INTEGRATED REPORT

2014

KAP

INDUSTRY *IN MOTION*™

Contents

www.kap.co.za

KAP Industrial Holdings Limited (KAP)

KAP Industrial listed on the JSE Limited in 2004. KAP is a diversified industrial group focused on growth in emerging African markets.

Diversified logistics

FUEL, AGRICULTURE AND MINING p 34

FREIGHT AND LOGISTICS p 42

Unitrans Supply Chain Solutions is a specialist logistics division that designs, implements and manages supply chain and logistics services

PASSENGER TRANSPORT p 50

Unitrans Passenger provides personnel, tourist, intercity and commuter transport services through seven well-known brands

Diversified industrial

INTEGRATED TIMBER

PG BISON p 58

PG Bison is an integrated timber business incorporating timber plantations, sawmills, poles and panel related production facilities

MANUFACTURING

HOSAF p 66

Hosaf produces polyethylene terephthalate (PET resin) used to produce packaging for the beverage and other industries

FELTEX p 74

Feltex produces raw material and components used in the assembly of vehicles

BEDDING AND TOWELLING p 82

The bedding and towelling division produces foam, springs and mattress ticking, and assembles mattresses for sales to retail partners. Glodina produces high-end towelling

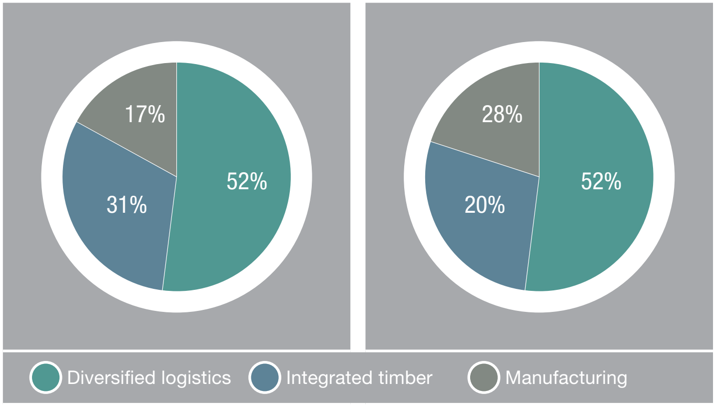
GROUP HIGHLIGHTS: 30 JUNE 2014

REVENUE (Rm)

	Diversified Logistics		Integrated timber		Manufacturing	
	2014	2013*	2014	2013*	2014	2013*
Revenue	7 737	7 042	2 585	2 392	4 629	4 229

REVENUE SPLIT

OPERATING PROFIT SPLIT



OPERATING PROFIT (Rm)

	Diversified Logistics		Integrated timber		Manufacturing	
	2014	2013*	2014	2013*	2014	2013*
Operating profit	762	686	412	347	298	276

** Restatement as a result of adoption of new and revised accounting standards and to reflect discontinued operations.*

HEPS UP

by 21%

R1.9bn

CASH GENERATED FROM OPERATIONS

DIVIDEND PER SHARE UP

by 50%

FROM 8 CENTS TO 12 CENTS

R1.0bn

MAIDEN BOND PROGRAMME LAUNCHED

About this report

Welcome to the 2014 Integrated Report of KAP Industrial Holdings Limited (KAP) as recommended in the King Code of Governance Principles for South Africa 2009 (King III). The objective of this integrated report is to provide stakeholders with better insight into the performance of the group and the way the business is managed. In this report, the business reporting focuses on strategy and the group's ability to create long-term sustainable value.

In compiling this report management was guided by the principles of integrated reporting which in turn address the needs of various stakeholders and makes use the following frameworks:

- South African Code of Corporate Practice and Conduct as set out in the King III Report
- International Financial Reporting Standards (IFRS)
- JSE Limited (JSE) Listings Requirements including the Socially Responsible Investment (SRI) Index
- Companies Act No. 71 of 2008 as amended
- International Integrated Reporting Framework as issued by the International Integrated Reporting Council (IIRC)

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

The strategic intent (on pages 5 to 11) links material issues to the group's strategies. It also illustrates the way in which the divisions implement their strategies either to mitigate and manage risk or to take advantage of any opportunities.

Aspects of social and environmental sustainability have been part of the group's strategy and business practices for many years. The group is monitoring and reporting sustainability data, where relevant and material. Although the group achieved inclusion on the JSE SRI Index in 2013, the process of data collection and reporting will be continuously reviewed and improved in order to provide information that is relevant to material and strategic issues to align the reporting process with global best practice. Sustainability information in this report relates to the full year under review with more comprehensive information included in the group's corporate responsibility report which is available on the website.

The annual financial statements have been prepared in accordance with IFRS.

To the extent possible, management has considered and applied the principles of King III on integrated reporting and the International Integrated Reporting Framework as issued by the IIRC in the preparation of this report. As the concepts and practices of integrated reporting develop and mature, management will aim to enhance its reporting and application levels in a pragmatic manner as deemed appropriate.

Scope and boundary

The scope of the report includes all the operating subsidiaries and covers the reporting period 1 July 2013 to 30 June 2014. The audited annual financial statements were approved on 18 August 2014. This integrated report was approved for distribution on 13 October 2014 and includes reference to pertinent events subsequent to year-end up to the approval date. All references to "KAP", "the group", "the company", and "the business", refer to KAP Industrial Holdings Limited and its subsidiaries.

Materiality

In determining the material issues for discussion in this report management has considered all matters that could have a significant impact on the ability of the business to create sustainable value for stakeholders.

External Assurance

The board, assisted by the audit committee, is ultimately responsible for overseeing the integrity of the integrated report. This was achieved through setting up appropriate teams and structures to undertake the reporting process and the review and approval of the integrated report. Management is comfortable with the reporting process and the data that is forthcoming from the divisions. The majority of operations are covered and/or accredited by international operational standards. These standards require external assurance or verification at either divisional or site level to achieve or maintain their levels of operational excellence.

External assurance obtained in the current year was limited to the audit opinion expressed on the annual financial statements.

Forward-looking information

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

Approval of the integrated report

The board acknowledges its responsibility to ensure the integrity of the integrated report. The directors confirm they have collectively reviewed the content of the integrated report and believe it addresses the material issues. Except for the future integrated reporting initiatives mentioned previously, the board believes that the 2014 integrated report is presented in accordance with the framework.

More information

The integrated, corporate governance and corporate responsibility reports are available online at:

www.kap.co.za

A printed copy of the annual financial statements is available on request from

info@kap.co.za

Your opinion regarding this integrated report will be valued – for further information, feedback or assistance, please contact us at:

info@kap.co.za

KAP's strategic intent is to profitably grow revenue, provide solid returns on capital employed and focus on cash generative businesses. In implementing its strategy the group takes cognisance of stakeholder expectations, its responsibility to the environment and its impact thereon, ensuring the sustainability of the group and the long-term creation of sustainable value.

The group remains focused on managing its long-term sustainability to:

- its shareholders and investors who expect acceptable returns on investment,
- its customers and partners who rely on its ability as a group to remain competitive,
- its employees and their communities to be part of a fair, transparent and successful group, and
- the environment and its ability to manage its impact thereon.

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

strategic intent

The group's strategy provides the divisional businesses with guiding principles and direction to enable them to formulate and implement their business plans, with the ability to address and manage material issues.

THE GROUP'S STRATEGIC OBJECTIVES ARE

PROFITABLE REVENUE GROWTH	The group aims to grow revenue in a sustainable and responsible manner by leveraging its market share. Owning and managing the supply of raw material and successfully maintaining sustainable long-term partnerships with key strategic suppliers, provide a unique competitive advantage supporting good margins and revenue growth.
SOLID RETURNS ON CAPITAL EMPLOYED	Long-term contracts, owning strategic industrial properties and a continued focus on driving efficiencies sustain the long-term cost structures of the group in the form of improved returns on capital employed.
FOCUS ON CASH GENERATIVE BUSINESSES	Operational strategies are set towards cash generation and acquisition opportunities are focused toward investment in businesses with strong consistent cash flows.

THE PLATFORM FROM WHICH STRATEGY IS EXECUTED COMPRISES

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 emerging African countries by contributing to economic growth through its active involvement in business in these countries. Contributing towards community development, the group also supports the communities in which the group operates.
TRANSFORMATION	The group observes and pro-actively 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 of the businesses. Access to skills, actively managing talent and employee retention result in the group's ability to provide products and services at competitive prices, value and quality.

STAKEHOLDERS AND EXPECTATIONS

Shareholders, investors, financial institutions
... expect the group to achieve sustainable and profitable long-term growth through ethical and responsible business practices.

Customers, suppliers and service providers
... expect the group's businesses to continuously improve the quality of products and services, at a reasonable price to deliver on customers' expectations and to expect the same from suppliers.

Governments, regulators, industry bodies, advisory councils and trade unions
... expect the group to operate in accordance with all relevant legislative and regulatory requirements.

Employees, communities, press and media
... expect the group to establish open, robust and trusted communication, transparency and long-term sustainability of the business.

RESULTS OF IMPLEMENTATION

HEPS up 21% to 34.1 cents

Operating profit before capital items of **R1.5 billion**

Cash generation from operations of **R1.9 billion**

R1bn maiden bond programme launched

Dividend declared (cents)

2012	6
2013	8
2014	**12**

Net capital expenditure of R1.1 billion

Diversified logistics	**78%**
Diversified industrial	**22%**

Revenue up by **9%**	2013	**R13.5bn**
	2014	**R14.7bn**
Operating profit before capital items up by **12%**	2013	**R1.3bn**
	2014	**R1.5bn**

18 900 total group employees

R40m invested in training

Inclusion on the **JSE SRI** index

CSI projects are focused towards **HIV/Aids and education**

ISO, NOSA, OHSAS and RTMS systems and accreditations are in place in 80% of the specialist logistics operations that include Unitrans Fuel, Agriculture and Mining and Unitrans Freight and Logistics

4 **B-BBEE level 4** achieved with value adding supplier rating

The group's core strategy is supported and realised through five strategic drivers. These are not only used to direct and measure strategic implementation, but also respond to material issues and contribute to the group's competitive advantage.

STRATEGIC DRIVERS

MARKET SHARE LEADERSHIP	KAP businesses are market leaders in specific industry sectors, or have the potential to reach such levels in the short to medium term.
HIGH BARRIERS TO ENTRY	The group's significant degree of experience, scale and specialisation provide a competitive advantage in highly regulated industries. Volatility in fuel prices, pressure on natural resources, greater emphasis on sustainability and more stringent health and safety requirements and the group's ability and experience to manage these, contribute to higher barriers to entry.
INDUSTRY DIVERSIFICATION	The group is diversified across various industries, market sectors and in its product and/or service mix. Within the group's portfolio, certain cyclical industries are balanced by less cyclical businesses. This diversity facilitates the group to manage concentration risk and protects and stabilise margins.
INVESTMENT IN INFRASTRUCTURE AND TECHNOLOGY	Investment in infrastructure and technology improves the use of raw materials, increases efficiencies, reduces cost and enables the businesses to create more innovative market-focused products.
LEVERAGING OUR AFRICAN BASE	In line with economic growth expectations, operations are positioned toward emerging markets, with a specific focus towards southern Africa and sub-Saharan African countries. The group can leverage its industry knowledge and expertise of African markets to provide a competitive advantage.

MATERIAL ISSUES

Opportunities exist to grow market share

Regulated industries have high barriers to entry presenting opportunities for the group to leverage off this competitive advantage

Industries and markets operate in cycles posing a risk to business stability

Providing specialist services requires significant and continued investment in infrastructure and technology

Infrastructure development in Africa presents an opportunity for business development and growth

RESULTS OF IMPLEMENTATION

16 manufacturing plants

747 750m³ finished board product produced in FY14

3170 specialist vehicles

1207 passenger transport vehicles

91 000ha of forestry land in KwaZulu-Natal, North Eastern Cape and Southern Cape

Latest **Euro 5** coaches

R2.1bn net capex in past 2 years

R10m estimated cost saving from new thermal energy plant

Geographical split (Revenue)	
South Africa	**89%**
Africa	**11%**

Read more: case studies
Unitrans Freight and Logistics page 49
PG Bison page 65
Feltex, page 81

The group's strategic objectives and drivers include the management of material issues of an environmental nature. The group's operations are dependent on access to:

STRATEGIC AREAS OF FOCUS

SCARCE RAW MATERIALS	Raw materials are scarce and in certain instances subject to commodity and import price fluctuations. Owning and effective management of raw materials in manufacturing processes ensuring that the supply thereof is secured.
FUEL	High cost and fluctuations in fuel prices necessitate the management of fuel consumption and cost drive efficiencies to ensure profitability and competitiveness in the market.
ENERGY	High energy usage and cost in manufacturing industries influence cost of products and require the optimisation of energy usage and evaluation of alternative energy sources to ensure profitability and competitiveness in the market.
WASTE	Waste production and cost of waste in up- and downstream processes impacts profitability. Reducing waste and using recycled materials increase efficiencies and margins on manufactured products.
WATER AND LAND	Some manufacturing processes are dependent on water usage which is in scarce supply. The group aims to reduce and manage water usage and protect natural resources and areas of biodiversity.

STRATEGIC DRIVER

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

RESULTS OF IMPLEMENTATION

43 000ha of planted forests

1 066 581 tons of fibre consumed during production process

80 600 tons of urea formaldehyde resin produced

128 000 tons of PET resin produced

452 520,48 t **Scope 1** CO_2e emissions

247 057,42 t **Scope 2** CO_2e emissions

43 300ha of protected wet- and grass lands in owned forests

0% waste to landfill target at certain manufacturing facilities

61 788 tons of wood fibre recycled/sold as residue

All vehicle waste recycled with certified waste removal agencies

Read more: case studies

Unitrans Fuel, Agriculture and Mining, page 41

Passenger, page 57

Hosaf, page 73

Being a diversified group, effective corporate governance and remuneration policies are key 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 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 procurement 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

REMUNERATION

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

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 and the KAP group services human resources and remuneration committee report to the main board committee.

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

- Alignment of remuneration practices with strategy execution.
- Competitive and relative total rewards within the specific markets and industries.
- Incentive-based awards are earned through achieving demanding performance measures and targets, with due regard for the sustainable well-being of all stakeholders.
- Effective structuring of incentive plans, performance measures and targets to operate throughout business cycles.
- Prudent design of longer-term incentives so as not to place the sustainability of the company at risk.

COMPLIANCE WITH LEGAL, BEST PRACTICE GUIDELINES AND REGULATORY REQUIREMENTS

The group has met the reporting requirements of the Companies Act No 71 of 2008 as amended, together with the Companies Regulations, and the Listings Requirements of the JSE Limited. The group applies the corporate governance principles as recommended in the King report on Corporate Governance (King III). An analysis of the group's application of the 75 King III principles is available on the company's website at www.kap.co.za, together with the company's report on corporate governance.

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 International Holdings Limited receives financial information more regularly than other shareholders. This flow of information is strictly regulated to prevent any possible misuse.
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 application levels and group-wide assurance could be considered in future.

ELEMENT	PURPOSE	DETERMINANTS
Base salary	Provides a competitive level of remuneration Subject to annual review	Company performance Individual performance Changes in responsibilities
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)	The retention of key staff members Aligns performance with the interests of investors over longer-term periods	Key group performance criteria over a three year period include: Profitability, cash generation, growth

Read more

Corporate governance report, 75 King III principles application table and Board charter available on the website at www.kap.co.za

Remuneration report, page 90

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

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 ensure legal and best practice compliance across all operations.

GOVERNANCE AND COMPLIANCE

STRATEGIC INTENT FORMULATION

BOARD COMMITTEES

HOLDING COMPANY

AUDIT AND RISK COMMITTEE

Assured the integrity of the group's integrated reporting

HUMAN RESOURCES AND REMUNERATION COMMITTEE

Approved the group's remuneration policy and executive remuneration

NOMINATIONS COMMITTEE

The committee has not recommended any changes to the structure of the board.

SOCIAL AND ETHICS COMMITTEE

Following the reduction of Steinhoff's shareholding in the company, the company has now formed its own social and ethics committee

BOARD OF DIRECTORS

HOLDING COMPANY

KAP

INDUSTRY *IN MOTION*™

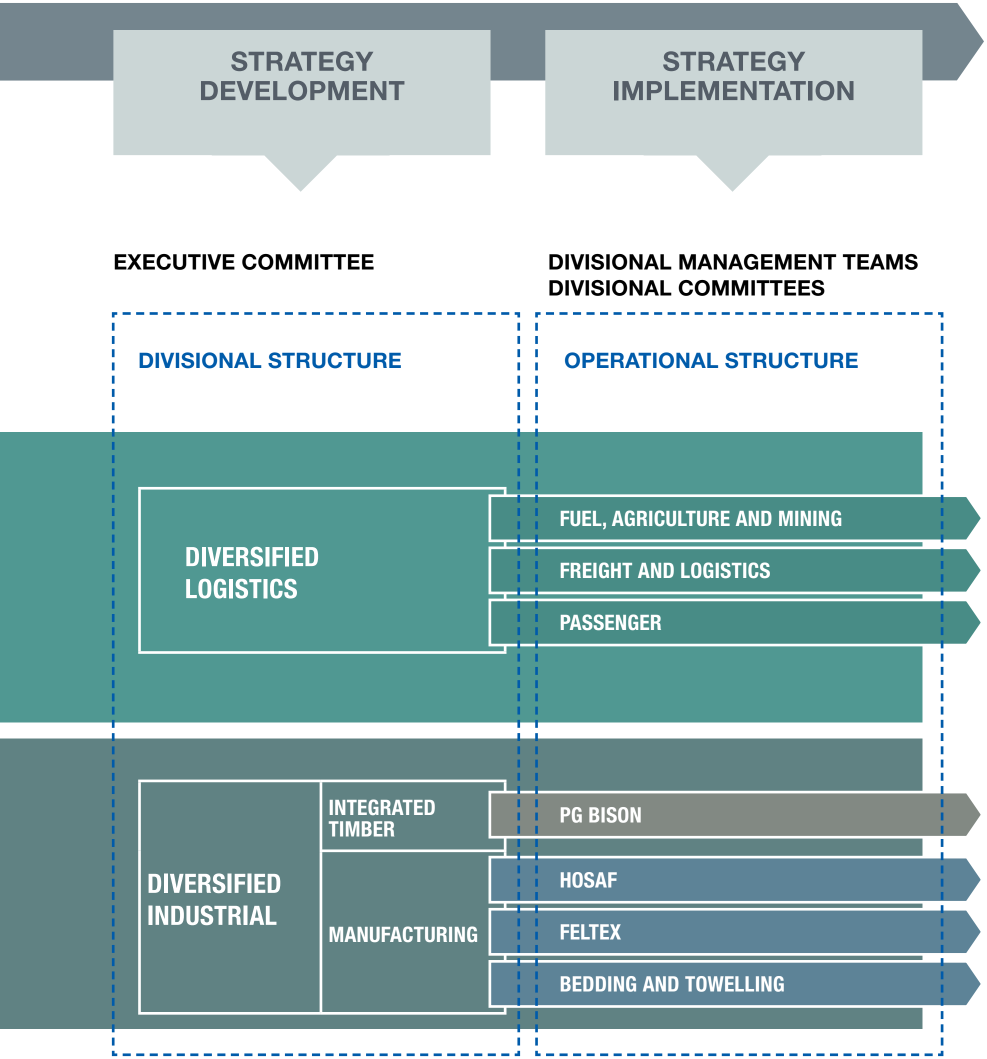
PRIMARY LEGAL STRUCTURE

UNITRANS SUPPLY CHAIN SOLUTIONS (PTY) LTD

UNITRANS PASSENGER (PTY) LTD

PG BISON HOLDINGS (PTY) LTD

KAP MANUFACTURING (PTY) LTD



IMPLEMENTATION

DIRECTORS	
Executive	**17%**
Independent non-executive	**50%**
Non-executive	**33%**

EXECUTIVE COMMITTEE	years with the group
CHIEF EXECUTIVE OFFICER Jo Grové	16
CHIEF FINANCIAL OFFICER John Haveman	12
HUMAN RESOURCES Johan Geldenhuys	15
CEO FUEL, AGRICULTURE AND MINING Theunis Nel	13
CEO FREIGHT AND LOGISTICS Peter Hancock	24
CEO PASSENGER Nico Boshoff	19
CEO INTEGRATED TIMBER Gary Chaplin	11
SENIOR MANAGEMENT	
MD HOSAF Leigh Pollard	22
MD FELTEX Ugo Frigerio	24
MD VITAFOAM Frans Human	13
MD DESLEEMATTEX David Lorimer	15
MD BCM Nico Siebrits	8
MD GLODINA Anthony Caelers	–

EXECUTIVE DIRECTORS

K J (Jo) Grové (65) | AMP (Oxford)

CHIEF EXECUTIVE OFFICER

Jo has more than 40 years' experience in finance and banking, serving on the boards of MLS Bank and Imperial Holdings. In 1998 he was appointed as chief executive of Unitrans. Jo was appointed as an alternative executive director of Steinhoff International Holdings in 2007 and was appointed as chief executive officer of KAP Industrial Holdings in 2012.

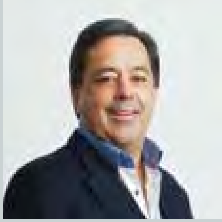
J P (John) Haveman (40) | BAcc, BCompt (Hons), CA(SA), MBus

CHIEF FINANCIAL OFFICER

John qualified as a chartered accountant in 1999 after completing his articles at PricewaterhouseCoopers Inc. He joined Claas Daun's group in 2002 and was appointed to the board as chief financial officer of KAP Industrial Holdings in 2005.

NON-EXECUTIVE DIRECTORS

M J (Markus) Jooste (53) | BAcc, CA(SA)



Markus is the chief executive officer for the Steinhoff group and serves on the board of several Steinhoff group companies in Africa, Europe, UK and Australia. He serves as a non-executive director on the boards of JD Group, PSG Group and Phumelela Gaming and Leisure. Markus was appointed as a non-executive director of KAP Industrial Holdings in 2004.

A B (Ben) la Grange (40) | BCom (Law), CA(SA)

Ben joined the Steinhoff group in 2003 and is currently the chief financial officer for the Steinhoff Group and a director on the boards of Steinhoff International Holdings, JD Group and also serves as an alternate director on the board of PSG Group. Ben was appointed as a non-executive director of KAP Industrial Holdings in 2012.

C J H (Chris) van Niekerk (67) | BA

Chris was a manager with the Sentrachem group before being appointed to the board of PG Bison in May 1998, and as its chief executive officer. Chris led the management buy-out of PGSI which transformed PG Bison. Chris holds several directorships including NCP Chlorchem, Chlor Alkali Holdings, Walvis Bay Salt Holdings and Phumelela Gaming and Leisure. Chris was appointed as a non-executive director of KAP Industrial Holdings in 2012.

D M (Danie) van der Merwe (56) | BCom, LLB

Danie is currently the chief operating officer for the Steinhoff group. He was appointed as a director of Steinhoff International Holdings in 1996, and serves on the boards of PG Bison, Steinhoff Asia Pacific, Steinhoff UK Holdings and JD Group. Danie was appointed as a non-executive director of KAP Industrial Holdings in 2005 and serves on the human resources and remuneration, and nomination committees.

INDEPENDENT NON-EXECUTIVE DIRECTORS

J de V (Jaap) du Toit (60) | BAcc, CA(SA), CTA, CFA

INDEPENDENT EXECUTIVE CHAIRMAN
Since 1984 Jaap has been involved in various capacities with Trust Building Society, SMK Securities and some of the PSG Group companies. He currently serves as chairman of various national committees and boards. He was appointed as the independent non-executive chairman of KAP Industrial Holdings in 2012 and is the chairman of the nomination committee.

I N (Ipeleng) Mkhari (40) | BSoc Sci

Ipeleng co-founded Motseng Investment Holdings and Delta Property Fund. She is currently the chief executive officer of Motseng. She serves as a non-executive director on the boards of various companies, trusts and associations. She was appointed as an independent non-executive director of KAP Industrial Holdings in 2004 and serves as the chairman of the social and ethics committee and is a member of the human resources and remuneration committee.

J B (JB) Magwaza (72) | BA, MA (Ind Rel), Dip (IR), Dip (PM)

JB chairs and/or serves as a non-executive director on the boards of several companies. He was appointed as an independent non-executive director of KAP Industrial Holdings in 2004 and serves as chairman of the human resources and remuneration committee and as a member of the nominations committee. JB will retire from the board and these committees on 18 November 2014.

P K (Patrick) Quarmby (60) | CA(SA) (Hons)

Patrick was one of the founding directors of Standard Bank in London and established Standard Bank's presence in Hong Kong. He returned to South Africa and was appointed a director of Dimension Data Holdings. Patrick was appointed as an independent non-executive director of KAP Industrial Holdings in 2012 and serves as the chairman of the audit and risk committee.

S H (Sandile) Nomvete (41) | EDP (Wits), Prop Dev Prog (UCT)

Sandile is the co-founder and CEO of Delta Property Fund Limited which is listed on the Main board of the JSE and Non-Executive Chairman of Delta International Property Holdings which is listed on the Bermuda Stock Exchange. He is also a co-founder of Motseng Investment Holdings. Sandile was appointed as an independent non-executive director of KAP Industrial Holdings in 2004 and is a member of the audit and risk committee.

S H (Steve) Müller (53) | Acc (Hons), CA(SA), Sanlam EDP*

Steve joined Genbel Investments in 1995. Over the next 13 years he held various positions within that group. He has been appointed as a non-executive director on the boards of several companies. Steve was appointed as an independent non-executive director of KAP Industrial Holdings in 2012 and is a member of the audit and risk committee. JB Magwaza will retire on 18 November 2014, and Steve will take his place as chairman and member of the various committees.

** Sanlam Executive Development Programme*

reports
to stakeholders

Jaap du Toit – Independent non-executive chairman

It is with pleasure that I present my report as the chairman of KAP Industrial Holdings for this reporting year.

The group has evolved significantly over the past two years to become a well-diversified group comprising quality logistics and industrial businesses.

With the recent restructuring of operations now being completed, the business is more focused to further capitalise on the opportunities presented by its core businesses, knowing that its base of operations is well positioned, robust and capable of delivering results and creating value to all stakeholders.

Year under review

The economic environment during the year was influenced by volatile currencies, labour strikes, increased fuel and energy prices and negative consumer outlook. Notwithstanding the challenging environment the group delivered solid results with increased revenue, margins and cash flow, that ultimately contributed to the 50% increase in dividends paid to shareholders of 12 cents per share.

The most substantial changes during the year were to further align the businesses with the group strategy and create an independent funding structure with the launch of the group's maiden bond programme. This brought about some restructuring and disposal of certain non-core businesses.

Corporate governance

During the year there were no changes to the composition of the board, or to the various committees, which is a testimony both to the stability and the appropriate mix of skills on each committee. For their service and contribution to the committees and to the board during the year, I would like to thank each of my fellow directors, particularly the chairpersons of the various committees of the board.

Mr JB Magwaza will retire from the board and the board committees on which he serves on 18 November 2014. We thank him for his valuable service over the years.

Corporate social responsibility

The group continues to successfully manage environmental, social and governance (ESG) matters, underscoring the sustainability of the group. The commitment to, and investment in ESG initiatives are increasing throughout the group.

The group achieved a B-BBEE contributor level of 4 against a targeted level of 5. Management is aware that the amended B-BBEE codes, which are due to come into effect during 2015, will have an impact on contributor levels. Progress in this regard will be carefully managed to achieve the true intention and spirit of B-BBEE within the operating environments of the group. KAP remains committed to the South African Government's policy towards an integrated and coherent socio-economic society.

Access to raw material, energy and fuel remain a global challenge. The group's businesses manage these challenges on a daily basis to ensure that processes are in place to maximise efficiencies and minimise usage, cost and wastage of raw materials, energy and fuel.

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 are the lifeblood of this group. The management of people is an important responsibility and it is imperative to ensure that we are sufficiently investing in our people.

Prospects

The group has an exciting future, with a focused strategic direction, and we look forward to a prosperous 2015.

Jaap du Toit
Independent non-executive chairman

Jo Grové – Chief executive officer

The year under review saw further alignment 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 emerging African markets.

To provide sustainable value to all our stakeholders the group remains focused on its three core strategic objectives – to grow profitable revenue, generate solid returns on capital employed and to encourage cash generation. These strategic objectives are supported and enabled by five strategic drivers. Each of these drivers represent a position of strength which provides a competitive advantage and simultaneously it provides a guideline to direct strategy formulation and implementation by the businesses within the group.

Market share leadership

In most instances KAP's businesses are leaders within the markets they serve. The aim is to maintain this position, and should this not already be achieved, strive to take that position in the short to medium term. The group achieved a 21% increase in headline earnings per share. This growth was contributed to by all businesses within the group focusing on driving revenue growth and efficiencies.

High barriers to entry

The group's high level of experience, scale and specialisation provide a significant competitive advantage. We have secured access to certain raw materials and own world-class infrastructure which support and enhance the group. Our consistent delivery on customer expectations and providing services in highly regulated environments are testament to the group's performance in this regard.

KAP's specialised industrial businesses is supported by a highly skilled workforce that has been pivotal in the profitable growth of the business throughout its history.

The group is aware of its responsibility to employ, train and retain the best skills available to support its business functions and delivery to customers. As a result we invested more than R40 million in various training and development initiatives during the year.

Industry diversification

To sustain the group's performance against the cyclical nature of certain industries, the group owns businesses which are diversified across industries, market sectors, products and services. The group is also diversified from a geographical perspective with operations throughout various countries in Africa.

The integrated timber business, PG Bison further increased its product diversification by adding value-added products and resin volumes to non-panel markets. A paper impregnation production line will also be installed at the Woodchem manufacturing facility in Piet Retief, further diversifying both Woodchem and PG Bison's product ranges.

The group's exposure and relationship with the various industrial bargaining councils and labour unions that represents its diverse workforce, remain strong. In addition, the group is indirectly exposed to the effect of industrial action on its customer's businesses. During the year under review the logistics and passenger contracts servicing the platinum mining sector experienced the impact of the strike action. However, as a result of the businesses' effective industry and geographic diversification the resultant loss of revenue was not material.

Investment in infrastructure and technology

The group operates in industries where access to natural resources is key to providing products and/or services. Without the infrastructure to gain the most effective and sustainable use of these resources the group will not be able to deliver on customer expectations. Our continuous investment in infrastructure and new technology provide the base from where we deliver world-class standards, enhance efficiencies to manage our cost base and strengthen margins. In many instances businesses work closely with suppliers and clients to develop the best cost- and delivery-based solutions without compromising on product or service quality.

Over the past two years the group invested R2.1 billion in its infrastructure. The manufacturing facilities of PG Bison and Hosaf are the most advanced and largest in Africa, our logistics and transportation fleets cover a range of specialised and modern vehicles and equipment and our management teams constantly work on continuous improvement in all upstream and downstream processes.

Leveraging our African base

With our presence, expertise and market knowledge the group has a competitive advantage to increase its operations in Africa.

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

In Unitrans Supply Chain Solutions (USCS), where the majority of our business is trading in South Africa, 20% of our revenue and 32% of our operating profit was earned from countries outside South Africa.

The Passenger business's first contract for employee transport in Mozambique went operational with Vale in the Tete province post year-end. The Freight and logistics business also crossed the South African borders, providing logistics services to an existing client which expanded into Botswana. We see this as the first of many opportunities to leverage our African base.

Year under review

Despite continued challenging market conditions, I am pleased with the performance of the businesses during the year. The group increased both revenue and operating profit with healthy cash generation, delivering on the group's strategic objectives.

The group has prioritised sustainable cash generation as a key performance indicator for all businesses and their management teams. During the year under review, the group generated R2.1 billion in cash before working capital changes, equating to 142% of operating profit before capital items. Cash is reinvested in the businesses to fund replacement and expansionary capital expenditure and to repay debt, which we believe contributes to the sustainability of the group.

In line with the group's strategy to focus on core strategic industrial businesses, KAP disposed of the footwear business, for R290 million.

The merger and rationalisation of the Unitrans Supply Chain divisions into Unitrans Fuel, Agriculture and Mining and Unitrans Freight and Logistics, streamlined the business, creating better cost structures and a more focused management teams. Although the process had some challenges, the annual saving is estimated to be more than R30 million per annum.

A detailed discussion around the group's financial performance is included in the CFO's report on pages 26 to 31.

Outlook

Economic conditions remain challenging with consumers under pressure and all market players looking to improve efficiencies and grow revenue. KAP has a solid base, strong businesses and a management team who is focused on opportunities rather than challenges.

The group's immediate strategy is to maintain operational excellence and to retain our existing clients and contracts. Our growth strategy is to continue to focus on development north of South African borders into Africa. We will aim to expand product ranges to satisfy consumer demand and increase exports. From a logistics perspective the aim is to grow our client base in the regions we already have a presence.

To further streamline and focus the businesses, management will consolidate the current three reporting segments into two – diversified logistics and diversified industrial, as depicted in the group structure earlier in this report. The current integrated timber and manufacturing segments will be combined into the diversified industrial segment as folllows: Timber (PG Bison), Chemical (Hosaf and Woodchem), Automotive (Feltex) and Bedding and Toweling (Vitafoam, BCM, DesleeMattex and Glodina).

Appreciation

KAP has quality businesses aligned to one strategy. This would not have been possible without the commitment and dedication of the various management teams and employees within the group. I express my sincere gratitude to these individuals and would like to thank our shareholders, business partners and other stakeholders for their continued support.

Jo Grové
Chief executive officer

John Haveman – Chief financial officer

The group reported strong results for the year under review with satisfactory growth in most key metrics.

Performance highlights

Headline earnings per share from continuing operations increased by 21% from 28.1 cents to 34.1 cents

R1.9 billion cash generated from operations

R1 billion maiden bond programme launched

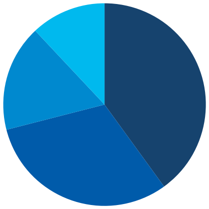
Group revenue from continuing operations increased by 9.1% to R14 748 million (FY13: R13 513 million) while group operating profit from continuing operations increased by 12.5% to R1 472 million (FY13: R1 309 million). As a result, margins increased to 10.0% (FY13: 9.7%). HEPS from continuing operations increased by 21% to 34.1 cents from 28.1 cents in the comparative period.

The Logistics division's operating profit increased to R762 million from R686 million due to 10% growth in revenue, with margins widening slightly to 9,8% from 9,7%.

	FY14	FY13	% increase
Revenue (Rm)*	**14 748**	13 513	9
Operating profit before capital items (Rm)*	**1 472**	1 309	12
Cash generated from operations before working capital (Rm)	**2 071**	2 021	2
Headline earnings per share (cents)*	**34.1**	28.1	21
Net asset value per share (cents) as at 30 June	**280**	263	9

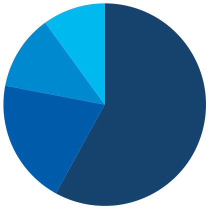
** From continuing operations*

REVENUE FY14



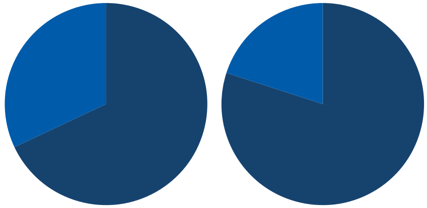
40%	Supply Chain Solutions
31%	Manufacturing
17%	Timber
12%	Passenger

CAPITAL EXPENDITURE FY14



58%	Supply Chain Solutions
20%	Passenger
12%	Timber
10%	Manufacturing

SUPPLY CHAIN SOLUTIONS FY14



Operating profit		Revenue	
68%	South Africa	80%	South Africa
32%	Africa	20%	Africa

The Integrated Timber division improved its operating profit to R412 million from R347 million due to a combination of an 8% growth in revenue and an increase of the operating margin to 15.9% from 14.5%.

The Manufacturing division's operating profit increased to R298 million from R276 million. Revenue grew by 9% while margins remained constant at 6.5%.

The effective tax rate of 26.5% is slightly lower than the South African statutory rate, due mainly to the effect of earnings in lower-tax rate jurisdictions in Africa.

In line with the group's strategy to dispose of non-core assets, the Manufacturing segment disposed of the footwear business during the year for R290 million. The results of this business is represented as discontinued operations in the financial statements and remains subject to approval by the competition authorities.

As discussed in the CEO's report, the group will in future report results in terms of a Diversified Logistics and a Diversified Industrial segment.

The group has effectively diversified its operating base in terms of industry and geography. Further diversification exists within operations to protect and enhance sustainable earnings, mitigating the cyclical risk of markets and industries. In terms of geographic diversification, more than 10% of the group's revenue for the year was generated outside of South Africa. In particular, Unitrans Supply Chain Solutions (USCS) generated 20% of its revenue outside of South Africa. This translated into 32% of the segment's operating profit, illustrating the potential the African markets hold in terms of profitability and creating a suitable platform for leveraging the group's African base.

The group continued its investment in high-return projects during the period by again investing more than R1 billion in assets (net of proceeds from disposals). More than R400 million was allocated to expansionary projects. Capital items of R14 million in the continuing operations relate mainly to the disposal of assets. Refer to the individual business reviews for further information.

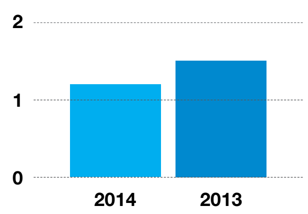
The objective of the group's capital management strategy is to maintain an optimal level of capital in the most cost-effective manner. As the group supports all group operations from a central treasury, gearing is monitored on a group-wide basis, in line with external covenants and internal limits and covenants set by the board.

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

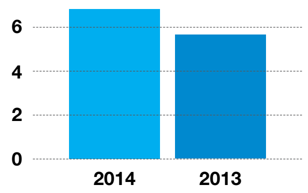
The group has sufficient headroom under these covenants as illustrated by the graphs on the following page.

Given the prevailing uncertainty in financial markets, availability of funding and liquidity remained a primary focus during the year under review. The group focused on refinancing activities and successfully addressed all its short and medium-term refinancing needs. The group is well-placed to meet all its obligations from a liquidity point of view.

NET DEBT TO EBITDA (times)



EBITDA INTEREST COVER (times)



BOND MATURITY PROFILE

Bond	Tenure	Pricing	Maturity date	Amount
KAP001	3 year	3M JIBAR + 175 bps	13 June 2017	R322m
KAP002	5 year	3M JIBAR + 204 bps	13 June 2019	R428m
KAP003	5 year	3M JIBAR + 204 bps	6 June 2019	R250m
Total				**R1 000m**

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.

The 2014 financial year was fundamental from a capital structure point of view with the successful launch of the R1 billion bond programme, resulting in the diversification of the group's funding sources. Global Credit Ratings accorded an initial national scale ratings to KAP of A-(ZA) and A2(ZA) in the long-term and short-term respectively, with a stable outlook.

With further term debt raised with maturity between two and seven years and at competitive rates during the period, the maturity profile of the group has been extended significantly. The proceeds of the bonds and debt raised were utilised to replace the remaining balance of the Steinhoff loan, which has now been repaid in full, and to diversify funding sources. At 30 June 2014 the bond programme represents 37.4% of the group's net interest-bearing debt with debt from financial institutions comprising the remaining 62.6%.

The sustained focus on strengthening the group's cash flows and balance sheet has resulted in the group's net interest-bearing debt reducing to R2 676 million from R3 090 million, which equates to a gearing ratio of 40% (FY13: 50%). This resulted in net finance costs for the period reducing from R371 million to R330 million.

Cash flow

Cash generated before working capital changes increased to R2 071 million from R2 021 million, which equates to 142% of operating profit before capital items. Continuing operations' investment in net working capital reduced to R269 million from R339 million.

Net asset value (NAV)

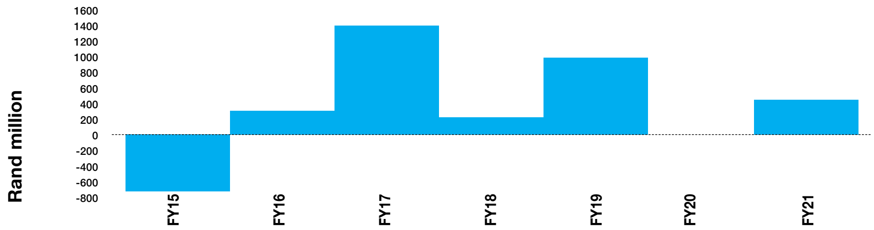
The NAV per share increased by 9% to 286 cents from 263 cents and is supported by a strong fixed asset underpin as follows:

	2014 Rm	2013 Rm
Land and buildings	**1 482**	1 500
Plant and machinery	**1 627**	1 433
Vehicles	**3 324**	3 051
Capital work-in-progress	**82**	252
Other	**99**	119
Total property, plant and equipment	**6 614**	6 355

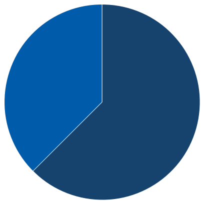
Intangible assets and goodwil

All intangible assets and goodwill were assessed for impairment. Intangible assets and goodwill are primarily tested discounting the future cash flows expected to be generated by these assets. The relevant cash flows are then discounted using the weighted average cost of capital (WACC) and the net present value of these cash flows is compared to the current carrying value and, if lower, the assets are impaired to the net present value. Management uses its best estimates when forecasting market conditions and expected useful lives of assets which drive these calculations, but these

MATURITY OF NET INTEREST-BEARING DEBT



FUNDING SOURCES



62.6%	Financial institutions
37.4%	DMTN

estimates can also be influenced by a number of different factors countries. WACC drives many of the group's fair valuation estimates. The WACC rate differs from country to country and in respect of different industries. The principal assumptions used in justifying the carrying values of goodwill and intangible assets are highlighted in notes 7 and 8 to the group annual financial statements. These impairment tests did not result in material impairment charges during the current year. Impairment testing was done on a basis consistent with the prior year.

Biological assets

The group's timber plantations of R1 875 million (FY13: R1 761 million) are a key underpin of its net asset value.

The valuation technique is consistent with that used in previous years, with the Faustmann formula and discounted cash flow models being applied in determining the value.

Specifically, 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, after deducting harvesting costs. The fair value of younger standing timber, on the other hand, is based on the present value of the net cash flows expected to be generated by the plantation at maturity.

Risk management

The group's success in its overall strategy is largely attributable to its business philosophy which supports decentralised, autonomous business units with an entrepreneurial culture. The board recognises that some elements of risk management can only be achieved on an integrated basis. Financial risks such as exchange rate risk, interest rate risk, liquidity risk and commodity price risk are largely controlled centrally. The group draws attention to some pertinent risks within the business:

Financial risk

The group's financial instruments are listed in note 31 to the group annual financial statements.

Derivative instruments are used by the group for hedging purposes. Such instruments include forward exchange and currency option contracts and interest rate swap agreements. The group does not speculate in trading derivative or other financial instruments.

Liquidity risk

The group's policy remains to spread debt maturities over a wide range of periods to manage excessive refinancing risk in any one-year period. The group further manages liquidity risk by monitoring forecasted cash flows and maintaining adequate unused borrowing facilities. In addition, the group uses a variety of sources to fund its activities in order to reduce any concentration risk and to mitigate liquidity risk. The group uses a variety of securities and debt suppliers and instruments to limit its exposure to any one supplier or instrument. The group successfully extended its debt maturity profile during the year.

Currency risk

The principal objective of our currency risk management and hedging strategy remains to mitigate exposure to movements in foreign exchange rates for the major currencies the group is exposed to, taking into account the potential effect on our net debt and related credit metrics. It is group policy to hedge exposure to operational cash transactions in foreign currencies other than the reporting currency of the underlying operation for a range of forward periods, but not to hedge exposure for the translation of reported profits in the different jurisdictions to Rands. The responsibility for monitoring and managing these risks is that of management in conjunction with the central treasury and foreign exchange support functions, and in line with the group's foreign exchange exposure management policy.

Interest rate risk

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

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

Credit risk

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

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

Acquisition risk

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

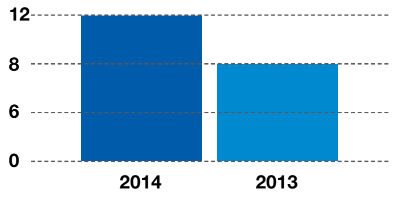
A dedicated merger and acquisition team reviews and manages the entire process relating to mergers and the application and implementation of business combinations. All merger and acquisition opportunities are reviewed by the executive committee.

Insurance risk

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

All material risks are considered to be adequately covered, except for political risks. Self-insurance programmes are in operation, covering primary levels of risk at a cost more advantageous than open-market premiums. Regular risk management audits are

DIVIDENDS DECLARED (cents)



conducted by the group's risk management and insurance consultants, whereby improvement areas are identified and resultant action plans implemented accordingly.

Pension and provident fund risk

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

Dividends

In light of the good cash flows for the year and cash flows received from the disposal of non-core assets, the Board approved a gross dividend of 12 cents per share (FY13: 8 cents per share) from income reserves, for the year ended 30 June 2014.

Looking ahead

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

The group is continually evaluating and assessing the strength of its balance sheet and its debt maturity profile. Where required, it continues to support its main holding and operating subsidiaries when required, to efficiently fund the group's sustainable growth.

John Haveman
Chief financial officer

business reviews

Unitrans Fuel, Agriculture and Mining

UNITRANS

Unitrans Fuel, Agriculture and Mining's core business is to supply specialised transport, distribution and logistics services to a diverse and well-established customer base across 10 sub-Saharan African countries. Its experience and knowledge of the African business environment, an uncompromising focus on safety, health, environment and quality provides an effective platform for expansion into African markets.

HIGHLIGHTS

- Gross revenue increased by 5% from R3,2bn to R3,3bn
- Successful consolidation of Unitrans Fuel and Chemicals division with Unitrans Agriculture and Mining division into one business unit
- 36% reduction in fuel costs per ton of product transported, following investment in new generation road trains

Offers a complete distribution and logistics service to customers in various industries including fuel, agriculture, mining, gas and chemical.

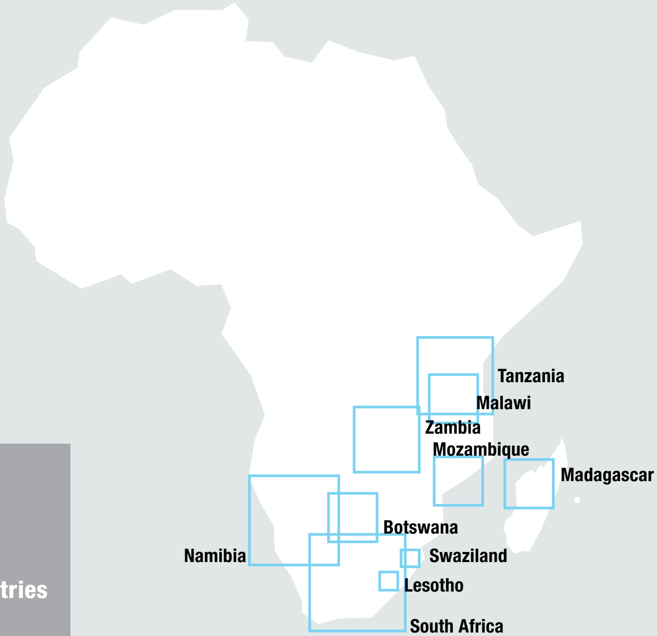
Specialised service offering focuses on innovation, safety, service and cost optimisation and has resulted in its positioning as a market leader providing world class services to customers in Africa's fast growing markets.

KEY FACTS

- 5 900 employees
- 3 600 drivers
- 1790 vehicles
- 115 million km traveled
- R430m net capex for the year

INDUSTRIES SERVED

- **42%** Fuel
- **31%** Agriculture
- **12%** Mining
- **8%** Gas and chemicals
- **7%** Other



43 depots in
10 African countries

PRIMARY SERVICES

Dangerous goods	Mining	Agriculture
Transport or bridging, distribution and warehousing (including terminal management) of petrochemical, gas and explosive products	Load and haul services, materials handling, road maintenance, quarry and mine work including dozing and excavation	Load and haul services, harvesting, land preparation, bush clearing, infrastructure development and estate ancillary services

BUSINESS ENVIRONMENT

During the year under review the division faced a challenging South African trading environment augmented by an under performing mining industry and the sugar price which was at its lowest level in more than four years.

In response to this, the division focused on further developing and growing the business in various African markets, which increased geographic diversity.

As a result of operating in various countries and in multiple currencies, foreign exchange exposure is inherent. In line with the group's foreign exchange policy, balance sheet currency exposure is not hedged and currency risk is managed by the group's treasury team. Contracts outside South Africa are generally negotiated in both local and international currencies, mitigating to a degree, the impact of currency fluctuations from an operational perspective.

KEY DIFFERENTIATORS

- An expansive African geographic footprint covering 10 African countries with more than 50 years' experience
- Focus on specialised long-term distribution and logistics service contracts allowing for niche target market penetration and development
- The ability to continuously innovate and invest in differentiated resources including staffing, infrastructure and specialised equipment
- A market leader in dangerous goods transport
- Sustainable revenue streams flowing from 3 to 7 year contracts with customers
- By nature of the specialist skills inherent in the business model, the customer base mostly comprise large industry leaders with a proven history of sustainable business models ('blue chip" companies)

GROUP STRATEGY	MATERIAL ISSUES	BUSINESS STRATEGIES
LEVERAGING OUR AFRICAN BASE	African infrastructure development	Leverage African experience and geographical footprint
HIGH BARRIERS TO ENTRY	Specialised and niche logistics requirements	Maintain safety record
		Maintain ISO accreditations
INVESTMENT IN INFRASTRUCTURE AND TECHNOLOGY	Expert skills and technology advancements	Invest in new technology
		Renew and gain new client contracts
MARKET SHARE LEADERSHIP	Concentration risk in market segments and geographic regions	Reduce concentration risk
INDUSTRY DIVERSIFICATION		

IMPLEMENTATION

Restructured business and consolidated head office

Continuously improve and maintain employee competencies

Continuously improve and maintain SHEQ standards

Improve efficiencies to benefit revenue growth and margin

Align business practices to achieve B-BBEE requirements

Diversify operations throughout market segments and geographical areas of operation

RESULTS

Annual saving of R30m

Continuous decrease in accident costs

ISO 9001 and 14 001
OSHAS 18 001a
CNB253 NOSA integration
RTMS

Significant reduction in fuel cost per ton of product transported

R430m capex employed for expansion and replacement

B-BBEE level 3

Geographical areas of operation

55% South Africa
45% Africa

COMMENTARY

PERFORMANCE REVIEW

The business reported pleasing results with modest revenue growth coupled with an increase in profitability mainly as a result of restructuring and efficiency initiatives.

The restructuring completed during the year saw the consolidation of Unitrans Fuel and Chemicals with Unitrans Agriculture and Mining which included back-office rationalisation. This resulted in cost savings of more than R30 million annually.

As a result of the challenging operating conditions, the majority of customers embarked on cost saving initiatives placing pressure on revenue growth. Unitrans Fuel, Agriculture and Mining firmly believes that optimised efficiencies placed the business in a stronger position and that it is in the best interest of the business to partner with customers to maximise efficiencies.

The business again maintained its Safety Health Environment and Quality (SHEQ) standards accreditations. Unitrans Fuel, Agriculture and Mining's experience and track record in terms of safety standards has enabled it to expand its service offering to include verification services, representing value-added services for customers.

During the year an investment of more than R400 million was made into new generation fuel tankers, new road train applications, bulk tankers, agricultural and mining yellow metal equipment. This investment improved service delivery and additional cost savings through enhanced efficiencies.

In South Africa, the five month labour action and community disruptions at two mining contracts impacted the business's performance. Despite this, the business performed well due to the performance of contracts outside of South Africa, demonstrating the effectiveness of service and geographical diversification.

OUTLOOK

The main areas of focus for growth are Zambia and Mozambique. Bolt-on and smaller acquisitions have been identified as the entry-to-market strategy into more African markets supported by staff continuity and instant knowledge base that this strategy provides in unknown territories.

There has also been substantial focus on investing in abnormal or Performance Based Standard (PBS) technology. Despite most service providers following a similar strategy, Unitrans Fuel, Agriculture and Mining is well positioned to remain a preferred distribution and logistics supplier to the mining and agricultural industries based on its depth of experience in these markets.

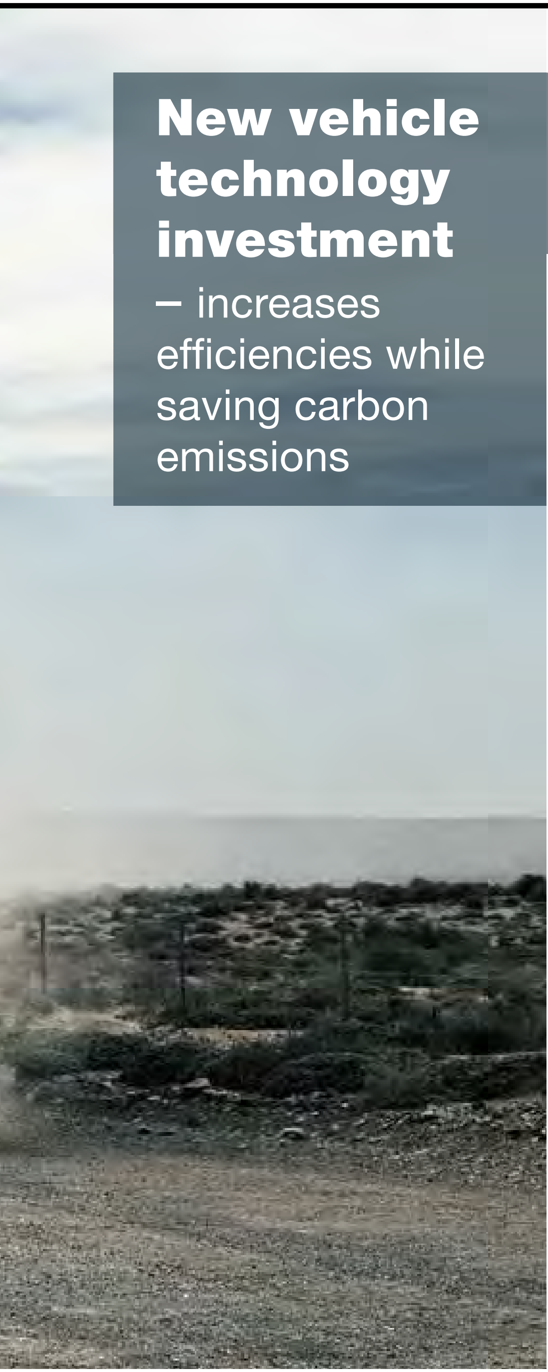
Unitrans Fuel, Agriculture and Mining recognises the importance of transformation in South Africa and the business is focusing on various empowerment initiatives.

Continuous improvement in safety standards have resulted in significant reductions in accident costs, differentiating the business in tender processes. The shared focus of Unitrans Fuel, Agriculture and Mining and its customers, in terms of safety standards, will continue to drive revenue growth through maintaining and concluding new contracts. Driver training is a key contributor to maintaining this safety record and the business will continue to focus on this in the coming year.

Case study

New vehicle technology investment

– increases efficiencies while saving carbon emissions



STRATEGIC DRIVER

INVESTMENT IN INFRASTRUCTURE AND TECHNOLOGY

FUEL

IMPLEMENTATION
Invested R180m in fleet upgrades and new technology land trains at a key mining contracts.

BENEFITS
Improved efficiencies on cost/km, saving in fuel costs, increased margin, reduction of CO_2e emissions.

RESULT
With the new technology land trains and controlled driving behaviour, significant savings on fuel usage was achieved. Fuel usage decreased by 36% per ton of product transported (compared to a standard road legal combination), which directly translates into CO_2e reductions. These savings are shared with customers resulting in Unitrans Agriculture and Mining becoming a preferred long-term supplier with a proven ability to reduce costs.

16 new generation road trains in operations in the mining sector
Unitrans Agriculture and Mining owns and operates 30 ultra heavy-duty road trains
22 000 tons of product transported daily – 75 to 125 tons per trip
Driver behaviour is closely linked to the sustainability of efficiencies and monitored to ensure that the benefits are carried through on a long-term basis
36% decrease in fuel cost per ton of product transported

Unitrans Freight and Logistics

UNITRANS

Unitrans Freight and Logistics is focused on providing logistics and value-added services to a diverse range of industries and market sectors. This includes the design, implementation and management of specialised supply chains and logistics services.

HIGHLIGHTS

- Gross revenue increased by 9% from R2.4bn to R2.6bn
- Achieved level 3 B-BBEE value added supplier rating
- New contracts in the cement industry and cross border into Botswana
- Award: Afrisam Best branded transporter, most improved B-BBEE status, best corporate identity
- Award: Toyota Superior performance in service and consumables
- Award: Logistics achiever award Silver and Environmental award for a joint venture contract involving NPC (an existing client) and Idwala (a new client)

KEY FACTS

- 3 900 employees
- 1 400 drivers
- 1 380 vehicles
- 116 million km traveled
- R190m net capex for the year

INDUSTRY SECTORS

32%	Food
19%	FMCG
18%	Construction
8%	Furniture
6%	Beverages
6%	Lubricants and paints
6%	Other
5%	Freight forward

operating from
104 locations
in **2 countries**

SERVICES

Logistics	**Value-added services**
Transportation, warehousing and distribution	Supply chain and network design; inventory management and optimisation; warehouse design and optimisation for the food, industrial, specialised goods and FMCG sectors and freight forwarding and clearing

BUSINESS ENVIRONMENT

The current suppressed South African economic climate impacts on consumer spending, foreign investment and infrastructure spend, impacting on some of the sectors in which the business operates. To maintain healthy revenue and margin growth, it is the business's key priority to continuously innovate and evaluate its service offering, operating structures and identifying new business development opportunities.

There is a trend for larger established customers to outsource their logistics functions to multiple service providers, managing their dependency on one or two key logistics suppliers. The challenge for all concerned is to retain and manage client relationships, maximise efficiencies and continue adding value to the client while still maintaining acceptable margins.

KEY DIFFERENTIATORS

Freight and Logistics provide specialist logistics solutions across the entire supply chain within various industry sectors.

Many of the long-term contracts are based on value-added services which are both innovative and not easily replicated.

Managing efficiencies and cost, and designing and implementing innovative solutions are core to the business service solutions.

Sustainable revenue streams flowing from 3 to 7 year contracts with customers.

GROUP STRATEGY	MATERIAL ISSUES	BUSINESS STRATEGIES
HIGH BARRIERS TO ENTRY	Provide value-added services through specialist skills Specialist vehicle asset base	Recruit, train and retain specialist skills Maintain safety record Continuous investment in new technology
MARKET SHARE LEADERSHIP	Provide value-added services through specialist skills Specialist vehicle asset base	Recruit, train and retain specialist skills Maintain safety record Continuous investment in new technology
SOCIAL AWARENESS	Provide value-added services through specialist skills Specialist vehicle asset base	Recruit, train and retain specialist skills Maintain safety record Continuous investment in new technology
LEVERAGING OUR AFRICAN BASE	African infrastructural development	Leverage African experience and geographical footprint
INDUSTRY DIVERSIFICATION	Concentration risk in market segments and geographic regions	Reduce concentration risk

IMPLEMENTATION

SETA accreditation for training and development

Focus on driver training and safety

Achieve good financial results for re-investment

Extend services into Africa

Expand industry and customer exposure

Build pipeline for new contracts

RESULTS

Comply with ISO 90001, ISO 14 001 and NOSA at accredited client sites

R7.7m invested in training and development

766 drivers trained during the year

R190m capex invested in during the year

0% tolerance policy for road safety infringements

Opportunity for growth in Africa, with less than 5% of current revenue being derived from African markets

Expand into Botswana through food sector contract

% of revenue	
Core logistics	83%
Value-added services	17%

COMMENTARY

PERFORMANCE REVIEW

During the year under review good results were achieved in most sectors including construction and materials, FMCG and food, supported by the expansion into Botswana. The majority of contracts achieved better results supported by a new management team being put in place, resulting in better operational controls and customer service.

Financial targets such as capital employed, revenue management, cost efficiencies and staff costs are managed on a daily basis and at a contract level.

The division reduced costs by 13% (largely as a result of the restructure), it maintained existing contracts and increased revenue by 9%. Natural staff attrition occurred with the restructure of the Unitrans Supply Chain Solutions division.

The business put in place a renewed focus on marketing to build the pipeline for new contracts in order to further diversify revenue streams. The sustainability of the current business mix remains encouraging with long-term contracts being renewed or remained in place for the period under review. The average tenure of contracts range between three and seven years protecting return on initial investment for Unitrans.

Road safety is of utmost importance to the business. Direct responsibility lies with the safe transport and on-time delivery of customer products, but there is also an indirect responsibility for drivers to contribute to road safety. Teams of technical staff ensure that all vehicles are maintained to OEM standards and driver training is ongoing, with annual and periodic medical, behavioural and technical reviews. The number of accidents and incidents reported include incidents relating to stock and not only vehicle damage and/or fatalities. All incidences are monitored and reported at board level.

OUTLOOK

In a highly competitive market it is critical that the division has the ability to provide value-added services to its customers, over and above core transportation services. The division remains focused on providing world class logistics solutions and expanding its services to industries where its presence can be increased. Partnering with other service providers on certain contracts will increase the division's exposure to new contracts and new partner expertise. The renewed focus on marketing and sales will provide a pipeline of new contracts to achieve the growth targets expected by shareholders.

The opportunity to expand the service footprint into Africa alongside Unitrans Fuel, Agriculture and Mining is under investigation. With the restructure of the USCS division, Unitrans's expansion strategy into Africa will be a collective approach (incorporating the strength and expertise of the three logistics divisions) leveraging from each other. Current customers' African logistics needs will be explored as a platform to increase customer contracts, logistics routes into sub-Saharan regions and to extend services within current customer contracts.

Case study

A day in the life of Rainbow Chicken

– providing a value-added service

STRATEGIC DRIVER

HIGH BARRIERS TO ENTRY

BENEFITS

Specialist skills and investments in equipment lead to innovative supply chain solutions capable of saving costs to both customers and Unitrans through improved efficiencies.

IMPLEMENTION

Recruit, train and retain specialist skills, invest in technology (specialist vehicles).

RESULT

Improved customer satisfaction, service and revenue diversification and increased margin. Achieved revenue from long-term contract since 1998 with another three-year contract signed based on consistent, effective, efficient and professional service delivery.

The partnership between Unitrans and Rainbow dates back to 1998 when Unitrans provided its first services to Rainbow's Worcester plant. The service grew to Hammarsdale and Rustenburg to include all depots. Unitrans provides more than just a collection and delivery service. In order to deliver on service excellence, the business recruits, trains and retains people with the right skills sets and provide specialist equipment and engineers solutions to offer the customer a distinct advantage.

Unitrans Freight and Logistics provides a 24/7/365 service with the employees living up to the standards and expectations of both brands. A dedicated team of 585 employees work on the Rainbow contract and services include:

Transport and primary distribution with specialised vehicles
Eggs: collect from farms, deliver to hatcheries – environmentally controlled vehicles
Chicks: collect and deliver to broiler farms – environmentally controlled vehicles
Broilers: load, collect and deliver to processing plant – poultry forklifts and specially designed inter-link trailers
Frozen and fresh chickens: collect and deliver to distribution centres and to clients – refrigerated vehicles
Animal feed: delivery to farms – auger bulker vehicles
Value-added services through providing specialist skills and vehicles
Daily collection of mortalities, removal and transport of waste, lay bedding, supply and maintain modules and drawers, and provide skid steers

Passenger

UNITRANS

MEGA COACH

MEGA BUS

Magic TRANSFERS

MEGA EXPRESS

BOJANALA BUS

CITILINER

GREYHOUND

Unitrans Passenger provides transport services to the personnel, commuter, intercity and tourism markets. It is a diversified, competitive and performance-driven organisation rendering continuously improved passenger transportation, always aligning its transport services with the demands of customers.

HIGHLIGHTS

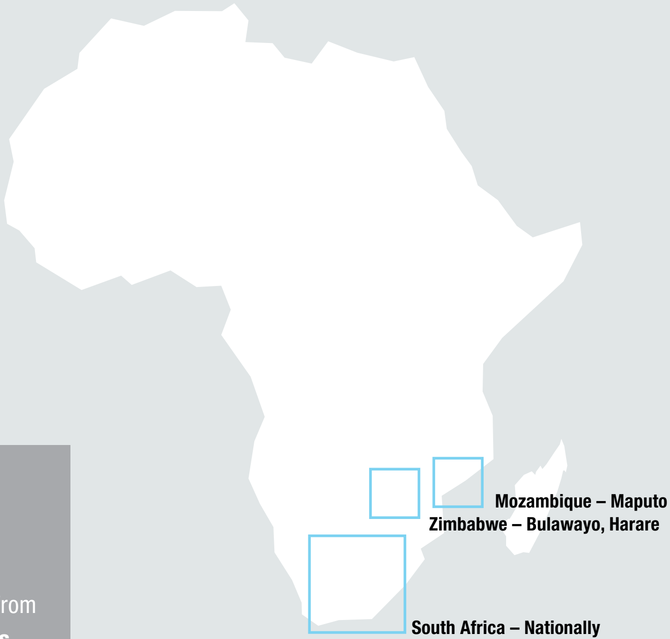
- Gross revenue increased by 6% from R1,7bn to R1,8bn
- Target margin of 10% maintained
- Tete/Vale contract in Mozambique operational in September 2014
- Increased cross border frequency and load capacity between Zimbabwe and South Africa

KEY FACTS

- 3 700 employees
- 2 300 drivers
- 11,4m passengers per annum
- R210m net capex for the year

% REVENUE CONTRIBUTIONS

- **57%** Commuter and personnel
- **27%** Intercity
- **9%** Gautrain bus feeder
- **7%** Tourism



operating from
23 depots,
15 passenger terminals to and from
143 destinations

PRODUCTS AND BRANDS

Commuter and personnel Megabus, Bojanala Bus, Gautrain Bus Feeder	**Tourism** Mega Coach, Magic Transfers	**Intercity** Greyhound, Citiliner

BUSINESS ENVIRONMENT

Each of the business units operates in a unique market segment with their own set of opportunities and challenges.

Both the Intercity and Tourism businesses operate in extremely price sensitive markets. Improved service levels and reliability are focus areas in order to remain competitive and differentiate on customer service versus a pure price buying motivator. The tourism sector is not expected to grow but efficiencies will be consolidated and improved.

Megabus operates in the commuter and personnel markets with mid- to long-term contracts with Government as well as large blue-chip mining companies. Bojanala Bus operates a commuter contract on behalf of the North West Provincial Government predominantly servicing the mining sector.

Mega Express operates and manages the Gautrain Bus Feeder Service and is contracted to the Bombela Operating Company for 15 years (11 years remaining). The Gautrain Management Agency has announced plans to expand the rail network and this will no doubt create opportunities to increase the bus fleet.

KEY DIFFERENTIATORS

Unitrans Passenger is a diversified passenger transport operator with a national footprint throughout southern Africa, with intercity routes extending to Mozambique (Maputo) and Zimbabwe (Bulawayo and Harare).

A high level and long track record of safety underpins the division's reputation as being a preferred service provider to South African companies and passengers.

GROUP STRATEGY	MATERIAL ISSUES	BUSINESS STRATEGIES
INVESTMENT IN INFRASTRUCTURE AND TECHNOLOGY	Fuel price fluctuation	Investment in new technology Vehicle maintenance and driver behaviour
MARKET SHARE LEADERSHIP	Managing public and passenger reputation	Continuous training and evaluation of drivers and technical staff Establish and maintain good employee relationships
INDUSTRY DIVERSIFICATION	Concentration risk in market segments	Diversify revenue
HIGH BARRIERS TO ENTRY	High industry and regulatory requirements	Proactive participation in industry and contract negotiations
LEVERAGING OUR AFRICAN BASE	African infrastructural development	Leverage African experience and geographical footprint from Unitrans Fuel, Agriculture and Mining to enter new African markets

OUTCOME	RESULTS
Increased efficiencies, reduced fuel costs, well maintained fleet	**R210m capex** invested in new fleet **36m litres of fuel used** per annum
Maintain safety and customer service record Maintain low staff turnover Grow revenue in various market segments	**107m km** travelled annually Staff turnover remained low at **5%** (FY13: 6%) **R3,3m investment** in employee training **26 apprenticeships** during the year
Maintain good relationships with regulators and government	**Re-negotiate new long-term contracts** with government excluding DORA requirements
Extend services into Africa	**Vale contract in Mozambique** operational

COMMENTARY

PERFORMANCE DURING THE YEAR

Although the passenger business reported revenue growth of 6% to R1.8 billion, profitability was marginally impacted due to increased fuel prices, the protracted strike at the platinum mines and the introduction of a more stringent pay-on-use system versus a previous fixed fee model at some stations.

The Vale personnel contract in Tete commenced operations in September 2014. The five-year contract forms the base for future long-term African contracts and its performance will be closely monitored to identify future opportunities with regards to the strategy of expanding the business into Africa benefiting from the existing Unitrans Fuel, Agriculture and Mining infrastructure.

Management of fuel efficiency and consumption is a key performance area and assisted in mitigating the impact of fuel price increases in the current year. New Euro 5 vehicles were incorporated into the Greyhound fleet for intercity transport forming part of a fleet replacement programme.

Although the labour strikes in the mining sector had a negative impact on the division's results, it was limited to the contracts at the Platinum mines in the North West Province. To mitigate and manage direct labour issues, the division's skilled HR resource plays a key role to represent the industry and retain close contact with the labour organisations.

The Magic Bus service was re-branded to Magic Transfers and launched at the Tourism Indaba during May 2014.

OUTLOOK

With established operations in Mozambique, there is an opportunity to provide more services to other contractors in the area. This also opened up the likelihood to expand an Intercity route network to Mozambique.

The Rustenburg Rapid Transport project is progressing well and a phased operation is due to commence in March 2016. Bojanala Bus together with the local taxi operators, as affected operators, will form part of the Bus Operating Company. This will be the first joint venture in operating Bus Rapid Transport systems.

In general the division will pay close attention to its B-BBEE rating, revenue generation, management of expenditure, and employee relations and development.

Case study

Investment in training – support efficiencies and safety

STRATEGIC DRIVER

HIGH BARRIERS TO ENTRY

SKILLS AND TALENT MANAGEMENT

IMPLEMENTATION

Investment in training and skills development.

BENEFITS

A well-established track record of high safety standards and cost efficiencies support new contract gains and public reputation.

RESULT

Improved service levels, lower maintenance costs as a result of skilled technical staff, low incident rates, staff retention.

A high level and long track record of safety underpins the division's reputation as being a preferred service provider to South African companies and passengers. Safety is not only linked to employing a responsible and trusted driver team, they are in turn supported by the technical staff who ensure that the vehicles are well maintained and adhere to all safety standards. A well maintained fleet also increases efficiencies in fuel usage and vehicle service costs. The unquestioned level of safety is due to continued focus on employing the best skills to maintain vehicles and transport passengers – from the bus drivers to the technical work-shop employees.

Unitrans Passenger is committed to the training and retention of skilled staff to support this commitment and address the general business partnered with SOLTEC, a technical college, where apprentices are exposed to the practical vehicle maintenance environment at one of Passenger's many accredited workshops for a period of 85 weeks. Once these apprentices pass their trade tests and qualify, they could be offered permanent employment at any one of the workshops countrywide.

Operational staff are also encouraged to complete their Road Transport Diploma through the University of Johannesburg.

- 26 apprentices currently in training
- 41 bursaries and other study assistance awarded for completion of a degree or diploma
- Driver and front-line staff receive ongoing refresher training
- Beneficial and successful in-house training department

PG Bison

PG BISON

BISONBORD

SUPAWOOD

DECOBORD

WOODLINE

WEATHERBOARD

WOODCHEM

MELAWOOD

FORMICA

THESEN

PG Bison aims to be the leading board manufacturer and primary upgrader in Africa. It harnesses the benefits of a backward integrated business model by owning and managing forestry, resin manufacture and timber operations with primary manufacturing and value-adding facilities.

HIGHLIGHTS

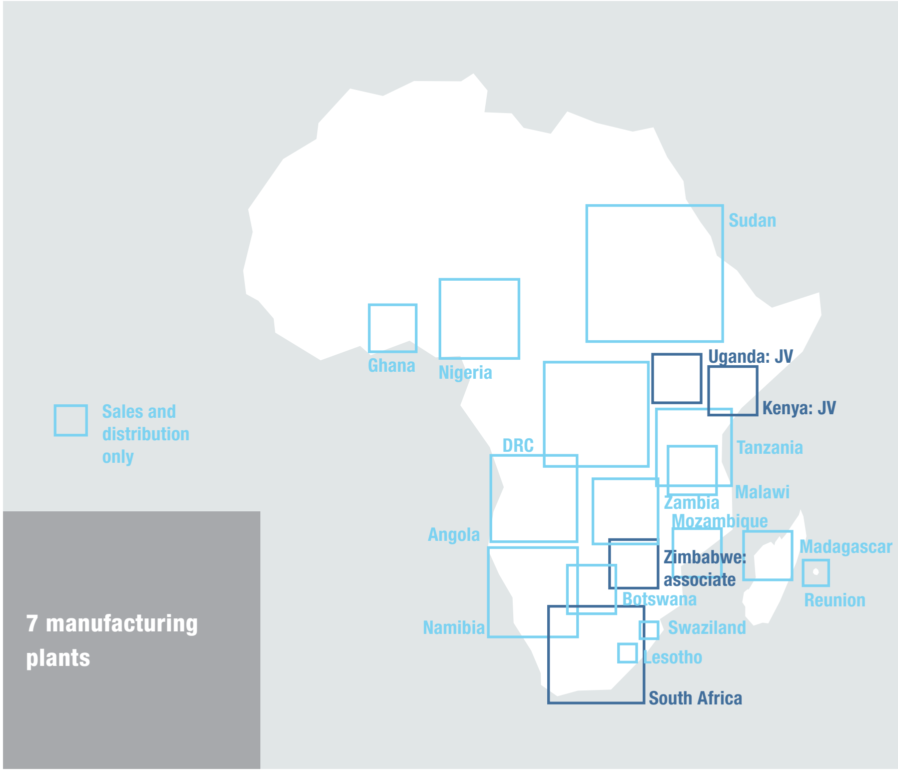
- Gross revenue increased by 8% from R2,4bn to R2,6bn
- New MDF plant producing at current capacity of 280m^3/day
- Second phase of MDF upgrade planned for March 2015
- Continued operational cost savings and efficiency improvements

KEY FACTS

- 1 900 employees
- 1 066 581 tons of fibre consumed
- 43 000ha forests
- 747 750m^3 board capacity
- R120m net capex for the year

SERVICES AND PRODUCT SECTOR SPLIT

13%	Forestry
19%	Value added products
68%	Primary processing/resin



PRODUCTS AND BRANDS

Forestry - Sawlogs, poles, pulpwood	**Primary Processing - Timber** - Structural timber (Thesen), poles (Woodline), packaging timber (Weatherboard)	**Primary processing - Board -** Particleboard (BisonBord), medium density fibreboard (MDF) (SupaWood)
Primary processing - Resin - UF resin and formaldehyde	**Upgrading** - Foil (DecoBord), high pressure laminates (Formica), melamine faced board (Melawood)	**Distribution -** High pressure laminates (Formica), solid surfacing (Corian & Montelli)

BUSINESS ENVIRONMENT

PG Bison is a national market leader in the particleboard and medium density fibreboard (MDF) sectors in southern Africa, and occupies regional leadership positions within the sawmilling sector. The business environment remains challenging due to subdued confidence, consumer spending and infrastructure development. Imported products continue to exert downward price pressure in the MDF pricing.

Buoyant growth in the rest of Africa provides a basis for market expansion in the board manufacturing and upgrading operations.

Timber-related industries globally experience timber raw material supply constraints with consequent upward raw material price pressure. PG Bison therefore sees its backward integration model from owing forestry operations as a long term strategic imperative.

KEY DIFFERENTIATORS

With its high production capacity, recent technology investment and strategic control of, and access to, raw materials, PG Bison is a high volume, low cost manufacturer of high quality products to market.

PG Bison is the largest timber and manufactured board supplier with the largest and most advanced manufacturing plants in Africa.

On the back of significant investments over the past number of years, the group is backward integrated, provides a diversified portfolio of products and has advanced processes in place to satisfy and address customer needs.

GROUP STRATEGY	MATERIAL ISSUES	BUSINESS STRATEGIES
HIGH BARRIERS TO ENTRY	Cost of product to market	Investment in systems
		Investment in new technology
		Backward integrated business model
MARKET SHARE LEADERSHIP	Market share protection and growth	Investment in product range expansion and quality
		Investment in people and systems
INDUSTRY DIVERSIFICATION	Competitive market conditions	Backward integrated business model
INVESTMENT IN INFRASTRUCTURE AND TECHNOLOGY		Investment in value-adding technology
ENERGY		Investment in marketing
		Talent management
		Investment in new technology
		Investment in energy plant upgrade
LEVERAGING OUR AFRICAN BASE	High African growth rates	Joint venture in Kenya and Uganda and an associate stake in Zimbabwe

IMPLEMENTATION	RESULTS
Facilitate cost reductions Invested R2.2bn in the last 10 years Access to raw materials Differentiate products offering Differentiate service offering	**Material annual saving** through recent business re-engineering Largest and most advanced manufacturing plants **in Africa** **43 000ha of planted forests** Internal manufacturing of **melamine faced board (MFB) paper** **R40m annual saving** in logistics cost
Control and manage cost/m³ product produced Introduce new value-added products Increased sales resources and marketing material Train and retain critical skills Manage input cost and product quality Reduce expenses associated with rising energy costs	**Improved efficiencies** for lowest cost to market supplier **R133m investment** upgrading MFB, HPL and Foil line **Preferred supplier** of branded products **R4,8m spent on training** for the year, 174 learnerships, 7 bursaries **New MDF plant produces 50%** more product with same infrastructure and overhead costs as previous plant 2Mw energy plant with estimated cost saving of up to **R10m** **114 306 tons** wood fibre residue utlised for energy
Use as base to increase exports into African countries	Target set for **exports** to exceed **15% of revenue** in the medium term

COMMENTARY

PERFORMANCE REVIEW

The restructure concluded in FY13 continued to yield financial benefits in the current year results. Margin improved due to cost benefits of the new MDF plant and increased ratio of higher margin value-added products.

Although the market conditions remain subdued, continued investment in technology remains a key strategic driver in order to maintain current market position and to position it for future growth. PG Bison invested R2.2 billion in forests and manufacturing and upgrading facilities since 2005 in furtherance of its strategy. The new MDF plant in Boksburg, which was commissioned during the year, is yielding satisfactory results in terms of volume, cost and product quality. The plant is operating at capacity of 280m³ per day.

The new plant produces 50% more product with the same infrastructure and overhead costs as the previous plant. By installing the latest available technology, efficiencies were also created in material inputs and energy consumption. The upgraded energy plant will generate approximately 2Mw of thermal energy using timber residue from the production process. An estimated saving of R10 million per annum is expected from the upgrade.

A restructure of the company's warehousing and logistics function was concluded during the period which will result in improved margins with an effective R40 million annual saving. This includes a project
to optimise the flow of product from factory to customer.

Sales training was increased and enhanced to be more solutions-driven and a CRM system introduced to assist with managing customer relationships and expectations.

Early indications are that customers are satisfied with the quality of the MDF product being produced and with the improved delivery efficiencies on the back of the logistics restructure.

OUTLOOK

The second phase of the upgrade to the Boksburg MDF plant is underway with expected commissioning in March 2015. This will increase capacity to an average daily production of 380m³/day. It is expected that this additional product will replace comparable imported product.

The company will continue with its backward integration model with the installation of an Impregnation line at its Woodchem facility, which will give it the ability to manufacture its own melamine faced board (MFB) paper. This paper is currently imported from Europe. This investment will provide cost and working capital savings, while also increasing product range flexibility.

With market conditions expected to remain competitive for the foreseeable future, the company 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 of product to market.

Case study

Optimising the supply chain
– yields R40m annual logistics cost saving benefit

STRATEGIC DRIVER

HIGH BARRIERS TO ENTRY

LOWEST COST PRODUCER

IMPLEMENTION
Consolidation of warehousing and freight into a single integrated process with optimised route planning to reduce kilometres traveled.

BENEFITS
Lowest cost product to market. Reduced delivery times, improved customer satisfaction and increased margin.

RESULT
Preferential freight rates were negotiated and yield an annual saving of R25m.

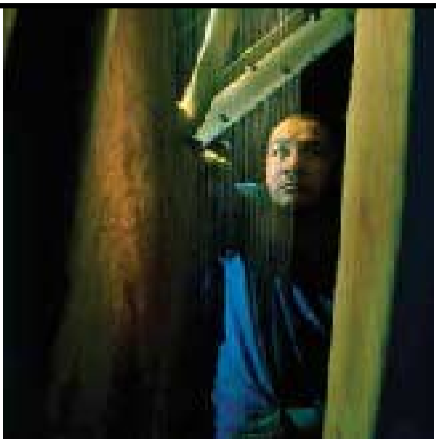
Optimising the point of supply reduces the number of km traveled for customer deliveries and yields an annual saving of R15m.

PG Bison went through a major restructure of its business during 2012 and 2013 which resulted in a rationalisation of its product range, customer base, assets and various internal operations and processes. This created the basis on which PG Bison has now been able to consolidate its warehousing and freight functions into a single integrated process with optimised route planning to reduce kilometres traveled.

A bulk flat deck freight service provider with a significant established footprint was selected as a logistics partner in this process. In-house and outsourced teams worked closely together to understand and optimise the logistics value chain. Solutions were implemented into the process from warehouse management to customer delivery.

- Customers, distribution sites and delivery zones were mapped and combined with improved production planning and inventory management in order to reduce kilometres traveled during the delivery process.
- Warehouse operations were optimised and new equipment introduced.
- New freight planning software was introduced.
- Cross-docking facilities were introduced.
- Return load benefits were exploited through improved route mapping.
- Preferential freight rates were negotiated.

Hosaf




Hosaf

where quality is action

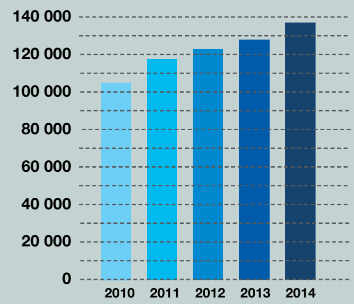



Hosaf delivers polyethylene terephthalate (PET), produced from oil-based raw materials, to mostly the beverages and packaging industries. The business takes advantage of world-class technology to supply innovative products while maintaining a commitment to safety and sustainability.

HIGHLIGHTS

- Gross revenue increased by 23% from R2.0bn to R2.5bn
- Hosaf grew local sales by 8 000 tons to maintain its share of the South African market. Sales to regional exports markets grew substantially by 26% year on year.

PET MARKET GROWTH (tons)

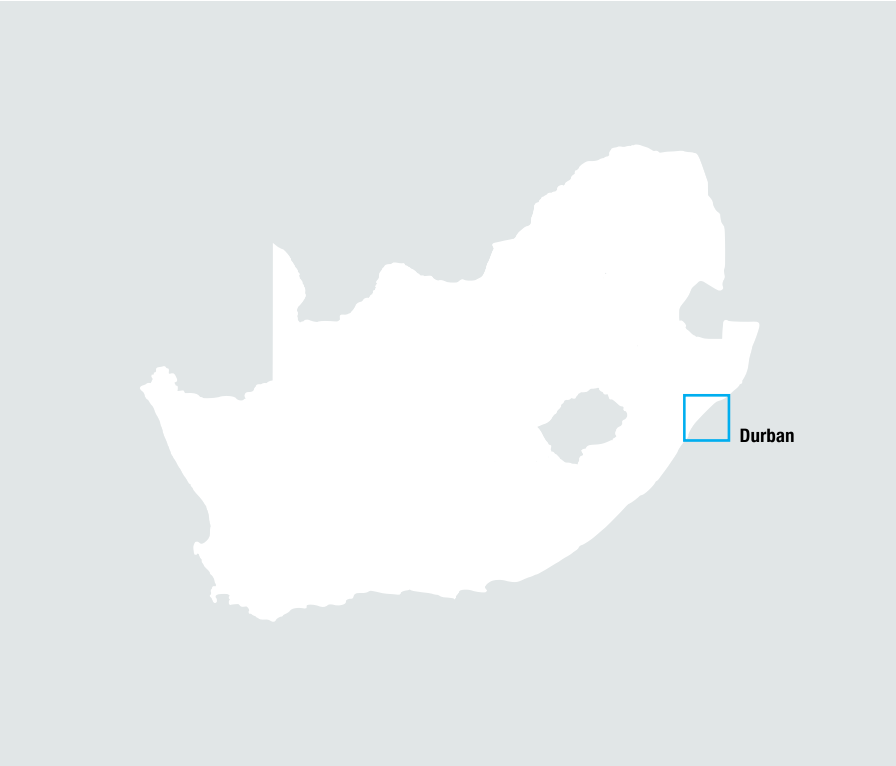


INPUTS

- 150 employees
- 1 PET factory
- 128 000 tons of PET produced
- 155 000 tons of raw materials imported
- R4m net capex for the year

SOUTH AFRICAN PET MARKET SUPPLY

- **74%** Hosaf
- **26%** Imports



BUSINESS ENVIRONMENT

Hosaf produces PET resin from oil-based raw materials using key chemical elements sourced from international suppliers. Although Hosaf is the only PET manufacturer in South Africa, competition exists through imports of PET. Volatility in commodity prices, rand/dollar exchange rates and consumer spending impact volumes and revenue.

Hosaf's business is cyclical, being marginally dependent on seasonality of carbonated soft drinks and other beverage consumption that increases in summer and decreases in winter.

KEY DIFFERENTIATORS

High quality standards form the base on which Hosaf researches, develops, tests and manufactures its products.

It operates state-of-the-art equipment in a world-class manufacturing plant, with the lowest emissions and energy consumption in its sector.

The production facility in Durban is the largest in its specific industry in sub-Saharan Africa.

The high investment cost in polymer plants is a key differentiator and barrier to entry.

Manufacture and distribution of PET resin and polymers.

PRODUCTS AND SERVICES

PET resin for the local and international packaging industry; its main application being for the bottling of beverages.

- Manufacture of PET resin and polymers.
- Distributing PET resin and polymers.

GROUP STRATEGY	MATERIAL ISSUES	BUSINESS STRATEGIES
INVESTMENT IN INFRASTRUCTURE AND TECHNOLOGY	Development in customer demand	Investment in new technology
INDUSTRY DIVERSIFICATION		Investment in manufacturing licenses Introduce new product lines Increase production to serve new markets
LEVERAGING OUR AFRICAN BASE		Continued exports of product to sub-Saharan Africa
SKILLS AND TALENT MANAGEMENT	Shortage of technical skills	Talent management and employee relations
WASTE	Reputational management	Actively support recycling and alternative PET usage initiatives

IMPLEMENTATION	RESULTS
Increase production capacity Increase product line	Increase production to **190 000 tons per annum** with up to 20% from recycled PET
Enter new markets	**Introduced** fast-reheat resin and “biopet” made from renewable sugarcane resources
Increase revenue from African base	**26% growth** year-on-year in exports to Zambia and Zimbabwe
Train and retain critical skills	**R1m investment** in employee training **12 learnerships,** **11 bursaries** granted during the year
Member of PETco	Member and financial contributor to PETco in support of national **PET recycling initiatives**

COMMENTARY

PERFORMANCE REVIEW

Hosaf delivered another solid performance for the financial year.

Revenue increased by 23% from the prior year due to an increase in volumes of 9% over the prior period, combined with the effect of the weakness of the Rand on PET commodity prices.

Growth was experienced across the South African customer base, and regional exports into Zambia and Zimbabwe increased by 24% year-on-year. In these export markets, there was good generic growth of PET consumption and the conversion of some beverage producers from other packaging media to PET, a good example being the packaging of traditional “Chibuku” beer in PET for the first time in Zambia.

Gross margins also increased by approximately 21% and, although expenses increased predominantly on the back of higher volumes, Hosaf managed to improve its operating margin.

Cash generation over the period was also excellent, with low capital expenditure during the period, and working capital being assisted by creditors extending further terms.

Hosaf recognised the shortage of qualified polyester technologists in South Africa and therefore has established an annual bursary for Chemical Engineering undergraduates and also offers financial assistance to children of staff members studying in appropriate tertiary degrees of diplomas.

Hosaf fully supports the recycling initiative in South Africa and is a member of PETco. In South Africa, millions of PET bottles are recycled every year for energy of material recovery. Recycled PET is mainly used in the production of fibre for fillings (duvets and pillows), automotive components and insulation. Ongoing research is conducted to establish alternative end uses for recycled PET with the ultimate aim being “bottle-to-bottle” recycling.

OUTLOOK

Hosaf’s plant in Durban currently operates at its rated capacity. Expansion plans are being considered which could see growth well in excess of current market norms.

As part of this expansion proposal Hosaf intends to install approved technology which will enable it to use recycled PET (refer to case study on next page).

Case study

The upside from recycling – "doing the right thing", protecting reputation and creating opportunities

STRATEGY ADDRESSED

INDUSTRY DIVERSIFICATION

WASTE

IMPLEMENTATION
Actively support recycling initiatives, create new sources of material sourcing for new product development.

RESULTS
Hosaf is an industry leader and founding member of PETco, a non-profit organisation that was established by the industry for the industry – in assistance to self-govern the industry. Industry players pay a levy towards funding PETco. PETco creates awareness with regards to the impact that used PET products have on the environment when waste is sent to landfills. It also invests the funds it receives into entrepreneurial small businesses that recycle plastic bottles to sell or re-use. The ultimate aim through its efforts is to create "bottle-to-bottle" (B2B) recycling.

Research has shown that if plastic were to be substituted by glass, the weight of packaging materials would rise by 300%, the volume of rubbish would expand by 150% and the energy consumed by the packaging industry would increase by 100%. B2B recycling, where waste PET bottles are collected and reprocessed to enable them to be used again for PET bottles, and the development of other end-use markets are therefore becoming critically important.

Plastic is recycled for use in the production of fibre for filling (duvets and pillows), strapping and insulation.

Certain targets for set to have all beverage bottles produced from PET should have at least a 20% content ration of r-PET.

The most common container in the beverages market today is the polyethylene terephthalate (PET) bottle with growth of PET use in South Africa projected at an average of at least 7% per year.

Despite alternative materials being available, based on its many advantages, plastic is the material of choice for many manufacturers. But higher production translates into a direct increase in household waste. The high environmental profile as well as the high cost proportion of the two main ingredients of PET have been the main drivers behind a thriving PET recycling industry.

In addition to being a founding member of PETco, Hosaf is investigating investment in a product line that will enable it to consume approximately 50 000 tons of recycled PET (r-PET) per annum and deliver a PET resin chip with up to a 20% r-PET content.

This demand for r-PET material will have an additional effect of creating downstream job opportunities in the waste collection, sorting and washing industries, reduce consumption of imported raw materials, and reduce the volume of waste taken to landfill.

Feltex

Feltex comprises six business units that supply components, directly and indirectly, to the seven South African Original Equipment Manufacturers (OEMs) which are used in the assembly of vehicles. The division aims to be market driven and internationally competitive through strategic international alliances and the adoption of best practice.

HIGHLIGHTS

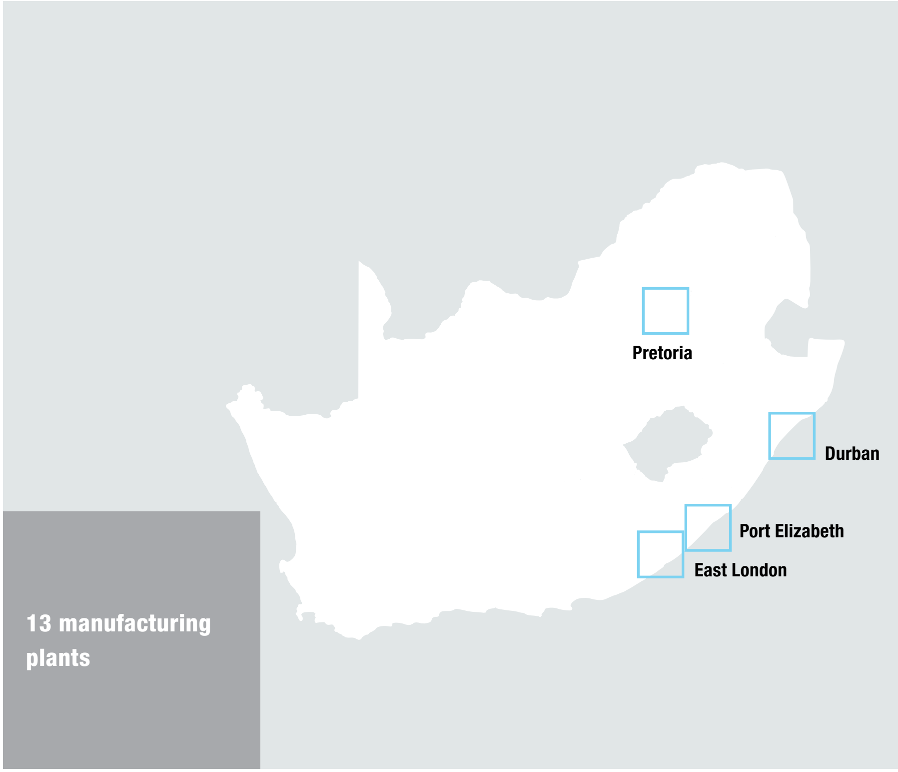
- Gross revenue decreased by 10% from R1.2bn to R1.1bn
- Successful commencement of supply to the new C-Class Mercedes-Benz produced in East London and the Toyota Corolla produced in Durban
- R88m investment in support of contract renewals

KEY FACTS

- 1 700 employees
- 16,5m components produced annually
- 5 352 tons of foam produced
- 1 025 tons of material recycled back into manufacturing
- R88m net capex for the year

SOUTH AFRICAN OEM VEHICLE PRODUCTION SPLIT

27%	Toyota
22%	VW
14%	Ford
13%	BMW
9%	Nissan
9%	GM
6%	Mercedes-Benz



BUSINESS ENVIRONMENT

Annual vehicle production by international OEMs in South Africa was down by 10% from 535 634 units to 480 600 units. This was mainly due to the industry strike and the Mercedes-Benz shutdown for the introduction of the new C-Class model, which had the most significant impact on production numbers.

Despite the decline in production, South Africa remains a production destination of choice for international OEMs as a strategic gateway to the African continent with world-class quality and manufacturing capabilities.

KEY DIFFERENTIATORS

Feltex is one of South Africa's largest automotive component manufacturers. The key success factors of Feltex are consistent quality, service and competitive pricing. Economy of scale assists Feltex Automotive in achieving competitive pricing in a relatively small and diversified domestic market, in global terms. The South African market is less than 1% of global vehicle build spread over seven OEM'S building 12 models.

International technology partners provide global competitiveness to the business through its shared intellectual capital creating a high barrier to entry for other and/or new manufacturers.

Feltex Automotive's information technology systems interlink with that of the OEM's production planning systems. Close proximity to the major OEM assembly plants facilitate "just-in- time" and "just-in-sequence" supply enhancing service delivery.

PRODUCTS AND BRANDS

Feltex automotive trim	**Feltex foam**	**Caravelle**	**Feltex Fehrer**	**IAC Feltex**	**Autoneum Feltex**
Textile based automotive acoustic and trim components	converting Polyester and polyether flexible, semi-rigid and rigid thermo-formable foams for use in vehicles and high-tech industrial products	Overlay carpets/ loose-lay vehicle mats	Polyurethane flexible foam, moulded seats, conventional and pour in place headrests, foam pads, side bolsters and armrests	Acoustically engineered tufted automotive carpet and A, B and C Pillars	Under floor systems for thermal and impact protection and aluminium heatshields

GROUP STRATEGY	MATERIAL ISSUES	BUSINESS STRATEGIES
HIGH BARRIERS TO ENTRY INVESTMENT IN INFRASTRUCTURE AND TECHNOLOGY INDUSTRY DIVERSIFICATION	Competitive market conditions Global selling pricing benchmarks by OEM's	Continuous investment in manufacturing plants, technology, systems and processes
SKILLS AND TALENT MANAGEMENT	Shortage of technical skills	Talent management and employee relations
MARKET SHARE LEADERSHIP	Small and diversified local market	Maintain relationships and strategic alliances with business partners
LEVERAGING OUR AFRICAN BASE	OEM investment in East and West Africa	Explore export and joint venture opportunities based on current OEM relationships and international standards of production

IMPLEMENTATION	RESULTS
Invested in replacement capex Establish presence in close proximity to OEMs Expand into new market segments and product lines	**Investment of R74m** in replacement CAPEX **R14m investment** in technology systems during the year **Disposal of non-core property** **JIT and JIS supply to all OEM's** **Commencement of supply** for replacement Toyota Corolla and Mercedes-Benz C-class Contracts secured for **export to Brazil** Commencement of supply of **new product** Further insourcing of **R10m of product**
Train and retain critical skills	**R3.3m investment** in training **21 learnerships** during the year
Maintain good relationships with existing global component manufacturers and foster new relationships Supply parts to supplement capacity shortfalls that partners may have internationally	Established **joint venture with IAC** Established **relationship with Grammer** **Secured supply contracts** for the Toyota Hilux in 2016 for four business units
Expand African footprint	Commencement of **global supply** for certain Mercedes-Benz parts

COMMENTARY

PERFORMANCE DURING THE YEAR

Feltex reported gross revenue of R1.1 billion during the current year, representing a reduction of 10% compared to the previous year. This was as a result of the shutdown of the Mercedes-Benz plant in order to perform a change-over for the new C-Class model launched in May 2014 and the motor industry strike. At year-end production was back to normal and all labour issues were resolved through a three year pay agreement.

During the year capital investments of R88 million were made to support contract renewals.

The business seeks to diversify its own product range to better utilise its access to raw materials and increase its value-add into the OEMs. Management is investigating business models of forward-integration of its services and component production into more product lines.

OUTLOOK

Feltex remains focused on its overall strategy of continuous improvement, with no exception. Attention will be paid to ongoing training and development, financial achievements and efficiencies.

Feltex is currently participating in the quotation process of two major OEMs replacing models which are scheduled for assembly in 2017 and 2019. In both instances volumes are expected to be similar to current levels. As with all OEM contracts, these will again be long-term contracts based on the life-span of the model.

In the long-term some OEMs are investigating investments into east and west Africa within the next three to five years. Feltex is investigating the possibility to follow their long-term OEM customers into Africa, and create central assembly hubs to service the African market and increase manufacturing capability in Africa. Feltex is well positioned to take advantage of the opportunities associated with international OEMs setting up assembly plants with local (African) partners. Although still far from complete, developments are being monitored.

Case study

Technology, partners – diversified product range and upstream industry benefits

STRATEGIC DRIVER

INDUSTRY DIVERSIFICATION

STRATEGY IMPLEMENTED
Strategic alliances with global component manufacturers

MARKET SHARE LEADERSHIP

STRATEGY BENEFITS
Diversified product range, increased revenue from new components, opportunity created in local market, downstream and upstream industry benefits

Feltex uses its relationships, international partnerships and experience to benefit the business and industry.

Feltex has been a key component supplier to Mercedes-Benz South Africa (MBSA) for a number of years. In previous models the A, B and C pillars were manufactured overseas and fully imported. IAC International Automotive Components Group Europe SARL (IAC), a global automotive component company, secured the supply of these parts for the new C-Class model at all manufacturing sites around the world (America, China Germany and South Africa).

To produce these components locally, IAC and Feltex extended their joint venture to assemble these parts in East London close to the OEM's factory. This venture benefited MBSA by reducing supply lead times and by reducing currency exposure. Furthermore it also benefited IAC by establishing a new footprint in South Africa and further supporting their global customers and allowed Feltex to extend its product range.

The joint venture invested R16 million into setting up an appropriate production facility which will generate annual turnover of R36 million.

40 direct new jobs have been created by the joint venture and a further 10 jobs created at local sub-suppliers.

This opportunity will be extended to supply similar components to other OEMs in South Africa who also import these products.

Bedding and towelling

vita
vitafoam

DesleeMattex

BCM BEDDING COMPONENT MANUFACTURERS

GLODINA

KAP's bedding and towelling division manufactures foam, mattress ticking, springs, towelling and assembles mattresses for the bedding and furniture industry in South Africa, with a view to expand into neighbouring countries. The businesses in this division share manufacturing expertise and an end-customer focus.

HIGHLIGHTS

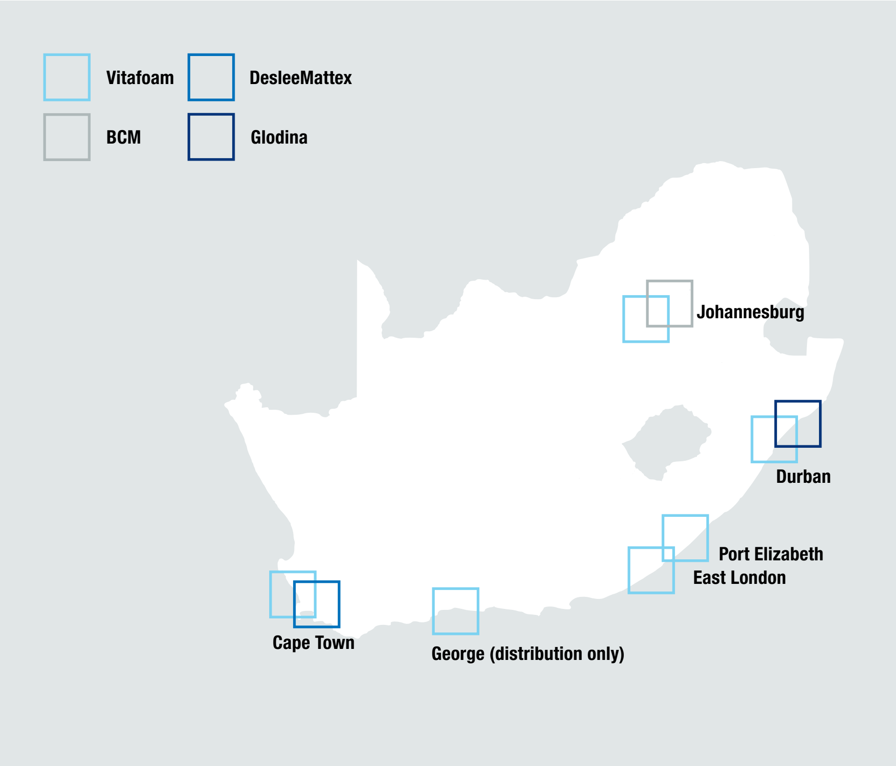
- Gross revenue increased by 6 % R1,1bn
- Introduction of gel foam mattresses by Vitafoam
- Expansion of knitting capacities by DesleeMattex
- BCM produced more than 490 000 springs daily

KEY FACTS

- 1 600 employees
- 9 manufacturing plants
- 14 800 tons of foam produced
- 2 100 spring mattresses produced daily
- R10m net capex for the year

REVENUE SPLIT

58%	Vitafoam
18%	Glodina
13%	BCM
11%	DeseleeMattex



PRODUCTS

Vitafoam Foam, industrial foam and EPE production, bedding components, fibre products	**DesleeMattex** Mattress ticking
BCM Bedding components	**Glodina** Towelling

BUSINESS ENVIRONMENT

The division continued to be under pressure within a highly fragmented bedding industry.

Fabric and ticking imports, at lower prices, continue to challenge the division to produce material at the right price and at the right quality standard. It therefore focuses on the higher-end customer where quality expectation is aligned with a higher price.

KEY DIFFERENTIATORS

- National footprint and ability to delivery to customers within 24 hours of most main centres in South Africa.
- Positioned as the only specialist foam producer in South Africa.
- Ability to produce foam mattresses at different price points in large volumes.
- Manufactured, well-known and higher priced brand names.
- Experience and technical expertise to innovate and re-engineer the end-product to achieve the best quality at specific price points with various combinations of raw material inputs.
- Integrated business model.

GROUP STRATEGY	MATERIAL ISSUES	BUSINESS STRATEGIES
MARKET SHARE LEADERSHIP	Competitive and saturated market with a low barrier to entry	Investment in manufacturing expansion
INDUSTRY DIVERSIFICATION	Over-supply of low quality low cost, and imported products	Focus on high quality, high-end consumer Expand product lines into existing markets
LEVERAGING OUR AFRICAN BASE	High cost of logistics associated with foam transport	Expand African footprint Increase revenue

IMPLEMENTATION	RESULTS
High quality, high-volume manufacturing capability	**Investment** opportunities for manufacturing expansion
Increased margin on high-end product ranges New mattress ranges	**Re-established Glodina's** market reputation **Introduced** gel foam mattresses
Optimise existing footprint to extend product manufacturing and delivery into neighbouring African countries	Formulation of strategy to create an **integrated bedding division** focused on African growth

PERFORMANCE DURING THE YEAR

Despite a depressed market both Vitafoam and DesleeMattex increased turnover for the year. Regionally the highest growth in sales were reported in the Eastern Cape and Namibia.

Vitafoam benefited from gaining market share and DesleeMattex increased its product ranges and launched new showrooms and distribution centres in Johannesburg and Durban. This will contribute to savings in distribution costs.

BCM underperformed with the largest impact being from a reduced export market and customers diversifying into manufacturing their own mattress spring components and cheaper import alternatives.

The towelling business is experiencing pressure and will take maximum advantage of opportunities in the market. During the year the business re-established its reputation as a reliable manufacturer of quality products.

The move towards one focused bedding division that was concluded shortly after year-end had no significant changes in the management structures of the businesses.

OUTLOOK

This division will benefit from the efficiencies that have been created with the objective of creating one focused bedding division. Logistics costs around mattress and foam transport and delivery is the most critical aspects in the supply chain which can now be contained and optimised.

Remuneration report

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

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

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

The committee comprises non-executive directors, the majority of whom are independent non-executive directors as well as an executive director from KAP's largest shareholder - Steinhoff. The chairman of the committee is an independent non-executive director. Executive directors and certain members of management attend meetings by invitation. This committee meets at least once a year and, should it be required, additional ad hoc meetings are convened.

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

Key considerations for the committee are to:

- review the group's general remuneration policy, to be presented annually for a non-binding advisory vote by shareholders;
- review and approve annually the remuneration packages of the most senior executives, including annual and longer term cash settled incentive schemes, ensuring they are appropriate and in line with the remuneration policy;
- fulfill 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 Ltd;
- approve the appointments and promotions of key executives;
- review the human capital management practices in place with reference to key focus areas and those specifically required by the South African labour legislation;
- review regularly the company's code of ethics;
- 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 the committee;
- review annually the recommendations of the group's sub-committees and their annual 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 sub-committees

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

Key considerations for the sub-committees are to:

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

Alignment with strategy

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

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

Employee share ownership and "black" management share ownership plans

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

During 2009, Steinhoff implemented 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 12 500 KAP Industrial employees participate in a Steinhoff International scheme, holding 40 377 900 Steinhoff International shares.

Service contracts

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

Directors are subject to regulations on appointment and/or rotation in terms of the company's memorandum of incorporation and the Companies Act. No excessive executive directors notice period are in place. There are no executive directors' service contracts that include predetermined compensation as a result of termination.

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

Non-executive directors' remuneration

In reviewing non-executive directors' fees, the board, assisted by the remuneration committee, makes recommendations to shareholders in light of firstly, fees payable to non-executive directors of comparable companies and, secondly, the importance attached to the retention and attraction of high-caliber individuals as non-executive directors. Fees are reviewed annually. When appropriate, independent advice is obtained from specialist human resources consultants to review non-executive directors' fees.

This remuneration is not linked to the company's share price or performance. Levels of fees are also set with reference to the responsibilities assumed by the non-executive directors in chairing or participating in our Board and other committees. Non-executive directors do not qualify for shares in terms of the group's share incentive schemes.

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

** A per meeting fee of R63 500 is payable in respect of attendance at each of the scheduled four quarterly board meetings.*

*** The nomination committee was formed in May 2013.*

Director's remuneration

Refer to note 33 of the annual financial statements for details on the remuneration earned by executive directors for the year ended 30 June 2014.

Remuneration policy

To assist the achievement of the group's business goals, the human resources and remuneration committee ("the committee") has put a remuneration policy in place, approved by the Board.

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

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

Elements of remuneration

The three elements of managerial remuneration consist of a total cost to company base salary, annual incentive bonus and longer-term incentives.

The committee seeks to ensure an appropriate balance between the fixed and performance-related elements of managerial remuneration and between those aspects of the package linked to short-term financial performance and those aspects linked to longer-term sustainable stakeholder value creation. The committee considers each element of remuneration relative to the market and in determining its quantum, takes into account the performance of the company, the management team and the individual executive.

Total cost to company base salary ("base salary")

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

Benefits provide security for all employees and their families and include compulsory membership of a retirement fund and medical aid schemes. Although membership is compulsory, employees have the flexibility of deciding on the level of their contributions to both benefits.

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

Annual incentive bonus ("AIB")

A short-term AIB, payable in cash, provides management teams with incentives to achieve their business's short and medium-term goals.

The AIB is based upon the achievement of group or divisional financial targets as well as strategic and personal performance objectives as determined by the committee.

These objectives are set after taking into account that management is obliged to maintain the group's assets on a sustainable basis. Any expansion or capital expenditure for capital acquisition or new projects, additional to approved annual budgets, are approved separately and take into account separate returns at the time of approval.

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 includes:

Objective	Metric	Target for 2014
1 Achievement of operational and financial growth objectives (90% of bonus):		
- performance against profit target	Growth in headline earnings before tax	12-14%
- performance against cash flow target	Conversion of EBIT into cash generated from operations	80% conversion
2 Implementation of key strategic initiatives related to the strategic development and competitive positioning of KAP (10% of bonus):	In discretion of committee	
- 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; and		
- other initiatives such as B-BBEE, internal audit ratings, health and safety, succession planning		

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 are weighted as follows:

Role	% of AIB relating to group performance	% 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	30%	70%	30% - 50%
Key divisional management	-	100%	20% - 50%

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

Key executive staff are further entitled to share in a maximum of 20% of performance in excess of budgeted/targeted headline earnings before taxation.

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

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

Longer-term incentives (LTI's)

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

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

Allocation

The allocation and quantum of LTI's i.e. the KAP share rights scheme for executive staff, and divisional longer-term cash-settled bonus scheme for senior management staff, is based on the responsibility and salary packages of individuals who are key to driving the long-term business strategy at group and/or divisional levels.

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

Role	% 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	67% - 100%

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

Role	% of base salary allocated to long-term cash incentive
Key divisional management	33% - 67%

Retention requirements for share scheme participants

The 2012 grant (i.e. for the period from 1 July 2012 to 30 June 2015) is not subject to any requirements compelling participants to retain and hold any shares at the time of vesting of shares.

With effect from the 2013 grant (i.e. for the period 1 July 2013 to 30 June 2016) it is required that a condition of the vesting of each grant is that the recipient retains one year's share allocation as a retention, in the discretion of the committee.

Target criteria

The allocation and target criteria of incentives are at the discretion of the committee. Individuals qualify only for the key performance criteria if they have also achieved their annual bonus targets cumulatively over the corresponding three years' period. (See targets as detailed on page 91)

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

LTI's are paid only when the group has achieved its targets over the three year period. In addition, divisional executives are required to achieve their own division's targets over the same period in order to qualify for the LTI.

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

audited consolidated financial statements

PREPARATION SUPERVISED BY
JOHN HAVEMAN CA (SA)

30 June 2014

ANNUAL FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF KAP INDUSTRIAL HOLDINGS LIMITED

We have audited the consolidated financial statements of KAP Industrial Holdings Limited set out on pages 104 to 193, which comprise the statement of financial position as at 30 June 2014, and the income statement, 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 2014, and its consolidated financial performance and its 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 2014, 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 consolidated 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.

Deloitte & Touche

Registered Auditor

Per: MA van Wyk

Partner

18 August 2014

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

The directors are pleased to present the audited financial statements of the group for the year ended 30 June 2014.

Financial results

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

Distribution

The board has approved a dividend of 12 cents per share (2013: 8 cents per share) payable from income reserves on 6 October 2014 to shareholders registered on 3 October 2014. The dividend withholding tax of 15%, if applicable, will result in a net cash dividend of 10.2 cents per share (2013: 6.8 cents per share).

Stated share capital

The authorised Ordinary share capital of KAP Industrial Holdings Limited ("the Company") remains unchanged from the prior year and consists of 6 000 000 000 shares of no par value ("the Ordinary Shares") of which 2 346 187 888 (2013: 2 346 187 888) shares are in issue.

At the annual general meeting of the Company held on 18 November 2013, shareholders approved the increase of the authorised share capital of the Company by the creation of 1 000 000 000 non-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").

10% of the unissued Ordinary Shares and all of the authorised but unissued Preference Shares were placed by shareholders under the control of the directors at the annual general meeting held on 18 November 2013. As at 30 June 2014, no Preference Shares have been issued.

Holding company

Ainsley Holdings Proprietary Limited, a wholly-owned subsidiary of Steinhoff International Holdings Limited ("Steinhoff"), sold 400 000 000 shares in the Company on 27 June 2014. As a result of this disposal, Steinhoff's interest in the issued share capital of the Company was reduced to 44.7347% (previously 61.78%) and, with effect from 29 June 2014, Steinhoff is no longer the Company's ultimate controlling shareholder.

Subsidiary companies

The principal subsidiaries of the group are reflected in note 32 to the financial statements.

Nature of business

The group, through its four main operating divisions, manufactures and delivers product to/for a diverse customer base. The group's operating divisions comprise:

- A specialised logistics division that designs, implements and manages supply chain, warehousing and logistics services. (During the period under review this division was restructured into two operationally-focused businesses, namely the Freight and Logistics division and the Fuel, Agriculture and Mining division).
- A passenger transport division that provides personnel, tourist and commuter transport services.
- An integrated timber division incorporating timber plantations, sawmills and production facilities for resin and panel products.
- An industrial manufacturing division that manufactures automotive components, PET resin, furniture and bedding components and toweling.

Corporate activity

The Company's strategy is to focus on strategic industrial assets within emerging markets.

In line with this strategy, in June 2014 the industrial manufacturing division of the Company sold its footwear division, comprising Jordan Shoes, Wayne Plastics, United Fram Footwear and Mossop-Western Leathers to Bolton Footwear Proprietary Limited.

As at the date of this report, the approval by the Competition Authorities of this transaction was awaited.

Directorate

There were no changes to the directorate during the period under review. The directors of the Company remain as follows:

Executive directors

Karel Johan Grové (Chief Executive Officer)
John Peter Haveman (Chief Financial Officer)

Non-executive directors

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

Independent non-executive directors

Jacob de Vos du Toit (Chairman: Board, Chairman: Nomination Committee)
Johannes Bhekhumuzi Magwaza (Chairman: Human Resources and Remuneration Committee)
Ipeleng Nonkululeko Mkhari
Stephanus Hilgard Müller
Sandile Hopeson Nomvete
Patrick Keith Quarmby (Chairman: Audit and Risk Committee)

Directors' shareholding

At 30 June 2014, the present directors of the Company held no direct or indirect interests in the Company's issued Ordinary shares other than:

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

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

	2014 %	2013 %
Shareholders with an interest above 5%:		
Steinhoff International Holdings Limited[1]	**44.73**	61.78
Allan Gray Asset Management	**23.51**	13.16
Investec Asset Management	**15.77**	15.82

[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 21 and 26. In terms of the Memorandum of Incorporation of the Company and its subsidiaries there is no limitation of borrowing powers.

Subsequent events

No significant events have occurred between 1 July 2014 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 the integrated report to be published, the Company complied with the principles contained on King III throughout the reporting period.

Share incentive scheme

At the annual general meeting held on 14 November 2012, shareholders approved a new KAP Performance Share Rights Scheme ("the Scheme"). The maximum number of shares relating to shares reserved for the previous KAP International Holdings Limited Share Performance Plan, together with rights under the Scheme, that may be used for implementation, will not exceed 366 274 533 shares in KAP.

During the year, rights in respect of 23 340 520 shares in KAP were granted to participating employees under the Scheme. In addition, 1 659 480 shares have been set aside to provide for any new Scheme entrants prior to the next Scheme allocation in December 2014.

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"), as amended is set out on pages 101 to 103 of these financial statements.

Auditor

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

Responsibility of directors

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

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

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

Going concern

The consolidated financial statements set out on pages 104 to 193 have been 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 consolidate financial statements for the year ended 30 June 2014, set out on pages 98 to 193, were approved by the board of directors and are signed on its behalf by:

J de V du Toit

Independent non-executive chairman

KJ Grové

Chief executive officer

18 August 2014

COMPANY SECRETARY'S CERTIFICATE

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

Steinhoff Africa Secretarial Services Proprietary Limited

Company secretary

18 August 2014

28 Sixth Street, Wynberg, Sandton

REPORT OF THE AUDIT AND RISK COMMITTEE
FOR THE YEAR ENDED 30 JUNE 2014

Background

The 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 in terms of formal mandates and deal with all issues arising at the operational division or subsidiary level. The subcommittees then elevate any unresolved issues of concern to the KAP Industrial Holdings Limited ("KAP") audit and risk committee.

The committee is pleased to present its report for the financial year ended 30 June 2014 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 2014, and
  - the interim results for the six months ended 31 December 2013.
- 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 officer 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 Regulation, 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 during the year by the committee.

Internal audit

The group's independent internal auditors operate in terms of the internal audit charter and under the direction of the committee which approves the scope of the work to be performed.

Significant findings are reported to both executive management and the committee, and corrective action is taken to address identified internal control deficiencies.

The committee is satisfied with the effectiveness and performance of the internal auditors and compliance with their mandate.

The committee is also satisfied that the internal auditors have the necessary resources, budget, standing and authority to enable them to discharge their functions.

External audit

The committee has satisfied itself through enquiry that the 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 2014 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 2015 financial year with Mr Michael van Wyk as the designated auditor. This will be his fourth 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 committee has evaluated the consolidated financial statements for the year ended 30 June 2014 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 Listings Requirement 3.84(h), as well as the recommended practice as per King III, the committee has assessed the competence and performance of the group Chief Financial Officer and believes that he possesses the appropriate expertise and experience to meet his responsibilities in that position. The committee is satisfied with the expertise and adequacy of resources within the finance function and the experience of financial staff in this function.

PK Quarmby

Audit and Risk committee chairman

18 August 2014

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 Rm	2013[1] Rm
Continuing operations			
Revenue		**14 748**	13 513
Cost of sales		**(11 622)**	(10 891)
Gross profit		**3 126**	2 622
Other operating income		**501**	538
Distribution expenses		**(475)**	(347)
Other operating expenses		**(1 680)**	(1 504)
Capital items	1	**(14)**	20
Operating profit	2	**1 458**	1 329
Finance costs	3	**(340)**	(460)
Income from investments	3	**15**	96
Share of (loss)/profit of associate companies	12	**(8)**	9
Share of profit of joint venture companies	13	**3**	5
Profit before taxation		**1 128**	979
Taxation	4	**(302)**	(272)
Profit for the year from continuing operations		**826**	707
Discontinued operations			
(Loss)/profit for the year from discontinued operations	5	**(69)**	4
Profit for the year		**757**	711
Profit attributable to:			
Owners of the parent		**724**	677
Profit for the year from continuing operations		**793**	673
(Loss)/profit for the year from discontinued operations		**(69)**	4
Non-controlling interests	20	**33**	34
Profit for the year from continuing operations		**33**	34
Profit for the year from discontinued operations		**–**	–
Profit for the year		**757**	711
		cents	cents
Earnings per share from continuing and discontinued operations:			
Earnings per share	6	**30.9**	28.9
Diluted earnings per share	6	**30.5**	28.8
Earnings per share from continuing operations			
Earnings per share	6	**33.8**	28.7
Diluted earnings per share	6	**33.4**	28.6
Headline earnings per share from continuing and discontinued operations:			
Basic headline earnings per share	6	**33.8**	29.1
Diluted headline earnings per share	6	**33.4**	29.0
Headline earnings per share from continuing operations			
Headline earnings per share	6	**34.1**	28.1
Diluted headline earnings per share	6	**33.7**	28.0

[1] *Prior year disclosure has been restated to account for the adoption of new and revised accounting standards as well as to reflect discontinued operations.*

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	2014 Rm	2013[1] Rm
Profit for the year	**757**	711
Other comprehensive (loss)/income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial loss on defined benefit plans	**(2)**	–
Deferred taxation	**1**	–
	(1)	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**16**	62
	16	62
Total other comprehensive income for the year, net of taxation	**15**	62
Total comprehensive income for the year, net of taxation	**772**	773
Total comprehensive income attributable to:		
Owners of the parent	**739**	739
Non-controlling interests	**33**	34
Total comprehensive income for the year	**772**	773

[1] *Prior year disclosure has been restated to account for the adoption of new and revised accounting standards.*

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	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 2012	6 969	2 531	49	(3 952)	(33)	5 564	119	5 683
Net shares issued	1	–	–	–	–	1	–	1
Total comprehensive income for the year	–	677	–	–	62	739	34	773
Profit for the year	–	677	–	–	–	677	34	711
Other comprehensive income for the year	–	–	–	–	62	62	–	62
Ordinary dividends paid	–	(140)	–	–	–	(140)	(18)	(158)
Capital distribution to Steinhoff International Holdings Limited for share-based payments	–	(15)	–	–	–	(15)	–	(15)
Share-based payments	–	–	25	–	–	25	–	25
Transfer between reserves	–	52	(50)	–	(2)	–	–	–
Premium on acquisition of minority interest	–	–	–	–	(8)	(8)	–	(8)
Balance at 30 June 2013[1]	**6 970**	**3 105**	**24**	**(3 952)**	**19**	**6 166**	**135**	**6 301**
Total comprehensive income for the year	**–**	**724**	**–**	**–**	**15**	**739**	**33**	**772**
Profit for the year	**–**	**724**	**–**	**–**	**–**	**724**	**33**	**757**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**15**	**15**	**–**	**15**
Ordinary dividends paid	**–**	**(188)**	**–**	**–**	**–**	**(188)**	**(12)**	**(200)**
Capital distribution to Steinhoff International Holdings Limited for share-based payments		**(44)**				**(44)**		**(44)**
Share-based payments	**–**	**–**	**33**	**–**	**–**	**33**	**–**	**33**
Transfer between reserves	**–**	**1**	**–**	**–**	**(1)**	**–**	**–**	**–**
Shares bought from non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**(3)**	**(3)**
Premium on acquisition of minority interest	**–**	**–**	**–**	**–**	**3**	**3**	**(3)**	**–**
Balance at 30 June 2014	**6 970**	**3 598**	**57**	**(3 952)**	**36**	**6 709**	**150**	**6 859**

[1] *Prior year disclosure has been restated to account for the adoption of new and revised accounting standards.*

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	2014 Rm	2013[1] Rm
ASSETS			
Non-current assets			
Goodwill	7	**205**	205
Intangible assets	8	**1 085**	1 106
Property, plant and equipment	9	**6 614**	6 355
Investment property	10	**19**	39
Consumable biological assets	11	**1 875**	1 761
Investments in associate companies	12	**109**	109
Investments in joint venture companies	13	**36**	29
Loans receivable	14	**26**	25
Deferred taxation assets	15	**70**	68
		10 039	9 697
Current assets			
Inventories	16	**1 197**	1 382
Trade and other receivables	17	**2 528**	2 365
Short-term loans receivable	14	**17**	5
Cash and cash equivalents		**1 348**	1 320
		5 090	5 072
Assets classified as held for sale	18	**428**	351
		5 518	5 423
Total assets		**15 557**	15 120
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary stated share capital	19	**6 970**	6 970
Reserves		**(261)**	(804)
Total equity attributable to equity holders of the parent		**6 709**	6 166
Non-controlling interests	20	**150**	135
Total equity		**6 859**	6 301
Non-current liabilities			
Interest-bearing loans and interest-free borrowings	21	**3 442**	3 919
Equalisation of operating lease payments		**14**	13
Employee benefits	22	**21**	5
Provisions	23	**48**	59
Deferred taxation liabilities	15	**994**	852
		4 519	4 848
Current liabilities			
Interest-bearing loans and interest-free borrowings	21	**68**	350
Employee benefits	22	**292**	262
Provisions	23	**78**	82
Trade and other payables	24	**3 008**	3 001
Share scheme settlement provision	25	**95**	68
Bank overdrafts and short-term facilities		**520**	141
		4 061	3 904
Liabilities classified as held for sale	18	**118**	67
Total equity and liabilities		**15 557**	15 120

[1] *Prior year disclosure has been restated to account for the adoption of new and revised accounting standards.*

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 Rm	2013[1] Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	27	**1 888**	2 249
Dividends received		**5**	–
Income from investments		**19**	100
Interest paid		**(349)**	(472)
Dividends paid		**(200)**	(158)
Taxation paid		**(125)**	(132)
Net cash inflow from operating activities		**1 238**	1 587
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(1 202)**	(1 222)
Proceeds on disposal of property, plant and equipment		**136**	175
Additions to intangible assets		**(18)**	(16)
Net cash outflow on acquisition of subsidiaries and businesses	28	**(2)**	(37)
Net cash inflow/(outflow) on disposal of subsidiaries and businesses	29	**278**	(1)
Decrease/(increase) in loans receivable		**3**	(31)
Increase in short-term loans receivable		**(12)**	(5)
Net increase in investments in associate companies		**(11)**	(28)
Net (increase)/decrease in investments in joint venture companies		**(7)**	4
Transactions with non-controlling interests		**(3)**	–
Net cash outflow from investing activities		**(838)**	(1 161)
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares issued		**–**	1
Increase/(decrease) in bank overdrafts and short-term facilities		**379**	(602)
(Decrease)/increase in long-term interest-bearing loans and interest-free borrowings		**(480)**	455
Decrease in short-term interest-bearing loans and interest-free borrowings		**(284)**	(330)
Net cash outflow from financing activities		**(385)**	(476)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**15**	(50)
Cash and cash equivalents at beginning of the year		**1 320**	1 330
Effects of exchange rate translations on cash and cash equivalents		**13**	40
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**1 348**	1 320

[1] *Prior year disclosure has been restated to account for the adoption of new and revised accounting standards.*

SEGMENTAL REPORTING

FOR THE YEAR ENDED 30 JUNE 2014

	2014 Rm	2013[1] Rm
Continuing operations		
REVENUE		
Logistics	**7 737**	7 042
Manufacturing	**4 629**	4 229
Integrated timber	**2 585**	2 392
	14 951	13 663
Intersegment revenue eliminations	**(203)**	(150)
	14 748	13 513
OPERATING PROFIT BEFORE CAPITAL ITEMS		
Logistics	**762**	686
Manufacturing	**298**	276
Integrated timber	**412**	347
	1 472	1 309
RECONCILIATION BETWEEN OPERATING PROFIT PER INCOME STATEMENT AND OPERATING PROFIT BEFORE CAPITAL ITEMS PER SEGMENTAL ANALYSIS		
Operating profit per income statement	**1 458**	1 329
Capital items	**14**	(20)
Operating profit before capital items per segmental analysis	**1 472**	1 309
TOTAL ASSETS		
Logistics	**5 520**	5 139
Manufacturing	**3 326**	3 504
Integrated timber	**5 175**	4 912
	14 021	13 555
RECONCILIATION BETWEEN TOTAL ASSETS PER STATEMENT OF FINANCIAL POSITION AND TOTAL ASSETS PER SEGMENTAL ANALYSIS		
Total assets per statement of financial position	**15 557**	15 120
Less: Cash and cash equivalents	**(1 348)**	(1 320)
Less: Investments in associate and joint venture companies	**(145)**	(138)
Less: Interest-bearing long-term loans receivable	**(26)**	(25)
Less: Interest-bearing short-term loans receivable	**(17)**	(5)
Less: Related-party receivables	**–**	(77)
Total assets per segmental analysis	**14 021**	13 555
GEOGRAPHICAL ANALYSIS		
Revenue		
South Africa	**13 139**	12 145
Rest of Africa	**1 609**	1 368
	14 748	13 513
Non-current Assets		
South Africa	**9 184**	8 951
Rest of Africa	**855**	746
	10 039	9 697

[1] *Prior year disclosure has been restated to account for the adoption of new and revised accounting standards as well as to reflect discontinued operations.*

Basis of segmental presentation

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

Identification of segments

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

Logistics

Unitrans Supply Chain Solutions include Unitrans Freight and Logistics (specialised distribution and warehousing services to the manufacturing, industrial and allied sectors of the economy), Unitrans Fuel, Agriculture and Mining (specialised transportation and fuel logistics services to the petrochemical and gas industries, as well as transport and related logistics services to the agricultural and mining industries, including the sugar industry). Unitrans Passenger derives its revenue through the transport of passengers under contract and through services to the public at large.

Manufacturing

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

Integrated Timber

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

Major customers

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

SUMMARY OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2014

KAP is a South African registered company. The consolidated financial statements of KAP for the year ended 30 June 2014, 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, 2008, as amended, and have been audited in compliance with all the requirements of Section 29(1) of the South African Companies Act 2008, as required.

Adoption of new and revised Standards

During the current year, the group has adopted all the new and revised standards and interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2013. The adoption of these new and revised standards and interpretations has resulted in changes to the group's accounting policies.

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

IFRS 7	Financial Instruments: Disclosures: Set-off
IFRS 10	Consolidated Financial Statements including amendments to transition guidance and exception for Investment Entities
IFRS 11	Joint Arrangements including amendments to transition guidance
	Joint Arrangements: Accounting for acquisitions of interests in joint operations
IFRS 12	Disclosure of Interests in Other Entities including amendments to transition guidance and disclosure for Investment Entities
IFRS 13	Fair Value Measurement
IAS 16	Property, Plant and Equipment: Bearer plants
	Property, Plant and Equipment: Clarification of acceptable methods of depreciation and amortisation
IAS 19	Employee Benefits (revised) including scope and Employee Contributions amendments
IAS 27	Consolidated and Separate Financial Statements (revised) including amendment for Investment Entities
IAS 28	Investments in Associates and Joint Ventures
IAS 32	Financial Instruments: Presentation
IAS 38	Intangible Assets: Clarification of acceptable methods of depreciation and amortisation
IAS 41	Agriculture: Bearer plants

The group adopted the following Annual Improvements to IFRS: 2010 – 2012 Cycle during the year:

IFRS 2	Share-based Payment: Definition of vesting condition
IFRS 3	Business Combinations: Accounting for contingent consideration in a business combination
IFRS 8	Operating Segments: Aggregation of operating segments; Reconciliation of the total of the reportable segment's assets to the entity's assets
IFRS 13	Fair Value Measurement: Short-term receivables and payables
IAS 16	Property, Plant and Equipment: Revaluation method – proportionate restatement of accumulated depreciation
IAS 24	Related Party Disclosures: Key management personnel
IAS 38	Intangible Assets: Revaluation method – proportionate restatement of accumulated amortisation

The group adopted the following Annual Improvements to IFRS: 2011 – 2013 Cycle during the year:

IFRS 3	Business Combinations: Scope exceptions for joint ventures
IFRS 13	Fair Value Measurement: Scope of paragraph 52 (portfolio measurement)
IAS 40	Investment Property: Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property

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 page 130.

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, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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; and
- 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 into 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 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 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 Impairment of Assets 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. 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.

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) (IFRS3), 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 group 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 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 take over 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 the Steinhoff Industrial Assets is therefore the accounting acquirer and KAP the accounting acquiree for IFRS 3 purposes.

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

The consolidated financial results and position will reflect:

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

Intangible assets

Research and development

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

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

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

Other intangible assets

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

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

Subsequent expenditure

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

Amortisation

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

The amortisation methods, estimated useful lives and residual values are 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 which are held to earn rental income or for capital appreciation, or both.

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

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

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

Consumable biological assets

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

Borrowing costs

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

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

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

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

Impairment of assets

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

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

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

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

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

Calculation of recoverable amount

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

The recoverable amount of non-financial assets is the greater of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

Reversal of impairment losses

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

An impairment loss in respect of goodwill is not reversed.

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

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 as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

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

Deferred taxation

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

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

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

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

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

Inventories

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

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

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

Cash and cash equivalents

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

Employee benefits

Short-term employee benefits

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

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

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

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

Restructuring

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

Onerous contracts

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

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

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

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

Net investment in foreign operations

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

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

Financial instruments

Financial assets and financial liabilities are recognised on the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument.

Effective-interest method

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

Financial assets

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

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or 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.
- 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 31.

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;
- 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.
- 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.
- 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 31.

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 31.

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

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

Embedded derivatives

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

Revenue recognition

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

Goods sold and services rendered

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

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

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

Rental income

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

Interest

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

Dividend income

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

Operating leases

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

Segmental reporting

A segment is a distinguishable component of the group that is engaged in providing products or services which are subject to risks and rewards that are different from those 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.

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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:

Intangible assets	
Customer relationship and trade and brand names	10 – 20 years
Contracts and licences	Over the term of the contract or project
Software	1 – 3 years

Patents, trademarks, trade names and brand names, which are considered to be well-established growing brands and product lines for which there is no foreseeable limit to the period in which these assets are expected to generate cash flows, are classified as indefinite useful life assets. The classification of such assets is reviewed annually.

Indefinite useful life intangible assets, excluding goodwill, recognised at fair value in business combinations, are expected to generate cash flows indefinitely and the carrying value would only be recovered in the event of disposal of such assets. Accordingly, deferred taxation is raised at the capital gains taxation rate on the fair value of such assets exceeding its taxation base.

Property, plant and equipment	
Buildings	5 – 80 years
Bus fleet	5 – 10 years
Computer equipment	2 – 4 years
Long-haul motor vehicles	5 – 10 years
Motor vehicles	4 – 10 years
Office equipment and furniture	3 – 16 years
Plant and machinery	3 – 60 years

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

Consumable biological assets

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

Impairment of assets

Investments, goodwill, property, plant and equipment, investment property and intangible assets that have an indefinite useful life, and intangible assets that are not yet ready for use are assessed annually for impairment.

Deferred taxation assets

Deferred taxation assets are recognised to the extent that it is probable that taxable income will be available in the future against which these can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation, taxation rates and competitive forces.

Contingent liabilities

Management applies its judgement to the fact patterns and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

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 19 and 25.

Post-employment benefit obligations

In applying its judgement to defined benefit plans, management consulted with external expert advisors in the accounting and post-employment benefit obligation industry. The critical estimates as used in each benefit plan are detailed in note 22.

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.

Provision for bad debts

The provision for bad debts was based on a combination of specifically identified doubtful debtors and providing for older debtors.

Fair values in business combinations

Management uses valuation techniques to determine the fair value of assets and liabilities acquired in 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 which will allow the group a period of one year after the acquisition date to adjust the provisional amounts recognised for a business combination.

		Gross of taxation and non-controlling interests 2014 Rm	Net of taxation and non-controlling interests 2014 Rm	Gross of taxation and non-controlling interests 2013 Rm	Net of taxation and non-controlling interests 2013 Rm
1.	**CAPITAL ITEMS**				
	Continuing operations				
	Capital items reflect and affect the resources committed in producing operating/trading performance and are not the performance itself. These items deal with the platform/capital base of the entity.				
	(Income)/expenses of a capital nature are included in the 'capital items' line in the income statement. These (income)/expense items are:				
	1.1 Impairments	**5**	**4**	29	23
	Goodwill	**–**	**–**	8	8
	Intangible assets	**1**	**1**	2	2
	Property, plant and equipment	**4**	**3**	19	13
	1.2 Net loss on sale of investments and subsidiaries	**–**	**–**	–	5
	1.3 Loss/(profit) on disposal of property, plant and equipment	**9**	**2**	(49)	(43)
		14	**6**	(20)	(15)

		2014 Rm	2013 Rm
2.	**OPERATING PROFIT**		
	Continuing operations		
	Operating profit is stated after taking account of the following items:		
2.1	**Amortisation and depreciation**		
	Amortisation	**14**	14
	Depreciation	**745**	728
		759	742
	Recognised in:		
	Cost of sales	**574**	555
	Distribution expenses	**3**	2
	Other operating expenses	**182**	185
		759	742
2.2	**Auditors' remuneration**		
	Audit fees	**18**	20
	Fees for other services	**4**	2
		22	22
2.3	**Personnel expenses**		
	Retirement plans (note 2.4)	**197**	184
	Salaries and wages	**2 881**	2 847
	Share-based payments – equity-settled (notes 19 and 25)	**47**	31
		3 125	3 062
2.4	**Post-retirement benefit expenses**		
	Contributions to defined benefit plans	**1**	8
	Contributions to defined contribution plans	**196**	176
		197	184
2.5	**Net foreign exchange losses/(gain)**		
	Net losses/(gain) on forward exchange contracts	**48**	(40)
	Net (gain)/losses on conversion of monetary assets	**(53)**	1
		(5)	(39)
2.6	**Operating lease changes**		
	Rental of properties	**119**	130
	Leases of plant, equipment, vehicles and other	**139**	95
		258	225

			2014 Rm	2013 Rm
2.	**OPERATING PROFIT** *(continued)*			
	Continuing operations *(continued)*			
	2.7	**Fair value gain on consumable biological assets (note 11)**	**(319)**	(328)
	2.8	**Expenses directly attributable to timber plantations (note 11)**		
		Decrease due to harvesting	**205**	223
		Other operating expenses in respect of plantations	**204**	214
			409	437

		Expense Rm	Income Rm	Net Rm
3.	**FINANCE COSTS AND INCOME FROM INVESTMENTS**			
	Continuing operations			
	2014			
	Banks	**37**	**(5)**	**32**
	Loans	**66**	**(3)**	**63**
	Other	**14**	**(5)**	**9**
	Related-party interest (note 30)	**223**	**(2)**	**221**
		340	**(15)**	**325**
	2013			
	Banks	110	(89)	21
	Loans	48	(3)	45
	Other	10	(3)	7
	Related-party interest (note 30)	292	(1)	291
		460	(96)	364

	2014 Rm	2013 Rm
4. TAXATION		
Continuing operations		
4.1 Taxation charge		
Normal taxation		
South African normal taxation – current year	**56**	75
South African normal taxation – prior year adjustment	**(1)**	1
Foreign normal taxation – current year	**57**	48
Foreign normal taxation – prior year adjustment	**3**	2
	115	126
Deferred taxation		
South African deferred taxation – current year	**183**	140
South African deferred taxation – prior year adjustment	**(2)**	(4)
Foreign deferred taxation – current year	**7**	9
Foreign deferred taxation – prior year adjustment	**(1)**	(1)
Foreign deferred taxation – change in rate	**–**	(1)
	187	143
Capital gains taxation		
Current year	**–**	3
	302	272

For detail on deferred taxation assets/(liabilities) refer to note 15.

	%	%
4.2 Reconciliation of rate of taxation		
Standard rate of taxation	**28.0**	28.0
Effect of different statutory taxation rates of subsidiaries in other jurisdictions	**(1.0)**	–
Effect of profit/(loss) of associate and joint venture companies	**0.1**	(0.4)
Prior year adjustments	**(0.3)**	(0.3)
Capital gains taxation	**–**	0.3
Net utilisation of unrecognised taxation losses and deductible temporary differences	**0.2**	(0.3)
Permanent differences, items charged at capital rates and other	**(0.2)**	0.5
Effective rate of taxation	**26.8**	27.8

	2014 Rm	2013 Rm

5. DISCONTINUED OPERATIONS

5.1 Disposal of footwear and food divisions

On 21 June 2013, KAP announced the disposal of its food interests, Bull Brand Foods and Brenner Mills. The Competition Commission approved these transactions and the division was sold in the current year. KAP announced the disposal of its footwear interest during the year. Approval by the Competition Commission is still awaited.

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

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

	2014 Rm	2013 Rm
Revenue	**1 045**	1 833
Cost of sales	**(881)**	(1 501)
Gross profit	**164**	332
Other operating income	**12**	28
Distribution expenses	**(36)**	(84)
Other operating expenses	**(144)**	(224)
Depreciation	**(6)**	(16)
Capital items	**(83)**	(24)
Operating (loss)/profit	**(93)**	12
Finance costs	**(5)**	(7)
(Loss)/profit before taxation	**(98)**	5
Taxation	**29**	(1)
(Loss)/profit for the year from discontinued operations	**(69)**	4
(Loss)/profit from discontinued operations attributable to:		
Owners of the parent	**(69)**	4
Non-controlling interests	**–**	–
	(69)	4

		Gross of taxation and non-controlling interests 2014 Rm	Net of taxation and non-controlling interests 2014 Rm	Gross of taxation and non-controlling interests 2013 Rm	Net of taxation and non-controlling interests 2013 Rm
5.3	**Capital items for the year from discontinued operations**				
	Profit on disposal of property, plant and equipment	**–**	**–**	(1)	(1)
	Impairments	**55**	**42**	21	18
	Expenses attributable to disposal of discontinued operations	**28**	**19**	4	3
		83	**61**	24	20

		2014 Rm	2013 Rm
5.4	**Cash flows from discontinued operations**		
	Net cash flow from operating activities	**(15)**	47
	Net cash flow from investing activities	**273**	(10)
	Net cash flow from financing activities	**(262)**	(8)
	Net cash flow	**(4)**	29

	2014 cents	2013 cents
6. EARNINGS		
The calculation of per share numbers uses the exact unrounded numbers which may result in differences when compared to calculating the numbers using the rounded number of shares and earnings as disclosed below.		
Basic earnings per share		
Basic earnings per share is calculated by dividing the net earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.		
From continuing operations	**33.8**	28.7
From discontinued operations	**(2.9)**	0.2
Basic earnings per share	**30.9**	28.9
Diluted earnings per share		
Diluted earnings per share is calculated by dividing the diluted earnings attributable to ordinary shareholders by the diluted weighted average number of ordinary shares in issue during the year. The calculation assumes conversion of all dilutive potential shares.		
From continuing operations	**33.4**	28.6
From discontinued operations	**(2.9)**	0.2
Diluted earnings per share	**30.5**	28.8
Headline earnings per share		
Headline earnings per share is calculated by dividing the headline earnings by the weighted average number of ordinary shares in issue during the year.		
From continuing operations	**34.1**	28.1
From discontinued operations	**(0.3)**	1.0
Headline earnings per share	**33.8**	29.1
Diluted headline earnings per share		
Diluted headline earnings per share is 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	**33.7**	28.0
From discontinued operations	**(0.3)**	1.0
Diluted headline earnings per share	**33.4**	29.0

	2014 cents	2013 cents
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.	**286**	263

		2014 million	2013 million
6.1	**Weighted average number of ordinary shares**		
	Issued ordinary shares at beginning of the year	**2 346**	2 337
	Effect of shares issued	**–**	5
	Weighted average number of ordinary shares at end of the year for the purpose of basic earnings per share and headline earnings per share	**2 346**	2 342
	Effect of dilutive potential ordinary shares – KAP share options	**26**	9
	Weighted average number of ordinary shares for the purpose of diluted earnings per share and diluted headline earnings per share	**2 372**	2 351

		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	**793**	673
	Earnings and diluted earnings from discontinued operations attributable to owners of the parent	**(69)**	4
	Earnings and diluted earnings attributable to owners of the parent	**724**	677
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	**793**	673
	Capital items of associate and joint venture companies (net of taxation)	**1**	–
	Adjusted for capital items attributable to continuing operations (note 1)	**6**	(15)
	Headline earnings and diluted headline earnings from continuing operations attributable to owners of the parent	**800**	658
	Earnings and diluted earnings from discontinued operations attributable to owners of the parent	**(69)**	4
	Adjusted for capital items attributable to discontinued operations (note 5)	**61**	20
	Headline earnings and diluted headline earnings attributable to owners of the parent	**792**	682
6.4	**Net asset value**		
	Attributable to ordinary shareholders	**6 709**	6 166

		2014 Rm	2013 Rm
7.	**GOODWILL**		
	Carrying amount at beginning of the year	**205**	183
	Arising on business combinations (note 28)	**–**	30
	Impairments	**–**	(8)
	Carrying amount at end of the year	**205**	205
	Cost	**246**	246
	Accumulated impairment	**(41)**	(41)
	Carrying amount at end of the year	**205**	205

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 the weighted average cost of capital, while growth rates are based on management's experience and expectations. Growth rates used do not exceed the long-term average growth rate for the area in which the CGU operates. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market, and are derived from the most recent financial budgets and forecasts that have been prepared by management.

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

An impairment charge is required for both goodwill and other indefinite life intangible assets when the carrying amount exceeds the recoverable amount. No impairment charge was recorded for the year ended 30 June 2014 (2013: R8 million).

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 2013.

Impairment tests for CGUs containing goodwill

The following divisions have significant carrying amounts of goodwill:

	Pre-tax discount rate	Forecasted cash flows	2014 Rm	2013 Rm
Timber	12.2%	Budget year 1, thereafter specific projections until 30 June 2019. The long-term growth rate for 2020 and thereafter is estimated to be 3%.	**123**	123
Logistics	12.2%	Budget year 1, thereafter a 10% annual growth rate up to 2017. The estimated subsequent cash flows were based on declining growth rates.	**74**	74
Various other divisions	12.2%	Budget year 1, thereafter 8% annual growth rate up to 2018. The long-term growth rate is estimated to be 8%.	**8**	8
Carrying amount at end of the year			**205**	205

		Patents and trademarks Rm	Software Rm	Other [1] Rm	Total Rm
8.	**INTANGIBLE ASSETS**				
	Balance at 1 July 2012	1 073	3	52	1 128
	Additions	–	8	8	16
	Impairment	(7)	–	(1)	(8)
	Amortisation	–	(4)	(10)	(14)
	Reclassify from property, plant and equipment	–	3	–	3
	Assets held for sale (note 18)	(24)	–	–	(24)
	Acquired on acquisition of subsidiaries (note 28)	–	–	5	5
	Balance at 30 June 2013	**1 042**	**10**	**54**	**1 106**
	Additions	**–**	**11**	**7**	**18**
	Impairment	**–**	**–**	**(14)**	**(14)**
	Amortisation	**–**	**(4)**	**(10)**	**(14)**
	Reclassify from property, plant and equipment	**–**	**7**	**–**	**7**
	Reclassification	**–**	**3**	**(3)**	**–**
	Assets held for sale (note 18)	**(18)**	**–**	**–**	**(18)**
	Balance at 30 June 2014	**1 024**	**27**	**34**	**1 085**
	Cost	1 059	40	92	1 191
	Accumulated amortisation and impairment	(17)	(30)	(38)	(85)
	Net book value at 30 June 2013	1 042	10	54	1 106
	Cost	**1 042**	**61**	**76**	**1 179**
	Accumulated amortisation and impairment	**(18)**	**(34)**	**(42)**	**(94)**
	Net book value at 30 June 2014	**1 024**	**27**	**34**	**1 085**

[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. An impairment charge of R14 million was recorded for the year ended 30 June 2014 (2013: R8 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 trade names, brand names and trademarks. Impairment tests typically take into account the most recent management forecast whereafter a reasonable rate of growth is applied based on market and industry conditions. Discount rates used in the discounted cash flow models are based on a weighted average cost of capital, while royalty rates used are determined with reference to industry benchmarks.

Impairment

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

Useful lives

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

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

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

		Land and buildings Rm	Plant and machinery Rm
9.	**PROPERTY, PLANT AND EQUIPMENT**		
	Balance at 1 July 2012	1 549	1 542
	Additions	32	66
	Assets held for sale (note 18)	(47)	(26)
	Depreciation	(20)	(138)
	Disposals	(17)	(15)
	Impairment	(11)	(19)
	Acquired on acquisition of subsidiaries (note 28)	–	–
	Reclassification	14	19
	Borrowing cost capitalised	–	–
	Reclassify to intangible assets	–	–
	Exchange differences on consolidation of foreign subsidiaries	–	4
	Balance at 30 June 2013	**1 500**	**1 433**
	Additions	**21**	**132**
	Assets held for sale (note 18)	**–**	**(11)**
	Depreciation	**(20)**	**(133)**
	Disposals	**(25)**	**(4)**
	Impairment	**–**	**(27)**
	Acquired on acquisition of subsidiaries (note 28)	**–**	**3**
	Reclassification	**6**	**225**
	Borrowing cost capitalised	**–**	**10**
	Reclassify to intangible assets	**–**	**–**
	Exchange differences on consolidation of foreign subsidiaries	**–**	**(1)**
	Balance at 30 June 2014	**1 482**	**1 627**
	Cost	1 617	2 235
	Accumulated depreciation	(117)	(802)
	Net book value at 30 June 2013	1 500	1 433
	Cost	**1 617**	**2 430**
	Accumulated depreciation	**(135)**	**(803)**
	Net book value at 30 June 2014	**1 482**	**1 627**

Long-haul motor vehicles, motor vehicles and equipment Rm	Capital work-in-progress Rm	Leasehold improvements Rm	Office and computer equipment, furniture and other assets Rm	Total Rm
2 802	70	22	87	6 072
863	211	14	36	1 222
(3)	(4)	–	(1)	(81)
(548)	–	(5)	(33)	(744)
(95)	–	–	2	(125)
(1)	–	–	(1)	(32)
12	–	–	–	12
(6)	(30)	4	(1)	–
–	2	–	–	2
–	–	–	(3)	(3)
27	3	–	(2)	32
3 051	**252**	**35**	**84**	**6 355**
901	**109**	**3**	**19**	**1 185**
–	**(1)**	**–**	**(6)**	**(18)**
(563)	**–**	**(6)**	**(29)**	**(751)**
(108)	**–**	**(1)**	**(2)**	**(140)**
(2)	**–**	**–**	**–**	**(29)**
–	**–**	**–**	**–**	**3**
38	**(272)**	**1**	**2**	**–**
–	**–**	**–**	**–**	**10**
1	**(5)**	**–**	**(3)**	**(7)**
6	**(1)**	**–**	**2**	**6**
3 324	**82**	**32**	**67**	**6 614**
5 331	252	52	261	9 748
(2 280)	–	(17)	(177)	(3 393)
3 051	252	35	84	6 355
5 985	**82**	**53**	**231**	**10 398**
(2 661)	**–**	**(21)**	**(164)**	**(3 784)**
3 324	**82**	**32**	**67**	**6 614**

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

Land and buildings

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

Encumbered assets

Assets with a book value of R819 million (2013: R837 million) are encumbered as set out in note 21.

Insurance

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

Impairment

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

Useful lives

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

	2014 Rm	2013 Rm
Borrowing cost		
Borrowing cost capitalised to qualifying assets	**10**	2
Capitalisation rate used to determine the amount of borrowing cost eligible for capitalisation	**8.1%**	8.1%

		2014 Rm	2013 Rm
10.	**INVESTMENT PROPERTY**		
	Carrying amount at beginning of the year	**39**	39
	Assets held for sale (note 18)	**(20)**	–
	Balance at end of the year	**19**	39

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

At 30 June 2014, investment property was valued by management at R23 million (2013: R39 million). The fair value of the group's investment 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 was 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 sale of investment property.

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

		2014 Rm	2013 Rm
11.	**CONSUMABLE BIOLOGICAL ASSETS**		
	Timber plantations		
	Carrying amount at beginning of the year	**1 756**	1 651
	Decrease due to harvesting (note 2.8)	**(205)**	(223)
	Fair value adjustment to plantations (note 2.7)	**319**	328
	Carrying amount at end of the year	**1 870**	1 756
	Livestock	**5**	5
		1 875	1 761
	Expenses incurred in the management and operations of plantations (including harvesting) (note 2.8)	**409**	437

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

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

At 30 June 2014, consumable biological assets were valued by management at R1 875 million (2013: R1 761 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 2013. 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.

The Faustmann formula is sensitive to the market price and the growth rate used to determine the fair value of timber plantations. A one percent increase in the market price and growth rate would result in an increase in the fair valuation of the timber plantations of R16 million and R8 million (2013: R15 million and R3 million), respectively.

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

- Regulatory and environmental risks

  The group's timber plantation operations are subject to laws and regulations. The group has established environmental policies and procedures aimed at compliance with local environmental and other laws. The Thesens and north-eastern Cape forests are Forestry Stewardship Council (FSC) certified. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

- Supply and demand risks

  For external sale of timber, the group is exposed to risks arising from the fluctuations of price and sales volumes of timber. Where possible, the group manages these risks by aligning its harvest volume to market supply and demand. Management performs regular industry trend analysis to ensure that the group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

- Climate and other risks

  The group's timber plantations are exposed to the risk of damage from climate changes, disease, forest fires and other natural forces. The group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry and pest disease surveys. The group also insures itself, where cost-effective, against natural disasters such as fire.

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

Encumbered consumable biological assets

None of the group’s consumable biological assets is 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	2014 % holding	2013 % holding
Various unlisted associate companies	Retail outlet selling hardware materials, industrial long-distance haulage and manufacturing of panel products	**27.63 – 50.0**	27.63 – 50.0

12.1 Summarised information in respect of individually immaterial associate companies

	2014 Rm	2013 Rm
Aggregate information of associate companies that are individually not material		
Aggregate carrying amount of the group's interests in these associate companies	**109**	109
Aggregate total comprehensive (loss)/income from associate companies		
The group’s share of (loss)/profit for the year	**(8)**	9
The group’s share of total comprehensive (loss)/income	**(8)**	9

13. INVESTMENTS IN JOINT VENTURE COMPANIES

Unlisted	Nature of business	2014 % holding	2013 % holding
Various unlisted joint venture companies	Automotive, insurance captive and manufacturing	**49.0**	49.0 – 50.0

13.1 Summarised information in respect of individually immaterial joint venture companies

	2014 Rm	2013 Rm
Aggregate information of joint venture companies that are individually not material		
Aggregate carrying amount of the group’s interests in these joint venture companies	**36**	29
Aggregate total comprehensive income from joint venture companies		
The group’s share of profit for the year	**3**	5
The group’s share of total comprehensive income	**3**	5

		2014 Rm	2013 Rm
14.	**LOANS RECEIVABLE**		
	Long-term loans receivable (carried at amortised cost)	**26**	25
	Short-term loans receivable (carried at amortised cost)	**17**	5

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

None of the loans receivable included as non-current financial assets is 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 loans are disclosed in note 31.

	2014 Rm	2013 Rm
15. DEFERRED TAXATION ASSETS/(LIABILITIES)		
15.1 Deferred taxation movement		
(Liabilities)/assets		
Balance at beginning of the year	**(784)**	(646)
Deferred taxation of subsidiaries acquired (note 28)	**(1)**	(1)
Amounts charged directly to other comprehensive income and equity		
Actuarial reserve	**1**	–
Share-based payments	**18**	14
Current year charge		
From continuing operations	**(187)**	(143)
From discontinued operations	**29**	(1)
Exchange differences on consolidation of foreign subsidiaries	**–**	(7)
Balance at end of the year	**(924)**	(784)
15.2 Deferred taxation balances		
Assets		
Provision for taxation on temporary differences resulting from South African normal taxation rate (28%), South African capital gains taxation (SA CGT) rate (18.67%) and foreign taxation rates:		
Prepayments and provisions or allowances	**13**	10
Property, plant and equipment (including consumable biological assets)	**(29)**	(30)
Share-based payments	**1**	1
Other	**1**	2
	(14)	(17)
Taxation losses		
Taxation losses	**84**	85
Total deferred taxation assets	**70**	68

Realisation of the deferred taxation asset is expected out of future taxable income which was assessed and deemed to be reasonable.

	2014 Rm	2013 Rm
Liabilities		
Provision for taxation on temporary differences resulting from South African normal taxation rate (28%), SA CGT rate (18.67%) and foreign taxation rates:		
Intangible assets	**(157)**	(166)
Prepayments and provisions or allowances	**65**	55
Property, plant and equipment (including consumable biological assets)	**(1 396)**	(1 311)
Share-based payments	**40**	22
Other	**(38)**	(13)
	(1 486)	(1 413)
Taxation losses		
Taxation losses	**492**	561
Total deferred taxation liabilities	**(994)**	(852)

15.3 Unrecognised deferred taxation assets

	2014 Rm	2013 Rm
Deferred taxation assets have not been recognised in respect of the following items:		
Taxation losses	**177**	168

The taxation losses and deductible temporary differences do not expire under current taxation legislation. Deferred taxation assets have not been recognised in respect of these items because it is not yet certain that future taxable profits will be available against which the group can realise the benefits therefrom.

15.4 Taxation losses

	2014 Rm	2013 Rm
Estimated taxation losses available for offset against future taxable income	**2 244**	2 528

		2014 Rm	2013 Rm
16.	**INVENTORIES**		
16.1	**Inventories at cost less allowances**		
	Consumables and spares	**237**	206
	Finished goods and merchandise	**363**	533
	Raw materials	**536**	560
	Work-in-progress	**61**	83
		1 197	1 382
16.2	**Inventories carried at net realisable value**	**14**	3
16.3	**Amount of write-down of inventories to net realisable value included as an expense during the year**	**1**	–

	2014 Rm	2013 Rm
17. TRADE AND OTHER RECEIVABLES		
Trade receivables	**2 068**	1 970
Other amounts due	**152**	131
Less: Allowance for doubtful debts	**(39)**	(52)
	2 181	2 049
Related-party receivables (note 30)	**118**	79
Derivative financial assets (note 31)	**1**	52
Trade and other receivables (financial assets)	**2 300**	2 180
Pension fund surplus	**40**	–
Prepayments	**107**	91
Taxation receivable	**17**	11
Value added taxation receivable	**64**	83
	2 528	2 365

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 alowance for doubtful debts.

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

The group's exposure to currency and credit risk related to trade and other receivables is disclosed in notes 31.3 and 31.5.

18. ASSETS/(LIABILITIES) CLASSIFIED AS HELD FOR SALE

On 21 June 2013, KAP announced the disposal of its food interests, Bull Brand Foods and Brenner Mills. The Competition Commission approved these transactions and the division was sold in the current year. KAP announced the disposal of its footwear interest during the year. Approval by the Competion Commission is still awaited.

These assets are available for immediate sale in their present condition. Management is committed to the sale, which is expected to occur within 12 months of being classified as held for sale.

The carrying amount of total assets and liabilities held for sale still carried on the statement of financial position is:

	2014 Rm	2013 Rm
Assets		
Intangible assets	–	24
Property, plant and equipment	18	81
Investments and loans	–	4
Inventories	235	114
Trade and other receivables	155	128
	408	351
Investment property not relating to disposal group	20	–
	428	351
Liabilities		
Employee benefits	–	(9)
Trade and other payables	(118)	(58)
	(118)	(67)

	2014 Number of shares	2013 Number of shares
19. STATED SHARE CAPITAL		
19.1 Authorised		
Ordinary shares of no par value	**6 000 000 000**	6 000 000 000
Non-cumulative, non-redeemable, non-participating preference shares of no par value	**1 000 000 000**	–
Perpetual preference shares of no par value	**50 000 000**	–
19.2 Stated share capital		
Ordinary shares in issue at beginning of the year	**2 346 187 888**	2 337 254 668
Ordinary shares issued during the year	**–**	8 933 220
Ordinary shares in issue at end of the year	**2 346 187 888**	2 346 187 888

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.

19.3 Share-based payments

19.3.1 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 thirty days immediately prior to any allocation date) over 20 cents.

Shares were allocated on 1 July of each year until 1 July 2011 after which a new scheme was introduced.

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

- Compound growth in headline earnings per share must exceed the growth of the headline earnings of the INDI 25 Index over a three-year period.
- The growth in the company’s volume weighted average share price over the thirty trading days immediately preceding the measurement date must exceed the growth of the INDI 25 Index over a three-year period.
- The participant must meet the criteria for participation in the annual short-term incentive bonus scheme.
- Any other additional criteria as determined by the remuneration committee.

	2014 Options	2013 Options
19. ORDINARY STATED SHARE CAPITAL *(continued)*		
19.3 Share-based payments *(continued)*		
19.3.1 KAP Performance Share Plan *(continued)*		
Reconciliation of options granted under the KAP Performance Share Plan		
Balance at the beginning of the year	**17 055 096**	31 504 738
Options which expired during the year	**(8 747 059)**	(14 449 642)
Balance at the end of the year	**8 308 037**	17 055 096

	Rm	Rm
Charged to profit or loss	**–**	1

Assumptions

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

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted.

Fair value of share options and assumptions:	**1 July 2011**	**1 July 2010**	**1 July 2009**
Share price at grant date	R2.47	R2.31	R1.35
Exercise price	R0.20	R0.20	R0.20
Expected volatility	57.0%	64.0%	34.0%
Dividend yield	4.0%	3.0%	3.0%
Risk-free interest rate	6.4%	9.0%	9.0%
Option life	3 years	3 years	3 years
Forfeiture rate	1.0%	1.0%	1.0%
Market-related performance expectation	35.0%	35.0%	35.0%
Non-market-related performance expectation	28.8%	29.0%	29.0%

19.3.2 KAP Performance Share Right 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.

	2014 Rights	2013 Rights
Reconciliation of rights granted under the KAP Performance Share Rights Scheme		
Balance at the beginning of the year	**19 699 627**	–
Forfeited during the year	**(2 109 597)**	–
Granted during the year	**23 340 520**	19 699 627
Balance at the end of the year	**40 930 550**	19 699 627

	Rm	Rm
Charged to profit or loss	**31**	11

Assumptions

The fair value of services received in return for share rights granted is measured by reference to the fair value of the share rights granted. The estimated fair value of the services received is measured based on the assumption that all vesting conditions are met and all employees remain in service. The pricing model used was the Black-Schöles model. The volatility was estimated using the KAP daily closing share price over a rolling three-year period.

Fair value of KAP share rights and assumptions:	**2013 grant**	2012 grant
Fair value at measurement date	**R3.04**	R2.76
Share price at grant date	**R3.45**	R3.15
Exercise price	**R0.20**	R0.20
Expected volatility	**41.35%**	37.9%
Dividend yield	**2.52%**	2.5%
Risk-free interest rate	**6.79%**	5.4%
Option life	**3 years**	3 years

19.3.3 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 25.

20. NON-CONTROLLING INTERESTS

20.1 Details of subsidiaries that have material 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	
	2014 %	2013 %	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Individually immaterial subsidiaries with non-controlling interests	**25.0 – 40.0**	25.0 – 40.0	**33**	34	**150**	135

	2014 Rm	2013 Rm
21. INTEREST-BEARING LOANS AND INTEREST-FREE BORROWINGS		
21.1 Analysis of closing balance		
Secured financing		
Capitalised finance lease and instalment sale agreements	**3**	10
Term loans	**1 122**	45
Phaello senior secured notes	**873**	877
	1 998	932
Unsecured financing		
Steinhoff Africa Holdings Proprietary Limited (note 30)	**481**	3 242
Steinhoff International Holdings Limited and its subsidiaries (note 30)	**–**	2
Senior unsecured listed notes	**1 003**	–
Unitrans Share Trust (note 30)	**–**	28
Other loans	**23**	58
	1 507	3 330
Total interest-bearing loans and interest free borrowings	**3 505**	4 262
Portion payable before 30 June 2015 included in current liabilities	**(63)**	(343)
Total non-current interest-bearing loans and interest free borrowings	**3 442**	3 919
Current interest-bearing loans and borrowings		
Portion of non-current interest-bearing loans and borrowings payable before 30 June 2015	**63**	343
Other current loans payable	**5**	7
Total current interest-bearing loans and borrowings	**68**	350
21.2 Analysis of repayment		
Repayable within the next year and thereafter		
Next year	**68**	350
Within two to five years	**2 985**	3 861
Thereafter	**457**	58
	3 510	4 269

All loans and borrowings are carried at amortised cost. The fair values of interest-bearing loans and borrowings are disclosed in note 31.

	Facility million	Maturity date	Interest rate	2014 Rm	2013 Rm
21. INTEREST-BEARING LOANS AND INTEREST-FREE BORROWINGS *(continued)*					
21.3 Loan details					
Secured					
Capitalised finance lease and instalment sale agreements	R3	Various	Linked to SA Prime	**3**	10
Secured hire purchase and lease agreements repayable in monthly instalments over various periods. These leases are with various counterparties.					
Term loans					
Loan payable in monthly instalments of R0.4 million.	R20	1 June 2018	SA prime minus 5%	**19**	23
Amortising term loan was settled during the year.	–	9 April 2014	BIM plus 1%	**–**	9
Amortising term loan repayable in quarterly instalments of MGA624 million. The loan is secured by the assets purchased that it financed and in addition, €1.1 million guarantee from a bank.	MGA 607	17 August 2014	11%	**3**	13
Investec – Term loan repayble in equal quarterly instalments from September 2016, such that a residual amount of 50% remain outstanding by the end of the term, which is then payable on maturity. Interest payable September, December, March and June.	R300	27 June 2019	3 month JIBAR plus 2.45%	**300**	–
Nedbank – Term loan repayble on in equal bi-annual instalments of R75 million, from December 2017. Interest payable December and June.	R300	28 June 2019	6 month JIBAR plus 1.93%	**300**	–
Nedbank – Term loan repayble on maturity date. Interest payable August, November, February and May.	R500	15 August 2016	3 month JIBAR plus 2.15% plus 0.28% cost	**500**	–

	Facility million	Maturity date	Interest rate	2014 Rm	2013 Rm
Phaello senior secured notes					
PCF03U	R300	29 March 2016	3 month JIBAR plus 1.65%	**300**	305
PCF04U	R200	1 November 2016	3 month JIBAR plus 1.65%	**203**	202
PCF05U	R370	27 June 2017	3 month JIBAR plus 1.75%	**370**	370

The book value of assets encumbered in favour of the above amounts to R819 million (2013: R837 million) together with a bank balance to the value of R503 million (2013: R519 million).

	Facility million	Maturity date	Interest rate	2014 Rm	2013 Rm
Unsecured					
Steinhoff Africa Holdings Proprietary Limited: GroCapital Financial Services Proprietary Limited					
Steinhoff Services Limited as the originating lender for GroCapital Financial Services Proprietary Limited in respect of a loan utilised in PG Bison Holdings Proprietary Limited. Loan repayble on maturity date. Interest payable August, November, February and May.	R450	16 August 2020	3 month JIBAR plus 2.70%	**450**	–
Steinhoff Africa Holdings Proprietary Limited: Amortising term loan	–	15 December 2018	JIBAR plus 3.10%	**–**	1 075
The loan was repayable in semi-annual instalments, with the final instalment due on 15 December 2018. The loan was repayable in the following instalments: R100 million in December 2013; R125 million in June 2014; R125 million in December 2014; R125 million in June 2015; R125 million in December 2015; R100 million in June 2016; R100 million in December 2016; R75 million in June 2017; R75 million in December 2017; R75 million in June 2018; R50 million in December 2018. The loan was however settled during the year.					

	Facility million	Maturity date	Interest rate	2014 Rm	2013 Rm
21 INTEREST-BEARING LOANS AND INTEREST-FREE BORROWINGS *(continued)*					
21.3 Loan details *(continued)*					
Steinhoff Africa Holdings Proprietary Limited: Revolving term loan	–	15 December 2016	JIBAR plus 2.85%	**–**	1 500
Any portion of the loan was repayble on one month's prior notice by KAP on any interest date in multiples of R10 million. The maturity date is 15 December 2016. The loan was however settled during the year.					
Steinhoff Africa Holdings Proprietary Limited: Medium-term loan facility	–	15 December 2014	JIBAR plus 2.60%	**–**	620
Any portion, or the entire loan, was repayable on at least six months' prior notice by KAP on any interest date. The maturity date was 15 December 2014. The loan was however settled during the year.					
Steinhoff Africa Holdings Proprietary Limited: Overnight or short-term facility	–	On demand	5.89%	**–**	–
This loan was repayable on demand. The interest rate was reset when JIBAR changed. The loan was settled during the year.					
Steinhoff International Holdings Limited and its subsidiaries	–	–	various	**–**	2
Senior unsecured listed notes					
KAP001	R322	13 June 2017	3 month JIBAR plus 1.75%	**322**	–
KAP002	R428	13 June 2019	3 month JIBAR plus 2.04%	**428**	–
KAP003	R250	6 June 2019	3 month JIBAR plus 2.04%	**250**	–
Unitrans Share Trust	–	–	–	**–**	28

	Facility million	Maturity date	Interest rate	2014 Rm	2013 Rm
Interest due on unsecured listed notes	–	–	–	**3**	–
Interest due to Steinhoff Africa Holdings Proprietary Limited (note 30)	–	–	–	**31**	47
Other loans	–	various	various	**23**	58
				3 505	4 262
Current interest-bearing loans and interest-free borrowings					
Other	–	various	various	**5**	7
				5	7

The following companies are involved in the cross-surety of the listed notes (jointly and severally) together with KAP Industrial Holdings Limited:

- PG Bison Southern Cape Proprietary Limited
- PG Bison Proprietary Limited
- Unitrans Supply Chain Solutions Proprietary Limited
- KAP Raw Materials Proprietary Limited
- KAP Manufacturing Proprietary Limited
- Mvelatrans Proprietary Limited
- Unitrans Passenger Proprietary Limited

	2014 Rm	2013 Rm
22. EMPLOYEE BENEFITS		
Performance-based bonus accrual	**155**	106
Christmas bonus accrual	**45**	45
Leave pay accrual	**90**	91
Post-retirement medical benefits	**10**	15
Other	**13**	10
Total liability	**313**	267
Transferred to short-term employee benefits	**(292)**	(262)
Long-term employee benefits	**21**	5

22.1 Defined contribution plans

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

22.2 Post-retirement medical benefits

	2014 Rm	2013 Rm
Balance at beginning of year	**15**	9
Contributions paid	**1**	(1)
Amounts unused reversed	**(1)**	(1)
Interest costs	**–**	1
Actuarial gains	**(2)**	–
Reclassification between provisions and accruals	**–**	4
Transfer (from)/to liabilities held for sale	**(3)**	3
Balance at the end of the year	**10**	15

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

	2014	2013
Health-care cost inflation	**7.5%**	7.3%
Discount rate	**8.5%**	8.1%
Percentage married at retirement	**90.0%**	90.0%
Retirement age	**63 years**	63 years

	Accident and insurance fund provisions Rm	Closure costs Rm	IFRS 3 contingent liability provision Rm	Other Rm	Total Rm
23. PROVISIONS					
Balance at 1 July 2012	38	53	69	5	165
Additional provision raised	109	8	–	24	141
Amounts unused reversed	(37)	(4)	(10)	(3)	(54)
Amounts utilised	(60)	(48)	–	(3)	(111)
Balance at 30 June 2013	**50**	**9**	**59**	**23**	**141**
Additional provision raised	**119**	**7**	**–**	**17**	**143**
Amounts unused reversed	**(36)**	**(2)**	**(11)**	**(7)**	**(56)**
Amounts utilised	**(81)**	**(14)**	**–**	**(6)**	**(101)**
Reclassification to accruals	**(1)**	**–**	**–**	**–**	**(1)**
Balance at 30 June 2014	**51**	**–**	**48**	**27**	**126**

	2014 Rm	2013 Rm
Non-current portion	**48**	59
Current portion	**78**	82
	126	141

Accident and insurance fund provisions

The Unitrans group covers its own expenses relating to damages to third-party property or goods transported. The fund relates to accidents that occurred but were not settled at reporting date.

Closure costs

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

IFRS 3 contingent liability provision

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

	2014 Rm	2013 Rm
24. TRADE AND OTHER PAYABLES		
Trade payables	**2 160**	2 154
Accruals	**387**	387
Derivative financial liabilities (note 31)	**4**	–
Other payables and amounts due	**325**	322
Related-party payables (note 30)	**49**	59
Trade and other payables (financial liabilities)	**2 925**	2 922
Short-term equalisation of operating lease payments	**–**	2
Taxation payable	**18**	21
Value added taxation payable	**65**	56
	3 008	3 001

The fair value of trade and other payables is disclosed in note 31.

25. SHARE SCHEME SETTLEMENT PROVISION

Certain of the Steinhoff Industrial employees were on the Steinhoff Share Rights Scheme and Executive Share Rights Scheme prior to the reverse acquistion transaction. These employees will retain their benefits which they had prior to the acquisition under this scheme until the schemes are completed.

25.1 Steinhoff Share Rights Scheme

At the annual general meeting of Steinhoff International Holdings Limited on 1 December 2003, a new share incentive scheme was approved and implemented. Share rights granted annually until December 2009 fell under the rules of this scheme. Scheme rules included measurement of share price growth and headline earnings growth over a three-year period against the companies included in the INDI 25 Index, as well as reaching annual incentive bonus targets and continued service conditions.

Only one share grant remained unvested under this scheme and vesting occurred on 1 December 2012. Certain employees did not meet their annual incentive bonus targets, and the majority of rights forfeited during the prior year relate to these employees.

25.2 Steinhoff Executive Share Right Scheme

At the annual general meeting of Steinhoff International Holdings Limited on 6 December 2010, a new share incentive scheme was approved and implemented. The share rights granted annually since this meeting are subject to the following scheme rules:

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.

	2014 Rights	2013 Rights
Reconciliation of rights granted under the Steinhoff share rights schemes		
Balance at the beginning of the year	**4 130 841**	7 044 122
Forfeited during the year	**(760 211)**	(1 471 739)
Exercised during the year	**(1 210 922)**	(2 414 623)
Transferred in during the year	**–**	973 081
Balance at the end of the year	**2 159 708**	4 130 841

	Rm	Rm
Charged to profit or loss	**16**	19

25. SHARE SCHEME SETTLEMENT PROVISION *(continued)*

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	2010 grant	2009 grants
Fair value at measurement date	R21.30	R19.74	R6.98 to R11.07
Share price at grant date	R23.40	R21.50	R13.96 to R18.84
Exercise price	R0.005	R0.005	R0.005
Expected volatility	28.53%	23.80%	40.93% to 49.80%
Dividend yield	3.20%	2.91%	4.84% to 5.86%
Risk-free interest rate	6.12%	6.41%	7.82% to 8.29%
Option life	3 years	3 years	3 to 3.4 years

Steinhoff share scheme settlement provision affecting equity

Options granted under the Steinhoff Share Schemes are subject to a recharge arrangement whereby the company is required to pay Steinhoff the subscription price of shares granted to employees, equivalent to the quoted market price of such shares on the vesting date when the shares are secured by the company for delivery to the employees less the option subscription price payable by the employees.

This recharge arrangement does not impact on profit or loss, as the share scheme settlement provision is raised through equity.

The fair value of the share scheme settlement provision is determined based on the Black-Schöles model. The fair value of the provision is remeasured at each statement of financial position date and at settlement date. The model inputs at 30 June 2014 were as follows:

	2011 grant		**2010 grant**
	2014	2013	2013
Share price	**R58.23**	R22.91	R23.71
Exercise price	**R0.005**	R0.005	R0.005
Term	**5 months**	17 months	5 months
Volatility	**22.6%**	28.5%	28.5%
Dividend yield	**4.2%**	4.9%	7.9%
Risk-free interest rate	**5.9%**	5.6%	5.1%

	2014 Rm	2013 Rm
26. COMMITMENTS AND CONTINGENCIES		
26.1 Capital expenditure		
Contracts for capital expenditure authorised	**101**	414

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

26.2 Borrowing facilities

In terms of the Memorandum of Incorporation, the borrowing powers of the company are unlimited.

	2014 Rm	2013 Rm
26.3 Unutilised borrowing facilities at 30 June	**1 451**	2 023

26.4 Operating leases

	Property Rm	Plant, equipment, vehicles and other Rm	2014 Total Rm	2013 Total Rm
Amounts outstanding under non-cancellable operating lease agreements payable within the next year and thereafter:				
Next year	87	109	**196**	185
Within two to five years	164	213	**377**	388
Thereafter	84	5	**89**	62

Balances denominated in currencies other than South African rands were converted at the closing rates of exchange ruling at 30 June 2014.

26. COMMITMENTS AND CONTINGENCIES *(continued)*

26.5 Contingent liabilities

Certain companies in the group are involved in disputes where the outcomes are uncertain. However, the directors are confident that they will be able to defend these actions and that the potential of outflow or settlement is remote and, if not, that the potential impact on the group will not be material.

There is no other litigation, current or pending, which is considered likely to have a material adverse effect on the group.

The group has a number of guarantees and sureties outstanding at year-end. However, the directors are confident that no material liability will arise as a result of these guarantees and sureties.

The group has issued cross-suretyships to various banks for the banking facilities available to the group.

26.6 Steinhoff Guarantees

Steinhoff Africa Holdings Proprietary Limited (Steinhoff Africa), has with the assistance of its parent group (Steinhoff International) and certain KAP subsidiaries entered into various funding facilities and programmes, which enabled Steinhoff Africa in providing KAP with a shareholders financing facility.

The subsidiaries of KAP have provided suretyships, guarantees and indemnities in respect of the liabilities of Steinhoff and Steinhoff Africa in respect of pre-existing funding and other funding.

Steinhoff Africa has advised that the aggregate contingent exposure in terms of the suretyships, guarantees and indemnities provided, does not exceed R5 800 million (2013: R5 800 million). Steinhoff Africa has also indemnified the new subsidiaries of KAP and has undertaken to hold them harmless against any claim which may be made against them in terms of such suretyships, guarantees and indemnities provided.

Given that the net asset value (NAV) of Steinhoff Africa is significantly higher than the aggregate contingent exposure, that the Steinhoff Group has guaranteed repayment of portions of the pre-existing funding and other funding, the benefits arising from the cost of funding from Steinhoff and the fact that Steinhoff Africa also remains bound as guarantor of some of the existing funding arrangement of the new KAP subsidiaries, KAP agreed in the past, to keep these arrangements in place. Given that Steinhoff is no longer providing shareholder funding to a significant degree, KAP and Steinhoff are working to remove these cross guarantees.

Subsequent to year-end, the Unitrans subsidiaries have been released of their guarantees by early redemption of UTR 40, UTR 42 and UTR 43.

		2014 Rm	2013 Rm
27.	**CASH GENERATED FROM OPERATIONS**		
	Operating profit	**1 458**	1 329
	Adjusted for:		
	Operating (loss)/profit from discontinued operations	**(93)**	12
	Depreciation and amortisation	**765**	758
	Net of fair value adjustments of consumable biological assets and decrease due to harvesting	**(114)**	(105)
	Share-based payment expense	**47**	31
	Other non-cash adjustments	**8**	(4)
	Cash generated before working capital changes	**2 071**	2 021
	Working capital changes		
	Increase in inventories	**(39)**	(137)
	Increase in trade and other receivables	**(306)**	(30)
	Decrease in assets held for sale	**–**	15
	Increase/(decrease) in net derivative financial assets	**57**	(47)
	Decrease in non-current and current provisions	**(6)**	(24)
	Increase in non-current and current employee benefits	**41**	–
	Settlement of share scheme settlement provision	**(48)**	(68)
	Increase in trade and other payables	**118**	519
	Net changes in working capital	**(183)**	228
	Cash generated from operations	**1 888**	2 249

	2014 Rm	2013 Rm
28. NET CASH FLOW ON BUSINESS COMBINATIONS		
During the current year, the group acquired the business of Buffalo Pocket Springs Proprietary Limited (2013: Steitex Proprietary Limited and Fresh Freight Johannesburg and Cape Town).		
The fair value of assets and liabilities assumed at date of acquisition was:		
Assets		
Intangible assets	**–**	5
Property, plant and equipment	**3**	12
Investments and loans	**11**	–
Liabilities		
Interest-bearing loans and interest-free borrowings	**(9)**	(11)
Deferred taxation liability	**(1)**	(1)
Short-term loans payable	**(2)**	–
Working capital	**2**	2
Total assets and liabilities acquired	**4**	7
Goodwill at acquisition	**–**	30
Total consideration	**4**	37
Settled via other means	**(2)**	–
Net cash outflow on acquisition of subsidiaries	**2**	37
The carrying value of identifiable assets and liabilities immediately prior to the acquisition was:		
Assets		
Intangible assets	**–**	5
Property, plant and equipment	**3**	12
Investments and loans	**11**	–
Liabilities		
Interest-bearing loans and interest-free borrowings	**(9)**	(11)
Deferred taxation liability	**(1)**	(1)
Short-term loans payable	**(2)**	–
Working capital	**2**	2
Total assets and liabilities acquired	**4**	7

	2014 Rm	2013 Rm
29. NET CASH FLOW ON DISPOSAL OF SUBSIDIARIES AND BUSINESSES		
During the year the group disposed of its Food division.		
The carrying value of assets and liabilities disposed of at the date of disposal was:		
Assets		
Intangible assets	**24**	–
Property, plant and equipment	**84**	–
Inventories	**120**	4
Trade and other receivables	**116**	6
Short-term loans and receivables	**4**	
Cash on hand	**–**	1
Liabilities		
Interest-bearing loans and interest-free borrowings	**–**	(4)
Trade and other payables and provisions	**(59)**	(7)
Carrying value of assets and liabilities disposed	**289**	–
Loss on disposal	**(11)**	–
Proceeds on disposal	**278**	–
Cash and cash equivalents on hand at disposal	**–**	(1)
Net cash inflow/(outflow) on disposal of subsidiaries	**278**	(1)

30. RELATED-PARTY BALANCES AND TRANSACTIONS

Related-party relationships exist between shareholders, subsidiaries, joint venture companies and associate companies within the group.

These transactions are concluded in the normal course of business. All material intra-group transactions are eliminated on consolidation.

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 receivables and payables balances at year-end:

	2014 Rm	2013 Rm
Related-party loans receivable/(payable):		
Steinhoff International Holdings Limited and its subsidiaries	**(481)**	(3 244)
Unitrans Limited Share Trust	**–**	(28)
Associate and Joint venture companies	**50**	11
	(431)	(3 261)
Related-party receivables:		
Steinhoff International Holdings Limited and its subsidiaries	**50**	–
JD Group Limited and its subsidiaries	**41**	44
Associate and Joint venture companies	**27**	35
	118	79
Related-party payables:		
Steinhoff International Holdings Limited and its subsidiaries	**(33)**	(15)
JD Group Limited and its subsidiaries	**(2)**	–
Associate and Joint venture companies	**(14)**	(44)
	(49)	(59)
Share-scheme settlement provision:		
Steinhoff International Holdings Limited	**(95)**	(68)
Dividends paid to:		
Steinhoff International Holdings Limited and its subsidiaries	**(116)**	(87)
Sales to:		
JD Group Limited and its subsidiaries	**300**	190
Associate and Joint venture companies	**93**	73
	393	263

	2014 Rm	2013 Rm
Net operating fees, including administration and management fees:		
Steinhoff International Holdings Limited and its subsidiaries	**(30)**	18
Associate and Joint venture companies	**5**	2
	(25)	20
Net rent received from/(paid to):		
Steinhoff International Holdings Limited and its subsidiaries	**(27)**	(17)
JD Group Limited and its subsidiaries	**1**	4
Associate and Joint venture companies	**(2)**	(2)
	(28)	(15)
Net rebates and settlement discounts received from/(paid to):		
JD Group Limited and its subsidiaries	**(24)**	(14)
Associate and Joint venture companies	**(1)**	(1)
	(25)	(15)
Net finance costs received from/(paid to):		
Steinhoff International Holdings Limited and its subsidiaries	**(223)**	(292)
JD Group Limited and its subsidiaries	**1**	–
Associate and Joint venture companies	**1**	1
	(221)	(291)
Property sales:		
Steinhoff International Holdings Limited and its subsidiaries	**–**	48

31. FINANCIAL INSTRUMENTS

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

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

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

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

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

31.1 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
2014					
Investments and loans	–	26	26	26	26
Non-current financial assets	–	26	26	26	26
Trade and other receivables (financial assets)	1	2 299	2 300	2 299	2 300
Short-term loans receivable	–	17	17	17	17
Cash and cash equivalents	–	1 348	1 348	1 348	1 348
Current financial assets	1	3 664	3 665	3 664	3 665
Long-term interest-bearing loans and interest-free borrowings	–	(3 442)	(3 442)	(3 442)	(3 442)
Non-current financial liabilities	–	(3 442)	(3 442)	(3 442)	(3 442)
Short-term interest-bearing loans and interest-free borrowings	–	(68)	(68)	(68)	(68)
Bank overdrafts and short-term facilities	–	(520)	(520)	(520)	(520)
Trade and other payables (financial liabilities)	(4)	(2 921)	(2 925)	(2 921)	(2 925)
Current financial liabilities	(4)	(3 509)	(3 513)	(3 509)	(3 513)
	(3)	(3 261)	(3 264)	(3 261)	(3 264)
Net (gains)/losses recognised in profit or loss	48	(53)	(5)		
Net interest expense	–	325	325		

	At fair value through profit or loss[1] Rm	Loans and receivables and other financial liabilities at amortised cost Rm	Total carrying values Rm	Fair value of loans and receivables and other financial liabilities Rm	Total fair values Rm
2013					
Investments and loans	–	25	25	25	25
Non-current financial assets	–	25	25	25	25
Trade and other receivables (financial assets)	52	2 128	2 180	2 128	2 180
Short-term loans receivable	–	5	5	5	5
Cash and cash equivalents	–	1 320	1 320	1 320	1 320
Current financial assets	52	3 453	3 505	3 453	3 505
Long-term interest-bearing loans and interest-free borrowings	–	(3 919)	(3 919)	(3 919)	(3 919)
Non-current financial liabilities	–	(3 919)	(3 919)	(3 919)	(3 919)
Short-term interest-bearing loans and interest-free borrowings	–	(350)	(350)	(350)	(350)
Bank overdrafts and short-term facilities	–	(141)	(141)	(141)	(141)
Trade and other payables (financial liabilities)	–	(2 922)	(2 922)	(2 922)	(2 922)
Current financial liabilities	–	(3 413)	(3 413)	(3 413)	(3 413)
	52	(3 854)	(3 802)	(3 854)	(3 802)
Net (gains)/losses recognised in profit or loss	(40)	1	(39)		
Net interest expense	–	364	364		

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.*

31. FINANCIAL INSTRUMENTS *(continued)*

31.2 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:

	2014 Level 2 Rm	2013 Level 2 Rm
Derivative financial assets	**1**	52
Derivative financial liabilities	**(4)**	–
	(3)	52

There were no Level 1 or Level 3 financial assets or financial liabilities as at 30 June 2014 or 30 June 2013.

31.3 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.

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

	Euros Rm	US dollars Rm
2014		
Trade and other receivables (financial assets excluding derivatives)	**29**	**35**
Cash and cash equivalents	**21**	**56**
Trade and other payables (financial liabilities excluding derivatives)	**(144)**	**(428)**
Pre-derivative position	**(94)**	**(337)**
Derivative effect	**(2)**	**3**
Open position	**(96)**	**(334)**
2013		
Trade and other receivables (financial assets excluding derivatives)	9	33
Cash and cash equivalents	32	15
Trade and other payables (financial liabilities excluding derivatives)	(206)	(431)
Pre-derivative position	(165)	(383)
Derivative effect	27	25
Open position	(138)	(358)

31. FINANCIAL INSTRUMENTS *(continued)*

31.3 Foreign currency risk *(continued)*

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

Rand	**Forecast rate [1] 30 June 2014**	Forecast rate [1] 30 June 2013	**Reporting date spot rate 30 June 2014**	Reporting date spot rate 30 June 2013
Euro	**14.1955**	12.4780	**14.5656**	12.9209
US dollar	**10.8425**	9.8958	**10.6380**	9.8780

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

Sensitivity analysis

The table below indicates the group's sensitivity at year-end to the movements in the major currencies that the group is exposed to on its financial instruments. The percentages given below represent a weighting of foreign currency rates forecasted by the major banks that the group transacts with regularly. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2013.

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	**2014 Rm**	2013 Rm
Euro weakening by 2.5% (2013: weakening by 3.4%) to the rand	**2**	5
US dollar strengthening by 1.9% (2013: strengthening by 0.2%) to the rand	**(6)**	(1)

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

Foreign exchange contracts

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

	2014 Rm	2013 Rm
Short-term derivatives		
Assets		
Fair value of foreign exchange contracts		
Euro	**–**	27
US dollar	**1**	25
	1	52
Liabilities		
Fair value of foreign exchange contracts		
Euro	**(2)**	–
US dollar	**(2)**	–
	(4)	–
Net derivative (liabilities)/assets	**(3)**	52

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.

31. FINANCIAL INSTRUMENTS *(continued)*

31.4 Interest rate risk

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

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

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

	Variable JIBAR and SA prime Rm	Variable other Rm	Fixed Rate Rm	Non-interest-bearing Rm	Total Rm
2014					
Non-current financial assets	**2**	**–**	**9**	**15**	**26**
Current financial assets	**470**	**23**	**58**	**3 114**	**3 665**
Non-current financial liabilities	**(2 985)**	**–**	**(1)**	**(456)**	**(3 442)**
Current financial liabilities	**(957)**	**–**	**(17)**	**(2 539)**	**(3 513)**
	(3 470)	**23**	**49**	**134**	**(3 264)**
2013					
Non-current financial assets	25	–	–	–	25
Current financial assets	852	495	28	2 130	3 505
Non-current financial liabilities	(3 817)	(3)	(61)	(38)	(3 919)
Current financial liabilities	(559)	(20)	(4)	(2 830)	(3 413)
	(3 499)	472	(37)	(738)	(3 802)

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	2014 Rm	2013 Rm
JIBAR and SA prime – 100 basis point increase	**35**	35

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

31.5 Credit risk

Potential concentration of credit risk consists principally of short-term cash and cash equivalent investments, trade and other receivables, and loans receivable. The group deposits short-term cash surpluses with major banks of quality credit standing. Trade receivables comprise a large and widespread customer base and group companies perform ongoing credit evaluations on the financial condition of their customers, and appropriate use is made of credit guarantee insurance. At 30 June 2014, the group did not consider there to be any significant concentration of credit risk which had not been adequately provided for. The amounts presented in the statement of financial position are net of provisions for bad debts, estimated by the group companies' management based on prior experience and the current economic environment.

The carrying amounts of financial assets represent the maximum credit exposure.

The maximum exposure to credit risk at the reporting date without taking account of the value of any collateral obtained was:

	2014 Rm	2013 Rm
Non-current financial assets	**26**	25
Current financial assets	**3 665**	3 505
	3 691	3 530
The maximum exposure to credit risk at the reporting date by segment was (carrying amounts):		
Logistics	**1 540**	1 710
Manufacturing	**1 389**	1 184
Timber	**762**	636
	3 691	3 530
The maximum exposure to credit risk at the reporting date by geographical region was (carrying amounts):		
Southern Africa	**3 606**	3 508
Other regions	**85**	22
	3 691	3 530

	2014 Rm	2013 Rm
31. FINANCIAL INSTRUMENTS *(continued)*		
31.5 Credit risk *(continued)*		
Ageing of financial assets		
Not past due or impaired	**3 067**	3 007
Past due 1 to 30 days but not impaired	**368**	349
Past due 31 to 60 days but not impaired	**52**	67
Past due 61 to 90 days but not impaired	**25**	25
Past due more than 90 days but not impaired	**72**	50
Past due but not impaired in full	**107**	32
Past due balance	**146**	84
Impairment allowance	**(39)**	(52)
	3 691	3 530
Movement in provision for bad debts and impairments		
Balance at beginning of the year	**(52)**	(92)
Additional provision raised	**(25)**	(27)
Amounts unused reversed	**18**	12
Amounts used during the year	**18**	54
Held for sale reclassification	**–**	2
Acquired on acquisition of subsidiary companies	**–**	(1)
Eliminated on disposal of subsidiary	**2**	–
Balance at end of the year	**(39)**	(52)

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 R353 million (2013: R294 million).

31.6 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:

	2014 Rm	2013 Rm
0 to 3 months	**(3 358)**	(3 117)
4 to 12 months	**(376)**	(576)
Year 2	**(570)**	(1 118)
Years 3 to 5	**(3 131)**	(1 398)
After 5 years	**(499)**	(1 879)
	(7 934)	(8 088)

31.7 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.

31.8 Capital risk

The group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the group consists of debt, which includes the borrowings disclosed in note 21, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

	Ownership 2014 %	Ownership 2013 %
32. MATERIAL SUBSIDIARIES		
KAP Manufacturing Proprietary Limited	**100**	100
Feltex Fehrer Proprietary Limited	**74**	74
PG Bison Holdings Proprietary Limited	**100**	100
PG Bison Limited	**100**	100
Unitrans Holdings Proprietary Limited	**100**	100
Unitrans Supply Chain Solutions Proprietary Limited	**100**	100
Unitrans Passenger Proprietary Limited	**100**	100

33. DIRECTORS' REMUNERATION

33.1 Remuneration

	Basic R	Company contributions R	Bonuses R	Other benefits R	Total R
Executive directors					
2014					
Karel Johan Grové[1]	**4 149 270**	**620 730**	**4 500 000**	**–**	**9 270 000**
John Peter Haveman[2]	**1 784 204**	**357 292**	**2 000 000**	**58 504**	**4 200 000**
	5 933 474	**978 022**	**6 500 000**	**58 504**	**13 470 000**
2013					
Karel Johan Grové	3 930 750	569 250	3 072 000	–	7 572 000
John Peter Haveman	1 620 272	321 225	–	58 503	2 000 000
	5 551 022	890 475	3 072 000	58 503	9 572 000

[1] R2 250 000 of the bonus amount was paid by Steinhoff Africa Holdings Proprietary Limited.

[2] R1 000 000 of the bonus amount was paid by Steinhoff Africa Holdings Proprietary Limited.

	2014 R	2013 R
Non-executive directors		
Jacob de Vos du Toit	**625 957**	434 178
Markus Johannes Jooste[1]	**282 456**	177 179
Andries Benjamin la Grange[1]	**282 456**	177 179
Johannes Bhekhumuzi Magwaza	**400 524**	301 371
Ipeleng Nonkululeko Mkhari	**207 307**	219 179
Stephanus Hilgard Müller	**386 158**	255 850
Sandile Hopeson Nomvete	**322 658**	255 850
Patrick Keith Quarmby	**491 709**	352 179
Daniel Maree van der Merwe[1]	**338 057**	223 429
Christiaan Johannes Hattingh van Niekerk	**218 957**	177 179
	3 556 239	2 573 573

[1] Paid to Steinhoff International Holdings Limited as management fees.

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

	Offer date	Number of rights as at 30 June 2013	Number of rights (exercised)/ awarded during the year	Number of rights as at 30 June 2014
33. DIRECTORS' REMUNERATION *(continued)*				
33.2 Share rights				
Executive directors				
Karel Johan Grové	December 2012	2 377 036	–	2 377 036
	December 2013	–	2 818 191	2 818 191
		2 377 036	**2 818 191**	**5 195 227**
John Peter Haveman	July 2011	344 453	–	344 453
	December 2012	841 373	–	841 373
	December 2013	–	1 035 166	1 035 166
		1 185 826	**1 035 166**	**2 220 992**
Total executive directors		**3 562 862**	**3 853 357**	**7 416 219**
Share rights in Steinhoff International Holdings Limited				
Executive directors				
Karel Johan Grové	December 2010	309 789	(309 789)	–
	December 2011	267 605	–	267 605
		577 394	**(309 789)**	**267 605**
Total executive directors		**577 394**	**(309 789)**	**267 605**
Non-executive directors				
Daniel Maree van der Merwe	December 2010	486 812	(486 812)	–
	December 2011	428 168	–	428 168
	December 2012	610 207	–	610 207
	December 2013	–	858 437	858 437
		1 525 187	**371 625**	**1 896 812**
Christiaan Johannes Hattingh van Niekerk	December 2010	223 048	–	223 048
	December 2011	191 162	–	191 162
		414 210	**–**	**414 210**
Andries Benjamin la Grange	December 2010	354 045	(354 045)	–
	December 2011	321 126	–	321 126
	December 2012	393 250	–	393 250
	December 2013	–	487 490	487 490
		1 068 421	**133 445**	**1 201 866**

	Offer date	Number of rights as at 30 June 2013	Number of rights (exercised)/ awarded during the year	Number of rights as at 30 June 2014
Markus Johannes Jooste	December 2010	1 266 034	(1 266 034)	–
	December 2011	1 056 504	–	1 056 504
	December 2012	1 186 514	–	1 186 514
	December 2013	–	1 669 183	1 669 183
		3 509 052	**403 149**	**3 912 201**
Total non-executive directors		**6 516 870**	**908 219**	**7 425 089**

All the share rights granted were granted on 1 December 2013. The purchase price for Steinhoff shares is 0.5 cent per share and KAP shares is 20 cents per share.

The market price of share rights exercised was R27.39 for 1 December 2012 and R40.15 for 1 December 2013.

	Number of rights exercised	Value of rights exercised R'000
Value of share rights exercised during the year		
2014		
Executive directors		
Karel Johan Grové	**309 789**	**12 438**
	309 789	**12 438**
Non-executive directors		
Daniel Maree van der Merwe	**486 812**	**19 546**
Andries Benjamin la Grange	**354 045**	**14 215**
Markus Johannes Jooste	**1 266 034**	**50 831**
	2 106 891	**84 592**
2013		
Executive directors		
Karel Johan Grové	427 978	11 722
	427 978	11 722
Non-executive directors		
Daniel Maree van der Merwe	626 776	17 167
Andries Benjamin la Grange	398 202	10 907
Markus Johannes Jooste	1 957 602	53 619
	2 982 580	81 693

34. NEW/REVISED ACCOUNTING PRONOUNCEMENTS

		Effective date – annual periods commencing on or after
At the date of authorisation of these annual financial statements, there are standards and interpretations in issue but not yet effective. These include the following standards and interpretations that have not been early adopted and may have an impact on future financial statements:		
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IAS 32	Financial Instruments: Presentation	1 January 2015
IAS 36	Impairment of Assets: Recoverable amount disclosures for non-financial assets	1 January 2014
IAS 39	Financial Instruments: Recognition and Measurement: Novation of derivatives and continuation of hedge accounting	1 January 2014
IFRIC 21	Levies	1 January 2014

34.1 IFRS 9

In 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.

34.2 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.

34.3 IAS 32 (revised)

The International Accounting Standards Board (IASB) clarified its requirements for offsetting financial instruments by issuing Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation.

- The amendments clarify:
  - o the meaning of ‘currently has a legally enforceable right of set-off’; and
  - o that some gross settlement systems may be considered equivalent to net settlement.

The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. The amendments are part of the IASB’s offsetting project. As part of that project, the IASB also separately issued Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7).

34.4 IAS 36 (revised)

In May 2013, the IASB issued amendments to IAS 36 – Impairment of Assets (IAS 36). The amendment published clarify the IASB's intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. The group does not expect any changes upon the adoption of this standard. This standard will be adopted during the 2015 financial year.

34.5 IAS 39 (revised)

In June 2013, the IASB issued amendments to IAS 39 – Financial Instruments: Recognition and Measurement (IAS 39). The amendment will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. The group is in the process of evaluating the impact the amendments will have on the group. This standard will be adopted during the 2015 financial year.

34.6 IFRIC 21

In May 2013, the IASB issued a new interpretation which clarifies that the obligating event (as defined in IAS 37 – Provisions, Contingent Liabilities and Contingent Assets) that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The group is in the process of evaluating the impact the interpretation will have on the group. This standard will be adopted during the 2015 financial year.

SHAREHOLDERS' DIARY

Annual general meeting 2014	Tuesday, 18 November 2014 at 12:30
Announcement of interim results	February 2015
Announcement of annual results and anticipated declaration of dividend/distribution	August 2015
Annual general meeting 2015	November 2015

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