syrup.

4 The second oven dries the impregnated paper to the required volatile content.

5 At the end of the line, the continuous line of paper is cut into the required sizes to be packed and shipped to customers.

A Steam generated from the reaction in the formaldehyde plants is used to heat the resin kettles for the production of various molar ratio resins. The excess steam is condensed and reused in the resin production process.

B The water produced as a by-product in the oxidation reaction of methanol is also used in other processes.

Energy

Heat recovery units on the new paper impregnation plant recovers heat from the system, reducing the energy cost to generate additional heat required.

Case study

Seamless integration of new model introductions

Feltex manages new model changes without compromising production efficiencies

Solid returns on capital employed

Feltex has been producing and supplying vehicle components to OEMs in South Africa for the past 35 years, working closely with the international vehicle brands and partnering with preferred technical and tooling suppliers.

Feltex has the experience, knowledge and expertise to successfully tender, test and implement any new vehicle model changes of the OEMs. Careful planning allows Feltex to implement new model builds alongside their existing production lines.

The process to implement a new model takes three years on average – from the first request for quotes (RFQ), to the start of production of the new vehicle model. During this process Feltex is actively involved with the OEM and its preferred technical and tooling service providers. Due to the duration and process up to the changeover, Feltex can effectively plan its capex, production volumes (current and new) and allow for any downtime that may occur at the start of production of a new line. Its trusted relationships with the OEMs and technical partners, as a preferred supplier in South Africa, allow for long-term planning and the implementation of new technology and processes that increase efficiencies.

Group strategy

Implementation

Results and benefits

1 Market leadership

Preferred supplier to key vehicle brand OEMs, possessing local knowledge and experience to effectively implement new model changes

Implementation

Long-term planning in close association with the OEMs

Pipe-line planning worked into annual and long-term production planning schedules

Upgrading production lines with new technology and new processes to increase efficiencies, while delivering on output expectations

Results and benefits

Ability to effectively plan for long-term equipment upgrades or changes enables Feltex to manage capex and production volumes.

Continuous upgrades to equipment contribute to increased efficiencies, ultimately driving down input costs.

Close relationships with the OEMs and international technology partners make Feltex a preferred supplier to the automotive industry in Africa.

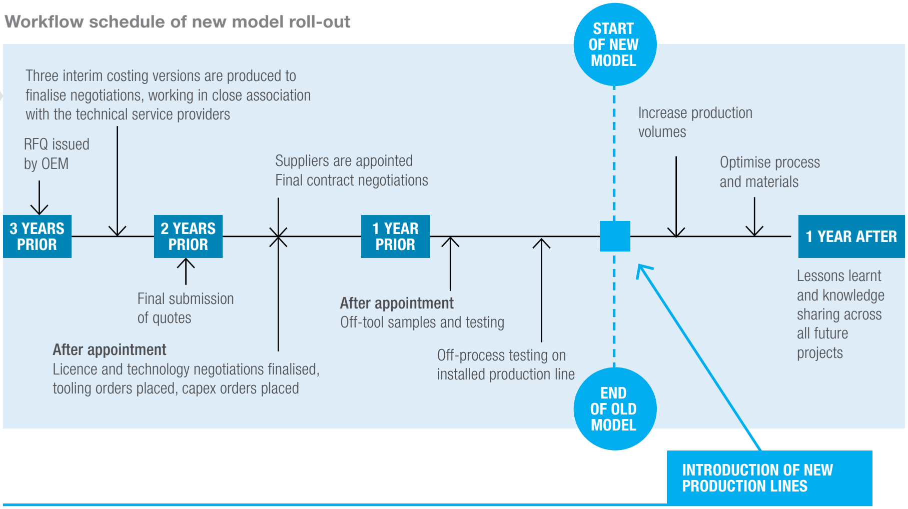
High barriers to entry

Access to capital for new technology implementation and established national presence

Adding value through specialisation

Access to international technical partnerships and experience

Workflow schedule of new model roll-out



Feltex supplies components to seven OEMs

Each vehicle model has an average life cycle of approximately seven years

Facelift revisions are managed as mini projects on an ongoing basis alongside current production

New model production is implemented at various times and often overlaps with other models. Therefore production facilities usually implement changes alongside current production and full plant shutdowns are rare occurrences.

Case study

International partnership benefits local manufacturing

To reposition Mattex as a globally competitive supplier of mattress fabric through an international technology partnership

Profitable revenue growth

In 2010, Mattex entered into a joint venture with Belgium-based manufacturer, DesleeClama, and rebranded to DesleeMattex. This partnership opened up access to new technology, international benchmarking and best practice processes to enhance business and production efficiencies. Going beyond its technology investment, DesleeClama also assisted with the creation of a goal-orientated culture – all of which contribute to an exponential increase in production outputs. The success of DesleeMattex is therefore attributable to a holistic approach where physical, environmental and social aspects were addressed and changed.

DesleeMattex is positioned to operate on a global platform, but is focused as a local partner to its customers.

DesleeMattex
DRIVEN BY PERFECTION

Group strategy

1 Market leadership

The only mattress ticking manufacturer in Africa

Improved management and production processes increased product output

High barriers to entry

International joint venture allowed investment in new technology equipment and global best practice

Adding value through specialisation

New technology and access to international design support increased range and quality

Skills and talent management

Focus on training and skills development throughout the business brought about a cultural behaviour change and an in-depth understanding of the business on all levels

Implementation

A new partnership was entered into in 2010 with the sale of 40% of Mattex to DesleeClama and a complete refocus of the business.

With access to more than 18 designers worldwide and a library of over 6 000 designs, DesleeMattex is at the forefront of the latest trends in sleep solutions offered to the market. Innovation, design and range development are at the core of its product delivery. Uniquely developed digital tools assist the sales team to market products by developing virtual beds and customised fabrics to meet customers' requirements.

Training and development was central to implementing the business's 'geared for growth' strategy and long-term sustainability. In 2013 DesleeMattex opened its own onsite SETA-approved training centre.

While building and marketing a new and improved brand and product range, management focused on changing the working culture by including and engaging all employees in the strategy. Everyone became a change-maker, working together and taking responsibility for his/her contribution to the business.

World-class manufacturing principles were used as the blueprint and benchmark to measure performance.

Best practice and new production floor layouts were implemented, together with clearing out equipment that was labour and maintenance-intensive.

New technology circular knitting machines were installed and the weaving production lines were reorganised. The latest addition to the factory was the installation of eight Terrot machines.

Results and benefits

In the DesleeClama group, DesleeMattex is the only Africa-based mattress fabric manufacturing company that supplies premium woven and knitted textiles to the mattress manufacturing industry in Africa.

All production outputs are measured and benchmarked weekly against those of the Deslee group of companies. Manufacturing efficiencies more than doubled since 2010, with a focus on units per man-hour. This has led to production that is now well in line with international standards. The newly installed 120 feeder Terrot knitting machines are also unique to Deslee and have doubled the knitting textile output.

Running at full capacity, the factory has a production output of 7 million metres of woven fabric and 3.7 million metres of knitted fabric. Exports constitute 6% of revenue, specifically supplying into Kenya, Tanzania, Uganda, Zambia, Zimbabwe, Namibia and Botswana. The mix of local, export and intra-group customers enables the business to deliver into these various markets based on their seasonal product demands.

Access to central procurement based in Europe assists with the sourcing and standardisation of materials and quality, and reduces costs in raw material and equipment parts. This allows the factory to remain competitive.

More than 50 unemployed students have attended the NQF level 2 learnership course. The company's growth since inception of the joint venture and new strategy implementation allowed DesleeMattex to employ most of the successfully qualified learners.

Case study

Skills development programmes

Sustainability

Skills and talent management

Skills and experience will assist with successfully implementing a strategy for growth

KAP's focus on sustainable growth in revenue, operating profits and returns on capital employed is underpinned by a requirement to grow leadership skills within its operating divisions. Although KAP has a team of high-performing managers across all its businesses, it has identified certain areas of leadership growth. These areas of growth are being addressed in a way that will motivate management, retain skills and talent, provide participants with the tools to grow within their areas of expertise, and to contribute to the larger group strategy and influence and grow their own teams through participation.

KAP

The KAP executive management team, in collaboration with the Gordon Institute of Business Science (GIBS) business school, initiated a customised Executive Development Programme (EDP), as well as a Senior Management Development Programme (MDP) through the University of Stellenbosch Executive Development (USB-ED).

The programmes were developed with the following objectives:

1. Attract, motivate and retain a competent workforce
2. Creating a solid employee base for technical businesses
3. Upskilling to benefit performance in new markets, products and services
4. Enhancing and retaining specialised skills in highly technical industries
5. Protecting the knowledge base that comes through years of experience

Group strategy

1 Market leadership

Attract, motivate and retain a competent workforce

High barriers to entry

Investment in technology requires highly skilled operators

Industry diversification

Inter-divisional employment provides for diversity of skills

Adding value through specialisation

Enhancing and retaining specialised skills in highly technical industries

Leveraging our African base

'One Unitrans' structure provides for skills utilisation in rest of Africa

Implementation

Twenty of the group's executive managers were enrolled in the EDP to master their strategy development skills and broaden their business understanding with a focus on identifying opportunities for business development within their respective industry sectors and fields of expertise.

One hundred managers from across the KAP group have also participated in an annual MDP over a four-year period, with the objective of instilling commercial and business skills into their line management responsibilities.

Results and benefits

The customised leadership development programmes have assisted KAP in proactively embedding its strategy and long-term goals in the organisation across various levels of leadership and line functions. At the same time, these programmes have equipped management with new skills to creatively address the challenges of the evolving business environment.

Research projects conducted during the EDP focused on the business, economic and political environment within which the group operates. Four relevant projects were presented, of which two were chosen to be implemented during the year. The first of these projects was focused on the socio-political environment and the associated trends developing in labour markets and has formed the basis of the group's stakeholder engagement strategy.

Relevant research projects were also completed during the MDP and presented to management. Some of these projects were chosen as projects to be implemented either within the divisional businesses where applicable or at KAP group level.

Despite the specific nature and focus of the research projects, EDP and MDP participants also gained general business acumen and leadership skills. KPIs were re-evaluated and now include measures that consider the impact these managers have on their teams and strategy development and implementation.

Case study

sani2c B-BBEE partnership

To create a partnership that provides enterprise development, employment creation, training and development and social spend in the context of a world-class sports event

KAP has had a long-standing involvement in the sani2c mountain bike stage race through its PG Bison subsidiary and its staff who live and operate near the race route. As a result of this history, KAP has a deep understanding of the race and what it represents.

The demographic profile of participants in sani2c is characterised by a high proportion of business people, entrepreneurs, bankers, investment managers and other potential KAP stakeholders. An increased involvement in the sani2c was therefore seen as a great opportunity to expose KAP to a very influential group of people through a world-class event with a strong social conscience.

KAP has achieved this through the creation of a B-BBEE partnership with sani2c.

Group strategy

1

Market leadership

Association of KAP with world-class event

Implementation

Over the years since inception, sani2c has developed a structure to manage the event that involves the local communities along the 360 km route from the Natal Midlands to Scottburgh on the Natal south coast.

Along the route, sani2c employs people from 12 communities to assist in the organisation of the event, and contributes to various schools, charities and environmental groups in the region. This results in more than R9 million per annum being injected directly into the communities along the route and a further estimated R48 million (Source: SA Tourism) to be spent in the region as a result of the stage races held over five days.

KAP's involvement has formalised this structure into a B-BBEE partnership that facilitates a direct contribution by KAP to various recipients involved in the race. KAP also utilised the race villages and race route as a platform to expose the participants to the group's business and the extent to which its products and services touch people's lives on a daily basis.

KAP supporting the **sani2c** community

Results and benefits

The KAP sani2c B-BBEE partnership has provided unique exposure of the KAP group to current and potential investors, business partners, suppliers, customers and other stakeholders, while at the same time creating a sustainable funding model that will facilitate the long-term sustainability of this event and continued investment into community development.

R48 million contributed to community development since inception, mostly for services during the event, including catering, logistics and race village development.

6 000 man-days are spent on route maintenance, route preparation and new sections.

Sosiba's Section is a section of the Umko drop named after Farmer Glen's right-hand man, Petro Sosiba. Petro was raised and educated in the Umkomaas Valley and helped to build parts of the trail. He is now a manager and partner in sani2c.

Umko Lodge was built by community members from the Umkomaas Valley. This project created jobs and also upskilled the team in construction. Further training will be given in hospitality and tourism.

The contributions to Msayana School at Nick's Pass provide the school with solar-powered classrooms and upgrades and maintenance.

KAPsani2c key facts

The concept of riding from the Sani Pass to the sea started **18 years ago**

4 500 cyclists participate every year

128 international participants represent **17** countries

60 dedicated people work at each race village during the race, and have done so for **10 years**

2 300 tents are erected

12 local communities benefit

6 000 man-days of jobs created

Corporate governance and remuneration

Being a diversified group, effective corporate governance and remuneration policies are key factors in the group's decentralised management structure.

The board and its committees

The ultimate responsibility for ensuring full and effective control of the group's businesses rests with the board of KAP. The company has adopted a decentralised approach to the management of its day-to-day divisional operations, subject to compliance by the divisions with the group control and approvals framework and the systems and governance policies set by the board. There are defined reporting lines from divisional management level to the board, to facilitate effective monitoring by the board of compliance by the divisions with group and divisional policies.

Save where pre-approved materiality levels apply, decisions on material matters are reserved for the board, including but not limited to decisions on the allocation of capital resources, the authorisation of capital expenditure, property transactions, borrowings and investments. Decisions are made by the board taking into account the legitimate interests and expectations of stakeholders and the sustainability of the group's operations.

The detailed responsibilities and powers of the board are contained in a formal charter, which is available on the group's website at www.kap.co.za, together with the corporate governance report.

Remuneration

The group's policy is to reward all employees fairly for their individual and joint contributions in the execution of KAP's 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 and competitive manner in order to attract, motivate and retain a competent workforce.

To facilitate this, the board has established a human resources and remuneration committee, which operates within defined terms of reference and authority granted to it by the board. The divisional human resources and remuneration committees report to the KAP human resources and remuneration committee which, in turn, reports to the group's main board.

The remuneration policy is aligned with the recommendations of King III, and is based on the following principles:

- Alignment of remuneration practices with strategy execution.
- Competitive total rewards within the specific markets and industries.
- Incentive-based awards are earned through achieving demanding performance targets, with due regard for the interests of all stakeholders.
- Effective structuring of incentive plans and performance targets to operate throughout business cycles.
- Prudent design of longer-term incentives to ensure the sustainability of the company.

Remuneration policy

Element	Purpose	Determinants
Base salary	Provides a competitive level of remuneration and benefits Subject to annual review	Experience, responsibilities, job grading and market benchmarks
Annual bonus	Incentivises the achievement of Short and medium-term goals	Group and divisional financial targets Strategic and personal performance objectives
Longer-term incentives (LTI)	Aligns performance with the interests of investors over longer-term periods The retention of key staff members	Key group performance criteria over a three-year period include: growth, cash generation and returns

Compliance with legal, best practice guidelines and regulatory requirements

The group applies the third King Report on Governance for South Africa and the King Code of Governance Principles (jointly King III).

King III operates on an 'apply or explain' basis and the group has applied an alternative approach in certain instances. Explanations of these instances are included in the corporate governance report.

KAP Industrial Holdings Limited has met its reporting requirements relating to King III, the Listing Requirements of the JSE and the 2008 Companies Act (as amended) together with the Companies Regulations (jointly 'the Act').

Results of implementation

73/75 King III principles applied except for two as described below

8.4 Companies should ensure the equitable treatment of shareholders.	The company's largest shareholder, Steinhoff Africa Holdings Proprietary Limited, and ultimately its holding company, Steinhoff International Holdings N.V. (Steinhoff), receive financial information more regularly than other shareholders, due to the provision by Steinhoff of treasury, legal, secretarial, corporate finance, tax and internal audit services to KAP in terms of an arm's length service level agreement. The flow of information between the Steinhoff group companies and KAP is, however, well regulated to prevent any possible misuse thereof.
9.3 Sustainability reporting and disclosure should be independently assured.	The majority of operations are covered and/or accredited by international operational standards that require external assurance or verification at either divisional or site level. The group currently finds comfort in these assurance levels and independent external assurance of sustainability reporting may be considered in future.

Responsibilities framework

A decentralised structure supports the development and retention of expertise in a diversified group. Each division has specialised industry and market experience that enhances its ability to grow sustainable earnings.

Formulation of strategic intent

Governance and compliance

Board of directors

Holding company

KAP

READ MORE
Board of directors
page 86 – 87

Board committees

Holding company

Board committees support the board of directors with regard to specific functions. These official board committees are constituted in accordance with the recommendations of King III and the requirements of the Companies Act. Each committee's responsibility is described in the corporate governance report.

Committees include:

- Audit and risk committee
- Human resources and remuneration committee
- Nomination committee
- Social and ethics committee

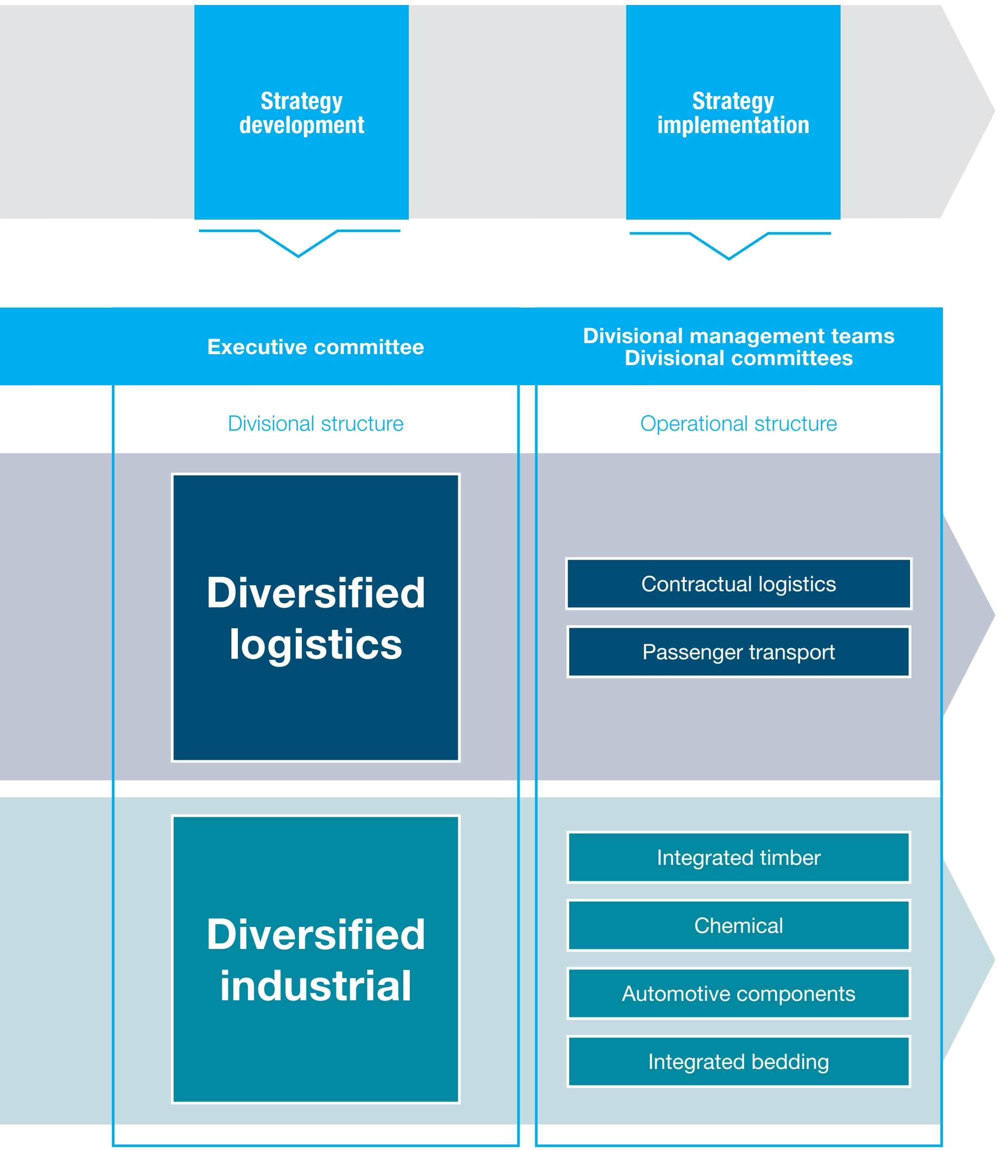
READ MORE
Corporate governance report
www.kap.co.za

Primary legal structure

- Unitrans Holdings Proprietary Limited
- Unitrans Passenger Proprietary Limited

- KAP Diversified Industrial Proprietary Limited
- KAP Automotive Proprietary Limited
- KAP Bedding Proprietary Limited

Management teams have the autonomy to employ the appropriate people to implement group strategy in a way that best aligns with their businesses. Management teams are supported by human resources, risk, health and safety, corporate social investment and information technology committees that monitor legal, regulatory and best practice compliance across all operations.



Implementation

Directors	
Executive	25%
Independent non-executive	50%
Non-executive	25%

Management team	Years with group or relevant divisional businesses
Independent non-executive deputy chairman	
Jo Grové	18
Chief executive officer	
Gary Chaplin	19
Chief financial officer	
Frans Olivier	10
HR Executive	
Johan Geldenhuys	17
Divisional CEO – Contractual logistics	
Theunis Nel	15
Divisional CEO – Passenger transport	
Nico Boshoff	21
Divisional CEO – Integrated timber	
Gerhard Victor	20
Divisional CEO – Chemical	
Leigh Pollard	24
Divisional CEO – Automotive components	
Ugo Frigerio	26
Divisional CEO – Integrated bedding	
Michael Metz	41

Board of directors

Executive directors

Non-executive directors

Independent non-executive directors

KAP

GN (Gary) Chaplin (46)
CA(SA)

Chief executive officer
Member of the social and ethics committee

Gary qualified as a chartered accountant in 1995 after completing his articles with Deloitte. In 1996, he joined a private company in the timber industry, which was soon thereafter acquired by Steinhoff Africa Holdings Limited (Steinhoff). Gary held various board positions and fulfilled various roles in Steinhoff's timber and furniture-related operations, including PG Bison, where he was appointed to the board in August 2006 and appointed as chief executive officer in October 2011. In June 2012, when KAP International Holdings Limited (KAP) acquired the South African industrial operations of Steinhoff, including PG Bison, Gary was appointed to the KAP Exco and later assumed full responsibility of KAP's diversified industrial segment. In November 2014, Gary was appointed as chief executive officer of KAP and as a member of the social and ethics committee.

KJ (Jo) Grové (67)
AMP (Oxford)

Executive deputy chairman
Jo has more than 40 years' experience in finance and banking. In 1976 he founded Medical Leasing Services, a company providing specialised financial services 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 Limited as chief executive in September 1998. Jo was appointed as an executive director of Steinhoff International Holdings, following the approval and implementation of the acquisition by Steinhoff of the majority shareholding in Unitrans Limited, subsequently becoming an alternative executive director on the Steinhoff International Holdings board in December 2007. Jo was appointed as chief executive officer of KAP Industrial Holdings Limited in 2012. In November 2014, Jo stepped down as chief executive and was appointed executive deputy chairman.

FH (Frans) Olivier (37)
CA(SA)

Chief financial officer
Frans qualified as a chartered accountant in 2004 and performed his articles at KPMG Inc. in Johannesburg. After completion of his articles he joined a small company for a short period before joining Steinhoff. Frans has gained extensive experience through various roles in the Steinhoff and KAP groups over a period of 10 years. His most recent appointments have been as the chief financial officer of KAP's diversified industrial segment and, prior to that, as the chief financial officer of PG Bison, a major subsidiary of KAP. Frans was appointed as chief financial officer of KAP Industrial Holding Limited in April 2016 and as a member of the social and ethics committee.

AB (Ben) la Grange (42)
BCom (Law), CA(SA)

Non-executive director
Ben is the group chief financial officer for Steinhoff International Holdings N.V. He also serves as an alternate director of PSG Group Limited. Ben was appointed as a non-executive director of KAP Industrial Holdings Limited in 2012.

MJ (Markus) Jooste (55)
BAcc, CA(SA)

Non-executive director
Markus is group chief executive officer for Steinhoff International Holdings N.V. He serves on the board of several Steinhoff group companies in Africa, Europe, the United Kingdom and Australia and as a non-executive director on the boards of PSG Group Limited (member of the remuneration committee) and Phumelela Gaming and Leisure Limited (member of the remuneration committee). Markus was appointed as a non-executive director of KAP Industrial Holdings Limited in 2004.

DM (Danie) van der Merwe (58)
BComm, LLB

Non-executive director
Danie is currently group chief operating officer for Steinhoff International Holdings N.V. He was appointed as a director of Steinhoff International Holdings in 1999, and serves on the boards of Steinhoff Asia Pacific Limited and Steinhoff UK Holdings Limited. Danie was appointed as a non-executive director of KAP Industrial Holdings Limited in 2005 and serves on the human resources and remuneration and the nomination committees.
CA(SA) (Hons)

J (Jaap) de V du Toit (62)
BAcc, CA(SA), CTA, CFA

Independent non-executive chairman
Chairman of the nomination committee

Jaap was appointed as senior general manager at the Trust Building Society in 1984, financial director at SMK Securities Proprietary Limited in 1988, and as their portfolio director in 1990. He was a founder member of PSG Group Limited in 1996 and acted as a director until mid-2016. He acted as chairman of PSG Konsult from its formation in 1998 until 2013, and is still a director on that board. In August 2012 Jaap was appointed as the lead independent non-executive director for PSG Group Limited (until mid-2016) and PSG Financial Services Limited. Jaap has served, and currently serves, as chairman of various national committees and boards. He was appointed as chairman of KAP Industrial Holdings Limited in 2012 and as chairman of the nomination committee in 2013.

CJH (Chris) van Niekerk (69)
BA

Independent non-executive director
After a long career in the chemical industry with 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 management buy-out of PGSI which transformed PG Bison, then listed on the Johannesburg Stock Exchange.

Steinhoff Africa Holdings acquired PG Bison in 2006, expanding the business into sawmilling and forestry before it was integrated into the KAP Industrial Holdings group in 2012. Chris also holds several other directorships, including Investec Equity Partners Proprietary Limited, Steinhoff Private Partner Investments Proprietary Limited, Klawervlei Stud Proprietary Limited, Kenilworth Racing Proprietary Limited, Cape Thoroughbred Sales Proprietary Limited and Phumelela Gaming and Leisure Limited. Chris was appointed to the board of KAP Industrial Holdings Limited in 2012.

IN (Ipeleng) Mkhari (42)
BSocSci (Natal), EDP (Wits), Archbishop Tutu Fellow

Independent non-executive director
Chairman of the social and ethics committee
Member of the human resources and remuneration committee

Ipeleng founded Motseng Investment Holdings where she is currently the chief executive officer. In November 2012, she co-founded Delta Property Fund, a substantially black-owned property loan company listed on the Johannesburg Stock Exchange. She has received numerous entrepreneurial and similar awards. Ipeleng serves as a non-executive director on the boards of the South African Property Owners Association, Nampak and Assore, and is also a member of the board of governors of the St. John's Diocesan School for Girls. Ipeleng was appointed as an independent non-executive director of KAP Industrial Holdings Limited in 2004. She chairs the social and ethics committee and serves as a member of the human resources and remuneration committee.

PK (Patrick) Quarmby (62)
CA(SA) (Hons)

Independent non-executive director
Chairman of the audit and risk committee

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 Limited in 1996, responsible for the global expansion of the group. Patrick retired from this position in 2014. 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 Limited until the acquisition by Steinhoff of Unitrans in 2007. Patrick was appointed as an independent non-executive director of KAP Industrial Holdings Limited in 2012 and serves as chairman of the audit and risk committee.

SH (Sandile) Nomvete (43)
EDP (Wits), Prop Dev Prog (UCT)

Independent non-executive director
Member of the audit and risk committee

Sandile is the founder and chief executive officer of Delta Property Fund, a REIT listed on the Johannesburg Stock Exchange. He co-founded Motseng Investment Holdings. He has nearly 18 years' experience in executive and non-executive positions and serves as a director on a number of listed companies. Sandile was appointed as an independent non-executive director of KAP Industrial Holdings Limited in 2004 and is a member of the audit and risk committee.

SH (Steve) Müller (55)
BAcc (Hons), CA(SA), Sanlam EDP*

Independent non-executive director
Chairman of the human resources and remuneration committee
Member of the audit and risk committee

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 that of chief operating officer: Equities of Genbel Securities Limited, executive director of Gensec Bank Limited, non-executive director and member of the audit and remuneration committees of various investee companies within the Genbel Securities Group. In 2008 he left the group to pursue his own interests. He was appointed as an independent non-executive director and chairman of the audit committee of Sacoil Holdings Limited on 31 May 2013, a company listed on the Johannesburg Stock Exchange, and AIM on the London Stock Exchange. Steve was appointed as an independent non-executive director of KAP Industrial Holdings Limited in 2012 and serves on the audit and risk committee. In 2014 Steve was appointed chairman of the KAP Industrial Holdings Limited human resources and remuneration committee and member of the nomination committee.

KAP's remuneration philosophy is to remunerate employees in a market-related and competitive manner in order to attract, motivate and retain a competent workforce.

KAP is a South Africa-based company with approximately 12% of revenue earned outside of South Africa.

KAP's industrial and diverse business model requires specialist managerial and technical skills. In addition, KAP expects its executives to be mobile and for some to have knowledge and experience across borders. As a result, KAP competes for management and specialist skills and succession talent in a challenging global marketplace, and therefore its approach to remuneration needs to remain competitive.

To facilitate this, the board's human resources and remuneration committee ('the committee') operates within defined terms of reference and authority granted to it by the board.

The committee comprises two independent non-executive directors, one of them chairing, as well as another non-executive director. The chief executive officer and certain executive management attend meetings by invitation. This committee meets at least once a year and, should it be required, additional ad hoc meetings are convened.

Due to the decentralised management structures in the six operating divisions, the committee has established divisional subcommittees ('the subcommittees'). The subcommittees are responsible for all human capital management and employee remuneration matters at business level, as dictated by the committee.

Key considerations for the committee are to:

- review the group's 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 annual and longer-term incentive schemes, in order to ensure that they are appropriate and act as drivers to the achievement of the business strategy;
- fulfil delegated responsibilities on KAP's share-based incentive plans, and approve amendments to the KAP share-based incentive schemes, after consultation with shareholders and approval by the JSE Limited;
- review the human capital management practices in place across the group with reference to key focus areas and those specifically required by the South African labour legislation;
- review regularly the 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
- review annually the recommendations of the group's subcommittees and their assessment of compliance with the terms of reference prescribed by the committee, in order to establish if it can rely on the work of the subcommittees.

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

Key considerations for the subcommittees are to review the divisional:

- pay structures and equitable base salary increases for all employees;
- performance management systems and processes;
- annual performance incentive schemes;
- longer-term incentive scheme; and
- talent management and succession planning taking due cognisance of employment equity targets and B-BBEE requirements.

Alignment with strategy

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

- to develop and grow the group within and outside the South African borders;
- to sustain and improve its leading positions in high barrier to entry markets;
- to sustainably increase its operating profit and cash flows; and
- to grow sustainable long-term revenue, having due regard to the longevity of the business.

Employee share ownership and 'black' management share ownership plans

In accordance with the group's strategic transformation objectives, Steinhoff International Holdings N.V. ('Steinhoff'), KAP's largest shareholder, has recognised the importance of affording its South African citizen employees an opportunity to participate in the success of its businesses.

During 2009, Steinhoff implemented an employee as well as a 'black' management share participation scheme that effectively empowered all South African employees, the majority of whom are 'black' (as defined in the amended Broad-Based Black Economic Empowerment Act, No. 53 of 2003).

Approximately 12 300 KAP Industrial employees participate at various levels in a Steinhoff International share ownership scheme, and collectively hold more than 40 million Steinhoff shares with the associated funding.

During the financial year, a dividend of R13.4 million was declared to participants in this scheme.

Service contracts

Executives' contracts are subject to terms and conditions of employment in South Africa. Top executives' or any other executive and non-executive directors' contracts do not contain termination packages or excessive notice periods.

Directors are subject to regulations on appointment and/or rotation in terms of the company's memorandum of incorporation and the Companies Act.

Non-executive directors' remuneration

In reviewing non-executive directors' fees, the board, assisted by the committee, makes recommendations to shareholders on fees payable to non-executive directors (comparable to industry standards) and, the importance attached to the retention and attraction of value-adding professional individuals as non-executive directors. Fees are reviewed annually. When appropriate, independent surveys are obtained from specialist human resource consultants to review non-executive directors' fees. The proposed fees payable for the period from the date of the forthcoming annual general meeting to the 2017 annual general meeting represent an increase of approximately 6.5% from fees payable for the current period, save for fees in respect of the audit and risk committee chairman and committee members for whom a higher than inflation increase is proposed in recognition of the growth of the group and the increased responsibilities assumed by the committee. This remuneration is not linked to the company's share price or share performance. Levels of fees are also set with the non-executive directors chairing or participating on the board and board committees. Non-executive directors do not qualify for shares in terms of the group's share incentive scheme.

Remuneration policy

The committee has implemented a remuneration policy, which has been approved by the board and shareholders, in order to assist in the achievement of the group's strategy and objectives.

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

- Remuneration practices throughout the group are aligned with the applicable business strategies and objectives.
- Remuneration is set at levels that are competitive and appropriate within the specific markets and industries in which the group operates.
- Incentive-based remuneration, applicable to management involved in determining and implementing the strategy of the group and/or divisions, is determined with reference to demanding performance targets with due regard for the sustainable well-being of the group over the short, medium and long term.

Elements of remuneration

The remuneration policy covers three elements of remuneration, namely:

- total cost to company base salary, applicable to all staff;
- annual incentive bonus, applicable to management who are involved in determining and implementing the strategy of the group or divisions; and
- longer-term incentives applicable to management who are involved in determining and implementing the strategy of the group or divisions.

The committee seeks to ensure an appropriate balance between the fixed and performance-related elements of managerial remuneration, and also between short-term financial performance and longer-term sustainable stakeholder value creation.

The committee considers each element of remuneration relative to the market and, in determining its quantum, takes into account the performance of the group and/or division, the management team and the individual concerned.

Total cost to company base salary ('salary')

The salary element of remuneration incorporates all guaranteed cash benefits. Its purpose is to provide a competitive level of remuneration for each level of employee. The salary is subject to annual review. It is intended to be competitive with reference to market practice in companies comparable in size, market sector, business complexity and geographic location. Company performance, individual performance and

Non-executive directors' remuneration	2017 R	2016 R
Board membership fees		
Independent non-executive chairman (all-inclusive fee)	**762 000**	715 500
Member*	**305 000**	286 200
Committee fees		
Audit and risk committee		
Chairman	**300 000**	243 800
Member	**150 000**	119 250
Human resources and remuneration committee		
Chairman	**142 000**	132 500
Member	**68 000**	63 600
Nomination committee		
Chairman	**6 000**	5 830
Member	**6 000**	5 830
Social and ethics committee		
Chairman	**27 000**	25 440
Member	**14 000**	12 720

** A per meeting fee of R65 000 is proposed, together with an annual retainer of R45 000 in respect of continuous informal commitments. (There are four scheduled quarterly board meetings per annum).*
The proposed committee fees are based on the planned number of meetings in respect of each director's remuneration.
Refer to note 32 to the audited consolidated annual financial statements for details on the remuneration earned by executive directors for the year ended 30 June 2016.

changes in responsibilities are also taken into consideration when determining annual base salaries.

Benefits provide security for employees and typically include membership of a retirement fund and medical aid scheme, where employees have the flexibility in both offerings of deciding on the level of their participation in 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 and employee representative bodies active in the various industries and countries in which the group operates.

Annual incentive bonus ('AIB')

An AIB, payable in cash, is designed to incentivise applicable management to achieve the group's short and medium-term goals.

The AIB is based on the achievement of group or divisional financial targets, as well as strategic and personal performance objectives as determined by the committee, the board and the executive committee of KAP. Financial targets are set, taking into account various factors, including the prevailing economic environment, relevant market conditions in the sectors within which the group operates, the performance of market peers, as well as the group's objective of improving its return on equity over time.

These objectives are set after taking into account that management is obliged to maintain the group's assets on a sustainable basis. Relevant performance targets are adjusted to account for material unbudgeted acquisitions or capital expenditure approved according to the group's approval framework during the financial year.

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 include:

Objective	Metric
1. Achievement of operational and financial growth objectives	
– Performance against profit target	Growth in headline earnings per share
– Performance against cash flow target	Conversion of EBIT into cash generated from operations
– Performance against return on investment criteria	Growth in return on equity
2. Implementation of key strategic initiatives related to the strategic development and competitive positioning of KAP	
– 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 – Successful conclusion and implementation of strategic mergers, acquisitions and disposals – Implementation of growth initiatives which do not benefit the year under review – Other initiatives such as b-bbee, internal audit ratings, health and safety, and succession planning, etc.	At discretion of committee and the board of the group

Should the first component (operational and financial growth objectives) not be met, no bonus will be payable in respect of the second component.

AIB allocations to the group's senior management were weighted as follows during FY16:

Role	Percentage of AIB relating to group performance	Percentage of AIB relating to divisional performance	On-target bonus as % of base salary
Group chief executive officer	100%	–	50%
Group chief financial officer	100%	–	50%
Group human resources officer	100%	–	50%
Divisional chief executive officers	100%	–	50%
Key divisional management	–	100%	15% – 50%

Key executive staff are further entitled to share in a maximum of 12% to 20% of performance in excess of budgeted headline earnings before taxation. Annual bonuses are limited to 100% of their respective annual salary.

The performance objectives for individual divisions are assessed, taking into account their specific industry, identified peers and/or competitors and the maturity of the division.

The committee retains the discretion to make adjustments to AIB payments, taking into account both group performance and the overall and specific contribution of the management teams to meeting the group's objectives.

The committee performs an annual review 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. The group's executive committee (i.e. executive deputy chairman, chief executive officer, chief financial officer, human resources officer and divisional CEOs) participates in a single group AIB pool in order to support the alignment of the interests of executive management with those of the group's shareholders, and to ensure the optimum allocation of capital across the group.

Longer-term incentives ('LTIs')

KAP competes for management skills and talent in the African marketplace and its approach to remuneration takes account of the need to retain key management over the longer term. LTIs are awarded with the primary aim of promoting the sustainability of the company through business cycles, aligning performance of key management with the interests of key stakeholders and retaining key management over the longer term. The LTIs comprise a share rights scheme for executive staff and cash-settled scheme for key senior management.

The allocation and target criteria of incentives are at the discretion of the committee, and apply to individuals who are key to determining and implementing the long-term business strategy at group and/or divisional levels. Benchmark performance criteria are therefore aligned with the group's long-term strategic priorities. The allocation and quantum of LTIs are based on the responsibility and salary packages of relevant individuals.

Share rights only vest when, over the relevant three-year period, the group has achieved its cumulative targets, as detailed in the AIB above. Participants of the cash-settled scheme are required to achieve their own division's cumulative targets, as detailed in the AIB above, over the same period in order to qualify for the LTI.

The value of share scheme allocations to the group's executive staff is as follows:

Role	Percentage of base salary allocated to share scheme
Group chief executive officer	167%
Group chief financial officer	133%
Group human resources officer	100%
Divisional chief executive officers	133%
Key divisional management	33% – 100%

The value of long-term cash incentives to the group's senior management is as follows:

Role	Percentage of base salary allocated to long-term cash incentive
Key divisional management	33% – 100%

With effect from the 2013 Share Rights grant (i.e. for the period 1 July 2013 to 30 June 2016) onwards a condition of the vesting of each share rights grant will be that the recipient has retained the previous year's vested shares, which effectively extends the scheme to a minimum four-year scheme and further encourages the retention of shares by recipients.

Scheme rules, the application thereof and quantum of allocations are regularly reviewed by the committee to ensure equity and compliance with legislative and regulatory requirements.

Audited consolidated financial statements

Preparation supervised by Frans Olivier CA(SA)

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Audited consolidated financial statements // **Independent auditor's report** // To the shareholders of KAP Industrial Holdings Limited

Report on the financial statements

We have audited the consolidated financial statements of KAP Industrial Holdings Limited set out on pages 103 to 191, which comprise the statement of financial position as at 30 June 2016, and the income statement and 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 these 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of KAP Industrial Holdings Limited as at 30 June 2016, 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 consolidated financial statements for the year ended 30 June 2016, we have read the directors' report, the audit and risk committee's report 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 consolidated financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other legal and regulatory requirements

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in *Government Gazette* Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of KAP Industrial Holdings Limited for 13 years.

Deloitte & Touche

Deloitte & Touche
Registered auditors
Per MA van Wyk

Partner

15 August 2016

The directors are pleased to present the audited consolidated financial statements for KAP Industrial Holdings Limited ('KAP' or 'the company') and its subsidiaries ('the group') for the year ended 30 June 2016.

Financial results

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

Distribution

The board has approved a dividend of 18 cents per share (2015: 15 cents per share) payable from income reserves on 10 October 2016 to shareholders registered on 7 October 2016. The dividend withholding tax of 15%, if applicable, will result in a net cash dividend of 15.3 cents per share (2015: 12.75 cents per share).

Stated share capital

The authorised ordinary share capital of KAP remains unchanged from the prior year and consists of 6 000 000 000 shares of no par value ('the Ordinary Shares').

At the annual general meeting held on 16 November 2015, shareholders placed 240 000 000 of the unissued Ordinary Shares, together with 1 000 000 000 cumulative, non-redeemable non-participating preference shares of no par value and 50 000 000 perpetual preference shares of no par value (collectively 'the Preference Shares'), under the control of the directors. None of these shares have been issued.

In addition, shareholders placed 20 000 000 of the unissued Ordinary Shares under the control of the directors for purposes of the KAP Performance Share Rights Scheme ('the Scheme').

On 1 December 2015, the issued share capital of the company was increased to 2 440 936 305 (2015: 2 422 812 158) Ordinary Shares by the allotment and issue of an additional 18 124 147 new Ordinary Shares in settlement of the company's obligation to participants under the Scheme.

Subsidiary companies

The material subsidiaries of the group are reflected in note 31 to the financial statements.

Restructuring in the group and nature of business

Various immaterial reorganisations/restructurings by way of intragroup transactions have taken place across both the diversified logistics and the diversified industrial segments during the review period. Pursuant to such restructuring, the group operates from the below-mentioned divisions as follows:

Diversified logistics segment

- The contractual logistics division designs, implements and manages supply chain, warehousing and logistics services. The division services the petrochemical, food, mining and infrastructure, as well as warehousing and distribution sectors, and incorporates a separate business unit focused on growth into Africa.
- The passenger transport division provides personnel, tourist, intercity and commuter transport services.

Diversified industrial segment

- The integrated timber division houses the group's forestry and timber manufacturing operations and incorporates timber plantations, sawmills and production facilities for panel products.
- The chemical division manufactures PET, resin and formaldehyde.
- The automotive components division manufactures automotive components, used primarily in new vehicle assembly. Pursuant to the acquisition of the Autovest Limited ('Autovest') group (see 'Corporate activity' below), the automotive division now includes the provision and fitment of automotive components into the after-market.
- The integrated bedding division manufactures bed bases, foam and sprung mattresses, together with mattress fabric and a range of industrial foams.

Corporate activity

The group continued with strategic corporate activities to enhance the group's quality of earnings and its sustainability into the future. In line with its key investment criteria, the group entered into the following material transactions with a dedicated focus on strategic industrial assets:

In the diversified logistics segment

- Subsequent to the year-end date, the group entered into an agreement to acquire 23.09% of the issued ordinary share capital of Xinergistix Proprietary Limited ('Xinergistix') and thereby acquired control of the company. Xinergistix provides road transport services and fully integrated supply chain management solutions to customers in southern Africa. Xinergistix is engaged in contractual logistics which are complementary to those of Unitrans. It is anticipated that the acquisition would become effective on 1 July 2016, subject to approval by Regulatory Authorities and other conditions precedent customary for transactions of this nature.
- During June 2016, the group entered into an agreement to acquire the entire issued ordinary share capital and claims relating to the business operations of Lucerne Transport Proprietary Limited ('Lucerne'), effective 1 September 2016. Lucerne provides contractual logistics services and is a bulk liquid tanker transport company with a comprehensive fleet of trucks with a variety of specially configured tankers, structured to transport general chemicals, industrial oils, food products and acids to customers in southern Africa. Lucerne's operations are complementary to those of Unitrans. The transaction was approved by the Competition Commission on 3 October 2016.

In the diversified industrial segment

- During the year under review, the acquisition of the Autovest group's operations and subsidiaries was concluded. Autovest, the owner of a number of well-established brands, is the largest supplier of Original Equipment Manufacturer ('OEM') approved automotive accessories in South Africa, selling its products through the OEM dealerships and franchised fitment centres across the country. Well-known brands include Maxe, Auto Armor, Rhino Linings and SA Canopy. Autovest's operations and results were incorporated into those of the automotive components division with effect from 1 April 2016.
- Subsequent to year-end, the group entered into an agreement to acquire the entire issued ordinary share capital and claims of Ndlovu Forestry Corporation Proprietary Limited ('Ndlovu') effective 1 July 2016. Ndlovu owns 4 821 hectares of land situated near Knysna, of which 1 505 hectares is under established pine plantations.
- Subsequent to the year-end date, during August 2016, the group entered into an agreement to acquire the entire issued ordinary share capital and claims of Safripol Holdings Proprietary Limited ('Safripol'), effective 1 January 2017. Safripol is engaged in the manufacture of polypropylene and high-density polyethylene, whose products are used in the manufacture of a broad range of plastic injection and blow-moulded products. This business operates with a similar business model to that of Hosaf, and produces products which are complementary to those of Hosaf. The transaction is subject to approval by Regulatory Authorities and other conditions precedent customary for transactions of this nature.

Directorate

On 15 April 2016, the company's chief financial officer, Mr JP Haveman, resigned from the board and Mr FH Olivier was appointed in his stead on the same date.

The directors of the company are as follows:

Executive directors

Karel Johan Grové (executive deputy chairman)
Gary Noel Chaplin (chief executive officer)
Frans Hendrik Olivier (chief financial officer)

Non-executive directors

Markus Johannes Jooste
Andries Benjamin la Grange
Daniel Maree van der Merwe

Independent non-executive directors

Jacob de Vos du Toit (chairman: Board, chairman: Nomination committee)
Ipeleng Nonkululeko Mkhari (chairperson: Social and ethics committee)
Stephanus Hilgard Müller (chairman: Human resources and remuneration committee)
Sandile Hopeson Nomvete
Patrick Keith Quarmby (chairman: Audit and risk committee)
Christiaan Johannes Hattingh van Niekerk

Directors' shareholding

As at 30 June 2016, the present and former directors of the company held no direct or indirect interests in the company's issued Ordinary Shares other than:

	2016 Number of shares	2015 Number of shares
Gary Noel Chaplin	**1 824 048**	700 000
Jacob de Vos du Toit	**500 000**	500 000
Karel Johan Grové	**1 610 451**	208 000
John Peter Haveman	**–**	331 954
Stephanus Hilgard Müller	**300 004**	300 004
Frans Hendrik Olivier	**557 997**	180 000

In aggregate, the directors of the company and its subsidiaries held 58 907 773 (2015: 53 236 904) of the company's Ordinary Shares at 30 June 2016, equating to 2.4% (2015: 2.2%) of the Ordinary Shares.

Other than the above movements in shareholdings, there have been no dealings in the company's Ordinary Shares by directors during the year under review. From 1 July 2016 to the date of approval of the company's consolidated financial statements, there have been no dealings by directors in the company's Ordinary Shares.

Directors' contracts declarations

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.

Disclosure of beneficial interest of major shareholders

	2016 %	2015 %
Shareholders with an interest above 5%:		
Steinhoff International Holdings N.V.[1]	**43.00**	43.32
Allan Gray	**13.07**	13.01
Government Employees Pension Fund	**7.75**	6.97

[1] *Shares held via Ainsley Holdings Proprietary Limited, a subsidiary of Steinhoff Africa Holdings Proprietary Limited.*

Borrowing facilities and limits

The group's borrowing facilities and usage thereof are set out in notes 20 and 25. In terms of the memoranda of incorporation of the company and its subsidiaries, there is no limitation on the various companies' borrowing powers.

Subsequent events

Other than the acquisitions disclosed under 'Corporate activity' above, no significant events occurred between 30 June 2016 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. Other than as disclosed in the corporate governance review contained in this integrated report, the company complied with the principles contained in King III throughout the reporting period.

Share incentive scheme

The company operates a performance-based share incentive scheme, namely the KAP Performance Share Rights Scheme, which was approved by shareholders on 14 November 2012. The maximum number of Ordinary Shares in the company that may be used for the continued implementation of the Scheme may not exceed 366 274 553 Ordinary Shares.

As stated above, 20 000 000 unissued Ordinary Shares were placed under the control of the directors for the continued implementation and fulfilment of any obligations that may arise under the Scheme. Rights in respect of 14 799 796 (2015: 17 655 412) Ordinary Shares in the company were granted to participating employees on 1 December 2015 and the remaining 5 200 204 (2015: 7 344 588) Rights over Ordinary Shares have been reserved to provide for any new Scheme entrants prior to the next Scheme allocation in December 2016.

The first tranche of the 2012 allocation vested on 1 December 2015 and, to fulfil its obligations in accordance with the rules of the Scheme, the company listed 18 124 147 new Ordinary Shares and allotted and issued these Ordinary Shares to the qualifying Scheme participants, four of whom were directors of the company at the time.

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 ('the Companies Act'), is set out on pages 100 to 102 of these financial statements.

Auditor

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

Responsibility of directors

It is the directors' responsibility to ensure that the 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 occurred during the year under review.

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

Going concern

The consolidated financial statements were prepared on the going concern basis since the directors have every reason to believe that the group has adequate resources in place to continue in operation for the foreseeable future.

Approval of financial statements

The consolidated financial statements for the year ended 30 June 2016, set out on pages 96 to 191, were approved by the board of directors on 15 August 2016 and signed on its behalf by:

KJ Grové
Executive deputy chairman

GN Chaplin
Chief executive officer

15 August 2016

Company secretary's certificate

The company secretary certified, in accordance with Section 88(2)(e) of the Companies Act, that the company had lodged with the Commissioner of the Companies and Intellectual Properties Commission 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 Secretarial Services Proprietary Limited
Company secretary

15 August 2016

28 Sixth Street, Wynberg, Sandton

Background

The audit and risk committee's operation is guided by a formal detailed charter that is in line with 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 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 Industrial Holdings Limited ('KAP') audit and risk committee.

The committee is pleased to present its report for the financial year ended 30 June 2016 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 financial statements of companies in the group and to ensure that the 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 financial statements for the year ended 30 June 2016; and
  - the interim results for the six months ended 31 December 2015.
- 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.
- Considered the appropriateness of the experience and expertise of the group chief financial officers and concluded that these were appropriate.
- Considered the expertise, resources and experience of the finance function and concluded that these were appropriate.

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 three 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 Regulations, 2011.

The company secretary is the secretary of this committee.

The committee is considered to have sufficient financial skills and knowledge to carry out its duties and responsibilities. Attendance at meetings by other directors or officers is by way of invitation.

Meetings

The 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 by the committee during the year.

Internal audit

The group's 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 auditors of KAP Industrial Holdings Limited and its subsidiaries are independent as defined by the Companies Act. The committee, in consultation with executive management, has agreed to the audit fee for the 2016 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 auditors and has nominated, for approval at the annual general meeting, Deloitte & Touche as the external auditor for the 2017 financial year, with Mr Dirk Steyn as the designated auditor. This will be his first 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.

Financial statements

The audit and risk committee has evaluated the consolidated financial statements for the year ended 30 June 2016 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 financial statements for approval to the board. The board has subsequently approved the financial statements, which will be open for discussion at the forthcoming 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 and risk committee chairman

15 August 2016

Audited consolidated financial statements // **Income statement** //
for the year ended 30 June 2016

	Notes	2016 Rm	2015 Rm
Continuing operations			
Revenue		**16 232**	15 664
Cost of sales		**(12 440)**	(12 248)
Gross profit		**3 792**	3 416
Other operating income		**350**	404
Distribution expenses		**(585)**	(535)
Other operating expenses		**(1 573)**	(1 619)
Capital items	1	**(20)**	(35)
Operating profit	2	**1 964**	1 631
Finance costs	3	**(357)**	(344)
Income from investments	3	**44**	55
Share of profit/(loss) of associate companies	12	**16**	(4)
Share of profit of joint venture companies	13	**8**	4
Profit before taxation		**1 675**	1 342
Taxation	4	**(482)**	(361)
Profit for the year from continuing operations		**1 193**	981
Discontinued operations			
Loss for the year from discontinued operations	5	**–**	(51)
Profit for the year		**1 193**	930
Profit attributable to:			
Owners of the parent		**1 147**	888
Profit for the year from continuing operations		**1 147**	939
Loss for the year from discontinued operations		**–**	(51)
Non-controlling interests	19	**46**	42
Profit for the year from continuing operations		**46**	42
Loss for the year from discontinued operations		**–**	–
Profit for the year		**1 193**	930
		cents	cents
Earnings per share from continuing and discontinued operations			
Earnings per share	6	**47.1**	37.2
Diluted earnings per share	6	**46.5**	36.7
Earnings per share from continuing operations			
Earnings per share	6	**47.1**	39.4
Diluted earnings per share	6	**46.5**	38.8
Headline earnings per share from continuing and discontinued operations			
Basic headline earnings per share	6	**47.8**	40.2
Diluted headline earnings per share	6	**47.2**	39.6
Headline earnings per share from continuing operations			
Headline earnings per share	6	**47.8**	40.6
Diluted headline earnings per share	6	**47.2**	40.1

	2016 Rm	2015 Rm
Profit for the year	**1 193**	930
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**53**	27
Total comprehensive income for the year, net of taxation	**1 246**	957
Total comprehensive income attributable to:		
Owners of the parent	**1 198**	916
Non-controlling interests	**48**	41
Total comprehensive income for the year	**1 246**	957

	Ordinary stated share capital Rm	Distributable reserves Rm	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
Balance at 1 July 2014	6 970	3 598	57	(3 952)	36	6 709	150	6 859
Net shares issued	348	–	–	–	–	348	–	348
Total comprehensive income for the year	–	888	–	–	28	916	41	957
Profit for the year	–	888	–	–	–	888	42	930
Other comprehensive income for the year	–	–	–	–	28	28	(1)	27
Ordinary dividends paid	–	(282)	–	–	–	(282)	(22)	(304)
Capital distribution to Steinhoff International Holdings Limited for share-based payments	–	(4)	–	–	–	(4)	–	(4)
Share-based payments	–	–	73	–	–	73	–	73
Transfer between reserves	–	12	(2)	–	(10)	–	–	–
Eliminated on disposal of subsidiaries and businesses (note 28)	–	–	–	–	1	1	–	1
Balance at 30 June 2015	**7 318**	**4 212**	**128**	**(3 952)**	**55**	**7 761**	**169**	**7 930**
Total comprehensive income for the year	**–**	**1 147**	**–**	**–**	**51**	**1 198**	**48**	**1 246**
Profit for the year	**–**	**1 147**	**–**	**–**	**–**	**1 147**	**46**	**1 193**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**51**	**51**	**2**	**53**
Ordinary dividends paid	**–**	**(363)**	**–**	**–**	**–**	**(363)**	**(22)**	**(385)**
Share-based payments	**–**	**–**	**71**	**–**	**–**	**71**	**–**	**71**
Transfer between reserves	**–**	**22**	**–**	**–**	**(22)**	**–**	**–**	**–**
Balance at 30 June 2016	**7 318**	**5 018**	**199**	**(3 952)**	**84**	**8 667**	**195**	**8 862**

as at 30 June 2016

	Notes	2016 Rm	2015 Rm
ASSETS			
Non-current assets			
Goodwill	7	**911**	519
Intangible assets	8	**1 167**	1 079
Property, plant and equipment	9	**8 052**	7 038
Investment property	10	**76**	91
Consumable biological assets	11	**1 890**	1 824
Investments in associate companies	12	**85**	100
Investments in joint venture companies	13	**39**	40
Investments and loans	14	**3**	1
Deferred taxation assets	15	**105**	85
		12 328	10 777
Current assets			
Inventories	16	**1 286**	1 179
Trade and other receivables	17	**2 677**	2 539
Short-term loans receivable	14	**2**	23
Taxation receivable		**44**	36
Cash and cash equivalents		**2 602**	1 370
		6 611	5 147
Total assets		**18 939**	15 924
EQUITY AND LIABILITIES			
Capital and reserves			
Stated share capital	18	**7 318**	7 318
Reserves		**1 349**	443
Total equity attributable to equity holders of the parent		**8 667**	7 761
Non-controlling interests	19	**195**	169
Total equity		**8 862**	7 930
Non-current liabilities			
Loans and borrowings	20	**4 205**	3 134
Operating lease liability		**15**	9
Employee benefits	21	**21**	23
Provisions	22	**56**	56
Deferred taxation liabilities	15	**1 368**	1 086
		5 665	4 308
Current liabilities			
Loans and borrowings	20	**432**	328
Employee benefits	21	**360**	327
Provisions	22	**84**	94
Trade and other payables	23	**3 454**	2 857
Taxation payable		**46**	77
Bank overdrafts and short-term facilities		**36**	3
		4 412	3 686
Total equity and liabilities		**18 939**	15 924

for the year ended 30 June 2016

	Notes	2016 Rm	2015 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	26	**3 285**	2 275
Dividends received		**13**	2
Income from investments		**44**	57
Finance costs		**(357)**	(347)
Dividends paid		**(385)**	(304)
Taxation paid		**(266)**	(200)
Net cash inflow from operating activities		**2 334**	1 483
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(1 853)**	(1 362)
Proceeds on disposal of property, plant and equipment		**125**	167
Additions to intangible assets		**(23)**	(10)
Proceeds on disposal of investment property		**11**	–
Additions to consumable biological assets		**(7)**	(2)
Net cash outflow on acquisition of subsidiaries and businesses	27	**(573)**	(142)
Net cash inflow on disposal of subsidiaries and businesses	28	**–**	470
Decrease in investments and loans		**1**	10
Decrease in short-term loans receivable		**24**	–
Net increase in investments in associate companies		**(7)**	(5)
Net cash outflow from investing activities		**(2 302)**	(874)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in bank overdrafts and short-term facilities		**31**	(552)
Increase/(decrease) in long-term loans and borrowings		**2 143**	(9)
Decrease in short-term loans and borrowings		**(1 000)**	(41)
Net cash inflow/(outflow) from financing activities		**1 174**	(602)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1 206**	7
Cash and cash equivalents at beginning of the year		**1 370**	1 348
Effects of exchange rate translations on cash and cash equivalents		**26**	15
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**2 602**	1 370

	2016 Rm	2015 Rm
Continuing operations		
REVENUE		
Diversified logistics	**7 899**	7 863
Diversified industrial	**8 440**	7 885
	16 339	15 748
Intersegment revenue eliminations	**(107)**	(84)
	16 232	15 664
OPERATING PROFIT BEFORE CAPITAL ITEMS		
Diversified logistics	**1 006**	880
Diversified industrial	**978**	786
	1 984	1 666
RECONCILIATION BETWEEN OPERATING PROFIT PER INCOME STATEMENT AND OPERATING PROFIT BEFORE CAPITAL ITEMS PER SEGMENTAL ANALYSIS		
Operating profit per income statement	**1 964**	1 631
Capital items	**20**	35
Operating profit before capital items per segmental analysis	**1 984**	1 666
TOTAL ASSETS		
Diversified logistics	**6 267**	5 624
Diversified industrial	**9 814**	8 616
	16 081	14 240
RECONCILIATION BETWEEN TOTAL ASSETS PER STATEMENT OF FINANCIAL POSITION AND TOTAL ASSETS PER SEGMENTAL ANALYSIS		
Total assets per statement of financial position	**18 939**	15 924
Less: Cash and cash equivalents	**(2 602)**	(1 370)
Less: Investments in associate and joint venture companies	**(124)**	(140)
Less: Interest-bearing long-term loans receivable	**(2)**	–
Less: Interest-bearing short-term loans receivable	**–**	(23)
Less: Related-party receivables	**(130)**	(151)
Total assets per segmental analysis	**16 081**	14 240
GEOGRAPHICAL ANALYSIS		
Revenue		
South Africa	**14 315**	13 856
Rest of Africa	**1 917**	1 808
	16 232	15 664
Non-current assets		
South Africa	**11 112**	9 720
Rest of Africa	**1 216**	1 057
	12 328	10 777

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 on 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 financial statements. The measures reported by the group are in accordance with the accounting policies adopted for preparing and presenting the consolidated 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

Diversified logistics

This segment comprises a contractual logistics division and passenger transport division. The contractual logistics division services the petrochemical, food, mining and infrastructure, as well as warehousing and distributions sectors, together with a separate business unit focused on growth into Africa. The passenger transport division provides personnel, tourist intercity and commuter transport services.

Diversified industrial

This segment comprises an integrated timber division, chemical division, automotive components division and integrated bedding division. The integrated timber division incorporates timber plantations, sawmills and production facilities for panel products. The chemical division manufactures PET, resin and formaldehyde. The automotive components division manufactures automotive components used primarily in new vehicle assembly and the provision and fitment of automotive components into the after-market. The integrated bedding division manufactures bed bases, foam and sprung mattresses, together with mattress fabric and a range of industrial foams.

Major customers

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

KAP is a South African registered company. The consolidated financial statements of KAP, for the year ended 30 June 2016, 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 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, 71 of 2008, the Listing Requirements of the JSE Limited as required for annual financial statements, 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 not adopted any revised standards or interpretations issued by the IASB and the IFRIC that are relevant to its operations.

Basis of preparation

The consolidated 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 at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of consolidated 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 financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed on pages 187 to 188.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 – Share-based Payments, leasing transactions that are within the scope of IAS 17 – Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 – Inventories or value in use in IAS 36 – Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

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

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

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the entities (including structured entities) controlled by the group. Control is achieved when the group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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.

The group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The group considers all relevant facts and circumstances in assessing whether or not the group's voting rights in an investee are sufficient to give it power, including:

- the size of the group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the group gains control until the date when the group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

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.

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

Investment in associates and joint ventures

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a contractual arrangement whereby the parties that have joint control of the arrangement have the rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the group's share of losses of an associate or joint venture exceeds the group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the group's net investment in the associate or joint venture), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or joint venture, any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 – Impairment of Assets are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39 – Financial Instruments: Recognition and Measurement. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests. When the group reduces its ownership interest in an associate or a joint venture but the group continues to use the equity method, the group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the group.

Where a group entity transacts with an associate or joint venture company, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate or 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 and is included in the carrying value of the investment in associate or joint venture companies.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. When a group entity undertakes its activities under joint operations, the group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly:
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses. When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the group does not recognise its share of the gains and losses until it resells those assets to a third party.

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 financial statements and reversed for consolidated financial statements, 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 and joint venture companies, the carrying amount of goodwill is included in the carrying amount of the investment in the associate or joint venture 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.

Gain on bargain purchase arising on acquisition is recognised directly as a capital item 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 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 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 Steinhoff Industrial Assets before the business combination;
- the amount recognised as issued equity interests in the consolidated financial statements which is determined by adding the issued equity interest of 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, 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 other operating expenses 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 reassessed 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 disposal 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 carrying 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 that 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 other operating income 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.

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.

A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are recognised by deducting the grant in calculating the carrying amount of the asset, in which case the grant is recognised in profit and loss over the life of the depreciable asset by way of a reduced depreciation expense.

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

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

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 statement of comprehensive income, because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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 and 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. Remeasurements from carrying amount to the lower of fair value less costs are recognised in profit or loss upon initial classification as held for sale.

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 remeasured 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.

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, net of related taxation 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 and contingent liabilities

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.

A contingent liability is a possible obligation depending on whether some uncertain future event occurs, or a present obligation, but payment is not probable or the amount cannot be measured reliably.

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 it is 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 profittaking; and
- 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 30.

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, profitsharing, 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/or
- 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 profittaking; and
- 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 30.

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 30.

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 that are subject to risks and rewards that are different from those of 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 and joint venture companies, certain interest-bearing loans receivable, related-party receivables and cash and cash equivalents.

	Gross of taxation and non-controlling interests 2016 Rm	Net of taxation and non-controlling interests 2016 Rm	Gross of taxation and non-controlling interests 2015 Rm	Net of taxation and non-controlling interests 2015 Rm
1. CAPITAL ITEMS				
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.				
Expenses/(income) of a capital nature are included in the 'capital items' line in the income statement. These expense/(income) items are:				
Impairments	**12**	**13**	36	30
Goodwill	**5**	**5**	–	–
Property, plant and equipment	**–**	**1**	27	21
Investments in associate companies	**7**	**7**	8	8
Other	**–**	**–**	1	1
Net profit on disposal of investments and subsidiaries	**–**	**–**	(4)	(3)
Loss on disposal of property, plant and equipment	**4**	**2**	1	–
Loss on disposal of investment property	**4**	**2**	–	–
Other capital items	**–**	**–**	2	2
	20	**17**	35	29

		2016 Rm	2015 Rm
2.	**OPERATING PROFIT**		
	Operating profit is stated after taking account of the following items:		
2.1	**Amortisation and depreciation**		
	Amortisation	**16**	17
	Depreciation	**790**	767
		806	784
	Recognised in:		
	Cost of sales	**655**	613
	Distribution expenses	**6**	4
	Other operating expenses	**145**	167
		806	784
2.2	**Auditor's remuneration**		
	Audit fees	**23**	22
	Fees for other services	**2**	2
		25	24
2.3	**Personnel expenses**		
	Retirement plans (note 2.4)	**222**	205
	Salaries and wages	**3 406**	2 914
	Share-based payments – equity-settled (note 18 and 24)	**66**	54
	Other employee-related costs	**6**	–
		3 700	3 173
2.4	**Post-retirement benefit expenses**		
	Contributions to defined benefit plans	**5**	1
	Contributions to defined contribution plans	**211**	201
	Contributions to state-managed plans	**6**	3
		222	205
2.5	**Net foreign exchange (gains)/losses**		
	Net losses/(gains) on forward exchange contracts	**10**	(3)
	Net (gains)/losses on conversion of monetary assets	**(25)**	22
		(15)	19
2.6	**Operating lease charges**		
	Rental of properties	**88**	130
	Leases of plant, equipment, vehicles and other	**112**	134
		200	264

		2016 Rm	2015 Rm
2.7	**Fair value gain on consumable biological assets (note 11)**	**(212)**	(285)
2.8	**Expenses directly attributable to timber plantations (note 11)**		
	Decrease due to harvesting	**167**	199
	Other operating expenses in respect of plantations	**215**	208
		382	407
2.9	**Impairment/(reversal of impairment) of financial assets**		
	Related party	**28**	–
	Other	**(1)**	–
		27	–

	Expense Rm	Income Rm	Net Rm
3. FINANCE COSTS AND INCOME FROM INVESTMENTS			
2016			
Banks	**15**	**(34)**	**(19)**
Loans	**246**	**–**	**246**
Senior unsecured listed notes	**107**	**–**	**107**
Other	**6**	**(2)**	**4**
Related-party interest (note 29)	**–**	**(8)**	**(8)**
Less: Capitalised interest	**(17)**	**–**	**(17)**
	357	**(44)**	**313**
2015			
Banks	43	(7)	36
Loans	162	(1)	161
Senior unsecured listed notes	80	–	80
Other	5	(8)	(3)
Related-party interest (note 29)	57	(39)	18
Less: Capitalised interest	(3)	–	(3)
	344	(55)	289

4. TAXATION

4.1 Taxation charge

	2016 Rm	2015 Rm
Normal taxation		
South African normal taxation – current year	**118**	151
South African normal taxation – prior year adjustment	**4**	(1)
Foreign normal taxation – current year	**99**	83
Foreign normal taxation – prior year adjustment	**9**	1
	230	234
Deferred taxation		
South African deferred taxation – current year	**184**	131
South African deferred taxation – prior year adjustment	**(10)**	(17)
South African deferred taxation – change in rate	**41**	–
Foreign deferred taxation – current year	**37**	5
Foreign deferred taxation – prior year adjustment	**–**	3
	252	122
Capital gains taxation		
Current year	**–**	5
	482	361

4.2 Reconciliation of rate of taxation

	%	%
Standard rate of taxation	**28.0**	28.0
Effect of different statutory taxation rates of subsidiaries in other jurisdictions	**1.5**	(0.6)
Effect of profit/(loss) of associate and joint venture companies	**(0.4)**	–
Prior year adjustments	**(0.4)**	(1.3)
Change in rate	**2.4**	–
Effect of unrecognised taxation losses and deductible temporary differences	**(0.6)**	2.1
Permanent differences, items charged at capital rates and other	**(1.7)**	(1.3)
Effective rate of taxation	**28.8**	26.9

	Notes	2016 Rm	2015 Rm
5. DISCONTINUED OPERATIONS			
5.1 Disposal of footwear division, Weatherboard and Braecroft and other discontinued operations			
There are no discontinued operations in the current year. (2015: On 9 June 2014, KAP announced the disposal of its footwear division, the Competition Commission approved the transaction and the division was sold in the prior year. In addition, KAP disposed of Weatherboard Proprietary Limited and Braecroft Timbers Proprietary Limited, and discontinued the operations of Buffalo Components Proprietary Limited (previously Bedding Component Manufacturers Proprietary Limited) and the Fresh Freight division of Unitrans Supply Chain Solutions Proprietary Limited in the prior year.)			
5.2 Analysis of loss for the year from discontinued operations			
The results of the discontinued operations included in the income statement are set out below:			
Revenue		–	474
Cost of sales		–	(436)
Gross profit		–	38
Other operating income		–	5
Distribution expenses		–	(21)
Other operating expenses		–	(30)
Capital items	5.3	–	(57)
Operating loss	5.4	–	(65)
Net finance costs		–	–
Loss before taxation		–	(65)
Taxation		–	14
Loss for the year from discontinued operations		–	(51)
Loss from discontinued operations attributable to:			
Owners of the parent		–	(51)
Non-controlling interests		–	–
		–	(51)

	Gross of taxation and non-controlling interests 2016 Rm	Net of taxation and non-controlling interests 2016 Rm	Gross of taxation and non-controlling interests 2015 Rm	Net of taxation and non-controlling interests 2015 Rm
5.3 Capital items for the year from discontinued operations				
Loss on disposal of property, plant and equipment	–	–	6	4
Impairments	–	–	71	59
Profit on disposal of discontinued operations	–	–	(20)	(22)
	–	–	57	41

	2016 Rm	2015 Rm
5. DISCONTINUED OPERATIONS *(continued)*		
5.4 Operating loss from discontinued operations		
Operating loss is stated after taking account of the following items:		
5.4.1 Amortisation and depreciation		
Depreciation	–	7
Recognised in:		
Cost of sales	–	6
Other operating expenses	–	1
	–	7
5.4.2 Auditor's remuneration		
Audit fees	–	1
5.4.3 Personnel expenses		
Retirement plans (note 5.4.4)	–	4
Salaries and wages	–	89
	–	93
5.4.4 Post-retirement benefit expenses		
Contributions to defined contribution plans	–	4
5.4.5 Net foreign exchange gains		
Net gain on forward exchange contracts	–	(1)
Net gain on conversion of monetary assets	–	(1)
	–	(2)
5.4.6 Operating lease charges		
Rental of properties	–	4
5.4.7 Fair value gain on consumable biological assets (note 11)	–	(7)
5.4.8 Expenses directly attributable to timber plantations (note 11)		
Decrease due to harvesting	–	7
Other operating expenses in respect of plantations	–	4
	–	11

		2016 Rm	2015 Rm
5.5	**Cash flows from discontinued operations**		
	Net cash flow from operating activities	–	(292)
	Net cash flow from investing activities	–	301
	Net cash flow from financing activities	–	(83)
	Net cash flow	–	(74)

		2016 cents	2015 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 are 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	**47.1**	39.4
	From discontinued operations	**–**	(2.2)
	Basic earnings per share	**47.1**	37.2
	Diluted earnings per share		
	Diluted earnings per share are 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	**46.5**	38.8
	From discontinued operations	**–**	(2.1)
	Diluted earnings per share	**46.5**	36.7
	Headline earnings per share		
	Headline earnings per share are calculated by dividing the headline earnings by the weighted average number of ordinary shares in issue during the year.		
	From continuing operations	**47.8**	40.6
	From discontinued operations	**–**	(0.4)
	Headline earnings per share	**47.8**	40.2
	Diluted headline earnings per share		
	Diluted headline earnings per share are calculated by dividing the headline earnings by the diluted weighted average number of shares in issue during the year. The calculation assumes conversion of all dilutive potential shares.		
	From continuing operations	**47.2**	40.1
	From discontinued operations	**–**	(0.5)
	Diluted headline earnings per share	**47.2**	39.6
	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.	**355**	320

		2016 million	2015 million
6.1	**Weighted average number of ordinary shares**		
	Issued ordinary shares at beginning of the year	**2 423**	2 346
	Effect of shares issued	**10**	38
	Weighted average number of ordinary shares at end of the year for the purpose of basic earnings per share and headline earnings per share	**2 433**	2 384
	Effect of dilutive potential ordinary shares – KAP share options	**33**	35
	Weighted average number of ordinary shares for the purpose of diluted earnings per share and diluted headline earnings per share	**2 466**	2 419
		Rm	Rm
6.2	**Earnings and diluted earnings attributable to owners of the parent**		
	Earnings and diluted earnings from continuing operations attributable to owners of the parent	**1 147**	939
	Earnings and diluted earnings from discontinued operations attributable to owners of the parent	**–**	(51)
	Earnings and diluted earnings attributable to owners of the parent	**1 147**	888
6.3	**Reconciliation between earnings and headline earnings and diluted headline earnings**		
	Earnings and diluted earnings from continuing operations attributable to owners of the parent	**1 147**	939
	Non-controlling interests' portion of capital items	**–**	1
	Capital items of associate and joint venture companies (net of taxation)	**(1)**	(1)
	Adjusted for capital items attributable to continuing operations (note 1)	**17**	30
	Headline earnings and diluted headline earnings from continuing operations attributable to owners of the parent	**1 163**	969
	Earnings and diluted earnings from discontinued operations attributable to owners of the parent	**–**	(51)
	Adjusted for capital items attributable to discontinued operations (note 5)	**–**	41
	Headline earnings and diluted headline earnings attributable to owners of the parent	**1 163**	959
6.4	**Net asset value**		
	Attributable to ordinary shareholders	**8 667**	7 761

		2016 Rm	2015 Rm
7.	**GOODWILL**		
	Carrying amount at beginning of the year	**519**	205
	Arising on business combinations (note 27)	**397**	343
	Eliminated on disposal of subsidiaries and businesses (note 28)	**–**	(1)
	Impairments	**(5)**	(28)
	Carrying amount at end of the year	**911**	519
	Cost	**964**	589
	Accumulated impairment	**(53)**	(70)
	Carrying amount at end of the year	**911**	519

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 the selling prices and the direct costs during the period. The discount rates are based on a weighted average pre-tax 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 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 or patent is 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 (higher of value in use and fair value less costs to sell). An impairment charge of R5 million was recorded for the year ended 30 June 2016 (2015: R28 million), which comprises R4 million (2015: R22 million) from the diversified logistics segment and R1 million (2015: R6 million) from the diversified industrial segment.

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 2015.

Impairment tests for CGUs containing goodwill
The following divisions have significant carrying amounts of goodwill:

	Pre-tax discount rate	Forecasted cash flows	2016 Rm	2015 Rm
Timber	12.73%	Budget year 1, thereafter a 3% annual growth rate	**123**	123
Logistics	13.73%	Budget year 1, thereafter a 3% annual growth rate	**48**	52
Bedding	16.02%	Budget year 1, thereafter a 5% annual growth rate	**343**	343
Autovest	17.41%	Budget year 1, thereafter a 5% annual growth rate	**397**	–
Various other divisions			**–**	1
Carrying amount at end of the year			**911**	519

		Patents and trademarks Rm	Software Rm	Other[1] Rm	Total Rm
8.	**INTANGIBLE ASSETS**				
	Balance at 1 July 2014	1 024	27	34	1 085
	Additions	–	6	4	10
	Impairment	–	(1)	(4)	(5)
	Amortisation	–	(7)	(10)	(17)
	Reclassify from property, plant and equipment	–	6	–	6
	Balance at 30 June 2015	**1 024**	**31**	**24**	**1 079**
	Additions	**–**	**12**	**11**	**23**
	Amortisation	**–**	**(8)**	**(8)**	**(16)**
	Disposals	**–**	**–**	**(1)**	**(1)**
	Reclassify from property, plant and equipment	**–**	**2**	**–**	**2**
	Reclassification	**4**	**–**	**(4)**	**–**
	Acquired on acquisition of subsidiaries (note 27)	**79**	**1**	**-**	**80**
	Balance at 30 June 2016	**1 107**	**38**	**22**	**1 167**
	Cost	1 042	67	79	1 188
	Accumulated amortisation and impairment	(18)	(36)	(55)	(109)
	Net book value at 30 June 2015	1 024	31	24	1 079
	Cost	**1 126**	**83**	**62**	**1 271**
	Accumulated amortisation and impairment	**(19)**	**(45)**	**(40)**	**(104)**
	Net book value at 30 June 2016	**1 107**	**38**	**22**	**1 167**

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

Patents and trademarks are considered to have indefinite useful lives. 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. No impairment charge was recorded for the year ended 30 June 2016 (2015: R5 million).

Review of impairment

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 patents 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 unit's weighted average pre-tax cost of capital, while royalty rates used are determined with reference to industry benchmarks.

Impairment

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

	Land and buildings Rm	Plant and machinery Rm	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
9. PROPERTY, PLANT AND EQUIPMENT							
Balance at 1 July 2014	1 482	1 627	3 324	82	32	67	6 614
Additions	42	182	896	177	9	49	1 355
Depreciation	(21)	(133)	(586)	–	(6)	(28)	(774)
Disposals	(8)	(19)	(119)	(3)	(2)	(1)	(152)
Impairment	(17)	(46)	–	–	–	(1)	(64)
Acquired on acquisition of subsidiaries (note 27)	94	27	19	–	–	4	144
Eliminated on disposal of subsidiaries and businesses (note 28)	(12)	(7)	(1)	(2)	–	–	(22)
Reclassification	3	30	27	(55)	2	(7)	–
Borrowing cost capitalised	2	–	–	1	–	–	3
Reclassify to investment property	(72)	–	–	–	–	–	(72)
Reclassify to intangible assets	–	–	–	(6)	–	–	(6)
Exchange differences on consolidation of foreign subsidiaries	–	(1)	12	–	–	1	12
Balance at 30 June 2015	**1 493**	**1 660**	**3 572**	**194**	**35**	**84**	**7 038**
Additions	**93**	**167**	**850**	**681**	**18**	**25**	**1 834**
Depreciation	**(22)**	**(167)**	**(567)**	**–**	**(6)**	**(28)**	**(790)**
Disposals	**(14)**	**(8)**	**(99)**	**(3)**	**(1)**	**(1)**	**(126)**
Acquired on acquisition of subsidiaries (note 27)	**32**	**20**	**3**	**–**	**–**	**4**	**59**
Reclassification	**1**	**115**	**42**	**(166)**	**4**	**4**	**–**
Borrowing cost capitalised	**2**	**12**	**–**	**3**	**–**	**–**	**17**
Reclassify to intangible assets	**–**	**–**	**–**	**(2)**	**–**	**–**	**(2)**
Exchange differences on consolidation of foreign subsidiaries	**–**	**(2)**	**24**	**–**	**–**	**–**	**22**
Balance at 30 June 2016	**1 585**	**1 797**	**3 825**	**707**	**50**	**88**	**8 052**
Cost	1 649	2 784	6 380	194	61	274	11 342
Accumulated depreciation	(156)	(1 124)	(2 808)	–	(26)	(190)	(4 304)
Net book value at 30 June 2015	1 493	1 660	3 572	194	35	84	7 038
Cost	**1 761**	**3 095**	**6 873**	**707**	**92**	**293**	**12 821**
Accumulated depreciation	**(176)**	**(1 298)**	**(3 048)**	**–**	**(42)**	**(205)**	**(4 769)**
Net book value at 30 June 2016	**1 585**	**1 797**	**3 825**	**707**	**50**	**88**	**8 052**

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

Encumbered assets
Assets with a book value of R37 million (2015: R868 million) are encumbered as set out in note 20.

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

Useful lives
The estimated useful lives are reflected under 'Judgements and estimates'.

	2016 Rm	2015 Rm
Borrowing cost		
Borrowing cost capitalised to qualifying assets	17	3
Capitalisation rates used to determine the amount of borrowing cost eligible for capitalisation	8.57% to 9.32%	6.25% to 6.75%

Change in accounting estimate

In Unitrans Supply Chain Solutions Proprietary Limited, the residual value assessment remained consistent with prior years, with the exception of hazardous goods tankers. The tankers that were previously scrapped at the end of their useful lives are now being disposed of and have required a reassessment of the residual value. A prospective adjustment of R55 million has decreased the depreciation charge and therefore the accumulated depreciation balance in the current year and is expected to result in a decreased depreciation charge and accumulated depreciation balance of R308 million in future years, provided that residual values remain at 50% of cost and the assets remain in use over their estimated economic useful lives. The impact on future years is set out below.

	Rm
Decrease in depreciation	
Within one to five years	204
Within six to ten years	102
Thereafter	2
	308

		2016 Rm	2015 Rm
10.	**INVESTMENT PROPERTY**		
	Carrying amount at beginning of the year	**91**	19
	Disposals	**(15)**	–
	Transfer from property, plant and equipment	**–**	72
	Balance at end of the year	**76**	91

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 2016, investment property was valued by management at R91 million (2015: R110 million). The fair value of the group's investment property has been carried out by Steinhoff Properties Proprietary Limited. The fair value was based on the income approach whereby the market-related net income of the property is discounted at the market yield for a similar property. The market yields used in the valuation were between 11% and 13.5% (2015: between 11% and 13.5%). In estimating the fair value of investment properties, the highest and best use for the majority of the properties is their current use.

No restrictions exist on the disposal 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.

Rental income from investment properties of R21 million was recognised through profit or loss for the year ended 30 June 2016 (2015: R16 million).

	2016 Rm	2015 Rm
11. CONSUMABLE BIOLOGICAL ASSETS		
Timber plantations		
Carrying amount at beginning of the year	**1 816**	1 870
Acquired on acquisition of subsidiary (note 27)	**17**	–
Eliminated on disposal of subsidiaries and businesses (note 28)	**–**	(140)
Decrease due to harvesting (notes 2.8 and 5.4.8)	**(167)**	(206)
Fair value adjustment to plantations (notes 2.7 and 5.4.7)	**212**	292
Carrying amount at end of the year	**1 878**	1 816
Livestock	**12**	8
	1 890	1 824
Expenses incurred in the management and operations of plantations (notes 2.8 and 5.4.8)	**215**	212

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 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 determined using the Faustmann formula.

The group owns and manages timber plantations for use in manufacturing timber products and for external sales. The plantations comprise pulpwood and sawlogs and are managed on a rotational basis. As such, increases by means of growth are negated by fellings, for the group's own use or for external sales, over the rotation period. The plantations are managed to ensure that the optimum fibre balance is maintained.

At 30 June 2016, consumable biological assets were valued by management at R1 890 million (2015: R1 824 million). The valuation of the group's consumable biological assets has been carried out by management. The valuation technique is consistent with the method used at 30 June 2015. The fair value of consumable biological assets is classified as Level 3 based on the fair value hierarchy. There were no transfers between the levels during the year.

	2016 Hectares	2015 Hectares
11.1 Quantities of biological assets		
Pine	**34 586**	34 266
Eucalyptus	**6 074**	5 698
Temporary unplanted areas	**1 555**	1 231
	42 215	41 195

	m^3	m^3
11.2 Reconciliation of standing volume		
Opening balance	**5 376 259**	5 464 602
Increase due to growth[1]	**564 195**	798 581
Decrease due to harvesting	**(529 389)**	(608 761)
Acquired on acquisition of subsidiary	**53 320**	–
Eliminated on disposal of subsidiaries and businesses	**–**	(278 163)
	5 464 385	5 376 259

[1] Growth models are updated regularly with enumeration data. Enumerations refer to updates that are made due to more accurate information being collected about the rate of growth and stocking of trees in the plantations.

11. CONSUMABLE BIOLOGICAL ASSETS *(continued)*

11.3 Sensitivity analysis

The Faustmann formula is sensitive to the market price (net of harvesting costs), growth rate and volume used to determine the fair value of timber plantations. The sensitivities calculated below are based on an increase of 100 basis points for each category and would result in an increase/(decrease) in the calculated fair value.

	2016 Rm	2015 Rm
Market price – 100 basis point increase	**19**	18
Growth rate – 100 basis point increase	**9**	8
Volume – 100 basis point increase	**8**	9

A 100 basis point decrease in the above categories would have had an equal, but opposite effect on fair value.

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 southern and northeastern Cape forests are managed according to the Forestry Stewardship Council (FSC) principles. 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 analyses 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. Livestock was introduced to the plantations as part of the fire prevention strategy of the group. Grazing herds reduce fuel loads in areas between planted trees, and certain areas maintained for feed crops provide effective fire breaks.

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.

12. INVESTMENTS IN ASSOCIATE COMPANIES

Unlisted	Nature of business	2016 % holding	2015 % holding
Various unlisted associate companies	Retail outlet selling hardware materials, industrial long-distance haulage and manufacturing of panel products	**28.31 – 50.0**	27.63 – 50.0

	2016 Rm	2015 Rm
Summarised information in respect of individually immaterial associate companies		
Aggregate information of associate companies that are individually not material		
Aggregate carrying amount of the group's interests in these associate companies	**85**	100
Aggregate total comprehensive income/(loss) from associate companies		
The group's share of profit/(loss) for the year	**16**	(4)
The group's share of total comprehensive income/(loss)	**16**	(4)

		2016 % holding	2015 % holding
13. INVESTMENT IN JOINT VENTURE COMPANIES			
Unlisted	**Nature of business**		
Various unlisted joint venture companies	Automotive and manufacturing	**49.0**	49.0

	2016 Rm	2015 Rm
Summarised information in respect of individually immaterial joint venture companies		
Aggregate information of joint venture companies that are individually not material		
Aggregate carrying amount of the group's interests in these joint venture companies	**39**	40
Aggregate total comprehensive income from joint venture companies		
The group's share of profit for the year	**8**	4
The group's share of total comprehensive income	**8**	4

		2016 Rm	2015 Rm
14.	**INVESTMENTS AND LOANS**		
	Long-term investments and loans		
	Unlisted investments	**1**	1
	Loans receivable (carried at amortised cost)	**2**	–
		3	1
	Short-term loans receivable		
	Related-party loans receivables (note 29)	**–**	16
	Loans receivable (carried at amortised cost)	**2**	7
		2	23

The unsecured loans receivable consist of various long-term 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 the counterparties will not meet their repayment obligations.

The fair value of investments and loans are disclosed in note 30.

	2016 Rm	2015 Rm
15. DEFERRED TAXATION ASSETS/(LIABILITIES)		
15.1 Deferred taxation movement		
(Liabilities)/assets		
Balance at beginning of the year	**(1 001)**	(924)
Deferred taxation of subsidiaries acquired (note 27)	**(10)**	(12)
Deferred taxation of subsidiaries disposed (note 28)	**–**	27
Amounts charged directly to equity		
Share-based payments	**5**	20
Current year charge		
From continuing operations	**(252)**	(122)
From discontinued operations	**–**	14
Exchange differences on consolidation of foreign subsidiaries	**(5)**	(4)
Balance at end of the year	**(1 263)**	(1 001)
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 (22.4% (2015: 18.67%)) and foreign taxation rates:		
Intangible assets	**(13)**	(1)
Prepayments and provisions or allowances	**45**	39
Property, plant and equipment (including consumable biological assets)	**(70)**	(71)
Share-based payments	**31**	25
Other	**24**	8
	17	–
Taxation losses		
Taxation losses	**88**	85
Total deferred taxation assets	**105**	85

Realisation of the deferred taxation asset is expected out of future taxable income, which is based on the assessment by management of future plans and forecasts, and is assessed and deemed to be reasonable.

	2016 Rm	2015 Rm
Liabilities		
Provision for taxation on temporary differences resulting from South African normal taxation rate (28%), SA CGT rate (22.4% (2015: 18.67%)) and foreign taxation rates:		
Intangible assets	**(221)**	(154)
Prepayments and provisions or allowances	**61**	59
Property, plant and equipment (including consumable biological assets)	**(1 479)**	(1 381)
Share-based payments	**9**	23
Other	**(5)**	(38)
	(1 635)	(1 491)
Taxation losses		
Taxation losses	**267**	405
Total deferred taxation liabilities	**(1 368)**	(1 086)

		2016 Rm	2015 Rm
15.3	**Unrecognised deferred taxation assets**		
	Deferred taxation assets have not been recognised in respect of the following items:		
	Taxation losses	**333**	255

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.

		2016 Rm	2015 Rm
15.4	**Taxation losses**		
	Estimated taxation losses available for offset against future taxable income	**1 601**	2 044

		2016 Rm	2015 Rm
16.	**INVENTORIES**		
	Inventories at cost less allowances		
	Consumables	**232**	228
	Finished goods and merchandise	**349**	323
	Raw materials	**627**	566
	Work-in-progress	**78**	62
		1 286	1 179

		2016 Rm	2015 Rm
17.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	**2 095**	2 153
	Other amounts due	**152**	127
	Less: Allowance for doubtful debts (note 30.5)	**(100)**	(71)
		2 147	2 209
	Related-party receivables (note 29)	**130**	151
	Derivative financial assets (note 30)	**15**	3
	Trade and other receivables (financial assets)	**2 292**	2 363
	Prepayments	**162**	89
	Value added taxation receivable	**223**	87
		2 677	2 539

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 allowance for doubtful debts.

No customer represents more than 5% of the total trade receivables at year-end.

The group's exposure to foreign currency and credit risk related to trade and other receivables is disclosed in notes 30.3 and 30.5.

	2016 Number of shares	2015 Number of shares
18. STATED SHARE CAPITAL		
18.1 Authorised		
Ordinary shares of no par value	**6 000 000 000**	6 000 000 000
Cumulative, non-redeemable, non-participating preference shares of no par value	**1 000 000 000**	1 000 000 000
Perpetual preference shares of no par value	**50 000 000**	50 000 000
18.2 Stated share capital		
Ordinary shares in issue at beginning of the year	**2 422 812 158**	2 346 187 888
Ordinary shares issued during the year	**18 124 147**	76 624 270
Ordinary shares in issue at end of the year	**2 440 936 305**	2 422 812 158

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.

18.3 Share-based payments

18.3.1 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 group. 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 30 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 30 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.

	2016 Options	2015 Options
Reconciliation of options granted under the KAP Performance Share Plan		
Balance at beginning of the year	**–**	8 308 037
Options that expired during the year	**–**	(8 308 037)
Balance at end of the year	**–**	–

	Rm	Rm
Charged to profit or loss	**–**	–

Assumptions

The option pricing model used is the Black-Schöles model.

18.3.2 KAP Performance Share Rights Scheme

At the annual general meeting of KAP 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:

a) Rights are granted to qualifying senior executives on an annual basis.

b) 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.

c) 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.

	2016 Rights	2015 Rights
Reconciliation of rights granted under the KAP Performance Share Rights Scheme		
Balance at beginning of the year	**57 622 847**	40 930 550
Forfeited during the year	**(5 080 758)**	(1 572 398)
Exercised during the year	**(18 124 147)**	–
Granted during the year	**14 799 796**	17 655 412
Granted during the year for prior period service	**–**	609 283
Balance at end of the year	**49 217 738**	57 622 847

	Rm	Rm
Charged to profit or loss	**66**	52

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-Schöles model. The volatility was estimated using the KAP daily closing share price over a rolling three-year period.

18. STATED SHARE CAPITAL *(continued)*

18.3 Share-based payments *(continued)*

18.3.2 KAP Performance Share Rights Scheme *(continued)*

Fair value of KAP share rights and assumptions	2015 Grant	2014 Grant	2013 Grant	2012 Grant
Fair value at measurement date	**R6.62**	R4.10	R3.04	R2.76
Share price at grant date	**R7.11**	R4.64	R3.45	R3.15
Exercise price	**R0.00**	R0.20	R0.20	R0.20
Expected volatility	**32.50%**	31.88%	41.35%	37.9%
Dividend yield	**2.42%**	2.90%	2.52%	2.5%
Risk-free interest rate	**7.48%**	6.70%	6.79%	5.4%
Option life	**3 years**	3 years	3 years	3 years

18.3.3 Steinhoff Share Rights Scheme

For details on the Steinhoff Share Rights Scheme, in which the executives of the former Steinhoff Industrial Assets participate, refer to note 24.

19. NON-CONTROLLING INTERESTS

Details of subsidiaries that have non-controlling interests:

Name of subsidiary	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2016 %	2015 %	**2016 Rm**	2015 Rm	**2016 Rm**	2015 Rm
Individually immaterial subsidiaries with non-controlling interests	**25.0 – 40.0**	25.0 – 40.0	**46**	42	**195**	169

	2016 Rm	2015 Rm
20. LOANS AND BORROWINGS		
20.1 Analysis of closing balance		
Secured financing		
Capitalised finance lease and instalment sale agreements	**8**	–
Term loans	**10**	14
Phaello senior secured notes	**–**	872
	18	886
Unsecured financing covered by intragroup cross-guarantees		
Term loans	**2 050**	1 550
Senior unsecured listed and unlisted notes	**2 542**	1 010
	4 592	2 560
Unsecured financing		
Steinhoff Africa Holdings Proprietary Limited (note 29)	**–**	4
Other loans	**26**	6
	26	10
Total interest-bearing loans and interest-free borrowings	**4 636**	3 456
Portion payable before 30 June 2017 included in current liabilities	**(431)**	(322)
Total non-current interest-bearing loans and interest-free borrowings	**4 205**	3 134
Current interest-bearing loans and interest-free borrowings		
Portion of non-current interest-bearing loans and interest-free borrowings payable before 30 June 2017	**431**	322
Related-party loan payable (note 29)	**1**	1
Other current loans payable	**–**	5
Total current interest-bearing loans and interest-free borrowings	**432**	328
20.2 Analysis of repayment		
Repayable within the next year and thereafter		
Next year	**432**	328
Within two to five years	**3 752**	2 676
Thereafter	**453**	458
	4 637	3 462

All loans and borrowings are carried at amortised cost. The fair values of interest-bearing loans and interest-free borrowings are disclosed in note 30.

	Facility Rm	Current year Interest rate	2016 Rm	2015 Rm
20.3 Loan details				
Secured				
Variable interest rates				
Capitalised finance lease and instalment sale agreements	8	7.25% to 11.0%	**8**	–
Term loans	10	4.25% to 5.55%	**10**	14
Phaello senior secured notes	–	7.43% to 8.98%	**–**	872

The book value of assets encumbered in favour of the above amounts to R37 million (2015: R868 million) together with a bank balance to the value of Rnil (2015: R624 million). The Phaello senior secured notes were settled during the year.

	Facility Rm	Current year Interest rate	2016 Rm	2015 Rm
Unsecured financing covered by intragroup cross-guarantees				
Variable interest rates				
Term loans	1 600	8.34% to 9.83%	**1 600**	1 100
Senior unsecured listed notes	1 500	7.88% to 9.61%	**1 500**	1 000
Fixed interest rates				
Term loans	450	10.94%	**450**	450
Senior unsecured listed and unlisted notes	1 000	9.98%	**1 000**	–
Interest due on term loans and unsecured listed and unlisted notes	–	–	**42**	10
Unsecured				
Fixed interest rates				
Other loans	–	7.0%	**25**	1
Interest-free				
Interest due to Steinhoff Africa Holdings Proprietary Limited (note 29)	–	–	**–**	4
Other loans	–	–	**1**	5
			4 636	3 456
Current interest-bearing loans and interest-free borrowings				
Variable interest rates				
Other loans	–	5.75% to 7.5%	**–**	5
Interest-free				
Related-party loan payable (note 29)	–	–	**1**	1
			1	6
Total			**4 637**	3 462

20. LOANS AND BORROWINGS *(continued)*

20.3 Loan details *(continued)*

Unsecured financing covered by intragroup cross-guarantees

The following companies participate in the cross-guarantees in respect of the term loans (jointly and severally) together with KAP Industrial Holdings Limited:

- PG Bison Southern Cape Proprietary Limited
- KAP Diversified Industrial Proprietary Limited (previously PG Bison Proprietary Limited)
- Unitrans Supply Chain Solutions Proprietary Limited
- KAP Bedding Proprietary Limited
- KAP Automotive Proprietary Limited
- Mvelatrans Proprietary Limited
- Unitrans Passenger Proprietary Limited
- PG Bison Proprietary Limited (previously PG Bison Holdings Proprietary Limited)
- Unitrans Holdings Proprietary Limited
- BCM Holdings Proprietary Limited
- Unitrans Freight Forwarding and Clearing Proprietary Limited
- Buffalo Components Proprietary Limited (previously Bedding Component Manufacturers Proprietary Limited)
- KAP Homeware Proprietary Limited

The following companies participate in the cross-guarantees in respect of the listed and unlisted notes (jointly and severally) together with KAP Industrial Holdings Limited:

- PG Bison Southern Cape Proprietary Limited
- KAP Diversified Industrial Proprietary Limited (previously PG Bison Proprietary Limited)
- Unitrans Supply Chain Solutions Proprietary Limited
- KAP Bedding Proprietary Limited
- KAP Automotive Proprietary Limited
- Mvelatrans Proprietary Limited
- Unitrans Passenger Proprietary Limited

	2016 Rm	2015 Rm
21. EMPLOYEE BENEFITS		
Performance-based bonus accrual	**202**	187
Christmas bonus accrual	**56**	53
Leave pay accrual	**108**	95
Post-retirement medical benefits	**8**	8
Other	**7**	7
Total liability	**381**	350
Transferred to short-term employee benefits	**(360)**	(327)
Long-term employee benefits	**21**	23

21.1 Defined contribution plans

The group has various defined contribution plans, to which employees contribute. The assets of these schemes are held in administered trust funds separate from the group's assets.

21.2 Post-retirement medical benefits

	2016 Rm	2015 Rm
Balance at beginning of the year	**8**	10
Amounts unused reversed	**–**	(2)
Balance at end of the year	**8**	8

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

	2016	2015
Health-care cost inflation	**8.0%**	7.5%
Discount rate	**9.0%**	8.5%
Percentage married at retirement	**90.0%**	90.0%
Retirement age	**63 years**	63 years

	Accident and insurance fund provisions Rm	Contingent liability provision Rm	Rehabilitation provision Rm	Other[1] Rm	Total Rm
22. PROVISIONS					
Balance at 1 July 2014	51	48	2	25	126
Additional provision raised	100	–	–	37	137
Amounts unused reversed	(35)	–	–	(16)	(51)
Amounts utilised	(74)	–	–	(6)	(80)
Acquired through business combinations (note 27)	–	–	5	–	5
Reclassification to accruals	–	–	–	13	13
Balance at 30 June 2015	**42**	**48**	**7**	**53**	**150**
Additional provision raised	**89**	**–**	**1**	**27**	**117**
Amounts unused reversed	**(42)**	**(8)**	**–**	**(22)**	**(72)**
Amounts utilised	**(53)**	**–**	**–**	**(16)**	**(69)**
Acquired through business combinations (note 27)	**–**	**–**	**10**	**4**	**14**
Balance at 30 June 2016	**36**	**40**	**18**	**46**	**140**

	2016 Rm	2015 Rm
Non-current portion	**56**	56
Current portion	**84**	94
	140	150

[1] *Other provisions include, among others, onerous contracts.*

Accident and insurance fund provisions

The fund relates to accidents that occurred but were not settled at reporting date.

Contingent liability provision

A provision for contingent liabilities was raised based on the IFRS 3 exercise in respect of the Steinhoff transaction of 2012.

Rehabilitation provision

The provision relates to the estimated cost of work agreed to be carried out for the rehabilitation of properties which are leased by the group. Anticipated expenditure within the next year is R10 million and thereafter R8 million. These amounts have not been discounted for the purpose of measuring the provision for rehabilitation work as the effect is not material.

Onerous contracts provision

Provision for long-term leases containing onerous provisions or terms in comparison with average terms and conditions of leases and the provision for unfavourable legally binding contracts where the terms of the contract are unfavourable, based on market-related rates. Anticipated expenditure within the next year is R2 million and thereafter R8 million.

	2016 Rm	2015 Rm
23. TRADE AND OTHER PAYABLES		
Trade payables	**2 469**	2 101
Accruals	**336**	321
Derivative financial liabilities (note 30)	**26**	3
Other payables and amounts due	**311**	247
Related-party payables (note 29)	**148**	121
Trade and other payables (financial liabilities)	**3 290**	2 793
Short-term operating lease liability	**2**	3
Value added taxation payable	**162**	61
	3 454	2 857

The fair value of trade and other payables is disclosed in note 30.

24. SHARE SCHEME SETTLEMENT PROVISION

Certain KAP Industrial Holdings Limited employees were on the Steinhoff Share Rights Scheme and Executive Share Rights Scheme prior to the reverse acquisition transaction. These employees retained the benefits they had prior to the acquisition under this scheme until the schemes vested during the prior year.

Steinhoff Executive Share Rights 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:

a) Rights are granted to qualifying senior executives on an annual basis.
b) 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.
c) In the event of performance criteria not being satisfied by the third anniversary of the relevant annual grant, all rights attached to the particular grant will lapse.

The 2011 grant vested on 1 December 2014. There are no unvested grants remaining under this scheme.

	2016 Rights	2015 Rights
Reconciliation of rights granted under the Steinhoff share rights schemes		
Balance at beginning of the year	–	2 159 708
Forfeited during the year	–	(76 289)
Exercised during the year	–	(1 964 166)
Transferred during the year	–	(119 253)
Balance at end of the year	–	–

	Rm	Rm
Charged to profit or loss	–	2

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-Schöles model. The volatility was estimated using the Steinhoff daily closing share price over a rolling three-year period.

Fair value of Steinhoff share rights and assumptions	**2011 grant**
Fair value at measurement date	R21.30
Share price at grant date	R23.40
Exercise price	R0.005
Expected volatility	28.53%
Dividend yield	3.20%
Risk-free interest rate	6.12%
Option life	3 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.

	2016 Rm	2015 Rm
25. COMMITMENTS AND CONTINGENCIES		
25.1 Capital expenditure		
Contracts for capital expenditure authorised	**599**	52

Capital expenditure will be financed from cash and existing loan facilities.

25.2 Borrowing facilities

In terms of the memorandum of incorporation, the borrowing powers of the company are unlimited.

	2016 Rm	2015 Rm
25.3 Unutilised borrowing facilities at 30 June	**2 613**	2 396

	Property Rm	Plant, equipment, vehicles and other Rm	2016 Total Rm	2015 Total Rm
25.4 Operating leases				
Amounts outstanding under non-cancellable operating lease agreements payable within the next year and thereafter:				
Next year	**102**	**98**	**200**	232
Within two to five years	**249**	**84**	**333**	390
Thereafter	**76**	**58**	**134**	84

Balances denominated in currencies other than South African rand were converted at the closing rates of exchange ruling at 30 June 2016. The leases are generally subject to escalation clauses and also have renewal options.

25.5 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.

	2016 Rm	2015 Rm
26. CASH GENERATED FROM OPERATIONS		
Operating profit	**1 964**	1 631
Adjusted for:		
Operating loss from discontinued operations	**–**	(65)
Depreciation and amortisation	**806**	791
Net of fair value adjustments of consumable biological assets and decrease due to harvesting	**(43)**	(86)
Share-based payment expense	**66**	54
Other non-cash adjustments	**65**	152
Cash generated before working capital changes	**2 858**	2 477
Working capital changes		
(Increase)/decrease in inventories	**(73)**	1
Increase in trade and other receivables	**(32)**	(13)
Increase/(decrease) in net derivative financial liabilities	**11**	(4)
(Decrease)/increase in non-current and current provisions	**(24)**	5
Increase in non-current and current employee benefits	**21**	38
Settlement of share scheme settlement provision	**–**	(101)
Increase/(decrease) in trade and other payables	**524**	(128)
Net changes in working capital	**427**	(202)
Cash generated from operations	**3 285**	2 275

		2016 Rm	2015 Rm
27.	**NET CASH FLOW ON BUSINESS COMBINATIONS**		
	During the current year, the group acquired 100% of the business of Autovest Limited and Dubbelberg Timbers Proprietary Limited (2015: 100% of the business of Metz Industries Proprietary Limited).		
	The fair value of assets and liabilities assumed at date of acquisition		
	Assets		
	Intangible assets	**80**	–
	Property, plant and equipment	**59**	144
	Consumable biological assets	**17**	–
	Investments and loans	**3**	1
	Deferred taxation assets	**5**	5
	Inventories	**53**	11
	Trade and other receivables[1]	**88**	105
	Cash on hand	**25**	–
	Liabilities		
	Loans and borrowings	**(5)**	–
	Deferred taxation liabilities	**(15)**	(17)
	Operating lease liability	**(4)**	–
	Provisions[2]	**(14)**	(5)
	Employee benefits	**(9)**	–
	Short-term loans payable	**(29)**	–
	Trade and other payables	**(50)**	(60)
	Taxation payable	**(1)**	(2)
	Bank overdrafts and short-term facilities	**(2)**	(35)
	Total assets and liabilities acquired	**201**	147
	Goodwill at acquisition	**397**	343
	Total consideration	**598**	490
	Settled via issue of shares	**–**	(348)
	Cash and cash equivalents on hand at acquisition	**(25)**	–
	Net cash outflow on acquisition of subsidiaries	**573**	142

[1] The fair value of receivables acquired (which principally comprised trade receivables) is R88 million. All estimated contractual cash flows are expected to be collected.

[2] Included in provisions is a provision for rehabilitation of R10 million relating to the lease properties to be carried out at the end of the lease terms. These amounts have not been discounted for the purposes of measuring the provision for rehabilitation work as the effect is not material.

27. NET CASH FLOW ON BUSINESS COMBINATIONS *(continued)*

The goodwill arising on the acquisition of these companies are attributable to the strategic business advantages acquired, expected synergies, as well as knowledgeable employees and management strategies that did not meet the criteria for recognition as identifiable intangible assets on the date of acquisition.

None of the goodwill arising on these acquisitions are expected to be deductible for tax purposes.

Further details regarding material acquisitions are noted below:

Acquisition of Autovest Limited

The acquisition of 100% of the shareholding of Autovest Limited was concluded on 1 April 2016, resulting in a fully integrated automotive business with access to the retail after-market.

The revenue and profit for the year, included in the statement of comprehensive income since the date of acquisition, contributed by Autovest Limited was R128 million and R11 million respectively. Had this business combination been effected by 1 July 2015, the revenue and profit for the year contributed by Autovest Limited, would have been R477 million and R43 million respectively. The directors consider these pro forma numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

28. NET CASH FLOW ON DISPOSAL OF SUBSIDIARIES AND BUSINESSES

During the current year, the group did not dispose of any subsidiaries or businesses (2015: the group disposed of the Footwear division of KAP Automotive Proprietary Limited, Jordan Footwear Namibia Proprietary Limited, Weatherboard Proprietary Limited, Braecroft Timbers Proprietary Limited and Corpsure Proprietary Limited).

The carrying value of assets and liabilities disposed of at the date of disposal was:

	2016 Rm	2015 Rm
Assets		
Goodwill	–	1
Property, plant and equipment	–	40
Consumable biological assets	–	140
Investments and loans	–	2
Deferred taxation assets	–	5
Inventories	–	237
Trade and other receivables	–	219
Cash on hand	–	15
Liabilities		
Other reserves	–	1
Deferred taxation liability	–	(32)
Employee benefits	–	(2)
Trade and other payables	–	(165)
Carrying value of assets and liabilities disposed	–	461
Profit on disposal	–	24
Proceeds on disposal	–	485
Cash and cash equivalents on hand at disposal	–	(15)
Net cash inflow on disposal of subsidiaries	–	470

29. RELATED-PARTY BALANCES AND TRANSACTIONS

Related-party relationships exist between shareholders, subsidiaries, joint venture companies and associate companies within the group. KAP Industrial Holdings Limited is an associate company of Ainsley Holdings Proprietary Limited, which itself is ultimately owned by Steinhoff International Holdings N.V.

These transactions are concluded in the normal course of business. All material intragroup transactions are eliminated on consolidation. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Trading balances and transactions

The following is a summary of material transactions with related parties, associate companies and joint venture companies during the year and the balance of receivables and payables at year-end:

	2016 Rm	2015 Rm
Related-party loans receivable/(payable)		
Steinhoff International Holdings N.V. and its subsidiaries	**(1)**	11
Associate and joint venture companies	**25**	44
	24	55
Related-party receivables		
Steinhoff International Holdings N.V. and its subsidiaries	**88**	122
Associate and joint venture companies	**42**	29
	130	151
Related-party payables		
Steinhoff International Holdings N.V. and its subsidiaries	**(133)**	(111)
Associate and joint venture companies	**(15)**	(10)
	(148)	(121)
Dividends paid to:		
Steinhoff International Holdings N.V. and its subsidiaries	**(157)**	(126)
Sales to:		
Steinhoff International Holdings N.V. and its subsidiaries	**535**	378
Associate and joint venture companies	**110**	76
	645	454
Purchases from:		
Steinhoff International Holdings N.V. and its subsidiaries	**–**	(2)
Associate and joint venture companies	**(68)**	(60)
	(68)	(62)
Net operating fees, including administration and management fees		
Steinhoff International Holdings N.V. and its subsidiaries	**(38)**	(28)
Associate and joint venture companies	**3**	5
	(35)	(23)

	2016 Rm	2015 Rm
Net rent paid to:		
Steinhoff International Holdings N.V. and its subsidiaries	**(38)**	(34)
Net rebates and settlement discounts paid to:		
Steinhoff International Holdings N.V. and its subsidiaries	**(51)**	(28)
Associate and joint venture companies	**(1)**	(1)
	(52)	(29)
Net finance costs received from/(paid to):		
Steinhoff International Holdings N.V. and its subsidiaries	**7**	(19)
Associate and joint venture companies	**1**	1
	8	(18)
Asset purchases		
Steinhoff International Holdings N.V. and its subsidiaries	**(363)**	(176)

For details of material related parties where control exists, refer to note 31.

Directors of the company are considered to be key management personnel. For details in respect of key management compensation, refer to note 32.

30. 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 chief financial officer 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 exclude assets and liabilities held for sale and profit and loss from discontinued operations.

30.1 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
2016					
Investments and loans	–	3	3	3	3
Non-current financial assets	–	3	3	3	3
Trade and other receivables (financial assets)	15	2 277	2 292	2 277	2 292
Short-term loans receivable	–	2	2	2	2
Cash and cash equivalents	–	2 602	2 602	2 602	2 602
Current financial assets	15	4 881	4 896	4 881	4 896
Long-term loans and borrowings	–	(4 205)	(4 205)	(4 210)	(4 210)
Non-current financial liabilities	–	(4 205)	(4 205)	(4 210)	(4 210)
Short-term loans and borrowings	–	(432)	(432)	(432)	(432)
Bank overdrafts and short-term facilities	–	(36)	(36)	(36)	(36)
Trade and other payables (financial liabilities)	(26)	(3 264)	(3 290)	(3 264)	(3 290)
Current financial liabilities	(26)	(3 732)	(3 758)	(3 732)	(3 758)
	(11)	(3 053)	(3 064)	(3 058)	(3 069)
Net losses/(gains) recognised in profit or loss	10	(25)	(15)		
Net interest expense	–	313	313		

	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
2015					
Investments and loans	–	1	1	1	1
Non-current financial assets	–	1	1	1	1
Trade and other receivables (financial assets)	3	2 360	2 363	2 360	2 363
Short-term loans receivable	–	23	23	23	23
Cash and cash equivalents	–	1 370	1 370	1 370	1 370
Current financial assets	3	3 753	3 756	3 753	3 756
Long-term loans and borrowings	–	(3 134)	(3 134)	(3 118)	(3 118)
Non-current financial liabilities	–	(3 134)	(3 134)	(3 118)	(3 118)
Short-term loans and borrowings	–	(328)	(328)	(340)	(340)
Bank overdrafts and short-term facilities	–	(3)	(3)	(3)	(3)
Trade and other payables (financial liabilities)	(3)	(2 790)	(2 793)	(2 790)	(2 793)
Current financial liabilities	(3)	(3 121)	(3 124)	(3 133)	(3 136)
	–	(2 501)	(2 501)	(2 497)	(2 497)
Net (gains)/losses recognised in profit or loss	(3)	22	19		
Net interest expense	–	289	289		

No items were classified as ‘held to maturity’ or ‘available for sale’ during any period presented.

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

30. FINANCIAL INSTRUMENTS *(continued)*

30.2 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:

	2016 Level 2 Rm	2015 Level 2 Rm
Derivative financial assets	**15**	3
Derivative financial liabilities	**(26)**	(3)
	(11)	–

There were no Level 1 or Level 3 financial assets or financial liabilities as at 30 June 2016 or 30 June 2015.

30.3 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.

At reporting date, 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, are as follows:

	Euro Rm	US dollar Rm	AU dollar Rm
2016			
Trade and other receivables (financial assets excluding derivatives)	**–**	**58**	**30**
Cash and cash equivalents	**51**	**60**	**–**
Trade and other payables (financial liabilities excluding derivatives)	**(49)**	**(23)**	**–**
Pre-derivative position	**2**	**95**	**30**
Derivative effect	**(25)**	**13**	**2**
Open position	**(23)**	**108**	**32**
2015			
Trade and other receivables (financial assets excluding derivatives)	–	68	16
Cash and cash equivalents	42	8	1
Trade and other payables (financial liabilities excluding derivatives)	(154)	(332)	(18)
Pre-derivative position	(112)	(256)	(1)
Derivative effect	(2)	2	–
Open position	(114)	(254)	(1)

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

Rand	Forecast rate[1] 30 June 2017	Forecast rate[1] 30 June 2016	Reporting date spot rate 30 June 2016	Reporting date spot rate 30 June 2015
Euro	**17.5200**	13.1225	**16.3307**	13.5628
US dollar	**16.6200**	12.5700	**14.7050**	12.1211
AU dollar	**11.3016**	9.4044	**10.9545**	9.3812

[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.*

30. FINANCIAL INSTRUMENTS *(continued)*

30.3 Foreign currency risk *(continued)*

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 2015.

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	2016 Rm	2015 Rm
Euro strengthening by 7.3% (2015: weakening by 3.2%) to the rand	**(2)**	4
US dollar strengthening by 13.0% (2015: strengthening by 3.7%) to the rand	**14**	(9)
AU dollar strengthening by 3.2% (2015: strengthening by 0.2%) to the rand	**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 currency 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:

	2016 Rm	2015 Rm
Short-term derivatives		
Assets		
Fair value of foreign exchange contracts		
Euro	**–**	1
US dollar	**14**	2
AU dollar	**1**	–
	15	3
Liabilities		
Fair value of foreign exchange contracts		
Euro	**(25)**	(3)
US dollar	**(1)**	–
	(26)	(3)
Net derivative (liabilities)/assets	**(11)**	–

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.

30.4 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 20.

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
2016					
Non-current financial assets	**2**	**–**	**–**	**1**	**3**
Current financial assets	**2 112**	**328**	**–**	**2 456**	**4 896**
Non-current financial liabilities	**(2 733)**	**–**	**(1 471)**	**(1)**	**(4 205)**
Current financial liabilities	**(441)**	**–**	**(27)**	**(3 290)**	**(3 758)**
	(1 060)	**328**	**(1 498)**	**(834)**	**(3 064)**
2015					
Non-current financial assets	–	–	–	1	1
Current financial assets	1 072	155	16	2 513	3 756
Non-current financial liabilities	(2 679)	–	(450)	(5)	(3 134)
Current financial liabilities	(326)	–	–	(2 798)	(3 124)
	(1 933)	155	(434)	(289)	(2 501)

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	2016 Rm	2015 Rm
JIBAR and SA prime – 100 basis point increase	**11**	19

A 100 basis point decrease in the above rates would have had an equal, but opposite effect on profit or loss.

30. FINANCIAL INSTRUMENTS *(continued)*

30.5 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 high 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 2016, 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 allowances for doubtful 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:

	2016 Rm	2015 Rm
Non-current financial assets	**3**	1
Current financial assets	**4 896**	3 756
	4 899	3 757
The maximum exposure to credit risk at the reporting date by segment was (carrying amounts):		
Diversified logistics	**1 571**	1 663
Diversified industrial	**3 328**	2 094
	4 899	3 757
The maximum exposure to credit risk at the reporting date by geographical region was (carrying amounts):		
Southern Africa	**4 833**	3 710
Other regions	**66**	47
	4 899	3 757
Ageing of financial assets		
Not past due or impaired	**4 433**	3 298
Past due 1 to 30 days but not impaired	**270**	313
Past due 31 to 60 days but not impaired	**36**	51
Past due 61 to 90 days but not impaired	**13**	28
Past due more than 90 days but not impaired	**26**	36
Past due but not impaired in full	**121**	31
Past due balance	**221**	102
Impairment allowance	**(100)**	(71)
	4 899	3 757

	2016 Rm	2015 Rm
Movement in allowance for doubtful debts and impairments		
Balance at beginning of the year	**(71)**	(39)
Additional provision raised	**(25)**	(41)
Amounts unused reversed	**6**	2
Amounts utilised during the year	**12**	26
Transfer from assets held for sale	**–**	(12)
Acquired on acquisition of subsidiary companies	**(22)**	(7)
Balance at end of the year	**(100)**	(71)

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 R546 million (2015: R479 million).

30.6 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 treasury offices. 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:

	2016 Rm	2015 Rm
0 to 3 months	**(3 435)**	(2 868)
4 to 12 months	**(716)**	(532)
Year 2	**(854)**	(1 681)
Years 3 to 5	**(3 974)**	(1 553)
After 5 years	**(502)**	(552)
	(9 481)	(7 186)

30. FINANCIAL INSTRUMENTS *(continued)*

30.7 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.

30.8 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 20, 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.

		Principal activity	Place of incorporation/ business	Ownership 2016 %	2015 %
31.	**MATERIAL SUBSIDIARIES**				
	KAP Automotive Proprietary Limited	To manufacture automotive components, used primarily in new vehicle assembly	South Africa	**100**	100
	KAP Bedding Proprietary Limited	To manufacture bed bases, foam and sprung mattresses, together with mattress fabric	South Africa	**100**	100
	KAP Diversified Industrial Proprietary Limited (previously PG Bison Proprietary Limited)	Incorporates timber plantations and production facilities for panel products and the manufacture of PET, resin and formaldehyde	South Africa	**100**	100
	Unitrans Holdings Proprietary Limited	To provide administrative, financial and support services	South Africa	**100**	100
	Unitrans Supply Chain Solutions Proprietary Limited	To provide and manage supply chain, warehousing and logistics services	South Africa	**100**	100
	Unitrans Passenger Proprietary Limited	To provide personnel, tourist, intercity and commuter transport services	South Africa	**100**	100

32. DIRECTORS' REMUNERATION

32.1 Remuneration

	Basic R	Company contributions R	Bonuses R	Other benefits R	Total R
Executive directors					
2016					
Gary Noel Chaplin[1]	**3 566 241**	**433 759**	**2 664 880**	**774 966**	**7 439 846**
Karel Johan Grové[2]	**4 823 628**	**582 372**	**7 056 000**	**–**	**12 462 000**
John Peter Haveman[3]	**2 086 981**	**413 019**	**3 332 000**	**254 672**	**6 086 672**
Frans Hendrik Olivier[4]	**2 153 256**	**181 981**	**1 866 667**	**–**	**4 201 904**
	12 630 106	**1 611 131**	**14 919 547**	**1 029 638**	**30 190 422**
2015					
Gary Noel Chaplin[1]	3 019 428	420 418	3 918 234	–	7 358 080
Karel Johan Grové[2]	4 438 172	661 828	6 770 000	–	11 870 000
John Peter Haveman[3]	1 913 912	387 712	2 290 360	30 376	4 622 360
Frans Hendrik Olivier[4]	1 712 667	154 000	1 746 477	–	3 613 144
	11 084 179	1 623 958	14 725 071	30 376	27 463 584

[1] Rnil (2015: R1 000 000) of the bonus amount was paid by Steinhoff Africa Holdings Proprietary Limited.
[2] R2 000 000 (2015: R3 972 265) of the bonus amount was paid by Steinhoff Africa Holdings Proprietary Limited.
[3] R1 000 000 (2015: R1 000 000) of the bonus amount was paid by Steinhoff Africa Holdings Proprietary Limited.
[4] Frans Hendrik Olivier was appointed as chief financial officer on 15 April 2016. The remuneration for 2015 was paid by KAP Diversified Industrial Proprietary Limited (previously PG Bison Proprietary Limited). For the year-end 30 June 2016, remuneration of R3 633 333 was paid by KAP Diversified Industrial Proprietary Limited and R568 571 was paid by KAP Automotive Proprietary Limited.

	2016 R	2015 R
Non-executive directors		
Jacob de Vos du Toit	**706 612**	665 366
Markus Johannes Jooste[1]	**277 248**	258 810
Andries Benjamin la Grange[1]	**277 248**	258 810
Johannes Bhekhumuzi Magwaza[2]	**–**	110 245
Ipeleng Nonkululeko Mkhari	**364 270**	286 128
Stephanus Hilgard Müller	**529 608**	449 318
Sandile Hopeson Nomvete	**268 515**	314 819
Patrick Keith Quarmby	**516 074**	483 063
Daniel Maree van der Merwe[1]	**345 297**	321 437
Christiaan Johannes Hattingh van Niekerk	**277 248**	258 810
	3 562 120	3 406 806

[1] Paid to Steinhoff International Holdings Limited or its subsidiaries as management fees.
[2] Johannes Bhekhumuzi Magwaza retired from the board on 18 November 2014.

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

Directors of the company are considered to be key management personnel.

		Offer date	Number of rights as at 30 June 2015	Number of rights (exercised)/ (expired)/ awarded during the year	Number of rights as at 30 June 2016
32.2	**Share rights**				
	Executive directors				
	Gary Noel Chaplin	December 2012[1]	1 125 336	(1 125 336)	–
		December 2013	1 334 188	–	1 334 188
		December 2014	1 543 470	–	1 543 470
		December 2015	–	1 151 851	1 151 851
			4 002 994	**26 515**	**4 029 509**
	Karel Johan Grové	December 2012[1]	2 377 036	(2 377 036)	–
		December 2013	2 818 191	–	2 818 191
		December 2014	2 191 160	–	2 191 160
		December 2015	–	1 556 726	1 556 726
			7 386 387	**(820 310)**	**6 566 077**
	Frans Hendrik Olivier	December 2012[1]	472 877	(472 877)	–
		December 2013	560 744	–	560 744
		December 2014	507 466	–	507 466
		December 2015	–	486 191	486 191
			1 541 087	**13 314**	**1 554 401**
	Total executive directors		**12 930 468**	**(780 481)**	**12 149 987**

The market price of share rights exercised was R57.62 for 1 December 2014.
The market price of share rights exercised was R65.97 for 17 February 2015.

[1] *The market price of share rights exercised was R7.11 for 1 December 2015.*

	Number of rights exercised	Value of rights exercised R'000
32. DIRECTORS' REMUNERATION *(continued)*		
32.2 Share rights *(continued)*		
Value of share rights exercised during the year		
2016		
Executive directors		
Gary Noel Chaplin	**1 125 336**	**8 001**
Karel Johan Grové	**2 377 036**	**16 901**
John Peter Haveman	**841 373**	**5 982**
Frans Hendrik Olivier	**472 877**	**3 362**
	4 816 622	**34 246**
2015		
Executive directors		
Gary Noel Chaplin	221 997	12 791
Karel Johan Grové	267 605	17 654
Frans Hendrik Olivier	108 758	6 267
	598 360	36 712

33. 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 relationships	10 – 20 years
Contracts and licences	Over the term of the contract or project
Software	1 – 3 years

Patents and trademarks, 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 that 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.

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 notes 18 and 24.

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. The critical estimates, as used in each benefit plan, are detailed in note 21.

Consolidation of special-purpose entities

Certain special-purpose entities established as part of the B-BBEE transactions have been consolidated as part of the group results. The group does not have any significant direct or indirect shareholding in these entities, but the substance of the relationship between the group and these entities was assessed and judgement was made that these are controlled entities.

Buy-back lease commitments

When a buy-back agreement is entered into, a provision is raised in respect of future reconditioning costs that may be incurred before the vehicle is made available for sale. Management based this provision on historical data and past experience.

Allowance for doubtful debts

The allowance for doubtful debts was based on a combination of specifically identified doubtful debtors and impairment recognised for older debtors.

Fair values in business combinations

Management uses valuation techniques to determine the fair value of assets and liabilities acquired in business combination. Fair value of property, plant and equipment is determined 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 that will allow the group a period of one year after the acquisition date to adjust the provisional amounts recognised for a business combination.

34. NEW/REVISED ACCOUNTING PRONOUNCEMENTS

		Effective date – annual periods commencing on or after
At the date of authorisation of these financial statements, there are standards in issue but not yet effective. These include the following standards that have not been early adopted and may have an impact on future financial statements:		
IFRS 2	Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 10	Consolidated Financial Statements: Investment entities: Applying the consolidation exception	1 January 2016
IFRS 11	Joint Arrangements: Investment entities: Applying the consolidation exception	1 January 2016
IFRS 12	Disclosure of Interests in Other Entities: Investment entities: Applying the consolidation exception	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IAS 1	Presentation of Financial Statements: Disclosure initiative	1 January 2016
IAS 7	Statement of Cash Flows: Disclosure initiative	1 January 2017
IAS 12	Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
IAS 27	Separate Financial Statements: Investment entities: Equity method in separate financial statements	1 January 2016
IAS 28	Investments in Associates: Investment entities: Applying the consolidation exception	1 January 2016
Annual Improvements to IFRSs 2012 – 2014 Cycle		1 January 2016

34.1 IFRS 2

In June 2016, the IASB issued amendments to IFRS 2 – Share-based Payments (IFRS 2). The amendment clarifies how to account for certain types of share-based payment transactions. The group is in the process of evaluating the impact the standard will have on the group. This standard will be adopted by the effective date.

34.2 IFRS 9

In July 2014, the IASB issued the completed 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. The group is in the process of evaluating the impact the standard will have on the group. This standard will be adopted by the effective date.

34.3 IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28

In December 2014, the IASB issued Investment entities: Applying the consolidation exception. The amendments provide clarification to the requirements on accounting for investment entities. The amendments also provide relief in particular circumstances. The group currently does not meet the definition of an investment entity and therefore the amendments are not expected to affect the group. The amendments will be adopted by the effective date.

34. NEW/REVISED ACCOUNTING PRONOUNCEMENTS *(continued)*

34.4 IFRS 15

In June 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers (IFRS 15). The standard is aimed at improving the financial reporting of revenue and improving the comparability of the top line in financial statements globally. The core principle of the new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The group is in the process of evaluating the impact the standard will have on the group. This standard will be adopted by the effective date.

34.5 IFRS 16

In January 2016, the IASB issued IFRS 16 – Leases (IFRS 16). The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. The group is in the process of evaluating the impact the standard will have on the group. This standard will be adopted by the effective date.

34.6 IAS 1

In December 2014, the IASB made improvements on the effectiveness of disclosure by issuing amendments to IAS 1 – Presentation of Financial Statements. The amendments encourage companies to apply further professional judgement in determining what information to disclose in their financial statements. The group is in the process of evaluating the impact the amendments will have on the group. The amendments will be adopted by the effective date.

34.7 IAS 7

In January 2016, the IASB issued amendments to IAS 7 – Statement of Cash Flows (IAS 7). The amendments require entities to disclose information about changes in their financing liabilities. The additional disclosures will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The group is in the process of evaluating the impact the amendments will have on the group. The amendments will be adopted by the effective date.

34.8 IAS 12

In January 2016, the IASB issued amendments to IAS 12 – Income Taxes. The amendments clarify how to account for deferred taxation assets related to debt instruments measured at fair value. The group is in the process of evaluating the impact the amendments will have on the group. The amendments will be adopted by the effective date.

34.9 Annual Improvements to IFRSs 2012 – 2014

In September 2014, the IASB issued Annual Improvements to IFRSs 2012 – 2014. The improvements cover the following topics: IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations: Changes in methods of disposal; IFRS 7 – Financial Instruments: Disclosures: Servicing contracts and Applicability of the amendments to IFRS 7 to condensed interim financial statements; IAS 19 – Employee Benefits: Discount rate: regional market issue and IAS 34 – Interim Financial Reporting: Disclosure of information 'elsewhere in the interim financial report'. The group is in the process of evaluating the impact the standard will have on the group. The improvements will be adopted by the effective date.

35. EVENTS AFTER REPORTING DATE

The directors are not aware of any significant events after the reporting date that will have a material effect on the group's results or financial position as presented in these financial statements.

In the diversified logistics segment

Subsequent to year-end, the group entered into an agreement to acquire 23.09% of the issued ordinary share capital of Xinergistix Proprietary Limited ('Xinergistix') and thereby acquire control of the company. Xinergistix provides road transport services and fully integrated supply chain management solutions to customers in southern Africa. Xinergistix is engaged in contractual logistics which are complementary to those of Unitrans. It is anticipated that the acquisition would become effective on 1 July 2016, subject to approval by Regulatory Authorities and other conditions precedent customary for transactions of this nature.

Subsequent to year-end, the group entered into an agreement to acquire the entire issued ordinary share capital and claims relating to the business operations of Lucerne Transport Proprietary Limited ('Lucerne'), effective 1 September 2016. Lucerne provides contractual logistics services and is a bulk liquid tanker transport company with a comprehensive fleet of trucks with a variety of specially configured tankers, structured to transport general chemicals, industrial oils, food products and acids to customers in southern Africa. Lucerne's operations are complementary to those of Unitrans. The transaction is subject to approval by Regulatory Authorities and other conditions precedent customary for transactions of this nature.

In the diversified industrial segment

Subsequent to year-end, the group entered into an agreement to acquire the entire issued ordinary share capital and claims of Ndlovu Forestry Corporation Proprietary Limited ('Ndlovu') effective 1 July 2016. Ndlovu owns 4 821 hectares of land situated near Knysna, of which 1 505 hectares is under established pine plantations.

Subsequent to year-end, during August 2016, the group entered into an agreement to acquire the entire issued ordinary share capital and claims of Safripol Holdings Proprietary Limited ('Safripol'), effective 1 January 2017. Safripol is engaged in the manufacture of polypropylene and high-density polyethylene, whose products are used in the manufacture of a broad range of plastic injection and blow-moulded products. This business operates with a similar business model to that of Hosaf, and produces products which are complementary to those of Hosaf. The transaction is subject to approval by Regulatory Authorities and other conditions precedent customary for transactions of this nature.

	2016 Number of shares	2016 %	2015 Number of shares	2015 %
Shares held by directors of the company				
Gary Noel Chaplin	**1 824 048**	**0.075**	700 000	0.029
Jacob de Vos du Toit	**500 000**	**0.020**	500 000	0.021
Karel Johan Grové	**1 610 451**	**0.066**	208 000	0.009
John Peter Haveman[1]	**–**	**0.000**	331 954	0.014
Stephanus Hilgard Müller	**300 004**	**0.012**	300 004	0.012
Frans Hendrik Olivier	**557 997**	**0.023**	180 000	0.007
	4 792 500	**0.196**	2 219 958	0.092
Shares held by directors of group subsidiaries	**54 115 273**	**2.217**	51 016 946	2.106
	58 907 773	**2.413**	53 236 904	2.197
Public/non-public shareholdings				
Steinhoff International Holdings N.V.[2]	**1 049 561 154**	**43.00**	1 049 561 154	43.32
Directors of the company and its subsidiaries	**58 907 773**	**2.41**	53 236 904	2.20
Allan Gray[3]	**319 091 367**	**13.07**	315 188 546	13.01
Non-public shareholders[4]	**1 427 560 294**	**58.48**	1 417 986 604	58.53
Public shareholders[5]	**1 013 376 011**	**41.52**	1 004 825 554	41.47
	2 440 936 305	**100.00**	2 422 812 158	100.00

[1] *John Peter Haveman resigned from the board on 15 April 2016.*
[2] *Shares held by Ainsley Holdings Proprietary Limited, a subsidiary of Steinhoff Africa Holdings Limited.*
[3] *Allan Gray is a beneficial shareholder holding more than 10% of the shares of the company at year-end.*
[4] *There were 49 (2015: 42) non-public shareholders at year-end.*
[5] *There were 4 625 (2015: 4 016) public shareholders at year-end.*

Shareholders' diary

Annual general meeting 2016	Wednesday, 30 November 2016
Announcement of interim results	February 2017
Announcement of annual results and anticipated declaration of dividend/distribution	August 2017
Annual general meeting 2017	November 2017

Corporate information

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2018

Registration number
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Share code
KAP

ISIN
ZAE000171963

Company secretary
Steinhoff Secretarial Services
Proprietary Limited
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2018

External auditors
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