THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations set out on pages 3 to 7 of this Circular apply to this whole document.

Action required:

1. This Circular is important and should be read with particular attention to page 8: **"ACTION REQUIRED BY SHAREHOLDERS"**.
2. If you have disposed of all your ordinary shares in KAP, please forward this Circular to the purchaser of such ordinary shares or to the broker, CSDP or agent through whom the disposal was effected.

KAP International Holdings Ltd

KAP International Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number 1978/000181/06)
JSE code: KAP ISIN: ZAE000059564
("KAP" or "the Company")

CIRCULAR TO SHAREHOLDERS

regarding:

- **the Related Party Acquisition by KAP of the Steinhoff Industrial Assets from Steinhoff Africa resulting in a reverse take-over of KAP by Steinhoff Africa;**
- **the Waiver of the Mandatory Offer;**
- **the Changes to the Share Capital as required by the Companies Regulations; and**
- **the Authority to Issue the Consideration Shares;**

and incorporating:

- **Revised Listing Particulars for KAP following the Related Party Acquisition;**
- **Notice of General Meeting;**
- **a form of proxy (for use by Certificated Shareholders and Dematerialised Shareholders with Own-Name registration only); and**
- **a report in terms of regulation 31(7) of the Companies Regulations.**

Corporate advisor and Sponsor to KAP

PSG CAPITAL

Independent Reporting Accountant to KAP

Deloitte.
Deloitte & Touche
Registered Auditors

Legal advisor to KAP

WERKSMANS
ATTORNEYS

Competition law advisor to KAP

NORTON ROSE
Norton Rose South Africa

Independent Expert

pwc

Date of issue: 17 December 2011

This Circular is available in English only and copies hereof may be obtained from the registered office of KAP and PSG Capital at the addresses set out in the "Corporate Information" section of this Circular.

CORPORATE INFORMATION

Company Secretary and Registered Office of KAP

M Balladon, CA(SA)
1st Floor
New Link Centre
1 New Street
Paarl, 7646
(PO Box 3639, Paarl, 7620)
Date and place of incorporation:
19 January 1978, Republic of South Africa

Legal advisor to KAP

Werksmans Inc
(Registration number 1990/007215/21)
155 5th Street
Sandton, 2196
(Private Bag 10015, Sandton, 2146)

and

Pohl & Stuhlinger Attorneys
12th Floor, SA Reserve Bank Building
60 St George's Mall
Cape Town, 8001
(PO Box 763, Cape Town, 8000)

Retail Bankers to KAP

First National Bank, a division of FirstRand Bank Limited
(Registration number 1929/001225/06)
3rd Floor
Great Westerford
240 Main Road
Rondebosch, 7700

and

Nedbank Corporate, a division of Nedbank Limited
(Registration number 1951/000009/06)
1st Floor, Corporate Place
135 Rivonia Road
Sandown, 2196

and

The Standard Bank of South Africa Limited
(Registration number 1962/000738/06)
20th Floor
Main Tower
Standard Bank Centre
Hertzog Boulevard
Cape Town, 8001

and

Investec Bank Limited
(Registration number 1969/004763/06)
36 Hans Strijdom Avenue
Cape Town, 8001

Corporate Advisor and Transaction Sponsor to KAP

PSG Capital Proprietary Limited
(Registration number 2006/015817/07)
1st Floor, Ou Kollege Building
35 Kerk Street
Stellenbosch, 7600
(PO Box 7403, Stellenbosch, 7599)

and at

Ground Floor, DM Kisch House
Inanda Greens Business Park
54 Wierda Road West
Wierda Valley
Sandton, 2196
(PO Box 987, Parklands, 2121)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Competition law advisor to KAP

Norton Rose
(incorporated as Deneys Reitz Inc)
(Registration number 1984/003385/21)
15 Alice Lane
Sandton, 2196
(PO Box 784903, Sandton, 2146)

Independent Reporting Accountant to KAP

Deloitte & Touche
Registered Auditors
1st Floor, The Square
Cape Quarter Extension
27 Somerset Road
Green Point, 8005
(PO Box 578, Cape Town, 8000)

Independent Expert

PricewaterhouseCoopers Corporate Finance
Proprietary Limited
(Registration number 1970/003711/07)
2 Eglin Road
Sunninghill
Johannesburg, 2157
(Private Bag X36, Sunninghill, 2157)

TABLE OF CONTENTS

The definitions and interpretations set out on pages 3 to 7 of this Circular apply, *mutatis mutandis,* to the following table of contents:

DEFINITIONS AND INTERPRETATIONS

In this Circular, unless the context indicates a contrary intention, the words in the first column have the meanings assigned to them in the second column; the singular includes the plural and *vice versa*; an expression which denotes one gender includes the other genders; a natural person includes a juristic person and *vice versa,* and cognate expressions bear corresponding meanings.

"Acquisition" or "Related Party Acquisition"	the proposed acquisition by KAP of, as an indivisible transaction, all of the shares in and Claims against the Steinhoff Industrial Assets from Steinhoff Africa, an indirect wholly-owned subsidiary of Steinhoff as more fully detailed in paragraph 4 of this Circular;
"Acquisition Agreement"	the written agreement, titled "Sale of Shares and Claims Agreement", entered into between KAP and Steinhoff Africa, dated 8 December 2011, in respect of the Related Party Acquisition;
"Acquisition Consideration"	the aggregate purchase consideration of R8 921 000 000, less the net of third party debt and cash balances on the balance sheets of the Steinhoff Industrial Assets as at the Effective Date, payable by KAP in terms of the Acquisition, to be settled through the issue of the Consideration Shares and the balance by crediting the Consideration Loan Account, as more fully detailed in paragraph 4.4.1 of this Circular;
"Act" or "Companies Act"	the Companies Act, No. 71 of 2008, as amended from time to time, or any act which replaces the Act;
"Authority to Issue the Consideration Shares"	the placing of the Consideration Shares under the control of the Board and the authority to issue the Consideration Shares, required by the Company, in order to implement the Acquisition, as more fully detailed in paragraphs 6.3 and 6.4 of this Circular;
"Board"	the Board of directors of KAP;
"Business Day"	any day other than a Saturday, Sunday or official public holiday in South Africa;
"Certificated Share"	a Share represented by a share certificate or other physical document of title, which has not been surrendered for dematerialisation in terms of the requirements of Strate and which may no longer be traded freely on the JSE;
"Certificated Shareholder"	a shareholder who holds Certificated Shares;
"CGT"	Capital Gains Tax, levied in terms of section 26A of the Income Tax Act read with the Eighth Schedule to the Income Tax Act;
"Changes to the Share Capital"	the changes to KAP's share capital required to be made by the Company in order to implement the Acquisition as more fully detailed in paragraphs 6.1 and 6.2 of this Circular;
"CIPC"	Companies and Intellectual Property Commission, established in terms of section 185 of the Act;
"Circular"	this circular, dated 17 December 2011, including its annexures, the Revised Listing Particulars together with its appendices, and the Notice of General Meeting together with the form of proxy attached hereto;
"Claims"	all of the claims on loan account, which Steinhoff Africa has against the Steinhoff Industrial Assets, excluding trade creditors;

"Companies Regulations"	the regulations published by the Minister of Trade and Industry in terms of section 223 of the Companies Act, and which include regulations relating to the functioning of the TRP;
"Company Secretary"	the Company Secretary of KAP, as more fully detailed in the "Corporate Information" section of this Circular, or his successor in title;
"Conditions Precedent"	the conditions precedent to which the Acquisition is subject, as set out in paragraph 4.4.2 of this Circular;
"Consideration Shares"	the issue of 1 912 781 011 no par value KAP Shares at R2,50 per Share to Steinhoff Africa in partial settlement of the Acquisition Consideration;
"Consideration Loan Account"	loan account in the amount of approximately R4 139 047 472 to be credited by KAP in favour of Steinhoff Africa in partial settlement of the Acquisition Consideration;
"CSDP"	a Central Securities Depository Participant in terms of the Securities Services Act;
"Current Authorised Shares"	1 200 000 000 ordinary shares of R0,20 each in KAP;
"Deloitte"	Deloitte & Touche, Reporting Accountants for KAP in respect of the historical and *pro forma* financial information presented in this Circular, and KAP's appointed auditors;
"Dematerialise"	the process whereby physical share certificates are replaced with electronic records evidencing ownership of shares for the purpose of Strate, as contemplated in the Securities Services Act;
"Dematerialised Shares"	Shares that have been Dematerialised;
"Dematerialised Shareholder"	a Shareholder who holds Dematerialised Shares;
"Directors"	the current directors of KAP, as listed on page 10 of this Circular, and the singular shall mean any one of the Directors, as the context may require;
"Effective Date"	the first day of the calendar month following the day on which the last of the Conditions Precedent has been fulfilled;
"EPS"	earnings per share;
"Exchange Control Regulations"	the Exchange Control Regulations, 1961, made in terms of section 9 of the Currency and Exchanges Act, No. 9 of 1933;
"Fairness Opinion"	the independent expert opinion prepared on the Acquisition and the Waiver by the Independent Expert in accordance with the Listings Requirements and as required by regulation 86(7) of the Companies Regulations, a copy of which is set out in Annexure VII;
"Feltex"	Feltex Holdings Proprietary Limited (Registration number 1957/001891/07), a private company duly registered and incorporated in accordance with the laws of South Africa, being a wholly-owned subsidiary of KAP;
"General Meeting"	the general meeting of KAP Shareholders to be held at the offices of PSG Capital on the 1st Floor, Ou Kollege, 35 Kerk Street, Stellenbosch, at 10:00 on Wednesday, 18 January 2012, for the purpose of considering and if deemed fit, passing the Resolutions;
"Group"	KAP and its subsidiaries and associates and, for purposes of the Revised Listings Particulars, includes the Steinhoff Industrial Assets;
"HEPS"	headline earnings per share;
"IFRS"	International Financial Reporting Standards;

"IFRS 3"	International Financial Reporting Standard 3 (Revised) – Business Combinations;
"Income Tax Act"	the Income Tax Act, No. 58 of 1962, as amended;
"Independent Board"	the Directors, excluding Messrs C E Daun, M J Jooste, D M van der Merwe, J B Magwaza and S H Nomvete and Mrs I N Mkhari;
"Independent Expert" or "PwC"	PricewaterhouseCoopers Corporate Finance Proprietary Limited (Registration number 1970/003711/07), a private company duly registered and incorporated in accordance with the laws of South Africa;
"Independent Reporting Accountant"	Deloitte, whose details are set out in the "Corporate Information" section of this Circular;
"Issued Shares"	424 473 657 ordinary shares of R0,20 each issued from the Current Authorised Shares of KAP;
"JIBAR"	Johannesburg interbank agreed rate, being the rate determined as the average of the rates indicated by local and international banks;
"JSE"	JSE Limited (Registration number 2005/022939/06), a public company duly registered and incorporated under the laws of South Africa, which is licensed as an exchange under the Securities Services Act;
"KAP" or "the Company"	KAP International Holdings Limited (Registration number 1978/000181/06), a public company duly registered and incorporated under the laws of South Africa, the shares of which are listed on the JSE;
"KAP Group"	KAP and its subsidiaries;
"KAP Minorities"	the KAP Shareholders, other than the Steinhoff Group;
"KAP Performance Share Plan"	the long-term incentive plan for management adopted by the Company in April 2007;
"Last Practicable Date"	the last practicable date prior to the finalisation of this Circular, being Wednesday, 30 November 2011;
"Listings Requirements"	the listings requirements of the JSE;
"Mandatory Offer"	the potential mandatory offer of R2,50 per Share in terms of section 123 of the Act that may be required to be made by Steinhoff or its indirect wholly-owned subsidiary Steinhoff Africa to the KAP Minorities as a result of the issue of the Consideration Shares pursuant to the Acquisition;
"Memorandum of Incorporation"	the Company's current Memorandum of Association and Articles of Association which are referred to jointly as its "Memorandum of Incorporation" as per the Act;
"NAV"	the net asset value, being the amount by which the assets exceed the liabilities;
"NTAV"	the net tangible asset value, being the amount by which the tangible assets exceed the liabilities;
"Norton Rose"	Deneys Reitz Inc (Registration number 1984/003385/21), a personal liability private company duly registered and incorporated in accordance with the laws of South Africa, being the competition law advisor to KAP;
"Notice of General Meeting"	the notice of General Meeting attached to and forming part of this Circular;

"Ordinary Resolutions"	the ordinary resolutions set out in the Notice of General Meeting which are to be considered and voted on at the General Meeting;
"Own-Name"	Shares held in a Shareholder's own-name on the sub-register (being the list of Shareholders maintained by the relevant CSDP and forming part of KAP's securities register);
"PET"	Polyethylene Terephthalate;
"PG Bison"	PG Bison Holdings Proprietary Limited (Registration number 1999/016480/07), a private company duly registered and incorporated in accordance with the laws of South Africa, being a wholly-owned subsidiary of Steinhoff Africa and its subsidiaries and/or associates;
"Pohl and Stuhlinger"	Pohl and Stuhlinger, a firm of attorneys and legal advisor to KAP;
"PSG Capital" or "Sponsor"	PSG Capital Proprietary Limited (Registration number 2006/015817/07), a private company duly registered and incorporated in accordance with the laws of South Africa, being sponsor to KAP, appointed pursuant to the Listings Requirements;
"Rand" or "R"	South African Rand, being the official currency of South Africa;
"Register"	the register of Certificated Shareholders maintained by Computershare on behalf of the Company and the sub-register of Dematerialised Shareholders maintained by the relevant CSDPs in terms of the Companies Act;
"Related Parties"	Steinhoff Africa, being a material shareholder of KAP, its controlling shareholder/s (including Steinhoff), and their respective associates, classified as such in terms of the Listings Requirements;
"Resolutions"	collectively, the Ordinary Resolutions and Special Resolutions;
"Revised Listing Particulars"	the information relating to KAP as set out in the part of this Circular titled "Revised Listing Particulars", including its appendices, issued in compliance with the Listings Requirements;
"Roadway Transport"	Roadway Transport Proprietary Limited (Registration number 1991/001164/07), a private company duly registered and incorporated in accordance with the laws of South Africa, being a wholly-owned subsidiary of Steinhoff Africa and its subsidiaries and/or associates;
"SARS"	the South African Revenue Service;
"Securities Services Act"	the Securities Services Act, No. 36 of 2004;
"SENS"	the Securities Exchange News Service of the JSE;
"Shareholder" or "KAP Shareholder"	a holder of KAP Shares whose name is reflected in the Register;
"Shares" or "KAP Shares"	ordinary shares having a par value of R0,20 in the issued share capital of KAP and which will, following the implementation of the Changes to the Share Capital, be shares of no par value;
"SHF Raw Materials"	SHF Raw Materials Proprietary Limited (Registration number 1988/070308/07), a private company duly registered and incorporated in accordance with the laws of South Africa, being a subsidiary of Steinhoff Africa and its subsidiaries and/or associates;
"South Africa"	the Republic of South Africa;
"Special Resolutions"	the special resolutions set out in the Notice of General Meeting which are to be considered and voted on at the General Meeting;

"Steinhoff"	Steinhoff International Holdings Limited (Registration number 1998/003951/06), a public company duly registered and incorporated under the laws of South Africa, the shares of which are listed on the JSE;
"Steinhoff Africa"	Steinhoff Africa Holdings Proprietary Limited (Registration number 1969/015042/07), a private company duly registered and incorporated under the laws of South Africa, being an indirect wholly-owned subsidiary of Steinhoff;
"Steinhoff Group"	Steinhoff and its South African subsidiaries;
"Steinhoff Industrial Assets"	collectively, Unitrans, PG Bison, SHF Raw Materials, Toolplast and Roadway Transport and their subsidiaries and/or associates;
"Strate"	Strate Limited (Registration number 1998/022242/06), a public company duly registered and incorporated under the laws of South Africa, being a registered central securities depository in terms of the Securities Services Act;
"Toolplast"	Toolplast Holdings Proprietary Limited (Registration number 1962/002702/07), a private company duly registered and incorporated under the laws of South Africa, being a wholly-owned subsidiary of Steinhoff Africa;
"Transfer Secretaries" or "Computershare"	Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a private company duly registered and incorporated under the laws of South Africa, being KAP's transfer secretaries;
"TRP"	the Take-over Regulation Panel, established in terms of section 196 of the Companies Act;
"Unitrans"	Unitrans Holdings Proprietary Limited (Registration number 1994/007379/07), a private company duly registered and incorporated under the laws of South Africa, being a wholly-owned subsidiary of Steinhoff Africa and its subsidiaries and/or associates;
"VAT"	value-added tax, levied in terms of the Value-Added Tax Act, No. 89 of 1991, as amended;
"VWAP"	the volume weighted average traded price;
"Waiver" or "Waiver of the Mandatory Offer"	the waiver of the Mandatory Offer in terms of regulation 86(4) of the Companies Regulations by more than 50% of the KAP Minorities, by way of a resolution passed at the General Meeting; and
"Werksmans Attorneys"	Werksmans Inc (Registration number 1990/007215/21), a personal liability private company duly registered and incorporated in accordance with the laws of South Africa, being the legal advisor to KAP.

ACTION REQUIRED BY SHAREHOLDERS

If you are in any doubt as to what action to take in regard to this Circular, please consult your CSDP, broker, banker, accountant, attorney or other professional advisor immediately.

This Circular contains information relating to the Related Party Acquisition, the Waiver of the Mandatory Offer, the Changes to the Share Capital and the Authority to issue the Consideration Shares.

This Circular also contains information relating to the Resolutions as detailed in the Notice of General Meeting. You should carefully read through this Circular and decide how you wish to vote on the Resolutions to be proposed at the General Meeting.

The General Meeting convened in terms of the Notice of General Meeting, will be held at the offices of PSG Capital on the 1st Floor, Ou Kollege, 35 Kerk Street, Stellenbosch, at 10:00 on Wednesday, 18 January 2012.

ACTION REQUIRED BY CERTIFICATED SHAREHOLDERS AND OWN-NAME DEMATERIALISED SHAREHOLDERS:

A form of proxy is attached for the convenience of Certificated Shareholders and Own-Name Dematerialised Shareholders who are unable to attend the General Meeting, but who wish to be represented thereat. In order to ensure validity, duly completed forms of proxy must either be returned to: (a) The Transfer Secretaries, so as to reach them by no later than 10:00 on Monday, 16 January 2012 or (b) the chairperson of the General Meeting so as to reach the chairperson by no later than 30 minutes prior to the commencement of the General Meeting.

ACTION REQUIRED BY DEMATERIALISED SHAREHOLDERS, OTHER THAN THOSE WITH OWN-NAME REGISTRATION:

The CSDP or broker, as the case may be, of Dematerialised Shareholders, other than those with Own-Name registration, should contact such Dematerialised Shareholders to ascertain how they wish their votes to be cast at the General Meeting and thereafter cast their votes in accordance with their instructions. If Dematerialised Shareholders have not been contacted, it is recommended that they contact their CSDP or broker, as the case may be, to advise them as to how they wish their votes to be cast.

Dematerialised Shareholders, other than those with Own-Name registration, who wish to attend the General Meeting, must request a letter of representation from their CSDP or broker, as the case may be, but must not complete the attached form of proxy.

KAP does not accept any responsibility and will not be held liable for any failure on the part of the broker or CSDP (as the case may be) of a Dematerialised Shareholder to notify such Dematerialised Shareholder of the details of this Circular.

ELECTRONIC PARTICIPATION

In terms of section 61(10) of the Companies Act, every Shareholders' meeting of a public company must be reasonably accessible within South Africa for electronic participation by Shareholders.

Shareholders wishing to participate electronically in the General Meeting are required to deliver written notice to the Company at 1st Floor, New Link Centre, 1 New Street, Paarl (marked for the attention of Mr Mark Balladon) by no later than 10:00 on Friday, 6 January 2012, that they wish to participate via electronic communication at the General Meeting (the "Electronic Notice"). In order for the Electronic Notice to be valid it must contain: (a) if the Shareholder is an individual, a certified copy of his identity document and/or passport; (b) if the Shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution. The relevant resolution must set out who from the relevant entity is authorised to represent the relevant entity at the General Meeting via electronic communication and (c) a valid email address and/or facsimile number (the "Contact Address/Number"). Access to the meeting by way of electronic participation will be at the Shareholder's expense. Shareholders participating electronically are advised to exercise their voting rights by the submission of a valid proxy. By no later than 24 hours prior to the time of the General Meeting ("the Relevant Time") the Company shall use its reasonable endeavours to notify a Shareholder at its contact address/number who has delivered a valid Electronic Notice of the relevant details through which the Shareholder can participate via electronic communication.

SALIENT DATES AND TIMES

The definitions and interpretations set out on pages 3 to 7 of this Circular apply to this section.

	2011/2012
Salient dates and times	
Record date in order to be eligible to receive the Circular containing the Notice of General Meeting	Friday, 9 December
Circular and Notice of General Meeting posted to Shareholders	Saturday, 17 December
Last date to trade in order to be eligible to vote at the General Meeting	Thursday, 5 January
Record date in order to be eligible to vote at the General Meeting	Friday, 13 January
Last day to lodge forms of proxy for the General Meeting (by 10:00)[3]	Monday, 16 January
General Meeting (at 10:00)	Wednesday, 18 January
Results of General Meeting released on SENS	Wednesday, 18 January
Results of General Meeting published in the press	Thursday, 19 January
Effective Date[4]	Thursday, 1 March

Notes:

1. All times indicated above and below are local times in South Africa.
2. The dates and times indicated in the table above are subject to change. Any such changes will be released on SENS and published in the press.
3. To be valid, the completed forms of proxy must be lodged with the Transfer Secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001, or posted to the Transfer Secretaries at PO Box 61051, Marshalltown, 2107, to reach them by no later than at 10:00 on Monday, 16 January 2012, alternatively, such forms of proxy may be handed to the Company Secretary or chairperson of the General Meeting not later than 30 minutes prior to the commencement of the General Meeting.
4. Based on the assumption that all of the Conditions Precedent will be fulfilled by Wednesday, 29 February 2012. Should the Conditions Precedent be fulfilled by a different date, the Effective Date will be the first day of the month following the date of fulfilment of the Conditions Precedent.

KAP International Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number 1978/000181/06)
JSE code: KAP ISIN: ZAE000059564
("KAP" or "the Company")

Directors

Executive

P C T Schouten *(Chief Executive Officer)*
J P Haveman *(Chief Financial Officer)*

Non-executive

C E Daun (German) *(Chairman)*
J B Magwaza *(Lead Independent Director)*
S H Nomvete (Independent)
K E Schmidt (Independent)
U Schäckermann (German) (Independent)
I N Mkhari (Independent)
F Moller (German)
D M van der Merwe
M J Jooste

CIRCULAR TO SHAREHOLDERS

1. INTRODUCTION

Shareholders were advised on SENS on 18 October 2011 and in the press on 19 October 2011 that KAP and Steinhoff, through its indirect wholly-owned subsidiary, Steinhoff Africa, had in principle agreed the material terms of the Acquisition by KAP of all the shares in and Claims against the Steinhoff Industrial Assets.

The Acquisition will result in a reverse take-over of KAP in terms of the Listings Requirements.

In addition, the Acquisition is both classified as a Category 1 transaction as well as a related party transaction in terms of the Listings Requirements. Accordingly, KAP is required to obtain approval to conclude the Acquisition from its Shareholders, other than the Related Parties and their associates, at the General Meeting and to obtain a fairness opinion thereon.

KAP will partially settle the Acquisition Consideration through the issue of the Consideration Shares, resulting in Steinhoff Africa's direct and Steinhoff's indirect interest in KAP increasing from 34% to 88%, and partially through the crediting of the Consideration Loan Account by KAP in favour of Steinhoff Africa. Unless Shareholders approve the Waiver, either Steinhoff or Steinhoff Africa will be obliged to extend the Mandatory Offer to the KAP Minorities.

The Independent Board, having been advised by the Independent Expert, is of the opinion that the Acquisition is fair and reasonable to Shareholders and will be beneficial to the operations of KAP as well as all its stakeholders. The Independent Board therefore recommends to Shareholders to vote in favour of the Resolutions being proposed at the General Meeting.

Accordingly, and as prescribed by regulation 86(4) of the Companies Regulations, independent Shareholders are requested to vote in favour of the Waiver, thereby waiving the right to receive the Mandatory Offer from either Steinhoff or Steinhoff Africa.

In addition to the above and in order to implement the Acquisition, KAP will be required to make the Changes to the Share Capital and obtain the Authority to Issue the Consideration Shares and to make certain amendments to the Memorandum of Incorporation.

2. PURPOSE OF CIRCULAR

The purpose of this Circular is to provide information to Shareholders with regard to the Related Party Acquisition, the Waiver of the Mandatory Offer, the Changes to the Share Capital and the Authority to issue the Consideration Shares, in order to enable Shareholders to make an informed decision at the General Meeting. The Notice of General Meeting containing the Resolutions required to implement the Related Party Acquisition, the Waiver of the Mandatory Offer, the Changes to the Share Capital and the Authority to Issue the Consideration Shares, is attached to and forms part of this Circular.

3. INFORMATION RELATING TO KAP

3.1 Nature of business

KAP is an investment company with a portfolio of diverse manufacturing and consumer businesses. These include: bottle resin, automotive products, leather products, fashion and industrial footwear, towelling products and food products. KAP is operationally focused through an industrial segment consisting of Feltex Automotive, Hosaf and Industrial Footwear and a consumer segment consisting of Glodina, Brenner Mills, Bull Brand Foods and Jordan & Co.

3.2 History

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

Caravelle Carpets was acquired in 2006, and Brenner Mills was acquired in 2007. Both are divisions of Feltex Holdings (Pty) Ltd. In 2009 the fresh meat division of Bull Brand foods was closed. In 2010, the automotive leather business was sold and the automotive business of Dura Automotive in South Africa was acquired in 2010. In 2011 the polyester fibres division was sold.

3.3 Prospects

The PET market continues to grow, due to the product's significant cost benefits and recyclability. Hosaf will continue to grow off the back of the growing PET market as a result of the competitive advantage resulting from the structural size of the factory and the diverse uses of the packaging material (for both food and beverages) that Hosaf produces. Demand for the product continues to remain consistent and strong.

The vehicle manufacturing market is also maintaining an upward trend, with vehicle exports becoming a larger part of South African production. Coupled with further investment by vehicle manufacturers in South Africa, the outlook for the automotive division is positive.

Growth in the consumer divisions is expected to be limited in the near future, with South African consumers still under pressure, although the Company's long-term commitment to re-investing in these divisions should result in satisfactory returns.

At Glodina, significant investment in new machinery will continue to improve efficiencies through the plant. A number of customers which previously imported product have returned to Glodina due to better pricing.

Jordan continues to see improved volumes across all divisions, particularly in the Sports and Corporate shoe divisions. The recent weakening of the Rand has also resulted in increased production of own manufactured shoes.

Bull Brand's margins remained under pressure due to raw material price increases and a lack of volumes through the plant, but the division has focused on releasing new products into the market place under the Gants brand.

Brenner is focusing on reducing its distribution costs, which have increased over recent months, in order to improve margins. Further rationalisation of its cost base will continue, allied with a greater focus on higher margin, lower volume products.

4. THE ACQUISITION

4.1 Background to the Steinhoff Industrial Assets

4.1.1 Unitrans

Unitrans comprises a specialist supply chain business that designs, implements and manages supply chains and logistics services for a diverse customer base on a long-term contractual basis. Services include warehouse, logistics and related supply chain solutions for customers in southern Africa.

In addition to the industrial supply chain solutions, the Unitrans Passenger division provides comprehensive passenger transport solutions to various sectors, which include, *inter alia*, contractual commuter and personnel transport services, inter-city transport services, tourism services, as well as management and operations relating to the Gautrain fleet of commuter buses.

4.1.2 PG Bison

PG Bison's integrated timber operations comprise forestry plantations, timber beneficiation processes and sawmills, particle board and decorative laminate plants.

PG Bison manufactures and distributes sawn timber, poles, wood-based panel products, decorative laminates and solid surfacing materials through its comprehensive national footprint to a diverse customer base in southern Africa.

4.1.3 SHF Raw Materials and Toolplast

4.1.3.1 SHF Raw Materials manufactures various products and comprises the following business units:

- Vitafoam, a flexible polyurethane foam producer active in the furniture, packaging, insulation and cleaning industries in South Africa and Namibia;
- DesleeMattex, a technologically-advanced supplier of woven jacquard textiles primarily to bedding and related industries, and
- BCM, a manufacturer of components predominantly used in bedding products.

4.1.3.2 Toolplast is a wholly-owned subsidiary of Steinhoff Africa and owns 30% of the issued share capital in SHF Raw Materials. Steinhoff Africa owns the remaining 70% of the equity in SHF Raw Materials directly.

4.1.4 Roadway Transport

Roadway Transport is the holding company of Corpsure Proprietary Limited, a subsidiary providing insurance brokerage and related services to the Steinhoff Industrial Assets.

4.2 Prospects of the Steinhoff Industrial Assets

Unitrans' proven supply chain management model of providing comprehensive and specialised supply chain solutions and the Group's experience and focus on a diverse set of long-term contractual customers will continue to grow and contribute sustainable earnings to the Group. Unitrans Supply Chain Solutions' management is constantly exploring various untapped markets with a view of broadening its services into these markets. Furthermore, the Acquisition may provide Unitrans with the opportunity to provide logistical services to other companies within the Group.

PG Bison's optimised organisational structure positions them well to benefit and grow from any improvement in the macro-economic environment, particularly the construction sector. Further investment in technology, which will add value to and expand the existing product range is being investigated. PG Bison's expansion plans (outside South Africa) are also gaining momentum and various opportunities in respect of new markets are being explored. Currency movements and especially the current weaker Rand environment may also provide PG Bison with opportunities to increase the export of products.

The past investments in technology within the raw material divisions, particularly Vitafoam and DesleeMattex, have improved the competitiveness of these raw material businesses. Furthermore, product offerings have been expanded to include value-added products which will continue to drive increased revenue and margins.

4.3 Rationale

The Acquisition represents an opportunity to enlarge KAP's industrial presence in Africa by acquiring leading industrial assets to complement KAP's existing portfolio of industrial assets and to establish KAP as one of the largest South African listed industrial portfolios in southern Africa. As a focused industrial group, KAP will be better positioned to capitalise on numerous growth opportunities. In addition, the enlarged diversified industrial business is expected to be better placed to access capital, both in the debt and equity markets at competitive rates and pricing.

Furthermore, Steinhoff, as the controlling shareholder of KAP, has a proven track record of adding value to underlying investments by prioritising growth opportunities and providing strategic assistance.

Steinhoff has no immediate intention to change the existing business operations and may consider amendments to the Board composition of the Company following the implementation of the Acquisition.

The listing of KAP within the "Diversified Industrial" sector of the JSE, will remain unchanged following the implementation of the Acquisition.

4.4 Terms of the Related Party Acquisition

In terms of the Acquisition and subject to the fulfilment of the Conditions Precedent, KAP has agreed to acquire 100% of the shares in, and Claims against, the Steinhoff Industrial Assets from Steinhoff Africa.

The Acquisition will become effective on the Effective Date.

Steinhoff Africa, being a material Shareholder of KAP, as well as Steinhoff and their respective associates, are deemed to be related parties of KAP in terms of the Listings Requirements. Accordingly, the Acquisition is therefore also classified as a related party transaction and requires the procurement of the Fairness Opinion and subsequent approval from Shareholders at the General Meeting, excluding the votes of the Related Parties. In terms of the Listings Requirements, PwC has been appointed by the Independent Board to provide the Fairness Opinion on the Acquisition, which opinion is set out in Annexure VI to this Circular.

Article 4.2 of the Memorandum of Incorporation requires that the authorised but unissued Shares be placed under the control of the Board, and that the Board be authorised, either by way of a general or a specific authority, to issue such Shares, through the approval of Shareholders in general meeting.

Section 41(3) of the Act further requires that shareholders approve, by way of special resolution, an issue of shares if the voting power of the class of shares that are issued will be equal to or exceed 30% of the voting power of all the shares of that class held by shareholders immediately before the issue. Pursuant to the issue of the Consideration Shares, it is envisaged that the abovementioned 30% threshold of the voting power of the ordinary Shares will be exceeded and the requisite Shareholder authority would therefore have to be obtained.

The Related Parties will be taken into account in determining a quorum for the General Meeting, but the votes of the Related Parties and its associates will not be taken into account in determining the results of the voting on the Resolutions relating to the Acquisition and the Waiver, as set out in the Notice of General Meeting.

4.4.1 Acquisition Consideration

Subject to the fulfilment of the Conditions Precedent, KAP will acquire the Steinhoff Industrial Assets for the Acquisition Consideration of R8 921 million. The Acquisition Consideration will be reduced by the value of any interest-bearing amounts owed by the Steinhoff Industrial Assets to third party financiers and increased by the value of the cash on hand as at the Effective Date.

The Acquisition Consideration consists of 1 912 781 011 KAP Shares at R2,50 per share, representing a premium of 2.5% to KAP's 30-day VWAP up to and including 14 October 2011 (being the last trading day before the date when the terms of the Acquisition were agreed in principle by the Independent Board and Steinhoff, subject to entering into the Acquisition Agreement) being an aggregate amount of R4 782 million, and the Consideration Loan Account credited by KAP in favour of Steinhoff.

On the Effective Date, the Acquisition Consideration will be settled through the issue of the Consideration Shares as well as crediting the Consideration Loan Account. The aggregate subscription price of the Consideration Shares will be settled by the transfer to KAP of that portion of the shares in and/or Claims against the Steinhoff Industrial Assets acquired by KAP in terms of the Acquisition to which will be allocated a portion of the Acquisition Consideration in the amount of R4 782 million.

The Consideration Loan Account has four components with the terms for each of the components as follows:

- **Amortising term loan**

Amount:	R1 300 000 000
Interest rate:	JIBAR plus 310 basis points
Repayment terms:	R50 million in June 2012; R75 million in December 2012; R100 million in June 2013; R100 million in December 2013; R125 million in June 2014; R125 million in December 2014; R125 million in June 2015; R125 million in December 2015; R100 million in June 2016; R100 million in December 2016; R75 million in June 2017; R75 million in December 2017; R75 million in June 2018; R50 million in December 2018
Maturity date:	15 December 2018

- **Revolving term loan**

Amount:	R1 500 000 000
Interest rate:	JIBAR plus 285 basis points
Repayment terms:	Any portion is repayable on one month's prior notice by KAP on any interest date, in multiples of R10 million
Maturity date:	15 December 2016

- **Medium-term loan facility**

Amount:	R800 000 000
Interest rate:	JIBAR plus 260 basis points
Repayment terms:	Any portion, or the entire loan, is repayable on at least six months' prior notice by KAP on any interest date
Maturity date:	15 December 2014

- **Overnight or short-term facility**

Amount:	Annual review commencing during January 2013
Interest rate:	The lower of the average market-related rate at which Steinhoff or KAP can borrow (under a similar facility), plus 30 basis points
Repayment terms:	Repayable on demand
Maturity date:	Annual review from January 2013

4.4.2 Conditions Precedent

The Acquisition is subject to the fulfilment or waiver (where applicable) of the following outstanding Conditions Precedent by no later than 31 March 2012, or such later date as Steinhoff and KAP may agree in writing:

- the approval at the General Meeting, by the requisite majorities of Shareholders, of the Resolutions. However, the resolution required to waive the Mandatory Offer is not a Condition Precedent for the implementation of the Acquisition;
- the necessary resolutions required to be passed in terms of the Act to give effect to the Acquisition contemplated in the Acquisition Agreement are passed by Steinhoff Africa;
- the listing of the Consideration Shares;
- the approval of the Acquisition in accordance with the provisions of the Competition Act, No 89 of 1998, as amended;
- to the extent required, the implementation of the Acquisition is unconditionally approved by the competition authorities in those jurisdictions in which a notification of the Acquisition is required to be made; and
- the funders of KAP have approved the Acquisition and change of control in KAP.

4.4.3 Vendor information

The information relating to the vendor of the Steinhoff Industrial Assets is set out below:

Vendor name:	Steinhoff Africa
Ultimate shareholder of vendor:	Steinhoff
Address:	28 Sixth Street, Wynberg, Sandton, 2090

The Acquisition Agreement provides for warranties as agreed between KAP and Steinhoff Africa.

No service level or restraint agreements were concluded in respect of the Acquisition. No cash payments have been made in respect of restraints of trade.

The tax liabilities of the Steinhoff Industrial Assets remain with them. The Acquisition Agreement provides for warranties against taxes that were not reflected in the financial accounts of the Steinhoff Industrial Assets on the Effective Date.

The Steinhoff Industrial Assets acquired will result in Unitrans, PG Bison, SHF Raw Materials, Toolplast and Roadway Transport becoming subsidiaries of KAP. The shares of the Steinhoff Industrial Assets acquired will be transferred into the name of KAP. Neither the shares so acquired nor the Claims against these companies has been ceded or pledged.

4.4.4 Guarantees

As part of the Acquisition, KAP will enjoy the benefit of the unsecured Consideration Loan Account and will retain access to pre-existing funding previously raised in respect of the operations of the Steinhoff Industrial Assets.

Both the Consideration Loan Account and the pre-existing funding will be at interest rates favourable to KAP, due to the benefits of participating in the funding arrangements of the larger Steinhoff Group.

The Steinhoff Industrial Assets have provided suretyships, guarantees and indemnities in favour of the funders in respect of the liabilities of Steinhoff and Steinhoff Africa in respect of the pre-existing funding and other funding. Those security documents will remain in place after the Effective Date as it will be impractical and costly to unwind the pre-existing funding and/or other funding and the unwinding will also result in a higher cost to KAP in respect of the Consideration Loan Account. In addition, both the Consideration Loan Account and the pre-existing funding bear far less strict borrowing covenants than would normally be imposed by external funders.

Steinhoff Africa has advised that the aggregate contingent exposure in terms of the suretyships, guarantees and indemnities provided, does not exceed R5 800 million. Steinhoff Africa has also indemnified the members of the Steinhoff Industrial Assets 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 the fact that the NAV of Steinhoff Africa was significantly higher than the aggregate contingent exposure and the Steinhoff Group NAV was in excess of R37 800 million (calculated in terms of the audited annual financial statements as at 30 June 2011), Steinhoff Group also having guaranteed repayment of portions of the pre-existing funding and other funding, the benefits arising from the cost of funding the Consideration Loan Account and the fact that Steinhoff Africa also remains bound as guarantor of some of the existing funding arrangement of the Steinhoff Industrial Assets, KAP has agreed to keep these arrangements in place.

4.4.5 Reverse take-over

The Acquisition, if implemented, will result in a reverse take-over in terms of the Listings Requirements and, accordingly, this Circular incorporates Revised Listing Particulars.

In terms of paragraph 9.24 of the Listings Requirements, the JSE has confirmed that it will continue to grant a listing of KAP subject to the JSE being satisfied that the spread requirements as prescribed in paragraph 4.2.8(e) of the Listings Requirements will be re-instated and KAP continues to qualify for a listing in terms of the Listings Requirements. It is the intention of both KAP and Steinhoff to re-instate the spread requirements within twelve months after the implementation of the Acquisition.

5. WAIVER OF THE MANDATORY OFFER

5.1 The issue of the Consideration Shares for the Acquisition will result in Steinhoff, through its indirect wholly-owned subsidiary, Steinhoff Africa, controlling 88% of the issued share capital of KAP. In terms of section 123 of the Act, Steinhoff Africa is obliged to make a Mandatory Offer of R2,50 per KAP Share to Shareholders unless the Mandatory Offer is waived in accordance with regulation 86(4) of the Companies Regulations. If the resolution for the Waiver is not passed, Steinhoff will make the Mandatory Offer to the KAP Minorities.

The TRP has advised that it is willing to consider the application to grant an exemption from the obligation to make a Mandatory Offer, if the majority of independent shareholders of KAP (excluding Steinhoff and its associates) waive their entitlement to receive the Mandatory Offer from Steinhoff, in accordance with this regulation 86(4) of the Companies Regulations.

Shareholders are advised that KAP has obtained irrevocable undertakings from independent Shareholders, representing 90,9% of the total issued share capital of the Company (excluding KAP Shares held by Steinhoff and its associates), to vote in favour of the Waiver and such other resolutions that may be required to implement the Acquisition. The following parties have provided irrevocable undertakings to vote the stated number of KAP Shares:

Party	**Shares subject to undertaking**	**Percentage holding in KAP**	**Percentage holding in KAP of Shareholders eligible to vote**
Daun & Cie AG	175 361 384	41,3	62,6
Investec Asset Management	39 854 799	9,4	14,2
Argon Asset Management	39 428 273	9,3	14,1
	254 644 456	**60,0**	**90,9**

There are no special arrangements, undertakings or agreements relating to the potential Mandatory Offer between KAP and Steinhoff or the Directors entered into in the preceding twelve months from the date of this Circular, or with persons who were holders of Shares within the preceding twelve months.

Any Shareholder who wishes to make representations relating to the exemption shall have 10 Business Days from the date of posting of this Circular to make such representations to the TRP before the ruling is considered. Representations should be made in writing and delivered by hand, posted or faxed to:

If delivered by hand or courier:	If posted:	If faxed:
The Executive Director Take-over Regulation Panel 1st Floor, Building B Sunnyside Office Park 32 Princess of Wales Terrace Parktown 2193	The Executive Director Take-over Regulation Panel PO Box 91833 Auckland Park 2006	The Executive Director Take-over Regulation Panel +27 11 642 9284

and should reach the TRP by no later than the close of business on Tuesday, 3 January 2012 in order to be considered.

If any submissions are made to the TRP within the permitted timeframe, the TRP will consider the merits thereof before making a ruling.

Included in this Circular is the Notice of General Meeting and the resolution for the waiver of the Mandatory Offer for Shareholders to consider, and if deemed fit, to approve at the General Meeting.

Should the requisite majority of independent votes be cast in favour of the Waiver, subsequent application will be made to the TRP for the exemption by the TRP from the obligation to make the Mandatory Offer.

Steinhoff and its associates will be taken into account in determining a quorum for the General Meeting but Steinhoff and its associates' votes will not be taken into account in determining the results of the voting in respect of ordinary resolution number 3 relating to the Waiver.

As required by regulation 86(7) of the Companies Regulations, PwC has been appointed by the Independent Board to provide the Fairness Opinion to the Board on the Acquisition, which opinion is set out in Annexure VI to this Circular.

5.2 Interests and dealings in KAP Shares by providers of irrevocable undertakings

With reference to the irrevocable undertakings provided and listed in paragraph 5.1 above, the direct and/or indirect holdings in KAP Shares by those Shareholders who have provided irrevocable undertakings were as follows:

Party	Shareholding	Percentage holding in KAP	Percentage holding in KAP of Shareholders eligible to vote
Daun & Cie AG	175 524 828	41,4	62,7
Investec Asset Management	39 854 799	9,4	14,2
Argon Asset Management	39 689 482	9,4	14,2
	255 069 109	**60,2**	**91,1**

Dealings in KAP Shares for the six-month period prior to 14 October 2011 or the interim period from 14 October 2011 and ending on the Last Practicable Date, by Shareholders who have provided irrevocable undertakings are provided as follows:

Shareholder	Date	Volume bought	Volume sold	Average daily purchase price (R)	Average daily selling price (R)
Daun & Cie AG – no trades.					
Investec Asset Management	26 April 2011	527 397	–	2.35	–
	17 May 2011	391 799	–	2.50	–
	3 June 2011	20 000	–	2.30	–
	7 June 2011	7 252	–	2.35	–
	10 June 2011	60 943	–	2.50	–
	13 June 2011	114 584	–	2.40	–
	14 June 2011	123 803	–	2.36	–
	21 June 2011	5 000	–	2.30	–
	22 June 2011	43 023	–	2.40	–
	23 June 2011	536 506	–	2.40	–
	24 June 2011	537 300	–	2.50	–
	27 June 2011	820 266	–	2.59	–
	28 June 2011	110 000	–	2.55	–
	29 June 2011	13 278	–	2.55	–
	30 June 2011	1 050	–	2.55	–
	4 July 2011	327 750	–	2.55	–
	5 July 2011	148 500	–	2.55	–
	11 July 2011	269 575	–	2.55	–
	26 July 2011	10 543	–	2.55	–
	27 July 2011	8 500	–	2.55	–
	10 August 2011	85 000	–	2.55	–
	11 August 2011	40 213	–	2.55	–
	12 August 2011	51 950	–	2.55	–
	16 August 2011	10 014	–	2.55	–
	18 August 2011	1 318	–	2.55	–
	15 September 2011	3 265	–	2.55	–
	16 September 2011	100 000	–	2.55	–
	20 September 2011	44 202	–	2.55	–
	23 September 2011	30 599	–	2.45	–
Argon Asset Management	3 May 2011	–	730	–	2.50
	4 May 2011	–	5 000	–	2.55
	23 May 2011	–	3 091	–	2.55
	24 June 2011	–	1 005 201	–	2.53
	27 June 2011	–	1 039 942	–	2.60
	28 June 2011	–	4 000	–	2.60
	30 June 2011	–	3 000	–	2.63
	4 July 2011	–	177 750	–	2.55
	11 July 2011	–	289 500	–	2.56
	18 July 2011	–	71 090	–	2.64
	22 July 2011	–	75 000	–	2.64
	1 August 2011	–	5 000	–	2.65
	4 August 2011	–	2 000	–	2.67
	8 August 2011	–	17 241	–	2.60
	12 August 2011	–	65 082	–	2.60
	15 August 2011	–	130 423	–	2.60
	16 August 2011	–	3 500	–	2.60
	17 August 2011	–	117 824	–	2.60
	18 August 2011	–	6 754	–	2.60
	24 August 2011	–	100 300	–	2.60
	2 September 2011	–	24 034	–	2.60
	6 September 2011	–	23 000	–	2.61
	6 September 2011	–	33 000	–	2.61
	7 September 2011	–	14 900	–	2.60
	16 September 2011	–	100 000	–	2.55
	20 September 2011	–	44 202	–	2.55
	23 September 2011	–	1 900	–	2.55
	18 October 2011	246 209	–	2.35	–
	20 October 2011	15 000	–	2.35	–

6. CHANGES TO THE SHARE CAPITAL AND THE AUTHORITY TO ISSUE THE CONSIDERATION SHARES

6.1 Changes to the Share Capital

In terms of regulation 31 of the Companies Regulations, a company which has any outstanding issued par value or nominal value shares, may not increase the number of those authorised shares on or after 1 May 2011. The Company will thus be required to convert its Current Authorised Shares and Issued Shares to shares with no nominal or par value. Therefore, in order to comply with the Act, the Board proposes a conversion of the Current Authorised Shares and Issued Shares into shares of no par value. The preferences, rights, limitations and other terms attaching to the no par value shares in the Company will be the same as the preferences, rights, limitations and other terms which are attached to the Current Authorised Shares and Issued Shares, immediately prior to their conversion into no par value shares.

In accordance with regulation 31(7) of the Companies Regulations, the Board has prepared a report as set out in Annexure VII which will be submitted to CIPC and SARS prior to the General Meeting.

The Notice of General Meeting, which forms part of this Circular, contains the Resolutions required to be approved by Shareholders in order to give effect to the abovementioned conversion.

6.2 Increase in the number of authorised Shares

As referred to in paragraph 4.4.1, the Acquisition Consideration will be partially settled through the issue of the Consideration Shares. In order to successfully implement the Acquisition and to ensure the availability of sufficient authorised shares as may be required by the Company from time to time, the Company will be required to increase the authorised share capital from 1 200 000 000 authorised no par value ordinary shares to 6 000 000 000 authorised no par value ordinary shares.

The authorised and issued shares in the Company, prior and subsequent to the conversion as per paragraph 6.1 and the increase as per this paragraph 6.2, are detailed below.

	R
Share Capital before conversion	
Authorised	
1 200 000 000 ordinary Shares of R0,20 each	240 000 000
Issued	
424 473 657 ordinary Shares of R0,20 each	84 894 731
Share premium as at 30 June 2011	814 793 386
Distribution subsequent to 30 June 2011	(42 447 366)
	857 240 751
Share Capital after conversion	
Authorised	
1 200 000 000 ordinary Shares of no par value	–
Issued	
424 473 657 ordinary Shares of no par value	
Stated capital	857 240 751
Share Capital after conversion and increase in authorised ordinary Shares	
Authorised	
6 000 000 000 ordinary Shares of no par value	–
Issued	
424 473 657 ordinary Shares of no par value	
Stated capital	857 240 751

Share Capital before the issue of the Consideration Shares

	R
Authorised	
6 000 000 000 ordinary Shares of no par value	–
Issued	
424 473 657 ordinary Shares of no par value	
Stated capital	857 240 751
Share Capital after the issue of the Consideration Shares	
Authorised	
6 000 000 000 ordinary Shares of no par value	–
Issued	
2 337 254 668 ordinary Shares of no par value	
Stated capital	5 639 193 279

6.3 Placing of the Consideration Shares and 10% of the remaining authorised but unissued ordinary shares under the control of the Directors

As required by article 4.2 of the Memorandum of Incorporation, and for purposes of implementing the Acquisition, it is required that the authorised but unissued Shares of KAP, subsequent to the successful conversion and increase thereof set out above in paragraphs 6.1 and 6.2, be placed under the control of the Directors. Accordingly, the Board proposes that Shareholders vote in favour of ordinary resolution number 1 required to place the Consideration Shares and 10% of the remaining authorised but unissued Shares under the control of the Directors.

6.4 Authority to Issue the Consideration Shares in terms of section 41(3) of the Act

As referred to in paragraph 4.3.1 above, section 41(3) of the Act requires that shareholders approve, by way of special resolution, an issue of Shares if the voting power of the class of shares that are issued will be equal to or exceed 30% of the voting power of all the shares of that class held by shareholders immediately before the issue.

Pursuant to the Acquisition, it is envisaged that the abovementioned 30% threshold of the voting power of KAP Shares will be exceeded and the requisite authority would therefore have to be obtained.

As required by section 41(3) of the Act and as set out in the Notice of General Meeting, specifically special resolution number 3, Shareholders are requested to approve the issue of the Consideration Shares.

7. CONSEQUENTIAL AMENDMENTS TO THE COMPANY'S MEMORANDUM OF INCORPORATION

Subsequent to Shareholders' approval of the matters recorded in paragraphs 6.1 and 6.2 above, clause 8 of the Memorandum of Incorporation should be deleted in its entirety and be replaced with the following:

"8. CAPITAL
The authorised share capital of the Company is 6 000 000 000 ordinary shares of no par value."

As set out in the Notice of General Meeting, specifically special resolution number 2, Shareholders are requested to approve the abovementioned.

8. FINANCIAL INFORMATION

8.1 Historic financial information relating to the Steinhoff Industrial Assets

The historical financial information of the Steinhoff Industrial Assets, was consolidated for the years ended 30 June 2009, 2010 and 2011. The consolidated historical financial information of the Steinhoff Industrial Assets is set out in Annexure I to this Circular and reported on in Annexure II to this Circular. The historical financial information set out in Annexure I is the responsibility of the Directors of KAP, who have reviewed the consolidated historical financial information of the Steinhoff Industrial Assets and relied on the representations and warranties set out in the Acquisition Agreement.

The historical financial information as set out in Annexure I, has not been adjusted to exclude properties of the Steinhoff Industrial Assets which do not form part of the Acquisition as well as the effects of the restructuring of the debt and certain employee benefit liabilities on the balance sheet of the Steinhoff Industrial Assets that are not taken over in terms of the Acquisition. These adjustments are included in the unaudited *pro forma* financial information of KAP as set out in Annexure III, specifically the "Adjustments to Steinhoff Industrial Assets" column.

8.2 Unaudited *pro forma* financial effects of the Acquisition

The unaudited *pro forma* consolidated statement of comprehensive income for the year ended 30 June 2011 and consolidated statement of financial position of KAP as at 30 June 2011 (jointly the "unaudited *pro forma* financial information") have been prepared to reflect the impact of the Acquisition as if the Acquisition had occurred on, firstly, 1 July 2010 for purposes of adjusting the *pro forma* consolidated statement of comprehensive income, and, secondly, on 30 June 2011 for purposes of adjusting the *pro forma* consolidated statement of financial position of KAP. The *pro forma* consolidated statement of comprehensive income of KAP includes the statement of comprehensive income of the Steinhoff Industrial Assets for the year ended 30 June 2011, while the *pro forma* consolidated statement of financial position of KAP includes the statement of financial position of the Steinhoff Industrial Assets as at 30 June 2011. The unaudited *pro forma* financial information is presented for illustrative purposes only and, because of its nature, may not fairly present KAP's financial position, changes in equity, results of operations or cash flows going forward.

The unaudited *pro forma* financial information has been prepared using accounting policies that are consistent with IFRS and with the basis on which the historical financial information has been prepared in terms of the accounting policies adopted by KAP.

The Board is responsible for the compilation, contents, accuracy and presentation of the unaudited *pro forma* financial information contained in this Circular and for the financial information from which it has been prepared. The Board's responsibility includes determining that the unaudited *pro forma* financial information has been properly compiled on the basis stated, that the basis is consistent with the accounting policies of KAP and that the *pro forma* adjustments are appropriate for the purposes of the unaudited *pro forma* financial information disclosed in terms of the Listings Requirements.

The detailed unaudited *pro forma* financial information is set out in Annexure III to this Circular and the financial effects are summarised below. The Independent Reporting Accountants' limited assurance report on the unaudited *pro forma* financial information is set out in Annexure IV to this Circular. As this is a reverse acquisition in terms of IFRS 3, KAP is required to fair value its own assets and combine them with the book value of the Steinhoff Industrial Assets in order to arrive at a consolidated statement of financial position.

	Notes	Before	After	Percentage change
EPS (cents)	2	30,9	23,1	(25,2)
HEPS (cents)	3	24,7	28,3	14,6
HEPS – continuing operations (cents)		32,7	29,7	(9,2)
NAV per share (cents)		336,8	224,4	(33,4)
TNAV per share (cents)		321,1	159,9	(50,2)
Number of shares in issue (million)	4	424,5	2 337,3	450,6
Weighted average number of shares (million)	4	424,5	2 337,3	450,6

Notes:

1. The "Before" column is extracted from KAP's audited annual results for the year ended 30 June 2011.
2. The *pro forma* EPS includes the effect of expected once off transaction costs of R5,4 million (including VAT).
3. The Acquisition has been accounted for in terms of IFRS 3, using the principles of reverse acquisition accounting. Adjustments for the Acquisition reflect the following:
   - a provisional purchase price allocation as required by IFRS 3 has been performed in respect of the allocation of the purchase price to the identifiable assets and liabilities of the Acquisition for the purposes of the *pro forma* financial effects. The difference between the Acquisition Consideration and the net fair value of the identifiable assets and liabilities as at 30 June 2011 has provisionally been allocated to a gain on bargain purchase. This gain on bargain purchase, amounting to R4 566 000, is recognised immediately in the statement of comprehensive income. The provisional intangible assets have been assumed as having an indefinite life and as such no amortisation charge is reflected; and

- no increased depreciation charge is reflected for the fair value increase of the reversed acquired property, plant and equipment as this represents an increase in the fair value of land and buildings which will have a residual value exceeding carrying value, which will result in an insignificant to no depreciation charge being recognised.

4. The *pro forma* financial effects have been calculated based on the issue of 1 912 781 011 shares in terms of the Acquisition as well as the assumption that debt amounting to R4 139 million in terms of the Consideration Loan Account and the interest thereon was created.

Detailed information relating to the preparation of the unaudited *pro forma* financial information is presented in Annexure III to this Circular.

8.3 Accounting policies

8.3.1 Reverse take-over accounting

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

A reverse acquisition is a business combination in which the legal acquirer (i.e. that entity that issues shares) becomes the acquiree for accounting purposes and the legal acquiree becomes the acquirer for accounting purposes. The accounting acquiree must meet the definition of a business for the transaction to be accounted for as a reverse acquisition.

Guidance in IFRS 3 concludes that this is a reverse acquisition and that the Steinhoff Industrial Assets is therefore the accounting acquirer and KAP the accounting acquiree for IFRS 3 purposes.

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

The consolidated financial results and position will reflect:

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

8.3.2 Treatment of goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the KAP Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and annually reviewed for impairment. A gain on bargain purchase is recognised immediately in comprehensive income.

For the purposes of impairment testing, goodwill is allocated to each of the KAP Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit *pro rata* on the basis of the carrying amount of each asset in the unit.

An impairment loss recognised for goodwill is not reversed in a subsequent year. On disposal of a subsidiary or jointly-controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

9. WORKING CAPITAL STATEMENT

The Directors have considered the effects of the Acquisition and are of the opinion that, after the implementation of the Acquisition, the working capital available to KAP and its subsidiaries is sufficient for KAP's present requirements, that is, for at least the next 12 months from the date of issue of this Circular.

10. LITIGATION STATEMENT

The litigation statement is set out in paragraph 13 of the Revised Listing Particulars, which accompanies this Circular.

11. MAJOR SHAREHOLDERS

Insofar as is known to KAP, no Shareholder, other than as set out below, beneficially held, directly or indirectly, an interest of 5% or more of the Shares in issue on the Last Practicable Date:

Shareholder	Direct holding	Indirect holding	Total number of shares	*Percentage of Shares
Daun & Cie AG	175 524 828	–	175 524 828	41,4
Steinhoff Africa	144 321 043	–	144 321 043	34,0
Investec Asset Management	39 854 799	–	39 854 799	9,4
Argon Asset Management	39 689 482	–	39 689 482	9,4
	399 390 152	**–**	**399 390 152**	**94,2**

* Based on 424 473 657 Shares in issue as at the Last Practicable Date.

Daun & Cie AG is currently KAP's largest beneficial and controlling Shareholder. After implementation of the Acquisition, KAP's controlling Shareholder will be Steinhoff Africa through its holding of 88% of the issued KAP Shares.

Insofar as is known to the Company, the major Shareholders who will beneficially hold either, directly or indirectly, 5% or more of the issued Shares immediately after the implementation of the Acquisition, are as follows:

Shareholder	Direct holding	Indirect holding	Total number of shares	*Percentage of Shares
Steinhoff Africa	2 057 102 054	–	2 057 102 054	88,0
Daun & Cie AG	175 524 828	–	175 524 828	7,5
	2 232 974 213	**–**	**2 232 974 213**	**95,5**

* Based on 2 337 254 668 Shares in issue, assuming that 1 912 781 011 are issued in respect of the Acquisition and noting that Steinhoff Africa held 144 321 043 Shares as at the Last Practicable Date.

12. MATERIAL CHANGES

Save for changes in accounting policies in order to adopt new or revised IFRS, details of which are set out in Appendix VIII to the Revised Listing Particulars, there have been no material changes in the financial or trading position of KAP and its subsidiaries since the end of the last financial year for which audited annual financial statements have been published.

There have been no material changes in the financial or trading position of the Steinhoff Industrial Assets and their subsidiaries that have occurred since the end of the last financial year for which audited annual financial statements have been published.

13. BORROWINGS

Details of the material borrowings of KAP, its subsidiaries, the Steinhoff Industrial Assets and their subsidiaries are disclosed in Appendix III to the Revised Listing Particulars. Details of the Consideration Loan Account, following the implementation of the Acquisition, are disclosed in paragraph 4.4.1 above.

14. MATERIAL CONTRACTS

There have been no material contracts, other than the Acquisition Agreement, entered into either verbally or in writing by KAP and/or the Steinhoff Industrial Assets or any of their respective subsidiaries, being a contract entered into otherwise than in the ordinary course of the business carried on or proposed to be carried on by KAP and/or the Steinhoff Industrial Assets or any of their respective subsidiaries, within the two years preceding the Last Practicable Date, or concluded at any time, and which contain an obligation or settlement that is material to KAP or the Steinhoff Industrial Assets at the date of this Circular.

Steinhoff has a Group Services division that provides central services to the Steinhoff Industrial Assets. These services include accounting, management, secretarial, legal, tax, treasury, property and central procurement services. These services are provided to the Steinhoff Industrial Assets, on arm's length terms and conditions. Although the services provided by the Steinhoff Group Services division may not be material as defined in the Listings Requirements, it is specifically noted that the Steinhoff Group Services division will continue to deliver these services to KAP after the Acquisition. Details of these services have been disclosed in the Related Party note 32 to the historical financial information of the Steinhoff Industrial Assets in Annexure I to this Circular.

Other than the irrevocable undertakings provided to vote in favour of the Acquisition, no other agreements have been entered into between Steinhoff and/or its directors and any of KAP, the Directors and/or Shareholders in relation to the Acquisition.

15. INTERESTS IN SECURITIES

15.1 Directors' interests in KAP

As at the date of the latest annual financial statements of KAP, being 30 June 2011, the following Directors had indirect and direct beneficial interests in KAP Shares, excluding their interests in options and share appreciation rights, which are detailed in Appendix I to the Revised Listing Particulars, as set out below:

Director	Number of Shares held indirectly	Directly held	Total number of Shares held	Percentage of issued share capital†
C E Daun*	175 524 828	–	175 524 828	41,4
Total	**175 524 828**	**–**	**175 524 828**	**41,4**

* Held by Daun & Cie AG, an associate of C E Daun.

† Based on 424 473 657 Shares in issue as at the Last Practicable Date.

There have been no changes in Directors' interests between the publication of the most recent audited financial statements and the Last Practicable Date.

The Directors had no dealings in Shares during the six-month period up to 14 October 2011, being the last trading day before the date on which the terms of the Acquisition were agreed in principle, or the interim period from 14 October 2011 and ending on the Last Practicable Date.

Save for the dilutionary impact of the issue of the Consideration Shares, the implementation of the Acquisition, will not affect the above interest of Directors in the share capital of the Company.

Save for Directors' emoluments paid to Directors and disclosed in paragraph 3 of Appendix I to the Revised Listings Particulars, forming part of this Circular, no amounts have been paid within the three-year period preceding the Last Practicable Date, to any Director or to any company in which such Director is beneficially interested, directly or indirectly, or of which he is a director, or to any partnership, syndicate or other association of which such Director is a member, in cash or securities or otherwise, by any person, either to induce such Director to become or to qualify such Director as a Director, or otherwise for services rendered by such Director or associate in connection with the promotion or formation of the Company.

15.2 Interests of Steinhoff and its directors in KAP Shares

As at the Last Practicable Date, Steinhoff Africa, held 144 321 043 Shares, being a 34% direct beneficial interest, in KAP.

Steinhoff had no dealings in KAP Shares during the six-month period prior to 14 October 2011 or the interim period from 14 October 2011 and ending on the Last Practicable Date.

As at the Last Practicable Date, the directors of Steinhoff held the following direct and indirect beneficial interests in KAP:

Name	Direct beneficial	Indirect beneficial	Total	Percentage interest in KAP
C E Daun*	–	175 524 828	175 524 828	41,4
S F Booysen	12 986	–	12 986	–
A B la Grange	2 000	–	2 000	–
F A Sonn	–	25 900	25 900	–
	14 986	**175 550 728**	**175 565 714**	**41,4**

* Held by Daun & Cie AG, an associate of C E Daun.

The directors of Steinhoff had no dealings in KAP Shares during the six-month period prior to 14 October 2011 or the interim period from 14 October 2011 and ending on the Last Practicable Date.

15.3 Interests of the directors of Steinhoff in Steinhoff securities

As at the Last Practicable Date, the directors of Steinhoff held the following direct and indirect beneficial interests in Steinhoff:

Name	Direct beneficial	Indirect beneficial	Total	Percentage interest in Steinhoff
H J K Ferreira	–	2 101 165	2 101 165	0,13
S J Grobler	–	3 359 426	3 359 426	0,20
M J Jooste	–	34 818 207	34 818 207	2,10
F J Nel	5 528	1 837 515	1 843 043	0,11
D M van der Merwe	–	4 921 535	4 921 535	0,30
S F Booysen	–	200 000	200 000	0,01
D C Brink	–	117 624	117 624	0,01
C E Daun	–	373 860	373 860	0,02
D Konar	328 188	–	328 188	0,02
J F Mouton	–	6 000 000	6 000 000	0,36
F A Sonn	–	63 181	63 181	0,00
B E Steinhoff	363 200	167 332 210	167 695 410	10,13
P D J van den Bosch	626 031	–	626 031	0,04
J N S du Plessis	–	107 952	107 952	0,01
K J Grové	–	199 714	199 714	0,01
A Krüger-Steinhoff	645 661	59 374	705 035	0,04
A B la Grange	475 646	–	475 646	0,03
M Nel	120 606	–	120 606	0,01
M T Lategan	–	15 167	15 167	–
	2 564 860	**221 506 930**	**224 071 790**	**13,53**

Based on 1 656 077 985 Steinhoff shares in issue as at the Last Practicable Date.

The directors of Steinhoff had no dealings in Steinhoff shares during the six-month period prior to 14 October 2011 or the interim period from 14 October 2011 and ending on the Last Practicable Date.

During the sixth month period prior to the Last Practicable Date, the directors of Steinhoff had no new dealings in Steinhoff shares. However, there were changes to certain executive directors' beneficial interests, which resulted from the close out, on 15 October 2011, of transactions announced on SENS in December 2009.

15.4 Interests of KAP and its Directors in Steinhoff securities

As at the Last Practicable Date, KAP held no direct or indirect beneficial interests in Steinhoff.

KAP had no dealings in Steinhoff shares during the six-month period prior to 14 October 2011 or the interim period from 14 October 2011 and ending on the Last Practicable Date.

As at the Last Practicable Date, the Directors held the following direct and indirect beneficial interest in Steinhoff:

Name	Direct beneficial	Indirect beneficial	Total	Percentage interest in Steinhoff
C E Daun**	–	373 860	373 860	0,02
M J Jooste	–	34 818 207	34 818 207	2,10
D M van der Merwe	–	4 921 535	4 921 535	0,30
J B Magwaza***	–	138 454	138 454	0,01
I N Mkhari***	–	1 160 957	1 160 957	0,07
S H Nomvete***	–	1 160 957	1 160 957	0,07
U Schäckermann	2 969	–	2 969	–
	2 969	**42 573 970**	**42 576 939**	**2,57**

* Based on 1 656 077 985 Steinhoff shares in issue as at the Last Practicable Date.

** Held by Daun & Cie AG, an associate of C E Daun.

*** Represents the Directors' proportionate shareholding in Motseng Investment Holdings (Pty) Ltd.

The Directors had no dealings in Steinhoff shares during the six-month period prior to 14 October 2011 or the interim period from 14 October 2011 and ending on the Last Practicable Date.

The Directors with material interests in Steinhoff, which could potentially compromise their independence, as set out above, have recused themselves from the Board deliberations relating to the Acquisition.

None of the Directors had any material beneficial interests in any transaction which was unusual in its nature or conditions, or material to the business of KAP, and that was effected during the current or immediately preceding financial year, which remains in any respect outstanding or unperformed.

15.5 Directors' service contracts

Refer to paragraph 1 of Appendix I to the Revised Listing Particulars for details on the office terms contained in the directors' service contracts.

No service contracts have been entered into or amended within the six-month period prior to the Last Practicable Date, other than in the ordinary course of business and on arm's length terms.

16. REMUNERATION OF DIRECTORS

The remuneration of Directors in their capacity as Directors may be affected by the Acquisition, however, whether it will be affected and the quantification of the potential effects, is not determinable at this stage.

17. EXPENSES

The expenses of the Acquisition are anticipated to be approximately R5.2 million (excluding VAT). All expenses will be for the account of KAP. These expenses include the following:

Expenses	**Payable to**	**R'000**
Corporate advisor and Transaction Sponsor	PSG Capital	1 000
Legal Fees	Werksmans Attorneys	250
	Pohl and Stuhlinger	95
	Norton Rose Attorneys	300
TRP	TRP	200
Independent Expert	PwC	1 000
JSE documentation fee	JSE	52
JSE share listing fees	JSE	391
Competition filing	Competition Commission	350
Printing, publication, distribution and advertising expenses	Ince Proprietary Limited and media	453
Reporting accountants' report – *pro forma* financial information and historical financial information	Deloitte & Touche	450
Other (including issuing fees and subsequent share transfer fees)		650
		5 191

18. EXCHANGE CONTROL REGULATIONS

The following summary is intended as a guide and is therefore not comprehensive. Any Shareholder who is in any doubt regarding the Exchange Control Regulations should consult their professional advisor.

In terms of the Exchange Control Regulations of South Africa:

18.1 Certificated Shareholders

18.1.1 any Share certificates that might be issued to non-resident Shareholders will be endorsed "Non-resident";

18.1.2 any new Share certificates issued, dividends and residual cash payments based on emigrants' Shares controlled in terms of the Exchange Control Regulations will be forwarded to the authorised dealer in foreign exchange controlling their blocked assets. The election by emigrants for the above purpose must be made through the authorised dealer in foreign exchange controlling their blocked assets. Such Share certificates will be endorsed "Non-resident"; and

18.1.3 dividend and residual cash payments are freely transferable from South Africa.

18.2 Dematerialised Shareholders

18.2.1 any Shares issued to emigrants will be credited to their CSDP or broker's account and a "non-resident" annotation will appear in the CSDP or broker's register;

18.2.2 dividends paid will be credited directly to the Shareholder's blocked Rand account held by that Shareholder's authorised dealer; and

18.2.3 non-resident and emigrant Shareholders will have all aspects relating to Exchange Control managed by their CSDP or broker.

19. OPINIONS AND RECOMMENDATIONS

In terms of section 10(4)(f) of the Listings Requirements, the Acquisition is a related party transaction as Steinhoff Africa is a material shareholder in KAP. Accordingly, KAP Shareholders' approval for the Acquisition and an independent opinion relating to the fairness of the terms and conditions of the Acquisition is required in terms of the Listings Requirements.

Should the Acquisition be successfully implemented, control over 35% or more of the votes that may be cast at any meeting of the KAP Shareholders, will forthwith vest with Steinhoff, through its indirect wholly-owned subsidiary, Steinhoff Africa. In terms of regulation 86(7) of the Companies Regulations, a fair and reasonable opinion on the Acquisition is required to be included in the Circular to Shareholders requesting the proposed Waiver.

The Directors have appointed PwC to provide the independent opinion on the Acquisition required by the Listings Requirements as well as the Companies Regulations, which is contained in Annexure VI to this Circular and Shareholders are encouraged to read it in its entirety.

19.1 Fairness opinion in terms of the Listings Requirements

PwC has advised that it has considered the terms and conditions of the Acquisition, and at the Last Practicable Date its opinion and advice to the Board is that the terms and conditions of the Acquisition are fair to KAP Shareholders.

19.2 Fair and reasonable opinion in terms of the Companies Regulations

Having considered the terms and conditions of the Acquisition and based on the conditions set out in its report, the Independent Expert has concluded that the terms and conditions of the Acquisition are fair and reasonable to KAP Shareholders.

19.3 Opinion of the Independent Board

The Independent Board, taking into account the Fairness Opinion by the Independent Expert, has considered the terms and conditions of the Acquisition and is of the opinion that the terms and conditions thereof are fair and reasonable to Shareholders. Accordingly, the Independent Board recommends to Shareholders to vote in favour of the Acquisition and the Waiver of the Mandatory Offer as well as the Resolutions required to approve the Changes to the Share Capital and the Authority to Issue the Consideration Shares.

19.4 Opinion of the Board

The Board has indicated to the Independent Board that, in light of the views of the Independent Expert and the Independent Board, the Board is also of the opinion that the terms and conditions of the Acquisition are fair to Shareholders and recommends that Shareholders vote in favour of the Acquisition and the Waiver of the Mandatory Offer as well as the Resolutions required to approve the Changes to the Share Capital and the Authority to Issue the Consideration Shares.

The Directors who hold Shares in KAP, individually, intend to vote in favour of the Resolutions in respect of the Shares held.

20. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, individually and collectively, accept full responsibility for the accuracy of the information contained in this Circular which relates to KAP as well as the extracts of information relating to the Steinhoff Industrial Assets, Steinhoff and/or Steinhoff Africa and certify that, to the best of their knowledge and belief, such information is true and the Circular does not omit any facts which would make any of the information false or misleading or would be likely to affect the importance of any information contained in this Circular. The Directors have made all reasonable enquiries to ascertain that no facts have been omitted and this Circular contains all information required by law and the Listings Requirements.

Furthermore, the Steinhoff board of directors, individually and collectively, accepts full responsibility for the accuracy of the information contained in this Circular which relates to Steinhoff and certify that, to the best of its knowledge and belief, such information which relates to Steinhoff is true and this Circular does not omit any facts which would make any of the information false or misleading or would be likely to affect the importance of any information contained in this Circular. The Steinhoff board of directors has made all reasonable enquiries to ascertain that no facts have been omitted and this Circular contains all information required by law and the Listings Requirements.

21. CONSENTS

PSG Capital, PwC, Werksmans Attorneys, Pohl and Stuhlinger, Norton Rose, Deloitte and Computershare have consented in writing to act in their capacities and to their names being stated in this Circular and, in the case of the Independent Reporting Accountants, the inclusion of their reports in the form and context in which they appear, and none of them has withdrawn its consent prior to the publication of this Circular.

22. NOTICE OF GENERAL MEETING

The General Meeting will be held at the office of PSG Capital on the 1st Floor, Ou Kollege, 35 Kerk Street, Stellenbosch, at 10:00 on Wednesday, 18 January 2012, for the purposes of considering and, if deemed fit, passing with or without modification, the Resolutions contained in the Notice of General Meeting to give effect to the Related Party Acquisition, the Waiver of the Mandatory Offer, the Changes to the Share Capital and the Authority to Issue the Consideration Shares.

23. JSE LISTING

An application has been made to the Issuer Services Division of the JSE for the listing of the Consideration Shares on or as soon as possible after the Effective Date. Details regarding the share capital of KAP, including the proposed increase in the number of issued Shares, are set out in paragraphs 6 and 7 above.

24. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection during normal business hours at the registered office of KAP, 1st Floor, New Link Centre, 1 New Street, Paarl from 17 December 2011 to 18 January 2012:

- a signed copy of this Circular, including the Revised Listing Particulars;
- the Memoranda of Incorporation of KAP and its subsidiaries;
- the Memorandum of Incorporation of each of the Steinhoff Industrial Assets and their subsidiaries;
- the Acquisition Agreement and any addenda thereto;
- the audited annual financial statements of KAP for the years ended 30 June 2009, 2010 and 2011;
- the Independent Expert's report containing the Fairness Opinion relating to the Related Party Acquisition and the Waiver, as reproduced in Annexure VI to this Circular;
- the letters of consent referred to in paragraph 21 above;
- a summary of the service agreements with Directors, referred to in paragraph 15.2 above;
- sample employment agreements containing standard terms and conditions of employment of directors in respect of the Steinhoff Industrial Assets, and
- the reporting accountants' reports on the *pro forma* and historical financial information of the Steinhoff Industrial Assets.

By order of the Board

14 December 2011

Signed at Paarl by Paul Cornelis Thomas Schouten on his own behalf as Chief Executive Officer and on behalf of all the other Directors of the Company, he being duly authorised in terms of powers of attorney granted to him by such other Directors.

By order of the board of directors of Steinhoff

14 December 2011

Signed at Stellenbosch by Hendrik Johan Karel Ferreira on his own behalf as an Executive Director and on behalf of all the other directors of Steinhoff, he being dully authorised in terms of powers of attorney granted to him by such other directors of Steinhoff.

HISTORICAL FINANCIAL INFORMATION OF THE STEINHOFF INDUSTRIAL ASSETS FOR THE YEARS ENDED 30 JUNE 2009, 30 JUNE 2010 AND 30 JUNE 2011

Introduction

The consolidated statements of comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows and the related notes for the years ended 30 June 2011, 2010 and 2009 ("Historical Financial Information"), have been extracted from the audited financial statements of the Steinhoff Industrial Assets group and its subsidiaries ("Financial Statements"). They reflect the consolidated information relating to the Steinhoff Industrial Assets as they were reflected in Steinhoff's historical financial information.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the interpretations adopted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee of the IASB (IFRIC) and have been reported on without qualification by Deloitte.

During the year, the group has adopted and early adopted all of the new and revised standards and interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2010. The adoption of these new and revised standards and interpretations has not resulted in material changes to the group's accounting policies.

Commentary

The Historical Financial Information contains detailed disclosure notes and commentary and deal with all material facts and circumstances necessary to appreciate the state of affairs, financial position, changes in equity and cash flows of the Steinhoff Industrial Assets group. A general review of the business and operations of the Steinhoff Industrial Assets group is set out in "The Acquisition" paragraph of this Circular (refer to paragraph 4 of this Circular).

As part of the Acquisition, KAP will credit a loan account in favour of Steinhoff to replace shareholder loans included in the historical financial information. As such, the inter-group interest received and paid disclosed in the historical financial information is not a true reflection of the position going forward.

There was no material change in the nature of the business of the Steinhoff Industrial Assets group and any of its subsidiaries.

There has been no material fact or circumstance that has occurred between 30 June 2011 and the date of this report that is not discussed as part of this Circular or included in the *pro forma* adjustments to this Circular.

INCOME STATEMENT
For the years ended 30 June 2009, 30 June 2010 and 30 June 2011

	Notes	**2011 R'000**	2010 R'000	2009 R'000
Revenue	1	**8 860 661**	8 026 954	7 940 740
Cost of sales		**(6 630 329)**	(5 895 339)	(5 829 931)
Gross profit		**2 230 332**	2 131 615	2 110 809
Other operating income		**429 647**	399 385	591 230
Distribution expenses		**(404 787)**	(381 728)	(415 797)
Other operating expenses		**(1 226 196)**	(1 320 088)	(1 138 915)
Capital items	2	**(157 468)**	(3 596)	26 092
Operating profit	3	**871 528**	825 588	1 173 419
Finance costs	4	**(673 326)**	(647 874)	(624 499)
Income from investments	5	**197 788**	229 745	120 496
Share of profit of associate companies	12	**6 321**	2 976	3 203
Profit before taxation		**402 311**	410 435	672 619
Taxation	6	**(113 642)**	(96 418)	(174 114)
Profit for the year		**288 669**	314 017	498 505
Profit attributable to:				
Owners of the parent		**271 960**	304 324	491 149
Non-controlling interests		**16 709**	9 693	7 356
Profit for the year		**288 669**	314 017	498 505

STATEMENT OF COMPREHENSIVE INCOME
For the years ended 30 June 2009, 30 June 2010 and 30 June 2011

Profit for the year	**288 669**	314 017	498 505
Other comprehensive income/(loss)			
Actuarial gains/(losses) on defined benefit plans	**4 662**	648	(1 080)
Exchange differences on translation of foreign operations	**(27 437)**	(6 366)	(1 312)
Net fair value gain on available for sale financial assets	**2 552**	384	(277)
Total other comprehensive loss for the year	**(20 223)**	(5 334)	(2 669)
Deferred taxation	**(1 305)**	(379)	302
Total other comprehensive loss for the year, net of taxation	**(21 528)**	(5 713)	(2 367)
Total comprehensive income for the year, net of taxation	**267 141**	308 304	496 138
Total comprehensive income attributable to:			
Owners of the parent	**250 501**	299 283	489 141
Non-controlling interests	**16 640**	9 021	6 997
Total comprehensive income for the year	**267 141**	308 304	496 138

Per share numbers were not disclosed for the Steinhoff Industrial Assets as these numbers do not provide meaningful information before being added to the KAP numbers.

STATEMENT OF CHANGES IN EQUITY
For the years ended 30 June 2009, 30 June 2010 and 30 June 2011

	Ordinary share capital and premium R'000	Distributable reserves R'000	Share-based payment reserve R'000	Other reserves R'000	Total equity attributable to owners of the parent R'000	Non-controlling interests R'000	Total R'000
Balance at 1 July 2008	56 499	1 325 055	13 863	52 146	1 447 563	16 767	1 464 330
Total comprehensive income for the year	–	491 149	–	(2 008)	489 141	6 997	496 138
Profit for the year	–	491 149	–	–	491 149	7 356	498 505
Other comprehensive loss for the year	–	–	–	(2 008)	(2 008)	(359)	(2 367)
Dividends paid	–	(48 692)	–	–	(48 692)	(6 181)	(54 873)
Capital distribution to Steinhoff for share-based payments	–	9 109	–	–	9 109	–	9 109
Share-based payments	–	–	13 247	–	13 247	–	13 247
Other reserve movements	–	(3 959)	–	(6 456)	(10 415)	139	(10 276)
Balance at 30 June 2009	56 499	1 772 662	27 110	43 682	1 899 953	17 722	1 917 675
Shares issued	1 000 000	–	–	–	1 000 000	–	1 000 000
Total comprehensive income for the year	–	304 324	–	(5 041)	299 283	9 021	308 304
Profit for the year	–	304 324	–	–	304 324	9 693	314 017
Other comprehensive loss for the year	–	–	–	(5 041)	(5 041)	(672)	(5 713)
Dividends paid	–	(6 752)	–	–	(6 752)	(4 497)	(11 249)
Capital distribution to Steinhoff for share-based payments	–	(5 304)	–	–	(5 304)	–	(5 304)
Share-based payments	–	–	7 578	–	7 578	–	7 578
Shares sold to non-controlling interests	–	–	–	–	–	21 465	21 465
Other reserve movements	–	–	–	(5 468)	(5 468)	–	(5 468)
Balance at 30 June 2010	**1 056 499**	**2 064 930**	**34 688**	**33 173**	**3 189 290**	**43 711**	**3 233 001**
Shares issued	**824 095**	**–**	**–**	**–**	**824 095**	**–**	**824 095**
Total comprehensive income for the year	**–**	**271 960**	**–**	**(21 459)**	**250 501**	**16 640**	**267 141**
Profit for the year	**–**	**271 960**	**–**	**–**	**271 960**	**16 709**	**288 669**
Other comprehensive loss for the year	**–**	**–**	**–**	**(21 459)**	**(21 459)**	**(69)**	**(21 528)**
Capital distribution	**(245 083)**	**–**	**–**	**–**	**(245 083)**	**–**	**(245 083)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(9 940)**	**(9 940)**
Capital distribution to Steinhoff for share-based payments	**–**	**(11 554)**	**–**	**–**	**(11 554)**	**–**	**(11 554)**
Share-based payments	**–**	**–**	**3 064**	**–**	**3 064**	**–**	**3 064**
Balance at 30 June 2011	**1 635 511**	**2 325 336**	**37 752**	**11 714**	**4 010 313**	**50 411**	**4 060 724**

Distributable reserves
The accumulated distributable reserves, if declared as a cash dividend, would be subject to Secondary Taxation on Companies.

Share-based payment reserve
Comprises the net fair value of equity instruments granted to employees expensed under share incentive schemes.

Other reserves
Comprise the foreign currency translation reserve, actuarial gains reserve, premium on acquisition of minorities reserve and various other reserves.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2009, 30 June 2010 and 30 June 2011

	Notes	**2011 R'000**	2010 R'000	2009 R'000
ASSETS				
Non-current assets				
Goodwill	8	**183 028**	200 566	205 477
Intangible assets	9	**1 048 472**	1 060 112	1 037 605
Property, plant and equipment	10	**4 924 847**	4 770 617	5 008 700
Investment property		**–**	2 316	6 679
Consumable biological assets	11	**1 450 043**	1 324 807	1 125 034
Investments and loans in associate companies	12	**61 492**	47 437	47 426
Interest and loans in joint-venture companies	13	**–**	5 230	6 545
Investments and loans	14	**176 606**	373 861	316 858
Deferred taxation assets	15	**96 079**	120 498	137 850
		7 940 567	7 905 444	7 892 174
Current assets				
Derivative financial assets	16	**1 413**	226	–
Inventories	17	**587 933**	543 337	689 542
Trade and other receivables	18	**1 647 260**	1 538 785	1 808 576
Loans due by Steinhoff and its subsidiaries	32	**2 581 205**	2 037 877	2 171 285
Short-term loans receivable	14	**–**	19 275	–
Funds on call and deposit	31	**20 912**	18 939	670
Bank balances and cash	31	**748 580**	736 771	532 841
		5 587 303	4 895 210	5 202 914
Assets classified as held for sale		**–**	21 209	27 531
		5 587 303	4 916 419	5 230 445
Total assets		**13 527 870**	12 821 863	13 122 619
EQUITY AND LIABILITIES				
Capital and reserves				
Ordinary share capital and premium	19	**1 635 511**	1 056 499	56 499
Reserves		**2 374 802**	2 132 791	1 843 454
Total equity attributable to equity holders of the parent		**4 010 313**	3 189 290	1 899 953
Non-controlling interests		**50 411**	43 711	17 722
Total equity		**4 060 724**	3 233 001	1 917 675
Non-current liabilities				
Interest-bearing loans and borrowings	20	**58 583**	496 341	614 333
Loans due to Steinhoff and its subsidiaries	32	**2 320 708**	2 418 577	2 084 696
Interest and loans in joint-venture companies	13	**1 966**	–	–
Equalisation of operating lease payments		**22 385**	20 423	19 831
Employee benefits	21	**–**	78 065	95 890
Deferred taxation liabilities	15	**576 632**	509 925	533 681
Deferred government grants		**1 342**	4 026	5 368
		2 981 616	3 527 357	3 353 799
Current liabilities				
Trade and other payables	23	**1 457 124**	1 326 688	1 179 674
Loans due to Steinhoff and its subsidiaries	32	**3 181 849**	3 351 390	5 254 940
Equalisation of operating lease payments		**408**	1 540	1 126
Share-scheme settlement liability	24	**52 179**	22 446	4 976
Employee benefits	21	**290 669**	264 820	175 175
Provisions	22	**68 484**	59 317	46 485
Derivative financial liabilities	16	**254**	804	10 474
Interest-bearing loans and borrowings	20	**47 509**	168 380	99 166
Bank overdrafts and short-term facilities		**1 387 054**	866 120	1 079 129
		6 485 530	6 061 505	7 851 145
Total equity and liabilities		**13 527 870**	12 821 863	13 122 619

STATEMENT OF CASH FLOWS
For the years ended 30 June 2009, 30 June 2010 and 30 June 2011

	Notes	**2011 R'000**	2010 R'000	2009 R'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash generated from operations	27	**1 459 962**	1 830 046	801 536
Dividends received		**–**	7 156	–
Interest received		**168 971**	194 875	97 523
Interest paid		**(663 382)**	(647 875)	(626 090)
Dividends paid		**(10 836)**	(11 249)	(54 873)
Taxation paid	28	**(56 814)**	(85 921)	(51 759)
Net cash inflow from operating activities		**897 901**	1 287 032	166 337
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment and investment property		**(802 837)**	(525 151)	(866 789)
Proceeds on disposal of property, plant and equipment and investment property		**86 433**	83 054	170 997
Additions to intangible assets and goodwill		**(14 680)**	(10 672)	(7 099)
Proceeds on disposal of intangible assets		**–**	8	54
Acquisition of subsidiary companies, net of cash acquired	29	**(31 500)**	(459)	–
Disposal of subsidiaries and businesses, net of cash disposed	30	**23 168**	–	(1 240)
Decrease/(Increase) in investments and loans		**118 612**	(26 513)	(23 904)
Decrease in short-term loans receivable		**19 275**	–	2 699
Net decrease/(increase) in interest and loans in joint-venture companies		**7 196**	1 316	(988)
Net (increase)/decrease in investments in associate companies		**(7 734)**	6 586	6 010
Transactions with non-controlling interests		**1**	(5 361)	139
Net cash outflow from investing activities		**(602 066)**	(477 192)	(720 121)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase/(Decrease) in bank overdrafts and short-term facilities		**517 153**	(211 748)	(252 955)
(Decrease)/Increase in long-term interest-bearing loans and borrowings		**(662 151)**	(439 010)	1 039 218
(Decrease)/Increase in short-term interest-bearing loans and borrowings		**(120 556)**	69 829	(398 715)
Net cash (outflow)/inflow from financing activities		**(265 554)**	(580 929)	387 548
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**30 281**	228 911	(166 236)
Cash and cash equivalents at beginning of the year		**755 710**	533 511	700 739
Effects of exchange rate translations on cash and cash equivalents		**(16 499)**	(6 712)	(992)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	31	**769 492**	755 710	533 511

SEGMENTAL REPORTING

For the years ended 30 June 2009, 30 June 2010 and 30 June 2011

	2011 R'000	2010 R'000	2009 R'000
REVENUE			
Manufacturing and sourcing of household goods and related raw materials	**3 081 516**	3 235 708	3 863 493
Logistics services	**6 228 727**	5 121 223	4 850 316
	9 310 243	8 356 931	8 713 809
Inter-segment revenue eliminations	**(449 582)**	(329 977)	(773 069)
	8 860 661	8 026 954	7 940 740
OPERATING PROFIT BEFORE CAPITAL ITEMS			
Manufacturing and sourcing of household goods and related raw materials	**435 242**	469 549	659 041
Logistics services	**616 468**	537 265	545 161
Corporate services	**(22 714)**	(177 630)	(56 875)
	1 028 996	829 184	1 147 327
RECONCILIATION BETWEEN OPERATING PROFIT PER INCOME STATEMENT AND OPERATING PROFIT BEFORE CAPITAL ITEMS PER SEGMENTAL ANALYSIS:			
Operating profit per income statement	**871 528**	825 588	1 173 419
Capital items (note 2)	**157 468**	3 596	(26 092)
Operating profit before capital items per segmental analysis	**1 028 996**	829 184	1 147 327
TOTAL ASSETS			
Manufacturing and sourcing of household goods and related raw materials	**4 946 615**	4 943 889	5 472 511
Logistics services	**4 467 454**	4 062 078	4 111 637
Corporate services	**350 077**	362 182	44 524
	9 764 146	9 368 149	9 628 672
RECONCILIATION BETWEEN TOTAL ASSETS PER STATEMENT OF FINANCIAL POSITION AND TOTAL ASSETS PER SEGMENTAL ANALYSIS			
Total assets per statement of financial position	**13 527 870**	12 821 863	13 122 619
Less: Cash and cash equivalents	**(769 492)**	(755 710)	(533 511)
Investments and loans in associate companies	**(61 492)**	(47 437)	(47 426)
Investments in preference shares	**–**	(237 593)	(211 863)
Interest-bearing loans receivable	**(176 606)**	(141 497)	(111 540)
Loans due by Steinhoff and its subsidiaries	**(2 581 205)**	(2 037 877)	(2 171 285)
Related-party receivables	**(174 929)**	(233 600)	(418 322)
Total assets per segmental analysis	**9 764 146**	9 368 149	9 628 672
GEOGRAPHICAL ANALYSIS			
Revenue			
Southern Africa	**8 860 661**	8 026 954	7 940 740
Non-current assets			
Southern Africa	**7 940 567**	7 905 444	7 892 174

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 globally. 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 inter-segment revenue. Net revenue represents segment revenue from which inter-segment 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 2. 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

Manufacturing and sourcing of household goods and related raw materials

Revenue is derived from the timber operations of PG Bison and the manufacturing and supply of raw materials.

Logistics services

Revenue in this segment includes, Unitrans Freight (specialised distribution and warehousing services to the mining, manufacturing, industrial and allied sectors of the economy), Unitrans Fuel and Chemical (specialised transportation and fuel logistics services to the petro-chemical and gas industries), Unitrans Agriculture and Mining Services (transport and related logistics services to the sugar and agricultural industry including forestry) and Unitrans Passenger (transport of passengers under contract and through services to the public at large).

Corporate services

Steinhoff's various corporate offices provide strategic direction and services to the decentralised operations globally, adding value through identifying and implementing our various strategies across the globe. Activities include the managing of all group treasury-related income in various currencies, volume rebates, trade commissions, discounts and similar activities. Rentals received from investment property are also allocated to this segment.

Major customers

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

SUMMARY OF ACCOUNTING POLICIES

The various holding companies of the Steinhoff Industrial Assets (the Sale Assets) are South African registered companies. The consolidated annual financial statements of the Sale Assets for the year ended 30 June 2011 comprise the Sale Assets and its subsidiaries (together referred to as the Sale Assets Group or the Group) and the group's interest in associate companies and joint-venture companies.

Statement of compliance

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the interpretations adopted by the International Accounting Standards

Board (IASB), the International Financial Reporting Interpretations Committee of the IASB (IFRIC) and the requirements of the South African Companies Act, 2008, as amended.

Adoption of new and revised Standards

During the current year, the group has adopted and early adopted all of the new and revised standards and interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2010. The adoption of these new and revised standards and interpretations has not resulted in material changes to the group's accounting policies.

Basis of preparation

The annual financial statements are prepared in thousands of South African Rand (R'000) on the historical-cost basis, except for certain assets and liabilities which are carried at amortised cost, and derivative financial instruments and consumable biological assets which are stated at their fair value.

The preparation of 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 financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed in note 26.

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

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

Basis of consolidation

Subsidiaries

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

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

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

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

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

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

Associate companies

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

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

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

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

Joint-venture companies

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

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

Deferred contingent purchase consideration

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

The liability arising is regarded as a deferred contingent purchase consideration and the unwinding of the present value of the liability is presented as an interest expense. Any other change in the liability is recognised through profit and loss if the acquisition was effective after the adoption of IFRS 3 – *Business Combination (revised)*, 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 accounts, any increases or decreases in ownership interest in subsidiaries without a change in control are recognised as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

Goodwill

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

Goodwill is allocated to cash-generating units (CGUs) and is tested annually for impairment or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit *pro rata* on the basis of the carrying amount of each asset in the unit. In respect of associate companies, the carrying amount of goodwill is included in the carrying amount of the investment in the associate company.

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

Negative goodwill arising on acquisition is recognised directly as a capital item in profit or loss.

Intangible assets

Research and Development

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

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

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

Other intangible assets

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

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

Subsequent expenditure

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

Amortisation

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

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

Property, plant and equipment

Owned assets

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

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

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

Leased assets

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

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

Subsequent costs

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

Depreciation

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

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

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

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

Investment property

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

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

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

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

Consumable biological assets

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

Borrowing costs

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

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

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

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

Impairment of assets

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

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

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

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

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

Calculation of recoverable amount

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

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

Reversal of impairment losses

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

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss but recognised directly in other comprehensive income. If the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed.

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

Taxation

Current taxation

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

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

Deferred taxation

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

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

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

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

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

Secondary Taxation on Companies (STC) and additional income taxes on distribution of dividends

STC and other additional taxes arising from the distribution of dividends are recognised in the year dividends are declared. A deferred taxation asset is recognised on unutilised STC credits when it is probable that such unused STC credits will be utilised in the future.

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 is based on the first-in, first-out principle and 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.

Development properties comprise land valued at cost and development expenditure attributable to unsold properties.

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.

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 share prices 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 recharge liability 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; and
- the parent recognises a corresponding recharge 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 recharge 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 recharge in excess of the capital contribution recognised as an increase in the investment in subsidiary is deferred and recognised as dividend income by the parent when settled by the subsidiary.

Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

Defined benefit plans

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

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

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

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

Long-term service benefits

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

Provisions

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

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

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

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), 'available for sale' financial assets 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 profit-taking;
– it is a derivative that is not designated and effective as a hedging instrument.

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

Available for sale financial assets

Listed and unlisted shares and listed redeemable notes held by the group that are traded in an active market are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in note 16. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income in the fair value reserve, with the exception of impairment losses, interest calculated using the effective-interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is included in profit or loss for the period.

Dividends on available for sale equity instruments are recognise in profit or loss when the group's right to receive the dividends is established.

The fair value of available for sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset, impairment losses, gains or losses on disposal of the investment and foreign exchange gains or losses. The net gain or loss recognised in other comprehensive income incorporates all gains or losses resulting from changes in fair value.

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 unlisted shares classified as available for sale, a significant or prolonged decline in fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as available for sale and finance lease receivables, objective evidence of impairment could include:

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

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

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

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

With the exception of available for sale equity instruments, 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.

In respect of available for sale equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

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

Derecognition of financial assets

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

Financial liabilities and equity instruments issued by the group

Classification as debt or equity

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

Equity instruments

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

Financial guarantee contract liabilities

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

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

Other financial liabilities

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

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

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

Derecognition of financial liabilities

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

Derivative financial instruments

The group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross-currency swaps. Further details of derivative financial instruments are disclosed in note 16.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities of firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

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.

Hedge accounting

The group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges in foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values of cash flows of the hedged item.

Note 16 sets out details of the fair value of the derivative instruments used for hedging purposes. Movements in the hedging reserve are also detailed in the statement of changes in equity.

Fair value hedges

Changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the income statement relating to the hedged item.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in other comprehensive income are recycled to profit or loss in the periods when the hedged item is recognised in profit or loss, and it is included in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is being hedged results in the recognition of a non-financial asset or a non-financial liability, the gains or losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in other comprehensive income at the time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in other comprehensive income is recognised immediately in profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income in the FCTR. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses deferred in the FCTR are recognised in profit or loss on disposal of the foreign operation.

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.

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.

Rental income

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

Dividend income

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

Royalty income

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Operating leases

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

Segmental reporting

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

The bases of segmental allocation is determined as follows:

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

	2011 R'000	2010 R'000	2009 R'000
1. REVENUE			
Manufacturing and sourcing of household goods and related raw materials	**3 081 516**	3 235 708	3 863 493
Logistics services	**6 228 727**	5 121 223	4 850 316
	9 310 243	8 356 931	8 713 809
Inter-segment revenue eliminations	**(449 582)**	(329 977)	(773 069)
	8 860 661	8 026 954	7 940 740

2. CAPITAL ITEMS

Capital items reflect and affect the resources committed in producing operating/trading performance and are not the performance itself. These items deal with the platform/capital base of the entity.

(Income)/Expenses of a capital nature are included in the 'capital items' line in the income statement. These (income)/expense items are:

		Gross of taxation and non-controlling interests 2011 R'000	Net of taxation and non-controlling interests 2011 R'000	Gross of taxation and non-controlling interests 2010 R'000	Net of taxation and non-controlling interests 2010 R'000	Gross of taxation and non-controlling interests 2009 R'000	Net of taxation and non-controlling interests 2009 R'000
2.1	**Foreign currency translation reserve released on disposal of subsidiary**	**(2 014)**	**(2 014)**	–	–	(4 776)	(4 776)
2.2	**Net loss on sale of investments and subsidiaries**	**84 964**	**86 498**	–	–	–	–
2.3	**Impairment/(Reversal of impairment)**	**46 420**	**47 332**	10 928	8 915	(3 159)	(2 204)
	Goodwill	**21 090**	**21 090**	6 110	6 110	–	–
	Property, plant and equipment	**(4 756)**	**(3 844)**	7 190	5 177	(2 906)	(1 951)
	Intangible assets	**16 428**	**16 428**	–	–	(70)	(70)
	Investments	**13 658**	**13 658**	–	–	–	–
	Other	**–**	**–**	(2 372)	(2 372)	(183)	(183)
2.4	**Loss/(Profit) on disposal of property, plant and equipment**	**27 874**	**19 569**	(7 348)	(17 726)	(18 161)	(15 284)
2.5	**Loss on disposal of intangible assets**	**224**	**161**	16	11	4	4
		157 468	**151 546**	3 596	(8 800)	(26 092)	(22 260)

	2011 R'000	2010 R'000	2009 R'000

3. OPERATING PROFIT

Operating profit is stated after taking account of the following items:

3.1 Amortisation charges

	2011 R'000	2010 R'000	2009 R'000
Patents and trademarks	**63**	69	76
Software	**3 048**	3 492	2 083
Other	**5 789**	4 111	3 603
	8 900	7 672	5 762

3.2 Auditors' remuneration

	2011 R'000	2010 R'000	2009 R'000
Audit fees	**16 760**	16 022	16 981
Expenses	**505**	370	625
Fees for other services	**50**	21	224
(Over)/Under provision in prior year	**(1 388)**	(92)	237
	15 927	16 321	18 067

3.3 Personnel expenses

	2011 R'000	2010 R'000	2009 R'000
Retirement plans (note 3.5)	**137 929**	119 248	103 738
Salaries and wages	**2 172 911**	1 962 855	1 752 935
Share-based payments – equity-settled (note 24)	**16 708**	17 682	8 488
	2 327 548	2 099 785	1 865 161
Recognised in:			
Cost of sales	**1 693 871**	1 469 329	1 334 188
Distribution expenses	**96 607**	101 162	111 634
Other operating expenses	**537 070**	529 294	419 339
	2 327 548	2 099 785	1 865 161

3.4 Directors' emoluments

2011	**Fees for service as director R'000**	**Total cost to company R'000**	**Bonus and performance related payments R'000**
C van Niekerk	–	3 150	–
G Chaplin	–	1 500	–
F Olivier	–	1 000	–
F Human	–	1 700	901
N Siebrits	–	1 728	–
J Grove	624	3 276	8 600
F Wagner	–	2 061	6 000
N Boshoff	–	2 042	5 000

3.5 Post-retirement benefit expenses

	2011 R'000	2010 R'000	2009 R'000
Contributions to defined benefit plans	**12 237**	14 578	17 237
Contributions to defined contribution plans	**125 692**	104 670	86 501
	137 929	119 248	103 738

	2011 R'000	2010 R'000	2009 R'000
3. OPERATING PROFIT (continued)			
3.6 Net foreign exchange losses/(gains)			
Net (gain)/loss on forward exchange contracts	**(1 737)**	(9 633)	10 149
Net loss/(gain) on conversion of monetary assets	**10 558**	(10 149)	15 770
	8 821	(19 782)	25 919
3.7 Depreciation			
Buildings	**17 412**	21 824	19 626
Plant and machinery	**81 378**	91 892	91 997
Long-haul motor vehicles, motor vehicles and equipment	**354 693**	326 265	306 998
Bus fleet	**88 783**	80 125	70 101
Leasehold improvements	**4 262**	3 527	3 763
Office and computer equipment, furniture and other assets	**19 988**	22 239	19 194
	566 516	545 872	511 679
Recognised in:			
Cost of sales	**413 000**	388 407	372 437
Distribution expenses	**4 306**	4 500	4 168
Other operating expenses	**149 210**	152 965	135 074
	566 516	545 872	511 679
3.8 Operating lease charges			
Rental of properties	**99 167**	88 351	87 883
Leases of plant, equipment, vehicles and other	**56 048**	34 273	22 965
	155 215	122 624	110 848
3.9 Fair value adjustment on consumable biological assets	**(270 888)**	(281 970)	(506 069)
3.10 Expenses directly attributable to timber plantations			
Harvesting expenses	**145 886**	81 970	91 238
Other operating expenses	**85 459**	112 079	76 472
	231 345	194 049	167 710
3.11 Government grants recognised in income	**(7 102)**	(6 508)	(2 487)
3.12 Number of employees	**18 094**	17 794	19 434
4. FINANCE COSTS			
Bank overdrafts	**226 878**	248 532	155 117
Loans	**151 563**	156 298	123 458
Other	**11 447**	14 885	18 674
Inter-company interest (note 32)	**283 438**	228 159	328 842
Less: Capitalised to investment property	**–**	–	(1 592)
	673 326	647 874	624 499

	2011 R'000	2010 R'000	2009 R'000
5. INCOME FROM INVESTMENTS			
Dividends received			
Unlisted shares	**–**	6 752	–
Interest received			
Bank balances	**106 206**	126 705	8 174
Loans receivable	**28 824**	28 467	24 132
Other	**18 976**	8 395	12 540
Inter-company interest (note 32)	**43 782**	59 426	75 650
	197 788	229 745	120 496

6. TAXATION

6.1 Taxation charge

	2011 R'000	2010 R'000	2009 R'000
Normal taxation			
South African normal taxation – current year	**(13 794)**	43 907	26 357
South African normal taxation – prior year adjustment	**(14 278)**	1 832	5 204
Foreign normal taxation – current year	**31 959**	51 619	21 310
Foreign normal taxation – prior year adjustment	**68**	684	1 142
	3 955	98 042	54 013
Deferred taxation			
South African deferred taxation – current year	**70 015**	1 253	114 169
South African deferred taxation – prior year adjustment	**25 453**	(3 477)	(8 159)
Foreign deferred taxation – current year	**14 757**	(337)	8 710
Foreign deferred taxation – prior year adjustment	**98**	(688)	550
Foreign deferred taxation – change in rate	**(3 832)**	(361)	–
	106 491	(3 610)	115 270
Capital Gains Taxation – current year	**1 396**	92	1 804
Secondary Taxation on Companies (STC) – current year	**1 800**	1 894	3 027
	113 642	96 418	174 114

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

	2011 %	2010 %	2009 %
6.2 Reconciliation of rate of taxation			
Standard rate of taxation	**28.0**	28.0	28.0
Effect of different statutory taxation rates of foreign subsidiaries in other jurisdictions	**(4.9)**	(1.1)	(0.1)
Effect of profit of associate companies	**(0.4)**	(0.2)	(0.1)
Prior year adjustments	**2.8**	1.4	(0.4)
STC	**0.4**	0.9	0.5
Net utilisation of unrecognised taxation losses and deductible temporary differences	**(2.0)**	(0.5)	(2.9)
Permanent differences, items charged at capital rates and other	**4.3**	(5.0)	0.9
Effective rate of taxation	**28.2**	23.5	25.9

	2011 R'000	2010 R'000	2009 R'000
7. EARNINGS			
Basic earnings			
Basic earnings is the net earnings attributable to ordinary shareholders.	**271 960**	304 324	491 149
Diluted earnings			
No dilutive shares exist.			
Headline earnings			
Earnings for the year attributable to owners of the parent	**271 960**	304 324	491 149
Adjusted for:			
Capital items (refer note 2)	**151 546**	(8 800)	(22 260)
Headline earnings attributable to owners of the parent	**423 506**	295 524	468 889
Net asset value	**4 010 313**	3 189 290	1 899 953

Per share numbers were not disclosed for the acquisition assets as these numbers do not provide meaningful information before being added to the KAP Group numbers and shares in issue. The information provided in this note may be used to calculate the appropriate numbers.

	2011 R'000	2010 R'000	2009 R'000
8. GOODWILL			
Carrying amount at beginning of the year	**200 566**	205 477	205 477
Arising on business combinations (note 29)	**3 855**	44	–
Disposal of subsidiary and joint-venture companies (note 30)	**(303)**	–	–
Impairments	**(21 090)**	(6 110)	–
Transfer from intangibles	**–**	1 155	–
Carrying amount at end of the year	**183 028**	200 566	205 477
Cost	**212 967**	215 247	214 048
Accumulated impairment	**(29 939)**	(14 681)	(8 571)
Carrying amount at end of the year	**183 028**	200 566	205 477

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.

8. GOODWILL (continued)

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 26), the cash flow of the CGU, supporting the goodwill and driven by the trademark, brand or patent are also assumed to be indefinite.

An impairment charge is required for both goodwill and other indefinite lived intangible assets when the carrying amount exceeds the recoverable amount. An impairment charge of R21 million was recorded for the year ended 30 June 2011 (2010: R6 million; 2009: R nil).

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 below.

All impairment testing was consistent with methods applied as at 30 June 2010 and 30 June 2009.

Impairment tests for CGUs containing goodwill

The following units have significant carrying amounts of goodwill:

	Pre-tax discount rate	**Forecasted cash flows**	**2011 R'000**	2010 R'000	2009 R'000
PG Bison Holdings Proprietary Limited	13,84%	Budget year 1, thereafter 15% growth rate up to 30 June 2014	**116 555**	116 555	116 555
Unitrans Logistics Group	12,77%	Budget year 1, thereafter 5,25% growth rate	**51 623**	68 859	68 769
Various other units	12,00% – 15,00%	Budget year 1, thereafter 1% to 4% growth rate	**14 850**	15 152	20 153
Carrying amount at end of the year			**183 028**	200 566	205 477

9. INTANGIBLE ASSETS

Cost	**Patents and trademarks R'000**	**Software R'000**	**Other R'000**	**Total R'000**
Balance at 1 July 2008	1 021 025	45 513	21 011	1 087 549
Additions	144	1 908	7 415	9 467
Disposals	–	(28 592)	(2 684)	(31 276)
Reclassifications	–	–	1 188	1 188
Exchange differences on consolidation of foreign subsidiaries	(28)	–	–	(28)
Balance at 30 June 2009	1 021 141	18 829	26 930	1 066 900
Additions	22 410	2 659	5 396	30 465
Disposals	–	(582)	(543)	(1 125)
Disposal of subsidiaries and joint-venture companies	(116)	–	–	(116)
Reclassifications	–	187	(1 735)	(1 548)
Transfer from/(to) assets held for sale	–	1 096	(21)	1 075
Transfer to goodwill	–	–	(1 155)	(1 155)
Exchange differences on consolidation of foreign subsidiaries	–	–	(81)	(81)

9. INTANGIBLE ASSETS (continued)

Cost	Patents and trademarks R'000	Software R'000	Other R'000	Total R'000
Balance at 30 June 2010	**1 043 435**	**22 189**	**28 791**	**1 094 415**
Additions	**67**	**1 706**	**12 923**	**14 696**
Disposals	**(944)**	**(1 525)**	**–**	**(2 469)**
Acquired on acquisition of subsidiaries	**–**	**–**	**866**	**866**
Disposal of subsidiaries	**–**	**–**	**(1 500)**	**(1 500)**
Exchange differences on consolidation of foreign subsidiaries	**–**	**–**	**(70)**	**(70)**
Balance at 30 June 2011	**1 042 558**	**22 370**	**41 010**	**1 105 938**
Amortisation and impairment				
Balance at 1 July 2008	(2 180)	(40 536)	(8 355)	(51 071)
Amortisation	(76)	(2 083)	(3 603)	(5 762)
Reversal of impairment	–	70	–	70
Disposals	–	27 691	1 158	28 849
Reclassifications	–	–	(1 188)	(1 188)
Exchange differences on consolidation of foreign subsidiaries	2	–	(195)	(193)
Balance at 30 June 2009	(2 254)	(14 858)	(12 183)	(29 295)
Amortisation	(69)	(3 492)	(4 111)	(7 672)
Disposals	–	558	543	1 101
Disposal of subsidiaries and joint-venture companies	5	–	–	5
Reclassifications	438	(505)	1 615	1 548
Exchange differences on consolidation of foreign subsidiaries	–	–	10	10
Balance at 30 June 2010	**(1 880)**	**(18 297)**	**(14 126)**	**(34 303)**
Amortisation	**(63)**	**(3 048)**	**(5 789)**	**(8 900)**
Impairment	**(16 428)**	**–**	**–**	**(16 428)**
Disposals	**707**	**1 457**	**–**	**2 164**
Balance at 30 June 2011	**(17 664)**	**(19 888)**	**(19 915)**	**(57 467)**

Carrying amount	2011 R'000	2010 R'000	2009 R'000
Patents and trademarks	**1 024 894**	1 041 555	1 018 887
Software	**2 482**	3 892	3 971
Other*	**21 096**	14 665	14 747
	1 048 472	1 060 112	1 037 605

** Other intangible assets comprise customer relationships, contracts, licence agreements and various other.*

Review of impairment

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

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

9. INTANGIBLE ASSETS (continued)

Impairment

All intangible assets were tested for impairment during the year under review and impairments of R16 million (2010: R nil; 2009: R70 000) were recognised.

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 the Unitrans and PG Bison 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 acquisition, and the indefinite useful life assumptions were supported by the following evidence:

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

Royalty rates

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

A database search of the RoyaltySource Intellectual Property Database for comparable worldwide licensing or franchising transactions of trademarks in the retail industry, focusing on furniture and/or household goods revealed royalty rates varying from 2.5% to 5.0%, with an average rate of 4.0%. The royalty rates used in assessing the value in use of the Sale Asset trade names and brand names all fall within or below this recommended range and vary from 1% to 4%.

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R'000	Plant and machinery R'000	Long-haul motor vehicles, motor vehicles and equipment R'000	Bus fleet R'000	Capital work-in-progress R'000	Leasehold improvements R'000	Office and computer equipment, furniture and other assets R'000	Total R'000
Cost								
Balance at 1 July 2008	1 236 025	1 717 109	2 868 840	628 076	44 029	30 448	162 487	6 687 014
Additions	63 952	49 146	486 475	160 492	76 092	12 196	16 340	864 693
Assets held for sale	10 400	–	(6 590)	–	–	–	–	3 810
Disposals	(21 449)	(47 540)	(205 006)	(29 942)	(6 007)	(2 054)	(43 226)	(355 224)
Impairment	(718)	–	–	–	–	–	–	(718)
Disposal of subsidiary companies	(699)	–	(197)	–	–	–	(59)	(955)
Reclassification	44 283	34 928	(12 046)	753	(79 682)	–	11 765	1
Transfer from inventory	1 244	–	–	–	–	–	–	1 244
Exchange differences on consolidation of foreign subsidiaries	(130)	(195)	(19 214)	(85)	(113)	54	(3 200)	(22 883)

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings R'000	Plant and machinery R'000	Long-haul motor vehicles, motor vehicles and equipment R'000	Bus fleet R'000	Capital work-in-progress R'000	Leasehold improve-ments R'000	Office and computer equipment, furniture and other assets R'000	Total R'000
Balance at 30 June 2009	1 332 908	1 753 448	3 112 262	759 294	34 319	40 644	144 107	7 176 982
Additions	34 611	61 269	247 574	134 223	27 948	6 797	12 667	525 089
Assets held for sale	–	–	–	–	–	(411)	(685)	(1 096)
Disposals	(53 076)	(208 128)	(190 168)	(22 540)	–	(4 222)	(12 611)	(490 745)
Impairment	–	(14 378)	–	–	(183)	–	–	(14 561)
Acquisition of subsidiary companies	–	–	694	–	–	20	7 307	8 021
Disposal of subsidiary companies	–	(180)	(611)	–	(237)	(282)	(589)	(1 899)
Reclassification	2 764	3 254	(110 652)	(37 213)	(10 450)	(7 327)	44 841	(114 783)
Transfer from investment property and inventory	4 362	167	–	–	–	–	–	4 529
Exchange differences on consolidation of foreign subsidiaries	(111)	(4 216)	(12 217)	–	11	–	1 044	(15 489)
Balance at 30 June 2010	**1 321 458**	**1 591 236**	**3 046 882**	**833 764**	**51 408**	**35 219**	**196 081**	**7 076 048**
Additions	**1 019**	**11 905**	**589 499**	**135 419**	**37 489**	**2 502**	**24 844**	**802 677**
Assets held for sale	**–**	**20 035**	**–**	**–**	**–**	**–**	**–**	**20 035**
Disposals	**(9 198)**	**(38 199)**	**(163 189)**	**(46 999)**	**(6 377)**	**(10 557)**	**(8 391)**	**(282 910)**
Impairment	**–**	**(1 528)**	**–**	**–**	**6 190**	**–**	**–**	**4 662**
Acquisition of subsidiary companies	**16 500**	**–**	**6 112**	**–**	**–**	**–**	**3 300**	**25 912**
Disposal of subsidiary companies	**(5 080)**	**(58 865)**	**(715)**	**–**	**–**	**(3)**	**(582)**	**(65 245)**
Reclassification	**(1 322)**	**43 252**	**376**	**320**	**(51 366)**	**1 546**	**(29 248)**	**(36 442)**
Transfer to inventory	**–**	**(549)**	**–**	**–**	**–**	**–**	**35**	**(514)**
Exchange differences on consolidation of foreign subsidiaries	**(148)**	**1 372**	**(29 403)**	**–**	**1 502**	**(5)**	**(454)**	**(27 136)**
Balance at 30 June 2011	**1 323 229**	**1 568 659**	**3 449 562**	**922 504**	**38 846**	**28 702**	**185 585**	**7 517 087**

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings R'000	Plant and machinery R'000	Long-haul motor vehicles, motor vehicles and equipment R'000	Bus fleet R'000	Leasehold improve-ments R'000	Office and computer equipment, furniture and other assets R'000	Total R'000
Accumulated depreciation and impairment							
Balance at 1 July 2008	(41 053)	(532 526)	(949 028)	(244 927)	(16 048)	(96 373)	(1 879 955)
Assets held for sale	–	–	4 492	–	–	–	4 492
Depreciation	(19 626)	(91 997)	(306 998)	(70 101)	(3 763)	(19 194)	(511 679)
Disposals	534	41 876	116 458	19 468	1 964	25 131	205 431
Impairment	70	3 500	–	–	–	54	3 624
Disposal of subsidiary companies	–	–	61	–	–	13	74
Reclassification	4 619	(1 953)	2 661	(537)	–	(4 791)	(1)
Exchange differences on consolidation of foreign subsidiaries	71	79	9 166	82	(6)	340	9 732
Balance at 30 June 2009	(55 385)	(581 021)	(1 123 188)	(296 015)	(17 853)	(94 820)	(2 168 282)
Assets held for sale	–	–	–	–	–	518	518
Depreciation	(21 824)	(91 892)	(326 265)	(80 125)	(3 527)	(22 239)	(545 872)
Disposals	1 733	126 264	127 246	14 872	2 423	11 497	284 035
Impairment	–	7 371	–	–	–	–	7 371
Acquisition of subsidiary companies	–	–	(271)	–	–	(1 739)	(2 010)
Disposal of subsidiary companies	–	71	373	–	168	260	872
Reclassification	–	1 055	114 682	13 018	425	(14 397)	114 783
Exchange differences on consolidation of foreign subsidiaries	61	67	2 877	–	–	149	3 154
Balance at 30 June 2010	**(75 415)**	**(538 085)**	**(1 204 546)**	**(348 250)**	**(18 364)**	**(120 771)**	**(2 305 431)**
Depreciation	**(17 412)**	**(81 378)**	**(354 693)**	**(88 783)**	**(4 262)**	**(19 988)**	**(566 516)**
Disposals	**75**	**15 950**	**102 754**	**33 794**	**10 396**	**7 951**	**170 920**
Impairment	**–**	**93**	**–**	**–**	**–**	**1**	**94**
Acquisition of subsidiary companies	**–**	**–**	**(3 291)**	**–**	**–**	**(2 065)**	**(5 356)**
Disposal of subsidiary companies	**5 080**	**57 474**	**669**	**–**	**–**	**535**	**63 758**
Reclassification	**(386)**	**(528)**	**25 836**	**(84)**	**684**	**10 920**	**36 442**
Exchange differences on consolidation of foreign subsidiaries	**93**	**(518)**	**13 874**	**–**	**1**	**399**	**13 849**
Balance at 30 June 2011	**(87 965)**	**(546 992)**	**(1 419 397)**	**(403 323)**	**(11 545)**	**(123 018)**	**(2 592 240)**

	2011 R'000	2010 R'000	2009 R'000
Net book value			
Land and buildings	**1 235 264**	1 246 043	1 277 523
Plant and machinery	**1 021 667**	1 053 151	1 172 427
Long-haul motor vehicles, motor vehicles and equipment	**2 030 165**	1 842 336	1 989 074
Bus fleet	**519 181**	485 514	463 279
Capital work-in-progress	**38 846**	51 408	34 319
Leasehold improvements	**17 157**	16 855	22 791
Office and computer equipment, furniture and other assets	**62 567**	75 310	49 287
	4 924 847	4 770 617	5 008 700

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 R566 million (2010: R662 million; 2009: R569 million) are encumbered as set out in note 20.

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Insurance

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

Impairment losses

Refer to 'Capital items' (note 2).

Useful lives

The estimated useful lives are reflected under 'Judgements and estimates' (note 26).

There were no major changes to the nature of property, plant and equipment or any major changes in policy regarding the use thereof in respect of the Steinhoff Industrial Assets.

11. CONSUMABLE BIOLOGICAL ASSETS

	2011 R'000	2010 R'000	2009 R'000
Timber plantations			
Carrying amount at beginning of the year	**1 321 112**	1 121 112	706 281
Decrease due to harvesting	**(145 886)**	(81 970)	(91 238)
Fair value adjustment to plantations	**270 888**	281 970	506 069
Carrying amount at end of the year	**1 446 114**	1 321 112	1 121 112
Livestock	**3 929**	3 695	3 922
	1 450 043	1 324 807	1 125 034
Expenses incurred in the management and operations of plantations (including harvesting)	**231 345**	194 049	167 710

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

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

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

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

- Regulatory and environmental risks

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

- Supply and demand risks

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

11. CONSUMABLE BIOLOGICAL ASSETS (continued)

- Climate and other risks

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

Encumbered consumable biological assets

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

Commitments

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

12. INVESTMENTS IN ASSOCIATE COMPANIES

Carrying value	Nature of business	**2011 % holding**	2010 % holding	2009 % holding	**2011 R'000**	2010 R'000	2009 R'000
PG Bison Kenya Proprietary Limited	Retail outlet selling hardware materials	**50.0**	50.0	*	**5 338**	4 030	–
Xinergistix Limited	Industrial long-distance haulage	**27.6**	27.6	27.6	**41 621**	36 130	31 503
Sizwe Hardware Proprietary Limited (impaired)	Retail outlet selling boards	**40.0**	40.0	40.0	**–**	–	–
Manica Boards and Doors (Pvt) Limited (impaired)	Manufactures panel products	**40.0**	40.0	40.0	**–**	–	–
Non-trading entities					**23 385**	23 863	25 923
					70 344	64 023	57 426
Loans due by/(to) associate companies							
PG Bison Kenya Proprietary Limited*					**1 241**	–	–
Manica Boards and Doors (Pvt) Limited					**5 993**	–	–
Non-trading entities					**(16 086)**	(16 586)	(10 000)
					(8 852)	(16 586)	(10 000)
					61 492	47 437	47 426

** PG Bison Kenya was previously accounted for as a joint-venture company.*

	2011 R'000	2010 R'000	2009 R'000
Investments at cost			
PG Bison Kenya Proprietary Limited	**4 025**	4 025	–
Xinergistix Limited	**20 720**	20 720	20 720
Non-trading entities	**9 576**	9 576	9 576
Total investments at cost	**34 321**	34 321	30 296
Attributable share of post-acquisition retained earnings			
At beginning of the year	**29 702**	27 130	23 927
Current year share of income	**6 321**	2 976	3 203
Dividends received	**–**	(404)	–
At end of the year	**36 023**	29 702	27 130

Commitments

The group's obligation in respect of losses and contingent liabilities from associate companies is limited to the extent of the carrying values of the investments.

13. INTEREST IN JOINT-VENTURE COMPANIES

	Nature of business	Percentage holding 2011 %	2010 %	2009 %
Buffalo Pocket Spring Company Proprietary Limited	Manufactures pocket inner springs	**50**	50	50
Samstar Services Proprietary Limited	Provider of security services[1]	**33**	33	33
Steitex Proprietary Limited	Fabric sourcing	**–**[2]	50	50
PG Bison Kenya Limited	Retail outlet selling hardware materials	**–**	–[3]	50
Univiron Proprietary Limited	Waste removal specialists	**–**	–[4]	50

[1] *Dormant*

[2] *Steitex was disposed of during the 2011 year.*

[3] *PG Bison Kenya Limited became an associate during the 2010 year.*

[4] *Univiron Proprietary Limited became a subsidiary during the 2010 year.*

	2011 R'000	2010 R'000	2009 R'000
Loans due (to)/by joint-venture companies	**(1 966)**	5 230	6 545

Impairment losses

No impairment loss was recognised in profit or loss for any period presented.

Commitments

The joint-venture companies did not have any contingent liabilities at year end.

14. INVESTMENTS AND LOANS

	2011 R'000	2010 R'000	2009 R'000
Long-term investments and loans			
Unlisted investments	**11**	237 604	211 874
Ordinary shares	**11**	11	11
Preference shares	**–**	237 593	211 863
Loans receivable carried at amortised cost	**176 595**	136 257	104 984
	176 606	373 861	316 858
Short-term loans receivable	**–**	19 275	–

The unsecured loans receivable consist of various loans with repayment terms ranging between 13 and 73 months unless called earlier, bearing interest at market-related interest rates. R135 million of the loans receivable was received subsequent to year end.

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

Details of investments are available at the registered office of the company for inspection by members.

The fair value of investments and loans are disclosed in note 16.

	2011 R'000	2010 R'000	2009 R'000
15. DEFERRED TAXATION ASSETS/(LIABILITIES)			
15.1 Deferred taxation movement			
(Liabilities)/Assets			
Balance at beginning of the year	**(389 427)**	(395 831)	(281 143)
Deferred taxation of subsidiaries acquired	**6 442**	(226)	–
Deferred taxation of subsidiaries disposed	**(523)**	88	–
Amounts charged directly to other comprehensive income and equity			
Actuarial reserve	**(1 305)**	(379)	1 684
Cash flow hedge	**–**	(108)	108
Share-based payments	**6 974**	2 063	(3 523)
Current year charge	**(106 491)**	3 610	(115 270)
Exchange differences on consolidation of foreign subsidiaries	**3 777**	1 356	2 313
Balance at end of the year	**(480 553)**	(389 427)	(395 831)
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 (14%) and foreign taxation rates:			
Equalisation of operating lease payments	**3 013**	5 520	5 602
Pre-payments and provisions	**17 049**	24 013	22 020
Property, plant and equipment (including consumable biological assets)	**(458 895)**	(469 866)	(348 144)
Share-based payments	**10 810**	8 942	5 778
Other	**4 516**	31 197	(8 849)
Secondary Taxation on Companies (10%)	**–**	–	23
	(423 507)	(400 194)	(323 570)
Taxation losses and credits			
Taxation losses	**519 586**	520 692	461 420
Total deferred taxation assets	**96 079**	120 498	137 850

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

	2011 R'000	2010 R'000	2009 R'000
Liabilities			
Provision for taxation on temporary differences resulting from South African normal taxation rate (28%), SA CGT rate (14%) and foreign taxation rates:			
Intangible assets	**(152 977)**	(152 502)	(152 490)
Pre-payments and provisions	**17 134**	14 389	8 827
Property, plant and equipment (including consumable biological assets)	**(485 360)**	(450 201)	(453 938)
Share-based payments	**14 718**	7 803	1 938
Other	**(71 186)**	(35 002)	(18 680)
Secondary Taxation on Companies (10%)	**2 405**	4 958	3 514
	(675 266)	(610 555)	(610 829)
Taxation losses and credits			
Taxation losses	**98 634**	100 630	77 148
Total deferred taxation liabilities	**(576 632)**	(509 925)	(533 681)

15. DEFERRED TAXATION ASSETS/(LIABILITIES) (continued)

15.3 Unrecognised deferred taxation assets

	2011 R'000	2010 R'000	2009 R'000
Deferred taxation assets have not been recognised in respect of the following items:			
Net deductible temporary differences	**330**	450	2 057
Taxation losses	**41 850**	71 122	75 219
	42 180	71 572	77 276

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

15.4 Taxation losses

Estimated taxation losses available for offset against future taxable income	**2 249 037**	2 290 463	1 997 866

16. FINANCIAL INSTRUMENTS

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

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

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

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

16. FINANCIAL INSTRUMENTS (continued)

16.1 Total financial assets and liabilities

2011	At fair value through profit or loss R'000	Available for sale financial assets R'000	Loans and receivables and other financial liabilities at amortised cost R'000	Total carrying values R'000	Loans and receivables and other financial liabilities at fair value R'000	Total fair values R'000
Investments and loans	–	11	176 595	176 606	176 595	176 606
Derivative financial assets	1 413	–	–	1 413	–	1 413
Trade and other receivables (excluding pre-payments, taxation receivable and value-added taxation receivable)	–	–	1 473 140	1 473 140	1 473 140	1 473 140
Gross debt net of cash	–	–	(3 645 006)	(3 645 006)	(3 642 147)	(3 642 147)
Funds on call and deposit	–	–	20 912	20 912	20 912	20 912
Bank balances and cash	–	–	748 580	748 580	748 580	748 580
Loans due by Steinhoff and its subsidiaries	–	–	2 581 205	2 581 205	2 581 205	2 581 205
Long-term interest-bearing loans and borrowings	–	–	(58 583)	(58 583)	(55 724)	(55 724)
Short-term interest-bearing loans and borrowings	–	–	(47 509)	(47 509)	(47 509)	(47 509)
Loans due to Steinhoff and its subsidiaries	–	–	(5 502 557)	(5 502 557)	(5 502 557)	(5 502 557)
Bank overdrafts and short-term facilities	–	–	(1 387 054)	(1 387 054)	(1 387 054)	(1 387 054)
Trade and other payables (excluding taxation payable and value-added taxation payable)	–	–	(1 389 521)	(1 389 521)	(1 389 521)	(1 389 521)
Derivative financial assets	(254)	–	–	(254)	–	(254)
	1 159	11	(3 384 792)	(3 383 622)	(3 381 933)	(3 380 763)
Net (gains)/losses recognised in profit or loss	(1 737)	93 910	9 980	102 153		
Total interest income	–	(28 817)	(149 995)	(178 812)		
Total interest expense	–	–	661 879	661 879		
	–	(28 817)	511 884	483 067		

16. FINANCIAL INSTRUMENTS (continued)

16.1 Total financial assets and liabilities (continued)

2010	At fair value through profit or loss R'000	Available for sale financial assets R'000	Loans and receivables and other financial liabilities at amortised cost R'000	Total carrying values R'000	Loans and receivables and other financial liabilities at fair value R'000	Total fair values R'000
Investments and loans	–	237 604	136 257	373 861	136 257	373 861
Derivative financial assets	226	–	–	226	–	226
Trade and other receivables (excluding pre-payments, taxation receivable and value-added taxation receivable)	–	–	1 408 044	1 408 044	1 408 044	1 408 044
Short-term loans receivable	–	–	19 275	19 275	19 275	19 275
Gross debt net of cash	–	–	(4 507 221)	(4 507 221)	(4 476 227)	(4 476 227)
Funds on call and deposit	–	–	18 939	18 939	18 939	18 939
Bank balances and cash	–	–	736 771	736 771	736 771	736 771
Loans due by Steinhoff and its subsidiaries	–	–	2 037 877	2 037 877	2 037 877	2 037 877
Long-term interest-bearing loans and borrowings	–	–	(496 341)	(496 341)	(469 373)	(469 373)
Short-term interest-bearing loans and borrowings	–	–	(168 380)	(168 380)	(164 354)	(164 354)
Loans due to Steinhoff and its subsidiaries	–	–	(5 769 967)	(5 769 967)	(5 769 967)	(5 769 967)
Bank overdrafts and short-term facilities	–	–	(866 120)	(866 120)	(866 120)	(866 120)
Trade and other payables (excluding taxation payable and value-added taxation payable)	–	–	(1 253 017)	(1 253 017)	(1 253 017)	(1 253 017)
Derivative financial liabilities	(804)	–	–	(804)	–	(804)
	(578)	237 604	(4 196 662)	(3 959 636)	(4 165 668)	(3 928 642)
Net gains recognised in profit or loss	(9 633)	–	(10 439)	(20 072)		
Total interest income	–	(25 730)	(188 868)	(214 598)		
Total interest expense	–	–	632 989	632 989		
	–	(25 730)	444 121	418 391		

16. FINANCIAL INSTRUMENTS (continued)

16.1 Total financial assets and liabilities (continued)

2009	At fair value through profit or loss R'000	Available for sale financial assets R'000	Loans and receivables and other financial liabilities at amortised cost R'000	Total carrying values R'000	Loans and receivables and other financial liabilities at fair value R'000	Total fair values R'000
Investments and loans	–	211 874	104 984	316 858	104 984	316 858
Trade and other receivables (excluding pre-payments, taxation receivable and value-added taxation receivable)	–	–	1 655 201	1 655 201	1 655 201	1 655 201
Gross debt net of cash	–	–	(6 427 468)	(6 427 468)	(6 349 357)	(6 349 357)
Funds on call and deposit	–	–	670	670	670	670
Bank balances and cash	–	–	532 841	532 841	532 841	532 841
Loans due by Steinhoff and its subsidiaries	–	–	2 171 285	2 171 285	2 171 285	2 171 285
Long-term interest-bearing loans and borrowings	–	–	(614 333)	(614 333)	(536 222)	(536 222)
Short-term interest-bearing loans and borrowings	–	–	(99 166)	(99 166)	(99 166)	(99 166)
Loans due to Steinhoff and its subsidiaries	–	–	(7 339 636)	(7 339 636)	(7 339 636)	(7 339 636)
Bank overdrafts and short-term facilities	–	–	(1 079 129)	(1 079 129)	(1 079 129)	(1 079 129)
Trade and other payables (excluding taxation payable and value-added taxation payable)	–	–	(1 114 114)	(1 114 114)	(1 114 114)	(1 114 114)
Derivative financial liabilities	(10 474)	–	–	(10 474)	–	(10 474)
	(10 474)	211 874	(5 781 397)	(5 579 997)	(5 703 286)	(5 501 886)
Net losses recognised in profit or loss	10 149	–	15 771	25 920		
Total interest income	–	(22 973)	130 929	107 956		
Total interest expense	–	–	607 417	607 417		
	–	(22 973)	738 346	715 373		

No items were classified as 'held to maturity' during any period presented.

16.2 Fair values

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

Investments in equity and debt securities

The fair value of an available for sale financial asset is determined by reference to its 30-day volume-weighted average quoted bid price at the reporting date. Where quoted bid prices are not available, discounted cash flows are used to determine the value in use of financial assets. Where the quoted bid price or value in use of the investment is less than the carrying value and the directors are of the opinion that the decline in value is permanent, an impairment loss is recognised.

Trade and other receivables and short-term loans receivable

The fair values of trade and other receivables 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).

16. FINANCIAL INSTRUMENTS (continued)

16.2 Fair values (continued)

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:

	2011		2010		2009	
	Level 2 R'000	**Level 3 R'000**	Level 2 R'000	Level 3 R'000	Level 2 R'000	Level 3 R'000
Investments and loans	**–**	**11**	–	237 604	–	211 874
Derivative financial assets	**1 413**	**–**	226	–	–	–
Derivative financial liabilities	**(254)**	**–**	(804)	–	(10 474)	–
	1 159	**11**	(578)	237 604	(10 474)	211 874

The movement in fair value of assets measured at Level 3 is as follows:

	2011 R'000	2010 R'000	2009 R'000
Balance at beginning of the year	**237 604**	211 874	188 901
Interest	**28 817**	25 730	22 973
Disposals	**(172 500)**	–	–
Loss on disposal	**93 910**	–	–
Balance at end of the year	**11**	237 604	211 874

16.3 Foreign currency risk

The group's manufacturing and sourcing operating costs and expenses are principally incurred in South African Rand. Its revenue derived from outside southern Africa, however, is principally in US dollars. The group's business model is based on the strategy of locating production in, and sourcing materials from, emerging low-cost economies and supplying finished products into developed economies.

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.

16. FINANCIAL INSTRUMENTS (continued)

16.3 Foreign currency risk (continued)

Exposure to currency risk

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

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

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

2011	**Euros R'000**	**US dollars R'000**
Trade and other receivables (excluding pre-payments, taxation receivable and value-added taxation receivable)	**1 142**	**18 248**
Bank balances and cash	**4**	**15 236**
Trade and other payables (excluding taxation payable and value-added taxation payable)	**(40 122)**	**(20 623)**
Bank overdrafts and short-term facilities	**(197)**	**(317)**
Pre-derivative position	**(39 173)**	**12 544**
Derivative effect	**65 611**	**29 320**
Open position	**26 438**	**41 864**
2010		
Trade and other receivables (excluding pre-payments, taxation receivable and value-added taxation receivable)	597	12 121
Bank balances and cash	11 972	33 309
Trade and other payables (excluding taxation payable and value-added taxation payable)	(8 719)	(18 548)
Loans due to Steinhoff and its subsidiaries	–	(7 636)
Bank overdrafts and short-term facilities	–	1 249
Pre-derivative position	3 850	20 495
Derivative effect	31 010	30 677
Open position	34 860	51 172
2009		
Trade and other receivables (excluding pre-payments, taxation receivable and value-added taxation receivable)	1 704	25 468
Bank balances and cash	38	15 441
Long-term interest-bearing loans and borrowings	–	(36 522)
Trade and other payables (excluding taxation payable and value-added taxation payable)	(54 588)	(19 524)
Bank overdrafts and short-term facilities	(4 560)	840
Pre-derivative position	(57 406)	(14 297)
Derivative effect	44 791	25 047
Open position	(12 615)	10 750

16. FINANCIAL INSTRUMENTS (continued)

16.3 Foreign currency risk (continued)

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

Rand	**Forecast rate [1] 30 June 2012**	Forecast rate [1] 30 June 2011	Forecast rate [1] 30 June 2010	**Reporting date spot rate 2011**	Reporting date spot rate 2010	Reporting date spot rate 2009
Euro	**9,8400**	9,9426	11,9898	**9,8654**	9,3781	10,8265
US dollar	**7,5600**	8,1555	8,4475	**6,8555**	7,6650	7,7150

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

Sensitivity analysis

The table below indicates the group's sensitivity at year end to the movements in the major currencies that the group is exposed to on its financial instruments. The percentages given below represent a weighting of foreign currency rates forecasted by the major banks that the group transacts with regularly. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2010 and 2009.

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

	2011 R'000	2010 R'000	2009 R'000
Through (profit)/loss			
Euro weakening by 0,3% (2010: strengthening by 6,0%; 2009: strengthening by 10,7%) to the Rand	**(68)**	2 098	(1 355)
US dollar strengthening by 10,3% (2010: 6,4%; 2009: 9,5%) to the Rand	**4 302**	3 275	1 021

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 the functional currency of its various global operations. 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:

	2011 R'000	2010 R'000	2009 R'000
Short-term derivatives			
Assets			
Fair value of foreign exchange contracts			
Euro	**1 367**	–	–
US dollar	**21**	226	–
Australian dollar	**25**	–	–
	1 413	226	–

16. FINANCIAL INSTRUMENTS (continued)

16.3 Foreign currency risk (continued)

	2011 R'000	2010 R'000	2009 R'000
Short-term derivatives (continued)			
Liabilities			
Fair value of foreign exchange contracts			
Euro	**(11)**	(804)	(6 119)
US dollar	**(243)**	–	(4 293)
Other	**–**	–	(62)
	(254)	(804)	(10 474)
Net derivative assets/(liabilities)	**1 159**	(578)	(10 474)

Currency options are only purchased as a cost-effective alternative to forward currency contracts. Changes in the fair value of forward exchange contracts of economically hedged monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied, are recognised in profit or loss.

16.4 Interest rate risk

The group follows a policy of maintaining a balance between fixed and variable rate loans to reflect, as accurately as possible, different interest rate environments, the effect which the relevant interest rates have on group operations and consumer spending within these environments. These variables are taken into account in structuring the group's borrowings to achieve a reasonable, competitive, market-related cost of funding.

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

The interest and related terms of the group's interest-bearing loans are disclosed in note 20.

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

2011	**Variable JIBAR and SA prime R'000**	**Variable other R'000**	**Fixed rate R'000**	**Non-interest-bearing R'000**	**Total R'000**
Investments and loans	176 595	–	–	11	176 606
Trade and other receivables (excluding pre-payments, taxation receivable and value-added taxation receivable)	31 481	24 332	–	1 417 327	1 473 140
Loans due by Steinhoff and its subsidiaries	2 573 687	7 518	–	–	2 581 205
Funds on call and deposit	–	20 912	–	–	20 912
Bank balances and cash	484 180	176 899	–	87 501	748 580
Long-term interest-bearing loans and borrowings	(11 102)	(30 468)	–	(17 013)	(58 583)
Short-term interest-bearing loans and borrowings	(13 568)	(32 660)	–	(1 281)	(47 509)
Trade and other payables (excluding taxation payable and value-added taxation payable)	–	–	–	(1 389 521)	(1 389 521)
Loans due to Steinhoff and its subsidiaries	(5 502 557)	–	–	–	(5 502 557)
Bank overdrafts and short-term facilities	(1 386 832)	(222)	–	–	(1 387 054)
Pre-derivative position	(3 648 116)	166 311	–	97 024	(3 384 781)
Derivative effect	–	–	–	1 159	1 159
Open position	(3 648 116)	166 311	–	98 183	(3 383 622)

16. FINANCIAL INSTRUMENTS (continued)

16.4 Interest rate risk (continued)

2010	Variable JIBAR and SA prime R'000	Variable other R'000	Fixed rate R'000	Non-interest-bearing R'000	Total R'000
Investments and loans	373 850	–	–	11	373 861
Trade and other receivables (excluding pre-payments, taxation receivable and value-added taxation receivable)	61 638	10 406	6	1 335 994	1 408 044
Short-term loans receivable	19 275	–	–	–	19 275
Loans due by Steinhoff and its subsidiaries	2 037 877	–	–	–	2 037 877
Funds on call and deposit	7 818	11 121	–	–	18 939
Bank balances and cash	581 487	103 886	49 274	2 124	736 771
Long-term interest-bearing loans and borrowings	(443 562)	(39 298)	–	(13 481)	(496 341)
Short-term interest-bearing loans and borrowings	(130 592)	(29 926)	–	(7 862)	(168 380)
Loans due to Steinhoff and its subsidiaries	(4 739 004)	–	–	(1 030 963)	(5 769 967)
Trade and other payables (excluding taxation payable and value-added taxation payable)	(30)	–	–	(1 252 987)	(1 253 017)
Bank overdrafts and short-term facilities	(866 120)	–	–	–	(866 120)
Pre-derivative position	(3 097 363)	56 189	49 280	(967 164)	(3 959 058)
Derivative effect	–	–	–	(578)	(578)
Open position	(3 097 363)	56 189	49 280	(967 742)	(3 959 636)
2009					
Investments and loans	316 847	–	–	11	316 858
Trade and other receivables (excluding pre-payments, taxation receivable and value-added taxation receivable)	29 752	–	5 301	1 620 148	1 655 201
Loans due by Steinhoff and its subsidiaries	2 171 285	–	–	–	2 171 285
Funds on call and deposit	589	81	–	–	670
Bank balances and cash	415 872	86 742	28 780	1 447	532 841
Long-term interest-bearing loans and borrowings	(550 153)	(64 064)	(27)	(89)	(614 333)
Short-term interest-bearing loans and borrowings	(51 258)	(27 408)	(44)	(20 456)	(99 166)
Loans due to Steinhoff and its subsidiaries	(5 061 154)	–	–	(2 278 482)	(7 339 636)
Trade and other payables (excluding taxation payable and value-added taxation payable)	–	–	–	(1 114 114)	(1 114 114)
Bank overdrafts and short-term facilities	(1 078 953)	–	(176)	–	(1 079 129)
Pre-derivative position	(3 807 173)	(4 649)	33 834	(1 791 535)	(5 569 523)
Derivative effect	–	–	–	(10 474)	(10 474)
Open position	(3 807 173)	(4 649)	33 834	(1 802 009)	(5 579 997)

16. FINANCIAL INSTRUMENTS (continued)

16.4 Interest rate risk (continued)

Sensitivity analysis

The group is sensitive to movements in the JIBAR and SA prime rates.

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.

	2011 R'000	2010 R'000	2009 R'000
Through (profit)/loss			
JIBAR and SA prime – 100 basis point increase	**36 481**	30 974	38 072

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

16.5 Credit risk

Potential concentration of credit risk consists principally of short-term cash and cash equivalent investments, trade and other receivables, and loans receivable. The group deposits short-term cash surpluses with major banks of quality credit standing. Trade receivables comprise a large and widespread customer base and group companies perform ongoing credit evaluations on the financial condition of their customers, and appropriate use is made of credit guarantee insurance. At 30 June 2011, the group did not consider there to be any significant concentration of credit risk which had not been adequately provided for. The amounts presented in the statement of financial position are net of provisions for bad debts, estimated by the group companies' management based on prior experience and the current economic environment.

The carrying amounts of financial assets represent the maximum credit exposure. The table below excludes the loans due by Steinhoff and its subsidiaries.

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

	2011 R'000	2010 R'000	2009 R'000
Investments and loans	**176 606**	373 861	316 858
Derivative financial assets	**1 413**	226	–
Trade and other receivables (excluding pre-payments, taxation receivable and value-added taxation receivable)	**1 298 211**	1 174 444	1 236 879
Short-term loans receivable	**–**	19 275	–
Funds on call and deposit	**20 912**	18 939	670
Bank balances and cash	**748 580**	736 771	532 841
	2 245 722	2 323 516	2 087 248
The maximum exposure to credit risk at the reporting date by segment was (carrying amounts):			
Manufacturing and sourcing customers	**779 956**	902 110	914 725
Logistics customers	**1 447 440**	1 293 770	1 065 521
Corporate customers	**18 326**	127 636	107 002
	2 245 722	2 323 516	2 087 248

16. FINANCIAL INSTRUMENTS (continued)

16.5 Credit risk (continued)

	2011 R'000	2010 R'000	2009 R'000
The maximum exposure to credit risk at the reporting date by geographical region was (carrying amounts):			
Southern Africa	**2 237 426**	2 307 115	2 041 024
Other regions	**8 296**	16 401	46 224
	2 245 722	2 323 516	2 087 248
Ageing of financial assets			
Not past due or impaired	**1 843 262**	2 027 417	1 808 593
Past due 1 to 30 days but not impaired	**261 330**	171 500	100 710
Past due 31 to 60 days but not impaired	**70 325**	47 899	77 616
Past due 61 to 90 days but not impaired	**27 307**	28 185	56 909
Past due more than 90 days but not impaired	**22 710**	36 189	34 416
Past due but not impaired in full	**20 788**	12 326	9 004
Impaired balance	**67 631**	69 243	65 856
Impairment provision	**(46 843)**	(56 917)	(56 852)
	2 245 722	2 323 516	2 087 248
Movement in provision for bad debts and impairments			
Balance at beginning of the year	**(56 917)**	(56 852)	(41 895)
Additional provision raised	**(4 667)**	(33 010)	(40 446)
Amounts unused reversed	**12 878**	24 039	4 927
Amounts used during the year	**1 833**	8 483	20 446
Eliminated on disposal of subsidiaries and businesses	**–**	356	–
Exchange differences on consolidation of foreign subsidiaries	**30**	67	116
Balance at end of the year	**(46 843)**	(56 917)	(56 852)

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 cover its exposure to risk on receivables. On top of the liens over inventories, the group has collateral over other assets of counterparties valued at R278 million (2010: R240 million; 2009: R196 million).

16.6 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the entity could be required to pay its liabilities earlier than expected.

The group manages liquidity risk by monitoring forecast cash flows and by ensuring that adequate borrowing facilities are available. Cash surpluses and short-term financing needs of manufacturing and sales companies are mainly centralised in African and European central 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:

16. FINANCIAL INSTRUMENTS (continued)

16.6 Liquidity risk (continued)

2011	**0 to 3 months R'000**	**4 to 12 months R'000**	**Year 2 R'000**	**Years 3 to 5 R'000**	**After 5 years R'000**
Long-term interest-bearing loans and borrowings	**–**	**–**	**(26 729)**	**(33 251)**	**(14 636)**
Loans due to Steinhoff and its subsidiaries	**(3 249 092)**	**(26 596)**	**(2 086 408)**	**(234 300)**	**–**
Short-term interest-bearing loans and borrowings	**(12 884)**	**(34 625)**	**–**	**–**	**–**
Trade and other payables (excluding taxation payable and value-added taxation payable)	**(1 369 548)**	**(24 221)**	**–**	**–**	**–**
Derivative financial liabilities	**(254)**	**–**	**–**	**–**	**–**
Bank overdrafts and short-term facilities	**(1 387 168)**	**–**	**–**	**–**	**–**
	(6 018 946)	**(85 442)**	**(2 113 137)**	**(267 551)**	**(14 636)**
2010					
Long-term interest-bearing loans and borrowings	–	–	(89 671)	(496 957)	(13 250)
Loans due to Steinhoff and its subsidiaries	(3 441 127)	(2 852)	(1 630 854)	(28 183)	(759 540)
Short-term interest-bearing loans and borrowings	–	(168 380)	–	–	–
Trade and other payables (excluding taxation payable and value-added taxation payable)	(1 258 897)	(76)	–	–	–
Derivative financial liabilities	(412)	(392)	–	–	–
Bank overdrafts and short-term facilities	(867 365)	–	–	–	–
	(5 567 801)	(171 700)	(1 720 525)	(525 140)	(772 790)
2009					
Long-term interest-bearing loans and borrowings	–	–	(323 103)	(286 714)	(16 899)
Loans due to Steinhoff and its subsidiaries	(5 123 744)	(135 000)	(2 084 696)	–	–
Short-term interest-bearing loans and borrowings	(100 667)	(9 693)	–	–	–
Trade and other payables (excluding taxation payable and value-added taxation payable)	(1 092 908)	(530)	–	–	–
Derivative financial liabilities	(8 757)	(1 717)	–	–	–
Bank overdrafts and short-term facilities	(1 079 129)	–	–	–	–
	(7 405 205)	(146 940)	(2 407 799)	(286 714)	(16 899)

16. FINANCIAL INSTRUMENTS (continued)

16.7 Treasury risk

A finance forum, consisting of senior executives of the group, meets on a regular basis to analyse currency and interest rate exposure and to review and, if required, adjust the group's treasury management strategies in the context of prevailing and forecast economic conditions.

16.8 Capital risk

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

The capital structure of the group consists of debt, which includes the borrowings disclosed in note 20, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

	2011 R'000	2010 R'000	2009 R'000
17. INVENTORIES			
17.1 Inventories at cost less provisions			
Consumables and spares	**169 510**	159 507	160 566
Finished goods and merchandise	**208 255**	191 501	300 909
Packing materials	**1 335**	827	612
Raw materials	**163 388**	144 149	171 810
Work-in-progress	**45 445**	47 353	55 645
	587 933	543 337	689 542
17.2 Inventories carried at net realisable value	**29 403**	31 034	17 459
17.3 Amount of (reversal)/write-down of inventories to net realisable value included as an (income)/expense during the year	**(6 522)**	28 041	(796)
18. TRADE AND OTHER RECEIVABLES			
Trade receivables	**1 238 182**	1 165 425	1 171 568
Less: Provision for bad debts – trade receivables	**(42 666)**	(48 818)	(61 246)
Provision for credit notes and discounts	**(8 802)**	(11 024)	(10 565)
	1 186 714	1 105 583	1 099 757
Other amounts due	**120 417**	77 308	137 728
Less: Provision for bad debts – other receivables	**(8 920)**	(8 447)	(606)
Trade and other receivables (excluding pre-payments, taxation receivable and value-added taxation receivable)	**1 298 211**	1 174 444	1 236 879
Related-party receivables (note 32)	**174 929**	233 600	418 322
Pre-payments	**76 658**	85 685	86 298
Taxation receivable	**42 114**	15 549	25 984
Value-added taxation receivable	**55 348**	29 507	41 093
	1 647 260	1 538 785	1 808 576

The credit period on sales of goods is between 30 and 90 days. Where relevant, interest is charged at market-related rates on outstanding balances.

18. TRADE AND OTHER RECEIVABLES (continued)

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

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

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

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

R30 million (2010: R30 million; 2009: R50 million) of the BCM group's trade receivables, as well as the applicable insurance policies was ceded in favour of facilities with banks.

The group's exposure to currency and credit risk related to trade and other receivables is disclosed in notes 16.3 and 16.5.

19. ORDINARY SHARE CAPITAL AND PREMIUM

	2011 Number of shares	2010 Number of shares	2009 Number of shares	**2011 R'000**	2010 R'000	2009 R'000
19.1 Authorised						
Ordinary shares of 100 cents each (SHF Raw Materials)	**4 000**	4 000	4 000	**4**	4	4
Ordinary shares of 100 cents each (Roadway Transport)	**50 000**	50 000	50 000	**50**	50	50
Ordinary shares of 100 cents each (Toolplast)	**3 000**	3 000	3 000	**3**	3	3
Ordinary shares of 0,25 cent each (PG Bison Holdings)	**17 500 000**	17 500 000	17 500 000	**44**	44	44
Ordinary shares of 0,5 cent each (Unitrans Holdings)	**2 000 000**	2 000 000	2 000 000	**10**	10	10
19.2 Issued						
Shares in issue at beginning of the year	**11 899 707**	11 799 707	11 799 707	**42**	42	42
Shares issued during the year	**100 000**	100 000	–	**1**	*	–
Shares in issue at end of the year	**11 999 707**	11 899 707	11 799 707	**43**	42	42

* Amount is less than R500.

19. ORDINARY SHARE CAPITAL AND PREMIUM (continued)

	2011 R'000	2010 R'000	2009 R'000
19.3 Share premium			
Balance at beginning of the year	**1 056 457**	56 457	56 457
Share premium arising on issue of shares	**824 094**	1 000 000	–
Capital dividend distribution	**(245 083)**	–	–
Balance at end of the year	**1 635 468**	1 056 457	56 457
Total issued ordinary share capital and premium	**1 635 511**	1 056 499	56 499

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.

During the 2010 and 2011 financial years, Unitrans Holdings Proprietary Limited issued share capital to its shareholder, Steinhoff Africa Holdings Proprietary Limited to repay shareholder loan funding. No other shares or convertible instruments were issued by the Steinhoff Industrial Assets group.

	2011 R'000	2010 R'000	2009 R'000
20. INTEREST-BEARING LOANS AND BORROWINGS			
20.1 Analysis of closing balance			
Secured financing			
Capitalised finance lease and instalment sale agreements	**6 846**	13 576	16 669
Term loans	**63 127**	92 316	100 586
Phaello domestic medium-term note programme	**–**	511 536	504 770
	69 973	617 428	622 025
Unsecured financing			
Other loans	**30 812**	41 875	12 966
Total interest-bearing loans and borrowings	**100 785**	659 303	634 991
Portion payable before 30 June 2012 included in current liabilities	**(42 202)**	(162 962)	(20 658)
Total non-current interest-bearing loans and borrowings	**58 583**	496 341	614 333
Current interest-bearing loans and borrowings			
Portion of non-current interest-bearing loans and borrowings payable before 30 June 2012	**42 202**	162 962	20 658
Other current loans payable	**5 307**	5 418	78 508
Total current interest-bearing loans and borrowings	**47 509**	168 380	99 166
20.2 Analysis of repayment			
Repayable within the next year and thereafter			
Next year	**47 509**	168 380	99 166
Within two to five years	**43 949**	483 092	594 553
Thereafter	**14 636**	13 250	19 781
	106 094	664 722	713 500

All loans and borrowings are carried at amortised cost. The fair values of interest-bearing loans and borrowings are disclosed in note 16.

20. INTEREST-BEARING LOANS AND BORROWINGS (continued)

	Facility R'000	Maturity date	Interest rate	2011 R'000	2010 R'000	2009 R'000
20.3 Loan details						
Secured						
Capitalised finance lease and instalment sale agreements	–	–	8% to 10%	**6 846**	13 576	16 669
Secured hire purchase and lease agreements repayable in monthly or annual instalments over periods of five to eight years. These leases are with various counterparties.						
Term loans						
Stanbic Bank amortising term loan repayable in monthly instalments. This loan is secured by a charge over assets financed by this loan.	Pula 58 000	30 June 2012	Botswana prime minus 2,65%	**20 461**	40 797	64 064
Banco Internacional de Mozambique, SA amortising term loan repayable in quarterly instalments. This loan is secured by a charge over assets with a book value of R46 million (BIM = Banco International Mozambique prime rate).	MET 84 000	9 April 2014	BIM plus 1%	**19 215**	23 091	36 522
BNI Bank amortising term loan repayable in quarterly instalments of MGA 782 million. The loan is secured by the assets purchased that it financed and in addition, €2.0 million guarantee from a bank (MGA = Malagasy ariary).	MGA 6 742 000	30 April 2014	11%	**23 451**	28 428	–

20. INTEREST-BEARING LOANS AND BORROWINGS (continued)

	Facility R'000	Maturity date	Interest rate	2011 R'000	2010 R'000	2009 R'000
20.3 Loan details (continued)						
Phaello domestic medium-term note programme	R5 000 000					
These loans were repaid and repurchased by the group during the year.		various	JIBAR plus 3% to JIBAR plus 3,5%	**–**	511 536	504 770
The book value of assets encumbered in favour of the above term loans and finance lease and instalment sale agreements amounts to R565 538 991 (2010: R662 143 834; 2009: R569 148 110) (note 10).						
Unsecured						
Other loans	–	various	various	**30 812**	41 875	12 966
				100 785	659 303	634 991
Current interest-bearing loans and borrowings						
Other		various	various	**5 307**	5 418	78 508

21. EMPLOYEE BENEFITS

	2011 R'000	2010 R'000	2009 R'000
PG Bison Pension Fund	**1 567**	5 157	5 648
Post-retirement medical benefits	**8 685**	6 725	7 636
Preference share scheme	**77 593**	77 593	95 890
Performance-based bonus accrual	**83 490**	141 330	65 533
Christmas bonus accrual	**37 428**	33 856	31 403
Leave pay accrual	**79 926**	75 492	63 075
Other	**1 980**	2 732	1 880
Total liability	**290 669**	342 885	271 065
Transferred to short-term employee benefits	**(290 669)**	(264 820)	(175 175)
Long-term employee benefits	**–**	78 065	95 890

21.1 Defined contribution plans

The majority of the group's South African salaried employees are members of the Steinhoff Group Umbrella Provident Fund, a defined contribution fund registered in terms of the Pension Funds Act, 1956. A board of trustees representing members and employers manages the fund in conjunction with an umbrella fund administrator and investment advisors. This fund incorporates all but one of the divisional retirement schemes, a defined benefit fund which is currently being evaluated for inclusion in the umbrella fund. Certain other (usually waged) employees contribute to commercial umbrella funds, union-negotiated funds or industry funds established and administered by national bargaining councils.

The only obligation of the group in terms of these retirement benefit schemes is to make the specified contributions.

21. EMPLOYEE BENEFITS (continued)

21.2 Defined benefit plans

Afcol Pension Fund

Most employees on the Afcol Pension Fund transferred to the Steinhoff Group Umbrella Provident Fund on 1 March 2004. The section 14 transfer was approved by the Financial Services Board on 6 September 2004. The process of surplus apportionment is complete. No future benefits will accrue after 29 February 2004, being the effective date of transfer to the Steinhoff Group Umbrella Provident Fund. The Financial Services Board approved the distribution of surplus in terms of the surplus scheme on 9 May 2007. The employer is not entitled to any surplus or unutilised reserves and the asset has thus been limited to R nil.

PG Bison Pension Fund

The PG Bison Pension Fund is a defined contribution fund with a small residual defined benefit section. The defined benefit fund has been closed for new entrants since 1 April 1998. The fund was last actuarially valued on 31 March 2007 and the valuation revealed the fund to be in a sound financial position.

The fund's surplus apportionment scheme conducted as at 31 March 2004 was approved by the Registrar on 15 September 2008. As at 31 March 2004 the fund had an actuarial surplus of R77 million. As at 31 March 2007 the actuarial surplus had accumulated to R95 million. The surplus distribution according to the scheme has commenced and payment to the stakeholders is an ongoing process. The payment to former members whose whereabouts are unknown has been referred for tracing. There is no net surplus allocated to the employer.

Unitrans Retirement Fund

There is a minimum guarantee in place for the pre-1995 members of the Unitrans Retirement Fund. An R nil apportionment scheme as at 1 January 2003 was accepted by the Financial Services Board on 9 January 2006. Every three years the fund's valuator carries out an actuarial valuation which is submitted to the Financial Services Board. The valuation as at 1 January 2009 confirmed that the fund is financially sound.

Currently the fund is being restructured which has resulted in the fund being closed to new members from 1 April 2009. Further, the active members have been made paid-up and joined the Steinhoff Group Umbrella Provident Fund. Pensions in payment together with inflation-linked future increases have been guaranteed with the purchase of an annuity policy.

21.3 Post-retirement medical benefits

The group provided certain post-retirement medical benefits by funding a portion of the medical aid contributions of certain retired members. These were charged against income as incurred. Through agreement with in-service and retired employees, the group came to a settlement in terms of which the present value of future benefits will be settled in cash.

21.4 Preference share scheme

The long-term employee benefit has been recognised as the present value of the obligation accrued over the service period using the projected unit credit method as follows:

	2011 R'000	2010 R'000	2009 R'000
Present value of estimated redemption at end of the year	**77 593**	77 593	95 890
Less: Employee contributions	**(77 593)**	(77 593)	(95 890)
Net amount for settlement	**–**	–	–
Expense portion recognised over five-year service period	**–**	–	6 933
Dividends paid	**–**	–	(6 933)
Employee contribution	**77 593**	77 593	95 890
Less portion included in short-term employee benefits	**(77 593)**	–	–
Long-term employee benefits	**–**	77 593	95 890

21. EMPLOYEE BENEFITS (continued)

21.4 Preference share scheme (continued)

The preference share scheme was introduced with effect from 1 July 2006.

The scheme is restricted to key employees of PG Bison. Participants subscribed for shares from proceeds received from the sale of shares agreement with Steinhoff in order to participate in the scheme, effective from 1 July 2006 to 30 October 2011.

21.5 Performance-based bonus and leave pay accruals

Performance-based bonus accrual

The bonus payable is fixed by applying a specific formula based on the employee's achievement of performance targets.

Leave pay accrual

The leave pay accrual relates to vesting leave pay to which employees may become entitled on leaving the employment of the group. The accrual arises as employees render a service that increases their entitlement to future compensated leave and is calculated based on an employee's total cost of employment. The accrual is utilised when employees become entitled to and are paid for the accumulated leave or utilise compensated leave due to them.

22. PROVISIONS

	Accident and insurance fund provisions R'000	Closure costs R'000	Other R'000	Total R'000
Balance at 1 July 2008	30 853	4 721	11 163	46 737
Additional provision raised	114 495	–	5 547	120 042
Amounts unused reversed	(21 797)	(1 403)	(780)	(23 980)
Amounts utilised	(91 257)	(3 158)	(2 060)	(96 475)
Disposal of subsidiaries and businesses	–	–	157	157
Exchange differences on consolidation of foreign subsidiaries	4	–	–	4
Balance at 30 June 2009	32 298	160	14 027	46 485
Additional provision raised	105 833	3 038	4 435	113 306
Amounts unused reversed	(4 663)	(120)	(1 540)	(6 323)
Amounts utilised	(84 121)	(23)	(9 169)	(93 313)
Acquisition of subsidiaries and businesses	47	–	–	47
Reclassify between provisions and accruals	–	–	(870)	(870)
Exchange differences on consolidation of foreign subsidiaries	(15)	–	–	(15)
Balance at 30 June 2010	**49 379**	**3 055**	**6 883**	**59 317**
Additional provision raised	**171 873**	**18 210**	**3 815**	**193 898**
Amounts unused reversed	**(21 747)**	**–**	**(2 779)**	**(24 526)**
Amounts utilised	**(152 797)**	**(3 978)**	**(3 397)**	**(160 172)**
Reclassify between provisions and accruals	**–**	**(2)**	**–**	**(2)**
Exchange differences on consolidation of foreign subsidiaries	**(31)**	**–**	**–**	**(31)**
Balance at 30 June 2011	**46 677**	**17 285**	**4 522**	**68 484**

Accident and insurance fund provisions

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

22. PROVISIONS (continued)

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.

	2011 R'000	2010 R'000	2009 R'000
23. TRADE AND OTHER PAYABLES			
Trade payables	**912 232**	700 382	559 985
Accruals	**255 501**	267 956	328 697
Other payables and amounts due	**180 872**	201 493	183 817
Related-party payables (note 32)	**40 916**	83 186	41 615
Taxation payable	**9 360**	32 446	28 350
Value-added taxation payable	**58 243**	41 225	37 210
	1 457 124	1 326 688	1 179 674

The fair value of trade and other payables is disclosed in note 16.

24. SHARE SCHEME SETTLEMENT LIABILITY

Share rights scheme

At the annual general meeting on 1 December 2003, a new share incentive scheme was approved and implemented. The share rights granted in December 2007, December 2008 and various dates from 1 July 2009 to 1 December 2009 relate to the 2003 scheme, and are subject to the dates for achievement of the following:

(a) A compound growth in HEPS of the company, over the three completed financial years commencing on 1 July 2007, 1 July 2008 and 1 July 2009 respectively, equal to or exceeding the weighted average growth of the companies included in and comprising the INDI 25 over a three-year period from the effective date.

(b) The volume-weighted average traded share price of the company over the 30-trading days immediately preceding the measurement date to exceed the result of the following formula:

[{(a-b)/b}+1] x c, where:

a = the INDI 25 at the measurement date;

b = the INDI 25 at the effective date; and

c = the volume-weighted average traded share price of the company for the 30-trading days immediately preceding the effective date.

Under the 2007, 2008 and 2009 share incentive grants, participants were granted rights on 1 December 2007, 1 December 2008 and various dates from 1 July 2009 to 1 December 2009. These rights are to be acquired subject to meeting future performance vesting conditions. Vesting of rights may occur on 1 December 2010, 1 December 2011 and 1 December 2012.

It is noted that the market-related performance hurdle in respect of the 2007 share incentive grant was not met and the share rights in terms of this grant did not vest.

Executive Share Right Scheme

At the annual general meeting on 6 December 2010, a new share incentive scheme was approved and implemented. The share rights granted in December 2010 relate to the executive share right scheme, and are subject to the following conditions:

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

(b) Vesting of rights occur on the 3rd 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 3rd anniversary of the relevant annual grant, all rights attaching to the particular grant will lapse.

24. SHARE SCHEME SETTLEMENT LIABILITY (continued)

Assumptions

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

Fair value of share rights and assumptions	2010 grant	2009 grants	2008 grant	2007 grant
Fair value at measurement date	R19,74	R6,98 to R11,07	R2,87	R9,47
Share price at grant date	R21,50	R13,96 to R18,84	R9,74	R19,08
Exercise price	R0,005	R0,005	R0,005	R0,005
Expected volatility	23,80%	40,93% to 49,80%	64,09%	30,52%
Dividend yield	2,91%	4,84% to 5,86%	3,67%	2,20%
Risk-free interest rate	6,41%	7,82% to 8,29%	8,53%	9,08%
Option life	3 years	3 to 3,4 years	3 years	3 years

Share scheme settlement liability

Options granted under the Share Schemes are subject to a recharge arrangement whereby the company is required to pay 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.

The fair value of the share scheme settlement liability is determined based on the Black-Schöles Model. The fair value of the liability is remeasured at each statement of financial position date and at settlement date. The model inputs at 30 June 2011 were as follows:

	2010 grant	**2009 grants**		**2008 grant**	
	2011	**2011**	2010	**2011**	2010
Share price	**R22,99**	**R22,99**	R17,81	**R22,99**	R17,81
Exercise price	**R0,005**	**R0,005**	R0,005	**R0,005**	R0,005
Term	**29 months**	**17 months**	29 months	**5 months**	17 months
Volatility	**24,4%**	**24,4%**	30,6%	**24,4%**	30,6%
Dividend yield	**3,8%**	**4,2%**	4,5%	**6,4%**	5,0%
Risk-free interest rate	**6,7%**	**6,2%**	6,9%	**5,6%**	6,5%

There have been no changes to the share scheme since 30 June 2011.

	2011 R'000	2010 R'000	2009 R'000
25. COMMITMENTS AND CONTINGENCIES			
25.1 Capital expenditure			
Contracts for capital expenditure authorised	**148 591**	107 482	79 968
Capital expenditure authorised but not contracted for	**114 085**	18 063	29 287

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

25.2 Borrowing facilities

In terms of the articles of association, the borrowing powers of the company are unlimited.

25. COMMITMENTS AND CONTINGENCIES (continued)

25.3 Operating leases

	Property R'000	Plant, equipment, vehicles and other R'000	2011 Total R'000	2010 Total R'000	2009 Total R'000
Amounts outstanding under non-cancellable operating lease agreements payable within the next year and thereafter:					
Next year	**62 467**	**54 623**	**117 090**	115 087	70 734
Within two to five years	**130 733**	**122 927**	**253 660**	237 121	130 864
Thereafter	**43 673**	**321**	**43 994**	27 502	39 505

Balances denominated in currencies other than South African rands were converted at the closing rates of exchange ruling at 30 June 2011.

25.4 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.

26. 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.

26. JUDGEMENTS AND ESTIMATES (continued)

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 – 10 years
Plant and machinery	3 – 60 years

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

Consumable biological assets

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

Impairment of assets

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

Deferred taxation assets

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

Contingent liabilities

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

Valuation of equity compensation benefits

Management classifies its share-based payment scheme as an equity-settled scheme based on the assessment of its role and that of the employees in the transaction. In applying its judgement, management consulted with external expert advisors in the accounting and share-based payment advisory industry. The critical assumptions as used in the valuation model are detailed in note 24.

Post-employment benefit obligations

In applying its judgement to defined benefit plans, management consulted with external expert advisors in the accounting and post-employment benefit obligation industry.

Provision for bad debts

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

	2011 R'000	2010 R'000	2009 R'000
27. CASH GENERATED FROM OPERATIONS			
Operating profit	**871 528**	825 588	1 173 419
Adjusted for:			
Depreciation and amortisation	**575 415**	553 545	517 440
Fair value adjustments of consumable biological assets and decrease due to harvesting	**(125 002)**	(200 000)	(414 831)
Impairments/(Reversals of impairments)	**46 420**	10 928	(3 159)
Net loss/(profit) on disposal of property, plant and equipment and investment property	**27 874**	(7 348)	(18 161)
Loss/(Profit) on disposal of investment	**82 950**	–	(4 776)
Share-based payment expense	**16 708**	17 682	8 488
Other non-cash adjustments	**(6 817)**	29 358	(6 699)
Cash generated before working capital changes	**1 489 076**	1 229 753	1 251 721
Working capital changes			
(Increase)/Decrease in inventories	**(53 518)**	112 260	(1 578)
(Increase)/Decrease in trade and other receivables	**(87 112)**	256 169	(138 634)
Decrease in assets held for sale	**1 174**	7 498	5 373
Decrease/Increase in net derivative financial liabilities/assets	**(1 737)**	(9 511)	15 493
Increase in non-current and current provisions	**8 888**	12 377	39 591
(Decrease)/Increase in non-current and current employee benefits	**(46 809)**	72 636	(50 719)
Decrease in deferred government grants	**(2 684)**	(1 342)	(977)
Settlement of share scheme liability	**–**	–	(15 413)
Increase/(Decrease) in trade and other payables	**152 684**	150 206	(303 321)
Net changes in working capital	**(29 114)**	600 293	(450 185)
Cash generated from operations	**1 459 962**	1 830 046	801 536

28. TAXATION PAID

	2011 R'000	2010 R'000	2009 R'000
Taxation payable at beginning of the year	**(16 897)**	(2 366)	4 387
Current taxation expense per income statement	**(7 151)**	(100 028)	(58 844)
Taxation (payable)/receivable of subsidiaries (disposed)/acquired	**(13)**	(622)	332
Exchange differences on consolidation of foreign subsidiaries	**1**	198	–
Taxation payable at end of the year	**(32 754)**	16 897	2 366
Net taxation paid	**(56 814)**	(85 921)	(51 759)

	2011 R'000	2010 R'000	2009 R'000
29. NET CASH FLOW ON BUSINESS COMBINATIONS			
The fair value of assets and liabilities assumed at date of acquisition was:			
Assets			
Intangible assets	**866**	–	–
Property, plant and equipment	**20 556**	6 011	–
Deferred taxation assets	**6 442**	–	–
Inventories	**–**	4	–
Trade and other receivables	**–**	837	–
Value-added taxation receivable	**–**	157	–
Cash on hand	**–**	152	–
Liabilities			
Non-current liabilities	**–**	(4 724)	–
Deferred taxation liability	**–**	(226)	–
Trade and other payables and provisions	**(219)**	(418)	–
Employee benefits	**–**	(120)	–
Short-term loans	**–**	(1 106)	–
Total assets and liabilities acquired	**27 645**	567	–
Net goodwill at acquisition	**3 855**	44	–
Total consideration	**31 500**	611	–
Cash and cash equivalents on hand at acquisition	**–**	(152)	–
Net cash outflow on acquisition of subsidiaries	**31 500**	459	–

	2011 R'000	2010 R'000	2009 R'000
30. NET CASH FLOW ON DISPOSAL OF SUBSIDIARIES AND BUSINESSES			
The carrying values of assets and liabilities disposed of at the date of disposal were:			
Assets			
Goodwill	**303**	–	–
Intangible assets	**1 500**	111	–
Property, plant and equipment	**1 487**	1 027	881
Investment in associate companies	**–**	(4 050)	–
Deferred taxation assets	**523**	–	–
Inventories	**14 496**	5 294	6 723
Trade and other receivables and related-party receivables	**1 353**	1 961	6 817
Taxation receivable	**13**	622	–
Cash on hand	**226**	–	1 241
Liabilities			
Other reserves	**–**	–	(839)
Deferred taxation liabilities	**–**	(88)	–
Long-term loans and related-party loans	**3 792**	(1 404)	(54)
Taxation payable	**–**	–	(332)
Value-added taxation payable	**(46)**	–	(36)
Trade and other payables, related-party payables and provisions	**(216)**	(3 184)	(14 400)
Bank overdraft	**–**	(289)	–
Carrying value of assets and liabilities disposed	**23 431**	–	1
Profit on disposal	**10 258**	–	–
Proceeds on disposal	**33 689**	–	1
Cash on hand at date of disposal	**(226)**	–	(1 241)
Related-party loan accounts	**(10 295)**	–	–
Net cash inflow/(outflow) on disposal of subsidiaries	**23 168**	–	(1 240)

31. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and balances with banks. Bank overdrafts are only included where the group has a legal right of offset due to cash management arrangements. Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	2011 R'000	2010 R'000	2009 R'000
Funds on call and deposit	**20 912**	18 939	670
Bank balances and cash	**748 580**	736 771	532 841
	769 492	755 710	533 511

For all periods presented there is no cash or cash equivalents committed as security for future acquisitions and/or expenses of the group.

32. RELATED-PARTY TRANSACTIONS

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

These transactions are concluded at arm's length in the normal course of business and include transactions as a result of the groupwide treasury management of foreign currency movements. All material inter-group transactions are eliminated on consolidation.

In terms of the sales agreements concluded between the parties, KAP will acquire shares in and loan claims against the target assets from Steinhoff. In this regard, the loans due by Steinhoff and its subsidiaries and the loans due to Steinhoff and its subsidiaries reflected below will be consolidated into one loan owing to Steinhoff Africa Holdings Proprietary Limited and will form the subject matter of the "loans" referred to in the acquisition agreements. Therefore, after the effective date the KAP Group will determine the terms and conditions applicable to these loans. Currently, due to the inter-group nature of these loans, the loans have various inceptions dates, are unsecured, have no fixed repayment terms and bear interest from time to time as determined by the Steinhoff group.

Trading transactions

The following is a summary of material transactions with related-parties during the year and receivables and payables balances at year end:

	2011 R'000	2010 R'000	2009 R'000
Loans due by Steinhoff and its subsidiaries:			
Lurand Investments Proprietary Limited	**29 196**	28 165	385
Steinhoff Africa Holdings Proprietary Limited	**1 182 895**	722 619	989 334
Steinhoff At Work Proprietary Limited	**282 140**	183 149	111 149
Steinhoff Doors and Building Materials Proprietary Limited	**–**	112 146	100 407
Steinhoff Finance Holding GmbH and its subsidiaries	**3 556**	3 733	4 139
Steinhoff International Holdings Limited	**202 406**	109 168	109 168
Steinhoff Investment Holdings Limited	**291 146**	256 311	256 311
Steinhoff Properties Proprietary Limited	**495 006**	530 230	506 517
Unitrans Share Trust	**53 476**	57 292	61 313
Other subsidiaries of Steinhoff Africa Holdings Proprietary Limited	**41 384**	35 064	32 562
	2 581 205	2 037 877	2 171 285

32. RELATED-PARTY TRANSACTIONS (continued)

	2011 R'000	2010 R'000	2009 R'000
Loans due to Steinhoff and its subsidiaries:			
International Wire Converters Proprietary Limited	**(22 234)**	(18 691)	(17 639)
Steinhoff Africa Holdings Proprietary Limited	**(3 383 322)**	(3 470 678)	(5 353 721)
Steinhoff Manufacturing Proprietary Limited	**(164 070)**	(164 070)	(162 489)
Steinhoff Services Proprietary Limited	**(1 920 678)**	(2 100 241)	(1 786 991)
Other subsidiaries of Steinhoff Africa Holdings Proprietary Limited	**(12 253)**	(16 287)	(18 796)
	(5 502 557)	(5 769 967)	(7 339 636)
Related-party receivables:			
Steinhoff Africa Holdings Proprietary Limited	**7 439**	7 306	4 742
Steinhoff Doors and Building Materials Proprietary Limited	**1 746**	28 831	29 102
Steinhoff Finance Holding GmbH and its subsidiaries	**145 664**	190 861	361 374
Steinhoff Services Proprietary Limited	**18 171**	5 931	12 727
Other subsidiaries of Steinhoff Africa Holdings Proprietary Limited	**1 909**	671	10 377
	174 929	233 600	418 322
Related-party payables:			
International Wire Converters Proprietary Limited	**(11 161)**	(9 576)	(8 382)
Steinhoff Africa Holdings Proprietary Limited	**(26 264)**	(38 315)	(8 041)
Steinhoff At Work Proprietary Limited	**(645)**	(25 411)	(4 103)
Steinhoff Doors and Building Materials Proprietary Limited	**(6)**	(2 212)	(1 619)
Other subsidiaries of Steinhoff Africa Holdings Proprietary Limited	**(2 840)**	(7 672)	(19 470)
	(40 916)	(83 186)	(41 615)
Dividends paid to:			
Steinhoff Africa Holdings Proprietary Limited	**–**	6 752	48 692
Sales to:			
International Wire Converters Proprietary Limited	**(3 154)**	(8 414)	(10 360)
Steinhoff Doors and Building Materials Proprietary Limited	**(129 032)**	(139 971)	(126 701)
Steinhoff Finance Holding GmbH and its subsidiaries	**–**	–	(2 671)
	(132 186)	(148 385)	(139 732)
Net operating fees (including administration and management fees) paid to/(received from):			
International Wire Converters Proprietary Limited	**(1 703)**	(1 186)	(9 971)
Steinhoff Africa Holdings Proprietary Limited	**50 588**	134 226	14 319
Steinhoff At Work Proprietary Limited	**3 338**	25 583	33 493
Steinhoff Doors and Building Materials Proprietary Limited	**–**	5 000	5 163
Steinhoff Finance Holding GmbH and its subsidiaries	**(49 244)**	(6 320)	–
Other subsidiaries of Steinhoff Africa Holdings Proprietary Limited	**377**	(18)	(15)
	3 356	157 285	42 989
Net rent paid to/(received from):			
Steinhoff Africa Property Services Proprietary Limited	**–**	1 318	11 830
Other subsidiaries of Steinhoff Africa Holdings Proprietary Limited	**(130)**	2 112	3 922
	(130)	3 430	15 752

32. RELATED-PARTY TRANSACTIONS (continued)

	2011 R'000	2010 R'000	2009 R'000
Net rebates and settlement discounts (received from)/paid to:			
International Wire Converters Proprietary Limited	**(4 503)**	(3 833)	(5 319)
Steinhoff Doors and Building Materials Proprietary Limited	**12 464**	12 626	10 273
Steinhoff Finance Holding GmbH and its subsidiaries	**(96 407)**	(185 310)	(360 569)
	(88 446)	(176 517)	(355 615)
Finance costs paid to:			
Steinhoff Africa Holdings Proprietary Limited	**283 438**	228 159	326 746
Steinhoff Doors and Building Materials Proprietary Limited	**–**	–	2 096
	283 438	228 159	328 842
Interest received from:			
Steinhoff Africa Holdings Proprietary Limited	**(1 897)**	(6 853)	(1 589)
Steinhoff Doors and Building Materials Proprietary Limited	**(932)**	(8 143)	(13 448)
Steinhoff International Holdings Limited	**(5 488)**	–	–
Steinhoff Investment Holdings Limited	**(34 835)**	–	–
Steinhoff Properties Proprietary Limited	**(630)**	(43 321)	(59 445)
Other subsidiaries of Steinhoff Africa Holdings Proprietary Limited	**–**	(1 109)	(1 168)
	(43 782)	(59 426)	(75 650)

There is no material loans made or security furnished by the Steinhoff Industrial Assets for the benefit of any director or manager, or any associate of any director or manager.

33. MATERIAL SUBSIDIARIES

Material subsidiary as at 30 June 2011	**Ownership %**	**Amount of issued share capital R'000**	**Investment in subsidiary R'000**	**Loans due by group companies R'000**	**Loans due to group companies R'000**	**Net profit for the year R'000**
PG Bison Holdings Proprietary Limited [(1)]	100	116 207	694 210	136 124	(192 116)	(8 077)
PG Bison Limited	100	92 969	–	576 914	(1 763 563)	50 980
Unitrans Holdings Proprietary Limited [(2)]	100	1 579 010	1 579 046	898 601	(12 804)	1 156 865
Unitrans Supply Chain Solutions Proprietary Limited	100	350 388	457 597	556 160	(728 072)	980 690

There were no changes to the voting or ownership percentages during or after the period.

(1) The PG Bison Holdings Proprietary Limited preference share capital of R77 593 000 was redeemed subsequent to year-end.

(2) The increase in the issued share capital of Unitrans Holdings Proprietary Limited is detailed in note 19.

34. NEW ACCOUNTING PRONOUNCEMENTS

		Effective date – annual periods commencing on or after
At the date of authorisation of these annual financial statements, there are standards and interpretations in issue but not yet effective. These include the following standards and interpretations that have not been early adopted and may have an impact on future financial statements:		
IFRS 7	Financial Instruments: Disclosures: Transfers of Financial Assets	1 January 2011
IFRS 9	Financial Instruments	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1	Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income	1 July 2012
IAS 19	Employee Benefits	1 January 2013
IAS 27	Separate Financial Statements	1 January 2013
IAS 28	Investments in Associates and Joint Ventures	1 January 2013

34.1 IFRS 7 (revised)

In October 2010, the IASB issued an amendment to IFRS 7 – *Financial Instruments: Disclosures: Transfers of Financial Assets*. This amendment will help users of financial statements evaluate the risk exposures relating to transfers of financial assets, the effect of those risks on an entity's financial position and will promote transparency in the reporting of transfer transactions, particularly those that involve securitisation of financial assets. This amendment will be adopted by the group in the next financial year.

34.2 IFRS 9

In October 2010, the IASB issued an expanded and amended version of IFRS 9 – *Financial Instruments* (IFRS 9). The statement addresses the classification and measurement of financial assets and financial liabilities. The new standard enhances the ability of investors and other users of financial information to understand the accounting of financial assets and financial liabilities and aims to reduce complexity. As the entire statement has not been finalised (e.g. hedge accounting), the group will first assess the standard in its entirety before adopting it.

34.3 IFRS 10

In May 2011, the IASB issued IFRS 10 – *Consolidated Financial Statements (IFRS 10)*. This statement supersedes IAS 27 – *Consolidated and Separate Financial Statements* (IAS 27) and SIC 12 – *Consolidation – Special Purpose Entities*. The IFRS defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. The standard sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 has replaced the consolidation requirements in IAS 27 and IAS 27 has been renamed to *Separate Financial Statements*. The group is in the process of analysing the impact of the standard and determining when the group will adopt the standard.

34.4 IFRS 11

In May 2011, the IASB issued IFRS 11 – *Joint Arrangements*. This statement supersedes IAS 31 – *Interests in Joint Ventures* and SIC 13 – *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. The standard requires a party to a joint arrangement to determine the type of joint arrangement (joint operation or joint venture) in which it is involved by assessing its rights and obligations arising from the arrangement. IAS 28 – *Investments in Associates and Joint Ventures* has been amended and now prescribes how to account for investments in associates and joint ventures using the equity method. The group is in the process of analysing the impact of the standard and determining when the group will adopt the standard.

34.5 IFRS 12

In May 2011, the IASB issued IFRS 12 – *Disclosure of Interests in Other Entities*. This standard sets out the disclosure requirements for interests in other entities in order to make it easier for stakeholders to understand and apply the disclosure requirements for subsidiaries, joint ventures, associates and unconsolidated structures. The IFRS requires an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effect of those interests on its financial position, financial performance and cash flows. The group is in the process of analysing the impact of the standard and determining when the group will adopt the standard.

34.6 IFRS 13

In May 2011, the IASB issued IFRS 13 – *Fair Value Measurement*. This IFRS defines fair value, provides a single framework for measuring fair value and requires disclosures about fair value measurement. The standard applies to other IFRSs that require or permit fair value measurements or disclosures about fair value measurements. The group is in the process of analysing the impact of the standard and determining when the group will adopt the standard.

34.7 IAS 1 (revised)

In June 2011, the IASB issued IAS 1 – *Presentation of Financial Statements – Presentation of items of other comprehensive income*. The amendment focuses on improving how items of other comprehensive income are presented in order to facilitate the assessment of their impact on the overall performance of an entity. The main change required from the amendment is that entities group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The group is in the process of analysing the impact of the standard and determining when the group will adopt the standard.

34.8 IAS 19 (revised)

In June 2011, the IASB revised IAS 19 – *Employee Benefits*. The revision eliminates the corridor method (deferral of gains and losses on measurement of the defined benefit liability) in order to improve comparability and faithfulness of presentation. The revision streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring the remeasurements to be presented in other comprehensive income thereby separating these changes from those of the entity's day-to-day operations. The group is in the process of analysing the impact of the standard and determining when the group will adopt the standard.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF THE STEINHOFF INDUSTRIAL ASSETS

"The Board of Directors
KAP International Holdings Limited
PO Box 3639
Paarl
7551

9 December 2011

Dear Sirs

REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE HISTORICAL FINANCIAL INFORMATION OF THE STEINHOFF INDUSTRIAL ASSETS, REPORTED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Introduction

At your request and for the purposes of the Circular to KAP International Holdings Limited shareholders, to be dated on or about 17 December 2011, we present our report on the historical financial information in respect of the consolidated Steinhoff Industrial Assets ("the financial information"), as set out in Annexure 1 of this Circular, in compliance with the Listings Requirements of the JSE Limited ("JSE").

Management's responsibility for the financial information

Management is responsible for the preparation and fair presentation of this financial information in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the historical financial information included as Annexure 1 of this Circular.

Scope

We have audited the financial information of the Steinhoff Industrial Assets for the years ended 30 June 2011, 30 June 2010 and 30 June 2009.

Basis of opinion

Audit opinion

Our responsibility is to express an opinion on the historical financial information 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 whether the historical financial information are free from material misstatement.

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

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

Opinion

Audit opinion

In our opinion, the consolidated historical financial information of the Steinhoff Industrial Assets for the years ended 30 June 2011, 30 June 2010 and 30 June 2009 fairly presents, in all material respects, the financial position at that date, and the results of the operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and the JSE Listings Requirements.

Consent

We consent to the inclusion of this report, which will form part of the Circular to shareholders of KAP International Holdings Limited, to be posted to shareholders on or about 17 December 2011, in the form and context in which it appears.

Yours faithfully

Deloitte & Touche

Registered Auditors

Per Udo Böhmer
Partner

Deloitte & Touche

Waterkloof House
221 Waterkloof Road
Waterkloof
0181
South Africa

National Executive: G G Gelink (Chief Executive), A E Swiegers (Chief Operating Officer), G M Pinnock (Audit), D L Kennedy (Risk Advisory and Legal Services), N B Kader (Tax), L Geeringh (Consulting), L Bam (Corporate Finance), J K Mazzocco (Human Resources), C R Beukman (Finance), T J Brown (Chairman of the Board), M J Comber (Deputy Chairman of the Board).

A full list of partners and directors is available on request"

UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF KAP

The unaudited *pro forma* statement of financial position at 30 June 2011 and statement of comprehensive income for the year ended 30 June 2011 of the KAP Group have been prepared to reflect the impact of the Acquisition as if the Acquisition had occurred on 1 July 2010 for purpose of adjusting the *pro forma* statement of comprehensive income, and on 30 June 2011 for purpose of adjusting the *pro forma* statement of financial position of the KAP Group.

The unaudited *pro forma* financial information has been prepared for illustrative purposes only, based on information currently available to management and because of its nature, may not fairly present the KAP Group's financial position, changes in equity, and results of operations after the Acquisition. The unaudited *pro forma* financial information is presented in a manner that is consistent with the accounting policies of KAP.

The unaudited *pro forma* financial information of KAP should be read in conjunction with the historical financial information of KAP Group and the Steinhoff Industrial Assets and other financial information included elsewhere in this Circular, as well as the limited assurance report of the independent reporting accountants which is included as Annexure IV to this Circular.

The Directors are responsible for the preparation of the unaudited *pro forma* financial information contained in this Circular.

KAP's acquisition of Steinhoff Industrial Assets qualifies as a reverse acquisition under IFRS 3. The Acquisition is accounted for as a reverse acquisition due to Steinhoff acquiring a controlling stake in KAP through the issue of the Consideration Shares as partial settlement of the Acquisition Consideration.

The effect for accounting purposes is that the Acquisition is accounted for using the Acquisition method under IFRS 3 resulting in the net assets of KAP being measured at fair value and those of the Steinhoff Industrial Assets remaining at carrying amounts before the Acquisition.

Therefore, KAP is the "accounting acquiree" and Steinhoff Industrial Assets' businesses become the "accounting acquirer" for accounting purposes.

UNAUDITED *PRO FORMA* STATEMENT OF FINANCIAL POSITION OF KAP

The unaudited *pro forma* statement of financial position of KAP at 30 June 2011 has been prepared on the assumption that the reverse acquisition was effected on 30 June 2011.

Unaudited *pro forma* group statement of financial position at 30 June 2011 reflecting the reverse acquisition	**Steinhoff Industrial Assets as reported[1] R'000**	**Adjustments to Steinhoff Industrial Assets[2] R'000**	**Steinhoff Industrial Assets acquired by KAP[2] R'000**	**KAP historic financial information[1] R'000**	***Pro forma* adjustments for reverse acquisition R'000**	**Unaudited *pro forma* statement of financial position[17] R'000**
ASSETS						
Non-current assets						
Goodwill	183 028	–	183 028	66 700	–	249 728
Intangible assets	1 048 472	–	1 048 472	–	210 400[10]	1 258 872
Property, plant and equipment	4 924 847	(86 274)[3]	4 838 573	883 100	166 204[10]	5 887 877
Investment property	–	–	–	19 500	–	19 500
Consumable biological assets	1 450 043	–	1 450 043	–	–	1 450 043
Investments and loans in associate companies	61 492	–	61 492	–	–	61 492
Interest and loans in joint-venture companies	–	(1 966) [4]	(1 966)	24 400	–	22 434
Investments and loans	176 606	–	176 606	–	–	176 606
Pension fund surplus	–	–	–	3 800	–	3 800
Deferred taxation assets	96 079	–	96 079	20 400	–	116 479
Total non-current assets	**7 940 567**	**(88 240)**	**7 852 327**	**1 017 900**	**376 604**	**9 246 831**
Current assets						
Derivative financial assets	1 413	–	1 413	–	–	1 413
Inventories	587 933	–	587 933	729 800	–	1 317 733
Trade and other receivables	1 647 260	–	1 647 260	730 000	–	2 377 260
Loans due by Steinhoff and its subsidiaries	2 581 205	(2 581 205)[5]	–	–	–	–
Pension fund surplus	–	–	–	20 000	–	20 000
Funds on call and deposit	20 912	–	20 912	–	–	20 912
Bank balances and cash	748 580	(748 580)[6]	–	128 700	–	128 700
Total current assets before assets classified as held for sale	5 587 303	(3 329 785)	2 257 518	1 608 500	–	3 866 018
Assets classified as held for sale	–	–	–	9 200	–	9 200
Total current assets	**5 587 303**	**(3 329 785)**	**2 257 518**	**1 617 700**	**–**	**3 875 218**
Total assets	**13 527 870**	**(3 418 025)**	**10 109 845**	**2 635 600**	**376 604**	**13 122 049**

Unaudited *pro forma* group statement of financial position at 30 June 2011 reflecting the reverse acquisition	Steinhoff Industrial Assets as reported[1] R'000	Adjustments to Steinhoff Industrial Assets[2] R'000	Steinhoff Industrial Assets acquired by KAP[2] R'000	KAP historic financial information[1] R'000	*Pro forma* adjustments for reverse acquisition R'000	Unaudited *pro forma* statement of financial position[17] R'000
EQUITY AND LIABILITIES						
Capital and reserves						
Ordinary share capital and premium	1 635 511	133 586[7]	1 769 097	899 800	3 012 400[11]	5 681 297
Reserves	2 374 802	(583 336)	1 791 466	529 900	(530 747)[12]	1 790 619
Reverse acquisition reserve	–	–	–	–	(2 227 087)[13]	(2 227 087)
Total equity attributable to equity holders of the parent	**4 010 313**	**(449 750)**	**3 560 563**	**1 429 700**	**254 566**	**5 244 829**
Non-controlling interests	50 411	–	50 411	42 100	(576)[14]	91 935
Total equity	**4 060 724**	**(449 750)**	**3 610 974**	**1 471 800**	**253 990**	**5 336 764**
Non-current liabilities						
Interest-bearing loans and borrowings	58 583	3 512 327[5]	3 570 910	22 500	–	3 593 410
Loans due to Steinhoff and its subsidiaries	2 320 708	(2 320 708)[5, 7, 9]	–	–	–	–
Interest and loans to joint ventures	1 966	(1 966)[4]	–	–	–	–
Equalisation of operating lease payments	22 385	–	22 385	–	–	22 385
Employee benefits	–	–	–	9 700	–	9 700
Deferred taxation liabilities	576 632	–	576 632	24 400	77 840[15]	678 872
Deferred government grants	1 342	–	1 342	–	–	1 342
Total non-current liabilities	**2 981 616**	**1 189 653**	**4 171 269**	**56 600**	**77 840**	**4 305 709**
Current liabilities						
Trade and other payables	1 457 124	29 807[8, 9]	1 486 931	813 100	5 869[16]	2 305 900
Loans due to Steinhoff and its subsidiaries	3 181 849	(3 181 849)[5]	–	–	–	–
Equalisation of operating lease payments	408	–	408	–	–	408
Share-scheme settlement liability	52 179	(52 179)[8]	–	–	–	–
Employee benefits	290 669	(77 593)[7]	213 076	53 300	–	266 376
Provisions	68 484	–	68 484	–	38 905[10]	107 389
Derivative financial liabilities	254	–	254	–	–	254
Interest-bearing loans and borrowings	47 509	2 491[5]	50 000	22 200	–	72 200
Bank overdrafts and short-term facilities	1 387 054	(878 605)[5, 6]	508 449	218 600	–	727 049
Total current liabilities	**6 485 530**	**(4 157 928)**	**2 327 602**	**1 107 200**	**44 774**	**3 479 576**
Total equity and liabilities	**13 527 870**	**(3 418 025)**	**10 109 845**	**2 635 600**	**376 604**	**13 122 049**

Unaudited *pro forma* group statement of financial position at 30 June 2011 reflecting the reverse acquisition	Steinhoff Industrial Assets as reported[(1)]	Adjustments to Steinhoff Industrial Assets[(2)]	Steinhoff Industrial Assets acquired by KAP[(2)]	KAP historic financial information[(1)]	*Pro forma* adjustments for reverse acquisition	Unaudited *pro forma* statement of financial position[(17)]
Number of shares in issue ('000)	–	–	–	424 474	1 912 781[(11)]	2 337 255
NAV per share (cents)	–	–	–	336,8[(18)]	–	224,4[(18)]
Tangible net asset value per share (cents)	–	–	–	321,1[(18)]	–	159,9[(18)]

Notes and assumptions:

1. The statement of financial position of the Steinhoff Industrial Assets has been extracted, without adjustment, from the audited historical information of the Steinhoff Industrial Assets group and its subsidiaries. The statement of financial position of KAP has been extracted, without adjustment, from the consolidated financial statements of KAP for the year ended 30 June 2011.
2. The statement of financial position of the Steinhoff Industrial Assets has been adjusted for intra-group entries relating to the Steinhoff Group. These entries include inter-company balances set off within the Steinhoff Group to present a single interest-bearing loan with Steinhoff. Assets and liabilities included in the Steinhoff Industrial Assets' financial information that do not form part of the Acquisition have been removed through adjustment entries.
3. Properties amounting to R86 274 000, which will not form part of the Acquisition currently forming part of the historic Steinhoff Industrial Assets' financial information has been adjusted for.
4. The Steinhoff Industrial Assets has a net payable in its interest and loans to Joint Ventures while KAP has a net receivable. This entry represents a reallocation of the net payable to the net receivable before the historical financial information is consolidated to ensure a net receivable is reflected in KAP after taking the Acquisition into account.
5. Loans receivable and payable in the Steinhoff Industrial Assets are netted off, effectively creating a single interest-bearing loan between new *pro forma* KAP group and Steinhoff.
6. Bank balances and cash of R748 580 000 have been allocated to settle bank overdrafts forming part of the Steinhoff Industrial Assets.
7. Steinhoff will subscribe for additional equity in PG Bison before the Effective Date. PG Bison will use the cash from the subscription to settle an employee benefit accrual payable to Steinhoff amounting to R77 593 000. PG Bison will also use an amount of R55 993 000 to repay a portion of its shareholder's loan payable to Steinhoff. The net effect is an R133 586 000 increase in equity.
8. The employee share-scheme liability amounting to R52 179 000 has been reallocated to other payables.
9. Trade payables have been reallocated to the interest-bearing loan payable to Steinhoff and have been transferred to interest-bearing borrowings.
10. A provisional purchase price allocation as required by IFRS 3 has been performed in respect of the allocation of the purchase price to the identifiable assets and liabilities of the Acquisition for the purposes of the *pro forma* financial effects. The difference between the Acquisition Consideration and the net fair value of the identifiable assets and liabilities as at 30 June 2011 has provisionally been allocated to the gain on bargain purchase. The provisional adjustments include R210 400 000 of intangibles with an indefinite life while the fair value increase on property, plant and equipment amounts to R166 204 000. Provisions and contingencies that meet the recognition requirements of IFRS 3 have been provisionally identified by management in the underlying operations and amount to R38 905 000.
11. 1 912 781 011 new shares are issued at 250 cents per share, the result being an increase of share capital of R4 781 953 000. Transaction costs directly linked to the Consideration Share issue amounting to R456 000 are offset against the raised equity. The R1 769 097 000 share capital and premium of the Steinhoff Industrial Assets group acquired is eliminated against equity and the reverse acquisition reserve, resulting in a net increase in equity of R3 012 400 000 to R5 681 297 000 which represents the existing share capital and premium of KAP plus the capital raised with the issued shares for the Acquisition minus share issue costs.
12. The reserves of KAP amounting to R529 900 000 will be eliminated on consolidation, resulting in the new group having the reserves of the Steinhoff Industrial Assets group. Once-off transaction costs that were not set off against the raised equity of R5 413 000 are expensed. The gain on bargain purchase amounts to R4 566 000. The net of these entries is a R530 747 000 decrease of reserves.
13. The net effect of the consolidation entries required following the reversed acquisition is the creation of the reverse acquisition reserve amounting to R2 227 087 000.
14. R576 000 of the recognised provisions and contingencies relates to the non-controlling interests' portion of a subsidiary and their portion of the recognised provisions and contingencies have been allocated to non-controlling interests.
15. The increase in the deferred taxation liability of R77 840 000 represents the deferred taxation recognised on the fair value adjustment on property, plant and equipment, intangible assets recognised and the provisions and contingencies as noted in note 10.
16. The increase in the trade and other payables represents the transaction costs payable on the corporate action.
17. The "Unaudited *pro forma* statement of financial position" column is based on the assumption that the reverse acquisition was implemented on 30 June 2011.
18. The NAV and NTAV per share figures are calculated based on the number of shares in issue at 30 June 2011.

UNAUDITED *PRO FORMA* STATEMENT OF COMPREHENSIVE INCOME OF KAP

The unaudited *pro forma* statement of comprehensive income of KAP for the year ended 30 June 2011 has been prepared on the assumption that the Acquisition was effected on 1 July 2010.

Unaudited *pro forma* group statement of comprehensive income for the year ended 30 June 2011 reflecting the reverse acquisition	**Steinhoff Industrial Assets as reported[(1)] R'000**	**Adjustments to Steinhoff Industrial Assets[(2)] R'000**	**Steinhoff Industrial Assets acquired by KAP[(3)] R'000**	**KAP Historic Financial Information[(1)] R'000**	***Pro forma* adjustments for reverse acquisition[(4, 5, 6)] R'000**	**Unaudited *pro forma* statement of comprehensive income[(9)] R'000**
Continuing operations						
Revenue	8 860 661	–	8 860 661	4 217 100	–	13 077 761
Cost of sales	(6 630 329)	–	(6 630 329)	(3 370 100)	–	(10 000 429)
Gross profit	2 230 332	–	2 230 332	847 000	–	3 077 332
Other operating income	429 647	–	429 647	26 100	–	455 747
Distribution expenses	(404 787)	–	(404 787)	–	–	(404 787)
Other operating expenses	(1 226 196)	(5 254)[(2)]	(1 231 450)	(641 500)	(5 413)[(4)]	(1 878 363)
Capital items	(157 468)	–	(157 468)	(2 900)	–	(160 368)
Operating profit	**871 528**	**(5 254)**	**866 274**	**228 700**	**(5 413)**	**1 089 561**
Finance costs	(673 326)	–	(673 326)	(28 900)	196 604[(5)]	(505 622)
Income from investments	197 788	–	197 788	3 300	–	201 088
Gain on bargain purchase	–	–	–	–	4 566[(6)]	4 566
Share of profit of associate companies	6 321	–	6 321	2 000	–	8 321
Profit before taxation	**402 311**	**(5 254)**	**397 057**	**205 100**	**195 757**	**797 914**
Taxation	(113 642)	1 471[(2)]	(112 171)	(59 100)	(55 049)[(5)]	(226 320)
Profit for the year	**288 669**	**(3 783)**	**284 886**	**146 000**	**140 708**	**571 594**
Discontinued operations						
Loss for the year	–	–	–	(7 800)	–	(7 800)
Profit for the year	**288 669**	**(3 783)**	**284 886**	**138 200**	**140 708**	**563 794**
Profit from continuing operations attributable to:						
Owners of the parent	271 960	(3 783)	268 177	138 800	140 708	547 685
Non-controlling interests	16 709	–	16 709	7 200	–	23 909
Profit for the year	**288 669**	**(3 783)**	**284 886**	**146 000**	**140 708**	**571 594**

Unaudited *pro forma* group statement of comprehensive income for the year ended 30 June 2011 reflecting the reverse acquisition	**Steinhoff Industrial Assets as reported[1] R'000**	**Adjustments to Steinhoff Industrial Assets[2] R'000**	**Steinhoff Industrial Assets acquired by KAP[3] R'000**	**KAP Historic Financial Information[1] R'000**	***Pro forma* adjustments for reverse acquisition [4, 5, 6] R'000**	**Unaudited *pro forma* statement of comprehensive income[9] R'000**
Other comprehensive income/(loss)						
Actuarial gain on defined benefit plans	4 662	–	4 662	–	–	4 662
Exchange differences	(27 437)	–	(27 437)	200	–	(27 237)
Fair value gain available for sale assets	2 552	–	2 552	–	–	2 552
Deferred taxation	(1 305)	–	(1 305)	–	–	(1 305)
Total other comprehensive (loss)/income	**(21 528)**	**–**	**(21 528)**	**200**	**–**	**(21 328)**
Total comprehensive income for the year	**267 141**	**(3 783)**	**263 358**	**146 200**	**140 708**	**550 266**
Reconciliation of headline earnings						
Net profit after tax attributable to owners of the parent from continuing operations	271 960	(3 783)	268 177	138 800	140 708	547 685
Net loss after tax attributable to owners of the parent from discontinued operations	–	–	–	(7 800)	–	(7 800)
Gain on bargain purchase	–	–	–	–	(4 566)	(4 566)
Impairments – gross	46 420	–	46 420	17 700	–	64 120
Impairments – tax effect	912	–	912	(5 000)	–	(4 088)
Loss/(profit) on disposal of property, plant and equipment	28 098	–	28 098	(41 700)	–	(13 602)
Loss/(profit) on disposal of property, plant and equipment – tax effect	(8 368)	–	(8 368)	2 700	–	(5 668)
Loss on sale of investments and subsidiaries	82 950	–	82 950	–	–	82 950
Loss on sale of investments and subsidiaries – tax effect	1 534	–	1 534	–	–	1 534
Headline earnings	**423 506**	**(3 783)**	**419 723**	**104 700**	**136 142**	**660 565**
Earnings per share (cents) [7]	–	–	–	30.9	–	23.1
Headline earnings per share (cents) [7]	–	–	–	24.7	–	28.3
Headline earnings per share from continuing operations (cents) [7]	–	–	–	32.7	–	29.7
Weighted average number of shares in issue ('000) [8]	–	–	–	424 474	1 912 781[8]	2 337 255

Notes and assumptions:

1. The statement of comprehensive income of the Steinhoff Industrial Assets has been extracted, without adjustment, from the audited historical information of the Steinhoff Industrial Assets group and its subsidiaries. The statement of comprehensive income of KAP has been extracted, without adjustment, from the consolidated financial statements of KAP for the year ended 30 June 2011.
2. The statement of comprehensive income for the Steinhoff Industrial Assets has been adjusted for an increase in operating expenditure with rent of R5 254 000 and a taxation charge decrease of R1 471 000 relating to excluded properties.
3. The statement of comprehensive income for the Steinhoff Industrial Assets has been adjusted with the entries noted in note 2 to reflect the statement of comprehensive income of the Steinhoff Industrial Assets that will be included in the new group after the Acquisition.
4. Once-off transaction costs of the Acquisition amounting to R5 413 000 (inclusive of VAT) have been expensed.
5. Finance costs decrease by R196 604 000 in order for the total final finance cost to reflect the effect of the single interest bearing loan created with Steinhoff and the different funding and gearing structure of the new *pro forma* KAP Group, which also results in an increase in the taxation charge of R55 049 000.
6. The gain on bargain purchase amounting to R4 566 000 arises on the reverse acquisition and is recognised immediately in the statement of comprehensive income. It was calculated as the difference between the Acquisition Consideration and the net fair value of the identifiable assets and liabilities as at 30 June 2011.
7. The earnings per share and headline earnings per share figures are calculated based on the weighted average number of shares in issue at 30 June 2011.
8. 1 912 781 011 shares are assumed to have been issued at a subscription price of 250 cents per share in terms of the Acquisition to Steinhoff Africa.
9. The "Unaudited *pro forma* statement of comprehensive income" column is based on the assumption that the Acquisition was implemented on 1 July 2010.
10. No increased depreciation charge has been reflected on the fair value increase of the reversed acquired property, plant and equipment, as this represents an increase in the fair value of land and buildings which will have a residual value exceeding carrying value, which will result in an insignificant to no depreciation charge being recognised.
11. The useful life of intangibles raised is considered to be indefinite and therefore no amortisation charge is reflected.

INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF KAP

"The Directors
KAP International Holdings Limited
PO Box 3639
Paarl
7551

14 December 2011

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF KAP INTERNATIONAL HOLDINGS LIMITED ("KAP")

We have performed our limited assurance engagement in respect of the *pro forma* financial information set out in paragraph 8.2 and Annexure III of the Circular, to be dated on or about 17 December 2011, issued in connection with the reversed acquisition that is the subject of this Circular of KAP. The *pro forma* financial information has been prepared in accordance with the JSE Limited ("JSE") Listings Requirements, for illustrative purposes only, to provide information about how the reversed acquisition might have affected the reported historical financial information presented, had the reversed acquisition been undertaken at the commencement of the period and at the date of the *pro forma* statement of financial position being reported on.

Directors' responsibility

The directors are responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the Circular and for the financial information from which it has been prepared. Their responsibility includes determining that: the *pro forma* financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of KAP; and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

Reporting accountants' responsibility

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial information included in paragraph 8.2 and Annexure III of the Circular. We conducted our assurance engagement in accordance with ISAE 3000: the International Standard on Assurance Engagements applicable to *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and the Guide on *Pro forma Financial Information* issued by the South African Institute of Chartered Accountants. This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of KAP, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted *pro forma* financial information with the directors of KAP in respect of the corporate actions that are the subject of this Circular.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of KAP and other information from various public, financial and industry sources.

While our work performed has involved an analysis of the historical financial information and other information provided to us, our assurance engagement does not constitute either an audit or review of any of the underlying financial information conducted in accordance with the *International Standards on Auditing* or *International Standards on Review Engagements* and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that in terms of the section 8.17 and 8.30 of the JSE Listings Requirements:

- the *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of KAP, and
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed.

Consent

We consent to the inclusion of this report, which will form part of the circular, to be dated on or about 17 December 2011, in the form and context in which it will appear.

Deloitte & Touche

Registered Auditors

Per MA van Wyk
Partner

Deloitte & Touche

1st Floor, The Square
Cape Quarter Extension
27 Somerset Road
Green Point
8005
South Africa

National Executive: G G Gelink (Chief Executive), A E Swiegers (Chief Operating Officer), G M Pinnock (Audit), D L Kennedy (Risk Advisory and Legal Services), N B Kader (Tax), L Geeringh (Consulting), L Bam (Corporate Finance), J K Mazzocco (Human Resources), C R Beukman (Finance), T J Brown (Chairman of the Board), M J Comber (Deputy Chairman of the Board).

A full list of partners and directors is available on request”.

TRADING HISTORY OF KAP SHARES ON THE JSE

The high, low and closing prices and the aggregated volumes and values at which the Shares traded on the JSE quarterly from September 2008 to September 2011, are provided below:

Quarter ended	High (cents)	Low (cents)	Close (cents)	Aggregate value (R)	Aggregate volume (shares)
September 2008	220	120	160	16 028 980	9 655 329
December 2008	175	115	175	8 970 235	6 776 925
March 2009	175	101	140	18 616 611	14 212 626
June 2009	140	100	135	22 618 886	17 411 782
September 2009	210	120	210	9 720 634	5 561 268
December 2009	250	170	250	13 583 105	6 494 416
March 2010	250	131	250	11 419 884	4 730 164
June 2010	250	200	229	13 856 348	5 939 565
September 2010	249	170	225	20 791 139	9 312 348
December 2010	265	206	265	30 488 772	11 988 756
March 2011	245	205	235	27 400 736	12 102 434
June 2011	265	220	262	16 201 132	6 558 194
September 2011	270	225	240	5 691 973	2 213 683

The high, low and closing price of Shares on the JSE and the aggregated monthly value and volumes traded for each month over the twelve months prior to the date of issue of this Circular are as follows:

Month ended	High (cents)	Low (cents)	Close (cents)	Aggregate value (R)	Aggregate volume (shares)
December 2010	265	227	265	17 441 441	6 733 876
January 2011	245	210	239	13 437 979	5 817 151
February 2011	240	211	225	7 575 527	3 358 046
March 2011	239	205	235	6 387 230	2 927 237
April 2011	255	220	250	3 103 241	1 321 820
May 2011	255	225	255	1 428 793	574 173
June 2011	265	230	262	11 669 098	4 662 201
July 2011	265	255	255	2 654 949	1 033 885
August 2011	270	245	259	2 149 288	830 545
September 2011	268	225	240	887 736	349 253
October 2011	248	215	245	5 604 760	2 420 476
November 2011	265	237	259	3 181 012	1 237 033

The high, low and closing price of Shares on the JSE for each trading day over the 30 days preceding the Last Practicable Date, and the daily trading volumes and values are as follows:

Date – 2011	**High (cents)**	**Low (cents)**	**Close (cents)**	**Aggregate value (R)**	**Aggregate volume (shares)**
20 October	239	235	239	453 180	190 517
21 October	242	241	242	49 031	20 300
24 October	244	238	244	18 375	7 638
25 October	–	–	244	–	–
26 October	244	244	244	244 000	100 000
27 October	248	245	248	2 208	896
28 October	245	245	245	6 014	2 455
31 October	245	244	245	6 904	2 825
1 November	245	240	245	9 700	4 000
2 November	–	–	245	–	–
3 November	–	–	245	–	–
4 November	–	–	245	–	–
7 November	250	245	250	52 892	21 463
8 November	250	250	250	500 000	200 000
9 November	250	250	250	7 500	3 000
10 November	250	250	250	14 500	5 800
11 November	260	255	260	408 741	157 712
14 November	265	265	265	53 000	20 000
15 November	265	238	263	85 947	33 150
16 November	264	237	264	2 441	1 023
17 November	260	249	260	272 890	105 000
18 November	250	250	250	70 255	28 102
21 November	250	250	250	25 000	10 000
22 November	260	240	260	18 929	7 508
23 November	–	–	260	–	–
24 November	260	259	259	1 659 217	640 275
25 November	–	–	259	–	–
28 November	–	–	259	–	–
29 November	–	–	259	–	–
30 November	–	–	259	–	–

Source: McGregor.

INDEPENDENT OPINION REGARDING THE RELATED PARTY ACQUISITION AND THE WAIVER OF THE MANDATORY OFFER

"The Directors
KAP International Holdings Limited
1st Floor, New Link Centre
1 New Street
Paarl
7646
South Africa

9 December 2011

Dear Directors

INDEPENDENT FAIR AND REASONABLE OPINION ON THE ACQUISITION BY KAP INTERNATIONAL HOLDINGS LIMITED OF THE STEINHOFF INDUSTRIAL ASSETS (AS DEFINED BELOW) FROM STEINHOFF AFRICA HOLDINGS PROPRIETARY LIMITED

1. INTRODUCTION

In an announcement dated 18 October 2011 KAP International Holdings Limited ("KAP") announced that KAP and Steinhoff International Holdings Limited ("Steinhoff"), through its wholly-owned subsidiary, Steinhoff Africa Holdings Proprietary Limited ("Steinhoff Africa"), had in principal agreed to the acquisition by KAP of:

- Unitrans Holdings Proprietary Limited ("Unitrans");
- PG Bison Holdings Proprietary Limited ("PG Bison");
- SHF Raw Materials Proprietary Limited ("SHF Raw Materials");
- Toolplast Holdings Proprietary Limited ("Toolplast"); and
- Roadway Transport Proprietary Limited ("Roadway Transport"),

collectively the "Steinhoff Industrial Assets".

KAP will settle the net consideration for the acquisition (after set off of net debt assumed) through the issue of new ordinary shares in KAP. The transaction will result in Steinhoff Africa's direct and Steinhoff's indirect interest in KAP increasing from 34% to 88% of KAP's issued ordinary shares ("the Proposed Transaction").

In terms of section 123 of the Companies Act, No. 71 of 2008 as amended ("the Act") Steinhoff Africa is required to make a mandatory offer to the minority shareholders of KAP, unless the Mandatory Offer is waived in accordance with regulation 86(4) of the Companies Regulations published in terms of section 223 of the Act by the Minister of Trade and Industry ("the Companies Regulations").

We understand that the Takeover Regulation Panel ("TRP") will be asked to grant such a waiver after approval of the waiver by the shareholders of KAP. In terms of regulation 86(7) of the Companies Regulations a fair and reasonable opinion would be required in the Circular to shareholders requesting the waiver.

Steinhoff Africa, as a material shareholder of KAP, and Steinhoff and their respective associates are classified as related parties in terms of section 10.1 (b)(i) of the JSE Limited's ("JSE") Listings Requirements ("the Listings Requirements"). In terms of section 10.4 of the Listings Requirements a fairness opinion is required in the Circular to shareholders regarding the related party transaction.

Therefore, the Board of KAP has requested PricewaterhouseCoopers Corporate Finance (Proprietary) Limited ("PwC") to act as independent advisers in terms of the Companies Regulations as governed by the TRP and JSE's Listings Requirements to provide an opinion as to whether the respective terms and conditions of the Proposed Transaction are fair and reasonable as far as the KAP Shareholders are concerned.

We understand that the results of our work will be used by the Board to satisfy the requirements of the Companies Regulations and the JSE.

2. DEFINITION OF FAIR AND REASONABLE

Market Value is defined as estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

A transaction would generally be considered fair if the consideration payable by the company to the seller is equal to, or less than the Market Value of the assets purchased. Fairness is primarily based on quantitative issues. The Proposed Transaction will be considered fair if the purchase consideration (the Market Value of the ordinary shares to be issued by KAP) is considered to be equal or less than the Market Value of the Steinhoff Industrial Assets acquired.

The assessment of reasonableness is generally based on qualitative issues surrounding the particular transaction. Even though the consideration may differ from the Market Value of the assets being acquired, a transaction may still be fair and reasonable after considering other significant qualitative factors.

This fairness opinion does not purport to cater for individual shareholders' positions but rather the general body of shareholders subject to the transaction. A shareholder's decision regarding fairness of the terms of the Proposed Transaction may be influenced by his or her particular circumstances (for example taxation and the price paid for the shares). Should a shareholder be in doubt, he or she should consult an independent adviser as to the merits of the Proposed Transaction, considering his/her personal circumstances.

3. SOURCES OF INFORMATION

In the course of our valuation analysis, we relied upon financial and other information, including prospective financial information, obtained from KAP and Steinhoff management and from various public, financial, and industry sources. Our conclusion is dependent on such information being complete and accurate in all material respects.

The principal sources of information used in performing our indicative valuation include:

- Selected macro-economic analysis and forecasts from various South African banks and research institutions;
- Selected publicly available information relating to the industries in which KAP and the Steinhoff Industrial Assets operate obtained from KAP and Steinhoff management and public sources;
- Audited financial information for KAP and its operating divisions and subsidiaries for the years ended 30 June 2009, 2010 and 2011;
- Unaudited management accounts for KAP and its operating divisions and subsidiaries for the years ended 30 June 2009, 2010 and 2011, and the three months ended 30 September 2011;
- Management projections for KAP and its operating divisions and subsidiaries for the years ending 30 June 2012 to 30 June 2016 and supporting information provided by KAP management;
- *Pro forma* audited consolidated financial information for the Steinhoff Industrial Assets for the years ended 30 June 2009, 30 June 2010 and 30 June 2011;
- Extract from the Steinhoff Industrial Assets' budgets and supporting presentations for the year ending 30 June 2012;
- Unaudited management accounts for the Steinhoff Industrial Assets for the years ended 30 June 2009, 2010 and 2011 and supporting information provided by Steinhoff management;
- Valuations of PG Bison's biological assets performed by Andre Barnard during July 2011 and August 2011 relating to the Southern Cape, Braecroft and North Eastern Cape plantations owned by PG Bison;

- High-level internal management valuations of the land of the Braecroft, North Eastern Cape, Southern Cape and Van Reenen plantations;
- Discussions with KAP and Steinhoff management at group and operating division/subsidiary levels;
- Bloomberg for beta information relating to the comparable companies used in our cost of capital calculation;
- Bond Exchange of South Africa for interest rates used in our cost of capital calculation;
- The PwC 2009/10 Valuation Methodology Survey for research on appropriate discounts and premia to be applied in our analysis;
- Bloomberg, Factiva and Reuters for comparable company information;
- Selected available analyst reports on Steinhoff; and
- McGregor BFA for KAP and Steinhoff share trading history.

Where practicable, we have corroborated the reasonableness of the information provided to us for the purpose of supporting our opinion, whether in writing or obtained through discussions with KAP and Steinhoff management.

Our procedures and enquiries did not constitute an audit in terms of the International Standards on Auditing. Accordingly, we cannot express any opinion on the financial data or other information used in arriving at our opinion.

4. PROCEDURES

The procedures we performed comprised the following:

- We considered the rationale for the Proposed Transaction as represented by the directors and management of KAP and Steinhoff;
- We considered the relevant information included in the terms and conditions of the Proposed Transaction, as described in the Circular to KAP Shareholders;
- We considered the prevailing economic and market conditions in the industries in which KAP and the Steinhoff Industrial Assets operate as appropriate;
- We considered publicly available trading data and share prices for KAP and Steinhoff on the JSE;
- We performed a review of selected analyst reports and analyst valuations for Steinhoff, where the Steinhoff Industrial assets were analysed, that we deemed relevant;
- We held discussions with KAP and Steinhoff management on information and assumptions pertaining to KAP and the Steinhoff Industrial Assets that were made available by KAP and Steinhoff management;
- We reviewed the financial results covering three years up to the date of valuation for KAP, its operating divisions and subsidiaries and the Steinhoff Industrial Assets';
- We considered financial and operating projections for KAP, its operating divisions and subsidiaries and the Steinhoff Industrial Asset's including revenues, operating margins (e.g. earnings before interest and taxes), and working capital investments, based on historical operating results, expectations and management representations. These projections formed the basis of our income approach (discounted cash flow) valuation;
- We obtained and considered financial data for publicly traded companies engaged in the same or similar lines of business to develop appropriate valuation multiples and operating comparisons to apply to KAP's operating divisions and subsidiaries and to the Steinhoff Industrial Assets;
- We analysed the individual asset and liability balances of the Steinhoff Industrial Assets and KAP in an application of the net assets approach where appropriate;
- We considered and applied appropriate valuation discounts/premiums to the results of our valuation analyses as deemed applicable; and
- We analysed other facts and data considered pertinent to this valuation to arrive at a conclusion of value.

5. VALUATION APPROACH

In considering the Proposed Transaction, PwC performed an independent valuation of KAP and the Steinhoff Industrial Assets. The valuation of KAP was performed on a sum-of-the-parts basis and we valued each of the operating entities of KAP separately considering the relevant facts and circumstances. Individual valuations were performed for Unitrans, PG Bison, SHF Raw Materials as part of our assessment of the Market Value of the Steinhoff Industrial Assets on a sum-of-the-parts basis.

For the purposes of our valuation we used the income approach (discounted cash flow) valuation as our primary approach. In addition, we considered the market approach (based on financial data for comparable publicly traded companies) as an alternative valuation approach to support the results of our income approach analysis. The individual operating assets of KAP and the Steinhoff Industrial Assets were valued using these approaches as appropriate after which the value of KAP and the Steinhoff Industrial Assets was determined on a sum-of-the-parts basis.

6. ASSUMPTIONS

Our opinion is based on the following key assumptions:

- Current economic, regulatory and market conditions will not change materially;
- KAP and the Steinhoff Industrial Assets are not involved in any other material legal proceedings other than those conducted in the ordinary course of business;
- KAP and the Steinhoff Industrial Assets has no material outstanding disputes with the South African Revenue Service;
- There are no undisclosed contingencies that could affect the value of KAP and the Steinhoff Industrial Assets;
- The Proposed Transaction will not give rise to any undisclosed tax liabilities;
- The existing businesses of KAP and the Steinhoff Industrial Assets' are assumed to be ongoing under current business plans and management;
- The Steinhoff Industrial Assets represents a carve-out of existing businesses and operations from the Steinhoff legal and operating structure. *Pro forma* financial information was prepared for the Steinhoff Industrial Assets for the Proposed Transaction. We have relied on this information in the course of our analysis;
- In the course of our analysis we performed an analysis of macro-economic drivers of the business of KAP and the Steinhoff Industrial assets. We also reviewed key industry drivers of the operating entities valued. This analysis of key drivers formed the basis of our review of the key drivers of growth and profitability as contained in management's budgets, forecasts and business plans;
- We have placed reliance on the valuations of PG Bison's biological assets performed by Andre Barnard and audited by the Steinhoff group auditors during July 2011 and August 2011 relating to the Southern Cape, Braecroft and North Eastern Cape plantations owned by PG Bison;
- Representations made by KAP and Steinhoff management and their advisors during the course of forming this opinion.

7. OPINION

Our opinion is based on the current economic, market, regulatory and other conditions and the information made available to us by KAP and Steinhoff's management up to 6 December 2011. Accordingly, subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

Based on the results of our procedures performed, our detailed valuation work and other considerations, we believe that:

- the Market Value of a KAP ordinary share is between R3,29 and R3,69 per share on a marketable controlling basis.

- the Market Value of the Steinhoff Industrial Assets is between R6,4 billion and R7,2 billion on a non-marketable controlling basis. Please note that the market value listed is the equity value of the Steinhoff Industrial Assets after the deduction of the net debt assumed.

Based on the above value ranges the number of KAP ordinary shares to be issued as consideration for the transaction would be between 1,85 billion and 2 billion. The consideration shares to be issued of 1 912 781 011 falls within the suggested range calculated from our valuation.

In considering the valuation ranges listed above shareholders should take particular notice of the following factors:

- The actual market value achieved in a specific transaction may be higher or lower than our estimate of the market value range depending upon the circumstances of the transaction (for example strategic considerations of the purchaser), the nature of the business (for example the purchaser's perception of potential synergies); and
- The above market value range represents a standalone valuation of KAP and the Steinhoff Industrial Assets under current management, strategies and business plans.

Subject to the foregoing assumptions, based upon our analysis and after taking into account all financial and non-financial considerations, we are of the opinion that the Proposed Transaction is fair and reasonable to the ordinary shareholders of KAP.

8. INDEPENDENCE

We confirm that PwC holds no shares in KAP or Steinhoff, directly or indirectly. We have no interest, direct or indirect, beneficial or non-beneficial, in KAP or Steinhoff or in the outcome of the Proposed Transaction.

Furthermore, we confirm that our professional fees of R1 million, payable in cash, are not contingent on the outcome of the Proposed Transaction.

9. LIMITING CONDITIONS

Budgets/projections/forecasts relate to future events and are based on assumptions, which may not remain valid for the whole of the relevant period. Consequently this information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely actual results will correspond to those projected/forecast by the management of KAP and Steinhoff.

This letter and opinion is provided in terms of the Companies Regulations as governed by the TRP and JSE's Listings Requirements. It does not constitute a recommendation to any shareholder of KAP as to how to vote at any shareholders' meeting relating to the Proposed Transaction or on any matter relating to it, nor as to the acceptance of the Proposed Transaction. Therefore, it should not be relied upon for any other purpose. We assume no responsibility to anyone if this letter, the value range estimate, and opinion are used or relied upon for anything other than its intended purpose.

Yours sincerely

Jan Groenewald
Director"

REPORT IN TERMS OF REGULATION 31(7) OF THE COMPANIES REGULATIONS

In accordance with regulation 31(7), it is the opinion of the Board that:

(a) the value of the KAP Shares held by the KAP Shareholders will be unaffected by the conversion of the Current Authorised Shares and Issued Shares to authorised and issued shares of no par value;

(b) the Company's issued share capital consists of one class of ordinary shares and there would therefore be no other class of shares in the share capital of the Company that would be affected by the conversion of the Current Authorised Shares and Issued Shares to authorised and issued shares of no par value;

(c) the conversion of the Current Authorised Shares and Issued Shares to authorised and issued shares of no par value will have no material effect on the KAP Shares held by the KAP Shareholders;

(d) the conversion of the Current Authorised Shares and Issued Shares to authorised and issued shares of no par value will not result in any:

- material adverse effect of the proposed arrangement; and
- person or entity receiving any compensation for any material adverse effects.

International Holdings Ltd

KAP International Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number 1978/000181/06)
JSE code: KAP ISIN: ZAE000059564
("KAP" or "the Company")

REVISED LISTING PARTICULARS

(Issued in terms of the Listings Requirements)

The "Corporate Information" paragraph, set out on the inside cover of this Circular to which these Revised Listing Particulars are attached, is incorporated herein by reference. The definitions and interpretations provided on pages 3 to 7 of this Circular apply, *mutatis mutandis*, to these Revised Listing Particulars.

These Revised Listing Particulars have been prepared on the assumption that the Resolutions proposed in the Notice of General Meeting, of which these Revised Listing Particulars form part, will be passed at the General Meeting to be held on Wednesday, 18 January 2012 and that the Related Party Acquisition, the Waiver of the Mandatory Offer, the Changes to the Share Capital and the Authority to Issue the Consideration Shares, as detailed and defined in this Circular to which these Revised Listing Particulars are attached, have been implemented.

At the date of these Revised Listing Particulars, the authorised ordinary share capital of KAP will comprise 1 200 000 000 ordinary Shares with a par value of R0,20 each and the issued ordinary share capital will comprise 424 473 657 ordinary Shares with a par value of R0,20 each. References to "the date of these Revised Listing Particulars" are accordingly to be construed as at the Last Practicable Date, unless the context indicates otherwise.

These Revised Listings Particular do not constitute an invitation to the public to subscribe for Shares, but are issued in compliance with the Listings Requirements for the purpose of providing information to the public with regard to the implications on KAP and its Shareholders of the Related Party Acquisition, the Waiver of the Mandatory Offer, the Changes to the Share Capital and the Authority to Issue the Consideration Shares.

The Directors, whose names appear on page 10 of this Circular, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts, the omission of which, would render any statement in these Revised Listing Particulars false or misleading and that they have made all reasonable enquiries to ascertain such facts and that the Revised Listing Particulars contains all information required by law and the Listings Requirements.

Corporate advisor and Sponsor to KAP

PSG CAPITAL

Independent Reporting Accountant to KAP

Deloitte.
Deloitte & Touche
Registered Auditors

Legal advisor to KAP

WERKSMANS
ATTORNEYS

Competition Law Advisor to KAP

NORTON ROSE
Norton Rose South Africa

Independent Expert

pwc

CONTENTS

The definitions and interpretations set out on pages 3 to 7 of this Circular to KAP Shareholders to which these Revised Listing Particulars are attached apply, *mutatis mutandis*, to the following table of contents:

REVISED LISTING PARTICULARS

1. INTRODUCTION

At the General Meeting to be held on Wednesday, 18 January 2012, Shareholders will be requested to consider and, if deemed fit, approve, the Resolutions necessary to implement the Related Party Acquisition, the Waiver of the Mandatory Offer, the Changes to the Share Capital and the Authority to Issue the Consideration Shares, as more fully detailed in paragraph 1 of this Circular. The details of the Related Party Acquisition, the Waiver of the Mandatory Offer, the Changes to the Share Capital and the Authority to Issue the Consideration Shares are set out in the Circular to Shareholders, to which these Revised Listing Particulars are attached.

The purpose of these Revised Listing Particulars is to inform Shareholders of the effects of the Related Party Acquisition, the Waiver of the Mandatory Offer, the Changes to the Share Capital and the Authority to Issue the Consideration Shares in terms of the Listings Requirements and, accordingly, have been prepared on the assumption that the Related Party Acquisition, the Waiver of the Mandatory Offer, the Changes to the Share Capital and the Authority to Issue the Consideration Shares have been successfully implemented.

2. BACKGROUND AND HISTORY OF KAP

2.1 History and incorporation

The history and incorporation of KAP is disclosed in paragraph 3.2 of the Circular of which this Revised Listing Particulars forms part.

2.2 KAP profile

KAP is an investment company with a portfolio of diverse manufacturing businesses. These include canned and value-added meals, maize milling, leather products, fashion and industrial footwear, bottle resin, automotive products and towelling products. Following the implementation of the Related Party Acquisition, these will include the Steinhoff Industrial Assets.

Save for the various government grants and strategic industrial project allowances typical of the industries in which they operate, which are received by the divisions of KAP and the Steinhoff Industrial Assets, in the ordinary course of business, there is no degree of government protection and/or of investment encouragement law affecting the KAP business or the businesses of the Steinhoff Industrial Assets.

Save as set out in this Circular, there has been no change in controlling shareholders and trading objects of KAP and its subsidiaries, including the Steinhoff Industrial Assets, during the five years preceding this Circular.

2.3 Rationale and future prospects

Please refer to paragraphs 3.3 of this Circular for the rationale of the Acquisition.

2.4 Future prospects

Unitrans' proven supply chain management model of providing comprehensive and specialised supply chain solutions and the group's experience and focus on a diverse set of long-term contractual customers will continue to grow and contribute sustainable earnings to the Group. Unitrans Supply Chain Solutions' management is constantly exploring various untapped markets with a view of broadening its services into these markets. Furthermore, the Acquisition may provide Unitrans with the opportunity to provide logistical services to other companies within the Group.

PG Bison's optimised organisational structure positions them well to benefit and grow from any improvement in the macro-economic environment, particularly the construction sector. Further investment in technology, which will add value to and expand the existing product range is being investigated. PG Bison's expansion plans (outside South Africa) are also gaining momentum and various opportunities in respect of new markets are being explored. Currency movements and especially the current weaker Rand environment may also provide PG Bison with opportunities to increase the export of products.

The past investments in technology within the raw material divisions particularly Vitafoam and DesleeMattex have improved the competitiveness of these raw material businesses. Furthermore, product offerings have been expanded to include value-added products which will continue to drive increased revenue and margins.

The PET market continues to grow, due to the product's significant cost benefits and recyclability. Hosaf will continue to grow off the back of the growing PET market as a result of the competitive advantage resulting from the structural size of the factory and the diverse uses of the packaging material (for both food and beverages) that Hosaf produces. Demand for the product continues to remain consistent and strong.

The vehicle manufacturing market is also maintaining an upward trend, with vehicle exports becoming a larger part of South African production. Coupled with further investment by vehicle manufacturers in South Africa, the outlook for the automotive division is positive.

Growth in the consumer divisions is expected to be limited in the near future, with South African consumers still under pressure, although our long-term commitment to reinvesting in these divisions should result in satisfactory returns.

At Glodina, significant investment in new machinery will continue to improve efficiencies through the plant, resulting in improved competitiveness against imported product that should continue to drive revenue and margin growth for this division.

Jordan continues to see improved volumes across all divisions, particularly in the Sports and Corporate shoe divisions. The recent weakening of the Rand has also resulted in increased production of own manufactured shoes.

Bull Brand's margins remained under pressure due to raw material price increases and subdued demand. New products were launched under the Gants brand in June 2011 and initial results are encouraging.

Brenner is focusing on reducing its distribution costs, which have increased over recent months, in order to improve margins. Further rationalisation of its cost base will continue, allied with a greater focus on higher margin, lower volume products.

2.5 Directors of the Group

Details regarding the Directors and directors of its major subsidiaries are set out in Appendix I of these Revised Listings Particulars and contain, inter alia, the following information:

- details of Directors and directors of major subsidiaries including their qualifications and experience;
- the appointment, remuneration and borrowing powers of Directors;
- Directors' interests; and
- Directors' declarations.

3. MATERIAL ACQUISITIONS AND DISPOSALS

Save for the Acquisition (which is material), there have been no material acquisitions or disposals within the three years preceding the date of this Circular, and there are no proposed material acquisitions or disposals, in respect of which Board or other internal approvals have been obtained before or at the Last Practicable Date, to be made by KAP or any of the Steinhoff Industrial Assets or any of their subsidiaries, of any securities in or the business undertakings of any other company/ies or business enterprises or any immovable property/ies or other property/ies in the nature of a fixed asset or any option to acquire (or dispose of) such property/ies.

4. FINANCIAL INFORMATION

4.1 Financial year end

The financial year end of KAP is 30 June. As at the Last Practicable Date, the financial year end of the Steinhoff Industrial Assets is also 30 June.

4.2 Financial information

The audited historical financial information of KAP for the three years ended 30 June 2009, 2010 and 2011 are set out in Appendix VIII to these Revised Listing Particulars, and are available for inspection at the registered offices of KAP and on its website, being www.kapinternational.com No adjustments have been made to the disclosed results.

The three-year historical financial information for the years ended 30 June 2009, 2010 and 2011 of the Steinhoff Industrial Assets are set out in Annexure I to this Circular.

The unaudited *pro forma* financial information is set out in Annexure III to this Circular.

4.3 Dividend policy

KAP does not have a formal dividend or distribution policy.

5. IMMOVABLE PROPERTIES AND LEASES

Details of the principal immovable properties and leases in respect of KAP and of the Steinhoff Industrial Assets are set out below:

5.1 KAP

Details of the principal immovable properties owned by KAP and any of its subsidiaries are set out below:

Registered to	Situated/Address	Tenant
Dano Textile Industries (Pty) Limited	1 Anderson Road, Hammarsdale, 3700	Dano Textile Industries (Pty) Limited
Feltex Holdings (Pty) Limited	18 Sprinz Avenue, Village Main, Johannesburg, 2001	Feltex Holdings (Pty) Limited
Feltex Holdings (Pty) Limited	3 Condale Road, Krugersdorp, 1739	Feltex Holdings (Pty) Limited
Feltex Holdings (Pty) Limited	1 Blignaut Street, Wellington, 7655	Feltex Holdings (Pty) Limited
Feltex Holdings (Pty) Limited	Corner of Postdam and Sati Road, Killarney Gardens, Milnerton, Cape Town, 7441	Feltex Holdings (Pty) Limited Propet SA (Pty) Limited Steinhoff Properties (Pty) Limited
Feltex Holdings (Pty) Limited	149 Hime Street, Jacobs, Durban, 4026	Feltex Holdings (Pty) Limited
Feltex Holdings (Pty) Limited	41 Marthinus Ras Street, Rosslyn, 0200	Feltex Holdings (Pty) Limited
Feltex Holdings (Pty) Limited	279 Paisley Road, Jacobs, Durban, 4026	Feltex Holdings (Pty) Limited
Feltex Holdings (Pty) Limited	291 Paisley Road, Jacobs, Durban,4026	Feltex Holdings (Pty) Limited
Feltex Holdings (Pty) Limited	330 Voortrekker Road, Jacobs, Durban, 4026	Feltex Holdings (Pty) Limited
Feltex Holdings (Pty) Limited	Colas Street, Korsten, Port Elizabeth, 6020	Feltex Holdings (Pty) Limited

Registered to	Situated/Address	Tenant
Feltex Holdings (Pty) Limited	12 Malherbe Street, Industrial Centre, Elsies River, 7490	Feltex Holdings (Pty) Limited
Feltex Holdings (Pty) Limited	Paul Sauer Street, Bela Bela, 0480	Feltex Holdings (Pty) Limited
Feltex Holdings (Pty) Limited	1 Station Street, Hammanskraal, 0407	Feltex Holdings (Pty) Limited
Feltex Holdings (Pty) Limited	53 Grobler Street, Louis Trichardt, 0920	Feltex Holdings (Pty) Limited
Feltex Holdings (Pty) Limited	20 Kruger Street, Louis Trichardt, 0920	Feltex Holdings (Pty) Limited

Details of the principal immovable properties leased by KAP and any of its subsidiaries are set out below:

Leased to	Situated	Lease expiry date
Feltex Fehrer (Pty) Limited	East London IDZ Lower Chester Rd, Sunnyridge, 5201	30/04/2014
Feltex Holdings (Pty) Limited	3 Domkrag Street, Robertville, 1725	31/10/2016
Feltex Holdings (Pty) Limited	Unit AE6, EL IDZ Automotive Supplier Park, Sunny Ridge, East London, 5201	30/09/2014
Feltex Holdings (Pty) Limited	Factory 1, Stand 362, Garankuwa, 0208	31/08/2015
Feltex Holdings (Pty) Limited	Automotive Supplier Park (IDZ), Lower Chester Rd, Sunnyridge, East London, 5201	30/04/2014
Feltex Textile Felts (Pty) Limited	191 Voortrekker Road, Jacobs, Durban 4026	30/06/2017

5.2 Steinhoff Industrial Assets

Details of the principal immovable properties owned by the Steinhoff Industrial Assets and any of its subsidiaries are set out below:

Registered to	Situated/Address	Tenant
PG Bison Limited	Boksburg, factory, land and buildings	PG Bison Limited
PG Bison Limited	Piet Retief, factory, land and buildings	PG Bison Limited
PG Bison Limited	Ugie, factory, land and buildings	PG Bison Limited
SHF Raw Materials (Pty) Limited	9 Fulton Road, Industria West, Johannesburg	Vitafoam, Johannesburg
SHF Raw Materials (Pty) Limited	20 Burnside Road, Mt Edgecombe	Vitafoam Mt Edgecombe
SHF Raw Materials (Pty) Limited	23 Nourse Avenue, Epping 2 Industrial Area, Cape Town	Vitafoam, Epping
SHF Raw Materials (Pty) Limited	Coleman Street, Elsies River, Cape Town	Deslee Mattex
SHF Raw Materials (Pty) Limited	80 First Street, Booysens Reserve, Johannesburg	BCM

Registered to	Situated/Address	Tenant
Husum Development (Pty) Limited	32 Rensburger Street, Lafrenz Industrial Area, Windhoek, Namibia	Namib Foam, Windhoek

Details of the principal immovable properties leased by the Steinhoff Industrial Assets and any of its subsidiaries are set out below:

Leased to	Situated	Lease expiry date
BCM (Pty) Limited	Halifax Road, Pinetown, Durban	31 July 2013
PG Bison Limited	Epping, Cape Town	Lease agreement to be renegotiated.
SHF Raw Materials (Pty) Limited – Group Services	28, 6th Street, Wynberg, Sandton	30 June 2012, renewable annually
SHF Raw Materials (Pty) Limited – Vitafoam Cape Town	22 Goodenough Avenue,	31 October 2014 Epping 2, Cape Town
SHF Raw Materials (Pty) Limited – Vitafoam, Johannesburg	28 Fulton Street, Industria-West Johannesburg	31 May 2012
SHF Raw Materials (Pty) Limited – Vitafoam PE	Units 1, 36, 40 and 41, Kensington Industrial Park, 98 Harrower Road, Port Elizabeth	30 June 2015
Unitrans Passenger (Pty) Limited	Park Station, Rissik Street, Johannesburg	31 March 2012
Unitrans Passenger (Pty) Limited	Pretoria Station, Paul Kruger Street, Pretoria	Lease agreement to be renegotiated.
Unitrans Passenger (Pty) Limited	Cape Town Station, Adderley Street, Cape Town	16 June 2016
Unitrans Passenger (Pty) Limited	Durban Station, Masabalala Yengwa Avenue, Durban	28 February 2013
Unitrans Passenger (Pty) Limited	50 Electron Road, Springfield Park, Durban	28 February 2015
Unitrans Passenger (Pty) Limited	15 Nourse Avenue, Epping Industria 2, Cape Town	Month to month
Unitrans Passenger (Pty) Limited	1 Motsatsi Street Tlhabane, Rustenburg	Month to month
Unitrans Passenger (Pty) Limited	Crown Mines, Johannesburg	Lease agreement to be renegotiated.
Unitrans Passenger (Pty) Limited	Crown Mines, Johannesburg	Lease agreement to be renegotiated.
Unitrans Passenger (Pty) Limited	Epping, Cape Town	Lease agreement to be renegotiated.
Unitrans Supply Chain Solutions (Pty) Limited	Morningside, Durban – Offices	31 August 2013
Unitrans Supply Chain Solutions (Pty) Limited	Seaview, Clairwood Depot and Workshop	Month to month
Unitrans Supply Chain Solutions (Pty) Limited	East London Depot and Workshop	31 December 2011

Leased to	Situated	Lease expiry date
Unitrans Supply Chain Solutions (Pty) Limited	Queenstown – Depot and Workshop	31 May 2012
Unitrans Supply Chain Solutions (Pty) Limited	Riverhorse Valley, Durban – Warehouses and Offices	30 June 2012
Unitrans Supply Chain Solutions (Pty) Limited	Avoca, Durban – Warehouses and Offices	31 July 2020
Unitrans Supply Chain Solutions (Pty) Limited	Montague Gardens, Cape Town – Warehouses and Offices	30 September 2012
Unitrans Supply Chain Solutions (Pty) Limited	6 Juyn Road, Alrode – Warehouses and Offices	31 May 2012
Unitrans Supply Chain Solutions (Pty) Limited	Johannesburg – Warehouses and Offices	28 February 2012
Unitrans Supply Chain Solutions (Pty) Limited	Eastgate Ext 4, Sandton Offices and Parking	28 February 2014
Unitrans Supply Chain Solutions (Pty) Limited	East London – Depot	31 January 2016
Unitrans Supply Chain Solutions (Pty) Limited	Erf 159928, Doncaster Road, Kenilworth, Cape Town Head Office	31 October 2014
Unitrans Supply Chain Solutions (Pty) Limited	Tulisa Park, Johannesburg	30 June 2012
Unitrans Supply Chain Solutions (Pty) Limited	Killarney, Cape Town	30 August 2021
Unitrans Supply Chain Solutions (Pty) Limited	Clairwood, Durban	Lease agreement to be renegotiated.

6. MATERIAL BORROWINGS, COMMITMENTS AND CONTINGENT LIABILITIES

Details of the material borrowings, Inter-company loans, lease payments and contingent liabilities of KAP and the Steinhoff Industrial Assets are provided in Appendix III to these Revised Listing Particulars.

7. MATERIAL LOANS RECEIVABLE

Save as set out in Appendix III, KAP did not have any material loans receivable as at the end of the most recent financial year being 30 June 2011.

8. SHARE CAPITAL

The share capital of KAP before and after the Acquisition is set out in Appendix V to these Revised Listing Particulars.

9. MAJOR SHAREHOLDERS

Details of the Shareholders, who directly or indirectly, beneficially held interests of 5% or more of the Shares in issue as at the Last Practicable Date, and details of the Shareholders who, directly and indirectly, will beneficially hold interests of 5% or more of the Shares in issue after the Acquisition are set out in paragraph 11 of this Circular.

10. MATERIAL CONTRACTS AND MATERIAL CHANGES

10.1 Material contracts

Save as set out in paragraph 14 of the Circular, neither the Company nor its subsidiaries (including the Steinhoff Industrial Assets) has entered into any contracts other than in the ordinary course of business within the two years preceding the date of these Revised Listing Particulars or as at the Last Practicable Date, or concluded at any time, and which contain an obligation or settlement that is material to the Company or its subsidiaries (including the Steinhoff Industrial Assets) at the date of these Revised Listing Particulars.

Steinhoff has a Group Services division that provides central services to the Steinhoff Industrial Assets. These services include accounting, management, secretarial, legal, tax, treasury, property and central procurement services. These services are provided to the Steinhoff Industrial Assets, on arm's length terms and conditions. Although the services provided by the Steinhoff Group Services division may not be material as defined in the Listings Requirements, it is specifically noted that the Steinhoff Group Services division will continue to deliver these services to KAP after the Acquisition. Details of these services have been disclosed in the related party note 32 to the historical financial information of the Steinhoff Industrial Assets in Annexure I to the Circular.

10.2 Material changes

Save for the material changes disclosed in the Circular and specifically set out in paragraph 12 of the Circular, there have been no material changes in the business and/or the trading objects of the Company and the Steinhoff Industrial Assets in the 5 years immediately preceding the date of these Revised Listing Particulars nor has there been any material change in the financial or trading position of the Company and the Steinhoff Industrial Assets between the end of the most recent financial year and the date of these Revised Listing Particulars.

11. WORKING CAPITAL STATEMENT

The Directors have considered the effects of the Acquisition and are of the opinion that, after the implementation of the Acquisition, the working capital available to the enlarged KAP and its subsidiaries is sufficient for KAP's present requirements, that is, for at least the next 12 months from the date of issue of these Revised Listing Particulars.

12. INTERESTS OF ADVISORS AND PROMOTERS

None of the advisors or promoters associated with the Acquisition hold any interest, whether directly or indirectly, in KAP assets and/or in KAP Shares as at the Last Practicable Date. KAP has not paid or accrued as payable any amounts to a promoter or to any syndicate, partnership or other association of which any advisor or promoter was a member, during the three years preceding the date of these Revised Listing Particulars.

13. LITIGATION STATEMENT

Save for the matter discussed below, the Directors of KAP are not aware of any legal or arbitration proceedings, pending or threatened, against KAP, its subsidiaries, the Steinhoff Industrial Assets and their subsidiaries which may have or have had, in the 12 months preceding the Last Practicable Date, a material effect on KAP's financial position.

During May 2011 the Competition Appeal Court ("CAC") found in favour of Feltex in regard to a complaint which the Competition Commission had sought to initiate against it under section 4(1)(b)(ii) of the Competition Act. The latter did not seek leave to appeal against the CAC judgement. It has, however, launched an application to the Constitutional Court for leave to appeal in that forum against the CAC judgement. This application is opposed on several grounds and is presently pending. KAP is also a party to this matter.

14. KING III CODE OF GOVERNANCE

During the year under review, the Directors have applied the recommendations of the third King Report on Governance for South Africa and the King Code of Governance Principles ("King III") to the Group's activities. In exceptional instances, where the Board regarded the recommendations not to be in the best interest of the Company, the principles have not been applied. In each such instance, a rational and judicious reason has been given for the Board's decision. In summary, the current instances of King III non-compliance are the following:

- the internal audit processes continue to be broadened.
- sustainability reporting is being improved through incremental compliance to the Global Reporting Initiative Index.
- formalisation of documentation to improve reporting on:
  - information technology risk and strategy; and
  - risk management, assurance and quantification.

The Board has adopted a pragmatic incremental approach considering the size of the group and the cost effectiveness of implementation.

15. MEMORANDUM OF INCORPORATION

The relevant extracts of the Memorandum of Incorporation of the Company are set out on Appendix VI.

Shareholders are advised that the Memorandum of Incorporation of the Steinhoff Industrial Assets will be adapted to comply with the Companies Act and the Listings Requirements within two years from 1 May 2011.

16. RESPONSIBILITY STATEMENT

The Directors, whose names are set out on page 10 of this Circular to which these Revised Listing Particulars are attached, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that these Revised Listing Particulars contain all information required by law and the Listings Requirements.

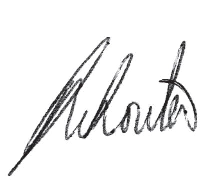
17. CONSENTS

The consents of the various experts have been provided, as set out in paragraph 21 of this Circular of which these Revised Listings Particulars form part, and none of them have withdrawn their consent since.

18. DOCUMENTS AVAILABLE FOR INSPECTION

The documents available for inspection are set out in paragraph 24 of this Circular of which these Revised Listing Particulars form part.

By order of the Board



14 December 2011

Signed at Paarl by Paul Cornelis Thomas Schouten on his own behalf as Chief Executive Officer and on behalf of all the other Directors of the Company, he being duly authorised in terms of powers of attorney granted to him by such other Directors.

APPOINTMENT, QUALIFICATION, REMUNERATION AND BORROWING POWERS OF DIRECTORS

1. DIRECTORS AND MANAGEMENT OF KAP, ITS MAJOR SUBSIDIARIES AND THE STEINHOFF INDUSTRIAL ASSETS

The full names, nationalities, ages, business addresses, functions and terms of office of the Directors of KAP and its major subsidiaries are set out below:

Director and nationality	Age	Business address	Function	Term of office
KAP				
Claas Edmund Daun *German*	68	Banhofstrasse 21, 26180 Rastede, Germany	Non-Executive Chairman	Not fixed, no notice period (rotation at least every three years)
Paul Cornelis Thomas Schouten *South African*	57	1st Floor, New Link Centre, 1 New Street, Paarl	Chief Executive Officer	Not fixed, 30 days' notice period (rotation at least every three years)
John Peter Haveman *South African*	37	1st Floor, New Link Centre, 1 New Street, Paarl	Chief Financial Officer	Not fixed, 30 days' notice period (rotation at least every three years)
Markus Johannes Jooste *South African*	50	Block D, De Wagenweg Office Park, Stellentia Road, Stellenbosch	Non-Executive Director	Not fixed, no notice period (rotation at least every three years)
Johannes Bhekumuzi Magwaza *South African*	69	42 Addison Drive, La Lucia Ridge, La Lucia	Lead Independent Non-Executive Director	Not fixed, no notice period (rotation at least every three years)
Ipeleng Nonkululeko Mkhari *South African*	37	204 Rivonia Boulevard, Block B, Rivonia	Independent Non-Executive Director	Not fixed, no notice period (rotation at least every three years)
Fried Möller *German*	66	Rheinstrasse 19, D-35260, Stadtallendorf, Germany	Non-Executive Director	Not fixed, no notice period (rotation at least every three years)
Sandile Hopeson Nomvete *South African*	38	1st Floor, New Link Centre, 1 New Street, Paarl	Independent Non-Executive Director	Not fixed, no notice eriod (rotation at pleast every three years)
Ulrich Schäckermann *German*	64	24 21st Street, Parkhurst, Johannesburg	Independent Non-Executive Director	Not fixed, no notice period (rotation at least every three years)
Karl Ernst Schmidt *South African*	56	9 Catherine Avenue, Cowies Hill	Independent Non-Executive Director	Not fixed, no notice period (rotation at least every three years)

Director and nationality	Age	Business address	Function	Term of office
Daniël Maree van der Merwe *South African*	54	Block D, De Wagenweg Office Park, Stellentia Road, Stellenbosch	Non-Executive Director	Not fixed, no notice period (rotation at least every three years)

The full names, nationalities, ages, business addresses and functions of the Directors of KAP's major subsidiaries, are set out below:

Director and nationality*	Age	Business address	Function
Feltex Holdings (Pty) Limited			
Brian Pollock	62	Industrial Centre, Malherbe Street, Elsies River	Managing Director of Jordan
Mark Balladon	49	291 Paisley Road, Jacobs, Durban	Company Secretary of KAP Finance Director of Feltex Automotive
Jeffrey Burland	62	18 Sprinz Avenue, Village Main, Johannesburg	Managing Director of Industrial Footwear
Ugo Marco Gianni Frigerio	51	291 Paisley Road, Jacobs, Durban	Managing Director of Feltex Automotive
Grant Shirris Litkie	51	149 Hime Street, Jacobs, Durban	Finance Director of Hosaf
Paul Cornelis Thomas Schouten	56	1st Floor, New Link Centre, 1 New Street, Paarl	Chief Executive Officer of KAP
Peter White (British)	60	149 Hime Street, Jacobs, Durban	Managing Director of Hosaf
John Peter Haveman	37	1st Floor, New Link Centre, 1 New Street, Paarl	Chief Financial Officer of KAP

* South African unless otherwise indicated.

The full names, nationalities, ages, business address, functions and terms of office of the directors of the Steinhoff Industrial Assets and their major subsidiaries are set out below:

Director and nationality	Age	Business address	Function
Karel Johan Grove	62	De Wagen Weg Office Park, Block D, Stellentia Road, Stellenbosch	Chief Executive Unitrans Holdings (Pty) Limited
Francis William Wagner	51	1 Charles Crescent, EastGate Extension 4, Sandton, Gauteng	Chief Executive Officer Unitrans Supply Chain Solutions (Pty) Limited
Nico Boshoff	56	40 Lepus Road, Crown Mines, Ext 8, Johannesburg	Managing Director Unitrans Passenger (Pty) Limited
Christiaan Johannes Hattingh van Niekerk	64	28, 6th Street, Wynberg, Sandton	Executive Chairman PG Bison
Gary Noel Chaplin	41	28, 6th Street, Wynberg, Sandton	Chief Executive Officer PG Bison
Frans Hendrik Oliver	32	28, 6th Street, Wynberg, Sandton	Chief Financial Officer PG Bison
Frans Petrus Human	56	9 Fulton Road, Industria West, Johannesburg	Chief Executive Officer Vitafoam
Nicolaas Albertus Siebrits	51	28, 6th Street, Wynberg, Sandton	Chief Executive Officer BCM and Deslee Mattex

2. INFORMATION ON DIRECTORS

2.1 Directors of KAP

P C T Schouten (57) – Chief Executive Officer – CA(SA), MBA (UCT)

Paul qualified as a chartered accountant in 1977 before working in London for five years. On his return to South Africa, he worked for a number of organisations and completed his MBA at the University of Cape Town in 1988. He joined the Daun group in 1994 and was appointed CEO of KAP in 2003.

J P Haveman (37) – Chief Financial Officer – B Compt (Hons), CA(SA), MBus

John qualified as a chartered accountant in 1999 after completing his articles at PricewaterhouseCoopers Inc. He joined the Daun group in 2002 and was appointed CFO of KAP in 2005.

C E Daun (68) – Non-Executive Chairman – BAcc, CA

Claas studied business administration at the University of Cologne and qualified as a chartered accountant in 1975. He has extensive experience in management, has investments worldwide and is a corporate investor in several industries. He is a board member of Steinhoff, Daun & Cie AG and KAP Beteiligungs AG, among others. He is honorary consul of South Africa in Lower Saxony, Germany.

M J Jooste (50) – Non-Executive Director – BAcc, CA(SA)

Markus is the chief executive of Steinhoff and was appointed to the board in 1998. In 1988, Markus joined Gommagomma Holdings Proprietary Limited (now Steinhoff Africa) as financial director. In 1998, Markus was appointed as executive director and took responsibility for the European operations of the group and also for directing the group's international marketing and financial disciplines. In 2000, Markus was appointed group managing director of Steinhoff and chairman of Steinhoff Africa and currently also acts as chief executive officer for the group's northern hemisphere operations.

Subsequent to the group's recent acquisition of Conforama Holdings SA, one of the leading French household goods retailers, Markus joined their board. Markus also serves on the boards of various unlisted group companies and the following listed companies: PSG Group Limited (member of the remuneration committee), KAP (member of the remuneration committee), Phumelela Gaming and Leisure Limited (member of the remuneration committee), Capitec Bank Holdings Limited and Capitec Bank Limited (member of both the directors' affairs committee and the remuneration committee).

J B Magwaza (69) – Lead Independent Non-Executive Director – BA, MA (Ind Rel), Dip (IR), DIP (PM)

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

I N Mkhari (37) – Independent Non-Executive Director – BSoc Sci

Ipeleng holds a BA Social Science degree from the University of Natal and has completed the Executive Development Programme (Wits 2004). She co-founded Motseng Investment Holdings (Pty) Limited ("MIH") and is currently Chief Operations Officer and a shareholder of MIH. She is a non-executive director of SA Corporate and Real Estate Fund.

F Möller (66) – Non-Executive Director – Dip-Kfm

Fried studied business administration at the University of Berlin and holds a master's degree. He started his career as a management consultant and joined the textile industry in 1972. Since 1979 he has held numerous managerial roles within the Daun group. In 1986, KAP Beteiligungs AG was listed on the Frankfurt Stock Exchange. Fried is Managing director of KAP Beteiligungs AG, which is one of the leading manufacturers of engineered products worldwide.

S H Nomvete (38) – Independent Non-Executive Director – Dip. Computer Programming

Sandile has a computer programming diploma, Property Development (UCT 2003) and has completed the Executive Development Programme at Wits in 2004. Sandile is co-founder, Chief Executive Officer and a shareholder of MIH.

U Schäckermann (64) – Independent Non-Executive Director – CTA, CA(SA), B Com, MA (AEP), RA

Ulrich was a partner at Grant Thornton for 12 years, which included roles as senior partner and head of information systems. He also serves on various committees at IRBA and SAICA.

K E Schmidt (56) – Independent Non-Executive Director – B Com, B Com (Hons), CA(SA)

Karl was previously with Deloitte & Touche for 33 years, 25 of which were as a partner in the audit and business development divisions. From 1999 to 2003 he was senior partner of Deloitte & Touche in KwaZulu-Natal.

D M van der Merwe (54) – Non-Executive Director – B Com LLB

Danie was admitted as an attorney of the High Court of South Africa in 1986. He practised as an attorney, gaining experience in the commercial and labour law field and, in 1998, joined the Steinhoff group. Danie currently serves on the boards of Steinhoff as well as several boards in the Steinhoff group's operations in Africa and Australasia. He is the Chief Executive Officer of Steinhoff for the southern hemisphere operations.

2.2 Directors of Feltex Holdings (Pty) Limited (not already included above)

B Pollock (62) – Director Feltex Holdings (Pty) Ltd – Dip Management ABSI

After Matriculating from Queens College, Brian joined Watson's Shoes, which is a subsidiary of Bolton's, where he worked for 20 years starting off in buying, then sales and finally he became the Sales Manager of their Sports Division. Brian joined Jordan and Co. in 1991, heading up the Sports (Olympic) division, and then moved into the fashion arena heading up the Bronx Division thereafter becoming Sales Director of Jordan Co. At the end of 2007, Brian took over from Rob Jordan as Managing Director.

M Balladon (49) – Director Feltex Holdings (Pty) Ltd – B Com, CA(SA)

Mark joined Glodina group in 1989 and was appointed KAP International company secretary in 2004. He joined Feltex Automotive as finance director in 2006.

J Burland (62) – Divisional Managing Director Industrial Footwear – B Compt (Unisa)

In 1976 Jeffrey (as Financial Director and Production Manager), with partners, purchased a company that produced safety and industrial footwear. In 1981 he became Managing Director. With a merger in 1982, Jeffrey became the Financial Director and IT Manager of the new entity, responsible for the total computerisation of the company and all financial responsibilities. Conshu Holdings Limited was formed in 1987 and a satellite factory was opened under Jeff's responsibility. In 1992 he was then appointed Managing Director of the two divisions and appointed to the board of Conshu Limited. Since then Jeff has been the head of Industrial Footwear.

U M G Frigerio (51) – Director Feltex Holdings (Pty) Ltd – BA (Hons), MPhil

Ugo started at Romatex in 1990 as the Factory Personnel Manager, and became the Industrial Relations Manager of Island View Industrials in 1993. In 1995 he was appointed as Group Industrial Relations Manager of Island View Holdings, and then in 1996 Group Human Resources Manager. In 1998 Ugo joined Feltex Foam Converting as Operations Director, and in 2000 became Managing Director of Feltex Foam and Foam Mouldings. In 2005 Ugo was appointed to his present position in the group as Managing Director of Feltex Automotive.

G S Litkie (51) – Finance Director Hosaf – CA(SA)

Grant completed articles with KPMG in Johannesburg and then spent 12 years abroad, 6 of which were in London with ICI and Lonrho. In 1995 he was transferred to Lonrho Africa Plc in Zimbabwe as Financial Director of various divisions and ultimately as head of Corporate Projects. He returned to South Africa in 2000 as Financial Director of Kohler Versapak, before joining Hosaf.

P White (60) – Managing Director Hosaf – BSc (1st Class Honours) Textile Technology – University of Manchester Institute of Science and Technology

Peter started his working career in 1970 as a management trainee with Courtaulds, working in various units with Courtaulds Northern Spinning Division. In 1982 he joined Hoechst South Africa as a Short Staple Spinning Technologist in Technical Services. Peter has held various positions held including Quality Assurance Manager, Site Manager for Cape Town, and became Operations Director when Hosaf was formed in 2001. He became Managing Director in 2004.

2.3 Directors of the Steinhoff Industrial Assets and their major subsidiaries

Karel Johan Grove (62) – Chief Executive, Unitrans Holdings (Pty) Ltd – AMP (Oxford)

Jo has more than 38 years' experience in the accounting and banking industries. His career began in 1969 when he was appointed cost and works accountant with Shaft Sinkers Proprietary Limited. In 1976 he founded Medical Leasing Services, a company providing specialised financial services, mainly to medical doctors. In 1987, the business was sold to the Absa group, the name was changed to MLS Bank and Jo was appointed chief executive officer, a position he held until 1995. Later that year, he established Imperial Bank and served on the main board of Imperial Holdings until he joined Unitrans Limited as chief executive in September 1998. In September 2000, Jo was appointed to the board of Steinhoff International and now serves on that board as an alternate director. He also serves on the board of SA PGA Tour. Jo was appointed to the board of Unitrans Limited on 1.9. 1998 and, following the sale of the businesses and assets of that entity to Unitrans Holdings (Pty) ltd, was appointed to the board of Unitrans Holdings (Pty) Ltd on 14 May 2007.

Francis William Wagner (51) – Chief Executive Officer, Unitrans Supply Chain Solutions (Pty) Ltd – CA(SA)

Frank qualified as a chartered accountant in 1986. After completing articles, he joined Trencor Transport and his career in the Transport and Logistics Industry now spans 24 years. He has held senior financial management and general management positions with Trencor, Crossroads Distribution and now Unitrans where he has held the position of Chief Executive Officer of Unitrans Supply Chain Solutions since 2006. He is also a board member of various Unitrans subsidiary companies and is a board member and past chairman of the Road Freight Association. Frank was appointed to the Unitrans Holdings (Pty) Ltd board on 14 May 2007.

Nico Boshoff (56) – Managing Director – Unitrans Passenger (Pty) Ltd – B Com

Nico was one of the founding members of Matthysen Bus Transport, acquired by Unitrans Limited in August 1995. Subsequently, Nico became managing director of Unitrans Passenger (Pty) Ltd. Nico was part of the team which rebranded the passenger services and grew the Passenger group into the only diversified bus and coach company with a national footprint. He also serves on the Board of Mega Express (Pty) Ltd, which operates the feeder and distribution contract for the Gautrain, and the board of Mvelatrans (Pty) Ltd. Nico was appointed to the Board of Unitrans Holdings Limited on 1 June 2006. Following the sale of the business and assets of Unitrans Limited to Unitrans Holdings (Pty) Ltd, and the subsequent delisting and voluntary liquidation of Unitrans Limited, Nico was appointed to the board of the new Unitrans group holding company, Unitrans Holdings Limited, on 14 May 2007.

Chris van Niekerk (64) – Executive Chairman, PG Bison – BA

After a long career in the Chemical Industry with the Sentrachem Group where he ran and managed several operations, Chris who hails from KwaZulu-Natal was appointed to the Board of the Company on 5th May 1998. as its Chief Executive Officer. At that time the JSE-listed company PGSI was unbundling and together with the then Chairman Leon Cohen, Chris led a management buy-out and under his guidance and leadership PG Bison transformed into a highly successful industrial Company which was subsequently acquired by Steinhoff Africa Holdings in 2006 and used to drive its expansion into sawmilling and forestry. Chris also holds directorships *inter alia* in NCP Chlorkem, Chlor Alkali Holdings, Walvis Bay Salt Holdings and Phumelela Gaming and Leisure.

Gary Chaplin (41) – Chief Executive Officer – PG Bison – CA(SA)

Gary was appointed to the Board on 1 August 2006, and was appointed as Chief Executive Officer in October 2011. After qualifying as a Chartered Accountant in 1992, Gary completed his articles and a secondment to the United States with Deloitte in 1995. In 1996, he joined a private family business prominent in the timber industry, which was soon thereafter acquired by the Steinhoff Group. During his 15 years within the Steinhoff Group Gary has managed a range of businesses and divisions in the sectors of Forestry, Sawmilling, Poles, Furniture and Doors, which businesses serviced both the domestic and international markets.

Frans Oliver (32) – Chief Financial Officer PG Bison – CA(SA)

Frans was appointed to the Board and as Chief Financial Officer on 1 October 2011. He qualified as a Chartered Accountant and completed his articles with KPMG in 2004. Frans worked for a short period with a leading Printing Company in Gauteng, during which he was recruited by Steinhoff Africa Group Services as a Financial Manager in 2006. In 2009 Frans was appointed as Group Financial Manager for PG Bison, where he shadowed the incumbent Chief Financial Officer for two years, gaining a broad range of knowledge and experience. Frans became Chief Financial Officer of PG Bison in June 2011.

Frans Human (56) – Chief Executive Officer Vitafoam – BA (University of Pretoria), MDP (UCT)

Frans joined Steinhoff in January 2001 as Managing Director of GommaGomma. He was promoted to Chief Executive Officer of Vitafoam in November 2005. He started his career in Human Resources Management at Highveld Steel and Vanadium and moved to Everite Limited in 1983. During his employment at Everite, he moved into a line management position and became Managing Director of Everite Building Products, Everite AC Pipes and Everite Garden Products. He has 30 years experience in manufacturing environments, varying from volume production plants, to balanced assembly lines.

Nico Siebrits (51) – Chief Executive Officer BCM and Deslee Mattex – B Com (Hons), CTA, CA(SA)

After completing his military service and articles Nico stayed with PwC (Theron du Toit then) for two more years until 1988. A three year venture period followed, trying to revive a manufacturing and retail audio and video cassette business left behind by a foreign “investor”. In 1991 he joined Gencor as Head Office Manager of accounts and administration. In this position Nico was actively involved in the first big unbundling exercise in South Africa during 1993 when Sappi, Malbak, Engen and Genbel were unbundled from Gencor. The Gencor position evolved in an appointment at Genbel as Chief Financial Officer when Gencor unbundled in 1993. When Gensec was formed and listed in 1996 and Gensec Bank incorporated in 1998, Nico was the Chief Financial Officer of both companies and stayed there until Gensec Bank was eventually closed down in 2003. Nico then joined Alexander Forbes as Chief Operating Officer in the Financial Services division where he was responsible for mergers and acquisitions, banking related business, compliance and information technology. In July 2006 he joined Steinhoff International’s corporate finance and investor relations team and was transferred to the Raw Materials Division during 2009 where he is now Chief Executive Officer of two businesses.

3. REMUNERATION OF DIRECTORS

Details of the Directors' remuneration and benefits for KAP's latest financial year end, being 30 June 2011, are set out below:

Year ended 30 June 2011	Basic salary	Company contributions	Bonuses	Total
Executive Directors*	**R'000**	**R'000**	**R'000**	**R'000**
P C T Schouten	1 995	520	855	3 370
J P Haveman	1 303	322	559	2 184
Total	**3 298**	**842**	**1 414**	**5 554**

All remuneration was paid by KAP.

Non-Executive Directors*	Service	R'000
C E Daun**	Chairman	160
M J Jooste#	Member of human resources and remuneration committee	95
J B Magwaza	Chairman of human resources and remuneration, and transformation committees	162
S H Nomvete	Member of audit and risk committee	98
I N Mkhari	Member of human resources and remuneration, and transformation committees	110
F Möller***		70
D M van der Merwe#		80
K E Schmidt	Chairman of audit and risk committee	159
U Schäckermann	Member of audit and risk committee	111
Total		**1 045**
Other prescribed officers		
D Konar	Previous chairman of audit and risk committee	42
A B la Grange#	Previous member of audit and risk committee	14
Total		**55**

* No persons other than the executive and non-executive directors and members of the audit and risk committee of KAP were identified as prescribed officers of the company.

** Paid to Daun & Cie AG.

*** Paid to KAP Textile Holdings SA Limited

\# Paid to Steinhoff.

Directors' interest in shareholding is disclosed in paragraph 15.1 of the Circular.

There were no service contracts with directors of the company with a notice period of greater than one year and with compensation on termination of greater than one year's salary.

No options or conditional options have been granted to non-executive directors.

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

No management, consulting, technical or other fees were paid to the Directors, directly or indirectly, including payments to management companies, a part of which is then paid to a director of the company, during the last financial year.

Save for the remuneration set out above, the Directors of the Company have not received any additional remuneration, including remuneration based on gains or profit sharing arrangements.

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 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 the share appreciation rights will be within a range of 10% to 100% of each participant's total cost to company (excluding annual performance bonuses), which percentage depends on the participant's position and potential within the Company. The cost of the share appreciation rights is 20 cents per share. Shares are allocated on 1 July of each year.

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

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

The table below details the share options/share appreciation rights held by Directors at the Last Practical Date:

Director	**1 July 2009**	**Grant date 1 July 2010**	**1 July 2011**
P C T Schouten	1 160 991	813 096	825 264
J P Haveman	592 454	351 855	385 690
Total	**1 753 445**	**1 164 951**	**1 210 954**

Share options may be exercised subject to performance criteria.

No share options/share appreciation rights were exercised/granted during the 2011 financial year by the Directors of KAP other than as disclosed above.

Senior employees of the Steinhoff Industrial Assets, in managerial and leadership roles, who are able to influence the performance of the Group, will participate in the KAP Performance Share Plan in respect of any future grants. Such Steinhoff Industrial Assets' employees will not receive any further grants in respect of the Steinhoff Share Rights Scheme.

There are no other fees paid or accrued as payable to a third party in lieu of Directors' fees.

The Remuneration Committee's main responsibility is to assist the Board in setting and administering the Group's remuneration philosophy and to review and approve the remuneration and employment terms of directors and senior group executives. Their primary remuneration objective is to ensure that Directors and executives are remunerated fairly and responsibly so as to ensure that their services are retained and that their interests are aligned with the interests of Shareholders. The remuneration of the non-executive directors is determined by the Shareholders in general meeting on a forward-looking basis as recommended by King III. Executive Directors' remuneration is determined and paid in accordance with the stipulations and terms set out in the Group's Remuneration Policy, which Policy was endorsed by shareholders in a non-binding advisory vote at the most recent annual general meeting on 2 December 2011. Furthermore, as required by section 66(5) of the Act, directors' emoluments for services as such were also approved at the most recent annual general meeting through a special resolution.

The remuneration of the Directors of the Company and its major subsidiaries, including the Steinhoff Industrial Assets and their major subsidiaries, will not be varied as a consequence of the Acquisition.

4. THIRD PARTY MANAGER AND OTHER FEES

Neither KAP nor its operating subsidiaries is managed or proposed to be managed by a third party under a contract or arrangement.

Save for the remuneration set out above, there are no existing or proposed contracts with Directors (or managers) relating to their remuneration, secretarial fees or technical fees payable by the Group.

5. DIRECTORS' INTERESTS IN TRANSACTIONS AND CONTRACTS

Details of the Directors' other directorships and interests in transactions and contracts for the preceding three financial years are set out below:

– F Möller is the managing director of KAP Beteiligungs AG, a company controlled by Daun & Cie AG;

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

- M J Jooste is the chief executive officer of Steinhoff, the holding company of Steinhoff Africa, which holds 34% in KAP;
- D M van der Merwe, a director of Steinhoff, is the chief executive officer of Steinhoff Africa.

Save as set out above, the Directors had no beneficial direct or indirect interests in any unusual or material transactions entered into by KAP during the current or immediately preceding financial year or during an earlier year and which remain in any respect outstanding or unperformed.

6. PROMOTERS' INTERESTS AND DIRECTORS' INTERESTS IN PROPERTY ACQUIRED OR TO BE ACQUIRED

Save as set out above, no Director or promoter has had any material beneficial or non-beneficial, direct or indirect interest, in the promotion of the Company or in any property acquired or proposed to be acquired by the Company in the three years preceding the date of issue of these Revised Listing Particulars and no amount has been paid during this period, or is proposed to be paid to any Director or promoter.

7. LOANS TO SUBSIDIARIES' DIRECTORS

Save for the intra-group loans referred to in paragraph 1 of Appendix III to the Revised Listings Particulars, no material loans have been made by KAP or its subsidiaries to or for the benefit of any of its Directors or managers or their associates as at the end of the Company's last financial period, being 30 June 2011, or as at the Last Practicable Date.

8. DIRECTORS' DECLARATIONS

The following signed declarations have been made by each Director of KAP, as required in terms of Schedule 21 of the Listings Requirements:

- there have been no bankruptcies, insolvencies, sequestrations or individual voluntary compromise arrangements or receiverships of any asset(s);
- the Directors have not acted as a director of any company at the time or within the 12 months preceding any of the following events taking place: receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any composition or arrangement with its creditors generally or any class of its creditors;
- the Directors have not been partners of any partnership at the time of or within 12 months of any of the following events taking place: compulsory liquidations, administrations, partnership voluntary arrangements or receiverships;
- there have been no receiverships of any asset(s) of the Directors or of a partnership of which the Directors are or were a partner at the time of or within the 12 months preceding such event;
- the Directors have not been the subject of public criticisms by statutory or regulatory authorities (including professional bodies) and have not been disqualified by a court from acting as directors of a company or from acting in the management or affairs of any company. There have been no offences by Directors involving dishonesty;
- no Director has ever been barred from entry into any profession or occupation;
- no Director has ever been found guilty in disciplinary proceedings by an employer or regulating body due to dishonest activities; and
- no director or company of which such director was a director at the time of the offence has been convicted in any jurisdiction of any criminal offence, or an offence under legislation relating to the Act.

9. MEMORANDUM OF INCORPORATION

The relevant extracts of the Memorandum of Incorporation of the Company providing for the appointment, qualification, remuneration and borrowing powers of its Directors are set out in Appendix VI to these Revised Listing Particulars.

10. BORROWING POWERS

In terms of the Memorandum of Incorporation, the Directors may from time to time borrow for the purpose of the Company such sums as they think fit, secure the payment or repayment of any such sums or any other sum, as they think fit, whether by the creation and issue of debentures, mortgage or charge upon all or any of the property or assets of the Company, including its uncalled or unpaid capital and make such regulations regarding the transfer of debentures, the issue of certificates therefor and all such other matters incidental to debentures as the directors think fit.

Furthermore, the borrowing powers of the directors are limited to the aggregate principal amount at any one time outstanding in respect of moneys so borrowed or raised by the Company and its subsidiaries and shall not exceed the aggregate amount at that time authorised to be borrowed or secured by the directors of the holding company (if any) in respect of that holding company and all its subsidiaries, except when the borrowing of any moneys intended to be applied and actually applied within 90 days in the repayment of any moneys already borrowed and outstanding at the time and notwithstanding that new borrowings may result in the limit being exceeded.

Accordingly, the borrowing powers of Directors have not been exceeded during the three-year period preceding the Last Practicable Date. The Company may vary borrowing powers at general meetings of Shareholders. There are no specific exchange controls or other restrictions on the borrowing powers of the Company or any of its subsidiaries.

11. OTHER DIRECTORSHIPS AND PARTNERSHIPS OF DIRECTORS

Insofar as is known to the Directors, the following interests in partnerships and directorships were held by the Directors of KAP and its major subsidiaries during the previous five years:

Director	Directorship in the preceding five years	Status
P C T Schouten	KAP International Holdings Limited	Active
	Avtex Limited	Inactive
	Bertrand Holdings SA (Pty) Limited	Inactive
	Bertrand Management Services (Pty) Limited	Inactive
	Bulima (Cape) (Pty) Limited	Inactive
	Conrapp Properties (Pty) Limited	Inactive
	Court Fabrics (Pty) Limited	Inactive
	Court Properties Development (Pty) Limited	Inactive
	Courthiel Financing (Pty) Limited	Inactive
	Courthiel Holdings (Pty) Limited	Inactive
	Courthiel Properties (Pty) Limited	Inactive
	DT Holdings 109 Limited	Inactive
	Heystekrand Furniture Factory (Pty) Limited	Inactive
	Hurkel Investments (Pty) Limited	Inactive
	KAP Textile Holdings SA Limited	Inactive
	Kovacs Investments 435 (Pty) Limited	Inactive
	Kovacs Investments 801 (Pty) Limited	Active
	Patons and Baldwins SA (Pty) Limited	Inactive
	Saprotex (Pty) Limited	Inactive
	Saprotex International (Pty) Limited	Inactive
	Sirdar Fabrics (Pty) Limited	Inactive
	Sirdar Wools (Pty) Limited	Inactive
	Soundprops 132 (Pty) Limited	Inactive
	Spilo (Pty) Limited	Inactive
	Tramatex (Pty) Limited	Inactive
	Tramatex Holdings Transkei (Pty) Limited	Inactive
	Yarns and Wools (Pty) Limited	Inactive
	Yarntex (Pty) Limited	Inactive
	Various subsidiaries of KAP	Active
J P Haveman	KAP International Holdings Limited	Active
	Cedar Point Trading 60 (Pty) Limited	Active
	Only Underwear (Pty) Limited	Active
	Various subsidiaries of KAP	Active

Director	Directorship in the preceding five years	Status
C E Daun	KAP International Holdings Limited	Active
	Courthiel Holdings (Pty) Limited	Active
	Kap Textile Holdings SA Limited	Inactive
	Steinhoff International Holdings Limited	Active
	Metz Industries (Pty) Limited	Inactive
	Business Venture Investments No. 687 (Pty) Limited	Inactive
	Capstone 556 (Pty) Limited	Inactive
	Conrapp Properties (Pty) Limited	Inactive
	Tedco Industries (Pvt) Limited	Active
	Lifestyle Furnishers (Pvt) Limited	Active
	Modern Furnishers (Pvt) Limited	Active
	Spinners and Weavers Limited	Active
	Mech. Baumwoll- Spinnerei and Weberei Bayreuth AG	Active
	NKD Vertriebgesellschaft mbH	Active
	Seidenweberei Reutlingen GmbH	Active
	Geros Beteiligungsverwaltungs GmbH	Active
	Fitor S.A., Porto	Active
	Oldenburgische Landesbank AG	Active
	Stöhr AG	Active
	Kap – Beteiligungs AG	Active
	Mehler AG	Active
	Gelvenor Consolidated Fabrics (Pty) Ltd	Inactive
	South African German Chamber of Commerce and Industry	Inactive
	DT 100 Holdings Limited	Inactive
	Newinvest 97 (Pty) Ltd	Inactive
	Avtex Limited	Inactive
	BCM Holdings (Pty) Ltd	Inactive
	Builma (Cape) (Pty) Ltd	Inactive
	Court Property Development (Pty) Ltd	Inactive
	Da Gama International Textiles (Pty) Ltd	Inactive
	Kovacs Investment 435 (Pty) Ltd	Inactive
	Platex (Pty) Ltd	Inactive
	Spilo (Pty) Ltd	Inactive
	Texglass (Pty) Ltd	Inactive
	Union Spinning Mills (Pty) Ltd	Inactive
	Unispin Holdings Limited	Inactive
	Wellington Industries (Pty) Ltd	Inactive
	Worldnet Logistics (Pty) Ltd	Inactive
	BCM Property Holdings (Pty) Ltd	Inactive
	Jaldene Investments (Pty) Ltd	Inactive
	Daun & Cie AG	Active
	Various subsidiaries of KAP	Inactive
M J Jooste	KAP International Holdings Limited	Active
	Bravoscar Finance Company (Pty) Limited	Active
	Casaspec Properties (Pty) Limited	Active
	Capitec Bank Limited	Active
	Capitec Bank Holdings Limited	Active
	Cornwall Hill Erf 445 CC	Active
	Erf 2825 Hermanus (Pty) Limited	Active
	Galicia Investments (Pty) Limited	Active
	Homestyle Group Operations Limited	Active
	Jomar Services (Pty) Limited	Active
	Klawervlei Stud (Pty) Limited	Active

Director	Directorship in the preceding five years	Status
M J Jooste (continued)	Mayfair Speculators (Pty) Limited	Active
	MG Property 1 (Pty) Limited	Active
	Morning Tide Investments 82 (Pty) Limited	Active
	PG Bison Limited	Active
	PG Bison Holdings (Pty) Limited	Active
	Phumelela Gaming and Leisure Limited	Active
	PSG Financial Services Limited	Active
	PSG Group Limited	Active
	Relyon Group Limited	Active
	Somwes Eiendomme (Pty) Limited	Active
	Stafric Investments and Management Services (Pty) Limited	Active
	Steinhoff Africa Holdings (Pty) Limited	Active
	Steinhoff Asia Pacific Limited	Active
	Steinhoff Asia Pacific Holdings (Pty) Limited	Active
	Steinhoff Europe AG	Active
	Steinhoff Europe AG	Active
	Steinhoff Europe Group Services GmbH	Active
	Steinhoff International Holdings Limited	Active
	Steinhoff Möbel Holding Alpha GmbH	Active
	Steinhoff UK Beds Limited	Active
	Steinhoff (UK) Holdings Limited	Active
	Steinhoff UK Retail Limited	Active
	The Racing Association	Active
	Uhambo Property Investments (Pty) Limited	Active
	Unitrans Holdings (Pty) Limited	Active
	Aquital Investments (Pty) Ltd	Inactive
	Capstone 556 (Pty) Ltd	Inactive
	Cefurn Investments (Pty) Ltd	Inactive
	Electprops 115 (Pty) Ltd	Inactive
	Heatherside 20 Property Investments (Pty) Ltd	Inactive
	Klein Gustrow Estate (Pty) Ltd	Inactive
	Kluh Investments (Pty) Ltd	Inactive
	Phamiso Trading and Investments (Pty) Ltd	Inactive
	Tjhelete Investments (Pty) Ltd	Inactive
	Vilkon Eiendomme (Pty) Ltd	Inactive
	Amalgamated Appliance Holdings Limited	Inactive
J B Magwaza	KAP International Holdings Limited	Active
	Anglo American South Africa Limited	Inactive
	Dorbyl Limited	Active
	Hulamini Limited	Active
	Ithala Finance Development Corporation	Inactive
	Imbewu Capital Partners	Active
	Mutual and Federal Limited	Active
	Motseng Investment Holdings (Pty) Limited	Active
	Nedbank Limited	Inactive
	Nkunzi Investment Holdings Limited	Active
	NPC – Cimpor (Pty) Limited	Active
	Pamodzi Investment Holdings Limited	Active
	Rainbow Chickens Limited	Active
	South Ocean Holding Limited	Inactive
	Richards Bay Minerals Limited	Active
	Tongaat Hulett Group Limited	Active

Director	Directorship in the preceding five years	Status
S H Nomvete	KAP International Holdings Limited	Active
	Emergent Office Solutions (Pty) Limited	Inactive
	Mokleen Cleaning (Pty) Limited	Inactive
	Motseng Outsourced Services (Pty) Limited	Active
	Motseng Investment Holdings (Pty) Limited	Active
	Motseng Facilities Management (Pty) Limited	Active
	Motseng Trading (Pty) Limited	Active
	Motseng Property Services (Pty) Limited	Active
	Motseng Property Investments (Pty) Limited	Active
	Motseng Property Group (Pty) Limited	Active
	Motseng Property Services DFA PPP (Pty) Limited	Active
	Motseng Strategic Investments (Pty) Limited	Active
	Motseng Concessions (Pty) Limited	Active
	Tussfan 89 Investments (Pty) Limited	Active
	Epipax (Pty) Limited	Active
	Copastep (Pty) Limited	Active
	Mesispot (Pty) Limited	Active
	Talmine Investments (Pty) Limited	Active
	Hestitorque (Pty) Limited	Active
	Hestiscope (Pty) Limited	Active
	Epibuzz (Pty) Limited	Active
	Tuffsan Investments 1055 (Pty) Limited	Active
	Inzuzo Landscapes (Pty) Limited	Active
	Trennplast Group (Pty) Limited	Active
	Trennplast Marketing (Pty) Limited	Active
	Hardy's Manufacturers (Pty) Limited	Active
	Supermould products (Pty) Limited	Active
I N Mkhari	KAP International Holdings Limited	Active
	Ambit Properties Limited	Inactive
	Martprop Property Fund Limited	Inactive
	South African Corporate Real Estate (Pty) Limited	Active
	Motseng Outsourced Services (Pty) Limited	Active
	Motseng Investment Holdings (Pty) Limited	Active
	Motseng Facilities Management (Pty) Limited	Active
	Motseng Trading (Pty) Limited	Active
	Motseng Property Services (Pty) Limited	Active
	Motseng Property Investments (Pty) Limited	Active
	Motseng Property Group (Pty) Limited	Active
	Motseng Property Services DFA PPP (Pty) Limited	Active
	Motseng Strategic Investments (Pty) Limited	Active
	Motseng Concessions (Pty) Limited	Active
	Tussfan 89 Investments (Pty) Limited	Active
	Epipax (Pty) Limited	Active
	Copastep (Pty) Limited	Active
	Mesispot (Pty) Limited	Active
	Talmine Investments (Pty) Limited	Active
	Hestitorque (Pty) Limited	Active
	Hestiscope (Pty) Limited	Active
	Epibuzz (Pty) Limited	Active
	Tuffsan Investments 1055 (Pty) Limited	Active
	Inzuzo Landscapes (Pty) Limited	Active
	Motseng WSP Facilities Management (Pty) Limited	Active

Director	Directorship in the preceding five years	Status
F Möller	KAP International Holdings Limited	Active
	Daun & Cie AG	Inactive
	KAP Textile Holdings SA Limited	Active
	Union Spinning Mills (Pty) Limited	Inactive
	KAP Beteiligungs AG	Active
	Mehler AG	Active
	Stoehr & Co AG	Active
	Da Gama International Textiles Limited	Inactive
	DT Holdings 100 Limited	Inactive
	Gelvenor Consolidated Fabrics (Pty) Ltd	Inactive
	Macbean Beier Plastics (Pty) Ltd	Inactive
	Sherfin (Pty) Ltd	Inactive
	Sherloyd (Pty) Ltd	Inactive
	Union Spinning Mills (Pty) Ltd	Inactive
	Unispin Holdings Limited	Inactive
	Bertrand Holdings South Africa (Pty) Ltd	Inactive
	Bertrand Management Services (Pty) Ltd	Inactive
	Saprotex International (Pty) Ltd	Inactive
	Yarntex (Pty) Ltd	Inactive
D M van der Merwe	KAP International Holdings Limited	Active
	Anglo Dutch Properties (Pty) Limited	Active
	SHF Raw Materials (Pty) Limited	Active
	Bravoscar Finance Company (Pty) Limited	Active
	Steinhoff Asia Pacific Holdings (Pty) Limited	Active
	Steinhoff Asia Pacific Limited	Active
	Klawervlei Stud (Pty) Limited	Active
	PG Bison Limited	Active
	PG Bison Holdings (Pty) Limited	Active
	Steinhoff Africa Holdings (Pty) Limited	Active
	Steinhoff International Holdings Limited	Active
	Ruby Street Global Investments (Pty) Limited	Active
	Steinhoff Timber Industries (Pty) Limited	Active
	Unitrans Holdings (Pty) Limited	Active
	Amalgamated Appliance Holdings Limited	Inactive
	Steinhoff Manufacturing (Pty) limited	Inactive
K E Schmidt	KAP International Holdings Limited	Active
	Motseng Investment Holdings (Pty) Limited	Active
	Deloitte & Touche	Inactive
	NUMSA Investment Company (Pty) Limited	Active
U Schackermann	Austro Group	Active
	Austro Wood (Pty) Limited	Active
	Joest (Pty) Limited	Active
	Kai and Kim Properties CC	Active
	Kap International Holdings Limited	Active
	New Way Power (Pty) Limited	Active
	Oracleprops 23 CC	Active
	Grant Thornton Johannesburg	Inactive
	Deustche Schule Zu Johannesburg	Inactive
	Deutsche Planungs (Pty) Limited	Inactive
	Grant Thornton Capital (Pty) Limited	Inactive
	Grant Thornton Capital Administrators (Pty) Limited	Inactive
	Grant Thornton Capital Management Company (Pty) Limited	Inactive
	Grant Thornton IT Consulting (Pty) Limited	Inactive
	Grant Thornton Management Services (Pty) Limited	Inactive
	Niche Wealth Management (Pty) Limited	Inactive
	Southern African-German Chamber of Commerce and Industry	Inactive
	VIP Corporate Property Investments (Pty) Limited	Active

The following table sets out the other directorships held by the directors of the Steinhoff Industrial Assets and their major subsidiaries:

Director	Directorship in the preceding five years	Status
Karel Johan Grové	263 Oxford Road (Pty) Limited	Active
	Aramex SA (Pty) Limited	Inactive
	Blazing Sun Investments 46 (Pty) Limited	Active
	Cargo Africa (Pty) Limited	Active
	Customer Solution Development (Pty) Limited	Inactive
	Fundiswa Investments (Pty) Limited	Inactive
	Imperial Professional Finance Limited	Inactive
	Klipstone Transport (Pty) Limited	Inactive
	Murray and Roberts Holdings Limited	Inactive
	Pivot Transport (Pty) Limited	Inactive
	Priorprops 1037 CC	Inactive
	Riveira Medical Investments (Pty) Limited	Inactive
	RoadRailer Africa (Pty) Limited	Active
	RoadRailer South Africa (Pty) Limited	Active
	SGA Integrators (Pty) Limited	Inactive
	Sinkwazi Development Share Block (Pty) Limited	Inactive
	Southern Africa PGA Tour	Active
	Spare Parts Logistics (Pty) Limited	Active
	Steinhoff Africa Holdings (Pty) Limited	Active
	Steinhoff International Holdings Limited	Active
	Steinhoff Services (Pty) Limited	Active
	Sterkstroom PLS 43	Inactive
	Ufin (Pty) Limited	Active
	Unitrans Automotive (Pty) Limited	Active
	Unitrans Bulk (Pty) Limited	Inactive
	Unitrans Cape (Pty) Limited	Inactive
	Unitrans Express Deliveries (Pty) Limited	Active
	Unitrans Express Investments (Pty) Limited	Active
	Unitrans Freight Investments (Pty) Limited	Active
	Unitrans Express Logistics (Pty) Limited	Active
	Unitrans Finance (Pty) Limited	Inactive
	Unitrans Fuel and Chemical (Pty) Limited	Inactive
	Unitrans General Investments (Pty) Limited	Inactive
	Unitrans Holdings (Pty) Limited	Active
	Unitrans Insurance Limited	Active
	Unitrans Limited (Pty) Limited	Inactive
	Unitrans Logistics UK Limited	Inactive
	Unitrans Motors (Pty) Limited	Active
	Unitrans Motor Enterprises (Pty) Limited	Active
	Unitrans Passenger (Pty) Limited	Active
	Unitrans Properties (Pty) Limited	Active
	Unitrans Rentals (South Africa) (Pty) Limited	Active
	Unitrans Supply Chain Solutions (Pty) Limited	Active
	Unitrans UK Limited	Inactive
	Unitrans Zululand (Pty) Limited	Active
Francis William Wagner	Aramex SA (Pty) Limited	Active
	Bakubung Distribution Services (Pty) Limited	Inactive
	Cargo Africa (Pty) Limited	Active
	Express Freight for Africa (Pty) Limited	Active
	Francolin Family Trust	Active
	Induna Tippers (Pty) Limited	Active
	Klipstone Transport (Pty) Limited	Active
	Lesotho Carriers (Pty) Limited	Active
	Moripane Transport Holdings (Pty) Limited	Inactive

Director	Directorship in the preceding five years	Status
Francis William Wagner (continued)	Phaello Finance Company (Pty) Limited	Active
	Pivot Transport(Pty) Limited	Active
	Setjhaba Carriers (Pty) Limited	Active
	Spare Parts Logistics (Pty) Limited	Active
	The Road Freight Association	Active
	Unitrans Customer Solution Development (Pty) Limited	Active
	Unitrans Express Investments (Pty) Limited	Active
	Unitrans Express Logistics (Pty) Limited	Active
	Unitrans Express Deliveries (Pty) Limited	Inactive
	Unitrans Freight Forwarding and Clearing (Pty) Limited	Active
	Unitrans Freight Investments (Pty) Limited	Inactive
	Unitrans Freight Services (Commercial) (Pty) Limited	Active
	Unitrans Fuel and Chemical (Pty) Limited	Inactive
	Unitrans Household Goods Logistics (Pty) Limited	Active
	Unitrans Holdings (Pty) Limited	Active
	Unitrans Namibia (Pty) Limited	Active
	Unitrans Namibia Holdings (Pty) Limited	Active
	Unitrans Ocean Logistics (Pty) Limited	Inactive
	Unitrans Offshore Limited	Active
	Unitrans Supply Chain Solutions (Pty) Limited	Active
	Unitrans Zululand (Pty) Limited	Active
Nico Boshoff	A2B Passenger Logistics (Pty) Limited	Active
	Amandla Mega Bus (Pty) Limited	Active
	AMG Global Consult (Pty) Limited	Inactive
	Bojanala Bus (Pty) Limited	Active
	Bojanala Leasing (Pty) Limited	Active
	Derprops 113 (Pty) Limited	Inactive
	Greyhound Coach Lines (Pty) Limited	Active
	Greyhound Property Leasing (Pty) Limited	Active
	Itheku Consulting (Pty) Limited	Active
	Jumbuss (Pty) Limited	Active
	Langrich Investments CC	Inactive
	Mattbos Messina CC	Active
	Matthysen Air (Pty) Limited	Inactive
	McKaystraat Beleggings CC	Active
	Mega Bus and Coach (Pty) Limited	Active
	Mega Express (Pty) Limited	Active
	Megasilver Tours (Pty) Limited	Inactive
	Mega Tourer (Pty) Limited	Active
	Miljan Beleggings CC	Active
	Mpumatrans (Pty) Limited	Active
	Mvelatrans (Pty) Limited	Active
	Neulux Logistics (Pty) Limited	Inactive
	Neupro Freight (Pty) Limited	Inactive
	Rand Coach (OFS) (Pty) Limited	Inactive
	Santa Monica 36 (Pty) Limited	Active
	Superstrike Investments 106 (Pty) Limited	Active
	Tafile Magic Bus (Pty) Limited	Active
	Talama Fleet Logistics Investments (Pty) Limited	Inactive
	Thunderflex 9 (Pty) Limited	Inactive
	Unit C408 Bantry Place Cape Town CC	Active
	Unitrans Holdings (Pty) Limited	Active
	Unitrans Limited (Pty) Limited	Inactive
	Unitrans Leasing (Pty) Limited	Active
	Unitrans Passenger (Pty) Limited	Active
	Unitrans Passenger Training (Pty) Limited	Inactive

Director	Directorship in the preceding five years	Status
Nico Boshoff (continued)	Neupro Freight (Pty) Limited	Inactive
	Rand Coach (OFS) (Pty) Limited	Inactive
	Santa Monica 36 (Pty) Limited	Active
	Superstrike Investments 106 (Pty) Limited	Active
	Tafile Magic Bus (Pty) Limited	Active
	Talama Fleet Logistics Investments (Pty) Limited	Inactive
	Thunderflex 9 (Pty) Limited	Inactive
	Unit C408 Bantry Place Cape Town CC	Active
	Unitrans Holdings (Pty) Limited	Active
	Unitrans Limited (Pty) Limited	Inactive
	Unitrans Leasing (Pty) Limited	Active
	Unitrans Passenger (Pty) Limited	Active
	Unitrans Passenger Training (Pty) Limited	Inactive
Christiaan Johannes Hattingh van Niekerk	**Current**	
	Bayne Investments (Pty) Limited	Active
	Clidet No 451 (Pty) Limited	Active
	Klawervlei Stud (Pty) Limited	Active
	Miri Forestry (Pty) Limited	Active
	Mosselbank (Pty) Limited	Active
	PG Bison Holdings (Pty) Limited	Active
	PG Bison Limited	Active
	Steinhoff Africa Holdings (Pty) Limited	Active
	Steinwood (Pty) Limited	Active
	Wood Chemicals South Africa (Pty) Limited	Active
	Past	
	Bisonbord Properties (Pty) Limited	
	Braecroft Timbers (Pty) Limited	
	Bravo Group Components (Pty) Limited	
	Goeiehoop Farming (Pty) Limited	
	Moxwood (Pty) Limited	
	Pennypinchers Holdings (Pty) Limited	
	Steinbuild Holdings (Pty) Limited	
	Steinhoff Africa Sawmilling (Pty) Limited	
	Steinhoff Doors and Building Materials (Pty) Limited	
	Steinhoff Properties (Pty) Limited	
	Steinhoff	
	Southern Cape (Pty) Limited	
	Steinhoff Timber Industries (Pty) Limited	
	Thesen Sawmilling (Pty) Limited	
	Timber City Holdings (Pty) Limited	
Gary Noel Chaplin	**Current**	
	Braecroft Timbers (Pty) Limited	Active
	Empuluzi Timber Holdings (Pty) Limited	Active
	Goeiehoop Farming (Pty) Limited	Active
	Kangwane Timbers (Pty) Limited	Active
	Moxwood (Pty) Limited	Active
	PG Bison Africa (Pty) Limited	Active
	PG Bison Holdings (Pty) Limited	Active
	PG Bison Limited	Active
	PJ van Reenen (Pty) Limited	Active
	Steinhoff Africa Sawmilling (Pty) Limited	Active
	Steinhoff Southern Cape (Pty) Limited	Active
	Steinhoff Timber Industries (Pty) Limited	Active
	Steinwood (Pty) Limited	Active
	Thesen Sawmilling (Pty) Limited	Active
	Thesen Timber Marketing (Pty) Limited	Active

Director	Directorship in the preceding five years	Status
Gary Noel Chaplin (continued)	**Past**	
	Lurand Investments (Pty) Limited	
	Malenge Harvesting Company (Pty) Limited	
	Straalhoek Sawmilling (Pty) Limited	
Frans Hendrik Olivier	Braecroft Timbers (Pty) Limited	Active
	Goeiehoop Farming (Pty) Limited	Active
	Malenge Harvesting Company (Pty) Limited	Active
	Moxwood (Pty) Limited	Active
	PG Bison Africa (Pty) Limited	Active
	PG Bison Holdings (Pty) Limited	Active
	PG Bison Limited	Active
	Phaello Real Estate Holdings (Pty) Limited	Active
	Steinhoff Africa Sawmilling (Pty) Limited	Active
	Steinhoff Southern Cape (Pty) Limited	Active
	Steinhoff Timber Industries (Pty) Limited	Active
	Straalhoek Sawmill (Pty) Limited	Active
	Surinno Solid Surfacing (Pty) Limited	Active
	Thesen Sawmilling (Pty) Limited	Active
	Thesen Timber Marketing (Pty) Limited	Active
Frans Petrus Human	BCM Holdings (Pty) Limited	Active
	BCM Properties (Pty) Limited	Active
	BCM Property Holdings (Pty) Limited	Active
	Bedding Component Manufacturers (Pty) Limited	Active
	Buffalo Pocket Spring Company (Pty) Limited	Active
	Epping Foam (Pty) Limited	Active
	International Wire Convertors (Pty) Limited	Active
	Mount Edgecombe Foam (Pty) Limited	Active
	Namib Foam (Pty) Limited	Active
	Oshikango Foam and Mattress Company (Pty) Limited	Active
	Premier Spring Industrial Manufacturers (Pty) Limited	Active
	SHF Raw Materials (Pty) Limited	Active
	Steinhoff Africa Textiles (KZN) (Pty) Limited	Active
Nicolaas Albertus Siebrits	**Current**	Active
	BCM Holdings (Pty) Limited	Active
	Bedding Component Manufacturers (Pty) Limited	Active
	Buffalo Pocket Spring Company (Pty) Limited	Active
	Desleemattex (Pty) Limited	Active
	International Wire Convertors (Pty) Limited	Active
	Phaello Finance Company (Pty) Limited	Active
	Premier Spring Industrial Manufacturers (Pty) Limited	Active
	SHF Raw Materials (Pty) Limited	
	Steinhoff Africa Textiles (KZN) (Pty) Limited	
	Past	
	Steinhoff Africa Holdings (Pty) Limited	
	Steitex (Pty) Limited	

SUBSIDIARIES

SUBSIDIARIES OF KAP BEFORE AND AFTER THE ACQUISITION

The table below sets out the current subsidiaries of KAP as the Last Practicable Date:

Name and registration number	Nature/ Status	Date and place of incorporation	Date of becoming subsidiary	Issued share capital R	Percentage held by KAP
Brennco Feed Mills (Pty) Limited (2000/019820/07)	D	August 2000, South Africa	January 2007	2 500 000	100
Brenner Holdings (Pty) Limited (1998/023360/07)	D	November 1998, South Africa	January 2007	1 000	100
Brenner Mills (Pty) Limited (1988/070346/07)	D	September 1988, South Africa	January 2007	1 000	100
Bull Brand Foods (Pty) Limited (2000/007993/07)	D	April 2000, South Africa	April 2000	20 000 003	100
Casa Rosada investments (Pty) Limited (1999/005381/07)	D	March 1999, South Africa	November 2004	450	100
Caravelle Automotive Carpets (Pty) Limited (2001/014357/07)	D	July 2001, South Africa	May 2005	100	100
Chemical Leasing (Pty) Limited (1991/007210/07)	D	December 1991, South Africa	November 2004	100	100
Chemical Plant Finance (Pty) Limited (1991/007205/07)	D	December 1991, South Africa	November 2004	100	100
Conshu Holdings (Pty) Limited (1968/006778/07)	D	June 1968, South Africa	November 2004	78 879 000	100
Dano Textile Industries (Pty) Limited (1951/003269/07)	T	September 1951, South Africa	November 2004	499 960	100
Durban Fibres (Pty) Limited (1993/006893/07)	D	November 1993, South Africa	November 2004	1	100
Feltex Automotive Leathers (Pty) Limited (1951/004015/07)	D	November 1951, South Africa	April 2004	48 026	100
Feltex Fehrer (Pty) Limited (1947/025764/07)	A	June 1947, South Africa	November 2004	100 000	74
Feltex Holdings (Pty) Limited (1957/001891/07)	A/F/H/M	June 1957, South Africa	November 2004	169 174 064	100
Feltex Textile Felts (Pty) Limited (2005/007092/07)	A	March 2005, South Africa	March 2005	100	100
Hides and Skins Brokers (Pty) Limited (2000/008005/07)	A	April 2000, South Africa	April 2000	5 000	100

Name and registration number	Nature/ Status	Date and place of incorporation	Date of becoming subsidiary	Issued share capital R	Percentage held by KAP
Hosaf Fibres (Pty) Limited (1958/001843/07)	D	June 1958, South Africa	November 2004	680 000	100
Hosaf Recycling (Pty) Limited (2003/013731/07)	D	June 2003, South Africa	November 2004	1	100
Jordan Footwear Namibia (Pty) Limited (2002/633)	F	May 2003, Namibia	November 2004	100	100
KAP Investments (Pty) Limited (2000/007999/07)	I	April 2000, South Africa	April 2000	2 490 001	100
Kolosus Management Services (Pty) Limited (1954/003433/07)	D	December 1954, South Africa	July 2006	3 612	100
Lederwol AG (CH170.3.015.893-2)	D	August 1990, Switzerland	August 1990	458 333	100
Log 74 (Pty) Limited (2002/005304/07)	D	March 2002, South Africa	January 2007	125	100
Merchold Properties Wellington (Pty) Limited (1940/013971/07)	D	June, 1940, South Africa	November 1986	10 000	100
PF-Two Properties (Pty) Limited (1994/010902/07)	D	December 1994, South Africa	December 1994	1	100
Vetmesting Co-operative Limited (K6/3/5/0012)	D	June 1980, South Africa	April 1993	200	100

Notes:

1. All the above are unlisted companies.
2. Nature/status of subsidiaries.
   A Automotive
   D Dormant
   F Footwear
   H PET Resin
   I Trademarks
   M Meat/food
   T Towelling
3. The winding up and deregistration of various non-trading companies is in process but not yet complete.

After the implementation of the Acquisition, KAP's subsidiaries will consist of the existing KAP subsidiaries as listed in the table above, and the additional main subsidiaries acquired in terms of the Acquisition as set out below:

Name and registration number	**Nature/ Status**	**Date and place of incorporation**	**Date of acquisition**	**Issued share capital R**	**Percentage held by KAP**
PG Bison Holdings (Pty) Limited (1999/016480/07)	P	1999, South Africa	Effective Date	31 081	100
Roadway Transport (Pty) Limited (1991/001164/07)	D	1991, South Africa	Effective Date	10 000	100
SHF Raw Materials (Pty) Limited (1998/070308/07)	M	1998, South Africa	Effective Date	1 000	100
Toolplast Holdings (Pty) Limited (1962/002702/0)	D	1962, South Africa	Effective Date	3 000	100
Unitrans Holdings (Pty) Limited (1994/007379/07)	L	1994, South Africa	Effective Date	1 100	100

Notes:

1. All the above are unlisted companies.
2. Nature/status of subsidiaries.
   D Dormant
   L Logistics and passenger
   M Manufacture of foam, textile and products
   P Panel- and timber products

The directors of the above subsidiaries are listed in paragraph 1 of Appendix I to the Revised Listing Particulars.

MATERIAL BORROWINGS, COMMITMENTS AND/OR CONTINGENT LIABILITIES OF THE GROUP

Details of the material borrowings, commitments and/or contingent liabilities of KAP and the Steinhoff Industrial Assets are disclosed below:

1. MATERIAL LOANS

1.1 KAP

Save for the Consideration Loan Account of which the details are set out in paragraph 4.3.1 of the Circular and the loans set out in the table below:

1.1.1 no material loans have been advanced to the Company or any of its subsidiaries;

1.1.2 no material Inter-company borrowings and loans exist;

1.1.3 no material loans have been advanced by the Company or its subsidiaries; and

1.1.4 no loan capital is outstanding.

The table below sets out information as at 30 September 2011, regarding material loans advanced to KAP and its subsidiaries.

Company	Lender	Nature	Details of security (if any)	Terms and conditions of repayment	Interest rate	Original amount (R'm)	Balance outstanding at Last Practicable Date (R'm)
Feltex Holdings (Pty) Limited	FirstRand Bank Limited	Short-term	Joint, interlinking cross-suretyships between 100% held group companies	Repayable on demand	Prime less 1.45%	162.6	162.6
Feltex Holdings (Pty) Limited	KAP International Holdings Limited	Shareholder's loan	None	No terms of repayment	Interest-free	727.1	727.1
Dano Textile Industries (Pty) Limited	Feltex Holdings (Pty) Limited	Shareholder's loan	None	No terms of repayment	Interest-free	154.0	154.0

Notes:

1. Borrowings arose as a result of the requirement to fund working capital and fixed assets.
2. There are no conversion or redemption rights in respect of the borrowings disclosed above.
3. Any amounts payable within the next 12 months will be paid out of cash generated from operations.

KAP had no material Related Party balances as at 30 September 2011.

1.2 Steinhoff Industrial Assets

In respect of the Steinhoff Industrial Assets:

1.2.1 save as set out in note 32 of Annexure I, there are no material loans advanced to the Steinhoff Industrial Assets or their subsidiaries;

1.2.2 no loan capital is outstanding;

1.2.3 no material loans have been advanced by the Steinhoff Industrial Assets or their subsidiaries;

For details and terms of all material inter-company financial and other transactions, with specific disclosure of all inter-company balances before elimination on consolidation in respect of the Steinhoff Industrial Assets, refer to notes 32 in Annexure I.

2. COMMITMENTS, LEASE PAYMENTS AND CONTINGENT LIABILITIES

Transactions are classified as contingencies where KAP's obligation depends on uncertain future events. Items are classified as commitments where KAP commits itself to future transactions or if the items will result in the acquisition of assets. Save as set out below, the Group does not have any material commitments, lease payments or contingent liabilities.

- The Company has issued cross-suretyships to various banks for the banking facilities available to the Group. The Company has issued various guarantees in favour of suppliers to Group companies, and has subordinated various loans to subsidiaries where necessary.
- If certain operations ceased, certain effluent dams utilised by the Group would be required to be rehabilitated. No provision has been made for this rehabilitation, as there is no intention to cease operations and future costs, if any, cannot be reliably measured.
- Brenner Mills, a division of Feltex, along with a number of other respondents, is under investigation by the Competition Tribunal in respect of alleged price fixing in the white maize milling industry. As the alleged price fixing occurred before the acquisition by KAP of Brenner Mills, any potential administrative penalty payable is recoverable from the vendors of the shares in Brenner Mills in terms of the share sale agreement. At the date of the annual financial statements, the outcome of the investigation is uncertain and therefore the financial effect cannot be determined.
- With reference to the matter discussed under paragraph 13 of the Revised Listings Particulars, the dispute between Feltex and Vitafoam, a division of Steinhoff Raw Materials and the Competition Commission has not been concluded. At the present time the Competition Commission has lodged an application to the Constitutional Court to have certain issues determined in that forum. This application is opposed by all respondents on several grounds. Irrespective of the outcome thereof, a complaint against Vitafoam, that it transgressed section 4(1)(b) of the Competition Act is yet to be determined. All material allegations made against it in this latter regard are disputed by Vitafoam.

The tables below detail KAP's capital commitments as at 30 June 2011 (excluding that of the Steinhoff Industrial Assets):

Commitments	**R'm**
Capital expenditure	
Authorised and contracted	30,0
Authorised but not yet contracted	80,9
	110,9

This expenditure will be financed from internal sources and existing borrowing facilities.

Operating lease commitments (predominantly premises)	
Due within one year	25,2
Due within two to five years	54,4
Due over five years	2,0
	81,6

The commitments, lease payments and contingent liabilities of the Steinhoff Industrial Assets are disclosed in Annexure I to this Circular in note 25.

3. DEBENTURES

No debentures or any other convertible securities have been created in terms of any trust deed or otherwise by the Company or any subsidiary or issued by way of conversion or replacement of debentures previously issued, save for the following bonds issued by a subsidiary of Unitrans, Phaello Finance Company Proprietary Limited:

Company	Lender	Nature	Details of security (if any)	Terms and conditions of repayment	Interest rate	Original amount (R'm)	Balance outstanding at Last Practicable Date (R'm)
Phaello Finance Company (Pty) Limited	Steinhoff Services (Pty) Limited	Domestic medium-term note programme	Secured by assets	2 tranches of R200 million each, redeemable on maturity, being 6 July 2012 and 6 April 2015, respectively	On 6 July 2012 tranch: 3 month JIBAR plus 300 basis points. On 6 April 2015 tranch: 3 month JIBAR plus 350 basis points	400	405*

* These debentures form part of the Consideration Loan Account.

4. BORROWING POWERS OF DIRECTORS

4.1 KAP

The borrowing powers of the Directors of KAP are set out in Appendix VI to the Revised Listing Particulars.

The borrowing powers of Directors have not been exceeded during the three-year period preceding the Last Practicable Date.

No material loans have been made (or security furnished) by the Company or by any of its subsidiaries to or for the benefit of any Director or manager or any associate of any Director or manager of the Company.

4.2 Steinhoff Industrial Assets

The directors of the individual companies of the Steinhoff Industrial Assets may, from time to time at their discretion, raise or borrow or secure the payments of any sum or sums of money for purposes of each of the companies, provided that the total amount owing by the company in respect of monies so raised, borrowed or secured shall not exceed the amount authorised by KAP.

The borrowing powers of the directors of the individual companies of the Steinhoff Industrial Assets have not been exceeded during the three-year period preceding the Last Practicable Date.

No material loans have been made (or security furnished) by the individual companies of the Steinhoff Industrial Assets or by any of their subsidiaries to or for the benefit of any director or manager or any associate of any director or manager of any director or manager of each of the companies.

VENDORS

Save as set out below in respect of the Acquisition, no material assets have been acquired by KAP or any of its subsidiaries during the last three years. No material assets have been acquired by the Steinhoff Industrial Assets or any of their subsidiaries during the last three years.

Vendor	Material beneficial shareholders	Address	Assets purchased by KAP
Steinhoff Africa	Steinhoff	28 Sixth Street, Wynberg, Sandton, 2090	100% of the shares and claims against the Steinhoff Industrial Assets

Notes:

1. The vendor has provided warranties as agreed with KAP.
2. There are no restrictions on the disposal of Shares post the Effective Date.
3. As the Acquisition represents a reverse acquisition and Steinhoff will control 88% of KAP following the implementation of the Acquisition, restraint undertakings will not be applicable and have not been provided for in the Acquisition Agreement.
4. All tax liabilities will remain with the Steinhoff Industrial Assets. The Acquisition Agreement, provides for warranties against taxes that were not reflected in the financial accounts of the Steinhoff Industrial Assets as on the Effective Date.
5. No promoter or Director has any beneficial interest, direct or indirect, in the Acquisition.
6. No amount of cash or securities has been paid (or benefit given) within the three preceding years or is proposed to be paid or given to a promoter, not being a director.
7. The Steinhoff Industrial Assets will be transferred into the name of KAP upon completion of the Acquisition and will not be ceded or pledged.

The table below sets out the proportional allocation of assets and liabilities relating to the securities acquired in respect of the Acquisition.

Assets (liabilities)	R'000
Goodwill	66 700
Intangible assets	210 400
Property, plant and equipment	1 049 304
Investment property	19 500
Interest and loans in joint-venture companies	24 400
Pension fund surplus	23 800
Deferred taxation assets	20 400
Inventories	729 800
Trade and other receivables	730 000
Bank balances and cash	128 700
Assets classified as held for sale	9 200
Deferred taxation liabilities	(102 240)
Trade and other payables	(818 969)
Employee benefits	(63 000)
Provisions	(38 905)
Interest-bearing loans and borrowings	(44 700)
Bank overdrafts and short-term facilities	(218 600)
Net assets acquired	**1 725 790**
Minorities interests	(41 524)
Goodwill acquired	(66 700)
Consideration transferred	(1 613 000)
Gain on bargain purchase	**4 566**

SHARE CAPITAL

1. SHARES ISSUED OTHERWISE THAN FOR CASH

Save for the issue of the Consideration Shares in respect of the Acquisition, no Shares were issued by KAP during the previous financial year.

2. AUTHORISED AND ISSUED SHARE CAPITAL

The authorised and issued share capital of KAP before and after the

2.1 Changes to the Share Capital; and

2.2 Issue of the Consideration Shares in respect of the Acquisition, are as follows:

	R
Share Capital before Changes to the Share Capital and Acquisition	
Authorised	
1 200 000 000 ordinary shares of R0,20 each	240 000 000
Issued	
424 473 657 ordinary shares of R0,20 each	84 894 731
Share premium	814 793 386
Distribution since 30 June 2011	(42 447 366)
	857 240 751
Share Capital after conversion	
Authorised	
1 200 000 000 ordinary shares of no par value	–
Issued	
424 473 657 ordinary shares of no par value	
Stated capital	857 240 751
Share Capital after conversion and increase in authorised ordinary share capital	
Authorised	
6 000 000 000 ordinary shares of no par value	–
Issued	
424 473 657 ordinary shares of no par value	
Stated capital	857 240 751
Share Capital after the Changes to the Share Capital and Acquisition	
Authorised	
6 000 000 000 ordinary shares of no par value	–
Issued	
2 337 254 668 ordinary shares of no par value*	5 639 193 279

* Assuming that 1 912 781 011 shares are issued in respect of the Acquisition.

All authorised and unissued shares, including those to be issued in terms of the Acquisition, will be of the same class and will rank *pari passu*.

There are no other classes of KAP Shares listed. There are no treasury shares held in KAP.

In terms of KAP's Memorandum of Incorporation, the control of the issue of the authorised but unissued securities is exercised by a general meeting, or by the Directors with the prior approval of a general meeting. The directors of each of the respective Steinhoff Industrial Assets control the issue of authorised but unissued securities.

3. ISSUES/OFFERS AND REPURCHASES OF SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES

Save for the issue of the Consideration Shares in respect of the Acquisition, there have been no issues or offers or repurchases of securities of KAP and/or its subsidiaries during the three years preceding the date of this Circular and no commissions, discounts, brokerages or other special terms were granted during the three years preceding the date of this Circular in connection with the issue or sale of any Shares.

In respect of the Steinhoff Industrial Assets, no securities of the Steinhoff Industrial Assets and/or their subsidiaries were issued or offered or repurchased during the three years preceding the date of these Revised Listing Particulars, save for internal recapitalisation that allowed for shares to be issued to parent companies.

4. SHAREHOLDER SPREAD

KAP has currently and will have post the Acquisition in excess of 300 public Shareholders.

As at the Last Practicable Date Shareholder	Holdings	Percentage
Non-public shareholders	**325 135 872**	**76,60**
Daun & Cie AG	175 524 828	41,35
Steinhoff Africa	144 321 043	34,00
KAP Group directors	5 290 001	1,25
Public shareholders	**99 337 785**	**23,40**
Investec Asset Management	39 854 799	9,39
Argon Asset Management	39 689 482	9,35
Other public shareholders[1]	19 793 504	4,66
Total	**424 473 657**	**100,00**

* Based on 424 473 657 Shares in issue as at 30 June 2011.

[1] Other public shareholders calculated by excluding the shares held by parties which, in terms of the Listings Requirements, are not considered public shareholders.

KAP's Shareholder spread by percentage holding post the Acquisition is set out in the table below:

Post the Acquisition Shareholder	Holdings	Percentage
Non-public shareholders	**2 237 916 883**	**95,75**
Daun & Cie AG	175 524 828	7,51
Steinhoff Africa	2 057 102 054	88,01
KAP Group directors	5 290 001	0,23
Public shareholders	**99 337 785**	**4,25**
Investec Asset Management	39 854 799	1,70
Argon Asset Management	39 689 482	1,70
Other public shareholders[1]	19 793 504	0,85
Total	**2 337 254 668**	**100,00**

* Based on 2 337 254 668 Shares in issue, assuming that 1 912 781 011 are issued in respect of the Acquisition.

[1] Other public shareholders calculated by excluding the shares held by parties which, in terms of the Listings Requirements, are not considered public shareholders.

In terms of paragraph 9.24 of the Listings Requirements, the JSE has confirmed that it will continue to grant a listing of KAP, subject to the JSE being satisfied that the spread requirements as prescribed in paragraph 4.28(e) of the Listings Requirements, will be re-instated within twelve months after the implementation of the Acquisition and KAP continue to qualify for a listing in terms of the Listings Requirements.

5. ALTERATIONS TO SHARE CAPITAL

Save for the above, there have been no alterations to the share capital in the three years preceding the date of these Revised Listing Particulars.

There have been no consolidations or subdivisions of securities during the three years preceding the date of these Revised Listing Particulars in respect of KAP and the Steinhoff Industrial Assets.

There have been no offers for Shares made to the public during the five years preceding the date of these Revised Listing Particulars by KAP or any of its subsidiaries.

There has been no amount payable by way of a premium on any Shares issued by the Company in the five years preceding the date of these Revised Listing Particulars.

6. VOTING

Shareholders who have not Dematerialised their Shares or who have Dematerialised their Shares with Own-Name registration, and who are entitled to attend and vote at the General Meeting, are entitled to appoint one or more proxies to attend, speak and vote in their stead. A proxy need not be a Shareholder of the Company and shall be entitled to vote on a show of hands or poll. Proxy forms must be forwarded to reach the Company's transfer secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 or posted to the Transfer Secretaries at PO Box 61051, Marshalltown, 2107, to reach them by no later than at 10:00 on Monday, 16 January 2012, alternatively, such proxy forms may be handed to the Company Secretary or Chairman of the General Meeting not later than 30 minutes prior to the commencement of the General Meeting. Proxy forms must only be completed by Shareholders who have not Dematerialised their Shares or who have Dematerialised their Shares with Own-Name registration.

In accordance with the Memorandum of Incorporation of KAP and the Act, on a show of hands, every member of the Company present in person and entitled to vote, or any member represented by proxy, shall have one vote only. On a poll, every Shareholder entitled to vote shall have one vote in respect of each Share held. As a general rule, the Company effects all voting at general meetings by means of a poll.

Shareholders who have Dematerialised their Shares, other than those Shareholders who have Dematerialised their Shares with Own-Name registration, should contact their CSDP or broker in the manner and time stipulated in the agreement entered into between them and their CSDP or broker:

- to furnish them with their voting instructions; or
- in the event that they wish to attend the General Meeting, to obtain the necessary letter of representation to do so.

7. DIVIDENDS

KAP does not have a formal dividend or distribution policy.

8. EXCHANGE RIGHTS

There are no preferential conversion, redemption and/or exchange rights in respect of any Shares or other securities.

9. VARIATION OF RIGHTS

Details regarding the consents necessary for the variation of rights attaching to securities, as per the Memorandum of Incorporation of KAP and its major subsidiaries, being Feltex Holdings (Pty) Limited and Dano Textile Industries (Pty) Limited, are detailed in Appendix VI.

10. OPTIONS OR PREFERENTIAL RIGHTS IN RESPECT OF SECURITIES

Details regarding the options or preferential rights in respect of securities are detailed in Appendix IX.

11. TRADING HISTORY OF KAP SHARES

The recent trading history of Shares on the JSE is set out in Annexure VI of the Circular.

EXTRACTS FROM THE MEMORANDUM OF INCORPORATION OF KAP

"MODIFICATION OF RIGHTS

35.1 If at any time the share capital is divided into different classes of shares, all or any of the special rights or privileges attached to any class of shares may:

35.1.1 only be varied or cancelled by special resolution and with:

35.1.1.1 the prior written consent of three-quarters of the holders of the issued shares of that class; or

35.1.1.2 the prior sanction of a resolution passed at a separate general meeting of the holders of the shares of such class;

35.1.2 be varied or cancelled as provided for in 35.1.1, whether or not the company is being wound up or a winding up is contemplated.

35.2 Any shares not ranking *pari passu* in all respects with any other shares (both as regards date of dividend and any other term of issue), shall, for the purpose of this article, be deemed to constitute a separate class of shares.

35.3 To any such separate general meeting, the provisions of these articles relating to general meetings of the company shall *mutatis mutandis* apply, excepting that:

35.3.1 the necessary quorum shall be 2 (two) persons (unless all the shares of that class are held by 1 (one) person) holding or representing by proxy not less than one-third of the issued shares of the class (provided that if at any adjourned meeting of such holders a quorum as above defined is not present, those members who are present in person or by proxy shall be a quorum);

35.3.2 any holder of shares of that class present in person or by proxy may demand a poll, and, on a poll, shall have 1 (one) vote for each share of the class of which he is the holder.

36. The special rights attached to the shares of any class shall not, unless otherwise expressly provided by the conditions of issue of such shares, be deemed to be varied by the creation or issue of further shares:

36.1 ranking *pari passu* therewith; or

36.2 enjoying lesser rights,

and which do not have preference over the first mentioned shares.

DIRECTORS

68.1 Until the company in general meeting decides otherwise, the number of directors shall not be less than 4 (four).

68.2 A director shall not be required to hold any qualifying shares.

69.1 The directors shall be entitled to such remuneration as the company in general meeting may from time to time determine, which remuneration shall be divided among the directors in such proportions as they may agree, or in default of such agreement, equally, except that in such event any director holding office for less than a year shall only rank in such division in proportion to the period during which he has actually held office.

69.2 Such remuneration shall accrue to the directors from day to day.

69.3 Any director who:

69.3.1 serves on any executive or other committee; or

69.3.2 devotes special attention to the business of the company; or

69.3.3 goes or resides outside South Africa for the purpose of the company; or

69.3.4 otherwise performs or binds himself to perform services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director,

may be paid such extra remuneration or allowances in addition to or in substitution of the remuneration to which he may be entitled as a director, as a disinterested quorum of the directors may from time to time determine.

69.4 The directors shall also be paid all their travelling and other expenses necessarily expended by them in connection with:

69.4.1 the business of the company; and

69.4.2 attending meetings of the directors or of committees of the directors of the company.

70. Without prejudice to any contrary provisions in the articles, the office of a director shall be vacated in any of the following events:

70.1 if his estate is sequestrated or he assigns his estate or enters into a general compromise with his creditors;

70.2 if he is found to be or becomes of unsound mind;

70.3 if a majority of his co-directors sign and deposit at the office a written notice wherein he is requested to vacate his office (which shall become operative on deposit at the office) but without prejudice to any claim for damages;

70.4 if he be removed by a resolution of the company of which proper notice has been given in terms of the Act (but without prejudice to any claim for damages);

70.5 if he shall, pursuant to the provisions of the Act or any order made thereunder, be prohibited from acting as a director;

70.6 if he resigns his office by notice in writing to the company;

70.7 if:

70.7.1 he is absent from meetings of the directors for 6 (six) consecutive months without leave of the directors otherwise than on the business of the company; and

70.7.2 he is not represented at any such meetings during such 6 (six) consecutive months by an alternate director; and

70.7.3 the directors resolve that his office be, by reason of such absence, vacated,

provided that the directors shall have power to grant to any director leave of absence for a definite or indefinite period.

71. A director may hold any other office or place of profit under the company (except that of auditor) or any subsidiary of the company in conjunction with his office of director, for such period and on such terms as to remuneration (in addition to the remuneration to which he may be entitled as a director) and otherwise as a disinterested quorum of the directors may determine.

72. A director of the company may be or become a director or other officer of, or otherwise interested in, any company promoted by the company or in which the company may be interested as shareholder or otherwise and (except insofar as otherwise decided by the directors) he shall not be accountable for any remuneration or other benefits received by him as a director or officer of or from his interest in such other company,

73. Any director may act by himself or through his firm in a professional capacity for the company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a director.

74. A director who is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the company, shall declare the nature of his interest in accordance with the Act.

75.1 No director or intending director shall be disqualified by his office from contracting with the company with regard to:

75.1.1 his tenure of any other office or place of profit under the company or in any company promoted by the company or in which the company is interested;

75.1.2 professional services rendered or to be rendered by such director;

75.1.3 any sale or other transaction.

75.2 No such contract or arrangement entered into by or on behalf of the company in which any director is in any way interested is voidable.

75.3 No director so contracting or being so interested shall be liable to account to the company for any profit realised by any such appointment, contract or arrangement by reason of such director holding office or of the fiduciary relationship thereby established.

76. A director may not vote nor be counted in the quorum and if he shall do so his vote shall not be counted on any resolution for his own appointment to any other office or place of profit under the company or in respect of any contract or arrangement in which he is interested, but this prohibition shall not apply to:

76.1 any arrangement for giving to any director any security or indemnity in respect of money lent by him to or obligation undertaken by him for the benefit of the company; or

76.2 any arrangement for the giving by the company of any security to a third party in respect of a debt of obligation of the company which the director has himself guaranteed or secured; or

76.3 any contract by a director to subscribe for or underwrite shares or debentures of the company; or

76.4 any contract or arrangement with a corporation in which he is interested by reason only of being a director, officer, creditor or member of such corporation,

and these prohibitions may at any time be suspended or relaxed either generally, or in respect of any particular contract or arrangement, by the company in general meeting.

77.1 A contract which violates the terms of Article 76 can be ratified by the company in general meeting.

77.2 The terms of Article 76 shall not prevent a director from voting as a member at a general meeting at which a resolution in which he has a personal interest is tabled.

78.1 The directors may exercise the voting powers conferred by the shares held or owned by the company in any other company in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing themselves or any of them to be directors or officers of such other company or for determining any payment of or remuneration to the directors of officers of such other company.

78.2 A director may vote in favour of a resolution referred to in 78.1 for the exercise of the voting rights in the manner described in 78.1 notwithstanding that he may be, or is about to become, a director or other officer of such other company and for that or any other reason may be interested in the exercise of such voting rights in the manner aforesaid.

RETIREMENT OF DIRECTORS IN ROTATION

80.1.1 All the directors shall retire at the first annual general meeting and subject to Article 94 hereof and at every annual general meeting thereafter, one-third of the directors for the time being or if their number is not a multiple of 3 (three), then the number nearest to but not less than one-third shall retire from office.

80.1.2 The directors so to retire shall be those who have been longest in office since their last election, but in the case of persons who became directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

80.1.3 Notwithstanding anything herein contained, if at the date of any annual general meeting any director shall have held office for a period of 3 (three) years since his last election or appointment, he shall retire at such meeting either as one of the directors to retire by rotation or additionally thereto.

80.1.4 The length of time a director has been in office shall be computed from his last election, appointment or date upon which he was deemed re-elected.

80.1.5 A director retiring at a meeting shall retain office until the election of directors at that meeting has been completed.

81.1 Retiring directors shall be eligible for re-election.

81.2 No person, other than a director retiring at the meeting shall, unless recommended by the directors, be eligible for election to the office of a director at any general meeting, unless:

81.2.1 not more than 14 (fourteen), but at least 7 (seven) clear days before the day appointed for the meeting, there shall have been delivered at the office of the company a notice in writing by a member (who may also be the proposed director) duly qualified to be present and vote at the meeting for which such notice is given;

81.2.2 such notice sets out the member's intention to propose a specific person for election as director; and

81.2.3 notice in writing by the proposed person of his willingness to be elected is attached thereto (except where the proposer is the same person as the proposed).

82. Subject to the preceding article, the company may at the meeting at which a director retires, fill the vacated office by electing a person thereto and in default the retiring director, if willing to continue to act, shall be deemed to have been re-elected, unless -

82.1 it is expressly resolved at such meeting not to fill such vacated office; or

82.2 a resolution for the re-election of such director shall have been put to the meeting and rejected.

83.1 The company in general meeting or the directors may appoint any person as director either to fill a casual vacancy or as an additional director, but the total number of directors shall not at any time exceed the maximum number fixed by or in accordance with the articles.

83.2 A person appointed by the directors as a director in terms of 83.1:

83.2.1 shall retire at the following annual general meeting;

83.2.2 shall not be considered in determining the directors to retire by rotation; and

83.2.3 shall be eligible for re-election.

83.3 If the number of directors should become less than the permissible minimum in terms of the articles, the remaining directors may only act:

83.3.1 to fill any vacancies on the board of directors; or

83.3.2 to convene general meetings.

83.4 If the company in general meeting increases or reduces the number of directors, it may also determine in what rotation such increased or reduced number is to retire.

BORROWING POWERS

89.1 Subject to the provisions of 89.3 the directors may from time to time:

89.1.1 borrow for the purpose of the company such sums as they think fit;

89.1.2 secure the payment or repayment of any such sums or any other sum, as they think fit, whether by the creation and issue of debentures, mortgage or charge upon all or any of the property or assets of the company, including its uncalled or unpaid capital;

89.1.3 make such regulations regarding the transfer of debentures, the issue of certificates therefor (subject to Article 9 hereof) and all such other matters incidental to debentures as the directors think fit.

89.2 No special privileges as to:

89.2.1 allotment of shares in the company; or

89.2.2 the attending and voting at general meetings; or

89.2.3 the appointment of directors,

or otherwise, shall be given to the holders of debentures of the company save with the sanction of the company in general meeting.

89.3 The directors shall procure (but as regards subsidiaries of the company only insofar as by the exercise of voting and other rights or powers of control exercisable by the company they can procure) that the aggregate principal amount at any one time outstanding in respect of moneys so borrowed or raised by:

89.3.1 the company; and

89.3.2 all the subsidiaries for the time being of the company (excluding moneys borrowed or raised by any of such companies from any other of such companies but including the principal amount secured by any outstanding guarantees or suretyships given by the company or any of its subsidiaries for the time being for the share capital or indebtedness of any other company or companies whatsoever and not already included in the aggregate amount of the moneys so borrowed or raised),

shall not exceed the aggregate amount at that time authorised to be borrowed or secured by the directors of the company's holding company (if any) in respect of that holding company and all the then subsidiaries of that holding company, provided that no such sanction shall be required to the borrowing of any moneys intended to be applied and actually applied within 90 (ninety) days in the repayment (with or without any premium) of any moneys then already borrowed and outstanding and notwithstanding that new borrowing may result in the abovementioned limit being exceeded.

DIVIDENDS

110. The company in general meeting or the directors may from time to time declare a dividend.

111.1 No dividend shall be declared or paid except out of the profits of the company and no dividend shall bear interest against the company except as otherwise provided under the conditions of issue of the shares in respect of which such dividend is payable.

111.2 Dividends may be declared either free of or subject to the deduction of income tax and any other tax or duty in respect of which the company may be chargeable.

112.1 The directors may from time to time declare and pay to the members such interim dividends as the directors consider to be justified by the profits of the company.

112.2 The directors may also pay the fixed dividend payable on any shares of the company bearing a fixed dividend halt-yearly or on fixed dates, as the directors may deem fit.

113. Unless otherwise determined by the directors, dividends shall be declared payable to members registered as such on a date at least 14 (fourteen) days after the date of the declaration of the dividend.

114. No larger dividend shall be declared by the company in general meeting than is recommended by the directors, but the company in general meeting may declare a smaller dividend.

115. All unclaimed dividends may be invested or otherwise made use of by the directors for the benefit of the company until claimed, provided that dividends unclaimed for a period of 12 (twelve) years from the date on which they were declared may be declared forfeited by the directors for the benefit of the company.

117.1 Any dividend may be paid wholly or in part:

117.1.1 by the distribution of specific assets; or

117.1.2 by the issue of paid-up shares, debentures or securities of the company or of any other company; or

117.1.3 in cash,

or in any other way which the directors or the company in general meeting may at the time of declaring the dividend determine.

DISTRIBUTION OF CAPITAL PROFITS

121.1 The company in general meeting may upon the recommendation of the directors at any time resolve that any surplus moneys in the hands of the company representing capital profits arising from the realisation of any capital assets and not required for the payment of any fixed preferential dividend, shall be distributed amongst the ordinary shareholders on the basis that they receive the same as capital and in the same proportion in which they would have received it if it had been distributed by way of dividend.

121.2 No such profit shall be distributed unless the company shall have sufficient other assets to answer in full the liabilities and to cover the paid-up share capital of the company."

CORPORATE GOVERNANCE

1. INTRODUCTION

The board of directors is committed and subscribes to the values of good corporate governance contained in the King III Report on Governance for South Africa and the King Code of Governance Principles (jointly King III) which became effective on 1 March 2010. The Board endorses the principles of fairness, responsibility, transparency and accountability advocated by King III. In all dealings the Board applies a stakeholder inclusivity approach, ensuring the interests of the Company are foremost in their decisions, but subject always to proper consideration of the legitimate interests and expectations of relevant stakeholders.

2. STATEMENT OF COMPLIANCE

King III and the Listings Requirement require that listed companies report on the extent to which they have applied the principles incorporated in King III and to explain instances of non-compliance. Thus, where KAP has not applied King III principles, a relevant disclosure, supported by an explanation has been provided.

3. BOARD OF DIRECTORS

The Board is appointed by the Shareholders. The Board is responsible for the adoption of strategic plans; monitoring of operational performance and management; determination of policies and processes to ensure the integrity of the company's risk management and internal controls; communications policy; and director selection, orientation and evaluation.

These responsibilities are set out in the approved Board charter. To adequately fulfil their responsibilities, directors have unrestricted access to timely financial information, all Company information, records, documents, property, management and the company secretary. Directors are provided with guidelines regarding their duties and responsibilities as Directors and a formal orientation programme has been established to familiarise incoming Directors with information about the Group's business, competitive position and strategic plans and objectives.

The Board meets at least four times a year and additional meetings are held when non-scheduled matters arise. At all Board meetings, Directors declare their interests in contracts where applicable.

The Board comprises two executive directors and nine non-executive directors. The roles of the chairman (as a non-executive director) and the chief executive officer do not vest in the same person, and those of executive and non-executive directors are strictly separated to ensure no Director can exercise unfettered powers of decision-making. Major responsibilities of the Board include nomination of the chairman and chief executive officer and other Board members, a process which is conducted in a formal and transparent manner, and with agreement of the top management structures and management succession. The chairman is re-elected by the Board on an annual basis. The corporate board is responsible to Shareholders, but it conducts its affairs mindful of the interests of the Group's staff, customers, suppliers and the communities in which the Group pursues its business. Mr J B Magwaza was appointed as the lead independent non-executive director.

The members of the sub-committees to the Board are as follows:

Audit committee:

- K E Schmidt
- S H Nomvete
- U Schäckermann

Remuneration committee:

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

Transformation committee:

- J B Magwaza
- I N Mkhari

4. SOCIAL AND ETHICS COMMITTEE

The social and ethics committee is a formally-appointed advisory committee of the Board. The Board recognises that social and transformation issues, as well as investment in employees and communities, are critical for the long-term sustainability of the Group. The committee is tasked with developing and monitoring employment equity, diversity management, black economic empowerment (including gender equity) and social investment programmes.

This committee operates within defined terms of reference and comprises two independent non-executive directors and one executive director.

5. HUMAN RESOURCES AND REMUNERATION COMMITTEE

This committee performs the functions as envisaged in the guidelines set out in the King III Report. The remuneration committee comprises three non-executive Directors, two of whom are independent, and the chief executive officer. The committee operates within defined terms of reference and authority granted to it by the Board and meets at least twice a year. The committee is responsible for making recommendations to the Board on the Company's framework of executive remuneration and to determine specific remuneration packages for certain senior managers of the Group and recommend to the Board the packages for each of the executive Directors.

The committee is also responsible for the Group's remuneration policies and the awarding of incentives.

6. REPORT OF THE AUDIT AND RISK COMMITTEE

Audit and risk committee charter

The audit and risk committee (the committee) has a charter, approved by the Board, dealing with its membership, authority and responsibility, and acts as the audit and risk committee of KAP and its wholly-owned subsidiaries.

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

Attendance

The committee met twice during the year with full attendance by all members. The external and internal auditors have unrestricted access to this committee and attend committee meetings. The committee reviews detailed reports from both the external and internal auditors and the chairman of the committee reports on the findings of the internal and external auditors at Board meetings.

Confidential meetings

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

External auditors

The committee has formal rules regulating the services and conditions of usage of non-audit services provided by the external auditors governing, *inter alia*, compliance issues and taxation.

These rules are reviewed on an annual basis and all services by the external auditors are pre-approved by the committee. The committee is satisfied that the external auditor (Deloitte & Touche) is independent of the Company, and makes a recommendation annually on the appointment of the external auditors by the Shareholders and of the internal auditors by the Board. The committee considers and determines the terms of engagement and the fees of the external auditors on an annual basis.

Policy regarding non-audit services

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

Internal controls

The Group maintains internal controls and systems designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for its assets.

The committee considers the accounting policies, practices and financial statements to be appropriate.

Internal audit

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

Significant findings are reported to both executive management and the committee, and corrective action is taken to address identified internal control deficiencies. The committee approved a three-year internal audit plan, compiled using a risk-based approach and extensive consultation between the internal auditors and Group management, taking into consideration the identified risks affecting the Group. The coverage of the three-year plan is reviewed annually. The internal auditors attend all meetings of the committee.

Evaluation of chief financial officer

As required by Listings Requirement 3.84(h), as well as the recommended practice as per King III, the committee has assessed the competence and performance of the group chief financial officer and believes that he possesses the appropriate expertise and experience to meet his responsibilities in that position. The committee is satisfied with the expertise and adequacy of resources within the finance function and the experience of the divisional financial managers. Based on the processes and assurance obtained, the committee believes that the accounting practices are effective.

Risk

The committee reviews the Group risk registers along with management's action plans in this regard. The risk registers are updated at least annually.

The focus of risk management in KAP is on identifying, assessing, mitigating, managing and monitoring all known forms of risk across the Group. Management is involved in a continuous process of developing and enhancing its systems for risk identification and control. The risks to the business encompass such areas as world product prices, exchange rates, political and economic factors, legislation and national regulations, monetary policy, people skills, and general operational and financial risks. The major risks are the subject of the ongoing attention of the Board and are given particular consideration in the annual strategic plan approved by the Board.

The management of operational risk is a line function, conducted in compliance with a comprehensive set of Group policies and standards to cover all aspects of operational risk control. Performance is measured on a regular basis by means of audits by independent consultants. In addition, the Group promotes ongoing commitment to risk management and control by participating in externally organised risk management and safety systems.

Insurance cover on assets is based upon current replacement values. All risks are adequately covered, except where the premium cost is excessive in relation to the probability and extent of loss. The committee has approved a comprehensive risk management process designed to improve the risk maturity profile of the Group to become more compliant with the provisions of King III.

7. INSIDER TRADING

Directors and officers of the Group who have access to unpublished price-sensitive information are prohibited from dealing in the shares of the Company during defined restricted periods, including periods prior to the announcement of interim and final financial results.

8. SPONSOR

PSG Capital acts as sponsor for the Group, providing advice on the interpretation and compliance with the Listings Requirements and reviewing notices required in terms of the Company's articles of association and the JSE's rules and regulations.

9. FRAUD AND ILLEGAL ACTS

The Group does not engage in or accept or condone engagement in any illegal acts in the conduct of its business. The Group has established a toll-free, anonymous hotline through Tip-offs Anonymous for the reporting of any fraud or illegal acts.

10. MANAGEMENT REPORTING

Management reporting disciplines include the preparation of annual budgets by operating entities. Monthly results and the financial status of operating entities are reported against the approved budgets. Profit and balance sheet projections are reviewed regularly, while working capital and borrowing levels are monitored on an ongoing basis.

11. GOING CONCERN

The annual financial statements of the Company and Group annual financial statements for the year ended 30 June 2011 distributed to Shareholders on 31 October 2011 have been prepared on the going concern basis since the Directors have every reason to believe that the Company and Group have adequate resources in place to continue in operation for the foreseeable future.

12. COMPANY SECRETARY

All Directors have access to the advice and services of the Company Secretary and are entitled and authorised to seek independent and professional advice about the affairs of the Group at the Group's expense. The Company Secretary is responsible for the duties set out in the Companies Act.

13. INTEGRATED SUSTAINABILITY REPORT

In a committed effort to further enhance the transparency of its disclosures, the Company has produced its integrated sustainability report in accordance with the Global Reporting Initiative's (GRI) G3 guidelines for the financial year ending 30 June 2011. Where sensible, the reporting on sustainability issues has been integrated with the financial reporting and was distributed to Shareholders on 31 October 2011.

EXTRACTS OF THE AUDITED HISTORICAL FINANCIAL INFORMATION OF KAP FOR THE YEARS ENDED 30 JUNE 2011, 2010 AND 2009

INTRODUCTION

The consolidated statements of financial position, statements of comprehensive income, statements of changes in equity, cash flow statements and notes of KAP International Holdings Limited for the financial years ended 30 June 2009, 30 June 2010, 30 June 2011 have been extracted and compiled from the audited consolidated annual financial statements of KAP International Holdings Limited. The preparation of this Annexure VIII is the responsibility of the directors of KAP International Holdings Limited.

The historical financial information of KAP International Holdings Limited has been prepared in terms of IFRS and the Companies Act of South Africa and was audited by Deloitte & Touche, Registered Auditors and was reported on without qualification for all of the aforementioned financial periods.

INTERIM FINANCIAL REPORTING

Not more than nine months have elapsed since the end of the last financial year until the date of this Circular and therefore reviewed interim financial information is not required to be prepared and presented for the first six months ended subsequent to the group's latest financial year ended in addition to the historical financial information.

ADDITIONAL FINANCIAL INFORMATION

No other historical financial information has been made available to the group's holders of securities subsequent to the group's latest financial yearend.

CHANGE IN FINANCIAL YEAR END

There were no changes in the financial yearend of the group at any time during the reporting periods.

ADJUSTMENTS

There was no adjustments made to previously reported historical financial information used in preparing the report of historical financial information.

COMMENTARY

KAP International Holdings Limited is an investment company incorporated in the Republic of South Africa with interests in a diverse set of manufacturing businesses which operates principally in South Africa.

Revenue and earnings

Revenue for the year from continuing operations increased to R4,22 billion (2010: R3,84 billion; 2009: R3,84 billion) due to good growth in the automotive and PET divisions. Operating profit before restructuring costs improved by 34% to R265,9 million, which includes a profit of R41,7 million on the disposal of property, plant and equipment. Coupled with a reduction in interest, this resulted in headline earnings per share improving to 24,7 cents from 21,0 cents. Headline earnings per share from continuing operations also increased significantly to 32,7 cents from 22,7 cents in 2010.

Total comprehensive income of the group for the year was R 138.4 million (2010: R93.7 million; 2009: R33.0 loss). Earnings per share increased by 49% from 20,6 cents to 30,9 cents (2009: 8,8 cents loss).

Financial position and cash flow

Net interest-bearing borrowings decreased by a further R191,0 million to R134,6 million (2010: R325,6 million), and the year end interest-bearing debt/equity ratio was 9,1% (2010: 23,9%). Focus remains on operating cash flows and strict control of capital expenditure.

Capital distribution

In light of the improved cash flow, the Board has declared a final capital distribution of 10 cents per share, (2010: 7 cents; 2009: nil cents).

Operational overview

Feltex Automotive

Globally, vehicle sales have recovered but are still off their peak particularly in Europe and the USA. South African vehicle sales are showing a trend towards imported vehicles which now comprise 51% of local sales.

However, South African produced vehicles for the financial year have increased from 392 299 to 471 847 units. Exports account for 56% of the vehicles produced in South Africa. Most vehicles exported are destined for customers in Europe and North America – markets where sustained future economic growth is uncertain.

Industrial Footwear

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

Hosaf

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

Glodina

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

Jordan

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

Brenner Mills

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

Bull Brand Foods

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

CORPORATE ACTIVITY

During the 2011 the group sold its polyester staple fibre business in Cape Town. As a consequence of this sale the recycling plant in Alrode, which supplied feedstock to Cape Town Fibres, was closed.

No material corporate activity occurred during 2010. During 2009 the Feltex Auomotive Leathers division has been sold to Seton South Africa.

EVENTS AFTER THE LATEST REPORTING PERIOD

No events occurred after the latest reporting period that requires disclosure.

SUBSTANTIAL TRANSACTIONS

The group has not made a substantial acquisition/disposal, nor entered into any other substantial transaction or has entered into an agreement to make such a substantial acquisition/disposal or other substantial transaction subsequent to the last audited annual financial statements.

CAPITAL AND DIVIDENDS

KAP International Holdings Limited has authorised share capital of 1 200 million ordinary shares of 20 cents each of which 424.5 million to the total value of R 84.9 million were in issue throughout the period reported on. The total share premium is R 814.9 million at the end of the latest reporting period.

No dividends were declared during any of the reporting periods presented. The Board declared a final capital distribution of 10 cents per share, (2010: 7 cents; 2009: nil cents).

DIRECTORS

The directors at the date of this report are as follows:

P C T Schouten	*(Executive director)*
J P Haveman	*(Executive director)*
C E Daun	*(Non-executive director)*
M J Jooste	*(Non-executive director)*
J B Magwaza	*(Non-executive director)*
S H Nomvete	*(Non-executive director)*
I N Mkhari	*(Non-executive director)*
F Möller	*(Non-executive director)*
D M van der Merwe	*(Non-executive director)*
K E Schmidt	*(Non-executive director)*
U Schäckermann	*(Non-executive director)*

Secretary

M Balladon, B Com, CA(SA)

SUBSIDIARIES

Details of the group's subsidiaries are set out in the notes to the Annual Financial Statements.

DENOMINATION AND ROUNDING

All amounts are denominated in South African Rand ('R') and rounded to million ('m') unless stated otherwise.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2009, 30 June 2010 and 30 June 2011

	Notes	2011 R'm	2010 R'm	2009 R'm
ASSETS				
Non-current assets				
Property, plant and equipment	2	883,1	926,3	934,4
Investment property	3	19,5	19,4	5,5
Goodwill	4	66,7	66,7	66,7
Interests in joint ventures	5	24,4	22,7	22,1
Pension fund surplus	6	3,8	25,1	30,4
Deferred taxation assets	7	20,4	68,3	107,3
		1 017,9	1 128,5	1 166,4
Current assets				
Assets held for sale	8	9,2	12,5	60,0
Pension fund surplus	6	20,0	9,0	9,0
Inventories	9	729,8	646,3	675,8
Accounts receivable	10	730,0	612,0	538,3
SARS – income taxation receivable		–	0,1	0,6
Bank balances and cash	11	128,7	101,8	58,5
		1 617,7	1 381,7	1 342,2
Total assets		2 635,6	2 510,2	2 508,6
EQUITY AND LIABILITIES				
Capital and reserves				
Issued share capital	12	84,9	84,9	84,9
Share premium	13	814,9	844,6	844,6
Foreign currency translation reserve		0,2	–	–
Share-based payment reserve	14	2,2	1,0	–
Retained income	15	527,5	396,5	309,1
Equity attributable to equity holders of the parent		1 429,7	1 327,0	1 238,6
Non-controlling interest	16	42,1	37,7	33,5
Total equity		1 471,8	1 364,7	1 272,1
Non-current liabilities				
Interest-bearing borrowings	17	22,5	30,5	29,6
Retirement benefit obligations	18	9,7	10,6	11,3
Deferred taxation liabilities	7	24,4	20,6	23,8
		56,6	61,7	64,7
Current liabilities				
Accounts payable	19	812,5	633,4	588,5
Provisions	20	53,3	50,1	37,0
SARS – income taxation payable		0,6	3,4	2,5
Interest-bearing borrowings	17	22,2	72,7	193,5
Bank overdrafts	11	218,6	324,2	342,0
Liabilities directly associated with assets held for sale	8	–	–	8,3
Current liabilities		1 107,2	1 083,8	1 171,8
Total liabilities		1 163,8	1 145,5	1 236,5
Total equity and liabilities		2 635,6	2 510,2	2 508,60
Net asset value per share (cents)		336,8	312,6	291,8
Tangible net asset value per share (cents)		321,1	296,9	276,1

STATEMENT OF COMPREHENSIVE INCOME

for the years ended 30 June 2009, 30 June 2010 and 30 June 2011

	Notes	2011 R'm	2010 R'm	2009 R'm
Continuing operations				
Revenue	21	4 217,1	3 842,9	3 839,0
Cost of sales		(3 370,1)	(3 026,8)	(3 021,8)
Gross profit		847	816,1	817,2
Other operating income		26,1	13,1	18,1
Operating expenses		(641,5)	(626,4)	(682,8)
Operating profit before restructuring costs		231,6	202,8	152,5
Restructuring costs		(2,9)	(0,6)	(19,9)
Operating profit	22	228,7	202,2	132,6
Interest paid	23	(28,9)	(56,5)	(62,4)
Interest received	23	3,3	3,7	3,1
Other costs		–	–	(4,1)
Share of results of joint ventures	5	2,0	3,0	2,7
Profit before taxation		205,1	152,4	71,9
Taxation	24	(59,1)	(51,4)	(20,5)
Profit after taxation from continuing operations		146,0	101,0	51,4
Discontinued operations				
Revenue	21, 25	134,6	157,3	725,2
Operating profit (loss) before restructuring costs	25	34,3	(4,1)	(15,3)
Net loss from discontinued operations	25	(7,8)	(7,3)	(84,1)
Total profit (loss) for the year		138,2	93,7	(32,7)
Other comprehensive income (loss)				
Movement in foreign currency translation reserve		0,2	–	(0,3)
Total comprehensive income (loss) for the year		138,4	93,7	(33,0)
Profit (loss) attributable to:				
Owners of the company		131,0	87,4	(37,3)
Non-controlling interest		7,2	6,3	4,6
		138,2	93,7	(32,7)
Total comprehensive income (loss) attributable to:				
Owners of the company		131,2	87,4	(37,6)
Non-controlling interest		7,2	6,3	4,6
		138,4	93,7	(33,0)
Earnings per share		**Cents**	**Cents**	**Cents**
Earnings per share (basic and diluted)	26	30,9	20,6	(8,8)
Earnings per share – continuing operations		32,7	22,4	11,0
Headline earnings (loss) per share (basic and diluted)	26	24,7	21,0	(3,2)
Headline earnings per share – continuing operations		32,7	22,7	11,4
Dividends per share		0,0	0,0	0,0
Capital distributions per share		10,0	7,0	0,0

STATEMENT OF CHANGES IN EQUITY

for the years ended 30 June 2009, 30 June 2010 and 30 June 2011

	Share capital R'm	Share premium R'm	Foreign currency translation reserve R'm	Share-based payment reserve R'm	Retained income R'm	Non-controlling interest R'm	Total equity R'm
Balance at 1 July 2008	**84,9**	**844,6**	**0,3**	**–**	**346,4**	**32,5**	**1 308,7**
Profit for the year	–	–	–	–	(37,3)	4,6	(32,7)
Other comprehensive loss	–	–	(0,3)	–	–	–	(0,3)
Dividends paid to minorities	–	–	–	–	–	(3,6)	(3,6)
Balance at 30 June 2009	**84,9**	**844,6**	**–**	**–**	**309,1**	**33,5**	**1 272,1**
Movement	–	–	–	1,0	–	–	1,0
Profit for the year	–	–	–	–	87,4	6,3	93,7
Other comprehensive income	–	–	–	–	–	–	–
Dividends paid to minorities	–	–	–	–	–	(2,1)	(2,1)
Balance at 30 June 2010	**84,9**	**844,6**	**–**	**1,0**	**396,5**	**37,7**	**1 364,7**
Movement	–	–	–	1,2	–	–	1,2
Profit for the year	–	–	–	–	131	7,2	138,2
Other comprehensive income	–	–	0,2	–	–	–	0,2
Capital distribution	–	(29,7)	–	–	–	–	(29,7)
Dividends paid to minorities	–	–	–	–	–	(2,8)	(2,8)
Balance at 30 June 2011	**84,9**	**814,9**	**0,2**	**2,2**	**527,5**	**42,1**	**1 471,8**

STATEMENT OF CASH FLOWS

for the years ended 30 June 2009, 30 June 2010 and 30 June 2011

	Notes	2011 R'm	2010 R'm	2009 R'm
Cash flows from operating activities				
Cash receipts from customers		4 282,1	3 934,5	4 722,9
Cash paid to suppliers and employees		(4 012,1)	(3 637,5)	(4 354,8)
Cash generated from operations	28.1	270,0	297,0	368,1
Net interest paid		(32,7)	(54,2)	(77,5)
Taxation paid	28.2	(13,8)	(8,9)	(14,2)
Net cash inflow from operating activities		223,5	233,9	276,4
Cash flows from investing activities				
Purchase of property, plant and equipment				
To maintain operations		(49,6)	(34,2)	(68,4)
To expand operations		(11,9)	(29,1)	(189,0)
Capital incentive grants received		4,5	–	–
Proceeds on disposals of property, plant and equipment		56,6	18,4	19,8
Increase in loan to joint venture		(2,2)	(0,8)	(1,4)
Dividends received from joint venture		2,6	3,2	7,7
Proceeds on disposal of other investments		–	–	0,8
Net cash outflow from investing activities		–	(42,5)	(230,5)
Total cash flows from operating and investment activities		223,5	191,4	45,9
Cash flows from financing activities				
Capital distributions		(29,7)	–	–
Dividends and distributions paid to minorities		(2,8)	(2,1)	(3,6)
Net decrease in interest-bearing borrowings (excl bank overdrafts)		(58,5)	(128,2)	(114,0)
Decrease in interest-free borrowings		–	–	(27,0)
Net cash outflow from financing activities		(91,0)	(130,3)	(144,6)
Net increase (decrease) in cash and cash equivalents		132,5	61,1	(98,7)
Cash and cash equivalents at beginning of the year	11	(222,4)	(283,5)	(184,8)
Cash and cash equivalents at end of the year	11	(89,9)	(222,4)	(283,5)

SEGMENTAL ANALYSIS

for the years ended 30 June 2009, 30 June 2010 and 30 June 2011

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

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

Two operations (Hosaf fibres and recycling plants) were discontinued during the current reporting period. The segment information reported here includes disclosure relating to these discontinued operations as well as those operations discontinued in the prior reporting period. Please see Note 25 for further information relating to discontinued operations.

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

CONTINUING OPERATIONS

	External revenue R'm	Operating profit before re-structuring costs R'm	Depre ciation R'm	Impair-ments R'm	Total assets R'm	Total liabilities R'm	Capital expend-ture R'm	Govern-ment capital incentive R'm	Interest paid R'm	Interest received R'm	Income tax (expense) income R'm	Share of results of joint ventures R'm	Interest in joint ventures R'm
2011													
Industrial	2 712,7	189,2	(48,4)	–	1 775,7	1 335,8	38,3	(3,4)	(26,7)	3,3	(49,8)	2,0	24,4
Consumer	1 504,4	42,4	(18,7)	–	770,2	758,2	23,2	(1,1)	(2,2)	–	(9,3)	–	–
Other	–	–	–	–	353,8	282,4	–	–	–	–	–	–	–
Intra-group	–	–	–	–	(339,3)	(1 288,9)	–	–	–	–	–	–	–
	4 217,1	231,6	(67,1)	–	2 560,4	1 087,5	61,5	(4,5)	(28,9)	3,3	(59,1)	2,0	24,4
2010													
Industrial	2 339,8	146,5	(52,1)	(0,2)	1 571,1	1 208,3	38,5	–	(44,0)	3,7	(40,6)	2,9	21,8
Consumer	1 503,1	56,3	(14,5)	–	709,8	501,2	23,6	–	(12,5)	–	(10,8)	0,1	0,9
Other	–	–	–	–	121,8	186,8	0,9	–	–	–	–	–	–
Intra-group	–	–	–	–	(8,7)	(925,2)	–	–	–	–	–	–	–
	3 842,9	202,8	(66,6)	(0,2)	2 394,0	971,1	63,0	–	(56,5)	3,7	(51,4)	3,0	22,7
2009													
Industrial	2 184,3	82,0	(41,3)	(4,9)	1 633,7	1 244,4	231,2	–	(33,7)	1,6	(13,2)	2,5	21,3
Consumer	1 653,6	71,5	(12,2)	–	733,1	560,9	23,9	–	(28,7)	1,5	(7,3)	0,2	0,8
Other	1,1	(1,0)	(0,5)	–	38,0	202,8	1,5	–	–	–	–	–	–
Intra-group	–	–	–	–	–	(962,9)	–	–	–	–	–	–	–
	3 839,0	152,5	(54,0)	(4,9)	2 404,8	1 045,2	256,6	–	(62,4)	3,1	(20,5)	2,7	22,1

DISCONTINUING OPERATIONS

	External revenue R'm	Operating profit before re-structuring costs R'm	Depre ciation R'm	Impair-ments R'm	Total assets R'm	Total liabilities R'm	Capital expend-ture R'm	Govern-ment capital incentive R'm	Interest paid R'm	Interest received R'm	Income tax (expense) income R'm	Share of results of joint ventures R'm	Interest in joint ventures R'm
2011													
Industrial	134,6	35,4	(2,8)	(15,6)	66,0	76,3	–	–	(7,1)	–	(4,5)	–	–
Consumer	–	(1,1)	–	(2,1)	9,2	–	–	–	–	–	0,9	–	–
	134,6	34,3	(2,8)	(17,7)	75,2	76,3	–	–	(7,1)	–	(3,6)	–	–
2010													
Industrial	155,4	(4,1)	(3,9)	(4,0)	104,2	164,9	0,3	–	(1,4)	–	5,3	–	–
Consumer	1,9	–	(0,3)	–	12,0	9,5	–	–	–	–	–	–	–
	157,3	(4,1)	(4,2)	(4,0)	116,2	174,4	0,3	–	(1,4)	–	5,3	–	–
2009													
Industrial	57,7	(8,5)	(2,1)	(6,0)	84,8	185,5	0,8	–	(10,3)	–	19,9	–	–
Consumer	667,5	(6,8)	(3,2)	(8,5)	19,0	3,1	–	–	(8,8)	0,9	14,9	–	–
	725,2	(15,3)	(5,3)	(14,5)	103,8	188,6	0,8	–	(19,1)	0,9	34,8	–	–

The consumer and industrial segment provides diversified products to a broad spectrum of different customers.

Type of products and services from which each reportable segment derives its revenues are disclosed in the operation section of this integrated report.

Inter-segmental revenue earned by the industrial segment from the consumer segment amounted to R3,7 million for the year ended 30 June 2011 (2010: R3,4 million, 2009: R5,2 million). Inter-segmental revenues are eliminated.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

30 June 2011

KAP International Limited is a company incorporated in the Republic of South Africa under the Companies Act, as amended. The historical information is presented in South African Rands as it is the currency of the primary economic environment in which the group operates.

CHANGE IN ACCOUNTING POLICY

During the period reported on, the group had no changes in its accounting policies.

1. ACCOUNTING POLICIES

1.1 Basis of accounting

The historical information has been prepared in accordance with and complies with International Financial Reporting Standards and the AC500 standards issued by the Accounting Practices Board. The historical information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below. These policies are consistent in all material respects with those applied in the previous years.

1.2 Basis of consolidation

The group historical information comprises those of the parent company, its subsidiaries and jointly controlled entities, presented as a single economic entity.

1.2.1 Subsidiaries

Subsidiaries are those companies in which the group, directly or indirectly, has an interest of more than one-half of the voting rights or otherwise has power to exercise control over the operations. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to profit or loss in the year of acquisition. Non-controlling interests in the net consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the non-controlling interest in excess of the non-controlling interest are allocated against the interests of the parent. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. All intragroup transactions, balances, income and expenses are eliminated on consolidation. The company carries its investments in subsidiaries at cost less accumulated impairment losses.

1.2.2 Joint ventures

Joint ventures are those partnerships or jointly controlled entities over which there is a contractual agreement whereby the group and another party undertake an economic activity which is subject to joint control. In applying the equity method, account is taken of the group's share of accumulated retained earnings and movements in reserves from the effective dates on which the companies become joint ventures and up to the effective dates of disposal. The share of joint ventures' equity reserves is generally determined from their latest audited financial statements but in some instances unaudited interim results are used. The company carries its investments in joint ventures at cost less accumulated impairment losses.

1.3 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary or jointly controlled entity at the date of acquisition.

Goodwill is recognised as an asset and annually reviewed for impairment. A gain on bargain purchase is recognised immediately in comprehensive income.

For the purposes of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit *pro rata* on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent year.

On disposal of a subsidiary or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.4 Property, plant and equipment

Land and buildings comprise mainly factories and offices. All property, plant and equipment are shown at cost, less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All repairs and maintenance expenditures are charged to profit and loss in the statement of comprehensive income during the financial period in which they are incurred.

Assets held under finance leases are capitalised and depreciated over their expected useful lives on the same basis as owned assets or where shorter, the term of the relevant lease. Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life as follows:

• Buildings	40 – 50 years
• Plant and machinery	5 – 30 years
• Office equipment and furniture	3 – 16 years
• Computer equipment and software	3 – 4 years
• Vehicles	4 – 5 years
• Land is not depreciated	

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in profit and loss in the statement of comprehensive income.

1.5 Investment property

Investment property is shown at cost, less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of investment property. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to profit and loss in the statement of comprehensive income during the financial year in which they are incurred. Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life of 40 – 50 years.

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is shorter. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in profit and loss in the statement of comprehensive income.

1.6 Impairment of tangible and intangible assets

At each reporting date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-taxation discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in income immediately.

1.7 Investments

Investments are initially measured at cost, including transaction costs. Investments are classified as either held for trading or available for sale and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available for sale investments, gains and losses arising from changes in fair value are recognised in other comprehensive income. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is included in profit or loss for the period.

1.8 Inventory

Inventories are reported at the lower of cost and net realisable value. The principal bases of determining cost are the first-in, first-out method and the weighted average method. The cost of finished goods and work in progress includes direct costs and an appropriate allocation of overheads incurred in bringing the inventories to their present location and condition. Obsolete, redundant and slow-moving inventories are identified and valued at their estimated net realisable value. Net realisable value is the estimate of the selling price in the ordinary course of business, less the estimated costs of completion, selling and distribution expenses.

1.9 Trade receivables

Trade receivables do not carry any interest unless overdue and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

1.10 Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost, and are set off against bank overdrafts only where the group has a legal right of set-off due to cash management arrangements.

1.11 Financial instruments

Financial assets and financial liabilities are recognised on the group's statement of financial position when the group becomes a party to the contractual terms of the instrument. Financial instruments include cash and bank balances, investments, receivables, trade payables, borrowings, equity and derivative financial instruments.

The group manages short-term foreign currency exposures relating to trade imports and exports in terms of approved policy limits.

1.11.1 Financial assets

1.11.1.1 *Loans and receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

1.11.1.2 *Impairment of financial assets*

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

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

1.11.2 Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

1.11.3 Equity instruments

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

1.11.4 Derivative financial instruments

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The group uses foreign exchange forward contracts to hedge this exposure. The group does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the group's policies approved by the board of directors, which provide written principles on the use of financial derivatives.

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments are recognised in profits or loss.

1.11.5 Derecognition

Financial assets (or portions thereof) are derecognised when the group realises the rights to the specified in the contract, the rights expire or the group surrenders or otherwise loses control of the contractual rights that comprise the financial asset.

On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in other comprehensive income are included in profit or loss.

Financial liabilities (or portions thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

On derecognition, the difference between the carrying amount of the financial liability, including unamortised costs, and the amount paid for it is included in profit or loss.

1.12 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1.12.1 The group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the group's net investment in leases. Finance lease income is allocated to accounting years so as to reflect a constant periodic rate of the return on the group's net investment outstanding in respect of the leases.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.12.2 The group as lessee

Assets held under finances leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals payable under operating leases are charged to profit and loss in the statement of comprehensive income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as incentives to enter into an operating lease are also spread on a straight-line basis over the lease term.

1.13 Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit scheme. For defined benefit retirement schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised immediately in the year in which they arise.

Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average remaining period until the benefits become vested.

The post-retirement medical aid benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

1.14 Bank borrowings

Bank and other loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to profit and loss in the statement of comprehensive income using the effective interest rate method.

1.15 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event which is probable and will result in an outflow of economic benefits that can be reliably measured. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

1.16 Trade payables

Trade payables are stated at their nominal value.

1.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts, valued added taxation and other sales-related taxes.

Revenue on sale of goods is recognised when the risks and rewards of ownership pass.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease. Management fees are recognised on an accrual basis

1.18 Foreign currencies

1.18.1 Foreign currency transactions and balances

Transactions in currencies other than South African Rand are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the year, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity. In order to hedge its exposure to certain foreign exchange risks, the group enters into forward exchange contracts.

1.18.2 Foreign subsidiaries

On consolidation, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the year.

Exchange differences arising, if any, are classified as other comprehensive income and transferred to the group's translation reserve. Such translation differences are recognised in profit or loss in the year in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

1.20 Government grants

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

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

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

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

1.21 Research and development costs

Research and development expenditure is charged in profit and loss to the statement of comprehensive income in the period in which it is incurred.

1.22 Operating profit/(loss)

Operating profit/(loss) is stated after charging restructuring costs but before investment income, finance costs, the share of results of joint ventures and any gain on bargain purchase.

1.23 Taxation

Taxation expense represents the sum of the taxation currently payable and deferred taxation.

The taxation currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current taxation is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxation base used in the computation of taxable profit, and are accounted for using the liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred taxation is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred taxation is also dealt with in equity.

1.24 Share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at grant date.

The fair value is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which instruments are granted.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period based on the group's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

1.25 Segments

Business segments provide products and services that are subject to risks and returns that are different.

Segment assets include property, plant and equipment, investments, inventories, receivables, and cash and cash equivalents. Segment liabilities include all operating liabilities, short-term borrowings and non-current liabilities. Capital expenditure includes additions to property, plant and equipment.

1.26 Non-current assets held for sale and discontinued operations

An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Assets classified as held for sale are not subsequently depreciated and are held at the lower of the assets previous carrying amount and its fair value less costs to sell.

A discontinued operation is separate major line of business or geographical area of operation that has been disposed of, or classified as held for sale, as a single co-ordinated plan. Alternatively, it could be a subsidiary acquired exclusively with a view to resale.

1.27 Fair value methods and assumptions

The fair value of financial instruments traded in an organised financial market is measured at the applicable quoted prices, adjusted for any transactional costs necessary to realise the assets or settle the liabilities.

The fair value of instruments not traded in an organised financial market is determined using a variety of methods and assumptions that are based on market conditions and risks existing at the reporting date, including independent appraisals and discounted cash flow methods. The fair value determined is adjusted for any transactional costs necessary to realise the assets or settle the liabilities.

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values due to the short-term trading cycle of these items.

1.28 Distribution cover

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

1.29 Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

2. PROPERTY, PLANT AND EQUIPMENT

	Opening balance R'm	Additions R'm	Government capital incentives R'm	Disposals R'm	Transfers between fixed asset categories R'm	Transfers from assets held for sale R'm	Closing balance R'm
2011							
COST							
Land and buildings – owned	195,2	4,2	–	(8,8)	0,3	–	190,9
Plant and machinery – owned	877,3	44,9	(4,5)	(160,9)	9,0	1,3	767,1
Other assets – owned	89,1	12,4	–	(14,5)	6,5	–	93,5
Land and buildings – leased	0,3	–	–	–	–	–	0,3
Plant and machinery – leased	12,3	–	–	–	(11,4)	–	0,9
Other assets – leased	4,4	–	–	–	(4,4)	–	–
	1 178,6	61,5	(4,5)	(184,2)	–	1,3	1 052,7
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
Land and buildings – owned	(1,6)	(0,6)	0.2	–	(0,1)	–	(2,1)
Plant and machinery – owned	(189,5)	(55,9)	155,9	(14,8)	0,2	(1,0)	(105,1)
Other assets – owned	(55,8)	(13,4)	13,1	(0,8)	(4,4)	–	(61,3)
Land and buildings – leased	(0,3)	–	–	–	–	–	(0,3)
Plant and machinery – leased	(2,0)	–	–	–	1,2	–	(0,8)
Other assets – leased	(3,1)	–	–	–	3,1	–	–
	(252,3)	(69,9)	169,2	(15,6)	–	(1,0)	(169,6)
NET BOOK VALUE	926,3						883,1

	Opening balance R'm	Additions R'm	Disposals R'm	Impairments R'm	Transfers from assets held for sale R'm	Closing balance R'm
2010						
COST						
Land and buildings – owned	193,4	1,8	–	–	–	195,2
Plant and machinery – owned	847,5	42,9	(32,0)	–	18,9	877,3
Other assets – owned	88,8	9,5	(10,8)	–	1,6	89,1
Land and buildings – leased	0,3	–	–	–	–	0,3
Plant and machinery – leased	3,0	8,8	–	–	0,5	12,3
Other assets – leased	4,4	–	–	–	–	4,4
	1 137,4	63,0	(42,8)	–	21,0	1 178,6
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Land and buildings – owned	(1,1)	(0,5)	–	–	–	(1,6)
Plant and machinery – owned	(146,2)	(55,5)	30,2	–	(18,0)	(189,5)
Other assets – owned	(50,6)	(14,5)	10,0	(0,3)	(0,4)	(55,8)
Land and buildings – leased	(0,2)	(0,1)	–	–	–	(0,3)
Plant and machinery – leased	(1,8)	(0,2)	–	–	–	(2,0)
Other assets – leased	(3,1)	–	–	–	–	(3,1)
	(203,0)	(70,8)	40,2	(0,3)	(18,4)	(252,3)
NET BOOK VALUE	934,4					926,3

	Opening balance R'm	Additions R'm	Disposals R'm	Impair-ments R'm	Transfers between asset categories R'm	Transfers from assets held for sale R'm	Closing balance R'm
2009							
COST							
Land and buildings – owned	211,2	22,3	(12,5)	–	(13,1)	(14,5)	193,4
Plant and machinery – owned	744,3	216,3	(11,9)	–	0,3	(101,5)	847,5
Other assets – owned	83,0	16,5	(5,6)	–	9,3	(14,4)	88,8
Land and buildings – leased	0,5	–	–	–	–	(0,2)	0,3
Plant and machinery – leased	5,4	1,3	(2,0)	–	(0,3)	(1,4)	3,0
Other assets – leased	4,6	–	–	–	(0,2)	–	4,4
	1 049,0	256,4	(32,0)	–	(4,0)	(132,0)	1 137,4
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
Land and buildings – owned	(5,1)	(0,5)	2,1	–	0,2	2,2	(1,1)
Plant and machinery – owned	(169,8)	(43,4)	7,5	(14,9)	(0,1)	74,5	(146,2)
Other assets – owned	(40,7)	(14,4)	4,4	(4,1)	(0,2)	4,4	(50,6)
Land and buildings – leased	(0,3)	(0,1)	–	–	–	0,2	(0,2)
Plant and machinery – leased	(2,9)	(0,7)	0,8	–	0,1	0,9	(1,8)
Other assets – leased	(2,6)	(0,2)	–	(0,4)	0,1	–	(3,1)
	(221,4)	(59,3)	14,8	(19,4)	0,1	82,2	(203,0)
NET BOOK VALUE	827,6						934,4

Details of freehold land and buildings of the group are recorded in registers which may be inspected by the members or their duly authorised agents, at the group's corporate head office. Certain items of plant and machinery and other assets are encumbered as security for liabilities of the group as set out in note 17. There were no changes in the nature of property, plant and equipment and any change in policy regarding the use thereof.

The market value of land and buildings is R487,5 million (2010: R560,8 million; 2009: R595,2 million) based on an index-based valuation performed by independent valuators Rode and Associates (Pty) Limited. The market value of land and buildings reduced in comparison to 2010 due to disposals of discontinued operations. Borrowing costs capitalised to the cost of plant and equipment during the year amounted to R0,3 million (2010: R nil; 2009: R18,1 million) at the prime overdraft rate.

3. INVESTMENT PROPERTY

	Opening balance R'm	Additions R'm	Transfers from held for sale assets R'm	Closing balance R'm
2011				
COST				
Land and buildings	20,5	0,1	–	20,6
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
Land and buildings	(1,1)	–	–	(1,1)
NET BOOK VALUE	19,4			19,5

	Opening balance R'm	Additions R'm	Transfer from owner occupied property R'm	Transfers from held for sale assets R'm	Closing balance R'm
2010					
COST					
Land and buildings	6,5	0,3	–	13,7	20,5
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Buildings	(1,0)	–	–	(0,1)	(1,1)
NET BOOK VALUE	5,5				19,4
2009					
COST					
Land and buildings	1,5	1,0	4,0	–	6,5
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Buildings	(0,9)	–	(0,1)	–	(1,0)
NET BOOK VALUE	0,6				5,5

Details of investment property of the group are recorded in registers which may be inspected by the members or their duly authorised agents, at the group head office. There are no material restrictions on realising the value of investment property. There are no material contractual obligations to acquire or develop investment property. The market value of investment property with a carrying value of R13,5 million (2010: R13,5 million; 2009: R0,6 million) was determined as being R26,1 million (2010: R29,1 million; 2009: R2,6 million) as determined by independent valuation. The remaining investment property was valued at R16 million (2010: no valuation done). Rental income of R1,8 million (2010: R1,3 million; 2009: R1,1 million) was received and direct expenses of R1,4 million (2010: R1,6 million; 2009: R1,0 million) were incurred in respect of investment property.

	2011 R’m	2010 R’m	2009 R’m

4. GOODWILL

	2011 R’m	2010 R’m	2009 R’m
Cost			
Opening balance	66,7	66,7	60,5
Acquired through business combination	–	–	6,2
Closing balance	66,7	66,7	66,7
Carrying value	66,7	66,7	66,7

The goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit that is expected to benefit from that business. Goodwill is assessed for impairment annually, irrespective of whether or not there is any indication of impairment.

The recoverable amount of the cash-generating unit is determined by a value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rates and growth rates. Management estimates the discount rates using pre-taxation rates that reflect current market assessments of the time value of money and the risk specific to the cash-generating unit. The growth rate is based on the industry growth rate. Cash flow forecasts were used in the value in use calculation.

The group prepared cash flow forecasts derived from the most recent financial budgets approved by management for the next year and extrapolated cash flows for the following years based on the estimated growth rate.

Impairment tests for cash-generating units containing goodwill are based on the following assumptions:

	Discount rate 2011	Forecast cash flows 2010	Discount rate 2011	Forecast cash flows 2010	Discount rate 2009	Forecast cash flows 2009	Goodwill 2011 R’m	Goodwill 2010 R’m	Goodwill 2009 R’m
Caravelle Carpets	8,5%	20 years 5% growth rate	8,5%	5 years, 5% growth rate	13,6%,	7 years 5% growth rate	4,9	4,9	4,9
Brenner Mills	8,5%	20 years 5% growth rate	8,5%	20 years 5% growth rate	13,6%	7 years 10% growth rate	61,8	61,8	61,8
							66,7	66,7	66,7

Goodwill arose in the business combinations because the cost of the business combinations included a control premium paid to acquire the above entities.

In addition, the consideration paid included amounts in relation to the benefit of expected synergies, revenue growth, future market development and knowledgeable and experienced employees.

	2011 R'm	2010 R'm	2009 R'm
5. INTERESTS IN JOINT VENTURES			
Unlisted			
Shares at cost	10,8	10,8	10,8
Add: Post-acquisition equity-accounting earnings (net of dividends)	3,1	3,6	3,8
Carrying value of investments before loans	13,9	14,4	14,6
Unsecured loans to joint ventures	10,5	8,3	7,5
Carrying value including loans receivable	24,4	22,7	22,1
Directors' valuation	24,4	22,7	22,1

Details of the group's interest in joint ventures are as follows:

	Percentage holding			Cost			Post acquisition reserves			Loans to			Net carrying amount		
	2011 %	2010 %	2009 %	2011 R'm	2010 R'm	2009 R'm	2011 R'm	2010 R'm	2009 R'm	2011 R'm	2010 R'm	2009 R'm	2011 R'm	2010 R'm	2009 R'm
Rieter Feltex Automotive Manufacturing (Pty) Limited[1]	49	49	49	9,6	9,6	9,6	3,3	2,8	(0,4)	–	–	–	12,9	12,4	9,2
Rieter Feltex (Pty) Limited[1]	–	–	49	–	–	–	–	–	4,6	–	–	–	–	–	4,6
Futuris Feltex (Pty) Limited[1]	50	50	50	–	–	–	(1,0)	0,2	(0,8)	10,5	8,3	7,5	9,5	8,5	6,7
Cell Captive Number 22 of Guardrisk Insurance Company Limited[2]	50	50	50	1,2	1,2	1,2	0,8	0,6	0,4	–	–	–	2,0	1,8	1,6
				10,8	10,8	10,8	3,1	3,6	3,8	10,5	8,3	7,5	24,4	22,7	22,1

Nature of business of the joint venture:

[1] Automotive; and

[2] Insurance captive.

Rieter Feltex Automotive Manufacturing (Pty) Limited has a 31 December year end and unaudited results have been included in the historical financial information.

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

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

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

	2011 R'm	2010 R'm	2009 R'm
Summarised financial information			
The group's share of the assets, liabilities and results of operations of joint venture companies is summarised as follows:			
Income statement			
Revenue	66,6	67,3	70,8
Net profit before taxation	3,6	5,2	5,2
Taxation	(1,6)	(2,2)	(2,5)
Net profit after taxation	2,0	3,0	2,7
Equity and liabilities			
Share capital and premium	0,9	0,9	0,7
Non-distributable reserves	–	–	0,7
Distributable reserves	13,0	13,6	13,1
Long-term liabilities	11,1	11,0	14,0
Deferred taxation	1,8	2,1	2,0
Current liabilities	23,7	25,2	14,0
Total equity and liabilities	50,5	52,8	44,5
Assets			
Property, plant and equipment	18,8	19,0	20,8
Other current assets	19,3	20,6	9,6
Deferred taxation	0,3	–	–
Cash and cash equivalents	12,1	13,2	14,1
Total assets	50,5	52,8	44,5

6. PENSION FUND SURPLUS

	2011 R'm	2010 R'm	2009 R'm
Balance at beginning of the year	34,1	39,4	48,4
Investment returns (losses)	1,9	2,8	(0,1)
Utilised for contribution holiday	(12,2)	(8,1)	(8,9)
Total	23,8	34,1	39,4
Less: Current portion	(20,0)	(9,0)	(9,0)
Non-current portion	3,8	25,1	30,4

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

	2011 R'm	2010 R'm	2009 R'm
7. DEFERRED TAXATION			
Deferred taxation is attributable as follows:			
Deferred taxation assets	20,4	68,3	107,3
Deferred taxation liabilities	(24,4)	(20,6)	(23,8)
Net deferred taxation (liability)/asset	(4,0)	47,7	83,5
Deferred tax asset at beginning of the year	47,7	83,5	53,8
Movement during the period attributable to:			
temporary differences	(51,7)	(35,8)	29,7
Deferred tax (liability) asset at end of the year	(4,0)	47,7	83,5
The balance consists of the following temporary differences:			
Property, plant and equipment	(176,7)	(153,7)	(136,7)
Taxation losses	147,8	177,1	192,6
Provisions	26,8	26,1	28,1
Pre-payments	(1,9)	(1,8)	(0,5)
	(4,0)	47,7	83,5

The group has an estimated tax loss of R53,6 million (2010: R nil million; 2010: R3,6 million) for which no deferred taxation asset has been recognised.

	2011 R'm	2010 R'm	2009 R'm
8. ASSETS AND LIABILITIES HELD FOR SALE			
Disposal group assets and liabilities			
Property, plant and equipment	9,2	11,6	36,1
Remeasurement of disposal group allocated to property, plant and equipment	–	–	(15,9)
Inventory	–	0,9	26,1
Total assets of disposal group	9,2	12,5	46,3
Short-term interest-bearing loans	–	–	8,3
Total liabilities of disposal group	–	–	8,3
Non-current assets held for sale			
Investment property	–	–	13,7
Total non-current assets held for sale	–	–	13,7
Total assets classified as held for sale	9,2	12,5	60,0
Total liabilities associated with assets classified as held for sale	–	–	8,3

Disposal group assets

Disposal group assets comprise of assets of the Bull Brand fresh meat division as well as assets of Feltex Automotive Leathers division in earlier years. Due to volatile and lower beef prices, a decision was taken in 2009 to either close or dispose of the fresh meat division. With the global economic downturn particularly affecting the high-end vehicles for which Feltex Automotive Leathers provides leather, a decision was taken in 2009 to either close or dispose of the division.

	2011 R'm	2010 R'm	2009 R'm
9. INVENTORIES			
Raw materials	187,2	148,8	231,4
Finished goods	335,1	317,1	331,4
Work-in-progress	45,8	54,0	66,8
Consumable stores	28,8	30,7	26,5
Goods in transit	143,2	109,8	65,0
Less: Provision for obsolescence	(10,3)	(14,1)	(19,2)
Reclassified as assets held for sale	–	–	(26,1)
Carrying value	729,8	646,3	675,8
Included in the amounts above are the following inventories held at net realisable value	62,4	67,4	72,5

The cost of inventories recognised as an expense during the year in respect of continuing operations was R2 806,1 million (2010: R2 606,2 million; 2009: R2 541,0 million).

The cost of inventories recognised as an expense includes R28,4 million (2010: R0,8 million: 2009: R1,8 million) in respect of write-downs of inventory to net realisable value. The current year write-down of inventory was incurred on sale of the Hosaf fibres and recycling plants.

	2011 R'm	2010 R'm	2009 R'm
10. ACCOUNTS RECEIVABLES			
Trade receivables	633,2	563,6	497,9
Less: Provision for impairment of trade receivables	(8,5)	(21,1)	(17,8)
Pre-payments and deposits	19,3	12,4	11,4
SARS – VAT	18,9	20,8	22,5
Other receivables	66,8	35,4	24,3
Net forward exchange contract assets	0,3	0,9	–
	730,0	612,0	538,3

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

	2011 R'm	2010 R'm	2009 R'm
Movement on the provision for impairment of trade receivables is as follows:			
Balance at the beginning of the year	21,1	17,8	8,2
(Charge to)/Release from profit and loss	(12,6)	3,3	9,6
Balance at the end of the year	8,5	21,1	17,8
Ageing of impaired accounts receivable			
0 – 30 days	1,4	1,4	0,3
31 – 60 days	0,3	0,5	7,4
61 – 90 days	0,2	0,1	0,8
91 – 120 days	1,7	1,9	3,3
120+ days	4,9	17,2	6,0
Total	8,5	21,1	17,8

At 30 June 2011 receivables of R102,9 million (2010: R76,2 million; 2009: R77,5 million) were past due but not impaired. These relate to customers who do not have a recent history of default.

	2011 R'm	2010 R'm	2009 R'm
The period by which these debtors exceed their payment terms is shown below:			
0 – 30 days	61,7	28,0	44,2
31 – 60 days	22,7	20,4	11,3
61 – 90 days	11,6	23,2	10,2
91 – 120 days	1,5	1,9	11,3
120+ days	5,4	2,7	0,5
Total	102,9	76,2	77,5

The total past due receivables covered by credit insurance amounts to R38,8 million (2010: R28,1 million 2009: R17,8 million). Past due receivables relate largely to high-quality customers including listed corporates. The net carrying values of receivables are considered a close approximation of their fair values.

There are no material loan receivables by the group. No loans were made or security furnished by the company or by any of its subsidiaries for the benefit of any director or manager, or any associate of any director or manager.

	2011 R'm	2010 R'm	2009 R'm
11. CASH AND CASH EQUIVALENTS			
Bank balances and cash	128,7	101,8	58,5
Bank overdraft	(218,6)	(324,2)	(342,0)
	(89,9)	(222,4)	(283,5)

Bank balances and cash comprise of cash held by the group as well as credit bank balances. The carrying amount of these assets equals their fair value.

Bank overdrafts are payable on demand.

At 30 June 2011 the group had the following facilities and cross-suretyships:

FirstRand Bank Limited

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

The Standard Bank of South Africa Limited

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

Nedbank Limited

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

Investec Bank Limited

Short-term banking facility of R35 million and a USD5 million FEC facility secured by an unlimited cross-suretyship in favour of the bank by, KAP International Holdings Limited, Bull Brand Foods (Pty) Limited, Dano Textile Industries (Pty) Limited, Hosaf Recycling (Pty) Limited and KAP Investments (Pty) Limited.

	2011 R'm	2010 R'm	2009 R'm
12. ISSUED SHARE CAPITAL			
All share numbers refer to ordinary shares with a par value of 20 cents each			
Authorised (number of shares)			
Ordinary shares	1 200,0	1 200,0	1 200,0
Issued (number of shares)			
Balance at the beginning and end of the year	424,5	424,5	424,5
Unissued ordinary shares of the company are under the control of the board of directors who has the authority to issue and allot shares at its discretion.			
Issued			
Balance at the beginning of the year	84,9	84,9	84,9
There were no shares or convertible securities issued in the latest or preceding two years.			
13. SHARE PREMIUM			
Balance at the beginning of the year	844,6	844,6	844,6
Capital distributions	(29,7)	–	–
	814,9	844,6	844,6
14. SHARE-BASED PAYMENT RESERVE			
Balance at the beginning of the year	1,0	–	–
Movement for the year	1,2	1,0	–
Balance at the end of the year	2,2	1,0	–

KAP performance share plan

The KAP performance share plan, adopted by the shareholders in April 2007, authorises the company to allocate up to 42 447 000 share appreciation rights (SARs) to senior employees of the group (to a maximum for one participant of 2,5% of the company's issued ordinary share capital), in managerial and leadership roles, who are able to influence the performance of the group. The allocation value of SARs will be within a range of 10% to 100% of each participant's total cost to company (excluding annual performance bonuses), which percentage depends on the participant's position and potential within the company. The cost of the SARs is 20 cents per share.

The number of shares corresponding to the SARs is determined by dividing the allocation value by the excess of the volume weighted average traded price of KAP Shares on the JSE (for the thirty days immediately prior to any allocation date) over the nominal value of the shares (currently 20 cents). Shares are allocated on 1 July of each year.

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

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

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

The significant assumptions relating to the scheme per allotment are as follows:

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

Fair value of share options and assumptions:

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

	30 June 2011	30 June 2010	30 June 2009
Reconciliation of operations granted under the KAP performance share plan:			
Balance at the beginning of the period (number of options)	28,4	18,0	8,7
Options which expired during the period	(9,3)	(4,0)	–
Granted during the period	8,7	14,4	9,3
Balance at the end of the period (number of options)	27,8	28,4	18,0
Charge to profit or loss (R'm)	1,2	1,0	–

	2011 R'm	2010 R'm	2009 R'm
15. RETAINED INCOME/(ACCUMULATED LOSS)			
Company	(144,2)	(144,8)	(144,0)
Subsidiaries	668,6	537,7	449,3
Joint ventures	3,1	3,6	3,8
	527,5	396,5	309,1
16. NON-CONTROLLING INTEREST			
Represented by Feltex Fehrer (Pty) Limited (26% minority):			
Balance at the beginning of the year	37,7	33,5	32,5
Share of net profit for the year	7,2	6,3	4,6
Dividends paid	(2,8)	(2,1)	(3,6)
Balance at the end of the year	42,1	37,7	33,5
17. INTEREST-BEARING BORROWINGS			
17.1 Long-term liabilities comprise:			
Secured loans	44,7	49,0	43,0
Unsecured loans	–	54,2	180,1
	44,7	103,2	223,1
Less: Current portion	(22,2)	(72,7)	(193,5)
Non-current portion	22,5	30,5	29,6

	2011 R'm	2010 R'm	2009 R'm
17.2 Secured loans comprise:			
Finance leases	9,8	10,5	3,0
Secured over:			
Plant and machinery with a book value of	3,8	11,2	4,2
Interest rate (%)	6,8-8,0	8,2-9,0	8,8-9,5
Repayable in monthly instalments of	0,5	0,4	0,2
Last payment	2014	2013	2012
Instalment sale agreements	34,9	38,5	40,0
Secured over:			
Plant and machinery with a book value of	61,0	62,4	90,1
Interest rate (%)	6,5-8,8	7,5-10,3	9-11,3
Repayable in monthly instalments of	1,5	1,4	1,2
Last payment	2014	2014	2013
Total secured loans	44,7	49,0	43,0
17.3 Unsecured loans comprise:			
The Hongkong and Shanghai Banking Corporation Limited (HSBC)	–	54,2	104,2
Interest rate (%)	–	11,0	11,1
Repayable in monthly instalments of	–	4,2	4,2
Last payment	–	2011	2011
	–	54,2	104,2

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

	2011 R'm	2010 R'm	2009 R'm
Contingent purchase liability	–	–	41,8

This liability arose on the acquisition of the 60% interest in Brenner Mills (Pty) Limited during 2007 which was settled in the prior period.

	2011 R'm	2010 R'm	2009 R'm
Loans from related parties	–	–	34,1
Canvas & Tent (Pty) Limited	–	–	3,5
Directors of Brenner Mills (Pty) Limited	–	–	30,2
Other related parties	–	–	0,4
The above loans bore interest at Prime –1,8% to Prime –3%. These loans were settled in September 2009.			
Total unsecured loans	–	54,2	180,1

Details of borrowings are reflected above. The only material borrowing is the loan from HSBC. All borrowings arose from the purchase of assets. Finance leases and instalment sale agreements are secured over the individual items of property, plant and equipment acquired and are each individually immaterial. Interest and repayment terms are reflected above per category. All borrowings are to be repaid out of operating cash flows.

	2011 R'm	2010 R'm	2009 R'm
17.4 Reconciliation of the total minimum lease payments to the parent value of finance leases			
Minimum lease payments:			
Up to one year	5,8	4,7	5,2
Two to five years	4,9	6,9	7,2
More than five years	–	–	–
Total minimum lease payments	10,7	11,6	12,4
Future finance charges	(0,9)	(1,1)	(9,4)
Present value	9,8	10,5	3,0
Analysed as follows:			
Up to one year	5,1	4,2	1,2
Two to five years	4,7	6,3	1,8
More than five years	–	–	–

18. RETIREMENT BENEFIT OBLIGATIONS

18.1 Post-retirement medical benefits

	2011 R'm	2010 R'm	2009 R'm
Balance at beginning of the year	10,6	11,3	11,7
Interest cost	0,9	1,0	1,2
Contributions paid	(1,3)	(1,4)	(1,5)
Actuarial gains	(0,5)	(0,3)	(0,1)
Balance at end of the year	9,7	10,6	11,3

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

	2011 %	2010 %	2009 %
Healthcare cost inflation	7,0	7,0	7,0
Discount rate	8,5	9,2	9,0
Percentage married at retirement	90,0	90,0	90,0
Retirement age	63 years	63 years	63 years

Actuarial valuations are performed on an annual basis. The latest actuarial valuation of medical subsidies was carried out by independent actuaries as at 30 June 2011. The main actuarial assumption is that the group continues to provide subsidies at current levels, but subject to annual review.

18.2 Defined contribution plans

The group contributes to a number of defined contribution plans, the assets of which are held in separate trustee-administered funds. The pension plans are funded by payments from employees and the relevant group companies. The funds cover eligible employees other than those employees who opt to be or are required by legislation to be members of various industry funds.

During the period the majority of eligible employees belonged to one of the following funds:

KAP International Retirement Fund, Dano Textile Industries Staff Provident Fund, Hosaf Provident Fund, Leather Industry Provident Fund, KAP International Provident Fund, KAP International Pension Fund, Feltex Retirement Fund, ABSA Umbrella Fund and the SACCAWU Provident Fund.

The retirement benefit plans are governed by the Pension Funds Act, No 24 of 1956 (Act 24 of 1956), as amended.

All of the funds are defined contribution plans.By the nature of these funds, they are not subject to actuarial review.

The group contributions in respect of retirement benefit obligations amounted to R33,6 million (2010: R31,8 million; 2009: R35,6 million).

	2011 R'm	2010 R'm	2009 R'm
19. ACCOUNTS PAYABLE			
Trade payables	725,1	555,5	481,1
Accruals	53,8	52,6	63,2
Other payables	22,2	20,9	16,4
SARS – VAT	9,3	4,4	6,6
Forward exchange contract liabilities	2,1	–	21,2
	812,5	633,4	588,5

Credit periods obtained vary widely among the operations. No significant interest is charged on trade payables. The group has credit risk policies in place to ensure that all payables are paid within the agreed terms. The directors consider that the carrying value of accounts payable approximates fair value.

20. PROVISIONS

2011	Opening balance R'm	Amounts added/ (released) R'm	Amounts utilised R'm	Closing balance R'm
Leave pay and bonuses	49,9	29,3	(25,9)	53,3
Warranties	0,2	(0,2)	–	–
	50,1	29,1	(25,9)	53,3

2010	Opening balance R'm	Amounts added/ (released) R'm	Amounts utilised R'm	Closing balance R'm
Discontinued operations	2,5	–	(2,5)	–
Leave pay and bonuses	34,5	39,7	(24,3)	49,9
Warranties	–	0,2	–	0,2
	37,0	39,9	(26,8)	50,1

2009	Opening balance R'm	Additional provisions raised/ (released) R'm	Utilised during the year R'm	Closing balance R'm
Discontinued operations	–	2,5	–	2,5
Environmental rehabilitation	0,2	(0,2)	–	–
Leave pay and bonuses	37,9	16,3	(19,7)	34,5
Warranties	0,4	(0,4)	–	–
Contingencies fair valued in business combination	3,7	(3,7)	–	–
	42,2	14,5	(19,7)	37

Discontinued operation

Provision related to retrenchment costs of the Bull Brands fresh meat division which was closed.

Contingencies fair valued in business combination:

Contingent liabilities arising on the acquisition of Brenner Mills were recognised as a provision in 2009 and were based on the fair value of the contingent liability at acquisition date.

Leave pay and bonuses

Leave pay is calculated on a total cost-to-company basis. Bonuses are calculated according to the rules of pre-approved incentive schemes.

Warranties

The provision for warranties was based on a general provision of 2% of auto kit sales for the last four months before year end, and 100% of return advices not yet credited and other actual disputes.

	2011 R'm	2010 R'm	2009 R'm
21. REVENUE			
The group's revenue comprises mainly of sale of goods	4 351,7	4 000,2	4 564,2
– continuing operations	4 217,1	3 842,9	3 839,0
– discontinued operations	134,6	157,3	725,2

22. OPERATING PROFIT/(LOSS)

Operating profit/(loss) for both continuing and discontinued operations includes the following items which require separate disclosure:

	2011 R'm	2010 R'm	2009 R'm
Income			
Government incentives received			
– Production incentive subsidy	4,4	–	–
– Small and Medium Enterprise Development Programme	–	2,1	1,6
– Sector Education and Training Authority	1,6	1,3	2,9
Profit on disposal of property, plant and equipment	41,7	3,0	2,6
Returns on pension fund surplus	1,9	2,8	(0,1)
Net subsidiary impairment reversals and loan write-offs	–	–	–
Expenses			
Audit fees			
– current period	4,6	4,3	5,8
– prior year under provision	0,3	0,1	0,3
– other services	1,8	1,8	1,6
Bad debts	6,9	3,9	
Depreciation on property, plant and equipment (refer note 2 for breakdown)	69,9	70,8	59,3
Foreign exchange losses	19,7	8,3	18,7
Fees paid to non-employees			
– administrative services	0,2	0,2	0,7
– technical services	11,0	11,5	10,7
– secretarial services	0,2	0,2	0,2

	2011 R'm	2010 R'm	2009 R'm
Impairment of inventory	28,4	0,8	1,8
Impairments			
– plant and machinery	17,7	4,2	19,4
Loss on fair value of biological assets	–	–	4,1
Loss on re-measurement of disposal group	–	–	15,9
Operating lease charges			
– land and buildings	8,4	14,4	5,9
– plant and equipment	4,2	5,0	5,3
– other assets	6,5	5,2	2,3
Research and development	0,3	0,1	0,8
Staff costs			
– salaries and wages	494,5	462,5	518,1
– termination costs	3,5	4,1	22,8
– company contributions to retirement funds	33,6	31,8	35,6
– share-based payments	1,2	1,0	–

23. FINANCE COSTS

	2011 R'm	2010 R'm	2009 R'm
Interest paid	(36,3)	(57,9)	(80,5)
– bank overdrafts	(26,4)	(49,9)	(74,4)
– finance leases and instalment sale agreements	(2,7)	(2,8)	(5,1)
– related parties	–	–	(0,5)
– loans	–	(1,2)	(0,5)
– other	(7,2)	(4,0)	–
Amounts included in the cost of qualifying assets	0,3	–	18,1
	(36,0)	(57,9)	(62,4)
Interest received	3,3	3,7	3,1
– subsidiaries and related parties	0,4	–	–
– other	2,9	3,7	3,1
Net finance costs	(32,7)	(54,2)	(59,3)

	2011 R'm	2010 R'm	2009 R'm
24. TAXATION			
South African normal taxation:			
– current taxation – current year	10,0	9,1	14,9
– current taxation – prior year	–	0,3	0,1
– deferred taxation – current year	50,5	31,5	(25,9)
– deferred taxation – prior year	1,1	4,3	(3,8)
– Secondary Taxation on Companies	1,1	0,9	0,4
Taxation charged (credit) for the year	62,7	46,1	(14,3)
Continuing operations	59,1	51,4	20,5
Discontinued operations	3,6	(5,3)	(34,8)
	%	%	%
Reconciliation of taxation rate (continuing and discontinued operations):			
Standard rate	28,0	28,0	28,0
Adjusted for:			
– non-taxable income and non-deductible expenses	1,0	(0,6)	(2,6)
– taxation attributable to joint ventures	(0,3)	(0,6)	(1,6)
– adjustments in respect of previous years	(0,5)	5,5	7,9
– deferred taxation in respect of taxation losses foregone	3,8	0,1	1,9
– capital gains taxation	(1,3)	–	(2,3)
– Secondary Taxation on Companies	0,5	0,6	(0,9)
Effective rate	31,2	33,0	30,4

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

25. LOSS FROM DISCONTINUED OPERATIONS

	2011 R'm	2010 R'm	2009 R'm
Revenue	134,6	157,3	725,2
Cost of sales	(120,9)	(136,6)	(695,3)
Gross profit	13,7	20,7	29,9
Other operating income	42,9	8,2	–
Operating expenses	(22,3)	(33,0)	(45,2)
Operating profit/(loss) before restructuring costs	34,3	(4,1)	(15,3)
Restructuring costs	(31,4)	(7,1)	(69,5)
Operating profit/(loss)	2,9	(11,2)	(84,8)
Interest paid	(7,1)	(1,4)	(19,1)
Interest received	–	–	0,9
Loss on re-measurement of disposal groups	–	–	(15,9)
Loss before taxation	(4,2)	(12,6)	(118,9)
Taxation on discontinued operations	(3,6)	5,3	34,8
Net loss after taxation	(7,8)	(7,3)	(84,1)
Cash flows from discontinued operations			
Net cash flows from operating activities	(42,6)	11,4	122,2
Net cash flows from investing activities	54,2	14,4	11,4
Net cash flows from financing activities	(12,9)	(23,8)	14,4
	(1,3)	2,0	148,0

The Hosaf fibres and recycling plant was sold during 2011.

The Feltex Automotive Leathers and Bull Brand fresh meat divisions were classified as discontinued operations in the 2010 and 2009 reporting periods. Please see Note 8 for further detail.

Assets and liabilities of these operations that qualify as held for sale in terms of IFRS 5 have been disclosed in note 8.

Both industrial and consumer segments contain discontinued operations.

	2011 R'm	**2010 R'm**	**2009 R'm**
26. EARNINGS PER SHARE			
Earnings			
Net profit/(loss) per the statement of comprehensive income	131,0	87,4	(37,3)
Number of shares			
Weighted average number of ordinary shares in issue for the purposes of earning and headline earnings per share (millions)	424,5	424,5	424,5
Effective of dilutive potential ordinary shares (share options in millions)	–	–	–
Weighted average number of ordinary shares in issue (millions)	424,5	424,5	424,5
– diluted earnings	131,0	87,4	(37,3)
Earnings/(Loss) per share (cents)	30,9	20,6	(8,8)
Diluted earnings/(loss) per share (cents)	30,9	20,6	(8,8)
Reconciliation between earnings and headline earnings			
Earnings			
Net profit/(loss) per the statement of comprehensive income	131,0	87,4	(37,3)
Adjustments			
Impairments			
– gross	17,7	5,6	19,4
– taxation effects	(5,0)	(1,6)	(5,4)
Loss on re-measurement of disposal group			
– gross	–	–	15,9
– taxation effect	–	–	(4,5)
Profit on disposal of property, plant and equipment			
– gross	(41,7)	(3,0)	(2,6)
– taxation effect	2,7	0,8	0,7
Headline earnings/(loss)	104,7	89,2	(13,8)
Headline earnings/(loss) per share (cents)	24,7	21,0	(3,2)
27. DISTRIBUTIONS PER SHARE			
Distributions declared and paid	29,7	–	–
Total distributions paid in cash	29,7	–	–
Distributions declared and paid (cents)	7,0	–	–

After 30 June 2011 the Board declared a distribution of 10 cents per share (R42,4 million) (2010: 7 cents per share (R29,7 million); 2009 nil).

	2011 R'm	2010 R'm	2009 R'm

28. STATEMENT OF CASH FLOWS

28.1 Cash generated from operations

	2011 R'm	2010 R'm	2009 R'm
Reconciliation of profit/(loss) before taxation to cash generated from operations			
Profit/(Loss) before taxation	200,9	139,8	(47,0)
Adjusted for:			
Depreciation	69,9	70,8	59,3
Impairments	17,7	4,2	19,4
Pension fund surplus movement	10,3	5,3	9,0
Net finance costs	32,7	54,2	77,5
Profit on disposal of property, plant and equipment	(41,7)	(3,0)	(2,6)
Decrease in retirement benefit obligation	(0,9)	(0,7)	(0,4)
Decrease in fair value of biological assets	–	–	4,1
Share-based payment reserve movement	1,2	1,0	–
Loss on re-measurement of disposal group	–	–	15,9
Movement in foreign currency translation reserve	0,2	–	(0,3)
Income from joint ventures	(2,0)	(3,0)	(2,7)
Unwinding of discount on business combination	–	–	4,1
Operating cash flows before working capital changes	288,3	268,6	136,3
Working capital changes			
(Increase)/Decrease in inventory and biological assets	(82,6)	44,1	223,9
(Increase)/Decrease in accounts receivable	(118,0)	(73,7)	181,9
Increase/(Decrease) in accounts payable and provisions	182,3	58,0	(174,0)
Cash generated from operations	270,0	297,0	368,1

28.2 Taxation paid

	2011 R'm	2010 R'm	2009 R'm
Amounts unpaid at beginning of the year	(3,3)	(1,9)	(0,7)
Charged to the statement of comprehensive income (net of deferred tax)	(11,1)	(10,3)	(15,4)
Amounts unpaid at end of the year	0,6	3,3	1,9
	(13,8)	(8,9)	(14,2)

29. DIRECTORS' EMOLUMENTS

2011	**Basic salary R'000**	**Company contributions R'000**	**Bonuses R'000**	**Total R'000**
Executive directors**				
P C T Schouten	1 995	520	855	3 370
J P Haveman	1 303	322	559	2 184
Total	3 298	842	1 414	5 554

All remuneration was paid by the holding company.

Non-executive directors**	Service	R'000
C E Daun*	Chairman	160
M J Jooste#	Member of human resources and remuneration committee	95
J B Magwaza	Chairman of human resources and remuneration, and transformation committees	162
S H Nomvete	Member of audit and risk committee	98
I N Mkhari	Member of human resources and remuneration, and transformation committees	110
F Möller+		70
D M van der Merwe#		80
K E Schmidt	Chairman of audit and risk committee	159
U Schäckermann	Member of audit and risk committee	111
Total		1 045

Non-executive directors**	Service	R'000
Other prescribed officers		
D Konar	Previous chairman of audit and risk committee	42
A B la Grange#	Previous member of audit and risk committee	14
Total		56

* Paid to Daun & Cie AG.

** No persons other than the executive and non-executive directors and members of the audit and risk committee of KAP International Holdings Limited were identified as prescribed officers of the company.

Paid to Steinhoff.

+ Paid to KAP Textile Holdings SA Limited.

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

No changes in directors' shareholding have occurred between the end of the financial year and the date of this report.

There were no service contracts with directors of the company with a notice period of greater than one year and with compensation on termination of greater than one year's salary.

No options or conditional options have been granted to non-executive directors.

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

2010 Executive directors	Basic salary R'000	Company contributions R'000	Bonuses R'000	Total R'000
P C T Schouten	1 657	353	–	2 010
J P Haveman	1 278	251	–	1 529
Total	2 935	604	–	3 539

All remuneration was paid by the holding company.

Non-executive directors	Service	R’000
C E Daun*	Chairman	160
M J Jooste#	Member of human resources and remuneration committee	95
J B Magwaza	Chairman of human resources and remuneration, and Transformation committees	162
S H Nomvete	Member of audit and risk committee	98
I N Mkhari	Member of human resources and remuneration, and transformation committees	100
F Möller+		70
D M van der Merwe#		80
K E Schmidt	Member of audit and risk committee	29
U Schäckermann	Member of audit and risk committee	19
Total		813

Non-executive directors**	Service	R’000
Officers		
D Konar	Chairman of audit and risk committee	100
A B la Grange#	Member of audit and risk committee	18
Total		118

* Paid to Daun & Cie AG.

\# Paid to Steinhoff.

\+ Paid to KAP Textile Holdings SA Limited.

	Beneficial direct	Beneficial indirect	Total	%
Directors’ shareholding (number of shares)				
C E Daun	–	174 807 101	174 807 101	41,2
P C T Schouten	1 000 000	–	1 000 000	0,2

No changes in directors’ shareholding have occurred between the end of the financial year and the date of this report.

There were no service contracts with directors of the company with a notice period of greater than one year and with compensation on termination of greater than one year’s salary.

No options or conditional options have been granted to non-executive directors.

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

2009 Executive directors	Basic salary R’000	Company contributions R’000	Bonuses R’000	Total R’000
P C T Schouten	1 710	316	192	2 218
J P Haveman	1 240	227	104	1 571
Total	2 950	543	296	3 789

All remuneration was paid by the holding company.

Non-executive directors	Service	R'000
C E Daun*	Chairman	160
M J Jooste#	Member of human resources and remuneration committee	95
J B Magwaza	Chairman of human resources and remuneration, and Transformation committees	162
S H Nomvete	Member of audit and risk committee	98
I N Mkhari	Member of human resources and remuneration, and transformation committees	110
F Möller+		80
D M van der Merwe#		80
Total		785
Officers		
D Konar	Chairman of audit and risk committee	100
A B la Grange#	Member of audit and risk committee	18
Total		**118**

* Paid to Daun & Cie AG.

\# Paid to Steinhoff.

\+ Paid to KAP Textile Holdings SA Limited.

	Beneficial direct	Beneficial indirect	Total	%
Directors' shareholding (number of shares)				
C E Daun	–	174 607 101	174 607 101	41,1
J B Magwaza	–	1 300 000	1 300 000	0,3
S H Nomvete	–	12 090 000	12 090 000	2,8
I N Mkhari	–	12 090 000	12 090 000	2,8
P C T Schouten	2 000 000	–	2 000 000	0,5
J P Haveman	1 608 250	–	1 608 250	0,4

There are no service contracts with directors of the company with a notice period of greater than one year and with compensation on termination of greater than one year's salary.

Conditional options granted to directors in terms of the Daun share option scheme were as follows:

(Refer to note 14 for details of share scheme).

	Total options granted 31 December 2004 million shares R'000	Options taken up by 30 June 2009 million shares R'000	Options unvested by 30 June 2009 million shares R'000	Options remaining 30 June 2009 million shares R'000
P C T Schouten	8,0	8,0	–	–
J P Haveman	2,0	2,0	–	–
Total	10,0	10,0	–	–

No options or conditional options have been granted to non-executive directors.

There are no other expense allowances, other contributions, commissions or share options in the company or other material benefits.

30. FOREIGN EXCHANGE DERIVATIVE INSTRUMENTS AND FOREIGN CURRENCY RISK MANAGEMENT

Foreign exchange risk management

The group utilises currency derivatives to eliminate or reduce the exposure of its foreign currency denominated assets and liabilities, and to hedge future transactions and cash flows. The group is party to foreign currency forward exchange contracts in the management of its exchange rate exposure. The instruments purchased are primarily denominated in the currencies of the group's principal markets. As a matter of policy, the group does not enter into derivative contracts for speculative purposes.

30.1 Foreign forward exchange contracts

Foreign forward exchange contracts are used by the group to manage its exposure to foreign exchange fluctuations. At the end of the year, open contracts were marked to market and resulted in the following financial assets or liabilities. The amount has been included in accounts receivable and accounts payable.

30.2 Foreign forward exchange assets/(liabilities)

At the reporting date, the group had contracted to buy the following amounts under forward exchange contracts in respect of future commitments which expire at various dates:

2011	**FEC value R'm**	**Estimated market value R'm**	**FEC (liabilities) assets R'm**	**Average contract rate USD**
USD	207,4	205,4	(2,0)	6,91
EUR	45,1	45,4	0,3	9,90
GBP	5,1	5,0	(0,1)	11,23
	257,6	255,8	(1,8)	

2010	**FEC value R'm**	**Estimated market value R'm**	**FEC (liabilities) assets R'm**	**Average contract rate**
USD	(187,4)	(189,3)	1,9	7,46
EUR	(33,0)	(31,9)	(1,1)	9,93
GBP	(4,9)	(5,0)	0,1	11,40
	(225,3)	(226,2)	0,9	

2009	**FEC value R'm**	**Estimated market value R'm**	**FEC (liabilities) assets R'm**	**Average contract rate**
USD	(163,5)	(145,0)	(18,5)	8,84
EUR	(27,9)	(25,6)	(2,3)	12,04
GBP	(8,1)	(7,7)	(0,4)	13,48
	(199,5)	(178,3)	(21,2)	

30.3 Uncovered foreign currency balances

The following unhedged and uncovered foreign assets relating to accounts receivable were in existence at the end of the year:

	Foreign amount			Rate			Rand amount		
	2011 'm	2010 'm	2009 'm	2011 R	2010 R	2009 R	2011 'm	2010 'm	2009 'm
USD	1,3	0,9	0,4	6,83	7,65	8,25	8,8	6,6	3,3
EUR	–	–	0,3	–	9,34	12,33	–	0,1	3,7
GBP	–	–	0,1	–	–	14,00	–	–	1,4
AUD	0,1	–	–	7,26	–	6,67	0,4	–	0,2
							9,2	6,7	8,6

The following unhedged and uncovered foreign liabilities relating to accounts payables were in existence at the end of the year:

	Foreign amount			Rate			Rand amount		
	2011 'm	2010 'm	2009 'm	2011 R	2010 R	2009 R	2011 'm	2010 'm	2009 'm
USD	1,7	2,7	0,7	6,83	7,65	7,86	11,4	21,2	5,5
EUR	–	0,3	0,2	9,85	9,34	13,00	0,4	2,6	2,6
							11,8	23,8	8,1

30.4 Uncovered foreign currency balances

The post-taxation impact on the statement of comprehensive income as at 30 June 2011 as a result of fluctuations in currency exchange rates, with all other variables held constant, would have been as follows:

	Movement	2011 R'm	2010 R'm	2009 R'm
Potential impact on earnings with a 10% increase				
USD	10%	(0,3)	(1,4)	(0,2)
EUR	10%	–	(0,3)	0,1
GBP	10%	–	–	0,1
Potential impact on earnings with a 10% decrease				
USD	10%	0,3	1,4	0,2
EUR	10%	–	0,3	(0,1)
GBP	10%	–	–	(0,1)

The table above assumes a 10% increase (decrease) of the functional currency against the foreign currency using the asymmetric method where a 10% increase of the currency is calculated using a ratio of 1,1 whereas a 10% decrease of the currency is calculated using a ratio of 0,9. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2010 and 2009.

	2011 R'm	2010 R'm	2009 R'm
31. CAPITAL COMMITMENTS			
Capital expenditure authorised by directors.			
Contracted	30,0	8,0	15,7
Not yet contracted	80,9	49,4	35,2
	110,9	57,4	50,9

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

32. OPERATING LEASE COMMITMENTS

At the reporting date, the group had outstanding commitments under non-cancellable operating leases with a term of more than one year, which fall due as follows:

	2011 R'm	2010 R'm	2009 R'm
33. CAPITAL COMMITMENTS			
Within one year	25,2	27,7	15,2
In the second to fifth year inclusive	54,4	42,8	24,8
Over five years	2,0	2,3	1,0
	81,6	72,8	41,0

34. OPERATING LEASE RECEIVABLES

At the reporting date, the group had outstanding receivables under non-cancellable operating leases pertaining to investment property with a term of more than one year, which is due as follows:

	2011 R'm	2010 R'm	2009 R'm
Within one year	3,8	0,8	0,7
In the second to fifth year inclusive	7,3	0,4	0,9
Over five years	–	–	–
	11,1	1,2	1,6

35. JUDGEMENTS AND ESTIMATES

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

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions which have significant risk of causing material adjustment to the carrying amounts of assets and liabilities during the next financial year are discussed below.

Useful lives and residual values

The estimated useful lives for property, plant and equipment are:

- Buildings 40 – 50 years
- Plant and machinery 5 – 30 years
- Furniture 3 – 16 years
- Computer equipment 3 – 4 years
- Vehicles 4 – 5 years

Land is not depreciated.

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

Impairment of assets

Goodwill, property, plant and equipment and loans and receivables are assessed annually for impairment.

Deferred taxation assets

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

Contingent liabilities

Management applied its judgement to the 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 whether the obligation is recognised as a liability or disclosed as a contingent liability.

Valuation of share-based payment benefits

Management classifies the KAP performance share-based payment scheme as an equity-settled scheme based on the assessment of the role of the group and that of the employees in the transaction. In applying its judgement, management has consulted with external expert advisers in the accounting and share-based payment advisory industry. The critical assumptions as used in the valuation model are detailed in note 14.

Post-employment benefit obligations

Management consulted with expert external advisors in the accounting and post-employment benefit obligation industry in applying its judgement with respect to post-employment benefit obligations. The critical estimates as used in each benefit plan are detailed in note 18.

Assets held for sale

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

36. RELATED PARTIES

36.1 Related entities

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

The following entities other than joint ventures have been identified as having a Related Party relationship due to common shareholding or significant influence over KAP International Holdings Limited as a result of representation by the shareholder or its representative on the board of directors of the companies and their subsidiaries.

KAP Textile Holding SA Limited (subsidiary of Daun & Cie AG) and its subsidiaries or associates

Mooi River Home Textiles (Pty) Limited

Union Spinning Mills (Pty) Limited

SA Fine Worsteds (Pty) Limited

Courthiel Holdings (Pty) Limited (Related Party of Daun & Cie AG) and its subsidiaries

Wellington Industries (Pty) Limited

African Hide Trading (Pty) Limited

Court Fabrics and Yarns (Pty) Limited

Taaiboschbult Feedlot (Pty) Limited

Daun & Cie AG and its subsidiaries

KAP Beteiligungs AG

Other

Loungefoam (Pty) Limited

Companies controlled by the non-executive directors of KAP International Holdings Limited

Messrs I N Mkhari and S H Nomvete

Motseng Investment Holdings (Pty) Limited

Motseng Outsourced Services (Pty) Limited

Steinhoff Africa Holdings (Pty) Limited

Steinhoff Africa Holdings (Pty) Limited and its subsidiaries have been identified as related parties by virtue of the common directorships and significant influence they possess in respect of their shareholding of KAP International Holdings Limited.

The group transacts with the abovementioned companies in the normal course of business.

36.2 Transactions and balances

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

	2011 R'm	2010 R'm	2009 R'm
Sales of goods to			
KAP Textile Holdings Limited	6,4	6,8	20,3
Rieter Feltex automotive Manufacturing (Pty) Limited	5,9	6,1	9,9
Motseng Investment Holdings (Pty) Limited	19,9	11,8	21,6
Steinhoff Africa Holdings (Pty) Limited and subsidiaries	0,7	1,3	0,6
SA Fine Worsteds (Pty) Limited	–	–	1,2
Futuris Feltex (Pty) Limited	2,4	3,0	1,2
Other	3,2	2,0	0,3
	38,5	31,0	55,1
Management fees received from			
Rieter Feltex Automotive Manufacturing (Pty) Limited	–	1,0	1,0
Futuris Feltex (Pty) Limited	–	0,5	0,5
	–	1,5	1,5
Purchase of goods and services from			
African Hide Trading (Pty) Limited	4,4	1,7	3,6
Steinhoff Africa Holdings (Pty) Limited	0,7	0,4	9,9
Futuris Feltex (Pty) Limited	46,7	41,8	32,4
Unitrans Freight (Pty) Limited	12,3	9,2	–
Other	–	–	0,1
	64,1	53,1	46,0
Interest received from			
Courthiel Holdings (Pty) Limited	–	–	0,5
Futuris Feltex (Pty) Limited	0,4	–	–
	0,4	–	0,5

	2011 R'm	2010 R'm	2009 R'm
Rent paid to			
Courthiel Holdings (Pty) Limited	–	0,4	0,3
KAP Textile Holdings SA Limited	0,2	–	–
UKW Properties (Pty) Limited	–	0,2	0,1
Wellington Industries (Pty) Limited	0,5	–	0,1
	0,7	0,6	0,5

Sale of property

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

During 2009 Bull Brand Foods (Pty) Limited disposed of one of its feedlots to Taaiboschbult Feedlot (Pty) Limited for a consideration of R18,0 million, including equipment and feed.

Purchase of equipment

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

	2011 R'm	2010 R'm	2009 R'm
Related party balances at year end			
Accounts receivable			
KAP Textile Holdings SA Limited	–	2,9	1,1
Motseng Investment Holdings (Pty) Limited	1,7	0,6	7,4
Futuris Feltex (Pty) Limited	2,8	0,6	–
Rieter Feltex (Pty) Limited	0,6	0,6	0,1
Steinhoff Africa Holdings (Pty) Limited and subsidiaries	0,6	–	0,6
Other	–	0,3	0,4
	5,7	5,0	9,6
Account payable			
Steinhoff Africa Holdings (Pty) Limited and subsidiaries	2,3	1,9	0,6
Futuris Feltex (Pty) Limited	1,0	8,0	2,5
	3,3	9,9	3,1

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

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

36.3 Compensation of key management personnel

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity and included the following individuals in the various entities/divisions: Managing director, financial director/equivalent, production director/equivalent and sales director/equivalent.

The remuneration of the directors and other members of key management during the year were as follows:

	2011 R'm	2010 R'm	2009 R'm
Short-term benefits	63,2	57,3	43,5
Post-employment benefits	–	0,3	–
Share-based payments	1,2	1,0	–
Termination benefits	0,5	0,9	0,5
	64,9	59,5	44,0

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

36.4 Directors

The directors named in the attached Directors' Report each held office as a director of the company as indicated.

F Möller is the managing director of KAP Beteiligungs AG, a company controlled by Daun & Cie AG.

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

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

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

36.5 Transactions with entities in the group

The company and subsidiaries within the group advanced, received and repaid loans to other entities in the group during the current year and previous financial period.

The company and subsidiaries also transacted with each other during the year in the normal course of business. All material intra-group transactions have been eliminated on consolidation.

A list of the group's subsidiaries and joint ventures are provided in note 5 and 40, respectively.

	2011 R'm	2010 R'm	2009 R'm
Transactions with entities in the group			
Interest received from			
Feltex Holdings (Pty) Limited	–	0,7	27,8
	–	0,7	27,8
Management fees receive from			
Dano Textile Industries (Pty) Limited	–	0,6	0,9
Bull Brand Foods (Pty) Limited	–	–	3,7
Feltex Holdings (Pty) Limited	17,7	23,0	14,6
Brenner Mills (Pty) Limited	–	–	2,1
	17,7	23,6	21,3

Balance at year end:

Loan balances – see detailed disclosure note 41.

37. CONTINGENT LIABILITIES AND GUARANTEES

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

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

At year end, the net overdraft position of the group amounted to R89,9 million (2010: R222,4 million, 2009: R283,5 million).

Various South African banks have issued guarantees amounting to R10,9 million (2010: R11,1 million, 2009: R9,6 million) in favour of third parties on behalf of the group.

If certain operations ceased, certain effluent dams utilised by the group would be required to be rehabilitated. No provision has been made for this rehabilitation, as there is no intention to cease operations and future costs, if any, cannot be reliably measured.

Brenner Mills, along with a number of other respondents, is under investigation by the Competition Tribunal in respect of alleged price fixing in the white maize milling industry. As the alleged price fixing occurred before the acquisition by KAP of Brenner Mills, any potential administrative penalty payable is recoverable from the vendors of the shares in Brenner Mills (Pty) Limited in terms of the share sale agreement. At the date of the annual financial statements, the outcome of the investigation is uncertain and therefore the financial effect cannot be determined.

38. FINANCIAL INSTRUMENTS

The group uses financial instruments to raise finance for its operations and to manage the risks arising from these operations. All transactions in derivatives are undertaken to manage the risks arising from underlying business activities. The main financial risks faced by the group are interest rate and exchange rate related.

38.1 Capital risk management

The group manages its capital to ensure that the entity will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of debt and equity attributable to equity holders of the parent and related parties, comprising issued capital, share premium and retained earnings as disclosed in the statement of changes in equity.The gearing ratio at the year end was as follows:

	2011 R'm	2010 R'm	2009 R'm
Debt	263,3	427,4	573,4
Bank balances and cash	(128,7)	(101,8)	(58,5)
Net debt	134,6	325,6	514,9
Equity	1 471,8	1 364,7	1 272,1
Net debt to equity ratio	9,1%	23,9%	40,5%

38.2 Credit risk management

Potential concentrations of credit risk relate mainly to accounts receivable, other loans and bank and cash balances.

Trade accounts receivable consist of a large widespread customer base. The group divisions monitor the financial position of accounts receivable based on management's best estimate for doubtful debts, using the history of bad debts.

At year end management believes that any material credit risk exposure was covered by the bad debt provision. Certain divisions have taken out third party cover over trade accounts receivable.

The group's cash equivalents are placed with high-quality financial institutions. With regard to foreign exchange contracts, the group's exposure is on the full amount of the foreign currency receivable on settlement. The group minimises the risk by limiting the counterparties to a group of major banks and does not expect to incur any loss as a result of non-performance by these counterparties.

The carrying amount of financial assets recognised in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

38.3 Treasury risk management

Management of the liquidity structure of the group's assets, liabilities and commitments ensures that cash flows are sufficiently balanced. Measures have been introduced to ensure that the cash flow information received is accurate and complete.

The group only deposits cash surpluses with major banks or group companies of high quality credit standing.

38.4 Liquidity and interest rate management

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 200 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 200 basis points higher or lower and all other variables were held constant, the group's profit for the year ended 30 June 2011 would decrease or increase by R3,3 million (2010: R6,5 million, 2009: R10,3 million). This is mainly attributable to the group's exposure to interest rates on its variable rate borrowings. The group's sensitivity to interest rates has decreased during the current period mainly due to the decrease in variable rate debt instruments.

2011	**Interest rate %**	**Year 1 R'm**	**Years 1 – 5 R'm**	**Over 5 years R'm**	**Total R'm**
Assets					
Pension fund surplus	7,1%	20,0	3,8	–	23,8
Loan to joint ventures	Interest free	–	10,5	–	10,5
Accounts receivable	Interest free	711,1	–	–	711,1
Cash and cash equivalents	3,0%	128,7	–	–	128,7
		859,8	14,3	–	874,1

2011	**Interest rate %**	**Year 1 R'm**	**Years 1 – 5 R'm**	**Over 5 years R'm**	**Total R'm**
Liabilities					
Finance leases	6,8% – 8,0%	5,1	4,7	–	9,8
Instalment sale agreements	6,5% – 8,8%	17,2	17,7	–	34,9
Accounts payable	Interest free	803,2	–	–	803,2
Bank overdrafts	7,55% – 8,75%	218,6	–	–	218,6
		1 044,1	22,4	–	1 066,5

2010	Interest rate %	Year 1 R'm	Years 1 – 5 R'm	Over 5 years R'm	Total R'm
Assets					
Pension fund surplus	7,0%	9,0	25,1	–	34,1
Loans to joint ventures	Interest free	–	8,3	–	8,3
Accounts receivable	Interest free	591,2	–	–	591,2
Cash and cash equivalents	4,0%	101,8	–	–	101,8
		702,0	33,4	–	735,4

2010	Interest rate %	Year 1 R'm	Years 1 – 5 R'm	Over 5 years R'm	Total R'm
Liabilities					
Finance leases	8,25% – 9,00%	4,2	6,3	–	10,5
Instalment sale agreements	7,50% – 10,25%	14,4	24,1	–	38,5
HSBC	11%	54,2	–	–	54,2
Accounts payable	Interest free	629,0	–	–	629,0
Bank overdrafts	8,50% – 9,25%	324,2	–	–	324,2
		1 026,0	30,4	–	1 056,4

2009	Interest rate %	Year 1 R'm	Years 1 – 5 R'm	Over 5 years R'm	Total R'm
Assets					
Pension fund surplus	Interest free	9,0	30,4	–	39,4
Loans to joint ventures	Interest free	–	7,5	–	7,5
Accounts receivable	Interest free	522,2	–	–	522,2
Cash and cash equivalents	7,0%	58,5	–	–	58,5
		589,7	37,9	–	627,6

2009	Interest rate %	Year 1 R'm	Years 1 – 5 R'm	Over 5 years R'm	Total R'm
Liabilities					
Finance leases	8,8% – 9,5%	1,2	1,8	–	3,0
Instalment sale agreements	9% – 12,5%	12,2	27,8	–	40,0
HSBC	11,1%	104,2	–	–	104,2
Other loans	Prime – 1,8% to Prime – 3%	34,1	–	–	34,1
Contingent purchase liability	13,6%	41,8	–	–	41,8
Accounts payable	Interest free	581,9	–	–	581,9
Bank overdrafts	Prime – 2% to Prime	342,0	–	–	342,0
		1 117,4	29,6	–	1 147,0

38.5 Fair values per class of financial instrument

At year end the carrying amounts of cash, accounts receivable, loans receivable, accounts payable and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities.

The fair value of other longer-term assets is not different from the carrying amounts.

The directors believe that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values. As a result a table reflecting the carrying values and fair values are not reflected.

38.5.1 *Valuation techniques and assumptions applied for the purposes of measuring fair value*

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (including listed redeemable notes, bills of exchange, debentures and perpetual notes.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates' matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

38.5.2 *Fair value measurement recognised in the statement of financial position*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurement are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2011				2010				2009			
	Level 1 R'm	Level 2 R'm	Level 3 R'm	Total R'm	Level 1 R'm	Level 2 R'm	Level 3 R'm	Total R'm	Level 1 R'm	Level 2 R'm	Level 3 R'm	Total R'm
Financial assets at fair value												
Derivative financial assets	–	0,3	–	0,3	–	0,9	–	0,9	–	–	–	–
Total	–	0,3	–	0,3	–	0,9	–	0,9	–	–	–	–
Financial liabilities at fair value												
Derivative financial liabilities	–	2,1	–	2,1	–	–	–	–	–	21,2	–	21,2
Total	–	2,1	–	2,1	–	–	–	–	–	21,2	–	21,2

	2011	2010	2009
39. NUMBER OF EMPLOYEES			
Number of employees at period end	4 192	4 232	4 751

40. NEW ACCOUNTING PRONOUNCEMENTS

40.1 New standards and interpretations adopted

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

40.2 Future standards and interpretations

At year end, various standards and interpretations are in issue, which are not yet effective. These include the following standards and interpretations with the following effective dates which are applicable to the business of the group:

Standard and Interpretation	Details of the amendment	Annual periods on or after
IFRS 3, Business Combinations	Amendments to transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS Clarification on the measurement of non-controlling interests.	1 January 2011
IFRS 7 Financial Instruments: Disclosures	The amendment clarifies the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and removes some disclosure items which were seen to be superfluous or misleading.	1 January 2011
	Amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.	1 July 2011
IFRS 9 Financial Instruments	New standard that forms the first part of a three part project to replace IAS 39 Financial Instruments: Recognition and Measurement.	1 January 2013
IFRS 10 Consolidated Financial Statements	New standard that replaces the consolidation requirements in SIC 12 Consolidation — Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.	1 January 2013

Standard and Interpretation	Details of the amendment	Annual periods on or after
IFRS 11 Joint Arrangements	New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities.	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles.	1 January 2013
IFRS 13 Fair Value Measurement	New guidance on fair value measurement and disclosure requirements. Clarification of the statement of changes in equity.	1 January 2013 1 January 2011
IAS 1 Presentation of Financial Statements	New requirements to group together items within other comprehensive income that may be reclassified to the profit or loss section of the statement of comprehensive income in order to facilitate the assessment of their impact on the overall performance of an entity.	1 July 2012
IAS 12 Income Taxes	Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale.	1 January 2012
IAS 19 Employee Benefits	Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans.	1 January 2013
IAS 24 Related Party Disclosures	Simplification of the disclosure requirements for government related entities. Clarification of the definition of a Related Party.	1 January 2011
IAS 27 Consolidated and Separate Financial Statements	Consequential amendments resulting from the issue of IFRS 10,11 and 12.	1 January 2013
IAS 28 Investments in Associates	Consequential amendments resulting from the issue of IFRS 10,11 and 12.	1 January 2013
IAS 34 Interim Financial Reporting	Clarification of disclosure requirements around significant events and transactions including financial instruments.	1 January 2011
IFRIC 13 Customer Loyalty Programmes	Clarification on the intended meaning of the term “fair value” in respect of award credits.	1 January 2011

An estimate of the impact of the adoption of amendments to standards and interpretations and new standards and interpretations issued on the group has not yet been determined.

41. SUBSIDIARIES

There were no changes in the nature of the business of holding company or any of its subsidiaries during the year. The voting powers equal the percentage holding in all subsidiaries. No rights are held by any individual to change voting powers.

		Issued share capital			Effective interest			Interest of company			Loan due by/(to)		
Subsidiary	**Nature**	**2011 R'm**	**2010 R'm**	**2009 R'm**	**2011 %**	**2010 %**	**2009 %**	**2011 R'm**	**2010 R'm**	**2009 R'm**	**2011 R'm**	**2010 R'm**	**2009 R'm**
AHT Properties (Walvis Bay) (Pty) Limited*	L	–	–	400	–	–	100	–	–	–	–	–	(0,4)
Ball and Coalter (Pty) Limited	L	–	–	200	–	–	100	–	–	–	–	–	(0,4)
Brenner Mills (Pty) Limited	M	1 000	1 000	1 000	100	100	100	–	–	33,4	–	–	–
Bull Brand Holdings (Pty) Limited	D	–	3 000 000	3 000 000	–	100	100	–	–	–	–	(3,0)	(3,0)
Casa Rosada Investments (Pty) Limited	D	450	450	450	100	100	100	–	–	–	–	–	–
Conshu Holdings (Pty) Limited	D	78 879 000	78 879 000	78 079 000	100	100	100	2,4	2,4	–	(2,5)	(2,5)	(2,5)
Dano Textile Industries (Pty) Limited	T	499 960	499 960	499 960	100	100	100	–	–	–	–	–	–
Feltex Fehrer (Pty) Limited	A	100 000	100 000	100 000	74	74	74	–	–	–	–	–	–
Feltex Holdings (Pty) Limited	A/F/H/M	169 174 064	169 174 064	169 174 064	100	100	100	57,4	57,4	57,4	728,1	791,4	913,9
G H Hackmann Skins (Pty) Limited	L	–	–	100 000	–	–	100	–	–	–	–	–	9,7
Gants Food (Pty) Limited	D	–	200	200	–	100	100	–	–	–	–	0,2	0,2
Hides and Skins Brokers (Pty) Limited	A	5 000	5 000	5 000	100	100	100	–	–	–	–	–	32,2
KAP Investments (Pty) Limited	I/P	2 490 001	2 490 001	2 490 001	100	100	100	–	–	–	7,5	6,3	14,3
Kolosus Leathers (Pty) Limited5	D	–	115 000	115 000	–	100	100	–	22,5	22,5	–	158,5	158,5
Kolosus Management Services (Pty) Limited	D	3 612	3 612	3 612	100	100	100	–	–	–	0,5	0,5	0,5
Lederwol AG#	D	458 333	458 333	458 333	–	100	100	–	–	–	–	–	–
Marker Investments (Pty) Limited	L	–	–	100	100	–	100	–	–	–	–	–	9,0
Vestmesting Co-operative Limited	D	200	200	200	100	100	100	–	–	–	(32,6)	(32,6)	(32,6)
Western Wools (Pty) Limited	D	–	104 810	104 810	–	100	100	–	–	–	–	(0,1)	(0,1)
All other subsidiaries								0,1		–	–	(0,2)	(0,3)
Total								59,9	82,3	113,3	701,0	918,5	1 099,1

Nature of business:

(A) automotive

(D) dormant

(F) footwear

(I) investment holding/property

(L) liquidated

(M) meat/food

(P) property/rental

(T) textiles (H) polyester/fibre.

All material subsidiaries are incorporated in the Republic of South Africa, except where indicated by: (#) Switzerland (*) Namibia.

Group total comprehensive income for the year is stated after including the company's share of total comprehensive income (loss) in the following entities:

Share of total comprehensive income (loss) before consolidation entries

Subsidiary	2011 R'm	2010 R'm	2009 R'm
AHT Properties (Walvis Bay) (Pty) Limited	–	–	–
Ball and Coalter (Pty) Limited	–	–	–
Brenner Mills (Pty) Limited	–	102,2	23,9
Bull Brand Holdings (Pty) Limited	–	–	–
Casa Rosada Investments (Pty) Limited	–	–	–
Conshu Holdings (Pty) Limited	–	–	–
Dano Textile Industries (Pty) Limited	5,9	(0,1)	6,2
Feltex Fehrer (Pty) Limited	20,6	17,9	13,0
Feltex Holdings (Pty) Limited	239,2	67,9	(95,3)
G H Hackmann Skins (Pty) Limited	–	9,8	–
Gants Food (Pty) Limited	–	–	–
Hides and Skins Brokers (Pty) Limited	2,3	3,0	2,6
KAP Investments (Pty) Limited	3,3	5,3	44,8
Kolosus Leathers (Pty) Limited	–	–	–
Kolosus Management Services (Pty) Limited	–	–	–
Lederwol AG# Marker Investments (Pty) Limited	(0,1)	(0,3)	–
Vestmesting Co-operative Limited	–	–	–
Western Wools (Pty) Limited	–	–	–

OPTIONS OR PREFERENTIAL RIGHTS IN RESPECT OF SECURITIES

Save for the options issued under the KAP Performance Share Plan, details of which are set out below (as at 30 June 2011), there are no other options or preferential rights in respect of KAP securities. There are also no options or preferential rights in respect of securities of the Steinhoff Industrial Assets.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at grant date.

The fair value is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which instruments are granted.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

SHARE INCENTIVE SCHEME

The KAP Performance Share Plan

	2011 R million	2010 R million
Balance at the beginning of the year	**1,0**	–
Movement for the year	**1,2**	1,0
Balance at the end of the year	**2,2**	1,0

The KAP Performance Share Plan, adopted by the shareholders in April 2007, authorises the company to allocate up to 42 447 000 share appreciation rights ("SARs") to senior employees of the Group (to a maximum for one participant of 2,5% of the company's issued ordinary share capital), in managerial and leadership roles, who are able to influence the performance of the Group. The allocation value of SARs will be within a range of 10% to 100% of each participant's total cost to company (excluding annual performance bonuses), which percentage depends on the participant's position and potential within the company. The cost of the SARs is 20 cents per share.

Senior employees of the Steinhoff Industrial Assets, in managerial and leadership roles, who are able to influence the performance of the Group, will participate in the KAP Performance Share Plan in respect of any future grants. Such Steinhoff Industrial Assets' employees will not receive any further grants in respect of the Steinhoff Share Rights Scheme.

The number of shares corresponding to the SARs is determined by dividing the allocation value by the excess of the volume weighted average traded price of KAP Shares on the JSE (for the thirty days immediately prior to any allocation date) over the nominal value of the shares (currently 20 cents).

Shares are allocated on 1 July of each year.

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

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

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

The significant assumptions relating to the scheme per allotment are as follows:

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

Fair value of share options and assumptions:	**2011**	2010
Grant date	**1 July 2010**	1 July 2009
Exercise price	**R0,20**	R0,20
Volume weighted average price at grant date	**R2,29**	R1,35
Options granted (millions)	**8,7**	14,4
Maximum term of option	**3 years**	3 years
Volatility	**64%**	34%
Dividend yield	**3%**	3%
Risk-free interest rate	**9%**	9%
Forfeiture rate	**1%**	1%
Market-related performance expectation	**35%**	35%
Non-market-related performance expectation	**29%**	29%

Reconciliation of options granted under the KAP performance share plan	**2011 million**	2010 million
Balance at the beginning of the period (number of options)	**28,4**	18,0
Options which expired during the period	**(9,3)**	(4,0)
Granted during the period	**8,7**	14,4
Balance at the end of the period (number of options)	**27,8**	28,4
Charge to profit or loss (Rm)	**1,2**	1,0

KAP International Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1978/000181/06)
JSE code: KAP ISIN: ZAE000059564
("KAP" or "the Company")

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of the Company's shareholders will be held at 10:00 on Wednesday, 18 January 2012 at the offices of PSG Capital on the 1st Floor, Ou Kollege, 35 Kerk Street, Stellenbosch, for the purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions set out below.

For the avoidance of doubt, the Memorandum of Association and the Articles of Association of the Company are referred to as the Memorandum of Incorporation in accordance with the terminology used in the Companies Act.

The definitions and interpretations set out on pages 3 to 7 of this Circular apply, mutatis mutandis, to this Notice of General Meeting. To the extent that a term used herein is defined as aforesaid but are also defined in the Companies Act, it will have the meaning ascribed to in the Companies Act.

Votes at the General Meeting will be conducted by way of a poll and not on a show of hands.

The purpose of this General Meeting is to consider and, if deemed fit, to pass, with or without modification, the Resolutions set out below.

SPECIAL RESOLUTION NUMBER 1: CONVERSION OF SHARE CAPITAL

"**RESOLVED THAT**, in terms of regulation 31 of the Companies Regulations, all the ordinary shares in the share capital of the Company, comprising 1 200 000 000 authorised and 424 473 657 issued ordinary shares having a par value of R0,20 (twenty cents) each, are without altering the substance of the specific rights and privileges associated therewith, converted into ordinary shares having no par value and that the Memorandum of Incorporation is amended by the deletion in its entirety of clause 8 of the Memorandum of Association that forms part of the Memorandum of Incorporation, and the replacement of clause 8 with the following clause:

"8. CAPITAL

The authorised share capital of the Company is 1 200 000 000 ordinary shares of no par value."

on the basis that each ordinary no par value share shall have the same value, rights and privileges as the value, rights and privileges which attached to such shares immediately prior to the passing of this special resolution number 1 and that the whole of the amounts standing to the credit of the share capital account and the share premium account of the Company be transferred to the stated capital account of the Company.

Note:

In order for this special resolution number 1 to be adopted, it must be supported by at least 75% of the voting rights exercised on the resolution.

Reason

The reason for special resolution number 1 is to convert the ordinary shares in the Company's authorised share capital from ordinary par value shares into ordinary shares of no par value.

Effect

The effect of special resolution number 1 is that the authorised and issued ordinary share capital of the Company shall be converted to shares of no par value.

SPECIAL RESOLUTION NUMBER 2: INCREASE OF AUTHORISED SHARE CAPITAL

"RESOLVED THAT, subject to the adoption of special resolution number 1 and the filing of special resolution number 1 with the Commission to increase the authorised ordinary no par value shares of the Company, by the creation of a further 4 800 000 000 authorised ordinary no par value shares, ranking *pari passu* in all respects with the existing no par value shares in the authorised ordinary share capital of the Company, so as to result in a total of 6 000 000 000 ordinary no par value shares in the authorised ordinary share capital of the Company and that the Memorandum of Incorporation is amended by the deletion in its entirety of clause 8 of the Memorandum of Association (as amended in terms of special resolution 1 above) that forms part of the Memorandum of Incorporation, and the replacement of clause 8 with the following clause:

"8. CAPITAL

The authorised share capital of the Company is 6 000 000 000 ordinary shares of no par value."

Note:

In order for this special resolution number 2 to be adopted, it must be supported by at least 75% of the voting rights exercised on the resolution.

Reason

The reason for special resolution number 2 is to increase the Company's authorised ordinary share capital in order to create sufficient authorised ordinary share capital to implement the Acquisition and to ensure the availability of sufficient authorised shares as may be required by the Company from time to time.

Effect

The effect of special resolution number 2 is that the authorised ordinary share capital of the Company shall be increased to 6 000 000 000 ordinary shares of no par value.

ORDINARY RESOLUTION NUMBER 1: PLACING THE CONSIDERATION SHARES AND 10% OF THE REMAINING UNISSUED ORDINARY SHARES UNDER DIRECTORS' CONTROL

"RESOLVED THAT, subject to the passing of special resolutions numbers 1 and 2 and the provisions of the Companies Act, the Memorandum of Incorporation and the Listings Requirements, the Consideration Shares and 10% of the remaining unissued authorised ordinary shares of no par value in the Company (including those created in terms of special resolution number 2 above) be and are hereby placed under the control of the directors until the next annual general meeting and that they be and are hereby authorised to issue any such ordinary shares to such person, at such prices and on such other terms as they may deem fit."

Note:

In order for this ordinary resolution number 1 to be adopted, it must be supported by more than 50% of the voting rights exercised on the resolution.

Reason

The reason for placing the authorised but unissued ordinary shares under the control of the directors is to enable the directors to issue the Consideration Shares required for the implementation of the Acquisition.

Effect

The effect of ordinary resolution number 1 is that the authorised but unissued ordinary shares will be under the control of the directors.

ORDINARY RESOLUTION NUMBER 2: APPROVAL OF THE RELATED PARTY ACQUISITION

"RESOLVED THAT, subject to the passing of special resolution number 1, special resolution number 2 and ordinary resolution number 1, the Company be and is hereby authorised to acquire all of the issued shares in and claims against each of the Steinhoff Industrial Assets from Steinhoff Africa, a Related Party of KAP, upon the terms and conditions set out in the Acquisition Agreement entered into between KAP and Steinhoff Africa, dated 8 December 2011, which was made available for inspection by shareholders and the salient terms of which are set out in the Circular of which this Notice of General Meeting forms part."

Note:

The Related Parties will be taken into account in determining a quorum for the General Meeting. In order for this ordinary resolution number 2 to be adopted it must be supported by more than 50% of the voting rights exercised on the resolution and for purposes of the Listings Requirements, it must also be supported by more than 50% of the voting rights exercised on the resolution by all shareholders, except the Related Parties.

Reason

The reason for ordinary resolution number 2 is to approve the Acquisition in the manner prescribed by the Listings Requirements. The Acquisition is classified as a Category 1 related party transaction, as Steinhoff Africa is a major shareholder of KAP, and therefore also requires shareholder approval by way of a simple majority vote by Shareholders, except the Related Parties.

Effect

The effect of ordinary resolution number 2 is that the Acquisition, being classified as a category 1 related party transaction in terms of the Listings Requirements, may be duly implemented should shareholders approve thereof in the manner described above.

SPECIAL RESOLUTION NUMBER 3: APPROVAL SOUGHT FOR THE ISSUE OF THE CONSIDERATION SHARES IN TERMS OF SECTION 41(3) OF THE COMPANIES ACT

"RESOLVED THAT, subject to the passing of special resolutions numbers 1 and 2 and ordinary resolutions numbers 1 and 2, and the filing of special resolutions numbers 1 and 2, in terms of section 41(3) of the Companies Act, the issue by the Company of 1 912 781 011 Shares of no par value, at a subscription price of R2,50 per Share to Steinhoff Africa as part settlement of the Acquisition Consideration, is approved and that the board of directors of the Company is authorised to issue those Shares to Steinhoff Africa at the subscription price per Share (the aggregate subscription price of the 1 912 781 011 Shares of no par value, being R4 782 million, will be settled by the transfer to the Company of that portion of the shares in and/or Claims against the Steinhoff Industrial Assets acquired by the Company in terms of the Acquisition to which will be allocated a portion of the Acquisition Consideration in the amount of R4 782 million) described in this resolution."

Note:

Section 41(3) of the Companies Act requires that shareholders approve by way of a special resolution an issue of shares if the voting power of the class of shares that are issued as a result of a transaction will be equal to or exceed 30% of the voting power of all the shares of that class held by shareholders immediately before such a transaction. Accordingly, the Consideration Shares to be issued will be in excess of the aforementioned 30% threshold and requires approval from shareholders. This special resolution number 3 is also consistent with clause 3.2 of the Articles of Association that forms part of the Memorandum of Incorporation which imply that the shareholders may determine how shares may be issued.

In order for this special resolution number 3 to be adopted, it must be supported by at least 75% of the voting rights exercised on the resolution.

Reason

The reason for special resolution number 3 is to obtain approval from shareholders to issue 1 912 781 011 Shares to Steinhoff Africa at a price of R2,50 per Share in pursuance of the implementation of the Acquisition.

Effect

The effect of special resolution number 3 is that the Company and the Directors shall be authorised to issue 1 912 781 011 Shares to Steinhoff Africa at a price of R2,50 per Share. The aggregate subscription price of the Consideration Shares will be settled by the transfer to the Company of that portion of the shares in and/or Claims against the Steinhoff Industrial Assets acquired by the Company in terms of the Acquisition to which will be allocated a portion of the Acquisition Consideration in the amount of R4 782 million.

ORDINARY RESOLUTION NUMBER 3: WAIVER BY THE KAP MINORITIES OF THE MANDATORY OFFER IN TERMS OF REGULATION 86(4) OF THE COMPANIES REGULATIONS

"**RESOLVED THAT**, in accordance with the regulation 86(4) of the Companies Regulations, the requirement that Steinhoff, directly or through its wholly-owned subsidiary, Steinhoff Africa, makes a Mandatory Offer to the KAP Minorities by reason of it acquiring 35% or more of the total issued Shares in the Company, as a consequence of the implementation of the Acquisition, be and is hereby waived."

Note:

In terms of the Companies Regulations, this ordinary resolution number 3 must be supported by independent holders of more than 50% of the general voting rights of all the issued securities of the Company, present and voting or represented by proxy, being shareholders of KAP, other than Steinhoff Africa and its associates.

Reason

Following the implementation of the Acquisition, Steinhoff Africa's shareholding in KAP will increase to 88% of the total issued share capital of KAP. Accordingly, unless same is waived by a majority of independent shareholders, Steinhoff Africa will be required to make the Mandatory Offer to the KAP Minorities as set out in section 123 of the Companies Act.

Effect

Should shareholders (excluding Steinhoff Africa and its associates) vote in favour of ordinary resolution number 3, Steinhoff Africa will not be obliged to make the Mandatory Offer. If the resolution for the Waiver is not passed, Steinhoff will make the Mandatory Offer to KAP minorities.

SPECIAL RESOLUTION NUMBER 4: APPROVAL OF FINANCIAL ASSISTANCE IN TERMS OF SECTION 45 OF THE COMPANIES ACT TO SUBSIDIARIES, RELATED AND INTER-RELATED ENTITIES

"RESOLVED THAT, in terms of section 45(3)(a)(ii) of the Companies Act, subject to compliance with the requirements of the Memorandum of Incorporation, the Companies Act and the Listings Requirements as presently constituted and amended from time to time as a general approval, that the Board of the Company be authorised during a period of two years from the date of this special resolution to authorise the Company to provide direct or indirect financial assistance to any related or inter-related company or corporation (''any related or inter-related company or corporation'' has herein the same meaning as in section 45 of the Companies Act and which meaning includes all the subsidiaries of the Company and its holding companies) to the Company, in one or more of the following forms:

- loan to;
- guarantee of any obligation of;
- suretyship in respect any obligation of;
- indemnity in favour; or
- the securing of any debt or obligations of,

such a related or inter-related company or corporation which the Board may deem fit on the terms and conditions and for amounts that the Board of the Company may determine."

Note:

In order for this special resolution number 4 to be adopted, it must be supported by at least 75% of the voting rights exercised on the resolution.

Reason for and effect of special resolution number 4

This special resolution will grant the Company's directors the authority to authorise financial assistance in any of the forms described in the resolution to any company related or inter-related to the Company as contemplated by section 45 of the Companies Act. In certain instances the obligations arising out of the ordinary course of business of certain of the members of the Steinhoff Industrial Assets have been guaranteed by Steinhoff and/or members of the Steinhoff Group. This special resolution will also authorise the Company to indemnify Steinhoff and/or other members of the Steinhoff Group in respect of its exposure in terms of those guarantees which indemnity the Company has in terms of the Acquisition Agreement undertaken to provide.

ORDINARY RESOLUTION NUMBER 4: AUTHORITY TO ACTION

"RESOLVED THAT, subject to the passing of special resolutions numbers 1, 2, 3, and 4 and ordinary resolutions 1 and 2 above, any director of the Company be and is hereby authorised, instructed and empowered to do all such things, sign all such documents and procure the doing of all such things and the signing of all such documents as may be necessary to give effect to special resolutions numbers 1, 2, 3 and 4 above as well as ordinary resolutions numbers 1, 2 and 3."

Note:

In order for this ordinary resolution number 4 to be adopted, it must be supported by more than 50% of the voting rights exercised on the resolution.

Record dates and voting

The date determined by the Board on which shareholders must be recorded as such in the Register for purposes of being entitled to receive this Notice of General Meeting is Friday, 9 December 2011.

The date determined by the Board on which shareholders must be recorded in the Register for purposes of being entitled to attend and vote at the General Meeting is Friday, 13 January 2012, with the last day to trade being Thursday, 5 January 2012.

All meeting participants is required in terms of section 63(1) of the Companies Act to provide identification reasonably satisfactory to the chairperson of the General Meeting and must, accordingly, bring a copy of their identity document, passport or driver's licence to the General Meeting. If in doubt as to whether any document will be regarded as satisfactory proof of identification, general meeting participants should contact the Transfer Secretaries for guidance.

Shareholders entitled to attend and vote at the General Meeting, may appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company. A form of proxy, in which the relevant instructions for its completion are set out, is attached for use by a Certificated Shareholder or Dematerialised shareholder with "Own Name" registration who wishes to be represented at the General Meeting. Completion of a form of proxy will not preclude such Shareholder from attending and voting (in preference to that shareholder's proxy) at the General Meeting.

Electronic participation

In terms of section 61(10) of the Companies Act, every shareholders' meeting of a public company must be reasonably accessible within South Africa for electronic participation by shareholders.

Shareholders wishing to participate electronically in the General Meeting are required to deliver written notice to the Company at 1st Floor, New Link Centre, 1 New Street, Paarl (marked for the attention of Mr Mark Balladon) by no later than 10:00 on Friday, 6 January 2012, that they wish to participate via electronic communication at the General Meeting (the "Electronic Notice"). In order for the Electronic Notice to be valid it must contain: (a) if the Shareholder is an individual, a certified copy of his identity document and/or passport; (b) if the Shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution. The relevant resolution must set out who from the relevant entity is authorised to represent the relevant entity at the General Meeting via electronic communication and (c) a valid e-mail address and/or facsimile number (the "Contact Address/Number"). Access to the meeting by way of electronic participation will be at the Shareholder's expense. Shareholders participating electronically are advised to exercise their voting rights by the submission of a valid proxy. By no later than 24 hours prior to the time of the General Meeting ("the Relevant Time") the Company shall use its reasonable endeavours to notify a Shareholder who has delivered a valid Electronic Notice at its contact address/number of the relevant details through which the Shareholder can participate via electronic communication.

A form of proxy is attached for those Shareholders who wish to be so represented. Duly completed forms of proxy together with the documents conferring the authority to the signatory and under which it is signed (if any) must be forwarded to the Transfer Secretaries, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001, or Computershare Investor Services (Pty) Limited, PO Box 61051, Marshalltown, 2107, so as to arrive not less than 48 hours (excluding Saturdays, Sundays and South African public holidays) before the time fixed for the General Meeting. Dematerialised Shareholders (other than those with "Own Name" registration), who wish to attend the General Meeting must instruct their CSDPs or brokers to issue them with the necessary written letter of representation in terms of the custody agreement entered into between the relevant Shareholder and his/her CSDP or broker, to attend the General Meeting or if such Shareholders wish to vote by way of proxy they should provide their CSDPs or brokers with their voting instruction.

By order of the Board

P C T Schouten

17 December 2011

Registered office

1st Floor
New Link Centre
1 New Street
Paarl, 7646
(PO Box 3639, Paarl, 7620)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

sappi triple green™ sugar cane fibre. chlorine-free. sustainable afforestation.

PRINTED BY INCE (PTY) LTD

Ref. No. W2CF13550

KAP International Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number 1978/000181/06)
JSE code: KAP ISIN: ZAE000059564
("KAP" or "the Company")

FORM OF PROXY

To be completed by Certificated Shareholders and Dematerialised Shareholders with Own Name registration only.

For use at the General Meeting to be held at 10:00 on Wednesday, 18 January 2012, at the offices of PSG Capital on the 1st Floor, Ou Kollege, 35 Kerk Street, Stellenbosch, and at any adjournment thereof, as follows:

If Shareholders have dematerialised their Shares with a CSDP or broker, other than with Own Name registration, they must arrange with the CSDP or broker concerned to provide them with the necessary written letter of representation to attend the General Meeting or the Shareholders concerned must instruct them as to how they wish to vote in this regard. This must be done in terms of the custody agreement entered into between the Shareholder and the CSDP or broker concerned.

I/We (Full names in BLOCK LETTERS) ____________________

of (address) ____________________

being the holder/s of ____________ Shares in the issued share capital of the Company,

hereby appoint:

1. ____________________ or failing him/her,

2. ____________________ or failing him/her,

3. the chairperson of the General Meeting

as my/our proxy, to vote for me/us and on my/our behalf at the General Meeting for purposes of considering and, if deemed fit passing, with or without modification, the special and ordinary resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the special and ordinary resolutions and/or abstain from voting in respect of the Shares registered in my/our name/s in accordance with the following instructions (see notes on the reverse hereof):

	NUMBER OF VOTES (ONE VOTE PER SHARE)		
	For	**Against**	**Abstain**
Special resolution number 1 Conversion of share capital			
Special resolution number 2 Increase of Authorised Share Capital			
Ordinary resolution number 1 Placing of Consideration Shares and 10% of remaining unissued Authorised Share Capital under Directors' control			
Ordinary resolution number 2 Approval of the Related Party Acquisition			
Special resolution number 3 Approval for the issue of the Consideration Shares In terms of section 41(3) of the Companies Act			
Ordinary resolution number 3 Waiver by the KAP Minorities of the Mandatory Offer			
Special resolution number 4 General approval financial assistance			
Ordinary resolution number 4 Director's authority			

A member's instructions will be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate block. Insert "X" in the appropriate block if you wish to vote all your shares in the same manner. If not, insert the number of votes in the appropriate block. The total number of votes may not exceed the total to which the member is entitled. Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at ____________ this day of ____________ 2011/2012

Signature ____________________

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

NOTES:

1. This form of proxy should only be used by Certificated Shareholders or Shareholders who have dematerialised their Shares with Own Name registration.
2. All other Shareholders who have dematerialised their Shares through a CSDP or broker and wish to attend the General Meeting, must arrange with CSDP or broker concerned to provide them with the necessary written authorisation to attend the General Meeting or, should they not wish to attend, the Shareholders must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A Shareholder may insert the name/s of one or more proxies, none of whom need be a member of the Company, in the space provided, with or without deleting "the chairperson of the General Meeting". The person whose name appears first on this form of proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairperson of the General Meeting.
4. A Shareholder's instructions on the form of proxy must be indicated by the insertion of a number of Shares or an "X", if you wish to vote all your Shares, in the appropriate space provided. Failure to comply with the above will be deemed to authorise the chairperson of the General Meeting, if the chairperson is the authorised proxy, to vote in favour of the Resolutions at the General Meeting, or any other proxy to vote or to abstain from voting at the General Meeting as he/she deems fit in respect of all of the Shareholder's votes exercisable thereat. A Shareholder or his/her proxy is not obliged to use all the votes exercisable by the Shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the Shareholder or by his/her proxy.
5. In order to be effective, completed form of proxy must reach the transfer secretaries so as to arrive not less than 48 hours before the time fixed for the General Meeting excluding Saturdays, Sundays and South African public holidays.
6. The completion and lodging of this form of proxy shall in no way preclude the Shareholder from attending, speaking and voting in person at the General Meeting to the exclusion of any proxy appointed in terms hereof.
7. Should this form of proxy not be completed and/or received in accordance with these notes, the chairperson may accept or reject it, provided that, in the case of acceptance, the chairperson is satisfied as to the manner in which the Shareholder wishes to vote.
8. Documentary evidence establishing the authority of the person signing this form of proxy in a representative or other legal capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairperson of the General Meeting.
9. The chairperson shall be entitled to reject the authority of a person signing this form of proxy:
   9.1 under a power of attorney; or
   9.2 on behalf of a company unless that person's power of attorney or authority is deposited at the registered office of the transfer secretaries not less than 48 hours before the General Meeting, therefore not later than 10:00 on Monday, 16 January 2012.
10. Where Shares are held jointly, all joint holders are required to sign this form of proxy.
11. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretaries.
12. Any alteration of or correction to this form of proxy must be initialled by the signatory/ies.
13. On a show of hands, every Shareholder present in person or represented by proxy shall have only one vote, irrespective of the number of Shares he/she holds or represents.
14. On a poll, every Shareholder present in person or represented by proxy shall have one vote for every Share held by such Shareholder.
15. A resolution put to the vote shall be decided by a show of hands unless before, or on the declaration of the results of the show of hands, a poll shall be demanded by any person entitled to vote at the General Meeting.

Transfer Secretaries

Computershare Investor Services (Pty) Limited

Address	**Postal**
Ground Floor	PO Box 61051
70 Marshall Street	Marshalltown
Johannesburg	2107
2001	

Contact

Telephone 011 370 5000
Facsimile 011 688 7710