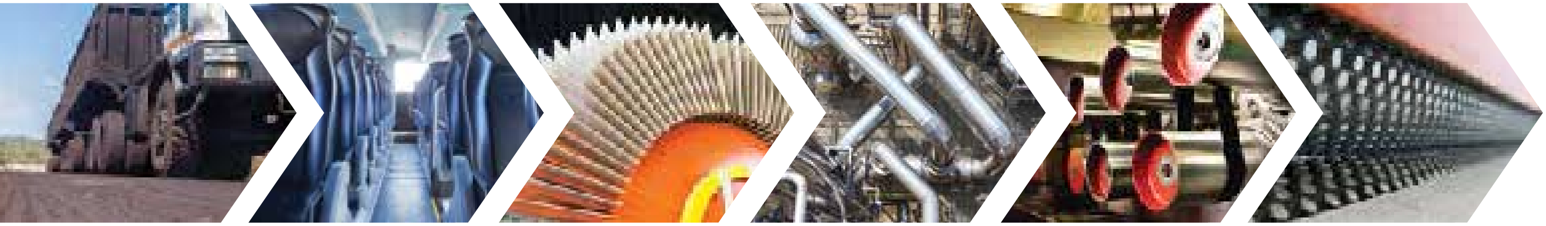
KAP

INDUSTRY *IN MOTION*™

A diversified industrial business focused on growth



Integrated report 2015

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Welcome to the 2015 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 greater 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 of the following frameworks:

- South African Code of Corporate Practice and Conduct as set out in King III
- International Financial Reporting Standards (IFRS)
- JSE Limited (JSE) Listings Requirements
- 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 with insight into how the group's businesses are managed.

The strategic intent (on pages 4 to 9) 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 monitors and reports sustainability data, and 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, so as 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 available on the company's 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.

Scope and boundary

The scope of the report includes all operating subsidiaries and covers the reporting period 1 July 2014 to 30 June 2015. The audited annual financial statements were approved on 18 August 2015. This integrated report was approved for distribution on 13 October 2015 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 and risk committee, is ultimately responsible for overseeing the integrity of the integrated report. This was achieved through setting up appropriate teams and structures to undertake the reporting process and the review and approval of the integrated report. 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 that 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 above, the board believes that the 2015 integrated report is presented in accordance with the Integrated Reporting Framework.

More information

The integrated, corporate governance and corporate responsibility reports are available online at:
www.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 Industrial Holdings Limited is a JSE-listed diversified industrial group focused on growth in African markets.

industry *in motion*

Diversified logistics

Specialised contractual logistics

Specialised contractual supply chain and logistics services

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Passenger transport

Personnel, commuter, intercity and tourism transport

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Diversified industrial

Integrated timber

Forestry and timber operations with primary and secondary manufacturing

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Chemical

Manufacture of PET, UF resin and formaldehyde

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Automotive components

Manufacture of components used in new vehicle assembly

page 68

Integrated bedding

Manufacture of foam, fabrics, springs, bases and mattresses

page 76

KAP

INDUSTRY *IN MOTION*™

KAP
INDUSTRY *IN MOTION*™

Salient features

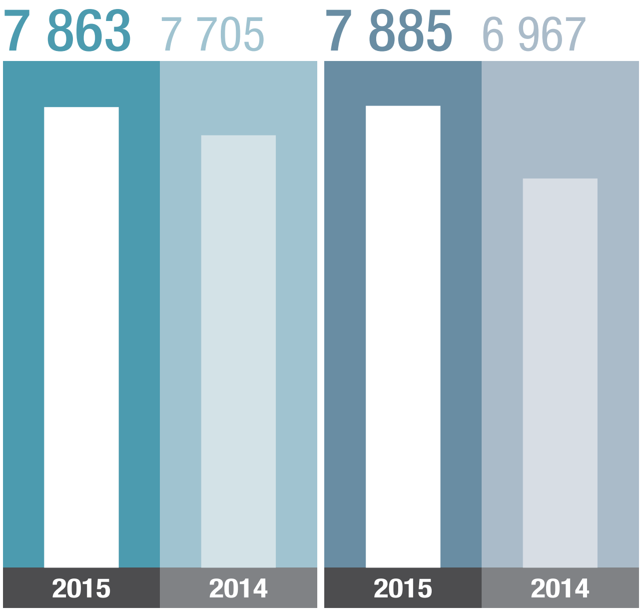
Headline earnings per share from continuing operations up by 19%

R2.3bn
Cash generated from operations up by 20%

Dividend per share up by 25%
from 12 cents to 15 cents

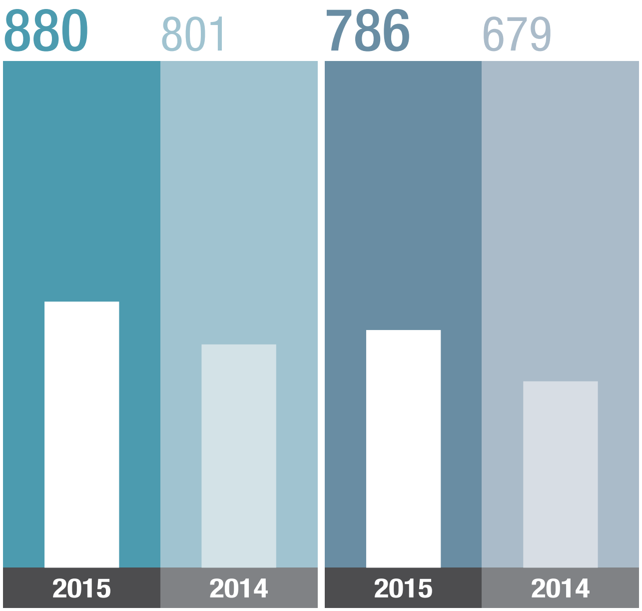
Revenue (Rm)*

Diversified logistics | Diversified industrial



Operating profit (Rm)*

Diversified logistics | Diversified industrial



Prior period disclosure has been restated to reflect the new segments in which the group is now structured, and the removal of discontinued operations.

Strategic intent

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

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

- its shareholders and investors, who expect acceptable returns on investment;
- its customers and suppliers, who rely on its ability as a group to remain competitive;
- its employees and their communities; 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.

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

Profitable revenue growth

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

Solid returns on capital employed

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

Strong cash generation

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

The platform from which strategy is executed

Sustainability

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

Social awareness

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

Transformation

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

Skills and talent management

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

Stakeholders and expectations

Shareholders, investors and 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, and to deliver on customers' expectations, in turn promoting supplier relationships.

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

Employees and communities
... expect the group to establish transparent, robust and trusted communication and long-term sustainability of the business.

Results of implementation

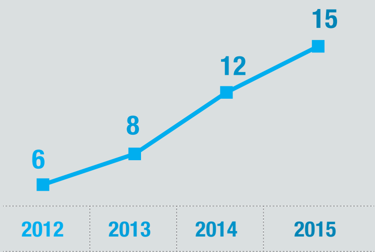
HEPS from continuing operations **up 19%** to **40.6 cents**

Operating profit before capital items of **R1.7 billion**

Cash generated from operations of **R2.3 billion**

Net capital expenditure of **R1.2 billion**

Dividend per share **up by 25%** (cents)



Revenue **up by 8%**

2015	R15.7bn
2014	R14.5bn

Operating profit before capital items **up by 13%**

2015	R1.7bn
2014	R1.5bn

18 400 employees

R72.3 million invested in training

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

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

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

91% black employees
9% white employees

Read more
Skills and talent management: Employee focus, page 84

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 to respond to material issues and to contribute to the group's competitive advantage.

Strategic drivers

Market 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 experience, scale and specialisation provide a competitive advantage in highly regulated industries. Access to key raw materials, licenses, specialist skills and expertise and economy of scale benefits 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. This diversity enables the group to manage concentration risk and protect and stabilise margins.
Adding value through specialisation	The group is focused on adding value to its customers through the provision of value-added products and services, thereby mitigating against volume and price pressures inherent in the commoditised space.
Leveraging our African base	In line with economic growth expectations, operations are positioned towards emerging markets, with a specific focus on 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 and to enter new markets.

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

Economic and business cyclicality is mitigated through diversification.

Providing specialist services requires significant and continued investment in technology.

Infrastructure development and consumer growth in Africa present an opportunity for business development and growth.

Results of implementation

31 manufacturing plants

3 017 specialist vehicles

88 800 ha of forestry land in North Eastern Cape and Southern Cape

89 386 tons of urea formaldehyde resin produced

128 000 tons of PET resin produced

R2.3 billion net capex in past two years

747 750 m³ board capacity

1 286 passenger transport vehicles

Geographical split (Revenue)

South Africa	**88%**
Rest of Africa	**12%**

Read more: Case studies

Unitrans Supply Chain Solutions, page 40

Woodchem, page 66

Restonic, page 82

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. Ownership and effective management of some raw materials in manufacturing processes secure the long-term supply and pricing thereof.
Fuel	Significant fuel usage and fluctuations in fuel prices necessitate the management of fuel consumption and drive cost efficiencies to ensure profitability and competitiveness in the market. Investment in new technology reduces fuel consumption and emissions.
Energy	Energy usage in manufacturing industries influence cost of products and requires optimisation and the evaluation of alternative energy sources to ensure profitability and competitiveness in the market.
Waste	Waste production and cost of waste management in upstream and downstream processes impact profitability. Reducing waste and using recycled materials increases efficiencies and margins on manufactured products.
Water and land	Manufacturing processes are dependent on water, which is in scarce supply. The group aims to reduce and manage water usage and protect natural resources and areas of biodiversity.

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

88 800 ha of sustainable forests

8% reduction in total CO_2e emissions compared to previous year

47 600 ha of protected biodiversity land areas

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

61 788 tons of wood fibre recycled or sold as residue

Latest **Euro 5** coaches

R10 million estimated cost saving from new thermal energy plant

0% waste to landfill target at certain manufacturing facilities

Ongoing initiatives: www.kap.co.za

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

The board and its committees

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

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

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

Remuneration

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

To facilitate this, the board has established a human resources and remuneration committee, which operates within defined terms of reference and authority granted to it by the board. The divisional human resources and remuneration committees 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 total rewards within the specific markets and industries.
- Incentive-based awards are earned through achieving demanding performance targets, with due regard for the interests of all stakeholders.
- Effective structuring of incentive plans and performance targets to operate throughout business cycles.
- Prudent design of longer-term incentives to ensure the sustainability of the company.

Remuneration policy

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

Compliance with legal, best practice guidelines and regulatory requirements

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

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

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

Results of implementation

73/75	King III principles applied except for two as described below
8.4 Companies should ensure the equitable treatment of shareholders.	The company's largest shareholder, Steinhoff Africa Holdings (Pty) Ltd, and ultimately its holding company, Steinhoff International Holdings Ltd (Steinhoff), receive financial information more regularly than other shareholders, due to the provision by Steinhoff of treasury, legal, corporate finance, tax and internal audit services. The flow of information between the Steinhoff group companies and KAP is, however, well regulated to prevent any possible misuse thereof.
9.3 Sustainability reporting and disclosure should be independently assured.	The majority of operations are covered and/or accredited by international operational standards that require external assurance or verification at either divisional or site level. The group currently finds comfort in these application levels. Group-wide assurance may be considered in future.

Read more: www.kap.co.za

Corporate governance report
75 King III principles

Read more

Remuneration report, page 88

DECENTRALISED MANAGEMENT STRUCTURE

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

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, regulatory and best practice compliance across all operations.

Governance and compliance

Strategic intent formulation

Board committees

Holding company

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

Committees include:

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

Read more: www.kap.co.za
Corporate governance report

Board of directors

Holding company

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Read more
Board of directors, pages 14 – 15

Primary legal structure

- UNITRANS SUPPLY CHAIN SOLUTIONS (PTY) LTD
- UNITRANS PASSENGER (PTY) LTD

- PG BISON (PTY) LTD
- KAP AUTOMOTIVE (PTY) LTD
- KAP BEDDING (PTY) LTD

Implementation

DIRECTORS	
Executive	**25%**
Independent non-executive	**50%**
Non-executive	**25%**

MANAGEMENT TEAM	Years with group or relevant divisional businesses
Executive deputy chairman Jo Grové	**17**
Chief executive officer Gary Chaplin	**18**
Chief financial officer John Haveman	**13**
HR Executive Johan Geldenhuys	**16**
Divisional CEO – Specialised contractual logistics Theunis Nel	**14**
Divisional CEO – Passenger transport Nico Boshoff	**20**
Divisional CEO – Integrated timber Gerhard Victor	**19**
Divisional CEO – Chemical Leigh Pollard	**23**
Divisional CEO – Automotive components Ugo Frigerio	**25**
Divisional CEO – Integrated bedding Michael Metz	**40**

Executive directors

CHIEF EXECUTIVE OFFICER

Gary qualified as a chartered accountant in 1992. In 1996, he joined a private timber company that was acquired by the Steinhoff group. Gary held various positions within Steinhoff in the timber and manufacturing divisions.
Gary was appointed to the board of PG Bison in 2006 and then as chief executive officer 2011. In June 2012, PG Bison was acquired by KAP Industrial Holdings Ltd.
In November 2014, Gary was appointed as chief executive officer of KAP Industrial Holdings Ltd and is a member of the social and ethics committee.

GN (Gary) Chaplin (45) CA(SA)

EXECUTIVE DEPUTY CHAIRMAN

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 Ltd in 2012. In 2014 Jo was appointed as executive deputy chairman.

KJ (Jo) Grové (66) AMP (Oxford)

CHIEF FINANCIAL OFFICER

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

JP (John) Haveman (41) BAcc, BCompt (Hons), CA(SA), MBus

Non-executive directors

Ben joined the Steinhoff group in 2003 and is currently the chief financial officer for the Steinhoff Group and a director on the board of Steinhoff International Holdings 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 Ltd in 2012.

AB (Ben) la Grange (41) BCom (Law), 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 PSG Group and Phumelela Gaming and Leisure. Markus was appointed as a non-executive director of KAP Industrial Holdings Ltd in 2004.

MJ (Markus) Jooste (54) BAcc, CA(SA)

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 Steinhoff Asia Pacific and Steinhoff UK Holdings. Danie was appointed as a non-executive director of KAP Industrial Holdings Ltd in 2005 and serves on the human resources and remuneration and the nomination committees.

DM (Danie) van der Merwe (57) BCom, LLB

Independent non-executive directors

INDEPENDENT NON-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 several national committees and boards. He was appointed as the independent non-executive chairman of KAP Industrial Holdings Ltd in 2012 and is the chairman of the nomination committee.

J de V (Jaap) du Toit (61) BAcc, CA(SA), CTA, CFA

Chris was a manager with the Sentrachem group before being appointed to the board of PG Bison as its chief executive officer in May 1998. 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 Ltd in 2012 and was classified as an independent non-executive director in 2015.

CJH (Chris) van Niekerk (68) BA

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 Ltd in 2004 and serves as the chairman of the social and ethics committee and is a member of the human resources and remuneration committee.

IN (Ipeleng) Mkhari (41) BSocSc

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. He retired from this position in 2015. Patrick was appointed as an independent non-executive director of KAP Industrial Holdings Ltd in 2012 and serves as the chairman of the audit and risk committee.

PK (Patrick) Quarmby (61) CA(SA) (Hons)

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

SH (Sandile) Nomvete (42) EDP (Wits), Prop Dev Prog (UCT)

Steve joined Genbel Investments in 1995. Over the following 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 Ltd in 2012. Steve serves as chairman of the human resources and remuneration committee and is a member of the nomination committee and the audit and risk committee.

SH (Steve) Müller (54) BAcc (Hons), CA(SA), Sanlam EDP

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.

Reports to stakeholders

The group has done well to achieve another year of revenue and profit growth.

Jaap du Toit – Independent non-executive chairman

Since the formation of the 'new' KAP in 2012, the group has focused on the execution of the strategy that was put in place, and has done well to achieve another year of revenue and profit growth.

The last phase of restructuring that commenced in 2013 was completed during the year under review. Operational businesses were clustered into focused divisions within two main segments to take full advantage of the expertise, experience and shared capacity within those businesses. The acquisition of Restonic in January 2015 concluded the vision of a dedicated vertically integrated bedding division.

Gary Chaplin also took over as CEO, establishing his leadership role with a year of good results.

Year under review

Notwithstanding the challenges of volatile currencies, labour action, and energy shortages, the group delivered an 8% increase in revenue, while operating profit increased by 13%. These results are supported by the leading market positions of the group's businesses.

Although Restonic has only been included in the group's results for six months, the business is meeting expectations, and the alignment of the businesses within the bedding division has contributed to a 27% increase in revenue in that division. Management is also excited about the prospects that Restonic's vision holds for the group. Together with Vitafoam and DesleeMattex, management is confident that they will make a material impact on the bedding manufacturing and supply market.

The specialised contractual logistics division consolidated the businesses as one. Management believes that 'one Unitrans' will benefit the group and its customers by providing more efficient service and long-term cost control.

During the year under review, the group experienced insignificant impact as a result of labour disruption. This continues to pose a risk to the business environment at large. KAP holds solid relationships with its stakeholders and mitigates against labour risks by continuous and personal engagement with its employees and external parties. The group is very aware of the socio-economic environment within which its divisions operate, and, within the context of labour, will remain proactive in the way it manages human resources and employee development.

Corporate governance

During the year, JB Magwaza retired from the board of directors at the age of 73. Other than JB's replacement on the board committees, there were no further changes to the composition of the board, or to the various committees, which are testament both to the stability and the appropriate mix of skills of each committee.

I would like to thank each of my fellow directors for their service and contribution to the committees and to the board during the year, particularly the chairpersons of the various committees of the board and JB for his 10 years of service to the group.

Corporate social responsibility

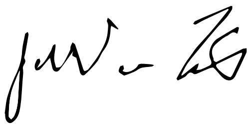
The group continues to successfully manage environmental, social and governance (ESG) matters, supporting the sustainability of the group. The commitment to and investment in ESG initiatives are increasing throughout the group. The group retained its B-BBEE contributor level of four. Management is aware that the proposed amendment to B-BBEE codes 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 cohesive socio-economic society.

Access to raw material and energy remains a focus area for the group, with the divisional businesses managing these aspects on a daily basis to ensure that processes are in place to maximise efficiencies and minimise usage, cost and wastage.

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

Prospects

I am excited about the group's prospects and the opportunities it has created during the past year. On the back of a strong strategic focus and with the enthusiasm of Gary and his management team, I am looking forward to a successful year.



Jaap du Toit
Independent non-executive chairman

Rationalisation of the group’s activities, supported by profit growth from core businesses, provides a solid platform for growth.

Gary Chaplin – 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 African markets.

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

Market leadership

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

High barriers to entry

KAP strives to protect its revenue stream through entering markets with high barriers to entry. The company operates in industries where access to natural resources is key to providing products and services. KAP has secured access to certain scarce raw materials and owns world-class infrastructure to convert these raw materials into value-added products. Our continuous investment in new technology provides the base from which we deliver world-class products and services at sustainable margins.

During 2015, KAP committed R1.7 billion to enhancing the technology and infrastructure of its manufacturing facilities. These facilities will be upgraded during 2016 and 2017. Our logistics and transportation fleets comprise a range of specialised and modern vehicles and equipment. The group's high level of specialist skills, experience and scale provides a significant competitive advantage illustrated by our consistent delivery on customer expectations of providing world-class services in highly regulated environments.

Industry diversification

KAP owns various businesses that are diversified across industries, market sectors, products and services in order to sustain consistent performance through business cycles. The group is also diversified from a geographic perspective, with multiple locations in 13 African countries to balance macro-economic factors. The group's industry and geographic diversification also manages the effects of escalating labour-related disruption.

Adding value through specialisation

KAP strives to protect and enhance operating margins by focusing on the provision of specialised and value-added products and services in all upstream and downstream processes. Our management teams constantly work on continuous improvement throughout these processes. PG Bison continued its strategy during the year of increasing the ratio of value-added products. In line with this, the business also committed to the installation of a high-gloss spray line at its Boksburg site. Woodchem made good progress during the year in the construction of its paper impregnation line, directed at adding further downstream value to its existing products. Feltex retooled and enhanced technology in order to facilitate component manufacture for certain new vehicle models. The logistics division was restructured during the year in order to further enhance its strategy of providing specialised services on long-term contracts within certain industry sectors.

Leveraging our African base

KAP is well positioned to utilise its existing footprint and its skills and expertise to grow its operations in Africa. We evaluate the risks of doing business in African countries, and apply various required return on investment hurdle rates to compensate for these potential risks. Our strategy of partnering with existing customers as they grow in Africa further assists in mitigating risk in this regard. Part of the diversified logistics division's restructuring during the year was to facilitate growth into other African countries within five specific industry sectors. The passenger transport division commenced with contractual employee transport in the Tete province in Mozambique during the year, and is performing to expectation. PG Bison increased its exports by 21%, compared to the comparative period, in order to offset lower local demand.

Year under review

During the year under review, the company continued with strategic corporate activities to enhance the group's quality of earnings in respect of sustainability, solid margins and cash generation. This resulted in the following strategic initiatives being implemented during the year:

The acquisition of Restonic was successfully concluded, and good progress was made in creating an integrated bedding division with a restructured manufacturing infrastructure, national assembly and distribution footprint.

The non-core Footwear business and the Weatherboard sawmill with its associated plantations were disposed of, and the Fresh Freight and BCM businesses were discontinued.

The rationalisation of the group's integrated timber and manufacturing divisions into a single diversified industrial segment and the consolidation of the Fuel, Agriculture & Mining and the Freight & Logistics divisions of Unitrans into a single Unitrans Logistics division were successfully implemented.
This has resulted in streamlined management structures, improved systems and controls, increased efficiencies and greater market focus.

The implementation of the group's strategy produced pleasing financial results for the year, with 8% growth in revenue, 19% growth in headline earnings per share from continuing operations and 20% growth in cash flow from operations. This allowed the company to reduce its net debt/equity ratio to 27% from 40%.

The diversified logistics segment increased operating profit by 10% to R880 million despite the challenging business environment. Increased logistics activity in the food, agriculture and infrastructure sectors offset reduced activity in the mining and furniture sectors. The fuel distribution sector remained stable for the year. Focus on growth in Africa continued across all sectors, including Unitrans Passenger. The quality of revenue was enhanced during the year through a focused reallocation of capital to specific activities within strategic market sectors where acceptable returns can be generated. Cost-saving initiatives, efficiency improvements and the termination of low-return contracts resulted in an improvement in operating margin from 10.4% to 11.2%.

The diversified industrial segment increased operating profit by 16% to R786 million for the year. Currency and underlying raw material commodity price volatility was well managed, protecting margins in this division. The second phase upgrade of PG Bison's MDF plant in Boksburg was successfully concluded in March 2015, with increased MDF volumes targeted towards import replacement. In the chemical division, Woodchem expanded capacity in order to benefit from market share growth, while Hosaf maintained market share. Revenue in the automotive components division benefited from the increased vehicle build volumes in the automotive sector, the successful start-up of certain new models and increased parts penetration by the business.

The acquisition of Restonic was concluded on 2 January 2015. The furniture components business was restructured in order to create an integrated bedding division, leading to the closure of BCM and an improved performance at Vitafoam and DesleeMattex. Restonic performed to expectation for the second half of the year.

Outlook

Management believes that economic activity in South Africa will remain subdued for the foreseeable future and therefore continues to optimise the group's existing operations in order to focus on market share growth and on growth into other African countries. To this end, plans include:

expanding its Hosaf facility in order to increase PET production;

upgrading the Piet Retief particleboard plant in order to benefit from technology advancements with increased production efficiencies and raw material savings;

- installing a high-gloss finishing line at PG Bison's Boksburg operation, to be commissioned in July 2016, in order to enhance the group's value-adding product strategy;
- installing a paper impregnation line at Woodchem, to be commissioned in November 2015;
- taking advantage of efficient marketing opportunities resulting from the creation of the integrated bedding division, expected to bear fruit in the 2016 financial year; and
- consolidating the Unitrans divisions into a single operation, already showing initial efficiency benefits and cost savings, which is expected to unlock growth opportunities through a more focused approach within certain industry sectors and across geographic markets, specifically in the rest of Africa.

The group continues to seek out and pursue growth opportunities in fulfillment of its strategy. In view of the strong cash generation and reduced gearing, the group is well positioned to take advantage of opportunities as they arise.

Transformation

In addition to its shareholders, KAP has various other stakeholders, including its employees, suppliers, customers and the communities located in the areas within which its businesses operate. The company addresses the interests of these stakeholders, primarily through the broad-based black economic empowerment (B-BBEE) framework, which it believes is the most effective, regulated mechanism to contribute to the challenges and opportunities within the South African economy. KAP is a level 4 B-BBEE company and will aim to maintain this score.

Appreciation

KAP has quality businesses aligned with 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.

Gary Chaplin
Chief executive officer

Chief financial officer's report

The group delivered solid results for the year under review, with an improvement in all key metrics.

John Haveman – Chief financial officer

Key metrics	FY15	FY14	% improvement
Revenue (Rm)*	**15 664**	14 471	8
Operating profit before capital items (Rm)*	**1 666**	1 480	13
Headline earnings*	**969**	801	21
Headline earnings per share (cents)*	**40.6**	34.1	19
Cash generated from operations (Rm)	**2 275**	1 888	20
Gearing (%)	**27**	40	13
Net asset value per share (cents) as at 30 June	**320**	286	12

**Continuing operations*

Read more

Audited annual financial statements, page 95

During the year under review, the execution of KAP's strategy resulted in revenue growth of 8% to R15.7 billion and increased profitability through a 13% increase in operating profit before capital items to R1.7 billion. This resulted in margins increasing to 10.6% from 10.2%.

In terms of the group's strategy to invest in businesses that are market leaders with strong cash generation, the highlight for the year was the acquisition of Restonic on 2 January 2015, resulting in the inclusion of its results for the last six months of FY15.

Income statement

Revenue

KAP's FY15 group revenue is sufficiently diversified, as illustrated in figure 1, to shield the group from volatility in specific markets. Diversification is achieved across various industries, market sectors, territories and in terms of product and service mix.

Revenue by segment is depicted in figure 2. The acquisition of Restonic contributed an increase of 3% to FY15 revenue, representing six months' revenue for Restonic.

Revenue growth was achieved mainly by the existing core business.

Operating profit

The operating profit of the diversified logistics segment increased by 10% to R880 million from R801 million, resulting in margins increasing to 11.2% from 10.4%. The operating profit of the diversified industrial segment increased by 16% to R786 million from R679 million, resulting in margins increasing to 10.0% from 9.7%.

The continuing improvement in operating margin is reflected in figure 3.

Tax rate

The effective tax rate increased to 27.2% from 26.5% as a result of a change in the mix of earnings in various tax jurisdictions across the group.

Discontinued operations

The following businesses were disposed of or closed during the year and are included in discontinued operations: Footwear, Weatherboard/Braecroft, BCM and Fresh Freight.

Balance sheet

Net asset value (NAV)

The NAV per share increased by 12% to 320 cents at 30 June 2015, from 286 cents in the prior year (see figure 4).

Property, plant and equipment

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

	2015 Rm	2014 Rm
Land and buildings	1 493	1 482
Plant and machinery	1 660	1 627
Vehicles	3 572	3 324
Capital work-in-progress	194	82
Other	119	99
Total property, plant and equipment	7 038	6 614

Intangible assets and goodwill

Intangible assets predominantly include patents and trademarks that are used by the diversified industrial businesses, securing market share leadership and creating barriers to entry. All intangible assets and goodwill were assessed

FIG. 1 REVENUE PER DIVISION

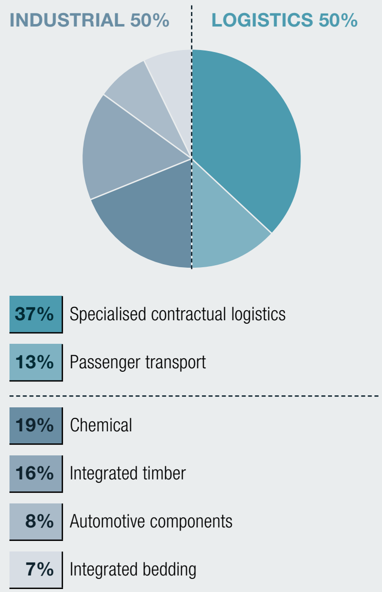


FIG. 2 SEGMENTAL REVENUE INCREASE

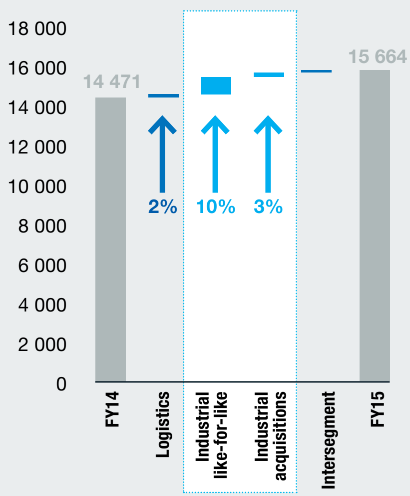
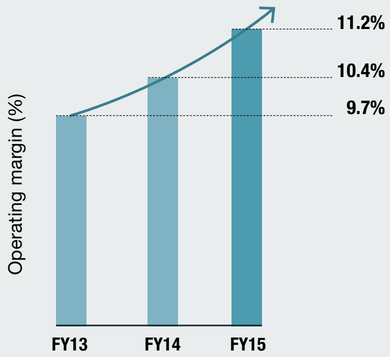


FIG. 3 OPERATING PROFIT MARGIN

LOGISTICS



INDUSTRIAL

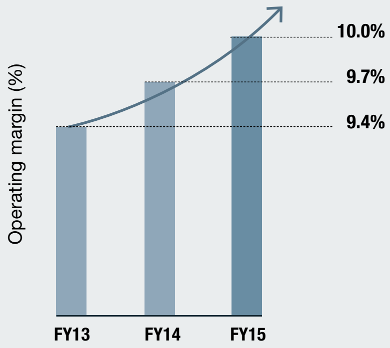
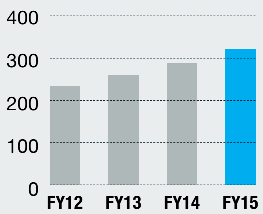


FIG. 4 NET ASSET VALUE (cents per share)



for impairment in terms of International Financial Reporting Standards (IFRS).

Biological assets

The group's biological assets (mainly timber plantations) of R1 824 million (FY14: R1 875 million) supports the earnings within the diversified industrial segment. The valuation technique in respect of the plantations is consistent with that used in previous years, with the Faustmann formula and discounted cash flow models being applied in determining the value.

Debt structure and finance costs

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

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

The group has sufficient headroom under these covenants for continued operations and required expansions, as illustrated below.

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 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.

In April 2015, Global Credit Ratings issued an update to its rating of KAP, reaffirming its A-(ZA) rating for long-term debt, and upgrading KAP's short-term debt rating to A1-(ZA) from A2-(ZA), both with a Stable outlook.

Net interest-bearing debt reduced to R2 089 million from R2 676 million. The debt structure and cover ratios are reflected as follows:

Debt structure	**30 Jun 2015 Rm**	30 Jun 2014 Rm
Interest-bearing long-term liabilities	**3 129**	3 436
Interest-bearing short-term liabilities	**327**	68
Bank overdrafts and short-term facilities	**3**	520
Cash and cash equivalents	**(1 370)**	(1 348)
Net interest-bearing debt	**2 089**	2 676
Total equity (excluding non-controlling interests)	**7 761**	6 709
Net interest-bearing debt: equity	**27%**	40%
EBITDA*	**2 450**	2 230
Net finance charges*	**289**	327
EBITDA/interest cover (times)	**8.5**	6.8
Net debt/EBITDA (times)	**0.9**	1.2

* *From continuing operations*

FIG. 5 NET DEBT (Rm)

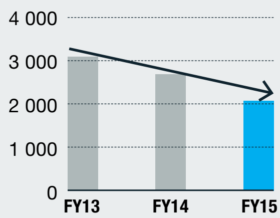


FIG. 6 NET DEBT TO EBITDA (times)

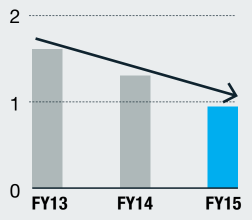


FIG. 7 EBITDA INTEREST COVER (times)

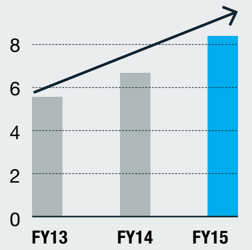
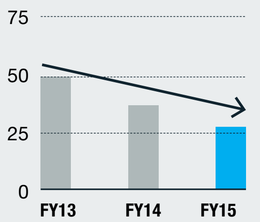


FIG. 8 NET DEBT TO EQUITY (%)



The debt servicing ratios have continuously improved.

During the period, the interest rate on a term loan of R450 million (due in 2022) was fixed. This is currently the only fixed rate debt in the group.

Cash flow statement

Cash generated from operations

Cash generated from operations increased by 20% to R2 275 million from R1 888 million. The conversion ratio of operating profit before capital items into cash generated from operations increased to 137% from 129%, highlighting the group's focus on cash generation and underscoring the quality of earnings.

Capital expenditure

The group's focus on investment in infrastructure and technology is reflected in the R1.2 billion spent during the year on capital expenditure (capex). More than 40% of the group's total capex (R512 million) was allocated to expansion to capitalise on growth opportunities within the group's strategic parameters. Replacement capex, net of disposal proceeds and government grants of R683 million continues to be managed in relation to the depreciation charge, which amounts to R791 million, including discontinued operations.

It is anticipated that, over the next two years as the expansion of operations in the diversified industrial segment takes place, its share of the group capex will increase.

Other investing activities

During the year, R290 million was received as net proceeds on the disposal of the Footwear business, and R180 million was received as net proceeds on the disposal of the Weatherboard/Braecroft business.

R142 million was paid in respect of the cash portion for the acquisition of Restonic in January 2015.

FIG. 9 DEBT MATURITY PROFILE

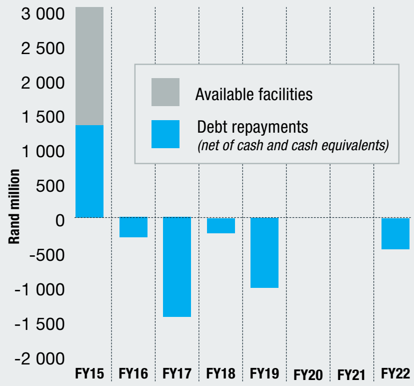
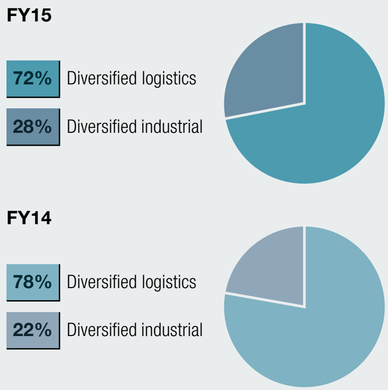


FIG. 10 CAPITAL EXPENDITURE PER SEGMENT

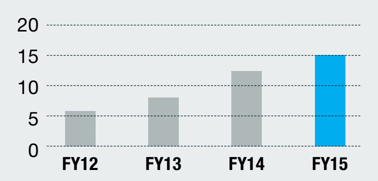


Dividends

Due to the strong cash generation in FY15, the group increased its dividend per share by 25% from 12 cents to 15 cents, to be paid from income reserves.

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

FIG. 11 DIVIDEND PER SHARE (cents)



Risk management

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

The board recognises that some elements of risk management can only be achieved on an integrated basis. Financial risks, such as exchange rate risk, interest rate risk, 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 range of periods to manage excessive refinancing risk in any one-year period. The group further manages liquidity risk by monitoring forecast cash flows and maintaining adequate reserve 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, banks and instruments to limit its exposure to any one supplier or instrument.

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, to the extent of secure purchase or sales orders for products, services and capex. The group endeavours, as far as practicable, to match the income and expenses within foreign jurisdictions. The responsibility of monitoring and managing these risks is that of management, in conjunction with the central treasury and foreign exchange support functions in line with the group's foreign exchange exposure 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

The group's credit function sets 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 of 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 had not been covered by the bad debt provision or 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 initially reviewed by the executive committee prior to referral, if deemed appropriate, to the board.

Insurance risk

The group maintains an insurance programme including a degree of self-insurance, providing financial protection against unforeseen events that could cause financial loss. All material risks are considered to be adequately covered, except for political risks. Regular risk management audits are conducted 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, according to statutory requirements.

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 part of its remuneration policy.

Looking ahead

Management remains focused on the execution of its strategy, and ensuring that an adequate capital structure is maintained. To this end, the group is continually evaluating and assessing the strength of its balance sheet and its debt maturity profile.

The diversity inherent in the group's earnings will continue to protect it against volatile trading conditions.

The group continues to support its main holding and operating subsidiaries, to efficiently fund the group's sustainable growth.

John Haveman
Chief financial officer

Business reviews

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 business reviews provide information on strategy and the group's ability to create long-term sustainable value.

Diversified logistics

Business review

Diversified logistics: Specialised contractual logistics

‘One Unitrans’

In order to capitalise on synergies within the business and to position itself for growth, a strategic restructuring consolidated the Freight & Logistics and Fuel, Agriculture & Mining businesses into ‘one Unitrans’.This consolidation was initiated during the year under review, and the process will be finalised by the end of 2015.

With the challenges and inherent complexities within the logistics industry, executing a ‘one Unitrans’ strategy simplified the business, clarifying lines of communication with customers, and creating a more effective and efficient organisation.

The business clearly defined its strategy, markets, customers and areas of operation. It established an alignment of corporate structure and strategic implementation with a focus on improving operational efficiencies, while maintaining margins. Going forward, the division will continue to partner with customers and suppliers to provide services that deliver results that are aligned with customers’ strategic objectives.

Services

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

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

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

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

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

Highlights

Gross revenue increased by **1%** to R5.9 billion, while operating profit increased by **6%**

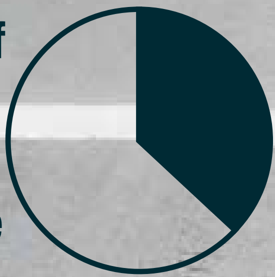
Successful consolidation of the Freight & Logistics and Fuel, Agriculture & Mining businesses into ‘one Unitrans’

Very good results from businesses throughout the rest of Africa with **significant growth in Botswana**

With a focus on continuous improvement, **ISO standards** are being rolled out to operations and sites outside of South Africa

Revenue R5.9bn

Contributing 37% of total group revenue



Key facts

9 390 employees

3 017 revenue earning vehicles

250 million km travelled

Specialised contractual logistics

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

Theunis Nel – CEO: Specialised contractual logistics division

Business environment

During the year under review, the division faced a challenging trading environment with volatility in African currencies and exposure to a depressed commodity cycle and infrastructure growth in southern Africa.

With its existing infrastructure and years of experience, Unitrans Supply Chain Solutions (Unitrans) remains well positioned to take full advantage of new opportunities, despite certain market challenges, due to many of the division's customer base expanding into more African countries.

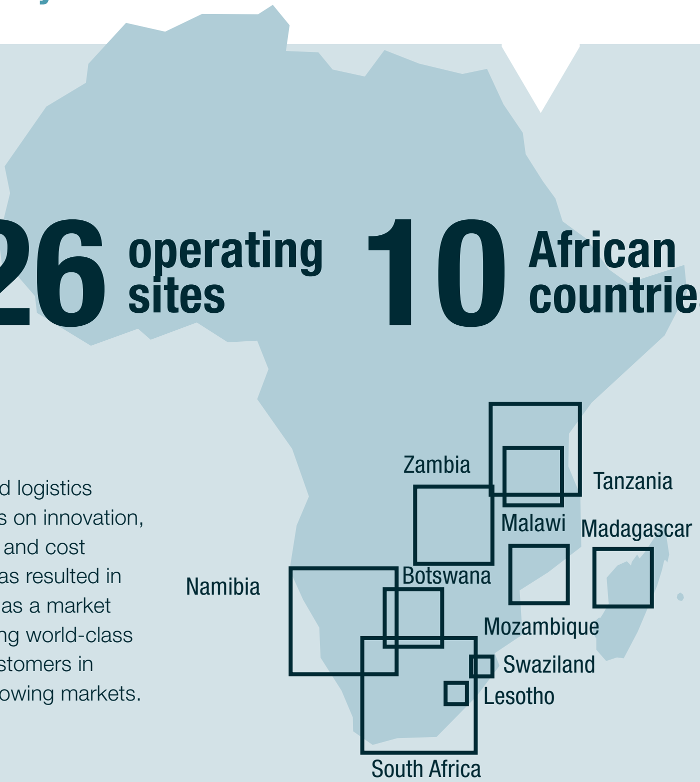
With operations in various countries exposed to multiple currencies, the group's foreign exchange policy prescribes that translation exposure is not hedged and operating currency risk is managed by the group's treasury team through the consistent application of its hedging policy. Contracts outside South Africa are generally negotiated in both local and international currencies, mitigating, to a degree, the impact of currency fluctuations from an operational perspective.

Unitrans' position at the forefront of ISO implementation meets the high demand for more regulation towards international standards, with ISO accreditation throughout all of its South African locations.

Unitrans Supply Chain Solutions provides specialised transport, distribution, warehousing logistics and supply chain re-engineering services to the mining, manufacturing, industrial and allied sectors of the economy.

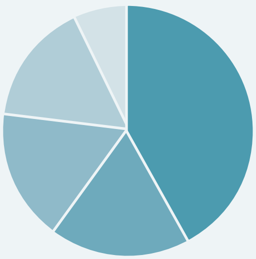
126 operating sites

10 African countries



The specialised logistics division's focus on innovation, safety, service and cost optimisation has resulted in its positioning as a market leader, providing world-class services to customers in Africa's fast growing markets.

REVENUE BY SECTOR



42%	Petrochemical
18%	Food
17%	Mining and infrastructure
16%	Agriculture
7%	Specialised warehousing

Key differentiators

Diverse customer base provides exposure to multiple industries, eliminating concentrated risk to any one market or industry.

The ability to continuously invest in technology and people allows for specialisation and a high level of service delivery.

Well positioned for further growth by leveraging its expansive African footprint and 50 years' experience.

By nature of the specialist skills inherent in the business model, the customer base mostly comprises 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 vehicle asset base Specialised logistics requirements and value-added services to clients Safety standards	Maintain safety record Maintain ISO accreditations Performance-based standard (PBS) vehicles
Adding value through specialisation	Expert skills and technology advancements	Invest in new technology Renew and gain new customer contracts Recruit, train and retain specialist skills
Market leadership	Concentration risk in market segments and geographic regions	Reduce concentration risk
Industry diversification		

Skills and talent management: Employee focus, page 84

Implementation

Extended services into Africa

Continuously improve employee competencies and safety awareness

Continuously improve SHEQ standards and allow for reinvestment

Improve efficiencies to grow revenue and improve margin

Align business practices to meet and exceed B-BBEE requirements

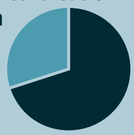
SETA accreditation for training and development

Expand customer base, industry and operational footprint

Build pipeline for new contracts

Results

Geographical areas of operation



70% South Africa

30% Rest of Africa

Continuous decrease in accident-related costs

ISO 9001, 14 001, 22 000 and 22 001
OHSAS 18 001
NOSA integration systems
RTMS, SQAS

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

R782 million capex employed for expansion and replacement of specialised vehicles

B-BBEE level 3

Transformation
www.kap.co.za

Skills and talent management: Employee focus, page 84

Customer base growth into Zambia, Botswana, Mozambique and Swaziland

Fuel
www.kap.co.za

Commentary

Performance review

The business reported positive results with modest revenue growth of 1%, coupled with an increase of 6% in operating profit, mainly as a result of certain business units performing above budget, and overall efficiency improvement and cost-saving initiatives coming into effect. The restructuring of the division's infrastructure, resources and customer base is expected to further improve efficiencies. Centres of excellence were aligned and the synergies that have been created will further enhance internal cooperations and external customer service.

Supplier and customer contracts were re-evaluated in terms of profitability and strategic alignment, for Unitrans and its customers. Contracts were rationalised, where appropriate, and the review process will be ongoing until all contracts are aligned with Unitrans' strategy. The full restructure will only be complete by December 2015, but the savings and enhanced efficiencies will improve the long-term return on investment in terms of improved customer relationships and value-add.

The business again improved on its Safety Health Environment and Quality (SHEQ) standards. 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 restructure brought about a renewed focus on increasing all levels of service delivery, which indirectly resulted in a decreased accident rate and cost. All incidences are monitored and reported at board level.

The division invested in new technology to improve vehicle fleet standards and will continue to do so. A first for the South African dangerous goods industry, performance-based standard fuel tankers were commissioned and built. These units operate under special permit arrangements on specific routes within southern Africa. During the year, a substantial investment was made into new generation fuel tankers, agricultural and mining yellow metal equipment, new road train applications and bulk tankers. This investment improved service delivery and additional cost saving through enhanced efficiencies.

Operational challenges included unscheduled stoppages and maintenance shutdowns in the mining industry. Inconsistent fuel transport volumes were a result of supply and demand imbalances, together with transport volumes allocated to rail and pipeline distribution.

The termination of a material contract in the furniture sector had a negative impact on revenue and operating profit, while the closure of the Fresh Freight business resulted in closure costs.

Outlook

The focus for the short to medium term will be on organic growth through new contracts, extension of existing contracts and exploring opportunities in existing markets on the back of the division's high level of expertise and delivery capability.

In a highly competitive market it is critical that Unitrans maintains its ability to provide value-added services to its customers, over and above core transportation services. Various continuous improvement projects have been initiated that will improve the value offering to customers. Unitrans remains focused on providing world-class logistics solutions and expanding its services to industries where its presence can be increased. A strategic focus on health and safety and the continuous improvement in safety standards will continue to be a priority for the group.

Case study

Accreditation as a registered training provider with the South African Qualifications Authority (SAQA) creates downstream benefits as a preferred logistics partner.

Strategic drivers

Market leadership

High barriers to entry

Adding value through specialisation

Implementation

Employing a five-step approach to recruitment and ongoing training, monitoring and developing of heavy vehicle drivers.

Benefits

Confidence in Unitrans' track record and capability to deliver improve the division's ability to gain and retain customers.

Results

- Preferred dangerous goods and abnormal vehicle logistics supplier.
- Continuous improvement on incident rates, reduced insurance costs and improved brand reputation.
- Improved ability to recruit and retain specialist skills.

Skills and talent management: Employee focus, page 84

Five steps towards excellence

Attracting the right talent

Unitrans constantly improves the brand in order to attract skilled individuals to contribute to the continuing success and growth of the business.

Pre-employment assessments and induction

During the recruitment process, drivers must obtain a minimum of 70% in a numeracy and literacy assessment, as well as undergo an induction into the Unitrans brand, corporate culture and values, the vision, mission and objectives of the organisation.

Training for the workplace

Training includes classroom-based face-to-face training on how to ‘Convey Dangerous Goods by Road’ and ‘Operate a Rigid Heavy Vehicle’. These programmes represent the backbone of the driver training programmes, together with customer-specific training.

Monitoring and evaluation

Drivers undergo in-cab evaluations every six months to ensure correct skill execution. Monitoring and evaluation processes assist in the development and continuous improvement of training programmes.

Review and update

All driver training material is periodically reviewed internally in line with Unitrans’ Quality Management System and in compliance with the Transport Education and Training policies.

Driver training and development

Commentary

Driver training and development

To ensure excellence and compliance in the delivery of services to stakeholders, Unitrans has developed learning and development programmes targeted at professional heavy vehicle drivers. Training material matches content with relevant business practices.

Training follows a holistic approach, going beyond mere technical ability and best practice. As the face of the business, drivers are encouraged to live the Unitrans brand of ‘excellence’. In turn, Unitrans takes on the responsibility to equip its drivers to understand their responsibilities within the business.

Training aims to:

- Highlight the importance of drivers as representatives of the Unitrans brand
- Underpin, support and cultivate the values and strategic objectives of the business to be a leading supply chain partner in its chosen markets
- Reflect Unitrans’ commitment to improving and developing its drivers
- Inculcate the culture of adherence to road safety traffic regulations, environmental awareness and general vehicle safety
- Promote a learning culture among drivers towards becoming employees who contribute to the success of the organisation as a leader in supply chain solutions
- Utilise the training process as a communication channel to promote employee engagement

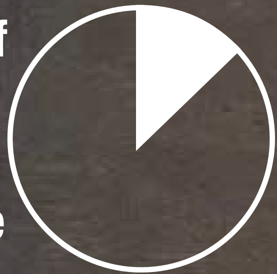
UNITRANS

Business review

Diversified logistics: Passenger transport

Revenue R2.0bn

Contributing 13% of total group revenue



A unique diversified passenger business

A large portion of the South African population is reliant on public or employer-provided transport services. Unitrans Passenger services the tourist, intercity, commuter and personnel transport sectors. The business is the most diversified passenger transport business of its kind in South Africa. Its hands-on management team and continuous improvement processes have consistently ensured good results.

Products and brands

Commuter
Megabus
Mega Express

Personnel
Bojanala Bus

Tourism
Mega Coach
Magic Transfers

Intercity
Greyhound
Citiliner

Highlights

- Gross revenue increased by **7%** from R1.9 billion to R2 billion
- Imminent launch of the **Rustenburg Rapid Transport** project in the North West Province
- Design of new double deckers finalised for re-launch of **Dreamliner** brand
- Successful roll-out of personnel transport into **Mozambique**

Key facts

- **3 750** employees
- **1 343** vehicles
- **11.5 million** passengers per annum
- **112 million** km travelled

Passenger transport

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

Nico Boshoff – CEO: Passenger transport division

Business environment

Megabus operates in the commuter and personnel markets under mid to long-term contracts with government, as well as with large corporate entities. The Megabus service remains the mainstay of the passenger transport division with its long-term contract and annuity income business model.

The intercity business operates on a national basis under the Greyhound and Citiliner brands. The intercity and tourism operations are leading brands in this segment and offer a high standard of service, which is critical in order to remain competitive and to differentiate the division.

Mega Express operates and manages the Gautrain feeder and distribution service, which was the first of its kind in commuter transport in South Africa. Since its inception, similar bus transport services have been initiated and the South African government will implement Bus Rapid Transit (BRT) systems in 10 of the major cities in South Africa. Unitrans Passenger is party to the Rustenburg Rapid Transport (RRT) project and will continue to evaluate and participate in similar projects as they develop.

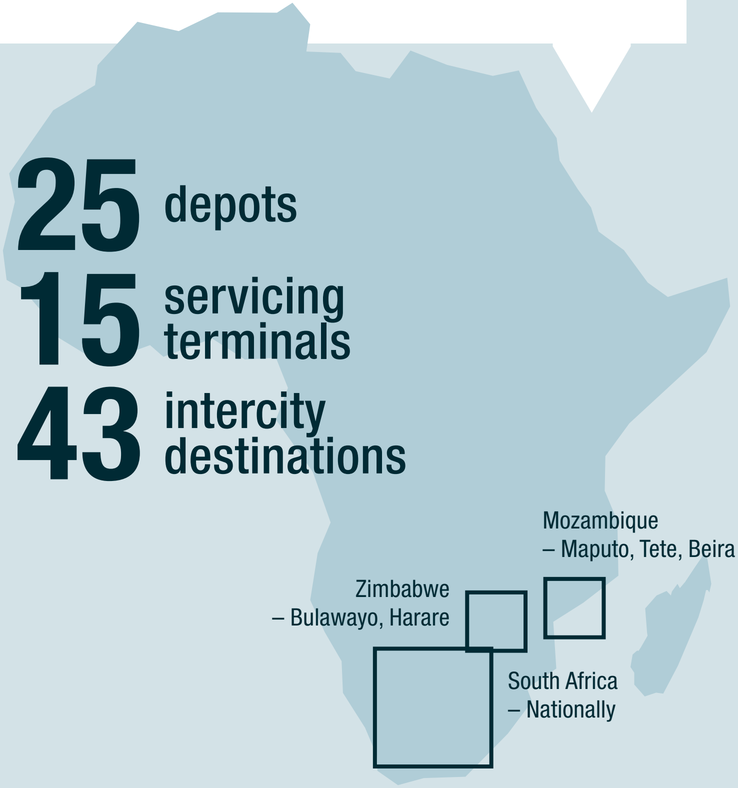
In an environment where passenger safety is one of the most critical aspects to manage, and where road safety is also dependent on third-party behaviour, including road surface quality and vehicle maintenance, the division consistently reports a low incident rate. Vehicles are equipped with tracking devices, speed control and monitoring systems. Continuous driver training further enhances safe and incident-free arrival of passengers. A 24-hour customer care centre services the intercity operations.

Unitrans Passenger offers a complete transport solution to customers in the commuter, personnel, intercity and tourism markets.

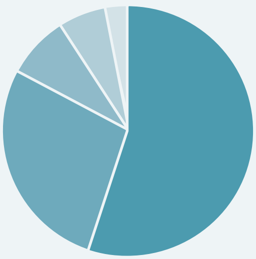
25 depots

15 servicing terminals

143 intercity destinations



REVENUE SPLIT



55%	Commuter and personnel
28%	Intercity
8%	Gautrain bus feeder
6%	Tourism
3%	Rest of Africa

Key differentiators

Unitrans Passenger is the most diversified passenger transport operator with a footprint throughout southern Africa, with intercity routes extending to Mozambique and Zimbabwe.

Its diversification across services and market segments, coupled with its mechanical expertise and ongoing maintenance of vehicles, enables the division to utilise its vehicle fleet to its full potential, eliminating unnecessary replacement and increased costs.

A long track record of safety supports the reputation of the division as being a preferred transport service provider to southern African companies and passengers.

Group strategy	Material issues	Business strategies
Adding value through specialisation	Fuel is a material cost	Investment in new technology Vehicle maintenance and driver behaviour CNG (compressed natural gas) pilot project in progress
Market leadership	Managing public and passenger expectations	Continuous training and evaluation of drivers and technical staff Establish and maintain good employee relationships Vehicle reliability and safety
Industry diversification	Concentration risk in market segments	Diversify revenue
High barriers to entry	Regulatory industry requirements	Proactive participation in industry bodies and contract negotiations with government Enter into long-term contracts
Leveraging our African base	Africa infrastructure development and consumer growth	Leverage Unitrans Logistics' African experience and geographical footprint to enter new African markets

Implementation

Increased efficiencies, reduced fuel costs, well-maintained fleet, reduction in carbon footprint, improvement of fleet control by means of latest technology

Results

R195 million capex invested in new fleet

36 million litres of fuel used per annum

Maintain safety and customer service record

Maintain low staff turnover

Grow revenue in various market segments

112 million km travelled annually

11.5 million passengers per annum

Staff turnover remained low at **2%** (FY14: 5%)

R3.3 million investment in employee training

37 apprenticeships during the year

Re-negotiate new long-term contracts with government

Skills and talent management: Employee focus, page 84

Extend services into Africa

Vale Mining contract in Mozambique operational

Commentary

Performance review

The passenger transport division produced a pleasing performance for the year, showing a 7% revenue growth and 24% operating profit growth in spite of competitive market conditions. The diversified nature of the business mitigated against most of the challenges that impacted the various sectors within which it operates.

The intercity business performed well, despite competitive pricing and increased competition from low-cost airlines on major routes. The business continues to increase its sales footprint to bring services closer to the customer. Despite some of the traditional passengers from the luxury Greyhound service migrating to the more affordable Citiliner service, the business still recorded a pleasing set of results.

The Bojanala personnel service saw a decline in passenger numbers due to reduced mining activities, but managed to perform on target and ahead of previous year results.

The division successfully commissioned a personnel contract for Vale Mining in the Tete province of Mozambique in September 2014. Since commissioning, there has been an increase in vehicle and staff requirements in order to expand the contracted services. The five-year contract forms the base for the division's long-term strategy to expand into the rest of Africa.

Magic Bus, a business servicing the tourism industry, was re-branded to Magic Transfers and re-launched at the Tourism Indaba in May 2014. The business was also restructured to improve efficiencies and focus on service delivery, resulting in an increase in bookings.

Management of fuel consumption and efficiency is a key performance area. In line with this, new Euro 5 vehicles were incorporated into the Greyhound fleet for intercity transport, forming part of a fleet replacement programme with lower fuel consumption and emissions.

Outlook

A key priority for this division is expansion into selected countries in Africa by utilising the existing skills, experience and footprint of Unitrans Logistics. Expansion of existing passenger operations in Mozambique is well advanced, with a new service in Beira having commenced in July 2015, and with further prospects coming out of the Vale Mining contract. The expansion into Africa will be carefully evaluated and all risks (including repatriation of surplus funds, political and social risks) and currency exposure will be carefully considered.

The Rustenburg Rapid Transport (RRT) project went into re-negotiation during the year. The commencement date has been moved to implement phase one in 2017 with a limited number of buses.

The business will also focus on applying its expertise and experience to enter into selected public private initiatives. The division remains alert to all expansion opportunities, including possible acquisitions.

Case study

AFRICA – A new experience

Strategic drivers

High barriers to entry

Leveraging our African base

Implementation

Investment in vehicles with low level of diagnostic requirements to reduce downtime and improve operational efficiencies. Local personnel employed.

Benefits

Expansion of our African footprint resulting in brand awareness to potential new customers.

Results

- Additional vehicles added to existing fleet.
- New contract to supply drivers and supervision for customer vehicles.
- Extend services to client with additional new contract secured in the port city of Beira.

Expanding into Mozambique

Commentary

Following Unitrans across South African borders to facilitate effective implementation of passenger transport services has proven successful.

In August 2013, Unitrans Passenger tendered and was awarded the personnel transport contract for Vale Mining in Mozambique's Tete province. The tender was conducted through an online bidding process, hosted by an independent firm based in Portugal, a first of its kind for the Unitrans Passenger team.

The contract implementation process included the building of the required vehicles, staff recruitment and training, induction at the mine and setting up of a depot in Tete.

The division prioritised the employment of Mozambican citizens from the greater Tete area, and the contract now employs 148 people. All staff received training and development specific to their duties and, where necessary, received specialised training in South Africa to ensure that required performance levels are met and sustained. In addition, all staff had to undergo the mine's induction course and medical assessments.

Operations commenced in August 2014 with 34 buses, and Unitrans Passenger now operates a fleet of 54 buses in Tete, moving approximately 1 500 people in and out of the mine daily, travelling on average approximately 49 000 km per week with a consistent on-time arrival performance of 98%.

Through its dedication to service delivery, consistency and track-record, Unitrans Passenger was also awarded further contracts – to supply drivers and supervisory staff to manage the fleet of buses owned by Vale Mining, and a six-bus contract in the port city of Beira. Operations in Beira commenced on 4 July 2015.

194 staff employed at the Unitrans Passenger operations in Mozambique

Operating from depots in Tete and Beira

Adherence to the mine's strict health and safety requirements

Diversified industrial

Business review

Diversified industrial: Integrated timber

Revenue R2.6bn

Contributing **16%** of total group revenue

Products and brands

Forestry
Sawlogs, poles, pulpwood

Primary processing – Timber
Structural timber (Thesen), poles (Woodline)

Primary processing – Board
Particleboard (BisonBord), medium-density fibreboard (MDF) (SupaWood)

Upgrading
Foil (DecoBord), high-pressure laminates (Formica), melamine-faced board (Melawood)

Distribution
High-pressure laminates (Formica), solid surfacing (Corian & Montelli)

Highlights

Gross revenue increased by **14%** from R2.3 billion to R2.6 billion

New MDF plant producing **380 m^3/day**

Continued operational cost savings and efficiency improvements

Key facts

1 400 employees

1 038 073 tons of residue fibre consumed

41 200 ha of planted forests

747 750 m^3 board capacity

Our aim is to be the leading manufacturer and primary upgrader of timber products in our chosen markets.

Gerhard Victor – CEO: Integrated timber division

Business environment

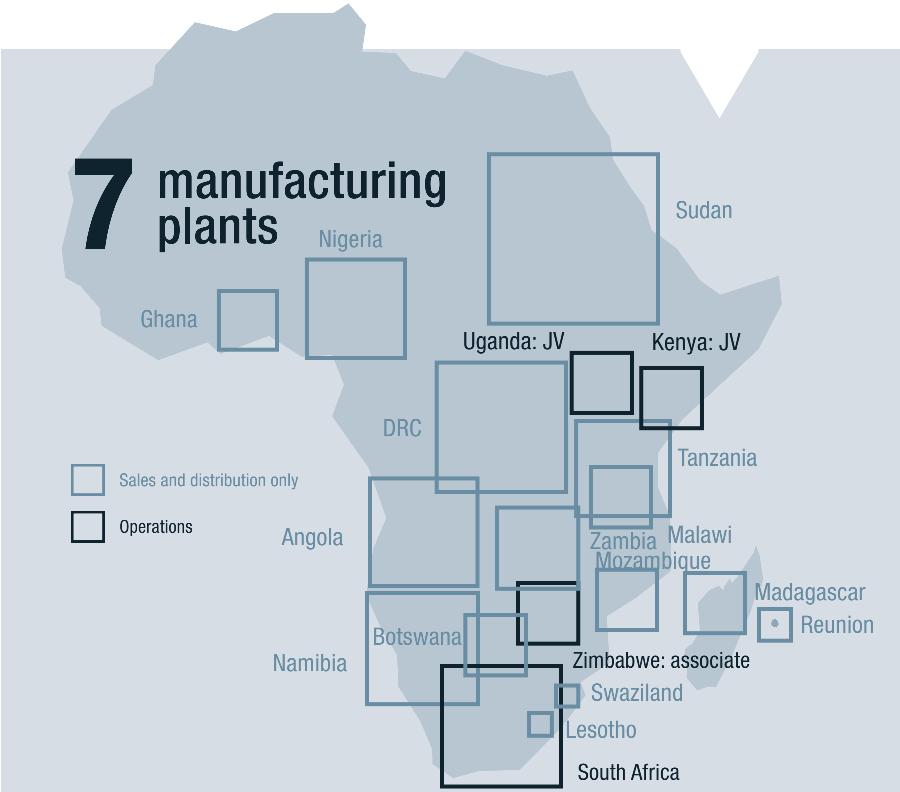
PG Bison has successfully navigated the challenging South African business environment of subdued consumer spending and infrastructure development. It has achieved this through its investment in manufacturing technology combined with product development, backward integration and targeting growth in other African territories.

PG Bison has invested in its own forestry resources in order to control raw material availability and prices. This long-term strategic imperative serves as a solution to the timber supply constraints in South Africa that continue to exert upward pricing pressure.

Within an industry reliant on continuous energy supply to prevent production downtime, PG Bison partly mitigates against the energy supply challenge through energy plants at both of its Boksburg and Ugie facilities. The upgraded energy plant in Boksburg generates approximately 2 MW of thermal energy using timber residue from the production process. Not only does this assist with energy supply to certain processes, but it also provides an estimated saving of R10 million per annum on energy input cost.

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

PG BISON



BISONBORD · SUPAWOOD · DECOBORD · SURFACE INNOVATIONS · WOODLINE · MELAWOOD · FORMICA · THESEN

Key differentiators

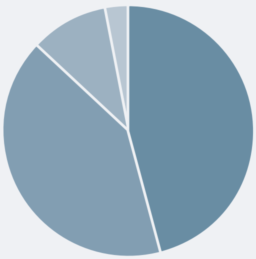
Technology investments facilitate increased volume, quality improvements, raw material savings and overhead cost benefits.

Economy-of-scale benefits and upgrading facilities in line with board production in order to optimise logistics.

Backward integration controls raw material prices.

Product, brand and customer focus, combined with a 'solution selling' philosophy, adds value to customers.

REVENUE BREAKDOWN



46% Value-added products
41% Primary processing
10% Forestry
3% Distribution

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 leadership	Market share protection and growth	Investment in product range expansion and quality Investment in people and systems Investment in marketing
Industry diversification **Adding value through specialisation**	Competitive market conditions	Backward integrated business model 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 investment in Zimbabwe

Skills and talent management: Employee focus, page 84

Implementation	Results
Facilitate cost reductions Invested R2.2 billion over the last 10 years, with R800 million planned investment over the next two years Focus on long-term access to raw materials Differentiate product offering Differentiate service offering	**Material annual cost saving** through recent business re-engineering Largest and most advanced manufacturing plants **in Africa** **88 800 ha** of forestry land Internal manufacturing of **melamine faced board (MFB) paper in conjunction with Woodchem** **New MDF plant produces 50%** more product with same infrastructure and overhead costs as previous plant
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 **R133 million investment** upgrading MFB, HPL and Foil line **Preferred supplier** of branded products **R6.8 million spent on training** for the year, 174 learnerships, 7 bursaries 2 MW energy plant with estimated cost saving of up to **R10m** **114 306 tons** wood fibre residue utilised for energy
Use as base to increase exports into African countries	Target set for continued growth in **exports**

Energy
www.kap.co.za

Commentary

Performance review

The second-phase upgrade of the MDF plant in Boksburg was successfully concluded during the year. Increased MDF volumes were targeted towards import replacement, which, together with a 21% increase in particleboard exports, resulted in a 14% increase in revenue despite a contraction in domestic demand.

The revenue increase was a result of:

- Increased MDF volume targeted at import replacement.
- Selling more value-added products that deliver a higher R/m³ contribution compared to raw product.
- Growth in MDF (SupaWood) contributed significantly, due to new capability to manufacture the desired range of sizes.
- Utilising unique systems and technology, which improved the supply chain to the customer, enabling the division to be more efficient in terms of stock and cash flow, allowing for investment in other services for downstream markets.

Improved operating margin as a result of the technology and efficiency benefits of the MDF upgrade, and continued operational and logistics savings. By installing the latest available technology, efficiencies were also created in material inputs and energy consumption.

The sale of Weatherboard was successfully concluded on 1 June 2015 in order to redirect capital (proceeds R180m) to higher return projects aligned with the group's strategy.

Outlook

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

The backward integration model of PG Bison will be enhanced by the installation of an impregnation line at the Woodchem facility within the chemical division of KAP. This facility manufactures impregnated paper (currently imported from Europe) used by PG Bison in the manufacture of melamine-faced board (MFB). The paper impregnation plant will be commissioned in November 2015.

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

Commissioning of a gloss overcoating line in June 2016 will provide another significant competitive advantage. This will facilitate growth in the market by providing a cost-effective high-gloss product.

The establishment of a focused business unit trading in decorative surfacing products (Surface Innovations) will provide further impetus into growing Formica laminates and building the solid-surface Corian brand within the market.

At Thesen sawmill, management has been strengthened and operational efficiencies have improved. The marketing approach has been modified, which will continue to strengthen revenue and margin in this business.

Case study

Investment in the MDF* board plant upgrade with the latest world-class technology, yielded substantial increases in output and savings on overheads and raw material costs.

Strategic drivers

Market leadership

High barriers to entry

Implementation

A two-phased approach was followed to upgrade the MDF manufacturing plant, incorporating the full production process from fibre preparation to final sanded product.

Benefits

The upgrade increased product volume and improved quality, while supplying the lowest-cost product to market, with improved margins and enhanced customer satisfaction.

Result

A Valmet Refiner upgrade – improved fibre quality and consistency.

A new IMAL glue kitchen and high-pressure resin dosing system – improved fibre resination and reduced overall resin consumption.

New Siempelkamp forming line, 8th generation ContiRoll press and cooling and stacking line – increased capacity, improved product quality and consistency and reduced yield losses.

New Steinemann sanding line – improved board finish and thickness tolerances.

Dust generation system – increased steam generation capacity to enable increased production capacity by providing fuel to previously constrained gas boilers.

** Medium density fibre*

Commentary

The 2012 and 2013 restructure of the PG Bison business resulted in the rationalisation of its product range, customer base, assets and various internal operations and processes.

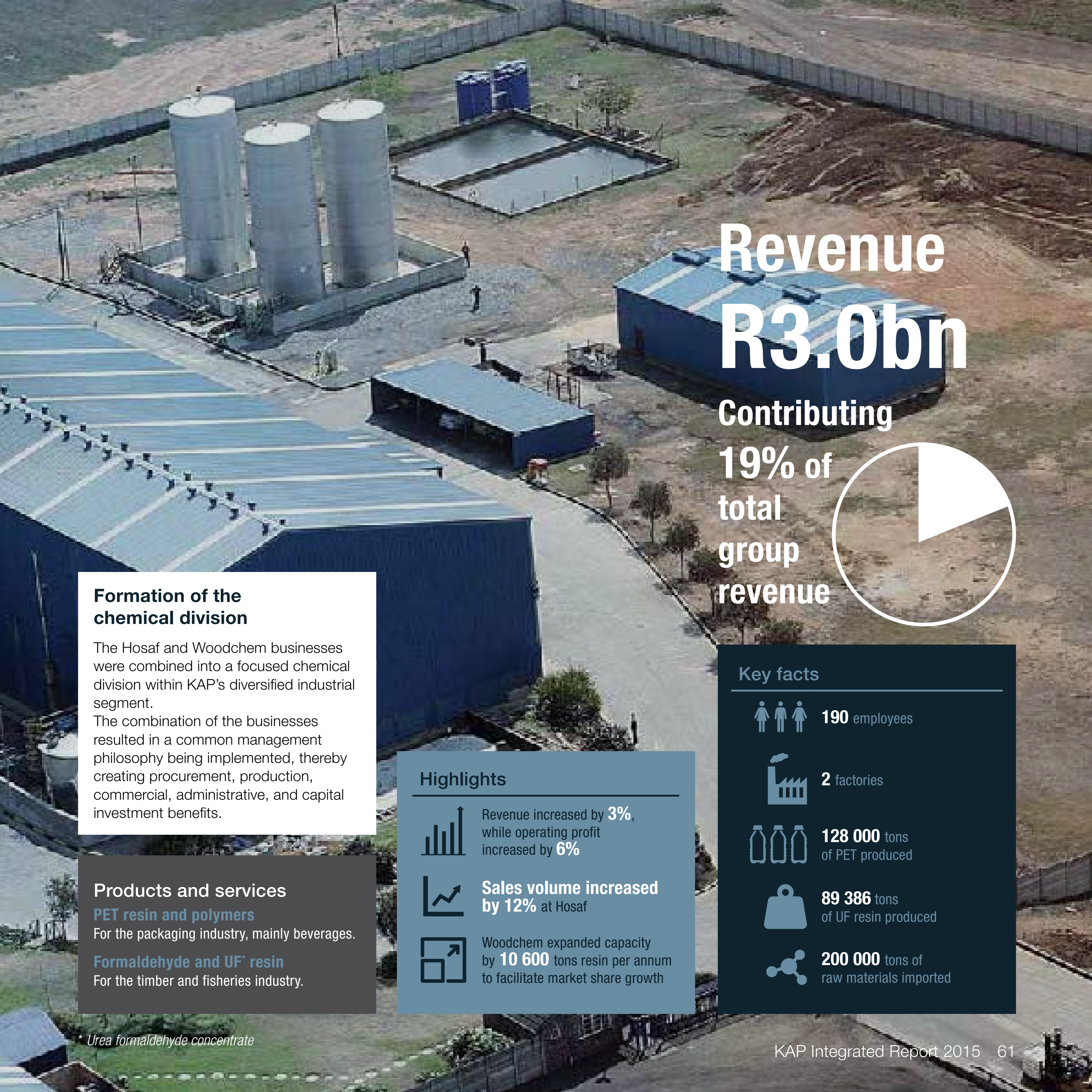
This created the basis and provided the funds which PG Bison could reinvest in the latest world-class technology, improving output, product quality and drastically reducing the manufacturing cost of MDF. PG Bison partnered with industry-leading equipment suppliers (Siempelkamp, Steinemann, IMAL and Valmet) and, together with its own specialist project team, delivered the installation on time and within budget.

The project increased production volumes by 110% and created the ability to manufacture a wider range of products with thicknesses ranging from 3 mm to 32 mm. The new equipment reduced raw material costs by 17%/m^3 and overhead costs by 40%/m^3. Improved product quality and the increased product range allowed for new market opportunities.

PG BISON

Business review

Diversified industrial: Chemical



Revenue R3.0bn

Contributing **19% of total group revenue**

Formation of the chemical division

The Hosaf and Woodchem businesses were combined into a focused chemical division within KAP's diversified industrial segment.

The combination of the businesses resulted in a common management philosophy being implemented, thereby creating procurement, production, commercial, administrative, and capital investment benefits.

Products and services

PET resin and polymers
For the packaging industry, mainly beverages.

Formaldehyde and UF* resin
For the timber and fisheries industry.

Highlights

- Revenue increased by **3%**, while operating profit increased by **6%**
- **Sales volume increased by 12%** at Hosaf
- Woodchem expanded capacity by **10 600** tons resin per annum to facilitate market share growth

Key facts

- **190** employees
- **2** factories
- **128 000** tons of PET produced
- **89 386** tons of UF resin produced
- **200 000** tons of raw materials imported

* *Urea formaldehyde concentrate*

Chemical

Our aim is to deliver premium products through leading technical expertise and world-class technology.

Leigh Pollard – CEO: Chemical division

Business environment

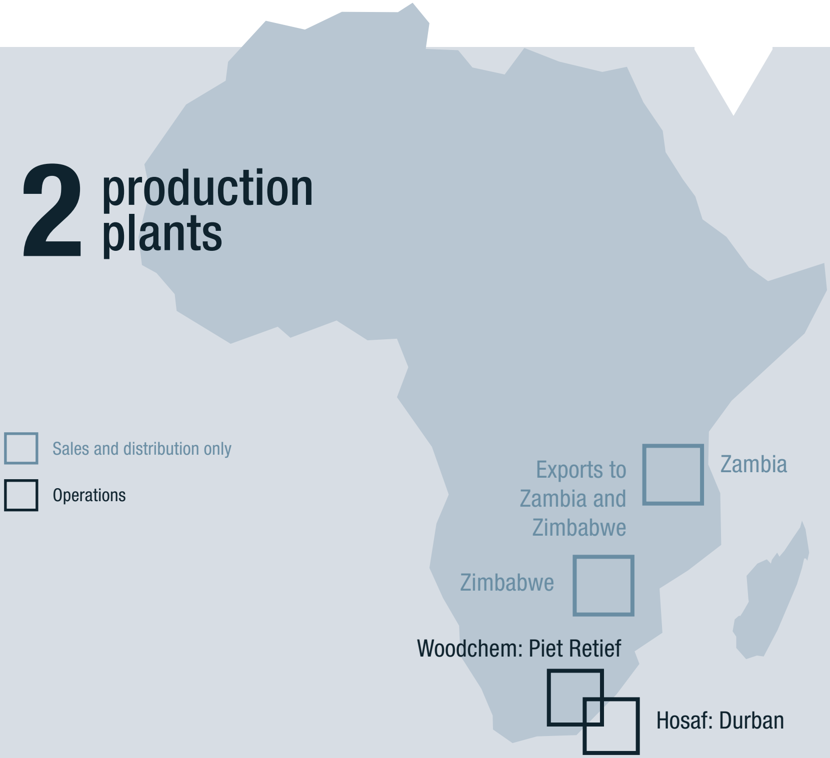
Hosaf produces polyethylene terephthalate (PET) resin from three key chemical raw materials, which are sourced from international suppliers. PET is used in South Africa, primarily in the bottling industry, because of its high intrinsic viscosity and clarity. Hosaf is the largest manufacturer of virgin PET in South Africa, supplying a market that grows, on average, by 7% per annum.

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

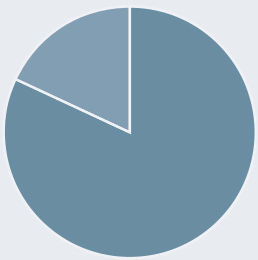
This division operates state-of-the-art equipment in world-class manufacturing plants, with the lowest emissions and energy consumption in its sectors. The high level of technical expertise required to manage these plants was a key determinant in creating a focused chemical division.

Woodchem SA produces various urea formaldehyde (UF) resins for the panel industry, and is the largest producer of wood panel resins in Africa. Hosaf is the only producer of virgin polyethylene terephthalate (PET) in South Africa, which is used in the beverages and packaging industries.

2 production plants



REVENUE BREAKDOWN



82%	Hosaf
18%	Woodchem

Key differentiators

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

The production facilities are the largest in their specific industries in sub-Saharan Africa.

The high capital cost of erecting chemical plants is a key differentiator and barrier to entry.

Group strategy	Material issues	Business strategies
Market leadership	Increased product demand	Investment in new technology Introduce new product lines Create efficiencies and contain cost Talent management
		Skills and talent management: Employee focus, page 84
Industry diversification	Development in customer demand	Increase production to serve new markets Migration into new product ranges
Adding value through specialisation	Reputational management	Actively support recycling and alternative PET usage initiatives

Implementation

Results

Implementation	Results
Increase production capacity Increase product line New impregnation plant Introduce new product line Train and retain critical skills Enter new markets	Board approval of Hosaf expansion, which will **increase production** to 237 000 tons per annum **Introduced** fast-reheat resin and 'biopet' made from renewable sugarcane resources **R2.07 million investment** in employee training and development
Member of PETco	Member and financial contributor to PETco in support of national **PET recycling initiatives with a goal of 0% waste to landfill** and certified waste disposal

Waste
www.kap.co.za

Commentary

Performance review

The chemical division delivered a satisfactory result for the year, with a revenue increase of 3%. Currency and raw material commodity price fluctuations were well managed, thereby protecting margins and resulting in an increase of 6% in operating profit. Hosaf volumes grew in line with market growth and Woodchem expanded capacity in order to benefit from market share growth.

During the year, the board of KAP authorised the expansion of the Hosaf PET production facility from its current capacity of 128 000 tons per annum to 237 000 tons per annum at a cost of approximately R700 million. This expansion will improve the competitiveness of Hosaf by providing the ability to produce an increased volume of PET without significant increase to its overhead cost base. It is expected that this expansion will be commissioned in July 2017.

The pricing model of this business with a rand-denominated conversion cost mitigates against currency and raw material commodity price fluctuations.

The capacity of the Woodchem plant was increased by 9.7% in December 2014. To accommodate the increased production volumes of UF resin, the storage facilities at the plant were increased with an additional 500 m^3 of resin storage capacity.

Woodchem is well advanced with the construction of a paper impregnation plant as a downstream value-adding process. This plant will be the first of its kind in Africa and is expected to be commissioned in November 2015, with an annual capacity of 80 million m^2. Approximately 45% of the production from this plant will be used to supply KAP's timber division, PG Bison.

Outlook

As a result of the Hosaf production facility running at full capacity, PET volume will grow through the import and resale of PET until such time as the planned expansion is commissioned in July 2017. Consumption of PET in South Africa is expected to grow in line with global trends, creating strong headroom to sell the increased production volumes.

The expanded capacity of Woodchem and the commissioning of the paper impregnation line are expected to provide strong growth opportunities for this business during FY16 and FY17.

Woodchem will also minimise production downtime and subsequent loss in revenue by expanding its storage capacity and investing in critical machine parts and spares.

Case study

A R5.8 million investment in a turbo charger increased resin production capacity by 9.7% to supply higher UF* resin demand.

Strategic drivers

Market leadership

High barriers to entry

Implementation

Investment in equipment improved the manufacturing process, which directly increased the input and output quantities.

Benefits

The consistent level of oxygen concentration mitigates against non-conversion of methanol and results in higher efficiencies and improved capacity.

Result

The extra 3 700 tons of methanol consumed allowed an additional 10 600 tons of resin to be produced per annum.

Increased revenue:
The increased production volumes will result in an estimated 7.6% increase in sales volumes.

Increased man-power:
Each team increased by one team member to manage the additional delivery of methanol resin.

** Urea formaldehyde concentrate*

Producing at higher volumes

Commentary

Woodchem installed a pressurisation fan that increased its UF resin production capacity by 10 600 tons per annum. This increase in capacity fulfils the higher demand for resin.

UF is produced in a continuous-flow process using methanol and oxygen. Air extracted from the atmosphere contains the oxygen that reacts with the methanol through a catalytic oxidation system to produce formalin (the base product for formaldehyde and UF). The methanol reacts with the oxygen at a concentration level of 11%. In order to increase the methanol flow, and ultimately the final product, a greater volume of oxygen had to be added to the system to ensure a consistent concentration level and methanol conversion rate.

A turbo charger (pressurisation fan) was installed in the continuous-flow system, enabling the plant to extract a higher volume of air from the atmosphere to maintain the required level of oxygen concentration.
The increased volume of air directly increased the volume of methanol being processed, which ultimately enabled the factory to produce at higher volumes.

WOODCHEM

Business review

Diversified industrial: Automotive components

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

Revenue R1.4bn

Contributing 8% of total group revenue

Products and brands

Feltex automotive trim
Textile-based automotive acoustic and trim components.

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

Caravelle
Overlay carpets/loose-lay vehicle mats.

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

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

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

Highlights

- Revenue increased by **30%**
- The foam conversion business diversified its product line by investing in a flame lamination plant
- **R80 million** investment in support of contract renewals

Key facts

- **1 720** employees
- **18.5 million** components produced annually
- **6 540** tons of foam produced
- **3 600** tons of offcut material is recycled back into products

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

Ugo Frigerio – CEO: Automotive components division

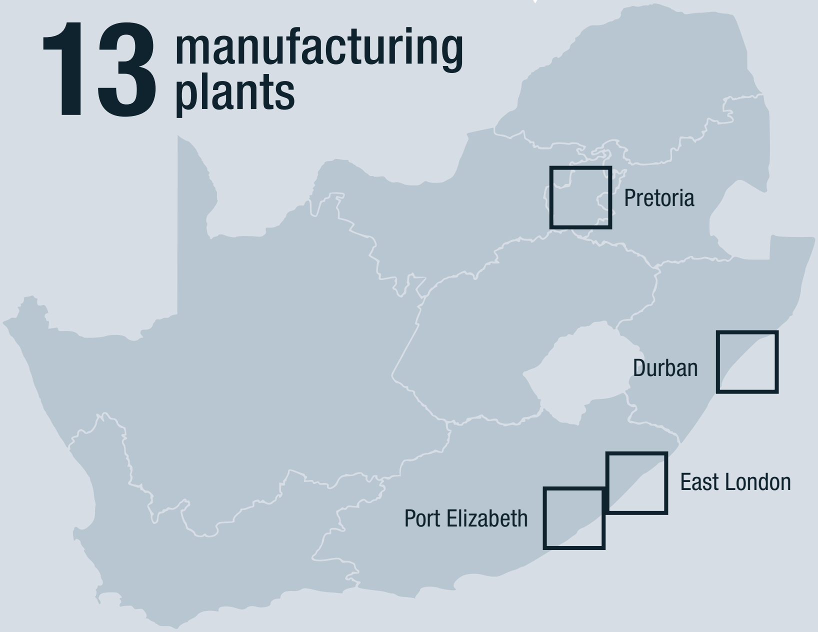
Business environment

With world-class quality and manufacturing capabilities, South Africa remains a production destination of choice for international OEMs as a strategic gateway to the African continent. Annual vehicle production by international OEMs in South Africa has increased 17% to 562 417 units from 480 600 units in the prior year, with the objective of reaching 1 000 000 units by 2020. South Africa's vehicle build is spread over seven OEMs building 12 models, with approximately 50% of all vehicles produced being exported.

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

Feltex Automotive manufactures 70% of the moulded seat foam used in car seats in South Africa and 85% of soft trim.

13 manufacturing plants



SOUTH AFRICAN OEM VEHICLE PRODUCTION SPLIT

23%	Toyota
22%	VW
16%	Mercedes-Benz
15%	Ford
12%	BMW
6%	GM
6%	Nissan

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. Economies of scale assist Feltex Automotive in achieving competitive pricing in a relatively fragmented domestic market.

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

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

Group strategy	Material issues	Business strategies
High barriers to entry Adding value through specialisation Industry diversification	Competitive market conditions Global selling pricing benchmarks by OEMs Stringent customer product specifications and quality standards matching global best practice Supply chain continuity	Continuous investment in manufacturing plants, technology, systems and processes Vertical integration Localisation and supply chain optimisation Investment in training and technology partnerships together with strategic alliances
Market leadership	Scarce technical skills Small and diversified local market	Talent management and employee relations 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

Invest in replacement capex with new technology and efficiency benefits

Establish presence in close proximity to OEMs

Expand into new market segments and product lines

Skill and talent management: Employee focus, page 84

Train and retain critical skills

Maintain good relationships with existing global component manufacturers and foster new relationships

Technology investment and international technology partnerships

Expand exports into Africa with existing footprint supplying quality and cost-effective components

Results

Investment of R68 million in replacement capex

R5 million investment in technology systems during the year

Disposal of non-core property

JIT and JIS supply to all OEMs

R7 million invested in expansion capex for new product lines

R2.7 million investment in training

19 learnerships during the year

Nurtured existing **relationships** and opened discussions with new **potential partners**

Close relationship with local OEMs, **expanding African footprint**

Commentary

Performance review

Feltex reported revenue of R1.4 billion during the current year, representing an increase of 30% compared to the previous year. This was as a result of increased part penetration and the 17% year-on-year increase in vehicle build. The launch of the Mercedes-Benz C class was received favourably, resulting in strong volume growth for Feltex, with additional parts penetration.

The year's net capital investments of R60 million were focused on preparing for the new Toyota Hilux model to be launched in January 2016, and improving efficiencies in the production processes of other models.

The business continues to seek opportunities to diversify its own product range to better utilise its access to raw materials and increase its value-add into the OEMs. In this regard, a business model of forward-integration was implemented by the foam conversion business of the division by investing in a flame lamination plant to extend and diversify its product range.

Outlook

Feltex has secured component volumes on the new Toyota Hilux build and is currently participating in the quotation process for two major OEM replacement models, which are scheduled for assembly in 2017 and 2018. In both instances volumes are expected to be similar to current levels. Focus on localisation of component manufacturing, in line with the APDP incentive scheme, remains a priority for the business.

Feltex remains focused on its overall strategy of continuous improvement through training and development, technology investments and research and development in order to remain competitive.

Case study

Investment in product expansion and partnering with new technology partner supports growth strategy.

Strategic drivers

Industry diversification

Adding value through specialisation

Implementation

R5.1 million investment in infrastructure, international supply partnership and additional skills employment.

Benefits

Expanding the existing product range and optimising the supply chain with localised raw material (PVC) improved the division's competitive advantage.

Result

- Expanded product range
- Two new customers
- Expected annual turnover from new process and product line: R38.5m
- Under the TNV supply arrangement, Feltex Foam is the nominated agent for the supply and distribution of polyvinyl chloride (PVC) for the South African automotive market
- 20 additional direct jobs

Opportunities to increase local supply chain and export opportunities

Commentary

Feltex Foam is a manufacturer and converter of polyurethane foam, predominately for the automotive industry.

In order to add value to its core product range, the business was vertically integrated to include PVC lamination of its converted foam products, which are used in vehicle interiors. Feltex's foam products were previously only sold to third-party laminators before being sold onto the OEMs. This addition has therefore shortened the supply chain, allowing Feltex another direct product channel with the OEMs.

Following the expansion of the product range, the business will extend its relationship with key customers, being Ford SA and Toyota Boshoku SA, for the Ranger and Hilux models respectively, with further opportunities to increase penetration with other OEMs and export programmes.

In order to support this investment, Feltex Foam has entered into a partnership with Thainam Plastics Public Company Limited, a Thailand-based developer and manufacturer of PVC. Through its South African subsidiary, Thainam Vynide, PVC will be produced locally, providing Feltex the sole distribution right in the South African automotive market.

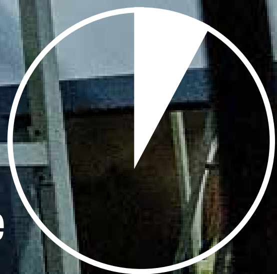
FELTEX

Business review

Diversified industrial: Integrated bedding

Revenue R1.0bn

Contributing 7% of total group revenue



Restonic acquisition

On 2 January 2015, KAP acquired Restonic, the second largest bedding manufacturing company in South Africa. This facilitated the creation of an integrated bedding business, which manufactures more than 90% of its primary components and has the potential to implement a decentralised production footprint in southern Africa.

Products

Restonic
Bedding components (inner springs, pocket springs, timber bases, plastic components, bonded insulation), mattress and base assembly

Vitafoam
Flexible polyurethane foam and expanded polyethylene production, bedding components, fibre products

DesleeMattex
Knitted and woven jacquard fabrics (mattress ticking)

Highlights

KAP's acquisition of **Restonic** creates an integrated bedding division

In excess of **7 million** linear metres of fabric produced annually

Supplies mattresses to **13** countries in Africa

Key facts

1 440 employees

105 000 m² production space

13 000 tons of polyurethane foam produced

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

Integrated bedding

Our aim is to be the leading manufacturer of bedding-related products in Africa by utilising world-class technology and expertise.

Michael Metz – CEO: Integrated bedding division

Business environment

Within the global furniture retail sector, the bedding product range has proved to be resilient through economic cycles. The bedding sector has retained its strength, despite many South African consumers being over-indebted and under financial pressure.

Changes in South Africa's National Credit Act have affected the buying landscape for a large number of consumers. The retail industry is migrating towards a more balanced environment, involving credit, cash and lay-by sales. This is expected to have a positive long-term impact on customers' buying behaviour and product considerations.

The bedding industry in South Africa is characterised by a highly fragmented manufacturing base as a result of the high logistics costs involved in transporting the product. A key element of this division's strategy is to leverage off its existing infrastructure; firstly, to manufacture primary components centrally where it can achieve economies of scale and effectively manage raw material commodity and related exchange rate fluctuations; and secondly, to manufacture foam and assemble mattresses at five locations in South Africa and Namibia in order to facilitate fast and cost-effective distribution to the fragmented customer locations.

The broad infrastructure footprint, combined with the two-tier centralised/decentralised manufacturing model, together with its own distribution fleet, facilitates the supply of bedding products by the division to over 5 000 stores across South Africa and neighbouring countries, to both national retail groups and independent retailers.

KAP's bedding division manufactures foam, mattress ticking, springs, and assembles mattresses.

Key differentiators

The bedding division is fully integrated, producing the bulk of the raw materials required in the production of its final products.

Its wide geographical footprint, backed by its own distribution fleet, facilitates superior and competitive lead times and service levels.

The new structure and operating model allows the bedding division to service more than 5 000 furniture retail outlets. Decentralised production facilities supply national retail groups, as well as independent retailers across South Africa and into neighbouring countries.

Group strategy	Material issues	Business strategies
Market leadership	Fragmented market Supplying geographically diverse customers	Focus on identified key customers with value-added products
High barriers to entry	Traditionally very low barriers to entry	Vertical integration Geographical footprint Economies of scale
Adding value through specialisation	Very little technology in bottom end makes products a commodity	Continuous innovation using world-class technology to manufacture products
Leveraging our African base	Expansion into Africa Long distances to customers which extends lead times and customer support	Utilising other KAP businesses' existing African presence and expertise Production and distribution near the end customer

Implementation	Results
Focus on key brands Ranges rationalised	**Increased demand** for our products **Improved margins** on limited ranges
Restonic and raw materials consolidated into new bedding division Support services centralised	**Increased overall margins** due to capturing downstream profit margins Increased size improves **importance to customers**
Staying abreast of international developments Investing in technology Building new facility implementing state-of-the-art layouts, equipment and business management systems	Sustainability Increased **efficiencies** Increased **demand** from customers for new technology products
Entered into licence agreements with local manufacturers Joint ventures being investigated Further markets being investigated in cooperation with other KAP group companies A wide geographical footprint of mattress production facilities across South Africa and Namibia was created through investing in equipment and sharing knowledge as well as expertise with production units that were previously only producing raw materials and limited bedding products	**Savings** in logistics costs **Improved** lead times to delivery **Reduced** customer support response times **Establishing brands** outside of South African borders Exports in other currencies creates a **natural hedge to cost** of imported raw materials costs

Commentary

Performance review

Following the acquisition of Restonic on 2 January 2015, the furniture components business was restructured to facilitate the formation of an integrated bedding division. This led to an improved performance at Vitafoam and DesleeMattex due to supply integration and increased efficiencies. BCM was closed during the year, and part of the plant was redeployed in order to facilitate the decentralised assembly and distribution model. The division grew revenue by 27% from continuing operations (including Restonic for six months) and improved its operating margin.

In order to incorporate full assembly plants into all locations, all production facilities were reorganised between January and June 2015, including new floor layouts and additional machinery installations. Restonic's raw material production activities were relocated into the first phase of a new factory in Johannesburg in order to benefit from improved layout and new technology. The second phase of this project will involve the consolidation of four factories into a single facility directly downstream from raw material component manufacture and is expected to be commissioned in 2017.

The Restonic and VITA-Rest ranges were launched in the regional factories, supporting existing Genessi and other foam bedding product ranges.

Outlook

The rationalisation of the newly created integrated bedding division has been completed. The economy of scale and related efficiency benefits and cost savings, together with the obvious logistics benefits flowing from this, will bear fruit in the 2016 financial period.

The division will focus on organic growth with an extended raw material product offering, continuous investment in technology, centralised procurement, and economies of scale through bulk buying and standardisation of raw materials.

The completion of the central Johannesburg plant is expected in 2017. This modern state-of-the-art investment will provide well-considered workflow systems and production lines, energy-efficient air ventilation systems, off-the-grid energy capability and a zero waste policy, thereby saving costs while also improving product quality and ensuring sustainability.

Case study

The Restonic acquisition improved the group's ability to provide a fully integrated supply to the bedding industry

Strategic drivers

Adding value through specialisation

High barriers to entry

Implementation

Production facilities were reorganised, including new floor layouts and additional machinery installations in order to incorporate full assembly plants into all existing manufacturing locations. Restonic's raw material production activities were relocated into the first phase of a new factory to benefit from improved layout and new technology.

Benefits

Improved supply chain coordination increased control over inputs and barriers to entry into a saturated market. Consolidation of outputs and decentralisation of assembly and distribution functions increased efficiencies and customer service levels.

Result

- Economies of scale
- Efficiencies
- Increased margins
- Increased customer satisfaction
- Increased market share

Reducing costs and thereby providing products and services at affordable prices

Commentary

By bringing together Restonic, Vitafoam and DesleeMattex, the newly formed integrated bedding division can take advantage of the already strong market positions of these underlying businesses.

Acquiring and incorporating Restonic into KAP's integrated bedding division was a natural evolution and has formed a perfect partnership. Restonic added additional market share, experience, expertise and a new world-class production facility to the capability of the Vitafoam and DesleeMattex infrastructure.

The group's focus on and investment in technology enable the joint operations to manufacture high-quality branded beds and all primary bedding components. Operating from five strategically positioned locations throughout South Africa and Namibia, the division's and the group's extensive infrastructure and scale benefits reduce costs and enable divisions to provide products and services to customers at affordable prices.

The newly formed division manufactures more than 90% of the raw material and components used in the production of superior quality mattresses and bed bases.

A Knitted and jacquard fabrics (DesleeMattex)
B Dacron fibre (Buffalo Textiles)
C High density foam layers (Vitafoam)
D Thermo bonded insulation pads (Buffalo Textiles)
E Inner spring and pocket spring (Restonic)
F Foam encasing (Buffalo Textiles/Vitafoam)
G Timber base (Restonic)
H Plastic components: legs, plugs, air vents, corner guards and base corners (Restonic)

Employee focus

Our focus on training, development and retention supports the group's strategic objectives.

All divisions within the group are committed to the development of their businesses, and will continuously invest in new processes, technology and solutions to shape their businesses as clear market leaders. It is, however, the enthusiasm of the people, and their willingness to grow with the group, that will contribute to the ultimate success of KAP Industrial.

Key facts

165 bursaries*

311 learnerships*

191 trade certifications*

R73.3 million invested in training and development

B-BBEE scores	
USCS	3
Unitrans Passenger	4
PG Bison	3
Hosaf	3
Feltex	4
VitaFoam	5
DesleeMattex	4
B-BBEE level	**4**

** Of which 97% was awarded to black employees*

Investing in people is key to attract and retain competent staff, and having an appropriately skilled workforce is central to the achievement of the group's strategic goals. Divisional initiatives and training programmes are ongoing to achieve excellence in personal performance and operational outputs. Throughout the group there are multiple examples of personal development, operational achievement, long service and dedication to the group and fellow team members.

Unitrans Passenger employees in Tete, Mozambique

Passenger

Unitrans Passenger commenced with the personnel contract in the Tete province of Mozambique in August 2014. As part of the mobilisation process, more than 120 Mozambican citizens were employed, mainly as driving staff. All staff were provided with the necessary training, which included an induction by Vale Mining, with the emphasis on health and safety. All required training manuals were translated into Portuguese.

A team of qualified driver trainers from the South African operations was sent to complete the assessments and provide practical training. In addition, technical training was conducted at OEM's and Unitrans Passenger's facilities in Johannesburg.

Unitrans Passenger sourced the services of a local clinic to provide basic healthcare and an HIV/Aids awareness programme. All staff members also received education on malaria prevention and a basic malaria prevention kit.

During the past year, the division recorded a very low staff turnover in Mozambique, which can be attributed to the high level of training provided and the general high morale among management and staff.

Hennie Basson, Nhlanhla Shabangu, Oupa Matlau and Ronnie Peterson from the MDF Boksburg plant

PG Bison

Phases one and two of the MDF plant upgrade in Boksburg were managed by PG Bison's own engineering team. The team worked closely with Siempelkamp's international production team and was instrumental in the successful installation of both phases – on time and within budget. The specialised engineering and production skills of the people involved were crucial during the commissioning phases and also ensured that the newly acquired technology was leveraged to yield the expected results.

As with the other PG Bison panel manufacturing facility, the Supawood factory employs a continuous production process. The plant operates 24/7 for 344 days a year, and constant supervision over the process, equipment and product quality is needed. In order to deliver to the plant's full capacity and at a high level of quality, PG Bison continuously invests in its employees.

Skills are developed through active on-the-job skills transfers, as well as structured training interventions, ranging from advanced technical training programmes to learnership programmes. As a result, the business has motivated teams who manage highly technical processes. Their technical knowledge, attention to detail and process experience are crucial in the consistency and quality of the end product.

Long-term employees, Neil Manuel (driver trainer) and Peter Smidt (driver mentor)

USCS

USCS has a notably low staff turnover. Many of its drivers have been with the business or working on various customer contracts for many years. As service levels on many contracts are managed and evaluated by the customers, drivers are independently assessed.

Part of the success of the business is attributable to the continuous training of drivers, with many becoming driver trainers and mentors to younger and less experienced drivers. This transfer of practical skills and experience plays a very important role in our driver development.

Drivers also participate in and are assessed by customers in competitions that create a healthy level of participation to bring out the best in the individual on a professional and personal achievement level.

Loyiso Baza (back row, far right) and his shift team

Woodchem

The Woodchem production plant manages continuous and batch production processes with the one process feeding the other. The plant runs 24/7 for 344 days a year. The volume of product output is managed by only four teams of six people who rotate by shifts.

In a complex process where checks and balances are critical to the consistency and quality of the end product, technical knowledge, attention to detail and process experience are crucial. All employees are skilled workers with many years of experience and an average tenure of 10 to 14 years at Woodchem. Skills are transferred within teams, with every team leader training and developing their potential successor/s. The average training period is two years before full responsibility can be handed over.

Polyurethane foam production team at Feltex

Feltex

Feltex Foam incorporates three production units which include foam production, foam conversion and the value-add by means of lamination. The units employ a combination of batch production and conversion processes in order to balance production capacity with customer requirements.

The production of polyurethane foam is in accordance with the stringent technical specifications and exacting quality standards as demanded by OEMs. This can only be achieved by employing a combination of technical skills and experience and having the right process controls and continuous product validation in place.

Employee development and skills transfer are critical in order to ensure that Feltex Foam remains at the forefront of continuous changes in customer technical requirements.

To drive these critical processes, the team has the appropriate qualifications and high level of skills and experience, all of which have been acquired in their tenure of between five and 34 years.

Sydney Rambasa, dispatch controller

Restonic

The brand equity of the businesses in the bedding division and the vertical integration of raw material supply and assembly provide the right ingredients to advance the bedding division to higher levels of quality and service in bedding-related products. To achieve this goal and leverage the advantages that the creation of the new bedding division brings, the skills, energy and passion of the people will play an important role in driving future success.

Skills transfer and an eagerness to learn provided Sydney Rambasa with a solid base to springboard into the opportunities the new division brings, with multiple businesses and job requirements. Employed with Restonic since 2009, he currently works as a dispatch controller and is one of three family members working at Restonic. His goal is to take over from his father as operations manager. In order to fulfil his personal dream and to make sure he has the right qualifications, Sydney completed his studies in Operations Management, achieving a 75% pass rate. His reliable track record and good work ethic secured further support from Restonic towards obtaining his diplomas in Project Management and Supply Chain and Logistics Management. With these qualifications and his experience on the factory floor, he has established himself as a valuable team member with the ability to grow with the group.

KAP competes for management skills and talent in a challenging marketplace, and its approach to remuneration needs to remain competitive.

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

Remuneration report

KAP is a South Africa-based company with approximately R2 billion of revenue earned outside of South Africa. KAP's industrial and diverse business model requires specialist and technical skills. In addition, 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 global marketplace, and its approach to remuneration needs to remain competitive.

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

The committee comprises two independent non-executive directors as well as an executive director. 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 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 business 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 incentive schemes, to ensure that they are appropriate and in line with the business strategy and remuneration policy;
- fulfil delegated responsibilities on KAP's share-based incentive plans, and approve amendments to the KAP share-based incentive schemes, after consultation with shareholders and approval by the JSE Ltd;
- approve the appointments 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
- 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 divisional and business 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;
- review the longer-term incentive scheme; and
- review talent management and succession planning taking due cognisance of employment equity targets and B-BBEE requirements.

Alignment with strategy

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

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

Employee share ownership and 'black' management share ownership plans

In accordance with the group's strategic transformation objectives, Steinhoff International Holdings 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 11 705 KAP Industrial employees participate at various levels in a Steinhoff International share ownership scheme, and collectively hold more than 40 million Steinhoff International shares with the associated funding.

During the financial year, a dividend of R13 million was paid to participants in this scheme. As at the date of this report, the value created in this scheme was approximately R1.7 billion.

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 termination packages.

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 periods 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 committee, makes recommendations to shareholders on fees payable to non-executive directors (comparable to industry standards) and, the importance attached to the retention and attraction of value-adding professional individuals as non-executive directors. Fees are reviewed annually. When appropriate, independent 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 share performance. Levels of fees are also set with reference to the responsibilities assumed by the non-executive directors chairing or participating on the board and board committees. Non-executive directors do not qualify for shares in terms of the group's share incentive schemes.

	2015 R	2014 R
Board membership fees		
Independent, non-executive chairman (all inclusive fee)	**675 000**	636 000
Member*	**270 000**	254 00
Committee fees		
Audit and risk committee		
Chairman	**230 000**	215 000
Member	**112 500**	106 000
Human resources and remuneration committee		
Chairman	**125 000**	117 000
Member	**60 000**	53 000
Nomination committee		
Chairman	**5 500**	5 000
Member	**5 500**	5 000
Social and ethics committee**		
Chairman	**24 000**	–
Member	**12 000**	–

* *A per meeting fee of R54 000 is proposed together with an annual retainer of R54 000 in respect of continuous informal commitments. (There are four scheduled quarterly board meetings per annum).*

The proposed committee fees are based on the planned number of meetings in respect of each committee and on attendance of the members.

** *The social and ethics committee was formed on 18 August 2014.*

Directors' remuneration
Refer to note 33 of the annual financial statements for details on the remuneration earned by executive directors for the year ended 30 June 2015.

Remuneration policy

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

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

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

Elements of remuneration

The remuneration policy covers three elements of remuneration, namely:

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

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

Total cost to company base salary ('salary')

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

Benefits provide security for employees and typically include membership of a retirement fund and medical aid scheme, where employees have the flexibility of deciding on the level of their participation.

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

Annual incentive bonus ('AIB')

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

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

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

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

Objective	Metric	Target for FY15
1. Achievement of operational and financial growth objectives (90% of bonus):		
– performance against profit target	Growth in headline earnings per share	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):	At 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 were weighted as follows during FY15:

Role	Percentage of AIB relating to group performance	Percentage of AIB relating to divisional performance	On-target bonus as % of base salary
Group executive deputy chairman	100%	–	50%
Group chief executive officer	100%	–	50%
Group chief financial officer	100%	–	50%
Group human resources officer	100%	–	50%
Divisional chief executive officers/chief operating officers	30%	70%	50%
Key divisional management	–	100%	15% – 50%

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

The committee performs an annual review to ensure that the performance measures and the targets set are appropriate within the economic context and the performance expectations for the division or group. It should be noted that, in line with this, with effect from FY16, the group's executive committee (i.e. group executive deputy chairman, chief executive officer, chief financial officer, human resources officer and divisional CEOs/COOs) will participate in a single group Annual Incentive Bonus pool in order to better align the interests of executive management with those of the group's investors and to ensure the optimum allocation of capital across the group.

Longer-term incentives (LTIs)

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

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

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

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

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

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

audited consolidated financial statements

30 June 2015

Preparation supervised by JP Haveman CA(SA)

Audited consolidated financial statements

We have audited the consolidated financial statements of KAP Industrial Holdings Limited set out on pages 105 to 196, which comprise the statement of financial position as at 30 June 2015, 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 judgement, 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 financial position of KAP Industrial Holdings Limited as at 30 June 2015, and its financial performance and 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 2015, 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

Deloitte & Touche
Registered Auditor
Per: MA van Wyk

Partner

18 August 2015

The directors are pleased to present the audited consolidated financial statements for KAP Industrial Holdings Limited and its subsidiaries ("the group") for the year ended 30 June 2015.

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 15 cents per share (2014: 12 cents per share) payable from income reserves on 5 October 2015 to shareholders registered on 2 October 2015. The dividend withholding tax of 15%, if applicable, will result in a net cash dividend of 12.75 cents per share (2014: 10.2 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"). On 2 January 2015, the issued share capital of the company was increased to 2 422 812 158 (2014: 2 346 187 888) Ordinary Shares by the allotment and issue of an additional 76 624 270 Ordinary Shares in partial consideration for the acquisition, on 2 January 2015, of the issued ordinary share capital of Metz Industries Proprietary Limited ("the Metz Acquisition Consideration Shares").

In total, 230 000 000 of the unissued Ordinary Shares, together with 1 000 000 000 cumulative, non-redeemable, non-participating preference shares of no par value and 50 000 000 perpetual preference shares of no par value (collectively "the Preference Shares"), were placed by shareholders under the control of the directors at the annual general meeting held on 18 November 2014. During the period under review, other than the Metz Acquisition Consideration Shares, no Ordinary Shares or Preference Shares had been issued.

Subsidiary companies

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

Nature of business

During the year under review, the group re-aligned its operating segments as follows:

Diversified Logistics

This segment comprises:

- A specialised logistics division that designs, implements and manages supply chain, warehousing and logistics services. The freight and logistics division and the fuel, agriculture and mining division have now been consolidated into a single division, comprising four business units, positioned to service the petrochemical, foods, mining and infrastructure and warehousing and distributions sectors, together with a separate business unit focused on growth into Africa; and
- A passenger transport division that provides personnel, tourist and commuter transport services.

Diversified Industrial

This segment comprises:

- An integrated timber division incorporating timber plantations, sawmills and production facilities for panel products. The resin production facilities, formerly managed within this division, now fall under the chemical division;
- A chemical division that manufactures PET, resin and formaldehyde;
- An automotive division that manufactures automotive components used primarily in new vehicle assembly; and
- A bedding division that manufactures bedding bases, foam and spring mattresses, together with mattress fabric.

Corporate activity

The group continued to invest in established businesses, which provide high barriers to entry and enhance the group's quality of earnings in respect of sustainability, solid margins and cash generation. This resulted in the following strategic initiatives being implemented during the year:

- The acquisition of Restonic was successfully concluded, and good progress was made in creating a fully integrated bedding business with a national manufacturing and distribution footprint.
- The Footwear business, the Weatherboard Sawmill with its associated plantations and the loss-making Fresh Freight business, being non-core assets, were all disposed of.

During the year under review the group also continued to further its strategy of strengthening its position as a market leader in the industries that it serves in Africa. The implementation of the group's strategy produced pleasing financial results for the year.

Directorate

On 18 November 2014, Mr JB Magwaza retired from the board, Mr KJ Grové stepped down as chief executive officer and Mr GN Chaplin was appointed as chief executive officer. Mr Grové continues to serve on the board as executive deputy chairman.

The directors of the company are as follows:

Executive directors

Gary Noel Chaplin (chief executive officer)
Karel Johan Grové (executive deputy chairman)
John Peter Haveman (chief financial officer)

Non-executive directors

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

Independent non-executive directors

Jacob de Vos du Toit (chairman: Board, chairman: Nomination Committee)
Ipeleng Nonkululeko Mkhari (chairperson: Social and Ethics Committee)
Stephanus Hilgard Müller (chairman: Human Resources and Remuneration Committee)
Sandile Hopeson Nomvete
Patrick Keith Quarmby (chairman: Audit and Risk Committee)

Directors' shareholding

At 30 June 2015, the present directors of the company held no direct or indirect interests in the company's issued Ordinary Shares other than:

	2015 Number of shares	2014 Number of shares
Gary Noel Chaplin	**700 000**	–
Jacob de Vos du Toit	**500 000**	500 000
Karel Johan Grové	**208 000**	–
John Peter Haveman	**331 954**	331 954
Stephanus Hilgard Müller	**300 004**	300 004

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

	2015 %	2014 %
Shareholders with an interest above 5%:		
Steinhoff International Holdings Limited[1]	**43.32**	44.73
Allan Gray[2]	**13.01**	12.62
Government Employees Pension Fund	**6.97**	3.43
Investec[2]	**3.50**	6.60

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

[2] *Prior year disclosure has been restated to reflect beneficial shareholdings only, rather than total shareholdings inclusive of institutional shareholdings.*

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 occurred between 30 June 2015 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 in 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, may not exceed 366 274 533 shares in KAP.

Rights in respect of 17 655 412 shares in KAP were granted to participating employees under the Scheme in December 2014, and an additional 7 344 588 shares have been set aside to provide for any new Scheme entrants prior to the next Scheme allocation in December 2015.

Report of the audit and risk committee

The report of the audit and risk committee, as required in terms of Section 94(7)(f) of the Companies Act, No. 71 of 2008, as amended ("the Companies Act"), is set out on pages 102 to 104 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 continue in office as the group's auditor.

Responsibility of directors

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

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

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

Going concern

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

Approval of financial statements

The consolidated financial statements for the year ended 30 June 2015, set out on pages 98 to 196, were approved by the board of directors on 18 August 2015 and signed on its behalf by:

J de V du Toit	GN Chaplin
Independent non-executive chairman	**Chief executive officer**

18 August 2015

COMPANY SECRETARY'S CERTIFICATE

The company secretary certified, in accordance with Section 88(2)(e) of the Companies Act, that the company had lodged with the 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 2015

28 Sixth Street, Wynberg, Sandton

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 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 2015 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 2015; and
  - the interim results for the six months ended 31 December 2014.
- 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 by the committee during the year.

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 2015 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 2016 financial year, with Mr Michael van Wyk as the designated auditor. This will be his fifth year as auditor of the company.

Accounting practices and internal control

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

Financial statements

The audit and risk committee has evaluated the consolidated financial statements for the year ended 30 June 2015 and considers that they comply, in all material aspects, with the requirements of the Companies Act and International Financial Reporting Standards. The committee has therefore recommended the financial statements for approval to the board. The board has subsequently approved the financial statements, which will be open for discussion at the forthcoming general meeting.

Evaluation of chief financial officer

As required by JSE Listing Requirement 3.84(h), as well as the recommended practice as per King III, the committee has assessed the competence and performance of the group Chief Financial Officer and believes that he possesses the appropriate expertise and experience to meet his responsibilities in that position. The committee is satisfied with the expertise and adequacy of resources within the finance function and the experience of financial staff in this function.

PK Quarmby
Audit and risk committee chairman

18 August 2015

	Notes	2015 Rm	2014[1] Rm
Continuing operations			
Revenue		**15 664**	14 471
Cost of sales		**(12 248)**	(11 345)
Gross profit		**3 416**	3 126
Other operating income		**404**	477
Distribution expenses		**(535)**	(463)
Other operating expenses		**(1 619)**	(1 660)
Capital items	1	**(35)**	(8)
Operating profit	2	**1 631**	1 472
Finance costs	3	**(344)**	(340)
Income from investments	3	**55**	13
Share of loss of associate companies	12	**(4)**	(8)
Share of profit of joint venture companies	13	**4**	3
Profit before taxation		**1 342**	1 140
Taxation	4	**(361)**	(309)
Profit for the year from continuing operations		**981**	831
Discontinued operations			
Loss for the year from discontinued operations	5	**(51)**	(74)
Profit for the year		**930**	757
Profit attributable to:			
Owners of the parent		**888**	724
Profit for the year from continuing operations		**939**	798
Loss for the year from discontinued operations		**(51)**	(74)
Non-controlling interests	20	**42**	33
Profit for the year from continuing operations		**42**	33
Loss for the year from discontinued operations		**–**	–
Profit for the year		**930**	757
		cents	cents
Earnings per share from continuing and discontinued operations			
Earnings per share	6	**37.2**	30.9
Diluted earnings per share	6	**36.7**	30.5
Earnings per share from continuing operations			
Earnings per share	6	**39.4**	34.0
Diluted earnings per share	6	**38.8**	33.6
Headline earnings per share from continuing and discontinued operations			
Basic headline earnings per share	6	**40.2**	33.8
Diluted headline earnings per share	6	**39.6**	33.4
Headline earnings per share from continuing operations			
Headline earnings per share	6	**40.6**	34.1
Diluted headline earnings per share	6	**40.1**	33.8

[1] *Prior year disclosure has been restated to reflect discontinued operations.*

	2015 Rm	2014 Rm
Profit for the year	**930**	757
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	**27**	16
	27	16
Total other comprehensive income for the year, net of taxation	**27**	15
Total comprehensive income for the year, net of taxation	**957**	772
Total comprehensive income attributable to:		
Owners of the parent	**916**	739
Non-controlling interests	**41**	33
Total comprehensive income for the year	**957**	772

	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 2013	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**
Net shares issued	**348**	**–**	**–**	**–**	**–**	**348**	**–**	**348**
Total comprehensive income for the year	**–**	**888**	**–**	**–**	**28**	**916**	**41**	**957**
Profit for the year	**–**	**888**	**–**	**–**	**–**	**888**	**42**	**930**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**28**	**28**	**(1)**	**27**
Ordinary dividends paid	**–**	**(282)**	**–**	**–**	**–**	**(282)**	**(22)**	**(304)**
Capital distribution to Steinhoff International Holdings Limited for share-based payments	**–**	**(4)**	**–**	**–**	**–**	**(4)**	**–**	**(4)**
Share-based payments	**–**	**–**	**73**	**–**	**–**	**73**	**–**	**73**
Transfer between reserves	**–**	**12**	**(2)**	**–**	**(10)**	**–**	**–**	**–**
Eliminated on disposal of subsidiaries and businesses (note 29)	**–**	**–**	**–**	**–**	**1**	**1**	**–**	**1**
Balance at 30 June 2015	**7 318**	**4 212**	**128**	**(3 952)**	**55**	**7 761**	**169**	**7 930**

	Notes	2015 Rm	2014 Rm
ASSETS			
Non-current assets			
Goodwill	7	**519**	205
Intangible assets	8	**1 079**	1 085
Property, plant and equipment	9	**7 038**	6 614
Investment property	10	**91**	19
Consumable biological assets	11	**1 824**	1 875
Investments in associate companies	12	**100**	109
Investments in joint venture companies	13	**40**	36
Investments and loans	14	**1**	26
Deferred taxation assets	15	**85**	70
		10 777	10 039
Current assets			
Inventories	16	**1 179**	1 197
Trade and other receivables	17	**2 575**	2 528
Short-term loans receivable	14	**23**	17
Cash and cash equivalents		**1 370**	1 348
		5 147	5 090
Assets classified as held for sale	18	**–**	428
		5 147	5 518
Total assets		**15 924**	15 557
EQUITY AND LIABILITIES			
Capital and reserves			
Stated share capital	19	**7 318**	6 970
Reserves		**443**	(261)
Total equity attributable to equity holders of the parent		**7 761**	6 709
Non-controlling interests	20	**169**	150
Total equity		**7 930**	6 859
Non-current liabilities			
Loans and borrowings	21	**3 134**	3 442
Operating lease liability		**9**	14
Employee benefits	22	**23**	21
Provisions	23	**56**	48
Deferred taxation liabilities	15	**1 086**	994
		4 308	4 519
Current liabilities			
Loans and borrowings	21	**328**	68
Employee benefits	22	**327**	292
Provisions	23	**94**	78
Trade and other payables	24	**2 934**	3 008
Share scheme settlement provision	25	**–**	95
Bank overdrafts and short-term facilities		**3**	520
		3 686	4 061
Liabilities classified as held for sale	18	**–**	118
Total equity and liabilities		**15 924**	15 557

	Notes	2015 Rm	2014 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	27	**2 275**	1 888
Dividends received		**2**	5
Income from investments		**57**	19
Interest paid		**(347)**	(349)
Dividends paid		**(304)**	(200)
Taxation paid		**(200)**	(125)
Net cash inflow from operating activities		**1 483**	1 238
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(1 362)**	(1 202)
Proceeds on disposal of property, plant and equipment		**167**	136
Additions to intangible assets		**(10)**	(18)
Additions to consumable biological assets		**(2)**	–
Net cash outflow on acquisition of subsidiaries and businesses	28	**(142)**	(2)
Net cash inflow on disposal of subsidiaries and businesses	29	**470**	278
Decrease in loans receivable		**10**	3
Increase in short-term loans receivable		**–**	(12)
Net increase in investments in associate companies		**(5)**	(11)
Net increase in investments in joint venture companies		**–**	(7)
Transactions with non-controlling interests		**–**	(3)
Net cash outflow from investing activities		**(874)**	(838)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease)/increase in bank overdrafts and short-term facilities		**(552)**	379
Decrease in long-term loans and borrowings		**(9)**	(480)
Decrease in short-term loans and borrowings		**(41)**	(284)
Net cash outflow from financing activities		**(602)**	(385)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**7**	15
Cash and cash equivalents at beginning of the year		**1 348**	1 320
Effects of exchange rate translations on cash and cash equivalents		**15**	13
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**1 370**	1 348

	2015 Rm	2014[1] Rm
Continuing operations		
REVENUE		
Diversified Logistics	**7 863**	7 705
Diversified Industrial	**7 885**	6 967
	15 748	14 672
Intersegment revenue eliminations	**(84)**	(201)
	15 664	14 471
OPERATING PROFIT BEFORE CAPITAL ITEMS		
Diversified Logistics	**880**	801
Diversified Industrial	**786**	679
	1 666	1 480
RECONCILIATION BETWEEN OPERATING PROFIT PER INCOME STATEMENT AND OPERATING PROFIT BEFORE CAPITAL ITEMS PER SEGMENTAL ANALYSIS		
Operating profit per income statement	**1 631**	1 472
Capital items	**35**	8
Operating profit before capital items per segmental analysis	**1 666**	1 480
TOTAL ASSETS		
Diversified Logistics	**5 624**	5 520
Diversified Industrial	**8 616**	8 501
	14 240	14 021
RECONCILIATION BETWEEN TOTAL ASSETS PER STATEMENT OF FINANCIAL POSITION AND TOTAL ASSETS PER SEGMENTAL ANALYSIS		
Total assets per statement of financial position	**15 924**	15 557
Less: Cash and cash equivalents	**(1 370)**	(1 348)
Less: Investments in associate and joint venture companies	**(140)**	(145)
Less: Interest-bearing long-term loans receivable	**–**	(26)
Less: Interest-bearing short-term loans receivable	**(23)**	(17)
Less: Related-party receivables	**(151)**	–
Total assets per segmental analysis	**14 240**	14 021
GEOGRAPHICAL ANALYSIS		
Revenue		
South Africa	**13 856**	12 862
Rest of Africa	**1 808**	1 609
	15 664	14 471
Non-current assets		
South Africa	**9 720**	9 184
Rest of Africa	**1 057**	855
	10 777	10 039

[1] *Prior year disclosure has been restated to reflect discontinued operations as well as the new segments in which the group is now structured.*

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

The rationalisation of the group's Integrated Timber and Manufacturing divisions into a single Diversified Industrial Division, and the consolidation of Fuel, Agriculture and Mining and the Freight and Logistics divisions of Unitrans into a single Unitrans Logistics Division were concluded during the year. This has resulted in streamlined management structures, improved systems and controls, and greater market focus.

Diversified Logistics

This segment comprises a specialised logistics division and passenger transport division. The specialised logistics division comprises four business units, positioned to service the petrochemical, foods, mining and infrastructure and the warehousing and distributions sectors, together with a separate business unit focused on growth into Africa. The passenger transport division provides personnel, tourist and commuter transport services.

Diversified Industrial

This segment comprises an integrated timber division, chemical division, automotive division and bedding division. The integrated timber division incorporates timber plantations, sawmills and production facilities for panel products. The resin production facilities, formerly managed within this division, now fall under the chemical division. The chemical division manufactures PET, resin and formaldehyde. The automotive division manufactures automotive components used primarily in new vehicle assembly. The bedding division manufactures bedding bases, foam and spring mattresses, together with mattress fabric.

Major customers

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

KAP is a South African registered company. The consolidated financial statements of KAP, for the year ended 30 June 2015, comprise KAP and its subsidiaries (together referred to as the KAP Group) and the group's interest in associate companies and joint venture companies.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the interpretations adopted by the International Accounting Standards Board (IASB), the IFRS Interpretations Committee of the IASB (IFRIC), the requirements of the South African Companies Act, 71 of 2008, 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 2014. 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:

IAS 27	Consolidated and Separate Financial Statements: Equity method in separate financial statements
IAS 36	Impairment of Assets: Recoverable amount disclosures for non-financial assets
IAS 39	Financial Instruments: Recognition and Measurement: Novation of derivatives and continuation of hedge accounting
IFRIC 21	Levies

Basis of preparation

The consolidated financial statements are prepared in millions of South African rand (Rm) on the historical-cost basis, except for certain assets and liabilities, which are carried at amortised cost, and derivative financial instruments and consumable biological assets, which are stated at their fair value at the end of each reporting period, as explained in the accounting policies below.

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

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

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

Judgements made by management in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed on pages 131 and 132.

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.
- Level 3 inputs are unobservable inputs for the asset or liability.

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

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

Basis of consolidation

Subsidiaries

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

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

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

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

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

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

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

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

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

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

Investment in associates and joint ventures

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

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

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

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

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

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

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

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

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

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

Interests in joint operations

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

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

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

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

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

Deferred contingent purchase consideration

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

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

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

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

Unless a purchase price allocation has been performed for separate financial statements and reversed for 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 or joint venture company.

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

Gain on bargain purchase arising on acquisition is recognised directly as a capital item in profit or loss.

Reverse takeover acquisition accounting

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

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

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

The consolidated financial results and position will reflect:

- assets and liabilities of Steinhoff Industrial Assets recognised and measured at their pre-combination carrying amounts;
- the assets and liabilities of traditional KAP recognised and measured at fair value in terms of the requirements of IFRS 3 at the effective date of the transaction;
- retained earnings and other reserves of Steinhoff Industrial Assets before the business combination;
- the amount recognised as issued equity interests in the consolidated financial statements which is determined by adding the issued equity interest of Steinhoff Industrial Assets outstanding immediately before the business combination to the fair value of the consideration transferred; and

- the creation of a reverse acquisition reserve to enable the presentation of the consolidated statement of financial position which combines the equity structure of the legal parent with the non-statutory reserves of the legal parent. Effectively, this reserve is required to ensure the correct equity structure of the legal parent is reflected after the business combination.

Intangible assets

Research and development

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

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

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

Other intangible assets

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

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

Subsequent expenditure

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

Amortisation

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

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

Property, plant and equipment

Owned assets

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

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

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

Leased assets

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

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

Subsequent costs

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

Depreciation

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

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

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

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

Investment property

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

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

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

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

Consumable biological assets

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

Borrowing costs

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

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

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

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

Impairment of assets

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

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

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

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

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

Calculation of recoverable amount

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

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

Reversal of impairment losses

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

An impairment loss in respect of goodwill is not reversed.

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

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

Government grants

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

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

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

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

Taxation

Current taxation

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

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

Deferred taxation

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

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

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

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

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

Inventories

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

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

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

Cash and cash equivalents

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

Non-current assets held for sale and discontinued operations

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

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

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

Share-based payment transactions

Equity-settled

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

Group share-based payment transactions

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

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

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

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

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

Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

Defined benefit plans

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

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

Actuarial gains and losses are recognised in other comprehensive income, net of related taxation in the period in which they occur.

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

Long-term service benefits

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

Provisions and contingent liabilities

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

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

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

Restructuring

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

Onerous contracts

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

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

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

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

Net investment in foreign operations

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

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

Financial instruments

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

Effective-interest method

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

Financial assets

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

Financial assets at FVTPL

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

A financial asset is held for trading if:

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

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset, fair value adjustments and foreign exchange gains or losses. Fair value is determined in the manner described in note 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; and/or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

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

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

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

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

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

Derecognition of financial assets

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

Financial liabilities and equity instruments issued by the group

Classification as debt or equity

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

Equity instruments

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

Financial guarantee contract liabilities

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

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest accrued or paid on the financial liability, fair value adjustments and foreign exchange gains and losses. Fair value is determined in the manner described in note 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 that are subject to risks and rewards that are different from those of other segments. The basis of segmental reporting is representative of the internal structure used for management reporting as well as the structure in which the chief operating decision-makers review the information.

The basis of segmental allocation is determined as follows:

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

JUDGEMENTS AND ESTIMATES

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

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next financial year are discussed below.

Useful lives and residual values

The estimated useful lives for intangible assets with a finite life and property, plant and equipment are:

Intangible assets

Customer relationship 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 that include estimates and assumptions regarding economic growth, interest, inflation, taxation rates and competitive forces.

Contingent liabilities

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

Valuation of equity compensation benefits

Management classifies its share-based payment scheme as an equity-settled scheme based on the assessment of its role and that of the employees in the transaction. In applying its judgement, management consulted with external expert advisors in the accounting and share-based payment advisory industry. The critical assumptions, as used in the valuation model, are detailed in notes 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.

Allowance for doubtful debts

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

Fair values in business combinations

Management uses valuation techniques to determine the fair value of assets and liabilities acquired in business combination. Fair value of property, plant and equipment is determined by using external valuations as well as rental return on property.

Although a comprehensive valuation exercise is performed for each business combination, the group applies initial accounting for its business combinations that will allow the group a period of one year after the acquisition date to adjust the provisional amounts recognised for a business combination.

		Gross of taxation and non-controlling interests 2015 Rm	Net of taxation and non-controlling interests 2015 Rm	Gross of taxation and non-controlling interests 2014 Rm	Net of taxation and non-controlling interests 2014 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.				
	Expenses/(income) of a capital nature are included in the 'capital items' line in the income statement. These expense/(income) items are:				
1.1	**Impairments**	36	30	2	2
	Property, plant and equipment	27	21	2	2
	Other	9	9	–	–
1.2	**Net profit on disposal of investments and subsidiaries**	(4)	(3)	–	–
1.3	**Loss on disposal of property, plant and equipment**	1	–	6	–
1.4	**Other capital items**	2	2	–	–
		35	29	8	2

	2015 Rm	2014 Rm
2. OPERATING PROFIT		
Continuing operations		
Operating profit is stated after taking account of the following items:		
2.1 Amortisation and depreciation		
Amortisation	**17**	13
Depreciation	**767**	737
	784	750
Recognised in:		
Cost of sales	**613**	566
Distribution expenses	**4**	3
Other operating expenses	**167**	181
	784	750
2.2 Auditors' remuneration		
Audit fees	**22**	19
Fees for other services	**2**	2
	24	21
2.3 Personnel expenses		
Retirement plans (note 2.4)	**205**	195
Salaries and wages	**2 914**	2 816
Share-based payments – equity-settled (note 19 and 25)	**54**	47
	3 173	3 058
2.4 Post-retirement benefit expenses		
Contributions to defined benefit plans	**1**	1
Contributions to defined contribution plans	**201**	194
Contributions to state-managed plans	**3**	–
	205	195
2.5 Net foreign exchange losses/(gain)		
Net (gain)/losses on forward exchange contracts	**(3)**	48
Net losses/(gain) on conversion of monetary assets	**22**	(52)
	19	(4)

		2015 Rm	2014 Rm
2.6	**Operating lease charges**		
	Rental of properties	**130**	117
	Leases of plant, equipment, vehicles and other	**134**	139
		264	256
2.7	**Fair value gain on consumable biological assets (note 11)**	**(285)**	(301)
2.8	**Expenses directly attributable to timber plantations (note 11)**		
	Decrease due to harvesting	**199**	197
	Other operating expenses in respect of plantations	**208**	199
		407	396

	Expense Rm	Income Rm	Net Rm
3. FINANCE COSTS AND INCOME FROM INVESTMENTS			
Continuing operations			
2015			
Banks	**43**	**(7)**	**36**
Loans	**162**	**(1)**	**161**
Other	**85**	**(8)**	**77**
Related party interest (note 30)	**57**	**(39)**	**18**
Less: Capitalised interest	**(3)**	**–**	**(3)**
	344	**(55)**	**289**
2014			
Banks	37	(4)	33
Loans	66	(2)	64
Other	24	(5)	19
Related party interest (note 30)	223	(2)	221
Less: Capitalised interest	(10)	–	(10)
	340	(13)	327

		2015 Rm	2014 Rm
4.	**TAXATION**		
	Continuing operations		
4.1	**Taxation charge**		
	Normal taxation		
	South African normal taxation – current year	**151**	56
	South African normal taxation – prior year adjustment	**(1)**	–
	Foreign normal taxation – current year	**83**	57
	Foreign normal taxation – prior year adjustment	**1**	3
		234	116
	Deferred taxation		
	South African deferred taxation – current year	**131**	189
	South African deferred taxation – prior year adjustment	**(17)**	(2)
	Foreign deferred taxation – current year	**5**	7
	Foreign deferred taxation – prior year adjustment	**3**	(1)
		122	193
	Capital gains taxation		
	Current year	**5**	–
		361	309

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	**(0.6)**	(1.0)
	Effect of profit/(loss) of associate and joint venture companies	**–**	0.1
	Prior year adjustments	**(1.3)**	(0.2)
	Effect of unrecognised taxation losses and deductible temporary differences	**2.1**	0.2
	Permanent differences, items charged at capital rates and other	**(1.3)**	–
	Effective rate of taxation	**26.9**	27.1

	Notes	2015 Rm	2014 Rm
5. DISCONTINUED OPERATIONS			
5.1 Disposal of footwear division, Weatherboard and Braecroft (2014: Food division) and other discontinued operations			
On 9 June 2014, KAP announced the disposal of its footwear division, the Competition Commission approved the transaction and the division was sold in the current year. KAP disposed of Weatherboard Proprietary Limited and Braecroft Timbers Proprietary Limited, and discontinued the operations of Bedding Component Manufacturers Proprietary Limited and the Fresh Freight division of Unitrans Supply Chain Solutions during the year (2014: disposal of Food division).			
5.2 Analysis of loss for the year from discontinued operations			
The results of the discontinued operations included in the income statement are set out below:			
Revenue		**474**	1 322
Cost of sales		**(436)**	(1 158)
Gross profit		**38**	164
Other operating income		**5**	36
Distribution expenses		**(21)**	(48)
Other operating expenses		**(30)**	(170)
Capital items	5.3	**(57)**	(89)
Operating loss	5.4	**(65)**	(107)
Net finance costs		**–**	(3)
Loss before taxation		**(65)**	(110)
Taxation		**14**	36
Loss for the year from discontinued operations		**(51)**	(74)
Loss from discontinued operations attributable to:			
Owners of the parent		**(51)**	(74)
Non-controlling interests		**–**	–
		(51)	(74)

		Gross of taxation and non-controlling interests 2015 Rm	Net of taxation and non-controlling interests 2015 Rm	Gross of taxation and non-controlling interests 2014 Rm	Net of taxation and non-controlling interests 2014 Rm
5.3	**Capital items for the year from discontinued operations**				
	Loss on disposal of property, plant and equipment	**6**	**4**	2	1
	Impairments	**71**	**59**	59	44
	(Profit)/loss on disposal of discontinued operations	**(20)**	**(22)**	28	20
		57	**41**	89	65

	2015 Rm	2014 Rm
5. DISCONTINUED OPERATIONS *(continued)*		
5.4 Operating loss from discontinued operations		
Operating loss is stated after taking account of the following items:		
5.4.1 Amortisation and depreciation		
Amortisation	**–**	1
Depreciation	**7**	15
	7	16
Recognised in:		
Cost of sales	**6**	15
Other operating expenses	**1**	1
	7	16
5.4.2 Auditors' remuneration		
Audit fees	**1**	2
5.4.3 Personnel expenses		
Retirement plans (note 5.4.4)	**4**	13
Salaries and wages	**89**	231
	93	244
5.4.4 Post-retirement benefit expenses		
Contributions to defined contribution plans	**4**	13
5.4.5 Net foreign exchange (gain)/losses		
Net (gain)/losses on forward exchange contracts	**(1)**	9
Net gain on conversion of monetary assets	**(1)**	(12)
	(2)	(3)
5.4.6 Operating lease charges		
Rental of properties	**4**	13
5.4.7 Fair value gain on consumable biological assets (note 11)	**(7)**	(18)
5.4.8 Expenses directly attributable to timber plantations (note 11)		
Decrease due to harvesting	**7**	8
Other operating expenses in respect of plantations	**4**	5
	11	13

		2015 Rm	2014 Rm
5.5	**Cash flows from discontinued operations**		
	Net cash flow from operating activities	**(292)**	(20)
	Net cash flow from investing activities	**301**	274
	Net cash flow from financing activities	**(83)**	(255)
	Net cash flow	**(74)**	(1)

	2015 cents	2014 cents
6. EARNINGS		
The calculation of per share numbers uses the exact unrounded numbers which may result in differences when compared to calculating the numbers using the rounded number of shares and earnings as disclosed below.		
Basic earnings per share		
Basic earnings per share are calculated by dividing the net earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.		
From continuing operations	**39.4**	34.0
From discontinued operations	**(2.2)**	(3.1)
Basic earnings per share	**37.2**	30.9
Diluted earnings per share		
Diluted earnings per share are calculated by dividing the diluted earnings attributable to ordinary shareholders by the diluted weighted average number of ordinary shares in issue during the year. The calculation assumes conversion of all dilutive potential shares.		
From continuing operations	**38.8**	33.6
From discontinued operations	**(2.1)**	(3.1)
Diluted earnings per share	**36.7**	30.5
Headline earnings per share		
Headline earnings per share are calculated by dividing the headline earnings by the weighted average number of ordinary shares in issue during the year.		
From continuing operations	**40.6**	34.1
From discontinued operations	**(0.4)**	(0.3)
Headline earnings per share	**40.2**	33.8
Diluted headline earnings per share		
Diluted headline earnings per share are calculated by dividing the headline earnings by the diluted weighted average number of shares in issue during the year. The calculation assumes conversion of all dilutive potential shares.		
From continuing operations	**40.1**	33.8
From discontinued operations	**(0.5)**	(0.4)
Diluted headline earnings per share	**39.6**	33.4
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.	**320**	286

		2015 million	2014 million
6.1	**Weighted average number of ordinary shares**		
	Issued ordinary shares at beginning of the year	**2 346**	2 346
	Effect of shares issued	**38**	–
	Weighted average number of ordinary shares at end of the year for the purpose of basic earnings per share and headline earnings per share	**2 384**	2 346
	Effect of dilutive potential ordinary shares – KAP share options	**35**	26
	Weighted average number of ordinary shares for the purpose of diluted earnings per share and diluted headline earnings per share	**2 419**	2 372

		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	**939**	798
	Earnings and diluted earnings from discontinued operations attributable to owners of the parent	**(51)**	(74)
	Earnings and diluted earnings attributable to owners of the parent	**888**	724
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	**939**	798
	Non-controlling interests' portion of capital items	**1**	–
	Capital items of associate and joint venture companies (net of taxation)	**(1)**	1
	Adjusted for capital items attributable to continuing operations (note 1)	**30**	2
	Headline earnings and diluted headline earnings from continuing operations attributable to owners of the parent	**969**	801
	Earnings and diluted earnings from discontinued operations attributable to owners of the parent	**(51)**	(74)
	Adjusted for capital items attributable to discontinued operations (note 5)	**41**	65
	Headline earnings and diluted headline earnings attributable to owners of the parent	**959**	792
6.4	**Net asset value**		
	Attributable to ordinary shareholders	**7 761**	6 709

		2015 Rm	2014 Rm
7.	**GOODWILL**		
	Carrying amount at beginning of the year	**205**	205
	Arising on business combinations (note 28)	**343**	–
	Eliminated on disposal of subsidiaries and businesses (note 29)	**(1)**	–
	Impairments	**(28)**	–
	Carrying amount at end of the year	**519**	205
	Cost	**589**	246
	Accumulated impairment	**(70)**	(41)
	Carrying amount at end of the year	**519**	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 is also assumed to be indefinite.

An impairment charge is required for both goodwill and other indefinite life intangible assets when the carrying amount exceeds the recoverable amount. An impairment charge of R28 million was recorded for the year ended 30 June 2015 (2014: no impairment charge).

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 2014.

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

	Pre-tax discount rate	Forecasted cash flows	2015 Rm	2014 Rm
Timber	13.76%	Budget year 1, thereafter a 3% annual growth rate	**123**	123
Logistics	13.56%	Budget year 1, thereafter a 6% annual growth rate	**52**	74
Bedding	13.76%	Budget year 1, thereafter a 3% annual growth rate	**343**	6
Various other divisions			**1**	2
Carrying amount at end of the year			**519**	205

		Patents and trademarks Rm	Software Rm	Other[1] Rm	Total Rm
8.	**INTANGIBLE ASSETS**				
	Balance at 1 July 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**
	Additions	**–**	**6**	**4**	**10**
	Impairment	**–**	**(1)**	**(4)**	**(5)**
	Amortisation	**–**	**(7)**	**(10)**	**(17)**
	Reclassify from property, plant and equipment	**–**	**6**	**–**	**6**
	Balance at 30 June 2015	**1 024**	**31**	**24**	**1 079**
	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
	Cost	**1 042**	**67**	**79**	**1 188**
	Accumulated amortisation and impairment	**(18)**	**(36)**	**(55)**	**(109)**
	Net book value at 30 June 2015	**1 024**	**31**	**24**	**1 079**

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

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 R5 million was recorded for the year ended 30 June 2015 (2014: R14 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, patents and trademarks. Impairment tests typically take into account the most recent management forecast whereafter a reasonable rate of growth is applied based on market and industry conditions. Discount rates used in the discounted cash flow models are based on a 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, patents and trademarks 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	Long-haul motor vehicles, motor vehicles and equipment Rm	Capital work-in-progress Rm	Leasehold improve-ments Rm	Office and computer equipment, furniture and other assets Rm	Total Rm
9. PROPERTY, PLANT AND EQUIPMENT							
Balance at 1 July 2013	1 500	1 433	3 051	252	35	84	6 355
Additions	21	132	901	109	3	19	1 185
Assets held for sale (note 18)	–	(11)	–	(1)	–	(6)	(18)
Depreciation	(20)	(133)	(563)	–	(6)	(29)	(751)
Disposals	(25)	(4)	(108)	–	(1)	(2)	(140)
Impairment	–	(27)	(2)	–	–	–	(29)
Acquired on acquisition of subsidiaries (note 28)	–	3	–	–	–	–	3
Reclassification	6	225	38	(272)	1	2	–
Borrowing cost capitalised	–	10	–	–	–	–	10
Reclassify to intangible assets	–	–	1	(5)	–	(3)	(7)
Exchange differences on consolidation of foreign subsidiaries	–	(1)	6	(1)	–	2	6
Balance at 30 June 2014	**1 482**	**1 627**	**3 324**	**82**	**32**	**67**	**6 614**
Additions	**42**	**182**	**896**	**177**	**9**	**49**	**1 355**
Depreciation	**(21)**	**(133)**	**(586)**	**–**	**(6)**	**(28)**	**(774)**
Disposals	**(8)**	**(19)**	**(119)**	**(3)**	**(2)**	**(1)**	**(152)**
Impairment	**(17)**	**(46)**	**–**	**–**	**–**	**(1)**	**(64)**
Acquired on acquisition of subsidiaries (note 28)	**94**	**27**	**19**	**–**	**–**	**4**	**144**
Eliminated on disposal of subsidiaries and businesses (note 29)	**(12)**	**(7)**	**(1)**	**(2)**	**–**	**–**	**(22)**
Reclassification	**3**	**30**	**27**	**(55)**	**2**	**(7)**	**–**
Borrowing cost capitalised	**2**	**–**	**–**	**1**	**–**	**–**	**3**
Reclassify to investment property	**(72)**	**–**	**–**	**–**	**–**	**–**	**(72)**
Reclassify to intangible assets	**–**	**–**	**–**	**(6)**	**–**	**–**	**(6)**
Exchange differences on consolidation of foreign subsidiaries	**–**	**(1)**	**12**	**–**	**–**	**1**	**12**
Balance at 30 June 2015	**1 493**	**1 660**	**3 572**	**194**	**35**	**84**	**7 038**
Cost	1 617	2 430	5 985	82	53	231	10 398
Accumulated depreciation	(135)	(803)	(2 661)	–	(21)	(164)	(3 784)
Net book value at 30 June 2014	1 482	1 627	3 324	82	32	67	6 614
Cost	**1 649**	**2 784**	**6 380**	**194**	**61**	**274**	**11 342**
Accumulated depreciation	**(156)**	**(1 124)**	**(2 808)**	**–**	**(26)**	**(190)**	**(4 304)**
Net book value at 30 June 2015	**1 493**	**1 660**	**3 572**	**194**	**35**	**84**	**7 038**

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 R841 million (2014: R819 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'.

	2015 Rm	2014 Rm
Borrowing cost		
Borrowing cost capitalised to qualifying assets	**3**	10
Capitalisation rates used to determine the amount of borrowing cost eligible for capitalisation	**6.25% to 6.75%**	8.1%

		2015 Rm	2014 Rm
10.	**INVESTMENT PROPERTY**		
	Carrying amount at beginning of the year	**19**	39
	Assets held for sale (note 18)	**–**	(20)
	Transfer from property, plant and equipment	**72**	–
	Balance at end of the year	**91**	19

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 2015, investment property was valued by management at R110 million (2014: R23 million). The fair value of the group's investment property has been carried out by Steinhoff Properties Proprietary Limited. The fair value was based on the income approach whereby the market-related net income of the property is discounted at the market yield for a similar property. The market yields used in the valuation were between 11% and 13.5% (2014: between 11% and 13.5%). In estimating the fair value of investment properties, the highest and best use for the majority of the properties is their current use.

No restrictions exist on the disposal of investment property.

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

Rental income from investment properties of R16 million was recognised through profit or loss for the year ended 30 June 2015 (2014: R7 million).

	2015 Rm	2014 Rm
11. CONSUMABLE BIOLOGICAL ASSETS		
Timber plantations		
Carrying amount at beginning of the year	**1 870**	1 756
Eliminated on disposal of subsidiaries and businesses (note 29)	**(140)**	–
Decrease due to harvesting (notes 2.8 and 5.4.8)	**(206)**	(205)
Fair value adjustment to plantations (notes 2.7 and 5.4.7)	**292**	319
Carrying amount at end of the year	**1 816**	1 870
Livestock	**8**	5
	1 824	1 875
Expenses incurred in the management and operations of plantations (including harvesting) (notes 2.8 and 5.4.8)	**418**	409

The group owns and manages timber plantations for use in manufacturing timber products. The group has 41 195 hectares (2014: 42 513 hectares) of planted forests. 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 determined using the Faustmann formula.

At 30 June 2015, consumable biological assets were valued by management at R1 824 million (2014: R1 875 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 2014. 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 R18 million and R8 million (2014: R16 million and R8 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 southern and north-eastern Cape forests are managed according to the Forestry Stewardship Council (FSC) principles. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.
- **Supply and demand risks**
  For external sale of timber, the group is exposed to risks arising from the fluctuations of price and sales volumes of timber. Where possible, the group manages these risks by aligning its harvest volume to market supply and demand. Management performs regular industry trend 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 are encumbered.

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

			2015 % holding	2014 % holding
12.	**INVESTMENTS IN ASSOCIATE COMPANIES**			
	Unlisted	**Nature of business**		
	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

		2015 Rm	2014 Rm
12.1	**Summarised information in respect of individually immaterial associate companies**		
	Aggregate information of associate companies that are individually not material		
	Aggregate carrying amount of the group's interests in these associate companies	**100**	109
	Aggregate total comprehensive loss from associate companies		
	The group's share of loss for the year	**(4)**	(8)
	The group's share of total comprehensive loss	**(4)**	(8)

		2015 % holding	2014 % holding
13. INVESTMENT IN JOINT VENTURE COMPANIES			
Unlisted	**Nature of business**		
Various unlisted joint venture companies	Automotive and manufacturing	**49.0**	49.0

	2015 Rm	2014 Rm
13.1 Summarised information in respect of individually immaterial joint venture companies		
Aggregate information of joint venture companies that are individually not material		
Aggregate carrying amount of the group's interests in these joint venture companies	**40**	36
Aggregate total comprehensive income from joint venture companies		
The group's share of profit for the year	**4**	3
The group's share of total comprehensive income	**4**	3

	2015 Rm	2014 Rm
14. INVESTMENTS AND LOANS		
Long-term investments and loans		
Unlisted investments	**1**	–
Loans receivable (carried at amortised cost)	**–**	26
	1	26
Short-term loans receivable		
Related party loans receivables (note 30)	**16**	–
Loans receivable (carried at amortised cost)	**7**	17
	23	17

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

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

The fair value of investments and loans are disclosed in note 31.

	2015 Rm	2014 Rm
15. DEFERRED TAXATION ASSETS/(LIABILITIES)		
15.1 Deferred taxation movement		
(Liabilities)/assets		
Balance at beginning of the year	**(924)**	(784)
Deferred taxation of subsidiaries acquired (note 28)	**(12)**	(1)
Deferred taxation of subsidiaries disposed (note 29)	**27**	–
Amounts charged directly to other comprehensive income and equity		
Actuarial reserve	**–**	1
Share-based payments	**20**	18
Current year charge		
From continuing operations	**(122)**	(193)
From discontinued operations	**14**	35
Exchange differences on consolidation of foreign subsidiaries	**(4)**	–
Balance at end of the year	**(1 001)**	(924)
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	**39**	13
Property, plant and equipment (including consumable biological assets)	**(71)**	(29)
Share-based payments	**25**	1
Other	**7**	1
	–	(14)
Taxation losses		
Taxation losses	**85**	84
Total deferred taxation assets	**85**	70

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

	2015 Rm	2014 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	**(154)**	(157)
Prepayments and provisions or allowances	**59**	65
Property, plant and equipment (including consumable biological assets)	**(1 381)**	(1 396)
Share-based payments	**23**	40
Other	**(38)**	(38)
	(1 491)	(1 486)
Taxation losses		
Taxation losses	**405**	492
Total deferred taxation liabilities	**(1 086)**	(994)

	2015 Rm	2014 Rm
15. DEFERRED TAXATION ASSETS/(LIABILITIES) *(continued)*		
15.3 Unrecognised deferred taxation assets		
Deferred taxation assets have not been recognised in respect of the following items:		
Taxation losses	**255**	177

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.

	2015 Rm	2014 Rm
15.4 Taxation losses		
Estimated taxation losses available for offset against future taxable income	**2 044**	2 244

	2015 Rm	2014 Rm
16. INVENTORIES		
16.1 Inventories at cost less allowances		
Consumables	**228**	237
Finished goods and merchandise	**323**	363
Raw materials	**566**	536
Work-in-progress	**62**	61
	1 179	1 197
16.2 Inventories carried at net realisable value	**3**	14
16.3 Amount of write-down of inventories to net realisable value included as an expense during the year	**9**	1

		2015 Rm	2014 Rm
17.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	**2 153**	2 068
	Other amounts due	**127**	152
	Less: Allowance for doubtful debts	**(71)**	(39)
		2 209	2 181
	Related party receivables (note 30)	**151**	118
	Derivative financial assets (note 31)	**3**	1
	Trade and other receivables (financial assets)	**2 363**	2 300
	Pension fund surplus	**–**	40
	Prepayments	**89**	107
	Taxation receivable	**36**	17
	Value added taxation receivable	**87**	64
		2 575	2 528

The credit period on sales of goods varies based on industry norms. Where relevant, interest is charged at market-related rates on outstanding balances.

Before accepting any new customers, credit risk management performs credit assessments to assess the potential customer's credit potential and credit limit. The credit limits are reviewed on a regular basis as and when increased limits are required. Customers with material balances are subject to additional security requirements or are insured as appropriate.

In determining the recoverability of a customer, the group considers any change in the credit quality of the customer from the date credit was initially granted up to the reporting date.

Given the diverse nature of the group's operations, it does not have significant concentration of credit risk in respect of trade receivables, with exposure spread over a large number of customers. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

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

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

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

As described in note 5, on 9 June 2014, KAP announced the disposal of its footwear division. The Competition Commission approved the transaction and the division was sold in the current year.

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

	2015 Rm	2014 Rm
Assets		
Property, plant and equipment	–	18
Inventories	–	235
Trade and other receivables	–	155
	–	408
Investment property not relating to disposal group	–	20
	–	428
Liabilities		
Trade and other payables	–	(118)
	–	(118)

	2015 Number of shares	2014 Number of shares
19. STATED SHARE CAPITAL		
19.1 Authorised		
Ordinary shares of no par value	**6 000 000 000**	6 000 000 000
Cumulative, non-redeemable, non-participating preference shares of no par value	**1 000 000 000**	1 000 000 000
Perpetual preference shares of no par value	**50 000 000**	50 000 000
19.2 Stated share capital		
Ordinary shares in issue at beginning of the year	**2 346 187 888**	2 346 187 888
Ordinary shares issued during the year	**76 624 270**	–
Ordinary shares in issue at end of the year	**2 422 812 158**	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 30 days immediately prior to any allocation date) over 20 cents.

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

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

- Compound growth in headline earnings per share must exceed the growth of the headline earnings of the INDI 25 Index over a three-year period.
- The growth in the company's volume weighted average share price over the 30 trading days immediately preceding the measurement date must exceed the growth of the INDI 25 Index over a three-year period.
- The participant must meet the criteria for participation in the annual short-term incentive bonus scheme.
- Any other additional criteria as determined by the remuneration committee.

	2015 Options	2014 Options
Reconciliation of options granted under the KAP Performance Share Plan		
Balance at the beginning of the year	**8 308 037**	17 055 096
Options that expired during the year	**(8 308 037)**	(8 747 059)
Balance at the end of the year	**–**	8 308 037

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

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**
Share price at grant date	R2.47
Exercise price	R0.20
Expected volatility	57.0%
Dividend yield	4.0%
Risk-free interest rate	6.4%
Option life	3 years
Forfeiture rate	1.0%
Market-related performance expectation	35.0%
Non-market-related performance expectation	28.8%

19. STATED SHARE CAPITAL *(continued)*

19.3 Share-based payments *(continued)*

19.3.2 KAP Performance Share Rights Scheme

At the annual general meeting of KAP on 14 November 2012, a new share incentive scheme was approved and implemented. The share rights granted annually since this meeting are subject to the following scheme rules:

a) Rights are granted to qualifying senior executives on an annual basis.
b) Vesting of rights occur on the third anniversary of grant date, provided performance criteria, as set by KAP's remuneration committee at or about the time of the grant date, have been achieved.
c) In the event of performance criteria not being satisfied by the third anniversary of the relevant annual grant, all rights attaching to the particular grant will lapse.

	2015 Rights	2014 Rights
Reconciliation of rights granted under the KAP Performance Share Rights Scheme		
Balance at the beginning of the year	**40 930 550**	19 699 627
Forfeited during the year	**(1 572 398)**	(2 109 597)
Granted during the year	**17 655 412**	23 340 520
Granted during the year for prior period service	**609 283**	–
Balance at the end of the year	**57 622 847**	40 930 550

	Rm	Rm
Charged to profit or loss	**52**	31

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	2014 grant	2013 grant	2012 grant
Fair value at measurement date	**R4.10**	R3.04	R2.76
Share price at grant date	**R4.64**	R3.45	R3.15
Exercise price	**R0.20**	R0.20	R0.20
Expected volatility	**31.88%**	41.35%	37.9%
Dividend yield	**2.90%**	2.52%	2.5%
Risk-free interest rate	**6.70%**	6.79%	5.4%
Option life	**3 years**	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 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	
	2015 %	2014 %	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Individually immaterial subsidiaries with non-controlling interests	**25.0 – 40.0**	25.0 – 40.0	**42**	33	**169**	150

	2015 Rm	2014 Rm
21. LOANS AND BORROWINGS		
21.1 Analysis of closing balance		
Secured financing		
Capitalised finance lease and instalment sale agreements	**–**	3
Term loans	**14**	22
Phaello senior secured notes	**872**	873
	886	898
Unsecured financing covered by intragroup cross-guarantees		
Term loans	**1 550**	1 100
Senior unsecured listed notes	**1 010**	1 003
	2 560	2 103
Unsecured financing		
Steinhoff Africa Holdings Proprietary Limited (note 30)	**4**	481
Other loans	**6**	23
	10	504
Total interest-bearing loans and interest-free borrowings	**3 456**	3 505
Portion payable before 30 June 2016 included in current liabilities	**(322)**	(63)
Total non-current interest-bearing loans and interest-free borrowings	**3 134**	3 442
Current interest-bearing loans and interest-free borrowings		
Portion of non-current interest-bearing loans and interest-free borrowings payable before 30 June 2016	**322**	63
Related party loan payable (note 30)	**1**	–
Other current loans payable	**5**	5
Total current interest-bearing loans and interest-free borrowings	**328**	68
21.2 Analysis of repayment		
Repayable within the next year and thereafter		
Next year	**328**	68
Within two to five years	**2 676**	2 985
Thereafter	**458**	457
	3 462	3 510

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

	Facility Rm	Maturity date	Interest rate	2015 Rm	2014 Rm
21.3 Loan details					
Secured					
Capitalised finance lease and instalment sale agreements	–	Various	Linked to SA Prime	**–**	3
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.	14	1 June 2018	SA prime minus 5%	**14**	19
Amortising term loan repayable in Malagasy ariary in quarterly instalments of MGA624 million. The loan was secured by the assets purchased that it financed and in addition, €1.1 million guarantee from a bank. The loan was settled during the year.	–	17 August 2014	11%	**–**	3
Phaello senior secured notes					
PCF03U	300	29 March 2016	3-month JIBAR plus 1.65%	**300**	300
PCF04U	200	1 November 2016	3-month JIBAR plus 1.65%	**202**	203
PCF05U	370	27 June 2017	3-month JIBAR plus 1.75%	**370**	370

The book value of assets encumbered in favour of the above amounts to R841 million (2014: R819 million) together with a bank balance to the value of R624 million (2014: R503 million).

	Facility Rm	Maturity date	Interest rate	2015 Rm	2014 Rm
21. LOANS AND BORROWINGS *(continued)*					
21.3 Loan details *(continued)*					
Unsecured financing covered by intragroup cross-guarantees					
Term loans					
Investec – Term loan repayable 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.	300	27 June 2019	3-month JIBAR plus 2.45%	**300**	300
Nedbank – Term loan repayable in equal bi-annual instalments of R75 million, from December 2017. Interest payable December and June.	300	28 June 2019	6-month JIBAR plus 1.93%	**300**	300
Nedbank – Term loan repayable on maturity date. Interest payable August, November, February and May.	500	15 August 2016	3-month JIBAR plus 2.15% plus 0.28% cost	**500**	500
GroCapital Financial Services Proprietary Limited – Term loan repayable on maturity date. Interest payable March, June, September and December.	450	30 June 2022	10.94% (fixed)	**450**	–
Senior unsecured listed notes					
KAP001	322	13 June 2017	3-month JIBAR plus 1.75%	**322**	322
KAP002	428	13 June 2019	3-month JIBAR plus 2.04%	**428**	428
KAP003	250	6 June 2019	3-month JIBAR plus 2.04%	**250**	250
Interest due on term loans and unsecured listed notes	–	–	–	**10**	3

The following companies participate in the cross-guarantees in respect 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 Bedding Proprietary Limited (previously KAP Raw Materials Proprietary Limited)
- KAP Automotive Proprietary Limited (previously KAP Manufacturing Proprietary Limited)
- Mvelatrans Proprietary Limited
- Unitrans Passenger Proprietary Limited

	Facility Rm	Maturity date	Interest rate	2015 Rm	2014 Rm
Unsecured					
Steinhoff Africa Holdings Proprietary Limited: GroCapital Financial Services Proprietary Limited	–	16 August 2020	3-month JIBAR plus 2.70%	**–**	450
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 repayable on maturity date. Interest payable August, November, February and May. The loan was, however, settled during the year.					
Interest due to Steinhoff Africa Holdings Proprietary Limited (note 30)	–	–	–	**4**	31
Other loans	–	various	various	**6**	23
				3 456	3 505
Current interest-bearing loans and interest-free borrowings					
Related party loan payable (note 30)	–	–	–	**1**	–
Other	–	various	various	**5**	5
				6	5

	2015 Rm	2014 Rm
22. EMPLOYEE BENEFITS		
Performance-based bonus accrual	**187**	155
Christmas bonus accrual	**53**	45
Leave pay accrual	**95**	90
Post-retirement medical benefits	**8**	10
Other	**7**	13
Total liability	**350**	313
Transferred to short-term employee benefits	**(327)**	(292)
Long-term employee benefits	**23**	21

22.1 Defined contribution plans

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

22.2 Post-retirement medical benefits

	2015 Rm	2014 Rm
Balance at beginning of the year	**10**	15
Contributions paid	**–**	1
Amounts unused reversed	**(2)**	(1)
Actuarial gains	**–**	(2)
Transfer to liabilities held for sale	**–**	(3)
Balance at the end of the year	**8**	10

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

	2015	2014
Health-care cost inflation	**7.5%**	7.5%
Discount rate	**8.5%**	8.5%
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[1] Rm	Total Rm
23. PROVISIONS					
Balance at 1 July 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**
Additional provision raised	**100**	**–**	**–**	**37**	**137**
Amounts unused reversed	**(35)**	**–**	**–**	**(16)**	**(51)**
Amounts utilised	**(74)**	**–**	**–**	**(6)**	**(80)**
Acquired through business combinations (note 28)	**–**	**–**	**–**	**5**	**5**
Reclassification from accruals	**–**	**–**	**–**	**13**	**13**
Balance at 30 June 2015	**42**	**–**	**48**	**60**	**150**

	2015 Rm	2014 Rm
Non-current portion	**56**	48
Current portion	**94**	78
	150	126

[1] *Other provisions include, amongst others, onerous contracts and rehabilitation provisions.*

Accident and insurance fund provisions
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.

		2015 Rm	2014 Rm
24.	**TRADE AND OTHER PAYABLES**		
	Trade payables	**2 101**	2 160
	Accruals	**321**	387
	Derivative financial liabilities (note 31)	**3**	4
	Other payables and amounts due	**247**	325
	Related party payables (note 30)	**121**	49
	Trade and other payables (financial liabilities)	**2 793**	2 925
	Short-term operating lease liability	**3**	–
	Taxation payable	**77**	18
	Value added taxation payable	**61**	65
		2 934	3 008

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 acquisition transaction. These employees retained the benefits they had prior to the acquisition under this scheme until the schemes vested during the current year.

25.1 Steinhoff Executive Share Rights Scheme

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

a) Rights are granted to qualifying senior executives on an annual basis.
b) Vesting of rights occur on the third anniversary of grant date, provided performance criteria as set by Steinhoff's remuneration committee at, or about, the time of the grant date have been achieved.
c) In the event of performance criteria not being satisfied by the third anniversary of the relevant annual grant, all rights attached to the particular grant will lapse.

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

	2015 Rights	2014 Rights
Reconciliation of rights granted under the Steinhoff share rights schemes		
Balance at the beginning of the year	**2 159 708**	4 130 841
Forfeited during the year	**(76 289)**	(760 211)
Exercised during the year	**(1 964 166)**	(1 210 922)
Transferred during the year	**(119 253)**	–
Balance at the end of the year	**–**	2 159 708

	Rm	Rm
Charged to profit or loss	**2**	16

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**
Fair value at measurement date	R21.30	R19.74
Share price at grant date	R23.40	R21.50
Exercise price	R0.005	R0.005
Expected volatility	28.53%	23.80%
Dividend yield	3.20%	2.91%
Risk-free interest rate	6.12%	6.41%
Option life	3 years	3 years

Steinhoff share scheme settlement provision affecting equity

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

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

25. SHARE SCHEME SETTLEMENT PROVISION *(continued)*

25.1 Steinhoff Executive Share Rights Scheme *(continued)*

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.

	2011 grant 2014
Share price	R58.23
Exercise price	R0.005
Term	5 months
Volatility	22.6%
Dividend yield	4.2%
Risk-free interest rate	5.9%

	2015 Rm	2014 Rm
26. COMMITMENTS AND CONTINGENCIES		
26.1 Capital expenditure		
Contracts for capital expenditure authorised	**52**	101

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.

	2015 Rm	2014 Rm
26.3 Unutilised borrowing facilities at 30 June	**2 396**	1 451

	Property Rm	Plant, equipment, vehicles and other Rm	2015 Total Rm	2014 Total Rm
26.4 Operating leases				
Amounts outstanding under non-cancellable operating lease agreements payable within the next year and thereafter:				
Next year	**131**	**101**	**232**	194
Within two to five years	**286**	**104**	**390**	374
Thereafter	**83**	**1**	**84**	89

Balances denominated in currencies other than South African rands were converted at the closing rates of exchange ruling at 30 June 2015. The leases are generally subject to escalation clauses and also have renewal options.

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 R1 012 million (2014: 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.

	2015 Rm	2014 Rm
27. CASH GENERATED FROM OPERATIONS		
Operating profit	**1 631**	1 472
Adjusted for:		
Operating loss from discontinued operations	**(65)**	(107)
Depreciation and amortisation	**791**	765
Net of fair value adjustments of consumable biological assets and decrease due to harvesting	**(86)**	(114)
Share-based payment expense	**54**	47
Other non-cash adjustments	**152**	8
Cash generated before working capital changes	**2 477**	2 071
Working capital changes		
Decrease/(increase) in inventories	**1**	(39)
Increase in trade and other receivables	**(13)**	(306)
(Decrease)/increase in net derivative financial assets	**(4)**	57
Increase/(decrease) in non-current and current provisions	**5**	(6)
Increase in non-current and current employee benefits	**38**	41
Settlement of share scheme settlement provision	**(101)**	(48)
(Decrease)/increase in trade and other payables	**(128)**	118
Net changes in working capital	**(202)**	(183)
Cash generated from operations	**2 275**	1 888

	2015 Rm	2014 Rm
28. NET CASH FLOW ON BUSINESS COMBINATIONS		
During the current year, the group acquired the business of Metz Industries Proprietary Limited (2014: Buffalo Pocket Springs Proprietary Limited).		
The fair value of assets and liabilities assumed at date of acquisition was:		
Assets		
Property, plant and equipment	**144**	3
Investments and loans	**1**	11
Deferred taxation assets	**5**	–
Inventories	**11**	2
Trade and other receivables	**105**	1
Liabilities		
Loans and borrowings	**–**	(9)
Deferred taxation liability	**(17)**	(1)
Provisions	**(5)**	–
Short-term loans payable	**–**	(2)
Trade and other payables	**(62)**	(1)
Bank overdrafts and short-term facilities	**(35)**	–
Total assets and liabilities acquired	**147**	4
Goodwill at acquisition	**343**	–
Total consideration	**490**	4
Settled via issue of shares	**(348)**	–
Settled via other means	**–**	(2)
Net cash outflow on acquisition of subsidiaries	**142**	2
The carrying value of identifiable assets and liabilities immediately prior to the acquisition was:		
Assets		
Property, plant and equipment	**144**	3
Investments and loans	**1**	11
Deferred taxation assets	**5**	–
Inventories	**11**	2
Trade and other receivables	**105**	1
Liabilities		
Loans and borrowings	**–**	(9)
Deferred taxation liability	**(17)**	(1)
Provisions	**(5)**	–
Short-term loans payable	**–**	(2)
Trade and other payables	**(62)**	(1)
Bank overdrafts and short-term facilities	**(35)**	–
Total assets and liabilities acquired	**147**	4

	2015 Rm	2014 Rm
29. NET CASH FLOW ON DISPOSAL OF SUBSIDIARIES AND BUSINESSES		
During the current year, the group disposed of the Footwear division of KAP Automotive Proprietary Limited, Jordan Footwear Namibia Proprietary Limited, Weatherboard Proprietary Limited, Braecroft Timbers Proprietary Limited and Corpsure Proprietary Limited (2014: Food division).		
The carrying value of assets and liabilities disposed of at the date of disposal was:		
Assets		
Goodwill	**1**	–
Intangible assets	**–**	24
Property, plant and equipment	**40**	84
Consumable biological assets	**140**	–
Investments and loans	**2**	–
Deferred taxation assets	**5**	–
Inventories	**237**	120
Trade and other receivables	**219**	116
Short-term loans and receivables	**–**	4
Cash on hand	**15**	–
Liabilities		
Other reserves	**1**	–
Deferred taxation liability	**(32)**	–
Employee benefits	**(2)**	–
Trade and other payables	**(165)**	(59)
Carrying value of assets and liabilities disposed	**461**	289
Profit/(loss) on disposal	**24**	(11)
Proceeds on disposal	**485**	278
Cash and cash equivalents on hand at disposal	**(15)**	–
Net cash inflow on disposal of subsidiaries	**470**	278

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 intragroup 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:

	2015 Rm	2014 Rm
Related party loans receivable/(payable):		
Steinhoff International Holdings Limited and its subsidiaries	**11**	(481)
Associate and joint venture companies	**44**	50
	55	(431)
Related party receivables:		
Steinhoff International Holdings Limited and its subsidiaries	**122**	91
Associate and joint venture companies	**29**	27
	151	118
Related party payables:		
Steinhoff International Holdings Limited and its subsidiaries	**(111)**	(35)
Associate and joint venture companies	**(10)**	(14)
	(121)	(49)
Share-scheme settlement provision:		
Steinhoff International Holdings Limited	**–**	(95)
Dividends paid to:		
Steinhoff International Holdings Limited and its subsidiaries	**(126)**	(116)
Sales to:		
Steinhoff International Holdings Limited and its subsidiaries	**378**	300
Associate and joint venture companies	**76**	93
	454	393
Purchases from:		
Steinhoff International Holdings Limited and its subsidiaries	**(2)**	(33)
Associate and joint venture companies	**(60)**	(33)
	(62)	(66)

	2015 Rm	2014 Rm
Net operating fees, including administration and management fees:		
Steinhoff International Holdings Limited and its subsidiaries	**(28)**	(30)
Associate and joint venture companies	**5**	5
	(23)	(25)
Net rent paid to:		
Steinhoff International Holdings Limited and its subsidiaries	**(34)**	(23)
Associate and joint venture companies	**–**	(2)
	(34)	(25)
Net rebates and settlement discounts paid to:		
Steinhoff International Holdings Limited and its subsidiaries	**(28)**	(24)
Associate and joint venture companies	**(1)**	(1)
	(29)	(25)
Net finance costs (paid to)/received from:		
Steinhoff International Holdings Limited and its subsidiaries	**(19)**	(222)
Associate and joint venture companies	**1**	1
	(18)	(221)
Asset purchases:		
Steinhoff International Holdings Limited and its subsidiaries	**(176)**	(76)

For details of material related parties where control exists, refer to note 32.

For details in respect of key management compensation, refer to note 33.

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

	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 loans and borrowings	–	(3 442)	(3 442)	(3 442)	(3 442)
Non-current financial liabilities	–	(3 442)	(3 442)	(3 442)	(3 442)
Short-term loans and 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 losses/(gains) recognised in profit or loss	48	(52)	(4)		
Net interest expense	–	327	327		

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:

	2015 Level 2 Rm	2014 Level 2 Rm
Derivative financial assets	**3**	1
Derivative financial liabilities	**(3)**	(4)
	–	(3)

There were no Level 1 or Level 3 financial assets or financial liabilities as at 30 June 2015 or 30 June 2014.

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.

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

	Euros Rm	US dollars Rm
2015		
Trade and other receivables (financial assets excluding derivatives)	**–**	**68**
Cash and cash equivalents	**42**	**8**
Trade and other payables (financial liabilities excluding derivatives)	**(154)**	**(332)**
Pre-derivative position	**(112)**	**(256)**
Derivative effect	**(2)**	**2**
Open position	**(114)**	**(254)**
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)

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

Rand	Forecast rate[1] 30 June 2016	Forecast rate[1] 30 June 2015	Reporting date spot rate 30 June 2015	Reporting date spot rate 30 June 2014
Euro	**13.1225**	14.1955	**13.5628**	14.5656
US dollar	**12.5700**	10.8425	**12.1211**	10.6380

[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.*

31. FINANCIAL INSTRUMENTS *(continued)*

31.3 Foreign currency risk *(continued)*

Sensitivity analysis

The table below indicates the group's sensitivity at year-end to the movements in the major currencies that the group is exposed to on its financial instruments. The percentages given below represent a weighting of foreign currency rates forecasted by the major banks that the group transacts with regularly. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2014.

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	2015 Rm	2014 Rm
Euro weakening by 3.2% (2014: weakening by 2.5%) to the rand	**4**	2
US dollar strengthening by 3.7% (2014: strengthening by 1.9%) to the rand	**(9)**	(6)

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:

	2015 Rm	2014 Rm
Short-term derivatives		
Assets		
Fair value of foreign exchange contracts		
Euro	**1**	–
US dollar	**2**	1
	3	1
Liabilities		
Fair value of foreign exchange contracts		
Euro	**(3)**	(2)
US dollar	**–**	(2)
	(3)	(4)
Net derivative (liabilities)/assets	**–**	(3)

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.

31.4 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
2015					
Non-current financial assets	**–**	**–**	**–**	**1**	**1**
Current financial assets	**1 072**	**155**	**16**	**2 513**	**3 756**
Non-current financial liabilities	**(2 679)**	**–**	**(450)**	**(5)**	**(3 134)**
Current financial liabilities	**(326)**	**–**	**–**	**(2 798)**	**(3 124)**
	(1 933)	**155**	**(434)**	**(289)**	**(2 501)**
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)

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	2015 Rm	2014 Rm
JIBAR and SA prime – 100 basis point increase	**19**	35

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

31. FINANCIAL INSTRUMENTS *(continued)*

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 2015, the group did not consider there to be any significant concentration of credit risk which had not been adequately provided for. The amounts presented in the statement of financial position are net of allowances for doubtful debts, estimated by the group companies' management based on prior experience and the current economic environment.

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

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

	2015 Rm	2014 Rm
Non-current financial assets	**1**	26
Current financial assets	**3 756**	3 665
	3 757	3 691
The maximum exposure to credit risk at the reporting date by segment was (carrying amounts):		
Diversified Logistics	**1 663**	1 540
Diversified Industrial	**2 094**	2 151
	3 757	3 691
The maximum exposure to credit risk at the reporting date by geographical region was (carrying amounts):		
Southern Africa	**3 710**	3 606
Other regions	**47**	85
	3 757	3 691
Ageing of financial assets		
Not past due or impaired	**3 298**	3 067
Past due 1 to 30 days but not impaired	**313**	368
Past due 31 to 60 days but not impaired	**51**	52
Past due 61 to 90 days but not impaired	**28**	25
Past due more than 90 days but not impaired	**36**	72
Past due but not impaired in full	**31**	107
Past due balance	**102**	146
Impairment allowance	**(71)**	(39)
	3 757	3 691

	2015 Rm	2014 Rm
Movement in allowance for doubtful debts and impairments		
Balance at beginning of the year	**(39)**	(52)
Additional provision raised	**(41)**	(25)
Amounts unused reversed	**2**	18
Amounts used during the year	**26**	18
Transfer from assets held for sale	**(12)**	–
Acquired on acquisition of subsidiary companies	**(7)**	–
Eliminated on disposal of subsidiary	**–**	2
Balance at end of the year	**(71)**	(39)

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 R479 million (2014: R353 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:

	2015 Rm	2014 Rm
0 to 3 months	**(2 868)**	(3 358)
4 to 12 months	**(532)**	(376)
Year 2	**(1 681)**	(570)
Years 3 to 5	**(1 553)**	(3 131)
After 5 years	**(552)**	(499)
	(7 186)	(7 934)

31. FINANCIAL INSTRUMENTS *(continued)*

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	
		2015 %	2014 %
32.	**MATERIAL SUBSIDIARIES**		
	KAP Automotive Proprietary Limited (previously KAP Manufacturing Proprietary Limited)	**100**	100
	PG Bison Holdings Proprietary Limited	**100**	100
	PG Bison Proprietary Limited (previously 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					
2015					
Gary Noel Chaplin[1]	**3 019 428**	**420 418**	**3 918 234**	**–**	**7 358 080**
Karel Johan Grové[2]	**4 438 172**	**661 828**	**6 770 000**	**–**	**11 870 000**
John Peter Haveman[3]	**1 913 912**	**387 712**	**2 290 360**	**30 376**	**4 622 360**
	9 371 512	**1 469 958**	**12 978 594**	**30 376**	**23 850 440**
2014					
Gary Noel Chaplin[1]	2 489 572	345 928	3 675 000	2 262	6 512 762
Karel Johan Grové[2]	4 149 270	620 730	4 500 000	–	9 270 000
John Peter Haveman[3]	1 784 204	357 292	2 000 000	58 504	4 200 000
	8 423 046	1 323 950	10 175 000	60 766	19 982 762

[1] *Gary Noel Chaplin was appointed as chief executive officer on 18 November 2014. The remuneration for 2014 was paid by PG Bison Proprietary Limited. For the year-end 30 June 2015, remuneration of R4 170 580 was paid by PG Bison Proprietary Limited and R2 187 500 was paid by KAP Automotive Proprietary Limited. R1 000 000 (2014: R1 000 000) of the bonus amount was paid by Steinhoff Africa Holdings Proprietary Limited.*

[2] *R3 972 265 (2014: R2 250 000) of the bonus amount was paid by Steinhoff Africa Holdings Proprietary Limited.*

[3] *R1 000 000 (2014: R1 000 000) of the bonus amount was paid by Steinhoff Africa Holdings Proprietary Limited.*

	2015 R	2014 R
Non-executive directors		
Jacob de Vos du Toit	**665 366**	625 957
Markus Johannes Jooste[1]	**258 810**	282 456
Andries Benjamin la Grange[1]	**258 810**	282 456
Johannes Bhekhumuzi Magwaza[2]	**110 245**	400 524
Ipeleng Nonkululeko Mkhari	**286 128**	207 307
Stephanus Hilgard Müller	**449 318**	386 158
Sandile Hopeson Nomvete	**314 819**	322 658
Patrick Keith Quarmby	**483 063**	491 709
Daniel Maree van der Merwe[1]	**321 437**	338 057
Christiaan Johannes Hattingh van Niekerk	**258 810**	218 957
	3 406 806	3 556 239

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

[2] *Johannes Bhekhumuzi Magwaza retired from the board on 18 November 2014.*

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

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

		Offer date	Number of rights as at 30 June 2014	Number of rights (exercised)/ (expired)/ awarded during the year	Number of rights as at 30 June 2015
33.2	**Share rights**				
	Executive directors				
	Gary Noel Chaplin	December 2012	1 125 336	–	1 125 336
		December 2013	1 334 188	–	1 334 188
		December 2014	–	1 543 470	1 543 470
			2 459 524	**1 543 470**	**4 002 994**
	Karel Johan Grové	December 2012	2 377 036	–	2 377 036
		December 2013	2 818 191	–	2 818 191
		December 2014	–	2 191 160	2 191 160
			5 195 227	**2 191 160**	**7 386 387**
	John Peter Haveman	July 2011	344 453	(344 453)	–
		December 2012	841 373	–	841 373
		December 2013	1 035 166	–	1 035 166
		December 2014	–	804 847	804 847
			2 220 992	**460 394**	**2 681 386**
	Total executive directors		**9 875 743**	**4 195 024**	**14 070 767**
	Share rights in Steinhoff International Holdings Limited				
	Executive directors				
	Gary Noel Chaplin	December 2010[1]	79 660	(79 660)	–
		December 2011[1]	142 337	(142 337)	–
			221 997	**(221 997)**	**–**
	Karel Johan Grové	December 2011[2]	267 605	(267 605)	–
			267 605	**(267 605)**	**–**
	Total executive directors		**489 602**	**(489 602)**	**–**

	Offer date	Number of rights as at 30 June 2014	Number of rights (exercised)/ (expired)/ awarded during the year	Number of rights as at 30 June 2015
33. DIRECTORS' REMUNERATION *(continued)*				
33.2 Share rights *(continued)*				
Non-executive directors				
Markus Johannes Jooste	December 2011[2]	1 056 504	(1 056 504)	–
	December 2012	1 186 514	–	1 186 514
	December 2013	1 669 183	–	1 669 183
	December 2014	–	869 301	869 301
		3 912 201	**(187 203)**	**3 724 998**
Andries Benjamin la Grange	December 2011[2]	321 126	(321 126)	–
	December 2012	393 250	–	393 250
	December 2013	487 490	–	487 490
	December 2014	–	233 499	233 499
		1 201 866	**(87 627)**	**1 114 239**
Daniel Maree van der Merwe	December 2011[2]	428 168	(428 168)	–
	December 2012	610 207	–	610 207
	December 2013	858 437	–	858 437
	December 2014	–	439 041	439 041
		1 896 812	**10 873**	**1 907 685**
Christiaan Johannes Hattingh van Niekerk	December 2010[1]	223 048	(223 048)	–
	December 2011[1]	191 162	(191 162)	–
		414 210	**(414 210)**	**–**
Total non-executive directors		**7 425 089**	**(678 167)**	**6 746 922**

All the share rights granted were granted on 5 December 2014. The purchase price for Steinhoff shares is 0.5 cents per share and KAP shares are 20 cents per share.

The market price of share rights exercised was R40.15 for 1 December 2013.

[1] The market price of share rights exercised was R57.62 for 1 December 2014.

[2] The market price of share rights exercised was R65.97 for 17 February 2015.

	Number of rights exercised	Value of rights exercised R'000
Value of share rights exercised during the year		
2015		
Executive directors		
Gary Noel Chaplin	**221 997**	**12 791**
Karel Johan Grové	**267 605**	**17 654**
	489 602	**30 445**
Non-executive directors		
Markus Johannes Jooste	**1 056 504**	**69 698**
Andries Benjamin la Grange	**321 126**	**21 185**
Daniel Maree van der Merwe	**428 168**	**28 246**
Christiaan Johannes Hattingh van Niekerk	**414 210**	**23 867**
	2 220 008	**142 996**
2014		
Executive directors		
Karel Johan Grové	309 789	12 438
	309 789	12 438
Non-executive directors		
Markus Johannes Jooste	1 266 034	50 831
Andries Benjamin la Grange	354 045	14 215
Daniel Maree van der Merwe	486 812	19 546
	2 106 891	84 592

34. NEW/REVISED ACCOUNTING PRONOUNCEMENTS

		Effective date – annual periods commencing on or after
At the date of authorisation of these financial statements, there are standards in issue but not yet effective. These include the following standards that have not been early adopted and may have an impact on future financial statements:		
IFRS 9	Financial Instruments	1 January 2018
IFRS 10	Consolidated Financial Statements: Investment entities: Applying the consolidation exception	1 January 2016
IFRS 11	Joint Arrangements: Investment entities: Applying the consolidation exception	1 January 2016
IFRS 12	Disclosure of Interests in Other Entities: Investment entities: Applying the consolidation exception	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IAS 1	Presentation of Financial Statements: Disclosure initiative	1 January 2016
IAS 27	Separate Financial Statements: Investment entities: Equity method in separate financial statements	1 January 2016
IAS 28	Investments in Associates: Investment entities: Applying the consolidation exception	1 January 2016
Annual Improvements to IFRSs 2012 – 2014 Cycle		1 January 2016

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

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

34.3 IFRS 14

In December 2012, the IASB decided to develop an interim standard to provide short-term guidance until the rate-regulated activities research project is completed. 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.

34.4 IFRS 15

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

34.5 IAS 1

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

34.6 Annual Improvements to IFRSs 2012 – 2014

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

35. EVENTS AFTER REPORTING DATE

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

	2015 Number of shares	2015 %	2014 Number of shares	2014 %
Shares held by directors of the company				
Gary Noel Chaplin	**700 000**	**0.029**	–	–
Jacob de Vos du Toit	**500 000**	**0.021**	500 000	0.021
Karel Johan Grové	**208 000**	**0.009**	–	–
John Peter Haveman	**331 954**	**0.014**	331 954	0.014
Stephanus Hilgard Müller	**300 004**	**0.012**	300 004	0.013
	2 039 958	**0.084**	1 131 958	0.048
Shares held by directors of group subsidiaries	**51 196 946**	**2.113**	2 389 996	0.102
	53 236 904	**2.197**	3 521 954	0.150
Public/non-public shareholdings				
Steinhoff International Holdings Limited[1]	**1 049 561 154**	**43.32**	1 049 561 154	44.73
Directors of the company and its subsidiaries	**53 236 904**	**2.20**	3 521 954	0.15
Non-public shareholders[2]	**1 102 798 058**	**45.52**	1 053 083 108	44.88
Public shareholders[3]	**1 320 014 100**	**54.48**	1 293 104 780	55.12
	2 422 812 158	**100.00**	2 346 187 888	100.00

[1] *Shares held by Ainsley Holdings Proprietary Limited, a subsidiary of Steinhoff Africa Holdings Limited.*
[2] *There were 27 (2014: 17) non-public shareholders at year-end.*
[3] *There were 4 031 (2014: 3 537) public shareholders at year-end.*

SHAREHOLDERS' DIARY

Annual general meeting 2015	Monday, 16 November 2015 at 12:30
Announcement of interim results	February 2016
Announcement of annual results and anticipated declaration of dividend/distribution	August 2016
Annual general meeting 2016	November 2016

CORPORATE INFORMATION

KAP Industrial Holdings Limited

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2018

Registration number
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Share code
KAP

ISIN
ZAE000171963

Company secretary
Steinhoff Africa Secretarial
Services Proprietary Limited
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2090

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2018

External auditors
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