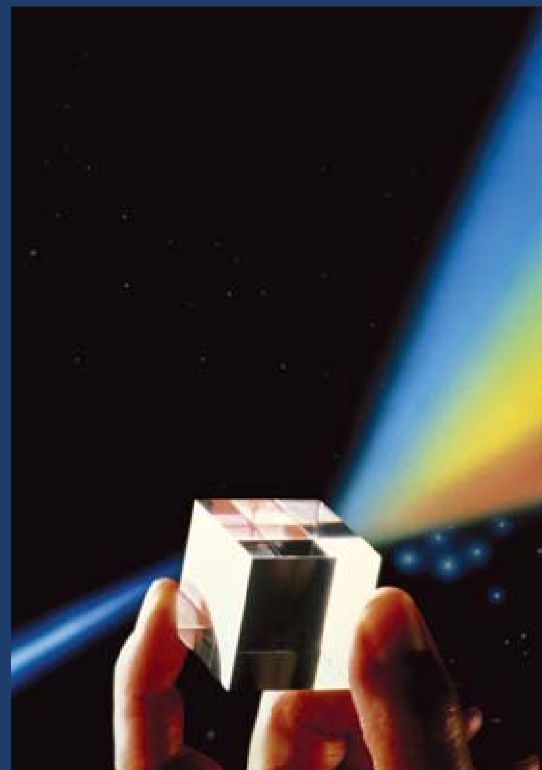


Mastering diversity

KAP

International Holdings Ltd

Annual Report 2004

Contents

Long term strategy

KAP International Holdings Limited (KAP) has created a solid base of diversified industrial companies capable of maintaining an acceptable growth in earnings per share. The chairman is a highly skilled negotiator and the group has a management team with extensive experience in company turnarounds. These skills would be fully utilised to increase shareholder value by actively pursuing acquisitions of under performing companies or businesses with a view to unlocking value.

Group profile

KAP International Holdings Limited is a holding company of subsidiaries and associate companies invested in a portfolio of diverse manufacturing businesses. These include fresh and processed meat, automotive and leather products, footwear, speciality fibres, bottle resin, automotive components and towelling products.

The company is listed on the JSE Securities Exchange South Africa under the Diversified Industrial sector.

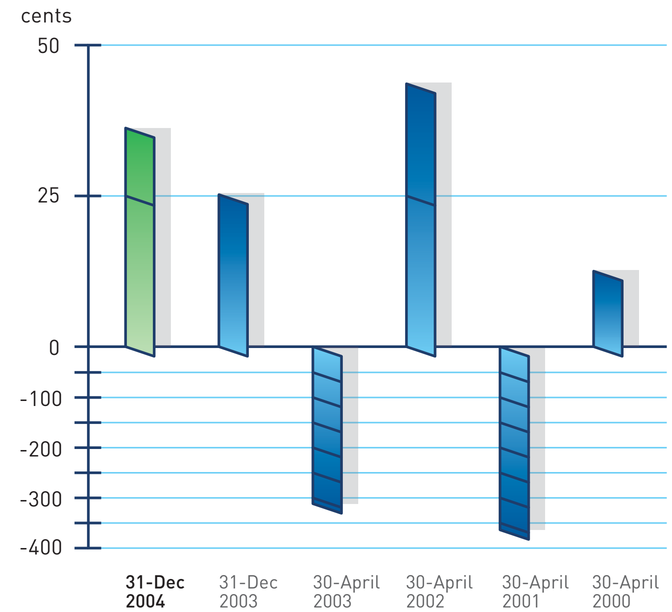
The group's head office is in Paarl and operations are situated in Johannesburg, Durban, Cape Town, Pretoria, Port Elizabeth, East London, Ladysmith and Krugersdorp.

The group employs 5 272 people and controls assets of R1,6 billion which generated a revenue of R1,9 billion.

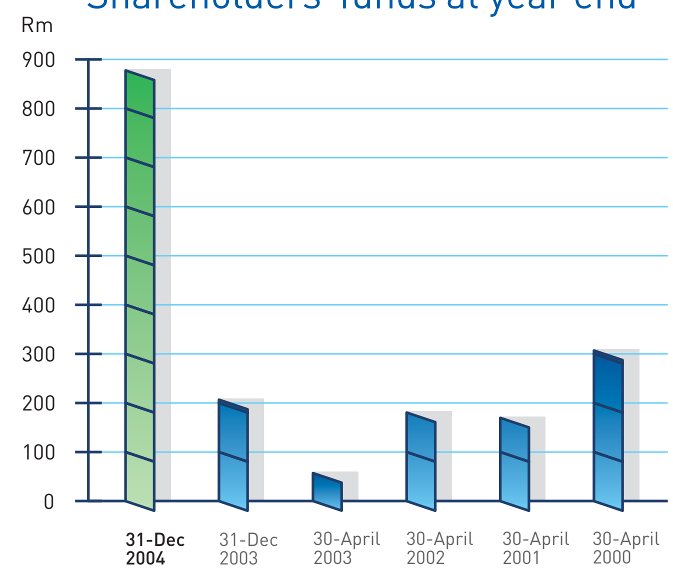
DIVISION	OPERATING ENTITY	PRODUCT/SERVICE
Industrial	Feltex Automotive Leather	Automotive leather manufacturer
	Feltex Automotive Trim	Integrated automotive trim and acoustic manufacturer
	Rieter Feltex Automotive (49%)	Automotive acoustics and thermal management
	Feltex Fehrer (74%)	Moulded polyurethane manufacturer for seating and other foam products for the automotive industry
	Feltex Foam Converting	Manufacturer of slabstock and peeled foams used for lamination in the automotive industry
	Feltex Unifrax	Supplier of mats for catalytic converters for exhausts of motor vehicles
	Wayne Rubber	Manufacturer of pre-cured tread and industrial rubber products
	United Fram	Manufacturer of industrial leather footwear
	Wayne Plastics	Manufacturer of gumboots and safety footwear
	Mossop Western Leathers	Tannery supplying bovine leather to footwear and leather goods industry
	Hosaf Fibres	Manufacturer of polyester fibre and PET bottle resin
Consumer	Jordan & Co	Branded fashion footwear and sport shoe manufacturer and distributor
	Bull Brand Foods	Fresh and canned meat manufacturer
	Glodina	Branded terry towel manufacturer

Salient features at a glance

Headline earnings per share



Shareholders' funds at year end



Market capitalisation at year end

Financial highlights

	Year ended 31 December 2004	8 months ended 31 December 2003
Revenue (R'000)	1 911 873	616 524
Operating profit (R'000)	138 414	22 704
Income attributable to ordinary shareholders (R'000)	301 469	8 068
Earnings per share (cents)	102,75	23,13
Headline earnings per share (cents)	35,86	24,85
Dividends per share (cents)	5,00	–
Closing share price at year end (cents)	300,00	100,00
Net asset value per share (cents)	210,00	121,20
Shareholders' funds (R'000)	879 125	203 707
Net interest-bearing debt to equity (%)	22,20	16,03
Market capitalisation at year end (R'000)	1 256 160	168 120

A successful transformation of the group as highlighted below:

- Existing businesses generate a 69% growth in revenue and a 95% increase in operating profit;
- Expansion of the automotive and footwear divisions by the acquisition of the automotive and footwear divisions of Feltex and Jordan & Co;
- Acquisition of Hosaf Fibres and Glodina;
- Acquired businesses add R1 billion to revenue and R79 million to operating profit for the six month period from 1 July 2004;
- BEE partner Motseng Investment Holdings (Proprietary) Limited acquired an initial 14 million shares (3,35% equity stake).

Shareholder profile

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	1 510	74,60	238 466	0,06
1 001 – 10 000 shares	342	16,90	1 450 279	0,35
10 001 – 100 000 shares	119	5,88	4 073 012	0,97
100 001 – 1 000 000 shares	39	1,93	14 293 262	3,41
1 000 001 shares and over	14	0,69	398 664 981	95,21
	2 024	100,00	418 720 000	100,00

Distribution of shareholders				
Banks	29	1,43	14 336 147	3,42
Close corporations	28	1,37	973 250	0,23
Endowment funds	4	0,20	12 324	0,00
Individuals	1 737	85,82	73 276 556	17,50
Insurance companies	3	0,15	449 000	0,11
Mutual funds	21	1,04	15 551 140	3,71
Nominees and trusts	92	4,55	286 025 893	68,31
Other corporations	58	2,87	695 443	0,17
Pension funds	8	0,40	868 300	0,21
Private companies	39	1,92	18 581 801	4,44
Public companies	5	0,25	7 950 146	1,90
	2 024	100,00	418 720 000	100,00

Non-public shareholders		
Daun & Cie AG	196 795 757	47,00
KAP Beteiligungs AG	88 760 275	21,20
Daun & Cie AG – KAP International Executive Management Share Trust	27 000 000	6,44
Directors and associates of company and subsidiaries	18 500 811	4,42
Motseng Investment Holdings (Proprietary) Limited	14 000 000	3,35
Mayfair Speculators (Proprietary) Limited	11 020 000	2,63
Kolosus Share Trust	7 730	0,00
Total non-public	356 084 573	85,04
RMB Asset Management and funds administered by them	15 111 007	3,61
SIS SegaInterSettle AG (Custodian)	12 686 997	3,03
Other public	34 837 423	8,32
Total public	62 635 427	14,96
Total shares	418 720 000	100,00

Beneficial shareholders holding 3% or more of the issued share capital are listed above.

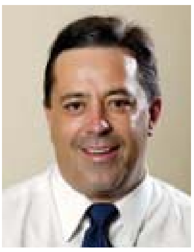
Directorate

C E Daun (61) (German) Dipl.-Kfm

Non-executive chairman

Claas Daun studied business administration at the University of Cologne. He started his career in the textile industry in 1976 and has been active in the South African market since 1989. Today, the Daun & Cie group has a worldwide turnover of about R16 billion, generated by 20 000 employees. Claas joined the KAP board on 31 July 2003, when Daun & Cie gained control of the company. He has extensive experience in management and investments worldwide and is a corporate investor in several industries. Claas is a board member of Steinhoff International Holdings Limited, Courthiel Holdings (Proprietary) Limited, Daun & Cie AG, KAP Beteilingungs AG and Stohr AG, among others. He is also a member of the board and one of the presidents of the South African German Chamber of Commerce and Industry and is honorary consul of South Africa in Lower Saxony, Germany.

M J Jooste (43) BAcc, CA(SA)



Independent non-executive director
Chairman of audit committee

Markus Jooste is the CEO of Steinhoff International Holdings Limited and serves on several boards in the Steinhoff group's operations in Europe, the UK and Australia. He also serves on the boards of PSG Group Limited and Unitrans Limited and is a non-executive director of the Racing Association.

F Möller (60) (German) Dipl.-Kfm

Non-executive director

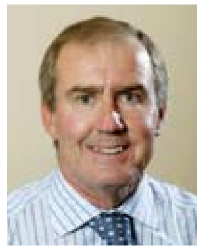
Fried Möller studied business administration at the University of Berlin and holds a masters degree. He started his career as a management consultant and joined the textile industry in 1972. He met Claas Daun in 1979 and has held numerous managerial roles within the Daun group. In 1986, they listed KAP Beteiligungs AG on the Frankfurt Stock Exchange. Fried is managing director of KAP Beteiligungs AG, which is one of the leading manufacturers of engineered products worldwide. He joined the KAP International board on 12 November 2004.

S H Nomvete (31) Dip. Computer Programming

Independent non-executive director
Member of audit committee

Sandile has a computer-programming diploma – Property Development (UCT 2003) and has completed the Executive Development Programme (Wits 2004). He previously worked for NBS Bank and The Tongaat-Hulett Group. Sandile is co-founder and chief executive officer of Motseng Investment Holdings. He is a shareholder and director of all group subsidiaries, Motseng Marriott Property Services and Mooi River Home Textiles.

P C T Schouten (50) CA (SA), MBA (UCT)



Chief executive officer (CEO)
Member of audit committee

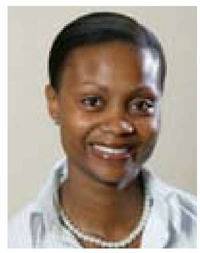
Paul Schouten qualified as a chartered accountant in 1977 before working in London for five years. On his return to South Africa, he worked for a number of organisations and completed his MBA at the University of Cape Town in 1988. He joined the Daun group in 1994 and represents the interests of KAP Beteiligungs AG and Daun & Cie AG in South Africa. He joined the KAP International board on 31 July 2003 as CEO.

J B Magwaza (61) BA, MA (Warwick UK)

Independent non-executive director
Chairman of remuneration committee

J B Magwaza is a former executive director of The Tongaat-Hulett Group. He is non-executive chairman of Peoples Bank Limited. He also serves as a non-executive director of Dorbyl Limited, Nedcor Limited, The Tongaat Hulett Group Limited and Rainbow Chicken Limited and is on the boards of the Development Bank of Southern Africa and Ithala Finance Corporation Limited. He is executive chairman of Motseng Investment Holdings.

I N Moloto (30) BSoc Sc



Independent non-executive director
Member of remuneration committee

Ipeleng holds a BA Social Science degree from the University of Natal and has completed the Executive Development Programme (Wits 2004). In 1998, she founded Phosa Iliso CCTV, the first black woman-owned CCTV business. She later co-founded Motseng Investment Holdings and is currently chief investment officer of Motseng Investment Holdings. She is a shareholder and director of all group subsidiaries and a non-executive director of Ambit Properties, Martprop, Motseng Marriott Property Services and Mooi River Home Textiles.

R D Radford (60)

Executive director
Member of remuneration committee

Executive director of the Feltex Group, Rob Radford, has extensive experience in the automotive and footwear industries. Rob joined Dunlop SA Limited's automotive division in 1967, following a brief period at General Tyre Co. In 1980, he joined Calan Limited, which later became Feltex. From 1983, he served as managing director (MD) of Wayne Manufacturing Limited and, from 1993, as MD of Conshu Industrial Division. Since 1999, he has been CEO of Feltex.

Chairman and Chief executive officer's report

Overview

We have pleasure in submitting our report to shareholders on the results and activities of KAP International for the year ended 31 December 2004.

The listing of many of the companies that now comprise this group follows some 14 years of investment by Daun & Cie AG and Kap Beteiligungs AG in South Africa.

In fact the name KAP came from the German translation of Cape of Good Hope – 'Kap der Guten Hoffnung'. Kap Beteiligungs AG, ("Cape Investments"), is now listed on the Frankfurt bourse and initially housed some of the South African investments which have now been integrated into KAP International.

South Africa has a very positive investment climate and the government must be given credit for its efforts to build a nation. The current growth rates in Gross Domestic Product have been founded on a firm platform of sound economic planning.

New businesses have been successfully integrated and a 44% increase in headline earnings per share to 35,86 cents for the financial year ended 31 December 2004 has been achieved. This has been accomplished by solid operating performance, cost cutting and the acquisition of new businesses effective 1 July 2004.

The acquisitions, concluded during the second half of 2004, successfully transformed the group into a holding company of diversified industrial and consumer manufacturing companies. These include fresh and canned meat, automotive and leather products, footwear, speciality fibres, bottle resin, automotive components and towelling products.

Performance

Revenue and earnings

The group's headline earnings for the year grew to R105 million (2003: R9 million) and revenue increased from R616 million to R1,9 billion in 2004.

Existing businesses generated a 69% growth in revenue and a 95% increase in operating profit. The improved performance of these businesses was achieved through

- the disposal of loss making subsidiaries;
- eliminating a head office structure to improve decision making and reduce costs;
- empowering management teams to take decisions;
- settling all outstanding litigation;
- concluding a rights issue to strengthen the balance sheet, and
- improving operational efficiencies and cutting costs.

The group however, needed to grow substantially to warrant being listed. This was achieved through the consolidation of certain of the Daun group's investments in South Africa. With effect from 1 July 2004 the group acquired Hosaf Fibres, Glodina, Jordan & Co. and the automotive and footwear operating entities of Feltex from Daun & Cie AG. These businesses were selected because they had been "turned around" and were now profitable. The board has a good understanding of them and believes that they carry limited risk and offer good prospects for future growth in earnings. The acquired businesses added R1 billion to revenue and R79 million to operating profit for the six-month period from 1 July 2004.

The group adopted IFRS 3 business combinations. This resulted in negative goodwill of R190 million being accounted for in income for the year ended 31 December 2004. The taxation charge was low in relation to reported profits due to the utilisation of assessed losses and the creation of deferred taxation assets.

Mossop Western Leathers – Cape Town

KAP International Holdings Ltd

Balance sheet

Shareholders' funds grew from R204 to R879 million as a result of the new shares issued to fund the acquisitions and the results for the year. A 34% return on shareholders' interest was achieved. The net asset value per share improved from 121 to 210 cents per share despite the number of shares in issue increasing from 168 to 418 million. Cash of R114 million was generated from operations (2003: R18 million) and net interest-bearing debt to equity remained a stable 22% (2003:16%).

Dividends

The board has declared a capitalisation share award with a cash alternative of 5 cents per share. The dividend cover is 5,03 times. The policy of the group is to have a payout ratio of 20% of headline earnings and to declare dividends annually with no interim dividend.

Operational overview

Industrial division

This comprises automotive, industrial footwear and Hosaf Fibres who all supply products into the industrial sector of the economy.

Car and light commercial vehicle sales in South Africa hit a record high of 450 000 units for 2004, a 22% increase over the previous year which resulted in a 7% increase in local vehicle build to 434 000 units. The market growth had a positive impact on the financial performance of the automotive division. Annualised turnover increases and efficiency improvements produced a substantially higher contribution to profits.

All divisions except Wayne Rubber increased their profit contributions. Total investment in new plant and equipment amounted to R24 million representing a major investment in the 2004 and 2005 new car models.

The industrial footwear division continues to generate acceptable returns through tight cost control and excellent marketing of its brands.

Hosaf Fibres suffered from the difficult conditions experienced by the polyester industry worldwide. Despite these adverse conditions, the division achieved a modest profit. Long term plans have been implemented to reduce operating costs and to increase production flexibility and capacity.

Consumer division

This comprises fashion and sport footwear, Bull Brands Foods and Glodina towels who all supply the retail sector of the economy.

The fashion and sport footwear division achieved increased profits mainly as a result of improved margins and buoyant consumer demand for fashion footwear. The strong Rand has been of benefit by reducing the cost of imported materials and product. A consistent focus on nurturing and developing strong brands has been a core driver of this division.

The operating results of Bull Brand Foods for the year reflected a significant improvement. The cannery continued its acceptable growth in earnings and the fresh meat division recorded a pleasing turnaround following the collapse of local red meat prices during 2003. The turnaround was as a result of meat prices stabilising, reduced costs in purchasing cattle for the feedlots, increased volume that generated economies of scale and improved operating efficiencies and cost control.

Over the last three years Glodina consistently improved its financial performance. This has been achieved mainly through the introduction of capital for investment in new plant and equipment, significant improvements in operating efficiencies and staff morale, cost cutting and effective raw material sourcing.

Chairman and chief executive officer's report

Corporate action

The group acquired Hosaf, Glodina, Jordan & Co and the automotive and footwear operating entities of Feltex with effect from 1 July 2004. The effect of these acquisitions is explained under the revenue and earnings section of this report.

Following the acquisitions, the company changed its name to KAP International Holdings Limited, and was moved to the Diversified Industrial sector of the JSE Securities Exchange South Africa to better reflect the nature of the group.

Corporate governance

The directors endorse the principles advocated by the Code of Corporate Practice and Conduct set out in the King report on Corporate Governance (King II). During the period under review the board has made significant progress in its efforts to comply with the Code in full and by year end complied in all material aspects. Governance issues are dealt with more comprehensively in the Corporate Governance section of this annual report.

Black economic empowerment

The group is committed to black economic empowerment. Training and development of staff has been prioritised to increase the skills base of our human resources. This not only improves operating efficiencies and the quality of our products, but also assists in developing a management team which is representative of the demographics of the regions in which the group operates. Various procurement and social responsibility programmes are in place at operational levels. Motseng Investment Holdings (Proprietary) Limited, with whom we have built a relationship over the past two years, has acquired an initial 14 million shares in KAP (3,35% equity stake).

Directorate

Messrs C L Campher and A Z Keyser resigned with effect 12 November 2004. The board thanks both directors for their valuable contribution and looks forward to their continued positive input in their respective operational responsibilities as chief executives of Bull Brand Foods and Feltex Automotive Leathers. Messrs M J Jooste, J B Magwaza, F Möller, I N Moloto and S H Nomvete were appointed as non-executive directors with effect 12 November 2004. Mr C E Daun was appointed non-executive chairman.

Prospects

KAP International contains a diverse portfolio of businesses that have been carefully chosen and are well balanced. They are effectively run and positioned to offer acceptable improvements in profitability. An excellent executive team is supported by depth of management and committed employees at all operating entities.

The industrial business is anticipated to grow in line with further volume growth in vehicle build in South Africa. The consumer business is expected to continue to benefit from strong retail demand. KAP International is thus well placed to take advantage of growth opportunities that become available and to deliver strong growth in returns to shareholders.

Appreciation

We would like to thank our executive team and management who have delivered sound operating profits. Our people are key to our success and we have enjoyed the manner in which they, at all levels, have met the challenges of the past year.

We welcome our new colleagues onto the reconstructed KAP board and look forward to working with them in growing our business through fostering an entrepreneurial spirit, in a manner that is both transparent and incorporates sound governance. Rob Radford, in particular, has played a key role during these challenging times and continues to competently lead his management team.

The group enjoys a broad customer base and will seek to further improve its service to better meet their requirements. We thank our loyal customers for their continued support.

We appreciate and are fortunate to have the suppliers and financiers who provide the group with the opportunities to achieve our goals. Our sustainable growth and success depends on the continued commitment of staff, customers, suppliers and financiers and we look forward to maintaining and enhancing good relationships based on trust.

C E Daun
Non-executive chairman

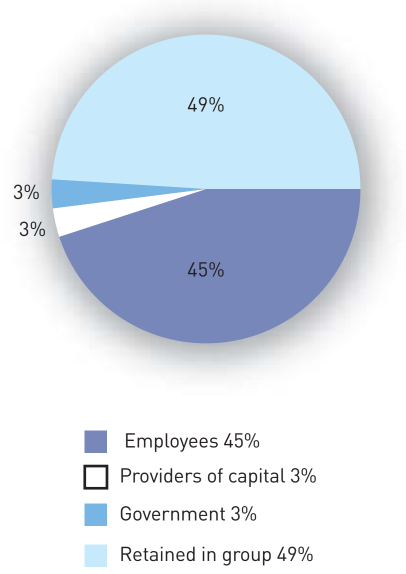
P C T Schouten
Chief executive officer

Value added statement

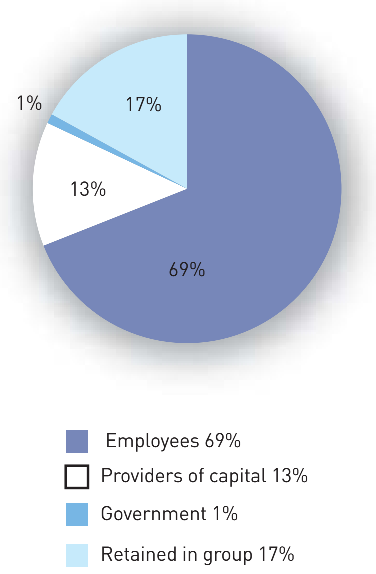
	Year ended 31 December 2004 R'000	%	8 months ended 31 December 2003 R'000	%
Sales	1 911 873	100	616 524	100
Materials and services purchased	(1 304 276)	68	(507 918)	82
Wealth created	607 597	32	108 606	18
Distributed as follows:				
To pay employees	271 017	45	74 643	69
To pay providers of capital	19 435	3	13 636	13
To pay government	15 676	3	1 435	1
Retained in the group	301 469	49	18 892	17
Wealth distributed	607 597	100	108 606	100

Distribution of wealth

2004



2003



Six year financial review

	31 December 2004	31 December 2003 (8 months)	30 April 2003	30 April 2002	30 April 2001	30 April 2000
Group income statement (R'000)						
Revenue	**1 911 873**	616 524	1 158 367	1 168 122	1 284 543	1 347 377
Operating profit/(loss)	**138 414**	22 704	(95 957)	33 139	(99 671)	26 668
Negative goodwill	**190 039**	–	–	–	–	–
Net financing costs	**(10 597)**	(12 635)	(25 365)	(26 311)	(30 933)	(25 154)
Share of results of joint ventures	**1 247**	(1 964)	(603)	1 715	849	389
Profit/(loss) before taxation	**319 103**	8 105	(121 925)	8 543	(129 755)	1 903
Taxation	**(15 676)**	(9)	29	(992)	(272)	(397)
Minorities' interest	**(1 958)**	(28)	18	(21)	(200)	(155)
Net profit/(loss)	**301 469**	8 068	(121 878)	7 530	(130 227)	1 351
Group balance sheet (R'000)						
Shareholders' funds	**879 125**	203 707	56 167	179 660	168 894	301 072
Minorities' interest	**8 841**	72	44	453	432	155
Deferred taxation	**5 740**	–	–	–	143	19
Borrowings	**242 526**	70 080	155 697	164 148	261 035	195 402
Retirement benefit obligation	**40 649**	9 922	12 857	11 387	13 344	15 000
Current liabilities (excluding short term borrowings)	**380 879**	73 417	179 283	123 280	156 944	148 466
Total equity and liabilities	**1 557 760**	357 198	404 048	478 928	600 792	660 114
Property, plant, equipment and investments	**424 849**	50 695	63 554	124 191	165 348	196 960
Deferred taxation	**134 806**	–	–	–	–	–
Long term receivables	**–**	20 958	7 153	7 579	8 006	7 652
Inventories and receivables	**953 092**	248 300	324 366	347 158	374 637	434 696
Cash and cash equivalents	**45 013**	37 245	8 975	–	52 801	20 806
Total assets	**1 557 760**	357 198	404 048	478 928	600 792	660 114
Group cash flow (R'000)						
Cash generated from/(utilised by) operations	**162 294**	24 063	7 139	59 238	(57 260)	47 752
Working capital changes	**(48 161)**	(5 820)	27 952	(7 530)	69 670	(41 094)
Interest paid	**(19 435)**	(22 618)	(26 460)	(26 311)	(30 933)	(25 154)
Taxation paid	**(13 560)**	(199)	(913)	(1 221)	(2 937)	(2 653)
Net cash (outflow)/inflow from investing activities	**(465 285)**	20 025	9 708	19 910	(12 178)	(32 849)
Cash (utilised)/generated	**(384 147)**	15 451	17 426	44 086	(33 638)	(53 998)

During 2003, the company consolidated its share capital on a 1 for 20 basis. All the comparative financial statistics for prior periods have been restated to include the above.

Definitions

Return on total net assets
Operating income before net interest paid and taxation including non trading items and associated companies expressed as a percentage of total assets excluding cash and cash equivalents and intangible assets.

Return on shareholders' interest
Percentage of earnings attributable to shareholders to capital and reserves.

Ratio of borrowings to capital and reserves
The total of interest-bearing liabilities to capital and reserves.

Ratio of debt to capital and reserves
The ratio of total liabilities net of cash resources, excluding deferred liabilities, to capital and reserves.

Six year financial review

KAP International Holdings Ltd

	31 December 2004	31 December 2003 (8 months)	30 April 2003	30 April 2002	30 April 2001	30 April 2000
Ratios and statistics						
Profitability						
Operating profit as percentage of revenue (%)	**7,24**	3,68	(8,28)	2,84	(7,76)	1,98
Net profit as percentage of revenue (%)	**15,77**	1,31	(10,52)	0,65	(10,12)	0,11
Return on total net assets (%)	**21,79**	6,48	(24,44)	7,28	(18,03)	4,23
Return on shareholders' interest (%)	**34,29**	3,96	(216,99)	4,19	(77,11)	0,45
Leverage						
Ratio of borrowings to capital and reserves (%)	**27,32**	34,31	277,20	91,37	154,56	64,90
Ratio of debt to capital and reserves (%)	**70,42**	52,16	580,42	159,98	216,22	107,30
Liquidity						
Current ratio	**1,8**	2,0	1,0	1,2	1,1	1,5
Finance charges cover	**13,1**	(1,4)	3,6	(1,3)	3,2	(1,1)
Productivity						
Total assets turn	**1,2**	1,7	2,9	2,4	2,1	2,0
Number of employees	**5 272**	1 689	1 921	2 153	3 177	3 399
Assets per employee (Rand)	**295 480**	211 485	210 332	222 447	189 107	194 208
Share statistics						
Number of shares in issue (000)	**418 720**	168 120	28 020	28 020	28 020	28 020
Weighted average number of shares issued (000)	**293 412**	34 882	28 020	28 020	28 020	28 020
Headline earnings/(loss) per share (cents)	**35,86**	24,85	(311,61)	43,21	(364,04)	12,01
Earnings/(loss) per share (cents)	**102,75**	23,13	(434,93)	26,87	(464,76)	4,82
Dividend per share (cents)	**5**	–	–	–	–	–
Net asset value per share (cents)	**210,0**	121,2	200,5	641,2	602,76	1 074,49
Total number of shares traded (million)	**40,7**	10,84	0,25	0,27	0,21	Not available
Total value of shares traded (R million)	**83,7**	1,85	0,54	0,79	0,76	Not available
Market price at year end (cents)	**300**	100	220	220	180	Not available
– highest closing price (cents)	**305**	300	380	500	700	Not available
– lowest closing price (cents)	**50**	100	100	140	140	Not available
Price to earnings ratio	**8,37**	4,02	(0,71)	5,09	(0,49)	Not available

Current ratio
The ratio of current assets to current liabilities.

Finance charges cover
The number of times that the net finance charges are covered by operating income.

Basic headline earnings per share
Headline earnings per share divided by the weighted average number of shares in issue.

Basic earnings per share
Income after taxation divided by the weighted average number of shares in issue during the year.

Net asset value per share
Shareholders' interest, including intangible assets, divided by the number of shares in issue.

Price to earnings ratio
Market price per share at year end divided by headline earnings per share.

Geographic spread

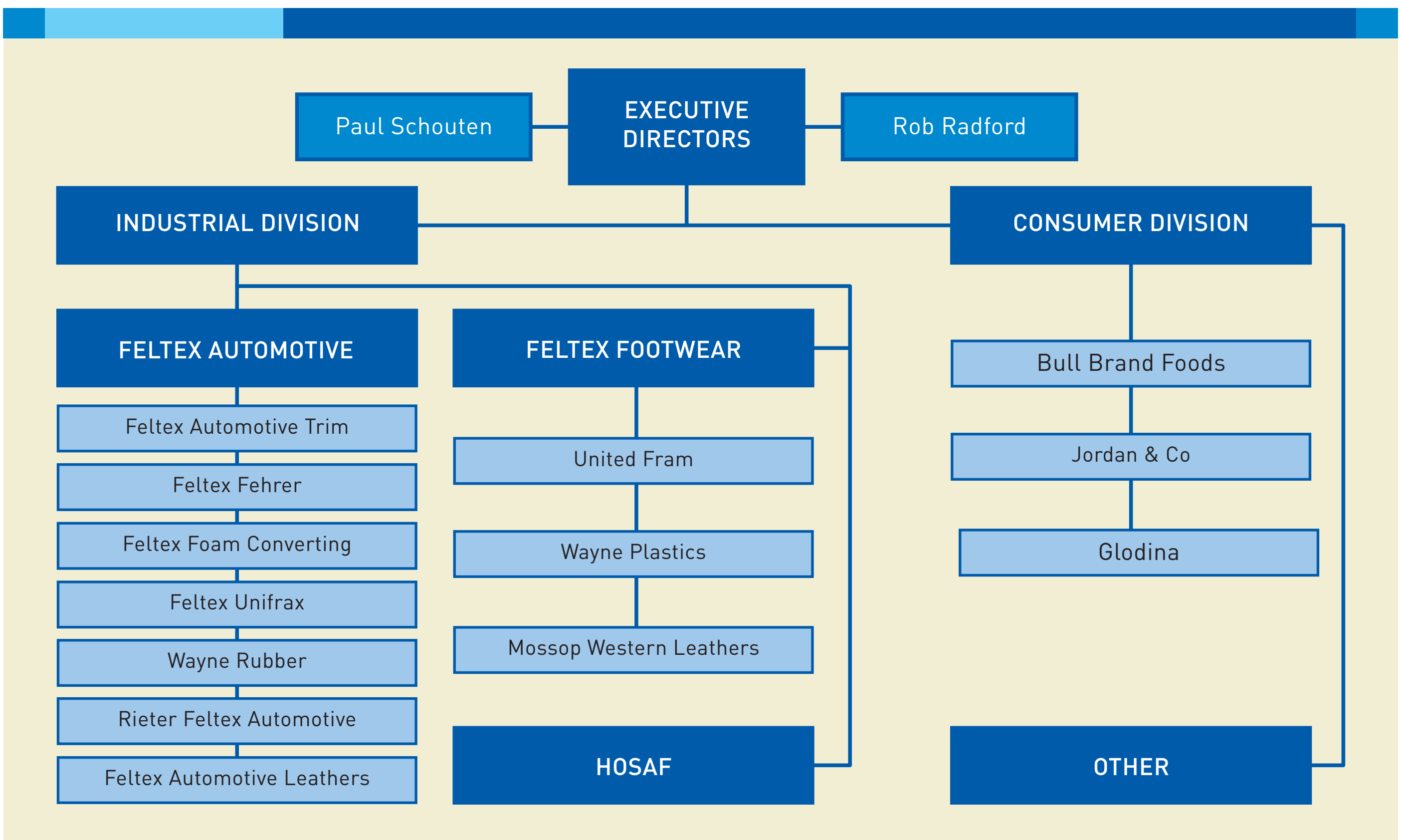
National location

CAPE TOWN	H	J	M
DURBAN	A	G	H
EAST LONDON	A		
LADYSMITH	A		
JOHANNESBURG	IF		
PORT ELIZABETH	A		
ROSSLYN, PRETORIA	A		
KRUGERSDORP	B		

Key:

- B Bull Brand Food factory
- J Jordan & Co factory
- A Automotive factories
- G Glodina factory
- M Mossop Western Leathers factory
- H Hosaf factory
- IF United Fram and Wayne Plastics factory

Organogram

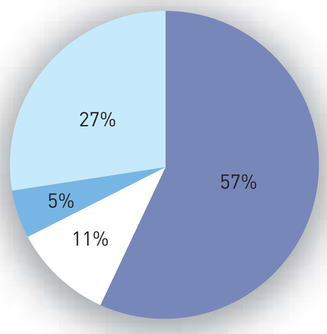


Segmental analysis

	Revenues R'000	Revenues %	Operating profit R'000	Operating profit %	Total assets R'000	Total assets %
2004						
Industrial	**1 022 294**	**53**	**94 010**	**68**	**925 623**	**59**
Consumer	**894 740**	**47**	**42 104**	**31**	**540 407**	**35**
Other	**(5 161)**	**–**	**2 300**	**1**	**91 730**	**6**
	1 911 873	**100**	**138 414**	**100**	**1 557 760**	**100**
2003						
Industrial	355 547	58	525	2	135 308	38
Consumer	260 977	42	11 713	52	193 250	54
Other	–	–	10 466	46	28 640	8
	616 524	100	22 704	100	357 198	100

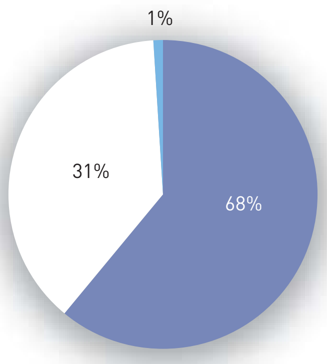
The segmental operating profit differs from the results announcement due to an allocation error between the industrial and consumer division. The effect of the error was to reduce the industrial segment's operating profit and increase the consumer segment's operating profit by R10,0 million.

Funding of total assets



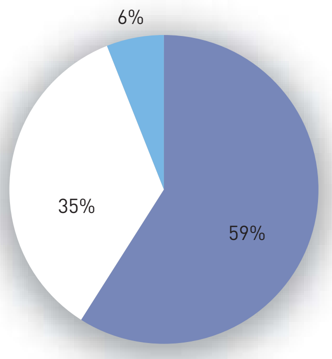
Shareholders 57%
Short term borrowings 11%
Long term borrowings 5%
Trade and other payables 27%

Operating profit



Industrial 68%
Consumer 31%
Other 1%

Employment of total assets



Industrial 59%
Consumer 35%
Other 6%

Operational overview: Feltex Group

Rob Radford — Managing director
Rob Bowden — Finance director; CA(SA); CMA

The Feltex Group comprises the Feltex Automotive and Footwear Divisions. The company was formed in 1931 and acquired by Daun & Cie in 1999. The divisions are managed and measured on a decentralised basis, each with its own operational management. Return on investment is measured after interest taking into account a notionally structured funding policy, whilst the JV's are funded according to the shareholder agreements with international partners. Group services provided support in the areas of finance, information systems, human resources and risk management.

Feltex are totally market driven and strive to be the market leader in all their product categories. Their stated policy is to invest in the latest technology and tie up with the right strategic alliance partners in order to achieve this goal.

KAP.
International Holdings Ltd

KAP International Holdings Ltd

Feltex Automotive

Ugo Frigerio Divisional director; BA Hons; MPhil

Feltex Automotive comprises six strategic business units that supply products directly and indirectly to the South African OEMs [Original Equipment Manufacturers]. The Automotive division is now one of South Africa's largest automotive component manufacturers. Manufacturing facilities are situated in Durban, Rosslyn, Port Elizabeth and East London in close proximity to the assembly plants to facilitate "just in time" and "just in sequence supply". Integrated computerised information technology systems link into the customer's electronic data interchange production planning systems.

The key success factors of the automotive divisions are consistent quality, outstanding service and internationally competitive pricing. All divisions have achieved a dominant supply position in their product sectors and this has enabled the businesses to achieve competitive prices through economy of scale benefits.

Feltex Automotive Trim

Andrew Wood Divisional director; BA Hons; PMI (Dip.)

The Trim division is the leading supplier of a wide range of quality automotive acoustic and trim components including main floor carpets, dash insulators, engine and passenger compartment insulators, trunk packages, parcel shelves and sun visors, shower curtains, seat back trim, trunk mats, roof and bonnet liners, exterior textile wheelhouse liners and loose lay mats. Acoustic components are developed to reduce the noise in the passenger compartments of motor vehicles.

A major competitive advantage is the long term technology and licensing agreements that have been established with global leaders in the manufacture of automotive and trim components. Vertical integration also improves competitiveness. The raw materials for use by the converting units are manufactured in-house. This division is a first tier supplier to all the leading OEMs and is the dominant supplier in its product range.

Feltex Fehrer

Bruce Muggeridge General manager

Feltex Fehrer (Proprietary) Limited was established when Feltex sold 26% of its foam mouldings division to the leading international foam mouldings manufacturer, Fehrer of Germany. This arrangement secures the continuity of technical expertise.

Feltex Fehrer manufactures moulded polyurethane products to international specifications and quality standards. The Feltex Fehrer product range includes automotive seat pads, armrests, headrests, wire frames, listing wires and suspension aid buffers.

Feltex Foam Converting

Darran Berry General manager

This business is situated in Durban and produces a wide range of polyester and polyether flexible, semi-rigid and rigid thermo-formable foams in peeled and shaped component format. Most of the output is delivered to the automotive market where a significant market share has been achieved. The foam laminates the fabric to the car seat. Foam products are also supplied to the apparel, filtration, footwear and leisure industries.

Feltex Unifrax

Bryan Dell General manager; MDP

Feltex Unifrax is in partnership with Unifrax Corporation of USA to manufacture mats for catalytic converters to protect the filter in the exhaust of a motor vehicle. Unifrax is the world-leading producer of high temperature fibre products for a wide variety of industrial applications. This is a growth market with increasing environmental demands for lower motor vehicle exhaust emissions.

Rieter Feltex Automotive

Mike Stark Chief executive officer; MDP

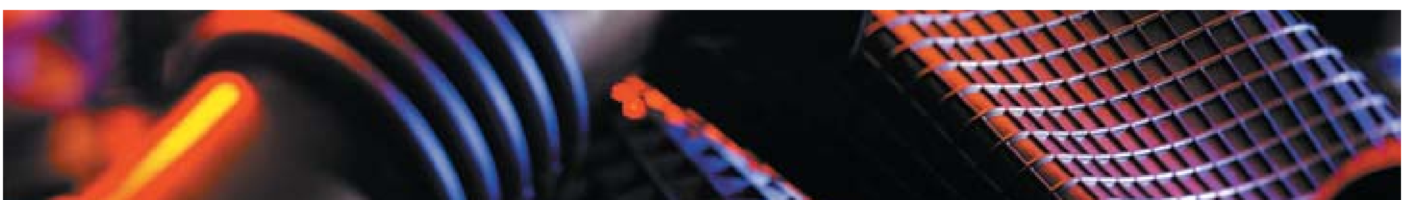
The Rieter Feltex Automotive is a joint venture (JV) with the multinational Rieter Automotive Systems group, which was established in 1998. Feltex owns a minority share of 49% but has management responsibility for operations. For accounting purposes the JV is equity accounted. This arrangement secures the continuity of technical expertise.

The JV produces heatshields in Rosslyn and distributes noise and thermal protection systems as well as floor systems and interior trim. These reduce noise and stop heat from the engine from causing discomfort in the passenger compartment of a motor vehicle.

Wayne Rubber

Grant Longhurst General manager; BSocSc

During the year, this business was refocused on Kraiburg branded pre-cure tread for the trucking industry and rubber sheeting products for industrial applications. Kraiburg is the leading European manufacturer of pre-cured tread. A technology and supply agreement with Kraiburg is designed to promote the Kraiburg brand and increase sales volumes in the local and export markets. Manufacturing facilities are situated in Durban. Negotiations are in progress to form a JV with Kraiburg to increase its involvement in the technology, production techniques and product development.



Operational overview: Automotive

Feltex Automotive Leathers – Ladysmith

Feltex Automotive Leathers

Braam Keyser Divisional director; BComm

Feltex Automotive Leathers (FAL) has a large modern leather finishing factory based in Ladysmith. It produces leather for seats, door panels, gear boot covers, gear lever covers, sun visors and service manual covers for motor manufacturers. In addition, it markets quality leather products for the furniture and aviation industries. It services both global and local markets.

The company has stringent quality standards and has achieved international quality accreditations.

Currently the production facilities have sufficient capacity to more than double throughput volumes to produce wet-blue hides/wet-white hides for automotive tanneries. FAL is proud to be associated with DaimlerChrysler, Toyota, General Motors (Opel and Isuzu) and Mitsubishi, and constantly strives to improve its global competitiveness.

MIDP [Motor Industry Development Programme]

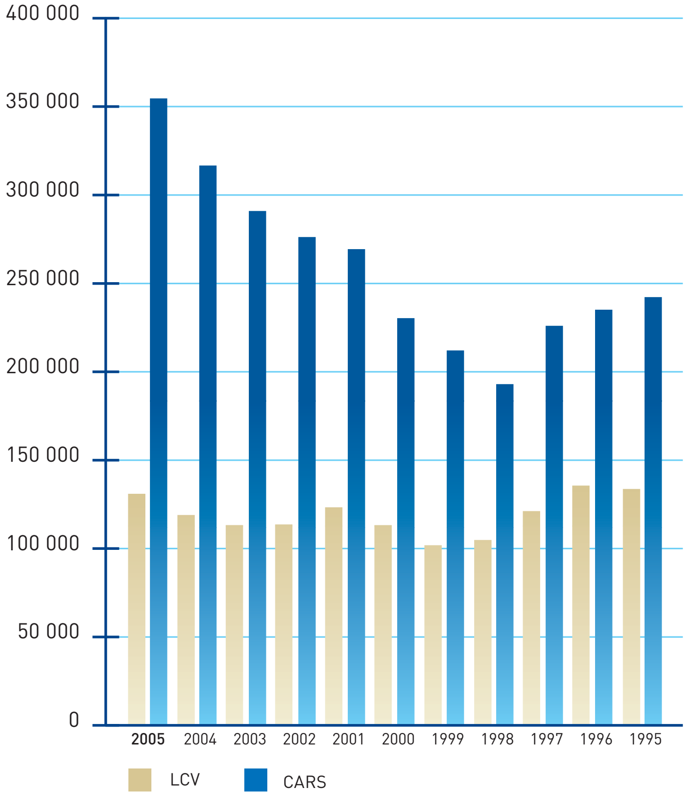
The Automotive division benefits from the MIDP enacted in 1995 resulting from government's positive engagement with labour, component automotive original equipment manufacturers with the objective of reintegrating South Africa into the international motor industry. The result is a plan that places the local industry in a more competitive position to compete on a global basis. The MIDP has been through two reviews to fine-tune it and extend the benefits to 2012. This gives a longer planning horizon to participants and the programme is supported as being a balanced system that is feasible but challenging.

Automotive markets

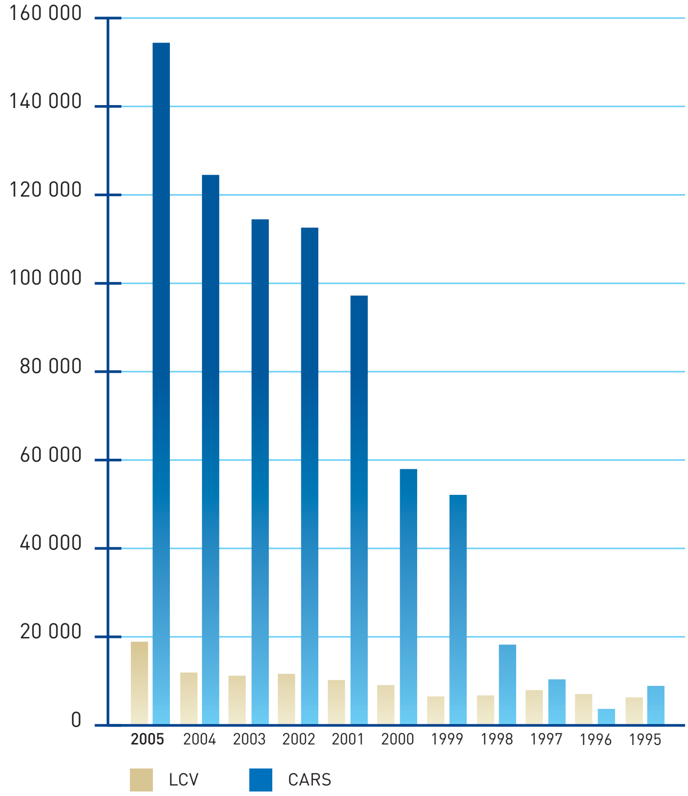
The revenue driver for automotive component suppliers such as Feltex is the OEM build volume. The industry has enjoyed a buoyant year with local car sales supplemented by good export volumes.

2004 was a record-breaking year as car and light commercial vehicle [LCVs] sales in South Africa hit a record high of 450 000 units – an increase of 22% from 2003. The local vehicle build, which is the more relevant revenue driver of the Automotive division was 434 000 units – an increase of 7%. The difference is accounted for by the fact that vehicle imports increased at a faster pace than exports. Economic conditions have been favourable for vehicle sales including low interest rates resulting in more disposable income as well as restrained price increases from the OEMs and the emerging market where, in the past three years, 300 000 more people have moved into the income sector where a new vehicle is affordable.

Operational overview: Automotive



Domestic sales 1995 to 2004 and 2005 forecast



Vehicle exports 1995 to 2005

Review of 2004 results

Market growth has had a positive impact on the results of Feltex Automotive. Annualised turnover increases and efficiency improvements produced a substantially increased contribution to profits. All business units, with the exception of Wayne Rubber, contributed to the improvement with the Trim division, in particular, benefiting from the investment in new equipment and acquisitions of recent years.

The Automotive Leather business had an excellent year and almost doubled its profits by aggressive raw material procurement and improved yields arising from efficient conversion. Both the Foam and Unifrax businesses increased their profit contributions.

Total investment in new plant and equipment amounted to R24 million, representing major expansion investment in new car models launched in 2004 and to be launched in 2005.

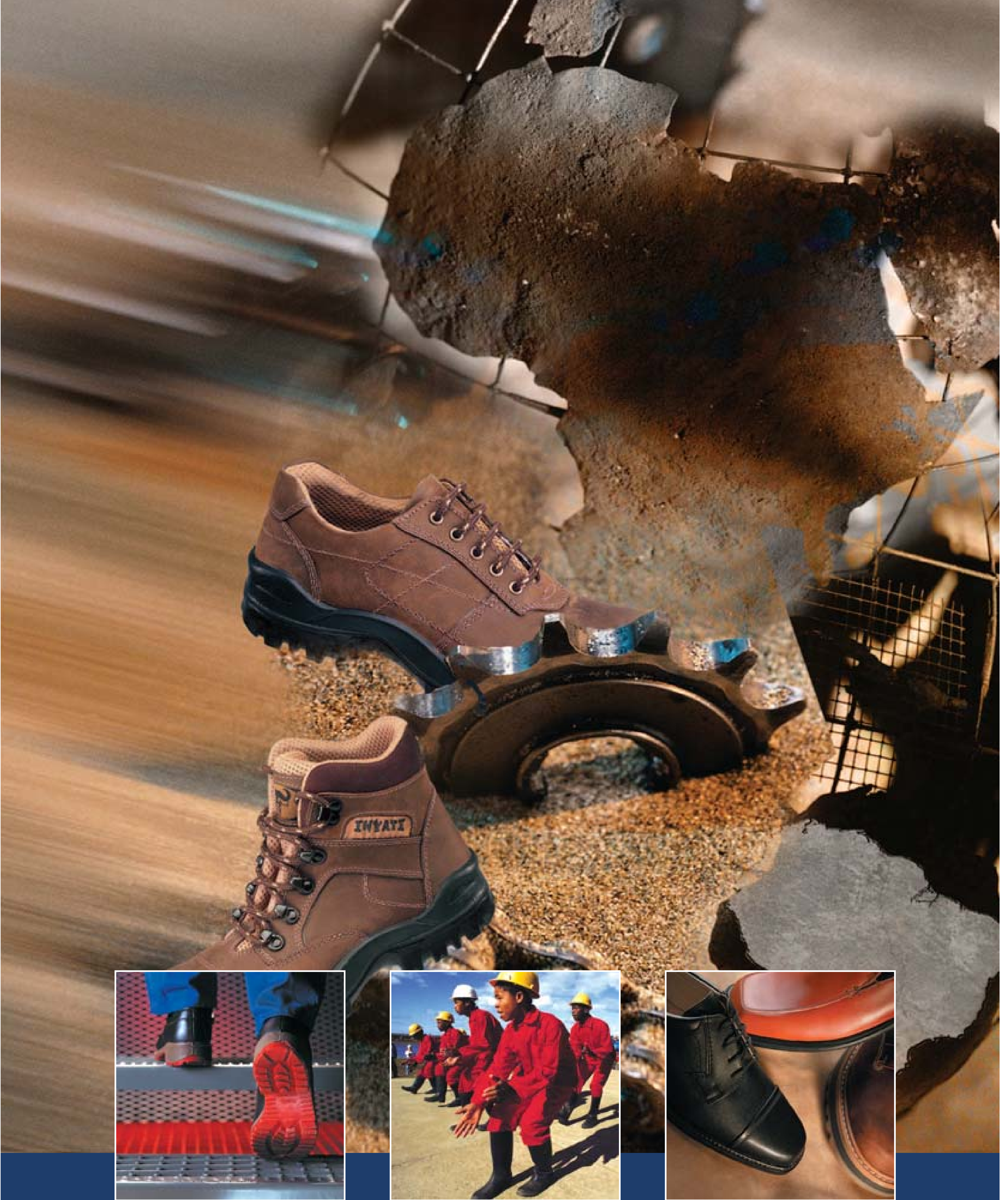
Prospects

The domestic market is anticipated to expand further, with car and LCVs sales of 484 000 units forecast, representing volume growth by 5%. As exports are forecast to grow faster than imports, the build is forecast to grow 11% to 483 000 units. As a result, the Automotive division is expected to continue to show volume growth, due to the introduction of the new Toyota HiLux, BMW 3 Series and Ford Focus and Mazda models that will commence commercial production in 2005.

The division will benefit from arrangements made with overseas alliance partners to supply the new vehicle models due for launch in future years. In view of this, the business is entering an expansionary phase as these models are rolled out, with volumes peaking in 2006.

The Trim division's investment in new capacity and a waste-recycling project will improve margins and contribute to increased profitability. The leather division is likely to experience a period of consolidation but the turnaround in Wayne Rubber should more than offset this.

For these reasons, management is confident of achieving further real growth in the year ahead.



KAP

International Holdings Ltd

Operational overview: Feltex Footwear

KAP International Holdings Ltd

Profile

Feltex Footwear comprises United Fram, manufacturers of Inyati and other leading brands of industrial leather protective footwear, Wayne Plastics, manufacturers of PVC gum boots for the local and export markets and Mossop Western Leathers.

United Fram and Wayne Plastics

Jeff Burland   Divisional director; B Compt

United Fram is a leading industrial leather footwear manufacturer producing the highest quality safety, industrial and security footwear for local and international markets. The brands are Inyati and Frams. Products are used in a wide variety of applications in diverse industries including mining, petrochemical, engineering, construction and defence. State-of-the-art robotics and machinery are employed in the manufacture of injection moulded soling.

Products include leather boots and shoes with injection moulded soles and shoes with vulcanised rubber soles. Benefits of these products include cost competitiveness, durability, heat resistance and lightweight construction. United Fram is the only footwear vulcanising and PU/rubber moulding process manufacturer in South Africa.

Wayne Plastics manufactures a wide range of PVC and PVC/nitrile gumboots and safety footwear. The company was established in response to international trends where PVC was replacing rubber. Wayne Plastics develops and manufactures comfortable industrial footwear that meets the stringent durability and safety requirements of SA deep level mining.

Wayne Plastics is the dominant force in the local gumboot market, providing a substantial base into international markets. Heavy-duty water and chemical/oil resistant boots are sold to the mining industry, while general purpose and specialist gumboots are used for food harvesting, agriculture, food processing, hygienic maintenance and other markets.

These divisions, based in Johannesburg, employ 620 people.

Feltex Footwear achieved increased profits for the year mainly as a result of improved margins. Although unit sales were similar to the previous year, the strong Rand enabled the industrial leather footwear business to import its material at lower prices than previously. However, leather industrial footwear imports, especially from China, are a challenge and this could impact on future performance. PVC gumboots continued to be shipped in large volumes to export markets but at reduced margins.

A major upgrade of technology in the plastics business was completed during the year at a cost of R8 million. The new state-of-the-art automatic machines will enhance product quality and manufacturing efficiencies.

Mossop Western Leathers (Mossop)

Andre Pelser   Divisional director; BA Law

This business unit is the largest tannery in South Africa, supplying bovine leathers to the footwear and leather goods industries. The company, established in 1846, is situated in Wellington in the Western Cape. The company employs 220 people at two plants, a wet-blue operation and a crust and finishing plant.

Mossop is a major supplier to local footwear manufacturers and also exports leather to the UK, Spain, Portugal, India and the Far East. Products are mainly focused on the school shoe market and include Grain Leathers, Tek-Tan/Eco-Tan PU Coated Leathers and Suede and Finished.

This business improved its profit by diversifying raw material procurement, strict cost control, manufacturing efficiencies, quality standards and service. The stronger Rand resulted in lower average hide prices but placed pressure on selling prices.

Despite support by some retailers for the Proudly South African campaign and the commitment of government to local procurement for public tenders, prospects for local leather and footwear manufacturers will continue to be extremely challenging due to subsidised imports from Asia and Latin America. Local footwear with strong brands, good quality standards and efficient production and service systems will continue to be significant suppliers to local retailers. Mossop aims to be the preferred leather supplier due to its reliability and rapid response capabilities.

Prospects

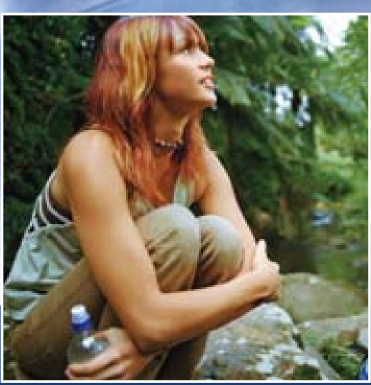
The footwear division has a dominant share of the local market but this is slowly eroding as the mining industry continues with mechanisation and retrenchments. Plans are being developed to expand leather footwear exports and target markets have been identified as the countries on the African continent. Agents and distributors have been appointed in several countries and the first orders have been received. Wayne Plastics' PVC boot exports are already well established and export turnover now exceeds 10% of total turnover.

On the leather footwear side, a strategy is being implemented to supplement local production with the import of certain product ranges from China where the local cost of manufacture is uneconomical. Two product ranges have been identified that complement the existing manufactured range and, depending on market reaction, this could be expanded further in the future.

The possibility of vertically integrating into compounding PVC is being investigated as this could reduce the cost of raw materials and improve competitive advantage.

A new development in both leather and plastics is the insertion of a computer chip into the footwear, which has unlimited possibilities, including access control, time and attendance and many other applications. This is an exciting and innovative development that could enhance the added value for the footwear customers.

The division is forecasting modest growth.



KAP.

International Holdings Ltd

Operational overview: Hosaf Fibres

Peter White Managing director; BSc (Hons) Textile Technology

Hoechst South Africa was founded in 1957. Daun & Cie acquired the polyester division in 2001 when Hoechst Germany took a decision to disinvest in anything that did not constitute its core product of pharmaceuticals. The company operates two manufacturing sites in Durban and Cape Town and has just invested in a recycling plant in Johannesburg.

The company's products are PET bottle resin used for packaging of bottled water and soft drinks, polyester staple fibre used in textiles and speciality fibres such as hollow fibres used in duvets and pillows.

The company has the only continuous polymerisation plant in sub-Saharan Africa, utilising the most modern technology, situated in Durban. Replacement cost of this plant is in excess of R800 million.

During 2004 the industry experienced difficult trading conditions as a result of large capacity increases leading to an oversupply of polyester and a shortage of raw materials. Hosaf was able to withstand this threat for two reasons. Firstly, it has a guarantee of raw material supply by contract and has maintained a good relationship with its suppliers. Secondly, the value of the plant had been substantially impaired prior to the acquisition by Daun & Cie, before the company was acquired by KAP International for R57 million on 1 July 2004. This means that Hosaf does not have the high depreciation and interest charges of its competitors. Capacity increases were done in 2004, which will improve total capacity from 50 000 tons to 74 000 tons per annum and significantly reduce fixed costs per ton of production. The commissioning of the recycling plant in late 2004 will have a significant effect on raw material cost in future years.

World demand for PET resin is expected to continue to grow by 7% per annum. The reason for this growth is because PET offers substantial benefits for packaging. It is cost effective, environmentally friendly and easily recycled.

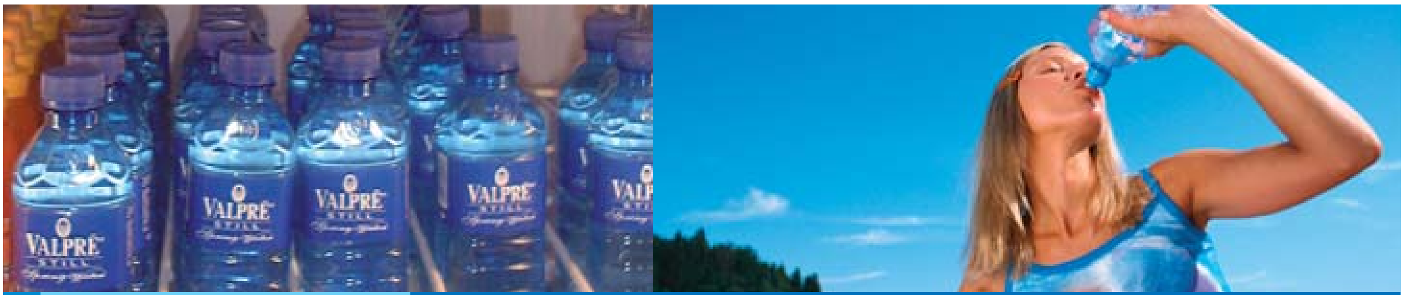
Hosaf Fibres recognises the need for the recycling of polyester bottles and has played an active role in an industry-promoted initiative. A non-profit company will be formed early in 2005 to implement a levy system to increase the collection of used PET bottles.

Hosaf Fibres – Cape Town

During the second quarter of 2005, plant and machinery will be installed to increase the PET bottle resin capacity and add flexibility to switch between textile fibres and resin, as market needs change.

Discussions are in progress to conclude a technology agreement with a major polyester resin producer to give access to recipes for niche bottle resin products. With the plans that have been implemented, Hosaf Fibres is budgeted to improve on the financial performance of 2004.

Hosaf Fibres – Durban



KAP
International Holdings Ltd

Operational overview: Jordan & Co

Rob Jordan Divisional director; BComm (UCT) Dip Management (London), ABSI

Jordan & Co has been in existence for over 100 years and has been a division of Feltex Holdings (Proprietary) Limited since July 2004.

It supplies fashion and sports footwear mainly to the men's domestic markets through the entire spectrum of retailers, being credit and cash chain stores, discounters, wholesalers, mini chains and independents. Efforts continue to identify niche export markets despite the current strength of the Rand. Until the start of the current decade, Jordan's business primarily consisted of manufacturing its own brands of Jordan, Bronx and Olympic, as well as shoes for other companies such as Adidas, Nike and Woolworths under their brands.

Recognising that there were certain products that could be sourced much more cheaply from China, the company has supplemented from China sales of its own existing brands at better margins.

As importing bulk product inevitably leads to surplus stocks, the company has successfully established five factory shops which now contribute significantly to total sales.

For over 10 years, the company has had the distributorship rights to the leading international running brand of Asics and its associate leisure brand, Onitsuka Tiger. As part of its strategy to increase branded business, distributorship rights have recently been acquired for a number of international casual and fashion brands including Fubu, Dr Martens, Tommy Hilfiger, Sperry and Keds. It is expected that, over the next three years, these brands will contribute increasingly to divisional profitability.

The company's operations are based in Elsies River, where it has a four-storey factory employing 900 people. Plant and machinery are modern and well maintained while manufacturing methods, scheduling and material requirements planning are controlled by extensive computer systems and computer aided design and development. The factory is the only one that is Nike-accredited in sub-Saharan Africa.

Jordan & Co – Cape Town

Strong retail demand in the last few months of 2004 had a significant impact on demand for Jordan products. Jordan will continue to build on its strong brands and will launch a ladies' fashion division in order to grow market share. Management will also continue to add value by supplying superior service to customers involving range building, sourcing, strict monitoring of quality procedures and on time delivery.

KAP

International Holdings Ltd

Operational overview: Bull Brand Foods

Lou Campher Managing director; BProc; LLB

Bull Brand Foods has established itself as a vertically integrated red meat company with a reputation for export quality fresh beef and superior grade, well priced canned meals. Bull Brand provides a full basket of fresh red meat product and supplies the greater Gauteng market including its halaal and kosher customers. Despite the strong Rand, the company has increased exports of high quality beef to Europe and has significantly grown domestic sales to large supermarket chains and independent butchers across South Africa.

Bull Brand's canned meals (with its portfolio of well known trade names such as Bull Brand, Spekenam, Gants, Apex and house brands) have continued their strong domestic growth and have also secured significant exports to the UK, Botswana and the rest of Africa.

The Hurland and Taaiboschbult feedlots outside Magaliesburg and Potchefstroom respectively stock in excess of 40 000 cattle (approximately 8% of the standing head of cattle in South Africa), producing young high grade beef which is sold under the Bull Brand Grainfed, SAMS Tender Beef and Bull Brand Tender brands. The Krugersdorp facility encompasses an abattoir, production, canning, retail and wholesale operations and is the main distribution hub.

Operating results for 2004 were substantially up on previous years. The improvement was achieved through cost cutting, an improvement in the meat price, benefits from economies of scale and significant improvement in motivation and staff morale. Both the cannery and fresh meat divisions showed good growth. Emphasis has also been placed on providing the correct resources for the business to effectively achieve the desired economies of scale. For example, at Hurland, the adjacent farm land was acquired to secure water access and other resources.

Water access is critical to ensure continuity of supply of drinking water for the cattle. A structured capital expenditure programme was initiated to improve or replace old equipment and vehicles. Further capital expenditure will be incurred to improve processes, technology and competitiveness.

Bull Brand Foods – Krugersdorp

During the year, both feedlots achieved an ISO 14001 certification. The Krugersdorp operation, which has an overall EU export status, also achieved a HACCP re-certification and the coveted British Retail Consortium certification. These environmental, process and food safety certifications reinforce Bull Brand Foods' ongoing commitment to customers and ultimate consumers of the highest standards of quality and hygiene.

During 2005, the company will intensify its drive to supply an increased range of branded value added products to make consumers' lives easier and provide them with convenience under a Bull Brand guarantee of quality and safety. The current outlook is for meat price stability to remain in the market. Maize prices have declined substantially, which should benefit the feedlot industry.

We believe that consumer demand should remain strong. The drive for improved production efficiencies, especially at the feedlots, strict cost control, the introduction of more value added convenience products and marketing support for a powerful brand will allow Bull Brand Foods to generate further profit growth in 2005.

BULL BRAND | SPEKENHAM | GANTS | APEX | BULL BRAND GRAINFED | SAMS TENDER BEEF | BULL BRAND TENDER

KAP

International Holdings Ltd

Operational overview: Glodina

Paul Redondi Joint managing director; Dip. Tex Eng (Bergamo)
Mark Balladon Joint managing director; BComm (UCT); CA(SA)

Glodina was established as a family business in 1952 and has been the leading manufacturer and distributor of quality terry towels and related products in South Africa ever since. Daun & Cie acquired the company in January 2002. It is the sole supplier to Woolworths and supplies almost all of the other major retailers in South Africa. Glodina is also a major supplier to the hospitality industry and its brands include Glodina, Black Label, Soft Touch and Marathon. Glodina's market share in South Africa is approximately 32%.

The manufacturing plant is situated in Hammarsdale and is ISO 9001 accredited. The plant has almost completed all of the requirements for ISO 14001, which is the international environmental standard. Glodina employs 440 people whose consistent loyalty is reflected in the average length of service of 23 years. The company is sincere in its drive towards employee and economic empowerment. Training and development of staff is the cornerstone of management philosophy and a non-discriminatory relationship continues to be enjoyed with the diverse cultures that comprise the workforce.

Over the last three years, Glodina has consistently improved its financial performance. The management strategy has been to produce luxury niche products marketed under one of the brand names wherever possible. This strategy has meant that Glodina has not been threatened by cheap imports from the Far East and management has avoided competing on price in the bottom end of the market. Management has concentrated on offering the customer base product innovation through design, product appeal through construction (softer and more absorbent products), value for money and superior service. This, together with the strong brand, has helped Glodina grow market share. The design team has consistently monitored international trends to maintain market leadership.

Glodina – Durban

The company has also significantly improved its operational performance in the last three years. This has been achieved by reducing the waste and reject percentage through training and motivation, cost cutting and more effective raw material sourcing. Daun & Cie also introduced a significant amount of capital through a rights issue to invest in new plant and equipment.

Management plans to further improve operational performance in 2005 by investing in training and development and by completing capital projects that began late last year. Glodina intends to improve customer service by cutting down delivery times and improving stock management. The company has recruited an expert from the automotive industry to ensure that this project is successful.

The turnaround at Glodina has been achieved through hard work from management and staff and we are confident that the company will continue to show steady profit growth that is sustainable.

Corporate governance

KAP is committed to an open governance process, which provides shareholders and other stakeholders with the assurance that group resources are being managed ethically, within predetermined risk parameters and comply with sound and transparent business practices. The directors endorse the principles advocated by the Code of Corporate Practice and Conduct set out in the King Report on Corporate Governance (King II). During the course of the period under review, the board has made significant progress in its efforts to comply with the Code in full, and by year end complied in all material aspects.

The key principles underpinning the governance of the group are set out in this statement. An effective system of control aimed at managing business risks forms an integral component of the group's governance practices, details of which are provided in the internal control section below. The group believes that a corporate culture of compliance with applicable laws, regulations and internal policies and procedures are the core component of good corporate governance.

Board of directors

The board of directors is appointed by the shareholders and is responsible for setting the direction of KAP through the establishment of strategic objectives and key policies. The board, which consists of two executive and six non-executive directors, has a dynamic charter covering the scope of its responsibilities.

The members of the board have a variety of skills and experience, and their mix of geographic, technical, financial and commercial acumen is considered to be appropriately balanced to enhance the effectiveness of the board. The non-executive directors ensure impartial and objective viewpoints in the decision-making processes and standards of conduct. The board considers Markus Jooste, J B Magwaza, Ipeleng Moloto and Sandile Nomvete as independent non-executive directors. The roles of chairman and chief executive officer are separated. Claas Daun is chairman of the group and Paul Schouten is CEO. Claas Daun is a non-executive director, who is not independent. The chairman provides leadership and guidance to the board by obtaining optimum input from the other directors and encouraging proper deliberation of all matters requiring the board's attention. The board meets at least four times per annum to discuss strategies, planning, operational performance, compliance with all relevant laws and regulations, acquisitions and disposals, communication with stakeholders and to exercise control over other material matters with regard to the achievement of the group's objectives.

The board is responsible for monitoring the performance of executive management. The board and its committees have unrestricted access to all company information, records, documentation and property, and they are supplied with full and timely information that enables them to discharge their responsibilities.

Non-executive directors have full access to management and the company secretary. Directors are encouraged to stay fully abreast of the group's business through factory visits and meetings with senior management.

The appointment of directors is considered by the board as a whole in an open and transparent manner.

Board attendance

The attendance of the directors at board meetings and sub-committee meetings for the year was as follows:

	Board		Audit committee		Remuneration committee	
	Possible	Attended	Possible	Attended	Possible	Attended
C E Daun	4	1				
P C T Schouten	4	4	3	3		
J P L Alberts			3	2		
C L Campher*	3	3				
J B Gibbon			1	1		
M J Jooste	1	1				
A Z Keyzer*	3	3	3	3		
J B Magwaza	1	1			1	1
F Möller	1	1				
I N Moloto	1	1				
S H Nomvete	1	1				
R D Radford	4	4			1	1

*Resigned during the year

Major subsidiaries

The board of directors of major operating subsidiaries is comprised of executive directors.

Directors', officers' and employees' share dealings

No employee may deal directly or indirectly in KAP shares on the basis of any unpublished price sensitive information regarding the business affairs of the group.

Directors and officers are not permitted to deal directly or indirectly in the shares of the company for the period between the end of the interim and annual reporting periods to the announcement of the interim and final results, for any period during which they became aware of any negotiations, the details of which may affect the share price, or a period declared as a prohibited period in terms of JSE Securities Exchange South Africa (JSE) Listing Requirements. The company secretary communicates on a regular basis with the board on the status of dealing in the company's securities.

All dealings by directors and senior executive management are pre-authorised by the CEO. Immediately after any transaction in the company's shares, directors are required to notify the company secretary in writing of the nature of the transaction, the date thereof, price and number of shares involved. These notifications, if appropriate, are forwarded to the JSE and tabled at the next board meeting.

Directors' interest in contracts

A process for noting directors' interest in contracts is in place and this is regularly updated. During the year under review, the only material contracts or arrangements entered into by the company or its subsidiary in which directors had a significant interest are: The contracts for the purchase by KAP of the issued share capital and claims against Casa Rosada Investments (Proprietary) Limited, Dano Textile Industries (Proprietary) Limited, Hosaf Fibres (Proprietary) Limited and Marker Investments (Proprietary) Limited.

The affected directors were Claas Daun and Paul Schouten.

Stakeholder communication

The board is committed to balanced and prompt communication to all stakeholders regardless of the potentially positive or negative impact.

Board committees

The board has an audit committee and remuneration committee to assist in discharging the board's duty of ensuring good corporate governance.

Audit committee

A group audit committee comprising a majority of independent non-executive directors is in place. The chairman of the committee, Markus Jooste, is an independent non-executive director and the members are Paul Schouten and Sandile Nomvete. Messrs J B Gibbons, J P L Alberts and A Z Keyser resigned during the year.

The external auditors have unrestricted access to the group audit committee, which ensures that its independence is in no way impaired. Meetings are held at least twice a year and are attended by the external auditors and appropriate members of executive management.

The committee is accountable to the board and operates in accordance with written terms of reference confirmed by the board. Copies of minutes of the audit committee meetings are circulated to all members of the board.

The main duties and responsibilities of the audit committee are to ensure:

- The integrity of the financial reporting and audit process;
- That a sound risk management and internal control system is in place, and
- The promotion of the overall effectiveness of corporate governance.

Remuneration committee

A group remuneration committee comprising a majority of independent non-executive directors is in place. The chairman of the committee, J B Magwaza, is an independent non-executive director and the members are Rob Radford and Ipeleng Moloto.

The committee is accountable to the board and operates in accordance with written terms of reference, confirmed by the board. Copies of the minutes of the remuneration committee are available to all members of the board.

The main duties and responsibilities of the remuneration committee are:

- To ensure that levels of remuneration are sufficient to attract, retain and motivate executive directors and senior executive management;
- To approve senior executive management remuneration, and
- To recommend to the board the fees to be paid to non-executive directors and remuneration of executive directors.

Financial statements

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 approved budgets. Profit projections and cash flow forecasts are reviewed regularly, while working capital and borrowing levels are monitored on an ongoing basis.

Financial control and reporting

The directors are responsible for ensuring that group companies maintain adequate records for reporting on the financial position of the group and the results of its activities with reasonable accuracy and reliability. Financial reporting procedures are applied in the group at all levels to meet this responsibility.

Executive directors meet regularly with the management of operating companies on a formal basis and are involved in the major decision-making processes of all group companies. Financial and other information is constantly reviewed and any action necessary is taken immediately.

Corporate governance

These financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and the consistent use of appropriate accounting policies (unless an accounting policy requires revision or adoption to new accounting standards, in which case proper disclosure is made), supported by reasonable and prudent judgement and estimates, to properly disclose the financial status of the company and the group.

Internal control

KAP and its subsidiaries maintain systems of internal control over financial reporting and safeguarding of assets against unauthorised acquisition, use or disposition, which are designed to provide reasonable assurance to the group and each subsidiary's management and board of directors regarding the preparation of reliable published financial statements and safeguarding of the company's assets.

The system includes a defined organisational structure and division of responsibility, established policies and procedures, and a framework to foster a strong ethical climate, which is communicated throughout the group. It has been designed to manage, rather than eliminate, risk of failure or opportunity risk. Corrective actions are taken to address control deficiencies and other opportunities for improving the system as they are identified.

The system of internal control is reviewed regularly for effectiveness. The board, operating through its group audit committee, oversees the financial reporting process.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention of overriding controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets.

Furthermore, the effectiveness of an internal control system can change with circumstances.

The group believes that its system of internal control has provided an acceptable, but not absolute, level of assurance over the reliability of the financial reporting and over the safeguarding of assets against unauthorised acquisition, use or disposition.

Risk management

The board is responsible for the total process of risk management.

The focus of risk management in the group is on identifying, assessing, managing and monitoring material forms of risk. The process of risk management includes a review of non-financial matters.

The daily management of risk and loss control is decentralised to operational management. Executive directors meet regularly with the management of operating companies to review risk issues and feed back to the board. Professional risk managers, together with senior executive management, review group insurance risks.

Internal audit

The group makes use of internal, independent staff members to carry out specific internal audit functions. The work carried out is primarily targeted at validating the accuracy and status of accounting records. A more comprehensive review process is in the process of being developed for implementation in 2005.

Sponsor

PSG Capital Limited acts as sponsor for the company providing advice on the interpretation and compliance with the JSE Securities Exchange South Africa (JSE) Listing Requirements and reviewing notices required in terms of the company's articles of association and the JSE's rules and regulations.

Fraud and illegal acts

The group does not engage in or accept or condone the engagement in any illegal acts in the conduct of its business.

Code of ethics

The group code of ethics framework commits the group to the highest standards of integrity, behaviour and ethics when dealing with all stakeholders including directors, management, employees, customers, suppliers, competitors, investors, shareholders and society at large. Directors and staff are expected to observe their ethical obligations to ensure all business is conducted through fair commercial competitive practices. Senior executives are required to exercise due care when delegating authority to subordinates.

Procedures, systems and training are still to be developed to implement, oversee and enforce the code of ethics. The board is committed to the enforcement of discipline related to any breach of its ethics framework. No material breaches of ethics were brought to the attention of the board during the reporting period. The directors are of the opinion that the group is meeting its ethical standards.

Human capital

Human capital investment is a key strategy for the group to ensure it attracts and retains competent staff to achieve business plan objectives. The industrial relations structures of all group companies are well developed to promote effective employee relations and identify and resolve areas of potential conflict. Initiatives implemented throughout the group are:

- Specific training and development programmes
- Effective employee relations
- Professional recruitment and selection processes
- Internal promotions
- Market-related remuneration
- Open communication channels
- Building strong relationships with employee representative bodies, and
- Employee assistance programmes.

Social responsibility

Worker participation

There are a variety of participative structures across the group to deal with issues that affect employees both directly and indirectly. These include collective bargaining mechanisms, structures to drive productivity improvements, safety and employment equity committees and other participative forums. These structures have been set up with trade unions and other employee representatives to achieve good employer/employee relations through the effective sharing of relevant information, consultation and the identification and resolution of conflict.

Environment

The group aims, at all times, to comply with all relevant legal obligations and regulations concerning the environment and to adopt an approach of continuous improvement. The group strives to keep waste materials to a minimum and recycle where possible. All waste is disposed of in the safest and most responsible manner to ensure minimal environmental impact. These environmental issues are subjected to annual audit by an external consultant and their reports are submitted to the audit committee.

Health and safety

All group companies operate best practice safety standards, which are monitored by a group risk committee. External consultants audit occupational health and safety standards on an annual basis and their reports are submitted to the audit committee.

Managed healthcare

Access to healthcare is provided to employees either through the provision of medical insurance schemes or primary healthcare clinics.

The group continues to take a proactive stance against life-threatening epidemics such as HIV/AIDS and TB. These diseases are being actively managed, largely on a preventative basis, to reduce their impact on the employees as well as the business. The group is committed to addressing HIV/AIDS in a positive, supportive and non-discriminatory manner.

Employment equity

The group is committed to providing equal opportunities for its employees, eliminating any form of discrimination, and the transformation of the group to be representative of the demographics of the regions in which the company operates. The board monitors progress in this area.

The group has a staff complement of 5 272 of which 38% are female and 92% are from the previously disadvantaged sectors of the population. Progress has been made towards the attainment of employment equity with 82% of the technicians, 39% of the professionals and 17% of management being black. Further work is required to grow the diversity across executive management levels and the group has identified training and development to fast track internal staff as the key to improvement. 77 candidates have been identified in this regard and their progress through the organisation is being carefully monitored. These employees are all undergoing training and mentoring programmes to develop and enhance their skills.

The group has embraced the SETA sponsored learnership programmes on offer. 214 employees and 185 unemployed people have been registered through learnership programmes and trained to improve the skills base of the available labour pool.

Black economic empowerment

The group has aligned itself with Motseng Investments as its BEE partner. For over two years, a healthy relationship has developed between the group and Motseng Investments, culminating in a share ownership agreement being concluded with Daun & Cie in November 2004. Three directors of Motseng were appointed to the KAP board and we look forward to their input.

Projects have been undertaken in all group companies to quantify the extent of procurement from BEE companies, and following which action plans will be developed to ensure continual improvement.

Social responsibility

The group has made financial contributions to various community welfare initiatives. 170 children are educated up to Grade 10 in a company-sponsored school housed on the company premises in the North West province.

At divisional level, social responsibility programmes are in place aimed at benefiting the community from which labour is drawn. These are targeted at uplifting the lives of the many people left in crisis by AIDS, teenage pregnancy, poverty, old age and illness.

Directors' report

The directors have pleasure in presenting the annual financial statements of the company and the group for the year ended 31 December 2004.

Holding company

The company's holding company is Daun & Cie AG, a company incorporated in Germany.

Nature of business

The group comprises two divisions being Industrial and Consumer. The activities of these divisions include automotive leather, trim and components; footwear and related leather processing; fresh and processed meat; polyester fibre and PET bottle resin and textiles. Their activities are dealt with separately in the annual report.

Change of name and listing category

Following the acquisitions detailed below, the company changed its name to KAP International Holdings Limited and was moved to the Diversified Industrial sector of the JSE Securities Exchange South Africa to better reflect the nature of the group.

Acquisitions

On 1 July 2004, the group acquired the following interests:

1. The group acquired 100% of Casa Rosada Investments (Proprietary) Limited from Daun & Cie AG for a consideration of R127,755 million in exchange for 85 170 000 shares in KAP International Holdings. The only asset of Casa Rosada Investments is a 45% shareholding in Marker Investments (Proprietary) Limited. The fair value attributable to the shares acquired amounts to R123,166 million.

2. The group acquired 55% of Marker Investments (Proprietary) Limited from KAP Beteiligungs AG for a consideration of R156,145 million in exchange for 104 096 667 shares in KAP International Holdings. The net asset value attributable to the shares acquired amounts to R151,425 million.

3. The group acquired 100% of Hosaf Fibres (Proprietary) Limited for a consideration of R57 million and a subordinated loan of R162,231 million from Daun & Cie AG in exchange for 38 000 000 shares in KAP International Holdings. The fair value attributable to the shares and loan account acquired amounts to R237,681 million.

4. The group acquired 100% of Dano Textile Industries (Proprietary) Limited for a consideration of R35 million and a loan of R61,426 million from KAP Beteiligungs AG in exchange for 23 333 333 shares in KAP International Holdings. The fair value attributable to the shares and loan account acquired amounts to R55,580 million.

Disposals

On 1 January 2004, the group disposed of its entire shareholding in the following companies to a related party, Courthiel Holdings (Proprietary) Limited, a subsidiary of Daun & Cie AG, for a total consideration of R2,5 million:
Exotan (Proprietary) Limited, Camdeboo Meat Processors Limited, Matsapa Hides & Stores (Proprietary) Limited, Border Export (Proprietary) Limited, Bregin & Co (Cape) (Proprietary) Limited, Cape Produce Export Co (Proprietary) Limited, South West Wool Sorters (Proprietary) Limited, OSB Exports (Proprietary) Limited, Kaftan NV, Manzini Hide Collectors (Proprietary) Limited, S M Lurie Company (Proprietary) Limited, S M Lurie and Company (Botswana) (Proprietary) Limited, G H Hackmann (Proprietary) Limited, Hideskin Namibia (Proprietary) Limited, African Hide Trading Namibia (Proprietary) Limited, Oudtshoorn Ostrich Processors (Proprietary) Limited, Kolosus Leathers Africa, Barvan Pvt and Velskin Product (Proprietary) Limited.

The net liability value disposed of was R1,0 million.

The group sold its investment in Inyati Limited to a related party, Conrapp Properties (Proprietary) Limited, a subsidiary of Daun & Cie AG, for a total consideration of R1,00 on 31 December 2004. No profit or loss was incurred in the sale.

Financial results

Commentary on the financial results is included in the chief executive officer's report accompanying the annual financial statements.

Dividend

The board has resolved to declare a capitalisation share award with a cash alternative of 5 cents per share. The dividend policy of the group is to have a payout ratio of 20% of headline earnings and to declare dividends annually with no interim dividend.

Share capital and share premium

The authorised share capital of the company was increased from 200 000 000 ordinary shares of R0,20 each to 1 200 000 000 ordinary shares of R0,20 each by shareholders in a general meeting held on 10 November 2004.

250 600 000 ordinary shares of R0,20 each were issued as consideration shares for the acquisition by the company of the shares in and claims against Dano Textile Industries (Proprietary) Limited, Hosaf Fibres (Proprietary) Limited, Casa Rosada Investments (Proprietary) Limited and Marker Investments (Proprietary) Limited as authorised by shareholders in a general meeting on 10 November 2004. The costs of the issue, amounting to R2,0 million were set off against the share premium that arose from the issue of such shares.

The unissued shares are under the control of the directors. This resolution is subject to renewal by ordinary resolution of the following annual general meeting:

Directorate and secretary

The directors and secretary of the company for the year ended 31 December 2004 are set out below:

Directors

C E Daun	
P C T Schouten	
C L Campher	Resigned 12 November 2004
M J Jooste	Appointed 12 November 2004
A Z Keyzer	Resigned 12 November 2004
F Möller	Appointed 12 November 2004
J B Magwaza	Appointed 12 November 2004
I N Moloto	Appointed 12 November 2004
S H Nomvete	Appointed 12 November 2004
R D Radford	

Company secretary

G S Phillips	Resigned 13 October 2004
M Balladon	Appointed 13 October 2004

Directors appointed by the board and retiring at the annual general meeting in accordance with the articles of association are Messrs M J Jooste, F Möller, J B Magwaza, I N Moloto and S H Nomvete. Mr R D Radford retires by rotation.

These directors are all eligible and offer themselves for re-election. Details of each of the retiring directors are set out on page 3.

Directors' shareholding

At 31 December 2004, the present directors of the company held direct and indirect interests in 332 522 060 (2003: 164 459 840) or 79,41% (2003: 97,82%) of the company's issued ordinary shares. Further details are set out on page 2 and note 32.

At 15 April 2005 following a share disposal to increase shareholder spread the interest of directors of the company was 325 322 060 shares or 77,69%.

Contracts

Mr C E Daun and Mr P C T Schouten had interests in the contracts concluded for the acquisition and disposals listed above. Their interest was declared at the respective board meetings and in the circular to shareholders dated 19 October 2004. Daun & Cie AG did not vote on the ordinary resolution for the acquisition at the general meeting of shareholders held on 10 November 2004.

No other contracts in which directors and officers of the company had an interest and that significantly affected the affairs and business of the company or any of its subsidiaries were entered into during the year.

Corporate governance

The group complies in all material respects with the JSE Securities Exchange South Africa (JSE) Listing Requirements and the Code of Corporate Practice and Conduct published in the King II Report on Corporate Governance except as listed below:

- Rule 3.2b – Profit requirements
  A company must record audited profits before taxation of at least R8 million for the preceeding three years. The company achieved this for the year ended 31 December 2004 and for the eight months ended 31 December 2003.

- Rule 3.38 – Shareholder spread requirements
  A company must have a free float of at least 20% (i.e. at least 20% of the shares must be owned by public shareholders as defined). Significant improvements have been attained during 2004 and the free float has increased from 2,17% at 31 December 2003 to 14,9% at 31 December 2004. The directors are confident that the company will comply with these requirements.

- Rule 4.10 – The CEO must not hold the office of chairperson.
  This was corrected with effect November 2004.

- Certain provisions of the King II code were not complied with.
  These relate to the composition of the board, audit and remuneration committees which were corrected effective November 2004 as detailed in the corporate governance report.

Changes in accounting policies

During the year, the group adopted IFRS 3 relating to the treatment of business combinations. The result thereof at 31 December 2004 was that negative goodwill of R190,039 million was recognised in the income statement.

During the year, the group changed its accounting policy with respect to the treatment of joint ventures. These are now accounted for in the group financial statements using the equity method of accounting.

The effects of these changes in accounting policies are reflected in note 1.1 to the annual financial statements.

Non-consolidation of entity

PF2 Properties (Proprietary) Limited, which was acquired on 1 December 2003 for R1,00 was not consolidated. The net asset value of the company totals R23 million. However, these assets are leased to KAP International Holdings Limited and this lease agreement has been capitalised in these financial statements. The leased assets have been converted to owned assets as a result of the acquisition. Consequently, the non-consolidation has no effect on the group financial statements.

Subsidiary companies and joint ventures

The principal subsidiaries and joint ventures of the group are reflected in notes 5 and 6. The aggregate net profits of consolidated subsidiaries amount to R108,4 million (2003: R6 million). The aggregate net losses amounted to R2,6 million (2003: R5,4 million).

Directors' report

Borrowing facilities and limits

The group's borrowing facilities and usage thereof are set out in note 14. In terms of the articles of association of the company and its subsidiaries, there is no limitation of borrowing powers. There were no other material events between the balance sheet date and the date of this report.

Special resolutions

The following special resolutions were passed at a meeting of shareholders held on 10 November 2004:

- Increase authorised share capital of the company from 200 000 000 to 1 200 000 000 ordinary shares of R0,20;
- Change the name of the company from Kolosus Holdings Limited to KAP International Holdings Limited;
- Change the main business to an investment holding company; and
- Change the main object to that of investment holding company.

Special resolutions were passed in subsidiaries to change names and to adopt new memoranda and articles of association in line with the holding company.

Subsequent events

No material change has taken place in the affairs of the group between the end of the financial year and the date of this report.

Responsibility of directors

The directors are responsible for the preparation and integrity of the annual financial statements of the company and group and the other information included in this report. The external auditors, Deloitte & Touche, are responsible for independently auditing and reporting on the financial statements.

The directors, supported by the audit committee, are of the opinion, based on the information and explanations given by management and on comment by the independent auditors on the results of their statutory audit, that the group's internal accounting controls are adequate, and the financial records may be relied upon for preparing the financial statements and maintaining accountability for assets and liabilities.

The internal controls are designed to provide an acceptable, but not absolute, level of assurance that the assets are safeguarded and the transactions are executed and recorded in accordance with generally accepted business practices and the group's policies and procedures. These controls are implemented by trained and skilled personnel with appropriate segregation of duties and are monitored by management. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

The financial statements set out in this report have been prepared by management in accordance with South African Statements of Generally Accepted Accounting Practice and incorporate responsible disclosure based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors have reasonable expectation that the group has adequate resources to continue in operation for the foreseeable future and the annual financial statements have therefore been prepared on a going concern basis.

Approval of annual financial statements

The annual financial statements for the year ended 31 December 2004, set out on pages 34 to 85 were approved by the board of directors and are signed on its behalf by

C E Daun
Non-executive chairman
6 May 2005

P C T Schouten
Chief executive officer

Report of the independent auditors

To the members of KAP International Holdings Limited

We have audited the annual financial statements and group annual financial statements set out on pages 34 to 85 for the year ended 31 December 2004. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- Examining on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management, and
- Evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and group at 31 December 2004 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

Deloitte & Touche

Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (SA)
6 May 2005
Cape Town

Company secretary certificate

I certify, in accordance with Section 268 G(d) of the South African Companies Act, 1973, as amended ("the Act") that to the best of my knowledge and belief, the company has lodged with the Registrar of Companies all such returns as are required for a public company in terms of the Act and all such returns are true, correct and up to date.

MBalladon

M Balladon
Company secretary
6 May 2005

Balance sheets at 31 December

		GROUP		COMPANY	
		2004	2003	**2004**	2003
	Notes	**R'000**	R'000	**R'000**	R'000
Assets					
Non-current assets					
Property, plant and equipment	2	**391 837**	45 053	**809**	949
Investment property	3	**7 646**	5 280	**574**	3 099
Interests in subsidiaries	4	**–**	–	**237 007**	266 311
Interests in joint ventures	5	**11 044**	–	**673**	–
Investment in associate	6	**–**	350	**–**	–
Available-for-sale investments	7	**12**	12	**3**	3
Long term interest-bearing receivables and loans	8	**6 458**	8 233	**–**	–
Long term interest-free receivables and loans	9	**7 852**	12 725	**1 075**	–
Deferred taxation	10	**134 806**	–	**–**	–
		559 655	71 653	**240 141**	270 362
Current assets					
Inventory	11	**356 816**	72 415	**–**	–
Biological assets	12	**99 285**	80 144	**–**	–
Short term interest-bearing receivables and loans	8	**2 500**	–	**–**	–
Short term interest-free receivables and loans	9	**12 482**	–	**3 509**	–
Accounts receivable	13	**474 623**	95 741	**1 279**	1 341
SARS – income tax receivable		**7 386**	–	**–**	–
Cash at bank and on hand	14	**45 013**	37 245	**4**	14 129
		998 105	285 545	**4 792**	15 470
Total assets		**1 557 760**	357 198	**244 933**	285 832
Equity and liabilities					
Capital and reserves					
Issued share capital	15	**83 742**	33 622	**83 744**	33 624
Share premium	16	**949 966**	626 235	**950 122**	626 391
Non-distributable reserves	17	**–**	13 488	**–**	–
Foreign currency translation reserve		**454**	(682)	**–**	–
Accumulated loss	18	**(155 037)**	(468 956)	**(840 636)**	(456 308)
		879 125	203 707	**193 230**	203 707
Minorities' interest	19	**8 841**	72	**–**	–
Non-current liabilities					
Long term interest-bearing borrowings	20	**76 218**	–	**–**	–
Long term interest-free borrowings	21	**2 340**	185	**–**	–
Retirement benefit obligations	22	**40 649**	9 922	**80**	514
Deferred taxation	10	**5 740**	–	**–**	–
		124 947	10 107	**80**	514
Current liabilities					
Accounts payable	23	**341 145**	64 766	**6 236**	7 784
SARS – income tax payable		**9 017**	5 259	**4 416**	4 497
Short term interest-bearing borrowings	20	**111 165**	63 024	**22 027**	62 459
Short term interest-free borrowings	21	**7 490**	6 871	**6 710**	6 871
Bank overdrafts	14	**45 313**	–	**12 168**	–
Provisions	24	**30 717**	3 392	**66**	–
		544 847	143 312	**51 623**	81 611
Total liabilities		**669 794**	153 419	**51 703**	82 125
Total equity and liabilities		**1 557 760**	357 198	**244 933**	285 832

Income statements

KAP International Holdings Ltd

		GROUP		COMPANY	
		Year ended 31 December 2004	8 months ended 31 December 2003	**Year ended 31 December 2004**	8 months ended 31 December 2003
	Notes	**R'000**	R'000	**R'000**	R'000
Revenue	25	**1 911 873**	616 524	**–**	–
– continuing operations		**1 911 873**	539 276	**–**	–
– discontinued operations		**–**	77 248	**–**	–
Cost of sales		**(1 425 740)**	(544 131)	**–**	–
Gross profit		**486 133**	72 393	**–**	–
Other operating income		**21 380**	26 636	**6 251**	24 015
Distribution costs		**(46 987)**	(8 375)	**–**	–
Administration costs		**(64 298)**	(33 561)	**(7 541)**	(3 494)
Other operating expenses		**(257 814)**	(33 388)	**(9 856)**	–
Operating profit/(loss)	26	**138 414**	23 705	**(11 146)**	20 521
– continuing operations		**138 414**	30 532	**(11 146)**	20 521
– discontinued operations		**–**	(7 828)	**–**	–
Negative goodwill from acquisitions	31.3	**190 039**	–	**–**	–
Interest paid	27	**(19 435)**	(22 618)	**(8 068)**	(19 269)
Interest received	28	**8 838**	8 982	**15 828**	20 931
Share of results of joint ventures and associates	5/6	**1 247**	(1 964)	**–**	–
Profit/(loss) before taxation and impairment of subsidiaries		**319 103**	8 982	**(3 386)**	22 183
Impairment of subsidiaries		**–**	–	**(379 114)**	(11 839)
Profit/(loss) before taxation		**319 103**	8 105	**(382 500)**	10 344
Taxation	29	**(15 676)**	(9)	**(1 828)**	(1 497)
Profit/(loss) after taxation		**303 427**	8 096	**(384 328)**	8 847
Minorities' interest	19	**(1 958)**	(28)	**–**	–
Net profit/(loss)		**301 469**	8 068	**(384 328)**	8 847
Earnings per share					
Earnings per share – including discontinuing operations (cents)	30	**102,75**	23,13		
Earnings per share – excluding discontinuing operations (cents)	30	**102,75**	53,26		
Headline earnings per share – including discontinuing operations (cents)	30	**35,86**	24,85		
Headline earnings per share – excluding discontinuing operations (cents)	30	**35,86**	54,56		

Statements of changes in equity

		GROUP		COMPANY	
			8 months		8 months
		Year ended	ended	**Year ended**	ended
		31 December 2004	31 December 2003	**31 December 2004**	31 December 2003
	Notes	**R'000**	R'000	**R'000**	R'000
Share capital					
Issued share capital					
Balance at the beginning of the period		**33 622**	5 602	**33 624**	5 604
Shares issued during the period		**50 120**	28 020	**50 120**	28 020
Balance at the end of the period	15	**83 742**	33 622	**83 744**	33 624
Share premium					
Balance at the beginning of the period		**626 235**	515 562	**626 391**	515 718
Shares issued during the period		**325 780**	112 080	**325 780**	112 080
Share issue costs		**(2 049)**	(1 407)	**(2 049)**	(1 407)
Balance at the end of the period	16	**949 966**	626 235	**950 122**	626 391
Reserves					
Non-distributable reserves					
Balance at the beginning of the period		**13 488**	13 488	**–**	–
Transfer to distributable reserves		**(13 488)**	–	**–**	–
Balance at the end of the period	17	**–**	13 488	**–**	–
Foreign currency translation reserve					
Balance at the beginning of the period		**(682)**	(1 461)	**–**	–
Movement during the period		**98**	779	**–**	–
Transfer from distributable reserves		**1 038**	–	**–**	–
Balance at the end of the period		**454**	(682)	**–**	–
Accumulated loss					
Balance at the beginning of the period		**(468 956)**	(477 024)	**(456 308)**	(465 155)
Net profit/(loss) for the period		**301 469**	8 068	**(384 328)**	8 847
Transfer to foreign currency translation reserves		**(1 038)**	–	**–**	–
Transfer from non-distributable reserves		**13 488**	–	**–**	–
Balance at the end of the period	18	**(155 037)**	(468 956)	**(840 636)**	(456 308)
Total equity		**879 125**	203 707	**193 230**	203 707

Cash flow statements

KAP International Holdings Ltd

	Notes	GROUP Year ended 31 December 2004 R'000	GROUP 8 months ended 31 December 2003 R'000	COMPANY Year ended 31 December 2004 R'000	COMPANY 8 months ended 31 December 2003 R'000
Cash flows from operating activities					
Cash receipts from customers		1 923 871	609 354	–	–
Cash paid to suppliers and employees		(1 809 738)	(591 111)	(3 142)	(3 898)
Cash generated from/(utilised by) operations	31.1	114 133	18 243	(3 142)	(3 898)
Interest paid		(19 435)	(22 618)	(8 068)	(19 269)
Taxation paid	31.2	(13 560)	(199)	(1 909)	–
Net cash inflow/(outflow) from operating activities		81 138	(4 574)	(13 119)	(23 167)
Cash flows from investing activities					
Interest received		8 838	8 982	15 828	20 958
Dividends received		–	244	–	–
Subsidiaries acquired, net of cash acquired	31.3	(444 244)	–	(378 524)	–
Purchase of property, plant and equipment					
To maintain operations		(27 888)	(2 176)	–	(127)
To expand operations		(35 039)	–	–	–
Proceeds on disposals of property, plant and equipment		8 577	5 863	2 465	876
Increase in other investments		–	(326)	–	–
Proceeds on disposal of other investments		–	828	–	–
Proceeds on disposal of subsidiaries	31.4	2 261	(40)	–	–
Decrease in loans to group companies		–	–	19 062	5 632
Proceeds on disposal of associate		350	–	–	–
Acquisition of joint venture		–	–	(673)	–
Long term loans repaid/(advanced)		33 457	6 650	(1 075)	–
Short term loans advanced		(11 597)	–	(3 509)	–
Net cash (outflow)/inflow from investing activities		(465 285)	20 025	(346 426)	27 339
Total flows from operating and investing activities		(384 147)	15 451	(359 545)	4 172
Cash flows from financing activities					
Decrease in interest-bearing borrowings, excluding bank overdraft		(30 012)	(134 386)	(40 593)	(132 452)
Interest-free borrowings raised		2 769	8 512	–	8 512
Proceeds of share issue, net of costs		373 845	138 693	373 845	138 693
Net cash inflow from financing activities		346 602	12 819	333 252	14 753
Net (decrease)/increase in cash and cash equivalents		(37 545)	28 270	(26 293)	18 925
Cash and cash equivalents at the beginning of the period	14	37 245	8 975	14 129	(4 796)
Cash and cash equivalents at the end of the period	14	(300)	37 245	(12 164)	14 129

Notes to the annual financial statements

1. Accounting policies

General information

KAP International Holdings Limited is a company incorporated in the Republic of South Africa under the Companies Act, 1973. The address of the registered office is given on the inside back cover. The nature of the group's operations and its principal activities are set out in the operating and financial review on pages 11 to 29. These financial statements are presented in South African Rand because that is the currency of the primary economic environment in which the group operates.

Significant accounting policies

1.1 Basis of accounting

The financial statements have been prepared in accordance with and comply with South African Statements of Generally Accepted Accounting Practice ("GAAP"). The financial statements have been prepared on the historical cost basis, except for the revaluation of agricultural assets and 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 year except for the following changes in accounting policies:

1.1.1 Business combinations

During the year, the group adopted IFRS 3 relating to the treatment of business combinations.

This change has no effect on opening distributable reserves as the group has elected not to re-state its past business combinations. There is no effect on the current year as all acquisitions during the year were acquired under the new accounting policy.

1.1.2 Joint ventures

During the year, the group changed its accounting policy with regard to the treatment of joint ventures. Joint ventures are now accounted for in the group financial statements using the equity method of accounting. 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 results are used. Provision is made where, in the opinion of the directors, there has been a permanent diminution in the carrying value of an investment in a joint venture.

This change has no effect on opening distributable reserves, as the group had no material reserves in joint ventures at 31 December 2003. There is no effect on the current year as all joint ventures at 31 December 2004 were acquired during the year under the new accounting policy.

1.2 Basis of consolidation

The group annual financial statements comprise those of the parent company, its subsidiaries, associates 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 and loss in the period of acquisition. 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 minority interest in excess of the minority 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 income statement 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 intra-group 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 Associate companies

An associate is an entity over which the group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the group's interest in those associates are not recognised. Any excess of the cost of acquisition over the group's share of the fair values of the identifiable net assets of the associate at the date of acquisition

1. Accounting policies (continued)

1.2 Basis of consolidation (continued)

1.2.2 Associate companies (continued)

is recognised as goodwill. Any deficiency of the cost of acquisition below the group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in profit and loss in the period of acquisition. Where a group company transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

The company carries its investments in associates at cost less accumulated impairment losses.

1.2.3 Joint ventures

Joint ventures are those partnerships or jointly controlled entities over which there is a contractual agreement whereby the group and another venturer undertake an economic activity which is subject to joint control.

The group changed its accounting policy in respect of joint ventures during the year as reflected in note 1.1.2.

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, associate or jointly controlled entity at the date of acquisition.

Positive goodwill is recognised as an asset and reviewed for impairment at least annually. Negative goodwill is recognised immediately in net profit or loss.

Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, associate 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 are recorded at their historical cost. Buildings are depreciated on the straight line basis over their estimated useful lives. Land is not depreciated. Subsequent expenditure relating to an item of property, plant and equipment is capitalised to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the item concerned, will flow to the group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Depreciation rates are as follows:

Owner-occupied property	2,0% – 2,5%
Plant and machinery	6,67% – 20%
Office equipment, computers, motor vehicles and furniture and fittings	15% – 33%

When the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value.

Details of land and buildings, contained in a register setting out the information, are available for inspection by members or their duly authorised agents at the registered office of the group. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

1.5 Investment property

Investment property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business.

Investment property is carried at cost less accumulated depreciation and accumulated impairment. Depreciation is provided for on a straight line basis.

Depreciation rates are as follows:

Buildings	2,0% – 2,5%

1.6 Impairment of tangible and intangible assets

At each balance sheet 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.

1. Accounting policies (continued)

1.6 Impairment of tangible and intangible assets (continued)
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-tax 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 as income immediately.

1.7 Available-for-sale 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 net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net 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 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 Biological assets
Biological assets, comprising cattle, are reported at fair value, being market prices for similar cattle determined in the active market normally utilised by the group, less estimated point-of-sale costs.

1.10 Trade receivables
Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

1.11 Cash and cash equivalents
Cash and cash equivalents are measured at amortised cost. Bank overdrafts are only included where the group has a legal right of set-off due to cash management arrangements.

1.12 Financial instruments
Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual terms of the instrument. Financial instruments include cash and bank balances, investments, receivables, trade creditors, leases, borrowings, equity and derivative financial instruments. The group, in terms of approved policy limits, manages short term foreign currency exposures relating to trade imports and exports.

1.13 Equity instruments
Equity instruments issued by the company and group are recorded at the proceeds received, net of direct issue costs.

1.14 Derivative financial instruments and hedge accounting
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.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

1. Accounting policies (continued)

1.14 Derivative financial instruments and hedge accounting (continued)
For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are recognised in profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

1.15 Derecognition
Financial assets (or portions thereof) are derecognised when the group realises the rights to the benefits 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 equity are included in the income statement. Financial liabilities (or a portion 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 amount paid for it are included in the income statement.

1.16 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.

1.17 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 the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.18 The group as lessee
Assets held under finance 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 balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and 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, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to 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.

1.19 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 schemes are equivalent to those arising in a defined contribution retirement benefit scheme. For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised immediately in the period 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 period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost and as

1. Accounting policies (continued)

1.19 Retirement benefit costs (continued)
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.

1.20 Bank borrowings
Interest-bearing bank 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 the profit and loss account using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

1.21 Provisions
Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably measured.

1.21.1 Warranty costs
Provisions for warranty costs are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the group's liability.

The directors estimate the group's liability on all products still under warranty at the balance sheet date. This provision is calculated based on service histories.

1.21.2 Restructuring costs
Provisions for restructuring costs are recognised when the group has a detailed formal plan for the restructuring that has been communicated to affected parties.

Restructuring provisions comprise mainly employee termination payments, and are recognised in the period in which the group formulates a detailed formal plan for the restructuring.

1.21.3 Environmental and rehabilitation costs
The group subscribes to the maintenance of sound environmental standards. It provides for environmental and rehabilitation costs, where appropriate.

1.22 Trade payables
Trade payables are not interest-bearing and are stated at their nominal value.

1.23 Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods in the normal course of business, net of discounts, value added taxation and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

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.

1.24 Foreign currencies
1.24.1 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 balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet 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 period, 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.

1.24.2 Foreign subsidiaries
On consolidation, the assets and liabilities of the group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of. The financial statements of foreign subsidiaries and associates and jointly controlled entities that report in the currency of a hyperinflationary economy are restated in terms of the measuring unit current at the balance sheet date before they are translated into South African Rand. 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.

1.25 Borrowing costs
Borrowing costs are recognised in profit or loss in the period in which they are incurred.

1. Accounting policies (continued)

1.26 Government grants
Government grants are recognised as income when there is reasonable assurance that the enterprise will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

1.27 Research and development costs
Research and development expenditure is charged to income in the year in which it is incurred.

1.28 Operating profit
Operating profit is stated after charging restructuring costs but before investment income, finance costs, the share of results of joint ventures and associates and negative goodwill.

1.29 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net 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. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax 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 tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

1.30 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, non-current liabilities and minority interests. Capital expenditure includes additions to property, plant and equipment.

1.31 Comparatives
Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period. In particular, the comparatives have been adjusted or extended to take into account revised or new statements of GAAP, which the group implemented in the period under review.

Refer to note 42 for a detailed list of the changes.

1.32 Discontinued operations
Discontinued operations are significant distinguishable components of the group's business which have been abandoned or terminated pursuant to a single formal plan, and which represent a separate major line of business or geographical area of operations. The profit or loss on sale or abandonment of a discontinued operation is determined from the formal discontinuation date.

1.33 Fair value methods and assumptions
The fair value of financial instruments traded in an organised financial market are 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 balance sheet 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.

1.34 Dividend cover
Dividend cover is the number of times the dividend declared is covered by unweighted headline earnings per share.

Notes to the annual financial statements

	Total R'000	Land and buildings owned R'000	Plant and machinery owned R'000	Other assets owned R'000	Land and buildings leased R'000	Plant and machinery leased R'000	Other assets leased R'000
2. Property, plant and equipment							
Group 2004							
Cost							
Balance at the beginning of the year	170 907	28 407	117 947	20 118	478	3 921	36
Additions	62 894	4 775	49 704	4 540	–	1 195	2 680
Subsidiaries acquired	321 777	54 260	250 381	15 962	–	247	927
Subsidiaries sold	(1 419)	(161)	(90)	(894)	(274)	–	–
Disposals	(9 150)	(338)	(4 869)	(3 803)	(140)	–	–
Transfers (out)/in	(3 938)	(4 886)	2 888	36	948	(2 888)	(36)
Balance at the end of the year	541 071	82 057	415 961	35 959	1 012	2 475	3 607
Accumulated depreciation							
Balance at the beginning of the year	(125 855)	(9 739)	(94 297)	(18 534)	(93)	(3 156)	(36)
Transfers out/(in)	4 302	4 302	(2 122)	(36)	–	2 122	36
Depreciation	(35 029)	(1 161)	(29 499)	(3 984)	–	(87)	(298)
Subsidiaries sold	996	15	89	867	25	–	–
Disposals	6 352	346	2 225	3 781	–	–	–
Balance at the end of the year	(149 234)	(6 237)	(123 604)	(17 906)	(68)	(1 121)	(298)
Book value	391 837	75 820	292 357	18 053	944	1 354	3 309
Company 2004							
Cost							
Balance at the beginning of the year	2 487	–	–	1 538	949	–	–
Disposals	(1 678)	–	–	(1 538)	(140)	–	–
Balance at the end of the year	809	–	–	–	809	–	–
Accumulated depreciation							
Balance at the beginning of the year	(1 538)	–	–	(1 538)	–	–	–
Disposals	1 538	–	–	1 538	–	–	–
Balance at the end of the year	–	–	–	–	–	–	–
Book value	809	–	–	–	809	–	–

2. Property, plant and equipment (continued)

	Total R'000	Land and buildings owned R'000	Plant and machinery owned R'000	Other assets owned R'000	Land and buildings leased R'000	Plant and machinery leased R'000	Other assets leased R'000
Group 2003							
Cost							
Balance at the beginning of the period	228 357	23 670	140 384	27 294	6 257	30 716	36
Additions	2 176	136	1 345	433	262	–	–
Adjustments and subsidiaries sold	(49 617)	4 607	(23 782)	(657)	(2 990)	(26 795)	–
Disposals	(9 990)	–	–	(6 949)	(3 041)	–	–
Foreign exchange differences	(19)	(6)	–	(3)	(10)	–	–
Balance at the end of the period	170 907	28 407	117 947	20 118	478	3 921	36
Accumulated depreciation							
Balance at the beginning of the period	(173 652)	(7 362)	(113 712)	(24 139)	(325)	(28 079)	(35)
Depreciation	(8 695)	(105)	(6 976)	(1 250)	(208)	(155)	(1)
Adjustments and subsidiaries sold	49 198	(2 272)	26 391	–	–	25 079	–
Disposals	7 295	–	–	6 856	439	–	–
Balance at the end of the period	(125 854)	(9 739)	(94 297)	(18 533)	(94)	(3 155)	(36)
Book value	45 053	18 668	23 650	1 585	384	766	–
Company 2003							
Cost							
Balance at the beginning of the period	26 558	1 425	–	1 564	–	23 569	–
Additions	127	–	–	127	–	–	–
Disposals	(24 197)	(476)	–	(152)	–	(23 569)	–
Balance at the end of the period	2 488	949	–	1 539	–	–	–
Accumulated depreciation							
Balance at the beginning of the period	(25 127)	–	–	(1 558)	–	(23 569)	–
Depreciation	(129)	–	–	(129)	–	–	–
Disposals	23 717	–	–	148	–	23 569	–
Balance at the end of the period	(1 539)	–	–	(1 539)	–	–	–
Book value	949	949	–	–	–	–	–

Details of the freehold land and buildings of the group are recorded in a register which may be inspected by the members or their duly authorised agents, at the various companies' registered offices. Certain properties and other assets are encumbered as security for liabilities of the company and the group as set out in notes 14 and 38.

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R'000	R'000	**R'000**	R'000
3. Investment property				
Cost				
Balance at the beginning of the year	**5 907**	6 324	**3 099**	3 099
Additions	**33**	–	**–**	–
Subsidiaries acquired	**6 049**	–	**–**	–
Disposals	**(2 675)**	(918)	**(2 525)**	–
Adjustments – change in use	**–**	501	**–**	–
Transfers out	**(364)**	–	**–**	–
Balance at the end of the year	**8 950**	5 907	**574**	3 099
Accumulated depreciation				
Balance at the beginning of the year	**(627)**	–	**–**	–
Depreciation	**(677)**	(627)	**–**	–
Balance at the end of the year	**(1 304)**	(627)	**–**	–
Book value	**7 646**	5 280	**574**	3 099

Details of the freehold land and buildings of the group are recorded in a register which may be inspected by the members or their duly authorised agents, at the various companies' registered offices. Certain properties and other assets are encumbered as security for liabilities of the company and the group as set out in notes 14 and 38.

A call option on an investment property with a book value of R5,1 million has been granted to the lessee of the property. It is probable that the lessee will exercise its option during 2006 at a price of R5,2 million.

There are no material restrictions on realising the value of investment property. There are no material contractual obligations to acquire or develop investment property.

Rental income of R2,7 million was received in respect of investment property. Operating expenses of R1,0 million were incurred in respect of investment property for which rental income was received, and operating expenses of R1,4 million were incurred in respect of investment property for which no rental income was received.

The directors consider the fair value of the investment property to approximate its book value.

	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
4. Interests in subsidiaries				
Investments in subsidiaries	–	–	371 149	122 642
Shares at cost	–	–	501 221	122 698
Provisions against investments	–	–	(130 072)	(56)
Net loans (from)/to subsidiaries			(134 142)	143 669
Net loans to subsidiaries at cost	–	–	709 622	514 636
Provisions against loans	–	–	(843 764)	(370 967)
Interests in subsidiaries	–	–	237 007	266 311

The details of the subsidiaries are noted in Annexure A.

The company has deferred its right to claim repayments of loans owing to it by a number of subsidiary companies in favour of creditors for as long as the net liabilities of the subsidiaries exceed their net assets.

5. Interests in joint ventures

	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
Unlisted				
Shares at cost	10 796	–	673	–
Add: Post acquisition equity accounted earnings	1 247	–	–	–
Carrying value of investments	12 043	–	673	–
Unsecured loan from joint venture	(999)	–	–	–
Carrying value including loan from joint venture	11 044	–	673	–
Directors' valuation	11 044	–	1 624	–

The loan from the joint venture (Rieter-Feltex Automotive Manufacturing (Proprietary) Limited) bears interest at 8,38% floating rate. No fixed terms of repayment have been negotiated.

Notes to the annual financial statements

5. Interests in joint ventures (continued)

	Percentage holding 2004 %	2003 %	Cost or valuation 2004 R'000	2003 R'000	Post acquisition reserves 2004 R'000	2003 R'000	Net carrying amount 2004 R'000	2003 R'000
Group								
Rieter Feltex Automotive Manufacturing (Proprietary) Limited [1]	49	–	9 626	–	1 528	–	11 154	–
Cell Captive Number 22 of Guardrisk Insurance Company Limited [2]	50	–	1 170	–	(281)	–	889	–
Kolosus Bayern Leder GmbH (in liquidation)	50	50	–	–	–	–	–	–
			10 796	–	1 247	–	12 043	–
Company								
Cell Captive Number 22 of Guardrisk Insurance Company Limited [2]	50	–	673	–	–	–	673	–

Rieter Feltex Automotive Manufacturing (Proprietary) Limited has a 31 December year end and audited results are included. Cell Captive Number 22 of Guardrisk Insurance Company Limited has a 31 March year end, and unaudited but reviewed results for the six months to 31 December are included.

Nature of business of the associate: 1 = Automotive 2 = Insurance captive

	GROUP 2004 R'000	2003 R'000
Summarised financial information		
The group's share of assets, liabilities and results of operations of significant joint venture companies are summarised as follows:		
Income statement		
Revenue	34 172	–
Net profit before taxation	3 290	–
Taxation	(1 154)	–
Net profit after taxation	2 136	–
Equity and liabilities		
Share capital and premium	2 206	–
Non-distributable reserves	114	–
Distributable reserves	10 459	–
Deferred tax	117	–
Current liabilities	3 549	–
	16 445	–
Assets		
Property, plant and equipment	2 123	–
Cash and cash equivalents	2 825	–
Loans to group companies	490	–
Other current assets	11 007	–
	16 445	–

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R'000	R'000	**R'000**	R'000
6. Investment in associate				
Unlisted				
Balance at the beginning of the period	**350**	1 988	**–**	–
Sold during the year	**(350)**	–	**–**	–
Share of results before tax and impairment	**–**	(1 964)	**–**	–
Net share of results of associate	**–**	24	**–**	–
Increase in investment – rights issue followed	**–**	326	**–**	–
Balance at the end of the period	**–**	350	**–**	–
The prior year investment in associates related to a 27,8% interest in Camdeboo Meat Processors Limited, incorporated in the Republic of South Africa, which was disposed of on 1 January 2004 for a consideration of R0,4 million (equal to the directors' valuation of the investment in the associate).				
Group share of associate				
Balance sheet				
Non-current assets	**–**	1 688	**–**	–
Current assets	**–**	2 532	**–**	–
Total assets	**–**	4 220	**–**	–
Equity	**–**	22	**–**	
Non-current liabilities	**–**	871	**–**	–
Current liabilities	**–**	3 327	**–**	–
Total equity and liabilities	**–**	4 220	**–**	–
Income statement				
Revenue	**–**	13 465	**–**	–
Operating loss	**–**	(3 983)	**–**	–
Net loss for the period	**–**	(4 534)	**–**	–
7. Available-for-sale investments				
Unlisted investments				
Wynmakers Valley Cellars (Co-op) Limited (280 shares)	**–**	–	**–**	–
Koöperasiepers van Suid-Afrika Limited (10 shares)	**3**	3	**–**	–
Vleissentraal Beherend (Co-op) Limited (3 000 shares)	**6**	6	**–**	–
Listed investments				
AFGRI Limited (900 shares)	**3**	3	**3**	3
Total listed and unlisted investments	**12**	12	**3**	3
Directors' valuation of investments	**12**	12	**3**	3

Due to the difficulty in establishing the fair value of these investments and their immateriality, the directors are of the opinion that their fair value is equal to their carrying value. There has been no movement in the carrying value for the current year.

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R'000	R'000	**R'000**	R'000
8. Interest-bearing receivables and loans				
Secured				
African Hide Trading Corporation (Proprietary) Limited	**8 958**	8 233	**–**	–
Less: current portion	**(2 500)**	–	**–**	–
Total	**6 458**	8 233	**–**	–

The loan to African Hide Trading Corporation (Proprietary) Limited bears interest at prime rate and is repayable in 48 equal monthly instalments. Suretyship has been provided by Courthiel Holdings (Proprietary) Limited, who is co-principal debtor to the loan.

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R'000	R'000	**R'000**	R'000
9. Interest-free receivables and loans				
Secured				
African Hide Trading Corporation (Proprietary) Limited	**9 527**	6 637	**–**	–
Stock Owners Co-operative Limited	**6 223**	6 088	**–**	–
Trifecta Trading 112 (Proprietary) Limited	**4 584**	–	**4 584**	–
	20 334	12 725	**4 584**	–
Less: current portion	**(12 482)**	–	**(3 509)**	–
Total	**7 852**	12 725	**1 075**	–

The loan to African Hide Trading Corporation (Proprietary) Limited is interest-free and is repayable in four equal annual instalments. Suretyship has been provided by Courthiel Holdings (Proprietary) Limited, who is co-principal debtor to the above loan.

The loan to Stock Owners Co-operative Limited in respect of the sale of the Queenstown Abattoir is repayable on 31 March 2005. The loan is secured by a bank guarantee from the Land Bank of South Africa Limited.

The loan to Trifecta Trading 112 (Proprietary) Limited is interest-free and is repayable in monthly instalments of R0,3 million until April 2006. Security has been provided by a general notarial bond over the inventory of Trifecta Trading 112 (Proprietary) Limited as well as a cancellation clause in the sale agreement which provides for the return of the business of Barker Footwear to the seller on non-performance of the purchaser.

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R'000	R'000	**R'000**	R'000

10. Deferred taxation

Deferred tax asset	**134 806**	–	**–**	–
Deferred tax liability	**(5 740)**	–	**–**	–
Net deferred tax asset	**129 066**	–	**–**	–
Balance at the beginning of the period	**–**	–	**–**	–
Movement during the year attributable to:				
– acquisition of subsidiaries	**141 692**	–	**–**	–
– temporary differences	**(12 626)**	–	**–**	–
Balance at the end of the period	**129 066**	–	**–**	–
The balance consists of the following temporary differences:				
Property, plant and equipment	**(14 058)**	–	**–**	–
Utilised tax losses	**157 036**	–	**–**	–
Provisions	**25 582**	–	**–**	–
Biological assets	**(30 340)**	–	**–**	–
Unrecognised deferred tax asset	**(8 078)**	–	**–**	–
Other	**(1 076)**	–	**–**	–
	129 066	–	**–**	–

The group has an estimated assessed loss amounting to R43,4 million (2003: R243,7 million) for which no deferred tax asset has been recognised.

Subsequent event

The Minister of Finance announced a reduction in the rate of corporate taxation from 30% to 29% after the balance sheet date. This will have the effect of reducing the deferred taxation asset by R4,4 million and the deferred taxation liability by R0,2 million.

11. Inventory

Raw materials	**122 248**	22 321	**–**	–
Finished goods	**122 858**	20 550	**–**	–
Work-in-progress	**63 204**	20 374	**–**	–
Merchandise	**30 290**	–	**–**	–
Spares and consumable stores	**24 634**	12 779	**–**	–
Goods in transit	**11 319**	–	**–**	–
Provisions for obsolescence	**(17 737)**	(3 609)	**–**	–
Carrying value	**356 816**	72 415	**–**	–
Included in the amounts above are the following inventories held at net realisable value	**9 022**	–	**–**	–

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R'000	R'000	**R'000**	R'000
12. Biological assets				
Livestock				
Reconciliation of changes in carrying value of biological assets				
Balance at the beginning of the period	**80 144**	65 104	**–**	–
Purchases	**223 225**	129 982	**–**	–
Production and allocated overhead costs	**133 667**	65 799	**–**	–
Sales	**(339 536)**	(180 763)	**–**	–
Provision for mortalities	**(2 000)**	(1 200)	**–**	–
Gains arising from change in fair value	**3 785**	1 222	**–**	–
Balance at the end of the period	**99 285**	80 144	**–**	–

The group operates two feedlots, which purchase wieners and convert them into slaughter-ready cattle. Cattle are valued at current market prices per slaughtered kilogram. As the cattle are sold over a period of four months, the significant assumptions made relate mainly to changes in market prices, calculated average daily growth and attrition.

Allowances are determined based on historical information. Significant assumptions used in the valuation of the livestock are consistent with the prior year.

Commitments relating to cattle are minimal as purchases occur weekly, depending on availability. All biological assets are encumbered as stated in note 14.

The main risks relating to cattle are theft, disease and a volatile market price.

Financial risk management strategies comprise controls in respect of property security, branding of all cattle, vaccinating and dipping of cattle.

	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
13. Accounts receivable				
Trade receivables	**453 160**	96 691	**1 419**	84
Less: provision for irrecoverable amounts	**(14 911)**	(8 661)	**(147)**	–
Prepayments and deposits	**24 388**	1 581	**7**	150
SARS – VAT	**8 003**	1 878	**–**	1 044
Other receivables	**3 983**	4 134	**–**	63
Forward exchange contract revaluations	**–**	118	**–**	–
Carrying value	**474 623**	95 741	**1 279**	1 341

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.

The directors consider that the carrying amount of accounts receivable approximates fair value.

Trade receivables of certain group companies have been ceded as security for the overdraft facilities of the group and in certain subsidiaries as stated in note 14.

	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
14. Cash and cash equivalents				
Cash at bank and on hand	**45 013**	37 245	**4**	14 129
Bank overdrafts	**(45 313)**	–	**(12 168)**	–
Cash and cash equivalents	**(300)**	37 245	**(12 164)**	14 129

Bank balances and cash comprise cash held by the group as well as short term bank deposits. The carrying amount of these assets equals their fair value.

Bank overdrafts are repayable on demand.

14. Cash and cash equivalents (continued)

Facilities and security provided are as follows:

Kolosus Leathers (Proprietary) Limited, Kolosus Automotive Leathers (Proprietary) Limited, Mossop Western Leathers (Proprietary) Limited and Bull Brand Foods (Proprietary) Limited

- A short term general facility of R30 million and a forward exchange contract facility of R10 million with FirstRand Bank Limited are secured by means of an unrestricted cession of book debts, an unrestricted cession of CGIC debtor insurance, an unrestricted cession of credit balances at FirstRand Bank Limited and an unlimited cross-suretyship for the joint and several obligations of Kolosus Leathers (Proprietary) Limited, Kolosus Automotive Leathers (Proprietary) Limited, Mossop Western Leathers (Proprietary) Limited and Bull Brand Foods (Proprietary) Limited in favour of FirstRand Bank Limited.

Bull Brand Foods (Proprietary) Limited (formerly Kolosus Foods (Proprietary) Limited)

- A general notarial bond in favour of Daun & Cie AG in the amount of R108,2 million.
- A special notarial bond in favour of Daun & Cie AG in the amount of R18,8 million.
- An unlimited deed of cession, deed of pledge and cession and original share certificates in favour of Daun & Cie AG.

Dano Textile Industries (Proprietary) Limited

- A short term general facility of R25 million and nominated account payments settlement facility of R10 million with FirstRand Bank Limited are secured by means of an unrestricted cession of book debts, a general notarial bond of R10 million over the moveable assets and an unrestricted cession of CUAL debtor insurance in favour of FirstRand Bank Limited.

Jordan & Co division of Feltex Holdings (Proprietary) Limited

- A short term general facility of R30 million and a forward exchange contract facility of R5 million with FirstRand Bank Limited are secured by means of an unrestricted cession of book debts and registration of a general notarial bond of R20 million over moveable assets in favour of FirstRand Bank Limited.

Hosaf division of Feltex Holdings (Proprietary) Limited

- A short term general facility of R56 million and forward exchange contract facility of R4 million with Nedbank Limited are secured by means of an unrestricted cession of book debts and an unrestricted cession of CGIC debtor insurance in favour of Nedbank Limited.

Feltex division of Feltex Holdings (Proprietary) Limited

- A short term general facility of R5 million and a non-lending general facility of R15 million with ABSA Bank Limited are not secured.
- A general short term banking facility of R26 million, a letters of credit facility of R4 million, a performance guarantee facility of R9 million, a forward exchange contract facility of R6,9 million and a forward rate agreement facility of R5 million with The Standard Bank of South Africa Limited are not secured.
- A short term general facility of R30 million with FirstRand Bank Limited is not secured.

KAP International Holdings Ltd

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R'000	R'000	**R'000**	R'000
15. Issued share capital				
All share numbers refer to ordinary shares of 20 cents each.				
Authorised				
Ordinary shares	**1 200 000 000**	200 000 000	**1 200 000 000**	200 000 000
Issued				
Balance at the beginning of the period	**168 111 525**	28 011 525	**168 120 000**	28 020 000
Claw-back rights issue	**–**	140 100 000	**–**	140 100 000
Shares issued pursuant to acquisitions	**250 600 000**	–	**250 600 000**	–
Balance at the end of the period	**418 711 525**	168 111 525	**418 720 000**	168 120 00
During the year various transactions were concluded in which 250 600 000 ordinary shares were issued at R1,50 per share (including a premium of R1,30 per share).				
Balance at the beginning of the period	**33 624**	5 604	**33 624**	5 604
Treasury shares – issued to share trust	**(2)**	(2)	**–**	–
Claw-back rights issue: 140 100 000 shares	**–**	28 020	**–**	28 020
Shares issued pursuant to acquisitions: 250 600 000 shares	**50 120**	–	**50 120**	–
Balance at the end of the period	**83 742**	33 622	**83 744**	33 624
16. Share premium				
Balance at the beginning of the period	**626 391**	515 718	**626 391**	515 718
Treasury shares – issued to share trust	**(156)**	(156)	**–**	–
Claw-back rights issue: 140 100 000 shares	**–**	112 080	**–**	112 080
Costs related to rights issue	**–**	(1 407)	**–**	(1 407)
Shares issued pursuant to acquisitions: 250 600 000 shares	**325 780**	–	**325 780**	–
Costs related to acquisitions	**(2 049)**	–	**(2 049)**	–
Balance at the end of the period	**949 966**	626 235	**950 122**	626 391
17. Non-distributable reserves				
Balance at the beginning of the period				
Kolosus Foods (Proprietary) Limited (previously Bull Brand Foods (Proprietary) Limited)	**2 977**	2 977	**–**	–
General reserve: Vetmesting Co-operative Limited	**10 511**	10 511	**–**	–
	13 488	13 488	**–**	–
Released to distributable reserves	**(13 488)**	–	**–**	–
Balance at the end of the period	**–**	13 488	**–**	–

Notes to the annual financial statements

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R'000	R'000	**R'000**	R'000
18. Accumulated loss				
Company	**(840 636)**	(456 308)	**(840 636)**	(456 308)
Subsidiaries	**684 352**	(12 648)	**–**	–
Joint ventures	**1 247**	–	**–**	–
	(155 037)	(468 956)	**(840 636)**	(456 308)
19. Minorities' interest				
Balance at the beginning of the period	**72**	44	**–**	–
Minorities in subsidiaries acquired	**6 811**	–	**–**	–
Share of net profit of subsidiaries	**1 958**	28	**–**	–
Balance at the end of the period	**8 841**	72	**–**	–
Represented by:				
Ball & Coalter Properties (Woodmead) (Proprietary) Limited	**117**	72	**–**	–
Feltex Fehrer (Proprietary) Limited	**8 724**	–	**–**	–
20. Interest-bearing borrowings				
20.1 Long term liabilities comprising:				
Secured loans	**147 182**	62 506	**22 027**	62 459
Unsecured loans	**40 201**	518	**–**	–
	187 383	63 024	**22 027**	62 459
Less: Current portion	**(111 165)**	(63 024)	**(22 027)**	(62 459)
Total long term liabilities	**76 218**	–	–	–

	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
20. Interest-bearing borrowings (continued)				
20.2 Secured loans comprising:				
Finance leases	**4 502**	47	**–**	–
Secured over:				
Plant and machinery with a book value of	**3 714**	–	**–**	–
Other assets with a book value of	**718**	106	**–**	–
Interest rate (%)	**9,5 – 11**	14	**–**	–
Repayable in monthly instalments of	**90**	5	**–**	–
Last payment (year)	**2006**	2004	**–**	–
Instalment sale agreements	**14 654**	–	**–**	–
Secured over:				
Plant and machinery with a book value of	**15 902**	–	**–**	–
Other assets with a book value of	**222**	–	**–**	–
Interest rate (%)	**3 – 9,5**	–	**–**	–
Repayable in monthly instalments of	**63**	–	**–**	–
Last payment (year)	**2008**	–	**–**	–
Repayable in annual instalments of	**3 385**			
Last payment (year)	**2009**			
Loans from shareholder	**60 724**	62 459	**22 027**	62 459
Daun & Cie AG				
At 10,75% per annum (2003: 11,25%)	**22 027**	28 939	**22 027**	28 939
At 9% per annum	**38 697**	–	**–**	–
At LIBOR (USD 5 million)	**–**	33 520	**–**	33 520
There are no fixed terms of repayment.				
The loans are secured as indicated in note 14.				
Other loans	**67 302**	–	**–**	–
Secured over:				
Land and buildings with a book value of	**28 171**	–	**–**	–
Plant and machinery with a book value of	**73 378**	–	**–**	–
Other assets with a book value of	**8 512**	–	**–**	–
Interest rate (%)	**9**	–	**–**	–
Repayment in quarterly instalments of	**4 985**	–	**–**	–
Last payment (year)	**2008**	–	**–**	–
Total secured loans	**147 182**	62 506	**22 027**	62 459

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R'000	R'000	**R'000**	R'000
20. Interest-bearing borrowings (continued)				
20.3 Unsecured loans comprising:				
Other loans	**32 772**	518	**–**	–
Interest rate (%)	**5,112 - 11,5**	–	**–**	–
Repayment in six-monthly instalments of	**4 000**	–	**–**	–
Last payment (year)	**2006**	–	**–**	–
Repayment in annual instalments of	**3 060**	–	**–**	–
Last payment (year)	**2008**	–	**–**	–
Loan from a related party	**7 429**	–	**–**	–
Conrapp Properties (Proprietary) Limited				
At 9% per annum	**7 429**	–	**–**	–
There are no fixed terms of repayment.				
Total unsecured loans	**40 201**	518	**–**	–
20.4 Reconciliation between the total minimum lease payments and the present value of finance leases				
Minimum lease payments reconciliation:				
Up to one year	**1 378**	63	**–**	–
Two to five years	**4 079**	–	**–**	–
More than five years	**–**	–	**–**	–
Total minimum lease payments	**5 457**	63	**–**	–
Future finance charges	**(955)**	(16)	**–**	–
Present value	**4 502**	47	**–**	–
Analysed as follows:				
Up to one year	**1 117**	47	**–**	–
Two to five years	**3 385**	–	**–**	–
More than five years	**–**	–	**–**	–
Present value	**4 502**	47	**–**	–
21. Interest-free borrowings				
Unsecured				
Daun & Cie AG	**6 710**	6 710	**6 710**	6 710
F S Fehrer GmbH	**3 120**	–	**–**	–
Limargo Eight CC	**–**	185	**–**	–
Other loans	**–**	161	**–**	161
	9 830	7 056	**6 710**	6 871
Less: current portion	**(7 490)**	(6 871)	**(6 710)**	(6 871)
	2 340	185	**–**	–

The loan from Daun & Cie AG has no fixed terms of repayment.

The loan from FS Fehrer GmbH is repayable at the discretion of Feltex Holdings (Proprietary) Limited. R0,8 million was repaid in January 2005 and no further repayments are planned for 2005.

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R'000	R'000	**R'000**	R'000
22. Retirement benefit obligations				
22.1 Post-retirement medical benefit				
Balance at the beginning of the period	**9 922**	12 857	**514**	12 857
Subsidiaries acquired	**32 652**	–	**–**	–
Subsidiaries sold	–	(3 500)	**–**	–
Charged/(credited) to income statement	**1 502**	1 296	**(434)**	(11 612)
Utilised during period	**(3 427)**	(731)	**–**	(731)
Balance at the end of the period	**40 649**	9 922	**80**	514

The principal actuarial assumptions applied in determination of fair values include:

	Dano	Feltex	Bull Brand, Mossop, FAL
Health care cost inflation	7,04%	7,5%	6,7%
Discount rate	9,04%	9,5%	7,5%
Contribution at retirement	50%-100%	100%	100%

The group has a post-employment medical defined benefit liability in respect of the Kolosus Pension Fund, Dano Textile Industries Pension Fund, Kolosus Retirement Fund and Feltex Retirement Fund.

The group had previously restricted the liability to a fixed number of retired employees and had fixed the amount of the contribution to such employees for the remainder of their lives.

Actuarial valuations are performed on an annual basis. The latest actuarial valuation of medical subsidies was carried out by independent actuaries as at 31 December 2004. The main actuarial assumption is that the company continues to provide subsidies at current levels, but subject to annual review.

22. Retirement benefit obligations (continued)

22.2 Defined contribution plans

The group operates a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally 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 year the majority of the eligible employees belonged to one of the following funds:

Dano Textile Industries Staff Provident Fund, Courthiel Holdings Provident Fund, Mibco Provident Fund, Hosaf Provident Fund, Leather Industry Provident Fund, Kolosus Automotive Leathers Retirement Fund, Kolosus Top-hat Provident Fund, Kolosus Pension Fund and the Feltex Retirement Fund.

The retirement benefit plans are governed by the Pension Funds Act, 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 R18,1 million (2003: R3,4 million). The company contribution in respect of retirement benefit obligations amounted to Rnil (2003: R0,6 million).

22.3 Defined benefit plans

In the past, the entities in the group operated the following post-employment defined benefit plans:

Dano Textile Industries Pension Fund (closed) and Feltex Retirement Fund (closed)

The Dano Textile Industries Pension Fund was closed before the acquisition of Dano Textile Industries (Proprietary) Limited and no further contributions have been made to the fund. The fund is in the process of being wound up.

The Employer Protection Reserve in the Feltex Retirement Fund at 30 September 2004 was R108,7 million. The members' accumulated funds at 30 September 2004 was R64,9 million. The trustees of the fund have applied to the Financial Services Board for the approval of the allocation of the surplus 60%/40% to the company and employees respectively.

23. Accounts payable

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R'000	R'000	**R'000**	R'000
Trade payables	**261 646**	29 705	**10**	97
Accruals	**58 772**	18 246	**1 016**	4 130
Other payables	**5 446**	12 936	**5 152**	3 557
SARS – VAT	**10 298**	3 645	**58**	–
Forward exchange contract liabilities	**4 983**	234	**–**	–
	341 145	64 766	**6 236**	7 784

Credit periods obtained vary widely among the operations.

The directors consider that the carrying amount of accounts payable approximates fair value.

24. Provisions

	Environmental rehabilitation R'000	Leave pay and bonuses R'000	Warranties R'000	Total R'000
2004				
Group				
Balance at the beginning of the period	2 451	–	941	3 392
Subsidiaries acquired	–	23 169	–	23 169
Additional provision in the period	302	22 938	2 283	25 523
Utilised during the year	(692)	(18 463)	(2 212)	(21 367)
Balance at the end of the period	2 061	27 644	1 012	30 717

	Leave pay and bonuses R'000	Total R'000
Company		
Balance at the beginning of the period	–	–
Raised during the period	66	66
Balance at the end of the period	66	66

Environmental rehabilitation

A provision has been made for environmental rehabilitation of three properties based on technical advice and management estimates. The provision is utilised as the rehabilitation takes place. The rehabilitation process is ongoing.

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 is 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. Various entities in the group give three year warranties on certain products and undertake to repair or replace items which fail to perform satisfactorily. The provision is also based on historic claims and the level of repairs and returns.

	Environmental rehabilitation R'000	Restructuring/ retrenchment R'000	Seton claim provision R'000	Warranties R'000	Total R'000
24. Provisions (continued)					
2003					
Group					
Balance at the beginning of the period	3 982	5 114	50 100	990	60 186
Amounts released	(692)	(5 114)	(5 900)	(49)	(11 755)
Utilised during the period	(839)	–	(44 200)	–	(45 039)
Balance at the end of the period	2 451	–	–	941	3 392

	Seton claim provision R'000	Total R'000
Company		
Balance at the beginning of the period	50 100	50 100
Amounts released	(5 900)	(5 900)
Utilised during the period	(44 200)	(44 200)
Balance at the end of the period	–	–

	GROUP		COMPANY	
	Year ended 31 December 2004 R'000	8 months ended 31 December 2003 R'000	**Year ended 31 December 2004 R'000**	8 months ended 31 December 2003 R'000
25. Revenue				
The group's revenue comprises mainly sales of goods	**1 911 873**	616 524	**–**	–
26. Operating profit/(loss)				
Operating profit/(loss) includes the following items which require separate disclosure:				
Income				
Dividend received	**–**	244	**–**	–
Gain on fair value of biological assets	**3 785**	1 222	**–**	–
Government incentives received				
– SMEDP	**228**	–	**–**	–
– SETA	**1 781**	–	**–**	–
Foreign exchange gains (realised)	**2 807**	1 313	**–**	–
Profit on disposal of available-for-sale investments	**–**	757	**–**	–
Profit/(loss) on disposal of property, plant and equipment	**3 104**	2 250	**(200)**	396
Profit on sale of subsidiaries	**3 111**	–	**–**	–
Release of negative goodwill	**190 039**	–	**–**	–

	GROUP Year ended 31 December 2004 R'000	GROUP 8 months ended 31 December 2003 R'000	COMPANY Year ended 31 December 2004 R'000	COMPANY 8 months ended 31 December 2003 R'000
26. Operating profit/(loss) (continued)				
Expenses				
AC 133 fair value adjustments to long term debtors	–	2 739	–	–
Audit fees				
– current year	2 348	1 598	752	458
– prior year over-provision	(365)	–	(526)	–
– other services	577	42	110	–
Depreciation on investment property	677	627	–	–
Depreciation on property, plant and equipment (refer note 2 for breakdown)	35 029	8 695	–	129
Dividend income	–	244	–	–
Fees paid to non-employees				
– administrative services	336	584	–	366
– technical services	3 697	16	475	16
– secretarial services	172	38	166	–
Foreign exchange losses on foreign loans (unrealised)	–	9 843	–	9 843
Impairment of loan to subsidiary sold	–	1 252	–	–
Impairment of investments	–	455	–	26
Impairment of inventory	2 153	–	–	–
Loss on sale of subsidiary	–	148	–	–
Management fees paid	1 830	–	1 310	–
Operating lease charges				
– land and buildings	10 701	4 128	–	698
– plant and equipment	884	867	–	123
– other assets	570	8	195	–
Provision for impairment of subsidiaries	–	–	379 114	11 839
Research and development	121	–	–	–
Restructuring costs	–	1 450	–	1 450
Retirement benefit costs	1 502	1 296	(434)	(11 612)
Reversal of negative provision for impairment of investment in subsidiaries on sale	–	–	9 655	–
Staff costs				
– salaries and wages	246 161	65 720	2 287	9 033
– termination costs	2 354	–	–	–
– company contributions	22 502	4 453	349	629

	GROUP		COMPANY	
	Year ended 31 December 2004 R'000	8 months ended 31 December 2003 R'000	**Year ended 31 December 2004 R'000**	8 months ended 31 December 2003 R'000
27. Interest paid				
Interest paid				
– external	**11 316**	7 634	**1 512**	4 285
– related parties	**8 119**	14 984	**5 170**	14 984
– subsidiaries	**–**	–	**1 386**	–
	19 435	22 618	**8 068**	19 269
Details of the related party interest paid are in note 37.				
28. Interest received				
Interest received				
– external	**3 240**	8 982	**1 791**	3 420
– related parties	**5 598**	–	**2 442**	–
– subsidiaries	**–**	–	**11 595**	17 511
	8 838	8 982	**15 828**	20 931
Details of the related party interest received are in note 37.				
29. Taxation				
South African normal taxation				
Current taxation – current year	**6 225**	–	**1 828**	1 497
Current taxation – prior year	**(3 965)**	9	**–**	–
Deferred taxation – current year	**7 492**	–	**–**	–
Deferred taxation – prior year	**5 134**	–	**–**	–
Secondary taxation on companies	**788**	–	**–**	–
Other taxation	**2**	–	**–**	–
Taxation charge for the year	**15 676**	9	**1 828**	1 497
Reconciliation of tax charge				
Profit/(loss) before taxation	**319 103**	8 105	**(3 386)**	22 183
Taxation at 30%	**95 731**	2 432	**(1 016)**	6 655
Adjusted for:				
– permanent differences	**(60 828)**	3	**3 250**	(5 158)
– deferred taxation asset not raised	**(5 874)**	–	**–**	–
– taxation attributable to joint ventures	**(459)**	–	**–**	–
– capital gains taxation	**36**	–	**–**	–
– secondary taxation on companies	**788**	–	**–**	–
– utilisation of assessed losses	**(16 168)**	(2 426)	**–**	–
– adjustment in respect of previous years	**2 450**	–	**(406)**	–
Effective taxation charge	**15 676**	9	**1 828**	1 497

Corporate taxation is calculated at 30% of the estimated taxable income for the year.

	GROUP	
	Year ended 31 December 2004 R'000	8 months ended 31 December 2003 R'000
30. Earnings per share		
On 1 July 2004 the company issued 250 600 000 ordinary shares.		
Earnings		
Net profit per the income statement	**301 469**	8 068
Number of shares		
Weighted average number of ordinary shares in issue ('000) (for the purposes of earnings and headline earnings per share)	**293 412**	34 882
Effect of dilutive potential ordinary shares (share options in '000)	**–**	371
Weighted average number of ordinary shares – diluted earnings	**293 412**	35 253
Earnings per share (cents)	**102,75**	23,13
Diluted earnings per share (cents)	**102,75**	22,89

The directors consider that the dilution has no material effect in the current year, as all significant option holders have revoked their rights to the share options, and the option strike price is materially out-of-the-money.

Reconciliation between earnings and headline earnings		
Earnings	**301 469**	8 068
Negative goodwill	**(190 039)**	–
Profit on disposal of property, plant and equipment	**(3 104)**	(2 250)
(Profit)/loss on sale of subsidiaries	**(3 111)**	148
Impairment of loan to subsidiary sold	**–**	1 252
Restructuring cost, discontinuation and other abnormal costs	**–**	1 450
Headline earnings	**105 215**	8 668
Headline earnings per share (cents)	**35,86**	24,85

Notes to the annual financial statements

	GROUP		COMPANY	
	Year ended 31 December 2004 R'000	8 months ended 31 December 2003 R'000	**Year ended 31 December 2004 R'000**	8 months ended 31 December 2003 R'000
31. Cash flow statement				
31.1 Cash generated from/(utilised by) operations				
Operating profit/(loss) before taxation	**319 103**	8 105	**(3 386)**	22 183
Adjusted for:				
Depreciation	**35 706**	9 322	**–**	129
Release of negative goodwill	**(190 039)**	–	**–**	–
(Profit)/loss on disposal of property, plant and equipment	**(3 104)**	(2 250)	**200**	(396)
(Profit)/loss on disposal of subsidiaries	**(3 111)**	148	**–**	–
Profit on sale of investments	**–**	(757)	**–**	–
(Decrease)/increase in retirement benefit obligation	**(1 925)**	1 296	**(434)**	(11 612)
AC133 fair value adjustment to long term debtors	**–**	2 739	**–**	–
Increase in fair value of biological assets	**(3 785)**	(1 222)	**–**	–
Foreign exchange differences	**99**	(9 045)	**–**	(9 843)
Reversal of negative provision for impairment of investment in subsidiaries on sale	**–**	–	**9 655**	–
Adjustments to fixed assets	**–**	(84)	**–**	–
Impairment of investments	**–**	455	**–**	26
Interest received	**(8 838)**	(8 982)	**(15 828)**	(20 958)
Interest paid	**19 435**	22 618	**8 068**	19 269
Dividends received	**–**	(244)	**–**	–
Income from joint ventures	**(1 247)**	–	**–**	–
Share of result before tax of associate	**–**	1 964	**–**	–
Operating profit/(loss) before changes in working capital	**162 294**	24 063	**(1 725)**	(1 202)
Movements in working capital:				
(Increase)/decrease in inventory and biological assets	**(36 209)**	38 845	**–**	–
Decrease/(increase) in accounts receivable	**11 999**	(7 170)	**62**	3 236
Decrease in accounts payable and provisions	**(23 951)**	(37 495)	**(1 479)**	(5 932)
Cash generated from/(utilised by) operations	**114 133**	18 243	**(3 142)**	(3 898)
31.2 Taxation paid is reconciled as follows:				
Amounts unpaid at the beginning of the period	**(5 259)**	(1 458)	**(4 497)**	–
Subsidiaries acquired	**(6 951)**	–	**–**	–
Disposal of subsidiaries	**56**	–	**–**	–
Charged to the income statement	**(3 050)**	(9)	**(1 828)**	(1 497)
Amounts reallocated from creditors	**–**	(3 991)	**–**	(3 000)
Amounts unpaid at the end of the period	**1 644**	5 259	**4 416**	4 497
Taxation paid	**(13 560)**	(199)	**(1 909)**	–

	GROUP Year ended 31 December 2004 R'000	8 months ended 31 December 2003 R'000
31. Cash flow statement (continued)		
31.3 Acquisition of subsidiaries		
Particulars of net assets acquired at date of acquisition:		
Property, plant and equipment	**321 777**	–
Investment property	**6 049**	–
Investments in joint ventures	**10 796**	–
Receivables and loans	**26 810**	–
Inventory	**264 958**	–
Accounts receivable	**391 376**	–
Deferred taxation assets	**147 384**	–
Short term loans receivable	**3 385**	–
SARS – income tax receivable	**207**	–
Cash and cash equivalents	**30 098**	–
Minorities	**(6 811)**	–
Interest-bearing borrowings	**(134 284)**	–
Deferred taxation liabilities	**(5 693)**	–
Retirement benefit obligations	**(32 652)**	–
Accounts payable	**(307 607)**	–
Provisions	**(23 169)**	–
SARS – income tax payable	**(7 158)**	–
Short term borrowings	**(21 085)**	–
Bank overdraft	**(95 818)**	–
Net assets acquired	**568 563**	–
Negative goodwill	**(190 039)**	–
Purchase consideration	**378 524**	–
Bank overdrafts acquired	**65 720**	–
Subsidiaries acquired, net of bank overdrafts acquired	**444 244**	–

The subsidiaries acquired on 1 July 2004 are as follows (all 100% unless otherwise indicated):
Calan Limited, Calan Retread Services (Proprietary) Limited, Carlo de Firenze (Proprietary) Limited, Casa Rosada Investments (Proprietary) Limited, Centeon Pharma (Proprietary) Limited, Chemical Leasing (Proprietary) Limited, Chemical Plant Finance (Proprietary) Limited, Conshu Holdings Limited, Conshu Limited, Conshu Trading (Proprietary) Limited, Dano Textile Industries (Proprietary) Limited, Danoduv Investments (Proprietary) Limited, Durban Fibres (Proprietary) Limited, Feltex Fehrer (Proprietary) Limited (74%), Feltex Limited, Hosaf Fibres (Proprietary) Limited, Jordan Footwear Namibia (Proprietary) Limited, Lanatex Weaving Manufacturers (Proprietary) Limited, Marker Investments (Proprietary) Limited, Persaltum (Proprietary) Limited and Textowel Weavers (Proprietary) Limited. All the above acquisitions were accounted for by the purchase method of accounting.

	GROUP Year ended 31 December 2004 R'000	8 months ended 31 December 2003 R'000
31. Cash flow statement (continued)		
31.3 Acquisition of subsidiaries (continued)		
The purchase consideration comprises the following:		
Cost of acquisition (issuance of shares)	**375 900**	–
Costs directly relating to acquisition	**2 624**	–
Purchase consideration	**378 524**	–

In December 2003 the group acquired 100% of the share capital of PF2 Properties (Proprietary) Limited in terms of an option to purchase such shares that was part of a structured finance arrangement. The option price was R1,00. All assets received for the consideration had already been capitalised previously.

	2004 R'000	2003 R'000
31.4 Disposal of subsidiaries		
Particulars of net assets sold at date of sale:		
Property, plant and equipment	**423**	2
Investments and loans	**–**	1
Inventory	**1 409**	14 981
Accounts receivable	**495**	30 630
Cash and cash equivalents	**–**	40
Bank overdraft	**(161)**	–
Long term liabilities	**–**	(23 194)
Accounts payable	**(3 121)**	(22 312)
SARS – income tax payable	**(56)**	–
Net (liabilities)/assets sold	**(1 011)**	148
Profit/(loss) on disposal	**3 111**	(148)
Sale consideration	**2 100**	–
Cash sold	**161**	(40)
Proceeds on disposal of subsidiaries	**2 261**	(40)

The subsidiaries sold on 1 January 2004 are as follows (all 100%):
Exotan (Proprietary) Limited, Matsapa Hides & Stores (Proprietary) Limited, Border Export (Proprietary) Limited, Bregin & Co (Cape) (Proprietary) Limited, Cape Produce Export Co (Proprietary) Limited, South West Wool Sorters (Proprietary) Limited, OSB Exports (Proprietary) Limited, Kaftan NV, Manzini Hide Collectors (Proprietary) Limited, S M Lurie and Company (Botswana) (Proprietary) Limited, GH Hackmann (Proprietary) Limited, Hideskin Namibia (Proprietary) Limited, African Hide Trading Namibia (Proprietary) Limited, Oudtshoorn Ostrich Processors (Proprietary) Limited, Kolosus Leathers Africa, Barvan Pvt and Velskin Product (Proprietary) Limited.

32. Directors' emoluments

	Basic salary R'000	Company contributions R'000	Bonuses R'000	Payments in kind R'000	Total R'000
Executive directors					
P C T Schouten	590	20	–	–	610
R D Radford	525	65	659	–	1 249
A J Keyser*	686	64	–	–	750
L C Campher*	577	132	–	–	709
Total	2 378	281	659	–	3 318

*resigned 12 November 2004

	Service	Fees (R)
Non-executive directors		
C E Daun	Chairman	10 000
M J Jooste	Chairman of audit committee	9 375
J B Magwaza	Chairman of remuneration committee	8 750
S H Nomvete	Member of audit committee	8 125
I N Moloto	Member of remuneration committee	7 750
F Möller		6 250
Total		50 250

	Beneficial direct	Beneficial indirect	Total	%
Directors' shareholding as at 31 December 2004				
C E Daun	811	301 301 229	301 302 040	72,0
M J Jooste	–	11 020 000	11 020 000	2,6
J B Magwaza	–	700 000	700 000	0,2
S H Nomvete	–	6 510 000	6 510 000	1,6
I N Moloto	–	6 510 000	6 510 000	1,6
P C T Schouten	4 000 000	–	4 000 000	1,0
R D Radford	2 500 000	–	2 500 000	0,6

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.

Remuneration paid by holding company	–
Remuneration paid by subsidiary companies	2 708
Remuneration paid by related parties	610
	3 318

Daun & Cie AG has granted 27,0 million options to purchase ordinary shares in the company to certain key executives. The granting of these options is conditional on the achievement of agreed profit targets both in individual divisions/subsidiaries and for the group. Options will be granted at a strike price of €0.1664 per share and bear notional interest of 4% per annum from the effective date of 9 November 2004, compounded monthly until the date of exercising the option. 20% of the options may be granted each year until 2009.

It is intended that the options to be granted will be controlled by a vesting management trust.

Conditional options granted to directors are as follows:

P C T Schouten	4,0 million shares
R D Radford	2,5 million shares

No options or conditional options have been granted to non-executive directors.

33. Foreign exchange derivative instruments and foreign currency risk management

33.1 Foreign exchange risk management

Forward exchange contracts

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 exposures. The instruments purchased are primarily denominated in the currencies of its principal markets. As a matter of policy, the group does not enter into derivative contracts for speculative purposes.

33.2 Foreign foward exchange contracts

Foreign forward exchange contracts are used by the group to manage its exposure to foreign exchange fluctuations. At year end open contracts were marked to market and resulted in the following financial asset or liability. These amounts have been included under other receivables or payables in notes 13 and 23 respectively.

Forward exchange assets (liabilities)

At the balance sheet date, the company had contracted to buy the following amounts under forward exchange contracts in respect of future commitments which expire at various dates:

	FEC value 2004 R'000	Estimated fair value 2004 R'000	FEC liability 2004 R'000	FEC value 2003 R'000	Estimated fair value 2003 R'000	FEC asset 2003 R'000	Contract rate 2004	Contract rate 2003
USD	(41 659)	38 606	(3 053)	(7 410)	7 485	75	6.1500	6.8802
EUR	(36 878)	35 093	(1 785)	(7 473)	7 479	6	8.4659	8.4350
GBP	(3 571)	3 426	(145)	(1 927)	2 041	114	11.3611	11.6084
Total	(82 108)	77 125	(4 983)	(16 810)	17 005	195		

33.3Uncovered foreign currency balances

The following unhedged and uncovered foreign assets relating to accounts receivable were in existence at year end:

Foreign currency	Foreign amount 2004 '000	Foreign amount 2003 '000	Rate 2004	Rate 2003	Rand amount 2004 R'000	Rand amount 2003 R'000
EUR	1 991	–	7.65	–	15 227	–
USD	918	–	5.64	–	5 178	–
GBP	602	–	10.82	–	6 514	–
CHF	467	–	4.98	–	2 326	–
					29 245	–

The following unhedged and uncovered foreign liabilities relating to accounts payable were in existence at year end:

Foreign currency	Foreign amount 2004 '000	Foreign amount 2003 '000	Rate 2004	Rate 2003	Rand amount 2004 R'000	Rand amount 2003 R'000
USD	3 077	–	5.64	–	17 366	–
EUR	264	–	7.65	–	2 020	–
GBP	38	–	10.82	–	411	–
CHF	15	–	4.98	–	75	–
					19 872	–

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R'000	R'000	**R'000**	R'000
34. Capital commitments				
Capital expenditure				
Authorised by directors				
– contracted	**24 485**	–	**–**	–
– not yet contracted	**20 238**	11 037	**–**	–
The capital expenditure is to be financed from internally generated funds and external credit facilities.				
35. Operating lease commitments				
At the balance sheet date, the group had outstanding commitments under non-cancellable operating leases with a term of more than one year, which fall due as follows:				
Within one year	**18 686**	4 498	**–**	–
In the second to fifth year inclusive	**48 546**	22 720	**–**	–
Over five years	**–**	8 317	**–**	–
	67 232	35 535	**–**	–
36. Operating lease receivables				
At the balance sheet date, the group had outstanding receivables under non-cancellable operating leases as follows:				
Within one year	**1 406**	–	**392**	–
In the second to fifth year inclusive	**4 351**	–	**–**	–
Over five years	**3 405**	–	**–**	
	9 162	–	**392**	–

37. Related parties

37.1 Controlling entity

The ultimate holding company is Daun & Cie AG, a company incorporated in the Federal Republic of Germany. This is a large and complex group of companies with investments and subsidiaries in South Africa and globally. The following entities have been identified as having a related party relationship due to common shareholding or significant influence as a result of representation by the shareholder or its representative on the board of directors of the companies and their subsidiaries:

KAP Textile Holdings SA Limited (fellow subsidiary of Daun & Cie AG) and its subsidiaries or associates

Bertrand Holdings SA (Proprietary) Limited
Saprotex International (Proprietary) Limited
Good Hope Textile Corporation (Proprietary) Limited
Mooi River Home Textile (Proprietary) Limited
Yarntex (Proprietary) Limited
Sherco Group (Proprietary) Limited
Union Spinning Mills (Proprietary) Limited
Gelvenor Textiles division
SA Fine Worsteds division
Da Gama Textiles division

Courthiel Holdings (Proprietary) Limited (fellow subsidiary of Daun & Cie AG) and its subsidiaries

Wellington Industries (Proprietary) Limited
Table Bay Spinners Limited
Boland Fine Spinners (Proprietary) Limited
Home Fabrics division
The Fabric Library division
Springbok Commodities (Proprietary) Limited
African Hide Trading Corporation (Proprietary) Limited
Spilo (Proprietary) Limited
Platex (Proprietary) Limited
Camexo SA Limited
Court Fabrics (Proprietary) Limited
Heystekrand Furniture Factory (Proprietary) Limited

Other

Conrapp Properties (Proprietary) Limited
West African Hides & Skins (Proprietary) Limited (Namibia)
West African Hides & Skins (Proprietary) Limited (Botswana)
Lauffenmuhle AG
Zimbabwe Spinners & Weavers (Pvt) Limited

The group transacts with some of the above mentioned companies in the normal course of business on a strictly arm's length basis.

	GROUP 2004 R'000	GROUP 2003 R'000
37. Related parties (continued)		
37.1 Controlling entity (continued)		
Transactions with related parties and the resultant balances receivable or payable at year end include the following:		
Sale of goods to related parties		
African Hide Trading Corporation (Proprietary) Limited	29 895	20 674
KAP Textile Holdings SA Limited	14 174	–
Table Bay Spinners Limited	3 943	–
Lauffenmuhle AG	1 998	–
Mooi River Home Textile (Proprietary) Limited	566	–
Camexo SA Limited (formerly Camdeboo Meat Processors Limited)	–	2 073
Conshu Trading (Proprietary) Limited	–	2 634
Feltex Limited	–	762
	50 576	26 143
Purchase of goods from related parties		
African Hide Trading Corporation (Proprietary) Limited	18 754	–
KAP Textile Holdings SA Limited	5 203	–
Table Bay Spinners Limited	81	–
Zimbabwe Spinners & Weavers (Pvt) Limited	5 489	–
Camexo SA Limited (formerly Camdeboo Meat Processors Limited)	–	238
	29 527	238
Operating lease rentals received		
African Hide Trading Corporation (Proprietary) Limited	1 082	–
A Z Keyzer	18	18
	1 100	18
Operating lease rentals paid		
Courthiel Holdings (Proprietary) Limited	2 660	–
Conrapp Properties (Proprietary) Limited	1 028	–
	3 688	–
Interest paid		
Daun & Cie AG	4 612	14 984
Courthiel Holdings (Proprietary) Limited	3 376	–
Conrapp Properties (Proprietary) Limited	129	–
African Hide Trading Corporation (Proprietary) Limited	2	–
	8 119	14 984
Interest received		
African Hide Trading Corporation (Proprietary) Limited	1 109	–
KAP Textile Holdings SA Limited	989	–
Courthiel Holdings (Proprietary) Limited	3 500	–
	5 598	–
Management fees paid		
Courthiel Holdings (Proprietary) Limited	2 076	88
Accounts receivable		
African Hide Trading Corporation (Proprietary) Limited	1 222	18 899
KAP Textile Holdings SA Limited	729	–
Table Bay Spinners Limited	2 589	–
Courthiel Holdings (Proprietary) Limited	959	–
Inyati Limited	3 446	–
	8 945	18 899
Accounts payable		
KAP Textile Holdings SA Limited	63	–
Zimbabwe Spinners & Weavers (Pvt) Limited	674	–
Mooi River Home Textile (Proprietary) Limited	320	–
Table Bay Spinners Limited	30	–
	1 087	–

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R'000	R'000	**R'000**	R'000
37. Related parties (continued)				
37.1 Controlling entity (continued)				
Purchase of subsidiaries from Daun & Cie AG and KAP Beteiligungs AG				
Various companies were acquired from Daun & Cie AG and KAP Beteiligungs AG as detailed in the directors' report.				
Loans from related parties				
Daun & Cie AG advanced various secured, interest-bearing loans as follows:				
At 10,75% per annum (2003: 11,25%)	**22 027**	28 939	**22 027**	28 939
At 9% per annum	**38 697**	–	**–**	–
At LIBOR (USD 5 million)	**–**	33 520	**–**	33 520
Details of the security offered are indicated below.				
Daun & Cie AG also advanced an unsecured, interest-free loan as follows:	**6 710**	6 710	**6 710**	6 710

The joint venture (Rieter-Feltex Automotive Manufacturing (Proprietary) Limited) advanced an unsecured loan of R1,0 million which bears interest at 8,38% floating rate. No fixed terms of repayment have been negotiated.

Loans to related parties

An interest-bearing loan to African Hide Trading Corporation (Proprietary) Limited of R8,9 million bears interest at prime rate and is repayable in 48 equal monthly instalments. Suretyship has been provided by Courthiel Holdings (Proprietary) Limited, who is co-principal debtor to the loan and is also a related party.

An interest-free loan to African Hide Trading Corporation (Proprietary) Limited of R9,5 million is repayable in four equal annual instalments. Suretyship has been provided by Courthiel Holdings (Proprietary) Limited, who is co-principal debtor to the above loan and is also a related party.

Security in favour of related parties

Bull Brand Foods (Proprietary) Limited (formerly Kolosus Foods (Proprietary) Limited) has issued the following security:

- A general notarial bond in favour of Daun & Cie AG in the amount of R108,2 million
- A special notarial bond in favour of Daun & Cie AG in the amount of R18,8 million
- An unlimited deed of cession, deed of pledge and cession and original share certificates in favour of Daun & Cie AG.

37. Related parties (continued)

37.2 Directors

The directors named in the attached directors' report each held office as a director of the company during the year ended 31 December 2004.

Transactions with Daun & Cie AG have been detailed in the directors' report. C E Daun (non-executive chairman) controls 100% of Daun & Cie AG.

Transactions with KAP Beteiligungs AG have been detailed in the directors' report. F Möller (independent, non-executive director) is the managing director of KAP Beteiligungs AG and is also a non-executive director of Daun & Cie AG. P C T Schouten (chief executive officer) is an executive director of KAP Beteiligungs AG. Daun & Cie AG controls KAP Beteiligungs AG.

I N Moloto and S H Nomvete (both independent, non-executive directors) are also joint CEO's and shareholders of Motseng Investment Holdings (Proprietary) Limited which owns 51% of Mooi River Home Textile (Proprietary) Limited, which engages in various arm's length transactions with the KAP International group. C E Daun, F Möller and P C T Schouten are also directors of the holding company of Mooi River Home Textile (Proprietary) Limited.

37.3 Transaction with entities in the wholly owned group

The company and subsidiaries within the group advanced, received and repaid loans to other entities in the wholly owned group during the current and previous financial years. The company and subsidiaries also transacted with each other during the year in the normal course of business. All material inter-group transactions have been eliminated on consolidation.

In respect of balances with companies in the group refer to note 4- Interests in subsidiaries and note 5- Interests in joint ventures. A complete list of the group's subsidiaries is provided in Annexure A.

38. Contingent liabilities and guarantees

The company has guaranteed the overdraft facilities of any subsidiary linked to the cash management system. The amount is limited to R30 million (2003: R20 million). At period end the overdraft of subsidiaries guaranteed by the company amounted to Rnil (2003: Rnil).

The group has issued guarantees through various banks of R9,6 million (2003: R2,7 million).

A general notarial bond in the amount of R20,0 million has been issued in respect of the assets of the Jordan & Co division of Feltex Holdings (Proprietary) Limited in favour of First National Bank.

A mortgage bond of R10,0 million over the Hosaf Fibres Milnerton property (book value R9,1 million) and a mortgage bond of R20,0 million over the Hosaf Durban property (book value R19,1 million) have been registered in favour of Standard Bank Limited.

A specific notarial bond over all the movable assets of the Hosaf Fibres division of Feltex Holdings (Proprietary) Limited (book value R107,8 million) has been registered in favour of Standard Bank Limited.

A guarantee of USD 750 000 in favour of Lloyds Bank Plc was issued in 1995 in respect of Inyati UK Limited, which has been sold out of the group to a related party, subject to warranties, on 31 December 2004. The validity of the guarantee is uncertain. The group is confident that there will be legal recourse to the seller of Inyati UK Limited should a claim materialise against 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.

Dano Textile Industries (Proprietary) Limited is currently in a dispute with employees regarding alleged unfair dismissals. The possible estimated financial effect is R0,2 million. The group is confident that this claim will not be successful

Borrowings by the group from FirstRand Bank Limited are secured as detailed in note 14.

39. Financial instruments

39.1 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. Group companies monitor the financial position of based on management's best estimate, for doubtful debts using the history of bad debts. At year end management believe that any material credit risk exposure was covered by the bad debt provision. Certain companies have taken out third party cover over trade accounts receivable.

Other loans include loans to third parties and loans to related parties. Provisions for the loan are based on management's best estimate of their recoverability and, where loans are considered irrecoverable, they are written off.

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.

39. Financial instruments (continued)

39.2 Interest rate risk management

The group's exposure to interest rate risk and the effective interest rates on financial instruments at balance sheet date are as follows:

	Interest rate %	Year 1 R'000	Years 2 - 5 R'000	Over 5 years R'000	Total R'000
Group 2004					
Assets					
Other investments and loans					
Interest-free loans	Interest-free	–	7 852	–	7 852
Interest-bearing	Prime	–	6 458	–	6 458
Accounts receivable	Interest-free	474 623	–	–	474 623
SARS – income tax receivable	Interest-free	7 386	–	–	7 386
Short term loans	Interest-free	12 482	–	–	12 482
Short term loans	Prime	2 500	–	–	2 500
Cash and cash equivalents	5,75%	45 013	–	–	45 013
		542 004	14 310	–	556 314
Liabilities					
Instalment sale agreements	3% to Prime -1,5%	4 333	10 321	–	14 654
Finance leases	Prime -1,5% to Prime	1 117	3 385	–	4 502
Shareholder's loan	10,75%	22 027	–	–	22 027
Shareholder's loan	9%	38 697	–	–	38 697
Shareholder's loan	Interest-free	6 710	–	–	6 710
Other loans	Interest-free	780	2 340	–	3 120
Other loans	5,11%	8 024	9 089	–	17 113
Other loans	Prime -2,5% to Prime	9 447	6 212	–	15 659
Other loans	Prime -2,25%	20 091	47 211	–	67 302
Other loans	9%	7 429	–	–	7 429
Accounts payable	Interest-free	341 145	–	–	341 145
Bank overdraft	Prime -3% to Prime -1%	45 313	–	–	45 313
SARS – income tax payable	Interest-free	9 017	–	–	9 017
		514 129	78 559	–	592 688

39. Financial instruments (continued)

39.2 Interest rate risk management (continued)

	Interest rate %	Year 1 R'000	Years 2 - 5 R'000	Over 5 years R'000	Total R'000
Company 2004					
Assets					
Loans to subsidiaries					
– interest-bearing	Prime	–	–	74 353	74 353
Other loans					
– interest-free	Interest-free	3 509	1 075	–	4 584
Accounts receivable	Interest-free	1 279	–	–	1 279
Cash on hand	Interest-free	4	–	–	4
		4 792	1 075	74 353	80 220
Liabilities					
Shareholder loans	10,75%	28 737	–	–	28 737
Loans from subsidiaries					
– interest–bearing	Prime -2% to Prime	–	–	18 193	18 193
– interest–free	Interest-free	–	–	190 301	190 301
Accounts payable	Interest-free	6 236	–	–	6 236
SARS – income tax payable	Interest-free	4 416	–	–	4 416
Bank overdraft	Prime -2%	12 168	–	–	12 168
		51 557	–	208 494	260 051
Group 2003					
Assets					
Other investments and loans	Interest-free	–	20 958	–	20 958
Accounts receivable	Interest-free	95 741	–	–	95 741
Bank balances	6,25%	37 245	–	–	37 245
		132 986	20 958	–	153 944
Liabilities					
Finance leases	14%	47	–	–	47
Accounts payable	Interest-free	64 766	-	-	64 766
Shareholder loans					
– interest-free	Interest-free	6 710	-	-	6 710
– interest-bearing	Prime -0,25%	62 459	-	-	62 459
Other loans	Prime +1%	518	-	-	518
Interest-free loans	Interest-free	346	-	-	346
		134 846	-	-	134 846

39. Financial instruments (continued)

39.2 Interest rate risk management (continued)

	Interest rate %	Year 1 R'000	Years 2 - 5 R'000	Over 5 years R'000	Total R'000
Company 2003					
Assets					
Loans to subsidiaries					
– interest-free loans	Interest-free	–	–	308 782	308 782
– interest-bearing loans	Prime	–	–	205 854	205 854
Accounts receivable	Interest-free	1 341	–	–	1 341
Bank balances	5,75%	14 129	–	–	14 129
		15 470	–	514 636	530 106
Liabilities					
Shareholder loans					
– interest-free	Interest-free	6 710	–	–	6 710
– interest-bearing	Prime -0,25%	62 459	–	–	62 459
Other loans	Interest-free	161	–	–	161
Accounts payable	Interest-free	7 784	–	–	7 784
SA Revenue Services	Interest-free	4 497	–	–	4 497
		81 611	–	–	81 611

The prime overdraft rate at year-end was 11,0% (2003: 11,5%).

39.3 Fair values

At 31 December 2004 and 2003 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 forward exchange contracts as stated in note 33 represents the estimated market value (using rates quoted by the group's bankers) at the reporting date, thereby taking into account the unrealised gains and losses of open contracts.

The fair value of other longer term assets are not materially different from the carrying amounts. In other cases the principles applied in arriving at the fair values have been noted in the respective notes.

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R'000	R'000	**R'000**	R'000
40. Number of employees				
The number of employees at year-end	**5 272**	718	**7**	4

It is considered that the number of employees at the reporting date is a better reflection of the position of the group due to a number of acquisitions and disposals during the year.

41. Discontinued operations

There were no discontinued operations in 2004.

During 2003 the group discontinued the following operating divisions:

African Hide Trading Corporation (Proprietary) Limited (former Leather segment), Braams Feedlot (former Meat segment), Kolosus Autoleder GmbH and Kolosus Bayern Leder GmbH (Other segment).

On 18 June 2003 the board of directors resolved that Kolosus Autoleder GmbH and Kolosus Bayern Leder GmbH, operating in the Other segment, would be liquidated.

	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
Results of discontinued operations				
Sales	**–**	77 248	**–**	–
Gross loss	**–**	(1 748)	**–**	–
Operating costs	**–**	(6 080)	**–**	–
Operating loss	**–**	(7 828)	**–**	–
Finance costs	**–**	(2 535)	**–**	–
Taxation	**–**	–	**–**	–
Loss after taxation	**–**	(10 363)	**–**	–
Discontinued operations effect on group cash flows				
Operating cash flows	**–**	25 696	**–**	–
Investing cash flows	**–**	–	**–**	–
Financing cash flows	**–**	(25 736)	**–**	–
Total cash flows	**–**	(40)	**–**	–
Net assets and liabilities disposed of:				
– Braams Feedlot	**–**	1 884	**–**	–
– African Hide Trading Corporation (Proprietary) Limited	**–**	148	**–**	–
	–	2 032	**–**	–

Refer to note 31.4 for details of subsidiaries' assets disposed of.

	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
Net assets and liabilities disposed of				
– Braams Feedlot	**–**	–	**–**	–
– Kolosus Autoleder and Kolosus Bayern Leder	**–**	(1 339)	**–**	–
	–	(1 339)	**–**	–

	GROUP		COMPANY	
	As previously stated 2003 R'000	Restated 2003 R'000	As previously stated 2003 R'000	Restated 2003 R'000

42. Restatement of comparatives

In order to achieve better presentation of the financial information of the group and the company, some disclosures have been restated.

42.1 In the notes to the annual financial statements, the number of categories of property, plant and equipment has been reduced.

	Group: As previously stated 2003 R'000	Group: Restated 2003 R'000	Company: As previously stated 2003 R'000	Company: Restated 2003 R'000
Owned assets				
Office equipment, computers and furniture				
Book value	981	–	–	–
Cost	11 041	–	1 338	–
Accumulated depreciation	(10 060)	–	(1 338)	–
Vehicles				
Book value	604	–	–	–
Cost	9 077	–	201	–
Accumulated depreciation	(8 473)	–	(201)	–
Other assets				
Book value	–	1 585	–	–
Cost	–	20 118	–	1 539
Accumulated depreciation	–	(18 533)	–	(1 539)
Leased assets				
Office equipment, computers and furniture				
Book value	–	–	–	–
Cost	36	–	–	–
Accumulated depreciation	(36)	–	–	–
Other assets				
Book value	–	–	–	–
Cost	–	36	–	–
Accumulated depreciation	–	(36)	–	–

42.2 On 31 August 2003, the shares in African Hide Trading Corporation (Proprietary) Limited were sold to Courthiel Holdings (Proprietary) Limited.
The appendix on subsidiary and other information was not updated to reflect this sale.

	Group: As previously stated 2003 R'000	Group: Restated 2003 R'000	Company: As previously stated 2003 R'000	Company: Restated 2003 R'000
Indirect interest in capital	100	–	–	–

42. Restatement of comparatives (continued)

42.3 The notes to the annual financial statements reflected the average number of employees. As reporting takes place at year-end and follows a number of acquisitions and disposals, it was considered to be more meaningful to indicate the number of employees at the reporting date.

	GROUP As previously stated 2003 R'000	GROUP Restated 2003 R'000	COMPANY As previously stated 2003 R'000	COMPANY Restated 2003 R'000
Average number of employees	1 689	–	16	
Number of employees at year-end	–	718	–	4

42.4 The note on biological assets has been changed to reflect the impact of provisions for mortalities as follows:

	GROUP As previously stated 2003 R'000	GROUP Restated 2003 R'000	COMPANY As previously stated 2003 R'000	COMPANY Restated 2003 R'000
Carrying value at the beginning of the period	65 104	65 104	–	–
Purchases	128 782	129 982	–	–
Production and allocated overhead costs	65 799	65 799	–	–
Sales	(180 763)	(180 763)	–	–
Provision for mortalities	–	(1 200)	–	–

42.5 The note on inventory has been changed to reflect the disclosure of provisions and a combination of categories as follows:

	GROUP As previously stated 2003 R'000	GROUP Restated 2003 R'000	COMPANY As previously stated 2003 R'000	COMPANY Restated 2003 R'000
Raw materials	21 574	22 321	–	–
Spares and consumable stores	–	12 779	–	–
Consumables	3 492	–	–	–
Chemicals	8 504	–	–	–
Work in progress	18 814	20 374	–	–
Finished goods	20 031	20 550	–	–
Provisions	–	(3 609)	–	–

42.6 The note on accounts receivable has been changed to reflect the disclosure of provisions and a combination of categories as follows:

	GROUP As previously stated 2003 R'000	GROUP Restated 2003 R'000	COMPANY As previously stated 2003 R'000	COMPANY Restated 2003 R'000
Trade receivables	–	96 691	–	84
Less: provision	–	(8 661)	–	–
Net trade receivables	88 030	–	84	–
Prepayments	746	–	85	–
Deposits	835	–	65	–
Prepayments and deposits	–	1 581	–	150
VAT	1 878	1 878	1 044	1 044
Advances and loans	333	–	–	–
Forward exchange contract revaluations	118	118	–	–
Other receivables	3 801	4 134	63	63

KAP International Holdings Ltd

	GROUP As previously stated 2003 R'000	GROUP Restated 2003 R'000	COMPANY As previously stated 2003 R'000	COMPANY Restated 2003 R'000
42. Restatement of comparatives (continued)				
42.7 The note on long term debtors has been split into two notes to reflect the split of interest-bearing and interest-free receivables and loans as follows:				
Long term debtors	20 958	–	–	–
Interest–bearing receivables and loans	–	8 233	–	–
Interest–free receivables and loans	–	12 725	–	–
42.8 The income statement has been restated as follows:				
Other operating income	19 735	25 635	18 115	24 015
Other operating expenses	(30 288)	(33 388)	(2 044)	(3 494)
Abnormal items	(1 650)	–	–	–
Restructuring costs	(1 450)	–	(1 450)	–
Seton provision	5 900	–	5 900	–
42.9 The note on interests in subsidiaries has been restated as follows:				
Shares at cost less appropriate provisions	–	–	122 642	–
Shares at cost	–	–	–	122 698
Provisions against investments	–	–	–	(56)
Net loans to subsidiaries at cost	–	–	514 636	514 636
Provisions against loans receivable	–	–	(370 967)	(370 967)

42. Restatement of comparatives (continued)

42.10 The note on interest rate risk management has been restated as follows (no disclosure was previously given):

	Interest rate %	Year 1 R'000	Years 2 - 5 R'000	Over 5 years R'000	Total R'000
Group 2003					
Assets					
Other investments and loans	Interest-free	–	20 958	–	20 958
Accounts receivable	Interest-free	95 741	–	–	95 741
Bank balances	6,25%	37 245	–	–	37 245
		132 986	20 958	–	153 944
Liabilities					
Finance leases	14%	47	–	–	47
Accounts payable	Interest-free	64 766	–	–	64 766
Shareholders' loan	Prime -0,25%	62 459	–	–	62 459
Shareholders' loan	Interest-free	6 710	–	–	6 710
Other loans	Prime +1%	518	–	–	518
Interest-free loans	Interest-free	346	–	–	346
		134 846	–	–	134 846
Company 2003					
Assets					
Loans to subsidiaries					
– interest-free loans	Interest-free	–	–	308 782	308 782
– interest-bearing loans	Prime	–	–	205 854	205 854
Accounts receivable	Interest-free	1 341	–	–	1 341
Bank balances	5,75%	14 129	–	–	14 129
		15 470	–	514 636	530 106
Liabilities					
Shareholders' loan	Interest-free	6 710	–	–	6 710
Shareholders' loan	Prime -0,25%	62 459	–	–	62 459
Other loans	Interest-free	161	–	–	161
Accounts payable	Interest-free	7 784	–	–	7 784
SA Revenue Services	Interest-free	4 497	–	–	4 497
		81 611	–	–	81 611

Subsidiary and other information – Annexure A

Subsidiaries	Nature	Issued share capital 2004 R	Issued share capital 2003 R	Effective interest 2004 %	Effective interest 2003 %	Interest of company 2004 R'000	Interest of company 2003 R'000	Loan due by/(to) 2004 R'000	Loan due by/(to) 2003 R'000
Atlas Meats (Pty) Ltd	D	**20 000**	20 000	**100**	100	**–**	–	**(5 456)**	(5 456)
Ball & Coalter (Pty) Ltd	D	**200**	200	**100**	100	**–**	–	**(5 844)**	(5 624)
Ball & Coalter Foods (Pty) Ltd	D	**200**	200	**100**	100	**–**	–	**(2 265)**	(2 743)
Ball & Coalter Properties (Woodmead) (Pty) Ltd	P	**100**	100	**86**	86	**–**	–	**755**	903
Bull Brand Foods (Pty) Ltd (formerly Kolosus Foods (Pty) Ltd)	M	**20 000 001**	20 000 001	**100**	100	**100 000**	100 000	**173 540**	161 496
Bull Brand Holdings (Pty) Ltd	D	**3 000 000**	3 000 000	**100**	100	**–**	–	**(51 452)**	(51 452)
Casa Rosada Investments (Pty) Ltd	D	**450**	–	**100**	–	**128 646**	–	**–**	–
Dano Textile Industries (Pty) Ltd	T	**499 960**	–	**100**	–	**35 244**	–	**93 083**	–
GH Hackmann Skins (Pty) Ltd	D	**100 000**	100 000	**100**	100	**–**	–	**9 652**	9 652
Kolosus Autoleder GmbH#	D	**164 084**	164 084	**100**	100	**164**	164	**2 854**	2 786
Kolosus Investments (Pty) Ltd	I	**2 490 010**	2 490 010	**100**	100	**–**	–	**115 982**	121 655
Kolosus Leathers (Pty) Ltd	A/F	**115 000**	115 000	**100**	100	**22 478**	22 478	**266 337**	291 376
Kolosus Leather Resources (Pty) Ltd	D	**106 172**	106 172	**100**	100	**–**	–	**(4 080)**	(4 080)
Hides & Skins Brokers (Pty) Ltd	P	**5 000**	5 000	**100**	100	**–**	–	**41 825**	44 807
Hosaf Fibres (Pty) Ltd*	I	**169 174 098**	–	**100**	–	**57 399**	–	**194 999**	–
Ladysmith Leathers (Pty) Ltd	D	**3 878 000**	3 878 000	**100**	100	**–**	–	**(6 095)**	(6 095)
Ladysmith Lindgens Leathers (Pty) Ltd	D	**12 369 494**	12 369 494	**100**	100	**–**	–	**(14 767)**	(14 767)
Lindgens Ladysmith Trimming (Pty) Ltd	D	**1 961 837**	1 961 837	**100**	100	**–**	–	**(2 088)**	(2 088)
Marker Investments (Pty) Ltd	I	**100**	–	**100**	–	**157 234**	–	**(63 902)**	–
Merchold Properties (Pty) Ltd	P	**10 000**	10 000	**100**	100	**–**	–	**1 516**	1 331
Vetmesting Co-operative Ltd	D	**200**	200	**100**	100	**–**	–	**(32 614)**	(32 614)
Western Wools (Pty) Ltd	P	**104 810**	104 810	**100**	100	**–**	–	**(2 533)**	(2 283)
All other subsidiaries						**56**	56	**(175)**	7 832
Total						**501 221**	122 698	**709 622**	514 636

Nature of business:

A – automotive
D – dormant
F – footwear
I – investment holding/property
M – meat
P – property/rental
T – textiles

All material subsidiaries are incorporated in the Republic of South Africa, except where indicated by: #(Germany)

* Hosaf Fibres (Pty) Ltd changed its name to Feltex Holdings (Pty) Ltd subsequent to year-end

Notice of annual general meeting

Notice is hereby given that the 27th annual general meeting of shareholders of KAP International Holdings Limited (the company) will be held at Feltex Holdings (Proprietary) Limited, 291 Paisley Road, Jacobs, Durban on Tuesday, 21 June 2005, at 08h00 to consider the following:

Ordinary Resolution Number 1

To consider and adopt the audited annual financial statements of the company and the group for the year ended 31 December 2004.

Ordinary Resolution Number 2

To approve the directors' remuneration in terms of the company's articles of association for the year ended 31 December 2004, as disclosed in the annual financial statments.

Ordinary Resolution Number 3

To elect directors in the place of those directors retiring in accordance with the company's articles of association. Retiring directors are eligible and available for re-election and all six have indicated that they are available for re-election.

Directors appointed by the board and retiring at the annual general meeting are Messrs M J Jooste, F Möller, J B Magwaza, I N Moloto and S H Nomvete. Mr R D Radford retires by rotation.

Brief particulars of directors that have indicated that they are available for re-election are reflected on page 3.

Ordinary Resolution Number 4

To confirm the re-appointment of Deloitte & Touche as the auditors until the next annual general meeting and to authorise the directors to fix their remuneration

Ordinary Resolution Number 5

To consider and, if deemed fit, to pass the following ordinary resolution with or without modification:

"Resolved that the unissued ordinary shares in the capital of the company be placed under the control of the directors who shall be authorised to allot and issue these shares at such time and on such terms and conditions as they may determine, subject to section 221 of the Companies Act, 1973 (Act 61 of 1973), as amended, the articles of association of the company and the Listings Requirements of the JSE Securities Exchange South Africa."

Ordinary Resolution Number 6

To consider and, if deemed fit, to pass the following ordinary resolution with or without modification:

"Resolved that this resolution, subject to ordinary resolution number 5 being passed, in the form proposed or any modified form, and subject to not less than 75% of the votes cast by those shareholders of the company present in person or represented by proxy and entitled to vote at this meeting at which this resolution is proposed, voting in favour of this resolution, the directors of the company be and they are hereby authorised by way of a general authority to issue all or any of the authorised but unissued ordinary shares in the capital of the company for cash, as and when they in their discretion deem fit, subject to the Companies Act, 1973 (Act 61 of 1973), as amended, the articles of association of the company and the Listings Requirements of the JSE Securities Exchange South Africa, provided:

- that this authority is valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date that this authority is given;
- that a paid press announcement giving full details including the impact on net asset value and earnings per share will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of shares in issue prior to the issue;
- that issues in the aggregate in any one financial year may not exceed 15% of the number of shares in the company's issued share capital;
- that in determining the price at which an issue of shares may be in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price as determined over the 30 days prior to either the date of the paid press announcement or, where no press announcement is required and none has been made, the date of the director's resolution authorising the issue (the JSE will be consulted for a ruling if the company's securities have not traded in such 30 business day period), and
- that any such issue will only be made to public shareholders as defined by the JSE Securities Exchange South Africa."

Ordinary Resolution Number 7

To transact such other business as may be transacted at an annual general meeting

Each member, including a member who has dematerialised his/her shares through a Central Securities Depository Participant (CSDP) and has elected to have those shares registered in his/her own name, 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 member, who has dematerialised his/her shares (other than those with "own name registration"), who wishes to attend the annual general meeting must instruct his/her CSDP or broker to issue them with the necessary written authority in terms of the custody agreement entered into between the shareholder and his/her CSDP or broker, to attend the annual general meeting or if such shareholders wish to vote by way of proxy they should provide the CSDP or broker with their voting instruction.

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 company's transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001, so as to arrive not less than 48 hours (excluding Saturdays, Sundays and public holidays) before the time fixed for the meeting.

By order of the board

M Balladon
Company secretary
6 May 2005

Corporate information

KAP International Holdings Ltd

Registration number
1978/000181/06

Share code
KAP

ISIN number
ZAE 000059564

Registered address
First Floor
New Link Centre
1 New Street
Paarl
7646

Postal address
P O Box 3639
Paarl
7620

Business address
First Floor
New Link Centre
1 New Street
Paarl
7646

Telephone
(021) 872 8726

Facsimile
(021) 872 8904

E-mail
info@kapinternational.com

Internet
www.kapinternational.com

Transfer secretaries
Computershare Investor Services 2004 (Proprietary) Limited

Ground floor
70 Marshall Street
Johannesburg
2001

P O Box 61051
Marshalltown
2107

Telephone (011) 370 5000
Facsimile (011) 327 3003

Auditors
Deloitte & Touche

Attorneys
Hofmeyr Herbstein & Gihwala Inc

Company secretary
M Balladon CA(SA)

Sponsor
PSG Capital Limited

First Floor
Ou Kollege
35 Church Street
Stellenbosch
7600

P O Box 7403
Stellenbosch
7599

Telephone (021) 887 9602
Facsimile (021) 887 9624

Bankers
FirstRand Bank Limited
Nedbank Limited
The Standard Bank of South Africa Limited

Shareholders' diary

Annual general meeting	21 June 2005

Reports and profit statements

Half year interim report	September 2005
Results and dividend announcement	March 2006
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Financial year-end	31 December 2005

Dividends

Final	23 May 2005

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KAP International Holdings Limited

(Registration number 1978/000181/06) ("KAP"), JSE share code: KAP, ISIN: ZAE000059564)

Proxy

To be completed by certified shareholders and dematerialised shareholders with own name registration only

For use at the 27th annual general meeting on Tuesday, 21 June 2005. 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 authorisation to attend the annual 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

(Name in block letters)

of (address)

being the resgistered holder/s of ordinary shares in the company

hereby appoint of

or failing him of

or failing him of

or failing him the chairman as my/our proxy, to vote for me/us and on my/our behalf at the annual general meeting of the company to be held at 08h00 on Tuesday, 21 June 2005, at Feltex Holdings (Proprietary) Limited, 291 Paisley Road, Jacobs, Durban and at any adjournment thereof as follows :

	Number of votes (one vote per share)		
	In favour of	Against	Abstain
Resolution 1 Adoption of annual financial statements			
Resolution 2 Confirm directors' remuneration			
Resolution 3 Re-election of directors M J Jooste			
F Möller			
J B Magwaza			
I N Moloto			
S H Nomvete			
R D Radford			
Resolution 4 Re-appointment of auditors			
Resolution 5 Placing the unissued shares under the directors' control			
Resolution 6 General authority to issue unissued shares for cash			

(Indicate instruction to proxy by way of a cross in the space provided)

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 this day of 2005

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 2004 (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 or Computershare Investor Services 2004 (Proprietary) Limited, P O Box 61051, Marshalltown, 2107, so as to arrive not less than 48 hours (excluding Saturdays, Sundays and public holidays) before the meeting commences.

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Proxy

Instructions for signing and lodging this form of proxy

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 Central Securities Depository Participant ("CSDP") or broker and wish to attend the general meeting, 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 chairman of the general meeting". The person whose name appears first on the 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 chairman 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 chairman of the general meeting, if the chairman 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 proxy forms must reach the transfer secretaries so as to arrive not less than 48 hours before the time fixed for the meeting excluding Saturdays, Sundays and 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 chairman may accept or reject it, provided that in the case of acceptance, the chairman 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 chairman of the general meeting.

9. The chairman shall be entitled to reject the authority of a person signing the 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 meeting, therefore not later than 16:00 on Friday, 17 June 2005.

10. Where shares are held jointly, all joint holders are required to sign the 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 annual general meeting.

Transfer secretaries

Computershare Investor Services 2004 (Proprietary) Limited

Address
70 Marshall Street
Johannesburg
2001

Postal
P O Box 61051
Marshalltown
2107

Contact
Telephone (011) 370 5000
Facsimile (011) 688 7710

Corporate information

KAP International Holdings Ltd

Registration number
1978/000181/06

Share code
KAP

ISIN number
ZAE 000059564

Registered address
First Floor
New Link Centre
1 New Street
Paarl
7646

Postal address
P O Box 3639
Paarl
7620

Business address
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Attorneys
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Company secretary
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Facsimile (021) 887 9624

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