KAP INDUSTRIAL HOLDINGS LIMITED

AUDITED FINANCIAL STATEMENTS

30 June 2016

Preparation of financial statements supervised by
FH Olivier (Chief Financial Officer) CA(SA)

KAP INDUSTRIAL HOLDINGS LIMITED
Registration Number: 1978/000181/06

AUDITED FINANCIAL STATEMENTS
30 June 2016

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF KAP INDUSTRIAL HOLDINGS LIMITED

Report on the Financial Statements

We have audited the financial statements of KAP Industrial Holdings Limited set out on pages 11 to 49, which comprise the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of KAP Industrial Holdings Limited as at 30 June 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

INDEPENDENT AUDITOR'S REPORT (Continued)

Report on the Financial Statements (continued)

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 June 2016, we have read the Directors' report, the Audit and Risk committee's report and the Company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche

Deloitte & Touche
Registered Auditors

Per: MA van Wyk
Partner
30 September 2016

KAP INDUSTRIAL HOLDINGS LIMITED

DIRECTORS' REPORT
for the year ended 30 June 2016

The directors are pleased to present the audited financial statements of the company for the year ended 30 June 2016.

FINANCIAL RESULTS

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

DISTRIBUTION

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

STATED SHARE CAPITAL

The authorised ordinary share capital of KAP Industrial Holdings Limited ("the company") remains unchanged from the prior year and consists of 6 000 000 000 shares of no par value ("the ordinary shares").

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

In addition, shareholders placed 20 000 000 of the unissued ordinary shares under the control of the directors for purposes of the KAP Performance Share Rights Scheme ("the scheme").

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

SUBSIDIARY COMPANIES

The principal subsidiaries of the company are reflected in note 5 to the financial statements.

NATURE OF BUSINESS

There was no change in the nature of the company's business during the year under review. The current business operations of the company are those of an investment holding and treasury company.

DIRECTORATE

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

The directors of the company are as follows:

Executive directors
KJ Grové (Executive Deputy Chairman)
GN Chaplin (Chief Executive Officer)
FH Olivier (Chief Financial Officer)

Non-executive directors
MJ Jooste
AB la Grange
DM van der Merwe
CJH van Niekerk

DIRECTORATE (continued)

Independent non-executive directors
J de V du Toit (Chairman: Board, Chairman: Nomination Committee)
IN Mkhari (Chairperson: Social and Ethics Committee)
SH Müller (Chairman: Human Resources and Remuneration Committee)
SH Nomvete
PK Quarmby (Chairman: Audit and Risk Committee)

DIRECTORS' SHAREHOLDING

At 30 June 2016, the present and former directors of the company held no direct or indirect interests in the company's issued ordinary shares other than:

	2016 Number	2015 Number
GN Chaplin	1 824 048	700 000
J de V du Toit	500 000	500 000
KJ Grové	1 610 451	208 000
JP Haveman	-	331 954
SH Müller	300 004	300 004
FH Olivier	557 997	180 000

DIRECTORS' CONTRACTS DECLARATIONS

No contracts were entered into during the year in which any director and/or officer of the company had an interest and which significantly affected the affairs and business of the company.

DISCLOSURE OF BENEFICIAL INTEREST OF MAJOR SHAREHOLDERS

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

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

BORROWING FACILITIES AND LIMITS

The company's borrowing facilities and usage thereof are set out in note 12. In terms of the Memorandum of Incorporation of the company there is no limitation on the company's borrowing powers.

SUBSEQUENT EVENTS

No significant events have occurred between 30 June 2016 and the date of this report.

CORPORATE GOVERNANCE

The directors subscribe to the principles incorporated in the King Code of Practices and Conduct as set out in King III. Other than as disclosed in the Corporate Governance Review contained in the integrated report to be published, the company complied with the principles contained on King III throughout the reporting period.

SHARE INCENTIVE SCHEME

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

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

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

REPORT OF THE AUDIT AND RISK COMMITTEE

The report of the audit and risk committee, as required in terms of Section 94(7) (f) of the Companies Act of South Africa No. 71 of 2008 (the "Companies Act"), is set out on pages 8 to 10 of these financial statements.

AUDITOR

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

RESPONSIBILITY OF DIRECTORS

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

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

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

GOING CONCERN

The financial statements set out on pages 11 to 49 have been prepared on the going concern basis since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

CONSOLIDATED FINANCIAL STATEMENTS

Separate consolidated financial statements are prepared and can be obtained from the registered office of KAP Industrial Holdings Limited.

KAP INDUSTRIAL HOLDINGS LIMITED

DIRECTORS' REPORT (continued)
for the year ended 30 June 2016

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended 30 June 2016, set out on pages 4 to 49, were approved by the board of directors on 30 September 2016 and are signed on its behalf by:

....
DIRECTOR

....
DIRECTOR

COMPANY SECRETARY'S CERTIFICATE

The company secretary certified, in accordance with Section 88(2)(e) of the Companies Act, that the company had lodged with the Commissioner of the Companies and Intellectual Properties Commission all such returns as are required for a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

J.V. Radnay
Steinhoff Africa Secretarial Services Proprietary Limited
Company Secretary
30 September 2016
28 Sixth Street, Wynberg, Sandton

KAP INDUSTRIAL HOLDINGS LIMITED

REPORT OF THE AUDIT AND RISK COMMITTEE
for the year ended 30 June 2016

Background
The audit and risk committee's operation is guided by a formal detailed charter that is in line with the Companies Act and has been approved by the board. The committee has discharged all its responsibilities as contained in the charter. This process is supported by the audit and risk subcommittees which are in place for all operating divisions. These subcommittees meet regularly and deal with all issues arising at the operational division or subsidiary level. The subcommittees then elevate any unresolved issues of concern to the KAP Industrial Holdings Limited ("KAP") audit and risk committee.

The committee is pleased to present its report for the financial year ended 30 June 2016 as recommended by the King Report on Corporate Governance (King III) and in line with the Companies Act.

Objective and scope
The overall objectives of the committee are as follows:

- to review the principles, policies and practices adopted in the preparation of the accounts for KAP Industrial Holdings Limited and its subsidiaries ("group") and to ensure that the audited financial statements of the companies in the group and any other formal announcements relating to the financial performance comply with all statutory and regulatory requirements as may be required;
- to ensure that the consolidated interim condensed financial statements of the group, in respect of the first six-month period, comply with all statutory and regulatory requirements;
- to ensure that all financial information contained in any consolidated submissions to KAP is suitable for inclusion in its consolidated financial statements in respect of any reporting period;
- to annually assess the appointment of the auditors and confirm their independence, recommend their appointment to the annual general meeting and approve their fees;
- to review the work of the group's external and internal auditors to ensure the adequacy and effectiveness of the group's financial, operating compliance and risk management controls;
- to review the management of risk and the monitoring of compliance effectiveness within the group; and
- to perform duties that are attributed to it by the Companies Act, the JSE Limited and King III.

The committee performed the following activities:

- received and reviewed reports from both internal and external auditors concerning the effectiveness of the internal control environment, systems and processes;
- reviewed the reports of both internal and external auditors detailing their concerns arising out of their audits and requested appropriate responses from management resulting in their concerns being addressed;
- made appropriate recommendations to the board of directors regarding the corrective actions to be taken as a consequence of audit findings;
- considered the independence and objectivity of the external auditors and ensured that the scope of their additional services provided was not such that they could be seen to have impaired their independence;

REPORT OF THE AUDIT AND RISK COMMITTEE (continued)
for the year ended 30 June 2016

The committee performed the following activities (continued):

- reviewed and recommended for adoption by the board such financial information that is publicly disclosed which for the year included:
  - the audited financial statements for the year ended 30 June 2016; and
  - the interim results for the six months ended 31 December 2015;
- considered the effectiveness of internal audit, approved the one-year operational strategic internal audit plan and monitored adherence of internal audit to its annual plan;
- meetings were held with the internal and external auditors where management was not present and no significant matters of concern were raised;
- considered the appropriateness of the experience and expertise of the group chief financial officer and concluded that these were appropriate; and
- considered the expertise, resources and experience of the finance function and concluded that these were appropriate.

The audit and risk committee is of the opinion that the objectives of the committee were met during the year under review. Where weaknesses in specific controls were identified, management undertook to implement appropriate corrective actions to mitigate the weakness identified.

The audit and risk committee fulfils its role for both the KAP Industrial Holdings Limited group of companies and the company.

Membership
The members of the audit and risk committee are all independent non-executive directors of the company and were as follows throughout the year:

PK Quarmby (Chairman)
SH Müller
SH Nomvete

The committee is satisfied that the members thereof have the required knowledge and experience as set out in section 94(5) of the Companies Act and regulation 42 of the Companies Regulation, 2011.

The company secretary is the secretary of this committee.

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

Meetings
The committee performs the duties required of it by section 94(7) of the Companies Act by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditor.

Two formal meetings were held during the year by the committee during the year.

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

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

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

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

REPORT OF THE AUDIT AND RISK COMMITTEE (continued)
for the year ended 30 June 2016

External audit
The committee has satisfied itself through enquiry that the auditors of KAP and its subsidiaries are independent as defined by the Companies Act. The committee, in consultation with executive management, has agreed to the audit fee for the 2016 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Audit fees are disclosed in note 15 to the financial statements.

There is a formal procedure that governs the process whereby the external auditor is considered for the provision of non-audit services and each engagement letter for such work is reviewed in accordance with set policy and procedure.

Meetings were held with the external auditor where management was not present, and no matters of concern were raised.

The committee has reviewed the performance of the external auditors and has nominated, for approval at the annual general meeting, Deloitte & Touche as the external auditor for the 2017 financial year with Mr Dirk Steyn as the designated auditor. This will be his first year as auditor of the company.

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

Financial statements
The committee has evaluated the financial statements for the year ended 30 June 2016 and considers that they comply, in all material aspects, with the requirements of the Companies Act and International Financial Reporting Standards. The committee has therefore recommended the financial statements for approval to the board. The board has subsequently approved the financial statements, which will be open for discussion at the forthcoming general meeting.

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

KAP INDUSTRIAL HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

	Notes	2016 R'000	2015 R'000
ASSETS			
Non-current assets		6 150 289	6 631 667
Intangible assets	2	-	-
Property, plant and equipment	3	43	94
Investment property	4	224	224
Investments in subsidiaries	5	6 148 884	6 630 203
Deferred taxation	6	1 138	1 146
Current assets		8 525 242	4 502 907
Amounts due by group companies	7	7 133 463	4 256 207
Accounts receivable	8	88 486	31 101
Share scheme settlement receivable	9	141 046	166 548
Shareholders for dividends		116 403	-
Cash and cash equivalents	10	1 045 844	49 051
Total assets		14 675 531	11 134 574
EQUITY AND LIABILITIES			
Total capital and reserves		8 098 660	7 650 450
Issued share capital	11	7 317 696	7 317 822
Share-based payment reserve		164 402	98 653
Accumulated profit		616 562	233 975
Non-current liabilities			
Interest-bearing borrowings	12	4 173 455	2 550 000
Current liabilities		2 403 416	934 124
Amounts due to group companies	13	1 914 738	836 763
Accounts payable	14	59 721	82 712
Taxation payable		27	256
Interest-bearing borrowings	12	418 208	13 694
Bank overdraft and short-term facilities		10 722	699
Total liabilities		6 576 871	3 484 124
Total equity and liabilities		14 675 531	11 134 574

KAP INDUSTRIAL HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2016

	Notes	2016 R'000	2015 R'000
Operating profit/(loss) before capital items		124	(5 388)
Capital items		(31 562)	(529 015)
Operating loss	15	(31 438)	(534 403)
Finance costs	16	(352 099)	(310 066)
Income from investments	16	1 061 924	1 487 825
Profit before taxation		678 387	643 356
Taxation	17	(35)	(3 888)
Profit for the year		678 352	639 468
Other comprehensive income		-	-
Total comprehensive income for the year		678 352	639 468

KAP INDUSTRIAL HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2016

	2016 R'000	2015 R'000
ISSUED SHARE CAPITAL		
Issued share capital		
Balance at the beginning of the year	7 317 822	6 970 443
Shares issued during the year (net of cost)	(126)	347 379
Balance at the end of the year	7 317 696	7 317 822
RESERVES		
Share-based payment reserve		
Balance at the beginning of the year	98 653	46 541
Reserve accounting for recharge arrangement	65 749	52 112
Balance at the end of the year	164 402	98 653
Accumulated profit/(loss)		
Balance at the beginning of the year	233 975	(123 950)
Total comprehensive income for the year	678 352	639 468
Capital distribution received in terms of share scheme arrangement	67 657	-
Dividends paid	(363 422)	(281 543)
Balance at the end of the year	616 562	233 975
Total equity	8 098 660	7 650 450

KAP INDUSTRIAL HOLDINGS LIMITED

STATEMENT OF CASH FLOWS
for the year ended 30 June 2016

	Notes	2016 R'000	2015 R'000
Cash flows from operating activities			
Cash generated from/(utilised in) operations	18.1	48 057	(16 426)
Finance cost		(352 099)	(310 066)
Interest received		352 099	329 353
Dividends and capital distributions received	18.2	593 422	914 540
Dividends paid		(363 410)	(281 530)
Taxation paid	18.3	(256)	(1 999)
Net cash inflow from operating activities		277 813	633 872
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		-	128
Acquisition of investments in subsidiaries		-	(775 779)
Movement in investments in subsidiaries		633 065	-
(Increase)/decrease in amounts due by group companies		(2 870 000)	264 961
Net cash outflow from investing activities		(2 236 935)	(510 690)
Cash flows from financing activities			
Share issue		(126)	(143)
Increase/(decrease) in interest-bearing borrowings		2 037 991	(251 761)
Increase/(decrease) in amounts due to group companies		918 050	(272 305)
Net cash inflow/(outflow) from financing activities		2 955 915	(524 209)
Net increase/(decrease) in cash and cash equivalents		996 793	(401 027)
Cash and cash equivalents at the beginning of the year		49 051	450 078
Cash and cash equivalents at the end of the year	10	1 045 844	49 051

1. ACCOUNTING POLICIES

1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the interpretations adopted by the International Accounting Standards Board (IASB), the IFRS Interpretations Committee of the IASB (IFRIC), the requirements of the South African Companies Act, 71 of 2008, the Listing Requirements of the JSE Limited as required for annual financial statements, and have been audited in compliance with all the requirements of Section 29(1) of the South African Companies Act 2008, as required.

1.2 Adoption of new and revised standards

During the current year, the company has not adopted any revised standards or interpretations issued by the IASB and the IFRIC that are relevant to its operations.

1.3 Basis of preparation

The financial statements are prepared in thousands of South African rand (R'000) on the historical-cost basis, except for certain assets and liabilities which are carried at amortised cost.

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

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

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

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed in note 21.

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

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

1. **ACCOUNTING POLICIES** (continued)

1.4 **Intangible assets**

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

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

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

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

1.5 **Property, plant and equipment**

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

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

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

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

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

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

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

1. ACCOUNTING POLICIES (continued)

1.6 Investment property

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

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

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

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

1.7 Investments in subsidiaries

Subsidiaries are entities controlled by the company (including special-purpose entities). Control exists when the company has the power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The company’s investments in subsidiaries are carried in the statement of financial position at cost less accumulated impairment losses.

1.8 Impairment of assets

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

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

A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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

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

1. ACCOUNTING POLICIES (continued)

1.8 Impairment of assets (continued)

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

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

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

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

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

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

1.9 Taxation

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

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

1. **ACCOUNTING POLICIES** (continued)

1.9 **Taxation** (continued)

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

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

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

1.10 **Cash and cash equivalents**

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

1.11 **Share-based payment transactions**

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

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

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

1. **ACCOUNTING POLICIES** (continued)

1.11 **Share-based payment transactions** (continued)

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

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

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

1.12 **Financial instruments**

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

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

Financial assets
Financial assets are classified into the following specified categories: 'available for sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1. **ACCOUNTING POLICIES** (continued)

1.12 **Financial instruments** (continued)

***Financial assets** (continued)*

Available for sale financial assets

Listed and unlisted shares and listed redeemable notes held by the company that are traded in an active market are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in note 24. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income in the fair value reserve with the exception of impairment losses, interest calculated using the effective-interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is included in profit or loss for the period.

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

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

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

Loans and receivables

Trade receivable, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective-interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The net gain or loss recognised in profit or loss incorporates any dividends and interest earned on the financial assets, profit sharing, impairments and foreign exchange gains or losses.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

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

- Significant financial difficulty of the issuer or counterparty.
- Default or delinquency in interest or principal payments.
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

1. **ACCOUNTING POLICIES** (continued)

1.12 **Financial instruments** (continued)

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

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

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

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

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

Financial liabilities and equity instruments issued by the company
Classification of debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

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

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

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

Financial liabilities
Financial liabilities are classified as 'other financial liabilities'.

1. ACCOUNTING POLICIES (continued)

1.12 Financial instruments (continued)

Financial liabilities and equity instruments issued by the company *(continued)*

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

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

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

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

1.13 Revenue recognition

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

Services rendered
Revenue from services rendered is recognised in profit or loss when it is probable that the economic benefits associated with the transaction will flow to the entity when it is probable that the economic benefits associated with the transaction will flow to the entity.

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

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

1.14 Investment income

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

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

1.15 Operating leases

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

KAP INDUSTRIAL HOLDINGS LIMITED

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

2. INTANGIBLE ASSETS

2016	Opening balance R'000	Additions R'000	Disposals R'000	Reclassification R'000	Closing balance R'000
COST					
Computer software	180	-	-	-	180

	Opening balance R'000	Amortisation R'000	Disposals R'000	Reclassification R'000	Closing balance R'000
ACCUMULATED AMORTISATION AND IMPAIRMENT					
Computer software	(180)	-	-	-	(180)
NET BOOK VALUE	-				-

2015	Opening balance R'000	Additions R'000	Disposals R'000	Reclassification R'000	Closing balance R'000
COST					
Computer software	-	-	-	180	180

	Opening balance R'000	Amortisation R'000	Disposals R'000	Reclassification R'000	Closing balance R'000
ACCUMULATED AMORTISATION AND IMPAIRMENT					
Computer software	-	(47)	-	(133)	(180)
NET BOOK VALUE	-				-

KAP INDUSTRIAL HOLDINGS LIMITED

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

3. PROPERTY, PLANT AND EQUIPMENT

2016	Opening balance R'000	Additions R'000	Disposals R'000	Reclassification R'000	Closing balance R'000
COST					
Computer equipment, furniture and other assets	2 708	-	-	-	2 708

	Opening balance R'000	Depreciation R'000	Disposals R'000	Reclassification R'000	Closing balance R'000
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Computer equipment, furniture and other assets	(2 614)	(51)	-	-	(2 665)
NET BOOK VALUE	94				43

2015	Opening balance R'000	Additions R'000	Disposals R'000	Reclassification R'000	Closing balance R'000
COST					
Computer equipment, furniture and other assets	3 323	-	(435)	(180)	2 708

	Opening balance R'000	Depreciation R'000	Disposals R'000	Reclassification R'000	Closing balance R'000
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Computer equipment, furniture and other assets	(2 921)	(119)	293	133	(2 614)
NET BOOK VALUE	402				94

None of the assets are encumbered.

Property, plant and equipment are insured at approximate cost of replacement.

None of the assets have been impaired during the year (2015: Rnil).

The estimated useful lives are reflected under 'Judgements and estimates' (note 21).

		2016 R'000	2015 R'000
4.	**INVESTMENT PROPERTY**		
	Carrying amount	224	224

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

At 30 June 2016, investment property was valued by management at R923 200 (2015: R923 200). The fair value of the company's investment property has been carried out by Steinhoff Properties Proprietary Limited. The fair value was based on the income approach whereby the market-related net income of the property is discounted at the market yield for a similar property. The market yield used in the valuation was 13.5% (2015: 13.5%). In estimating the fair value of investment property, the highest and best use for the majority of the property is its current use.

No restrictions exist on the disposal of investment property.

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

Rental income from investment properties of R150 939 was recognised through profit or loss for the year ended 30 June 2016 (2015: R138 476).

KAP INDUSTRIAL HOLDINGS LIMITED

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

			2016 R'000	2015 R'000
5. INVESTMENTS IN SUBSIDIARIES				
Shares at cost			6 148 884	6 630 203
	2016	2015		
Shares at cost:	%	%		
AFU Finance Company Proprietary Limited*	100	100	-	633 065
KAP Automotive Proprietary Limited	100	100	57 398	57 398
KAP Bedding Proprietary Limited *	100	70	-	-
KAP Investments Proprietary Limited*	100	100	-	-
Kolosus Share Trust*	100	100	-	-
PF-Two Properties Proprietary Limited*	100	100	-	-
PG Bison Proprietary Limited (previously PG Bison Holdings Proprietary Limited)*	100	100	-	899 770
KAP Diversified Industrial Proprietary Limited (previously PG Bison Proprietary Limited)	100	-	899 770	-
Roadway Transport Proprietary Limited*	100	100	-	-
Toolplast Holdings Proprietary Limited*	100	100	-	-
Unitrans Holdings Proprietary Limited	100	100	5 039 970	5 039 970
Unitrans Passenger Proprietary Limited	100	-	121 107	-
Share based payments			30 639	-
			6 148 884	6 630 203

(*) Amount less than R500.

During the year the company acquired the shares of Unitrans Passenger Proprietary Limited for a purchase consideration of R121 107 264. PG Bison Proprietary Limited (previously PG Bison Holdings Proprietary Limited) distributed its shareholding in KAP Diversified Industrial Proprietary Limited (previously PG Bison Proprietary Limited) to KAP Industrial Holdings Limited in terms of Section 46 of the Income Tax Act 62 (Act 58 of 1962) as amended. AFU Finance Company Proprietary Limited repurchased part of its issued share capital for an amount of R633 064 529.

		2016 R'000	2015 R'000
6.	**DEFERRED TAXATION**		
	Deferred taxation asset	1 138	1 146
	Balance at the beginning of the year	1 146	2 779
	Amount charged to the statement of comprehensive income	(8)	(1 633)
	Balance at the end of the year	1 138	1 146
	The balance consists of the following temporary differences:		
	Prepayments	(46)	(38)
	Property, plant and equipment	(38)	(38)
	Share-based payments	1 222	1 222
		1 138	1 146

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

	2016 R'000	2015 R'000
Taxation losses of a capital nature on which deferred taxation assets have not been raised	18 682	18 682

Deferred taxation assets have not been recognised in respect of these items because it is not yet certain that future taxable profits will be available against which the company can realise the benefits there from.

7. AMOUNTS DUE BY GROUP COMPANIES

	2016 R'000	2015 R'000
Amounts due by group companies at cost (note 22)	7 725 511	4 817 209
Less: Accumulated impairment of loans	(592 048)	(561 002)
	7 133 463	4 256 207

The loans are unsecured and bear interest at different interest rates from 0% - 12.5% (2015: 0% - 9.85%) and are repayable on demand.

Included in the accumulated impairment of loans is the accumulated impairment on amounts due from KAP Bedding Proprietary Limited of R589 694 000 (2015: R560 486 000) as the entity's liabilities exceeded its assets. The recoverable amount was estimated as the net asset value of the company.

	2016 R'000	2015 R'000
8. ACCOUNTS RECEIVABLE		
Prepayments and deposits	8 202	2 948
Value-added taxation	-	194
Related party receivables (note 22)	79 939	27 959
Other	345	-
	88 486	31 101

9. SHARE SCHEME SETTLEMENT RECEIVABLE

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

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

Reconciliation of options granted under the KAP Performance Share Right Scheme:

	Number of rights 2016	2015
Balance at the beginning of the year	57 622 847	40 930 550
Forfeited during the year	(5 080 758)	(1 572 398)
Exercised during the year	(18 124 147)	-
Granted during the year	14 799 796	17 655 412
Granted during the year for previous year service	-	609 283
Balance at the end of the year	49 217 738	57 622 847

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

Fair value of KAP share rights	2015 grant	2014 grant	2013 grant	2012 grant
Fair value at measurement date	R6.62	R4.10	R3.04	R2.76
Share price at grant date	R7.11	R4.64	R3.45	R3.15
Exercise price	R0.00	R0.20	R0.20	R0.20
Expected volatility	32.50%	31.88%	41.35%	37.90%
Dividend yield	2.42%	2.90%	2.52%	2.50%
Risk-free interest rate	7.48%	6.70%	6.79%	5.40%
Option life	3 years	3 years	3 years	3 years

9. **SHARE SCHEME SETTLEMENT RECEIVABLE** (continued)

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

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

	2016	2015
	R'000	R'000
Fair value of share scheme settlement receivable		
Balance at the beginning of the year	166 548	48 480
Increase in fair value	85 081	118 068
Share scheme settlement received from subsidiaries	(110 583)	-
	141 046	166 548

The fair value of the share scheme settlement provision is determined based on the Black-Schöles model. The fair value of the provision is remeasured at each statement of financial position date and at settlement date.

	2015 grant		2014 grant		2013 grant	2012 grant
	2016	2016	2015	2016	2015	2015
Share price	R5.75	R5.91	R5.57	R6.08	R5.68	R5.80
Exercise price	R0.00	R0.00	R0.20	R0.00	R0.20	R0.20
Term	29 months	17 months	29 months	5 months	17 months	5 months
Volatility	31.571%	31.571%	27.980%	31.571%	27.980%	27.980%
Dividend yield	3.549%	4.000%	2.800%	6.748%	3.180%	5.390%
Risk-free interest rate	7.576%	7.474%	7.057%	7.307%	6.670%	6.162%

		2016 R'000	2015 R'000
10.	**CASH AND CASH EQUIVALENTS**		
	Bank balances and funds on call and deposits	1 045 844	49 051

The carrying amount of these assets equals their fair value.

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

	2016 R'000	2015 R'000
12. INTEREST-BEARING BORROWINGS		
12.1 Analysis of closing balance:		
Unsecured financing covered by intragroup cross-guarantees		
Term loans	2 064 797	1 555 940
Senior unsecured listed and unlisted notes	2 526 866	1 003 934
Total interest-bearing borrowings	4 591 663	2 559 874
Unsecured financing		
Steinhoff Africa Holdings Proprietary Limited (note 22)	-	3 820
Total interest-bearing borrowings	4 591 663	2 563 694
Portion payable before 30 June 2017 included in current liabilities	(418 208)	(13 694)
Total non-current interest-bearing loans and interest-free borrowings	4 173 455	2 550 000
12.2 Analysis of repayment:		
Next year	418 208	13 694
Within 2 - 5 years	3 723 455	2 100 000
Thereafter	450 000	450 000
	4 591 663	2 563 694

All loans and borrowings are carried at amortised cost. The fair values of interest-bearing loans are disclosed in note 24.

	Current year Interest rate	2016 R'000	2015 R'000

12. **INTEREST-BEARING BORROWINGS** (continued)

12.3 Loan details:

	Current year Interest rate	2016 R'000	2015 R'000
Unsecured financing covered by intragroup cross-guarantees			
Variable interest rates			
Term loans	8.34% to 9.83%	1 600 000	1 100 000
Senior unsecured listed notes	7.88% to 9.61%	1 500 000	1 000 000
Fixed interest rates			
Term loans	10.94%	450 000	450 000
Senior unsecured listed and unlisted notes	9.98%	1 000 000	-
Interest due on term loans and unsecured listed notes		41 663	9 874
Unsecured financing			
Steinhoff Africa Holdings Proprietary Limited		-	3 820
Total senior unsecured listed notes		4 591 663	2 563 694

The following companies are involved in the cross-guarantees of the term loans (jointly and severally) together with KAP Industrial Holdings Limited: PG Bison Southern Cape Proprietary Limited, KAP Diversified Industrial Proprietary Limited (previously PG Bison Proprietary Limited), Unitrans Supply Chain Solutions Proprietary Limited, KAP Bedding Proprietary Limited, KAP Automotive Proprietary Limited, Mvelatrans Proprietary Limited, Unitrans Passenger Proprietary Limited, PG Bison Proprietary Limited (previously PG Bison Holdings Proprietary Limited), Unitrans Holdings Proprietary Limited, BCM Holdings Proprietary Limited, Unitrans Freight Forwarding and Clearing Proprietary Limited, Buffalo Components Proprietary Limited (previously Bedding Component Manufacturers Proprietary Limited) and KAP Homeware Proprietary Limited.

The following companies are involved in the cross-guarantees of the listed notes (jointly and severally) together with KAP Industrial Holdings Limited: PG Bison Southern Cape Proprietary Limited, KAP Diversified Industrial Proprietary Limited (previously PG Bison Proprietary Limited), Unitrans Supply Chain Solutions Proprietary Limited, KAP Bedding Proprietary Limited, KAP Automotive Proprietary Limited, Mvelatrans Proprietary Limited and Unitrans Passenger Proprietary Limited.

	2016 R'000	2015 R'000
13. AMOUNTS DUE TO GROUP COMPANIES		
Total amounts due to group companies at cost (note 22)	1 914 738	836 763

The loans are unsecured and bear interest at different interest rates from 0% - 8.25% (2015: 0% - 8%) and are repayable on demand.

14. ACCOUNTS PAYABLE

	2016 R'000	2015 R'000
Accruals	2 546	2 455
Related party payables	1 646	7 872
Value-added taxation	818	-
Deferred dividend in terms of share scheme arrangement	54 575	72 261
Other payables	136	124
Carrying value	59 721	82 712

15. OPERATING LOSS

Operating loss is stated after the following items:

	2016 R'000	2015 R'000
(Expenses)/Income		
Audit fees		
- other services	(55)	(100)
Depreciation	(51)	(119)
Amortisation	-	(47)
Net impairment recognised on amounts due by group companies	(31 562)	(527 863)
Loss on disposal of property, plant and equipment	-	(14)

	2016 R'000	2015 R'000
16. FINANCE COSTS AND INCOME FROM INVESTMENTS		
Interest paid	(352 099)	(310 066)
- bank overdrafts	(8 264)	(19 807)
- subsidiaries and related parties (note 22)	(44 358)	(115 038)
- loans	(190 652)	(93 991)
- senior unsecured notes	(107 253)	(79 959)
- other	(1 572)	(1 271)
Finance costs	(352 099)	(310 066)
Interest received	352 099	329 353
- bank balances	6 410	5
- subsidiaries and related parties (note 22)	345 689	329 348
Dividends received (note 22)	709 825	1 158 472
Income from investments	1 061 924	1 487 825

17. TAXATION

	2016 R'000	2015 R'000
South African taxation		
Current taxation - current year	(27)	(2 255)
Deferred taxation - current year	(8)	(1 633)
Taxation for the year	(35)	(3 888)

	%	%
Reconciliation of taxation rate		
Standard rate	28.0	28.0
Adjusted for:		
- exempt income	(29.3)	(51.8)
- non-deductable expenses	1.3	24.4
Effective rate	0.0	0.6

		2016 R'000	2015 R'000
18.	**STATEMENT OF CASH FLOWS**		
18.1	**Cash generated from/(utilised in) operations**		
	Reconciliation of profit before taxation to cash generated from/(utilised in) operations		
	Profit before taxation	678 387	643 356
	Adjusted for:		
	Depreciation	51	119
	Amortisation	-	47
	Finance costs	352 099	310 066
	Income from investments	(1 061 924)	(1 487 825)
	Loss on disposal of property, plant and equipment	-	14
	Net impairment recognised on amounts due by group companies	31 562	527 863
	Operating cash flows before working capital changes	175	(6 360)
	Working capital changes		
	(Increase)/decrease in accounts receivable	(57 384)	29 517
	Decrease in accounts payable	(5 317)	(39 583)
	Share scheme settlement received	110 583	-
	Cash generated from/(utilised in) operations	48 057	(16 426)
18.2	**Dividends and capital distributions received**		
	Amounts receivable at the beginning of the year	-	-
	Dividends and capital distributions received	709 825	1 158 472
	Dividends in specie through loan account	-	(243 932)
	Amounts receivable at the end of the year	(116 403)	-
	Dividends and capital distributions received	593 422	914 540
18.3	**Taxation paid**		
	Amounts unpaid at the beginning of the year	(256)	-
	Current taxation charged to the statement of comprehensive income	(27)	(2 255)
	Amounts unpaid at the end of the year	27	256
	Taxation paid	(256)	(1 999)

19. **DIRECTORS' EMOLUMENTS**

2016 **Executive directors**	Basic R	Company contributions R	Bonuses R	Other benefits R	Total R
GN Chaplin[1]	3 566 241	433 759	2 664 880	774 966	7 439 846
KJ Grové[2]	4 823 628	582 372	7 056 000	-	12 462 000
JP Haveman[3]	2 086 981	413 019	3 332 000	254 672	6 086 672
FH Olivier	2 153 256	181 981	1 866 667	-	4 201 904
Total	12 630 106	1 611 131	14 919 547	1 029 638	30 190 422

2015 **Executive directors**	Basic R	Company contributions R	Bonuses R	Other benefits R	Total R
GN Chaplin[1]	3 019 428	420 418	3 918 234	-	7 358 080
KJ Grové[2]	4 438 172	661 828	6 770 000	-	11 870 000
JP Haveman[3]	1 913 912	387 712	2 290 360	30 376	4 622 360
FH Olivier	1 712 667	154 000	1 746 477	-	3 613 144
Total	11 084 179	1 623 958	14 725 071	30 376	27 463 584

[1] Rnil (2015: R 1 000 000) of the bonus amount was paid by Steinhoff Africa Holdings Proprietary Limited.

[2] R2 000 000 (2015: R 3 972 265) of the bonus amount was paid by Steinhoff Africa Holdings Proprietary Limited.

[3] R1 000 000 (2015: R 1 000 000) of the bonus amount was paid by Steinhoff Africa Holdings Proprietary Limited.

Non-executive directors	2016 R	2015 R
DM van der Merwe[1]	345 297	321 437
CJH van Niekerk	277 248	258 810
AB la Grange[1]	277 248	258 810
J de V du Toit	706 612	665 366
PK Quarmby	516 074	483 063
SH Müller	529 608	449 318
MJ Jooste[1]	277 248	258 810
JB Magwaza[2]	-	110 245
SH Nomvete	268 515	314 819
IN Mkhari	364 270	286 128
	3 562 120	3 406 806

[1] Paid to Steinhoff International Holdings Limited as management fees.
[2] J B Magwaza retired on 18 November 2014.

All remuneration disclosed above was paid to directors in respect of services rendered as directors of the company. Directors of the company are considered to be key management personnel.

19. **DIRECTORS' EMOLUMENTS** (continued)

Share rights in KAP Industrial Holdings Limited

Executive directors	Offer date	Number of share rights at 30 June 2015	(Exercised)/ (expired)/ awarded	Number of share rights at 30 June 2016
GN Chaplin	December 2012	1 125 336	(1 125 336)	-
	December 2013	1 334 188	-	1 334 188
	December 2014	1 543 470	-	1 543 470
	December 2015	-	1 151 851	1 151 851
		4 002 994	26 515	4 029 509
KJ Grové	December 2012	2 377 036	(2 377 036)	-
	December 2013	2 818 191	-	2 818 191
	December 2015	2 191 160	-	2 191 160
	December 2015	-	1 556 726	1 556 726
		7 386 387	(820 310)	6 566 077
FH Olivier	December 2012	472 877	(472 877)	-
	December 2013	560 744	-	560 744
	December 2014	507 466	-	507 466
	December 2015	-	486 191	486 191
		1 541 087	13 314	1 554 401
Total		12 930 468	(780 481)	12 149 987

All the share rights granted were granted on 1 December 2015. On this day the December 2012 scheme vested.

19. **DIRECTORS' EMOLUMENTS** (continued)

	Number of rights	Value of rights R
Value of share rights exercised during the year		
2016		
Executive directors		
GN Chaplin[1]	1 125 336	8 001 139
KJ Grové[1]	2 377 036	16 900 726
JP Haveman[1]	841 373	5 982 162
FH Olivier[1]	472 877	3 362 155
	4 816 622	34 246 182
2015		
Executive directors		
GN Chaplin[2]	221 997	12 791 467
KJ Grové[3]	267 605	17 653 902
FH Olivier[2]	108 758	6 266 636
	598 360	36 712 005

[1] The market price of KAP Industrial Holdings Limited share rights exercised was R7.11 for 1 December 2015.
[2] The market price of Steinhoff International Holdings Limited share rights exercised was R57.62 for 1 December 2014.
[3] The market price of Steinhoff International Holdings Limited share rights exercised was R65.97 for 17 February 2015.

20. CAPITAL COMMITMENTS

The company is not committed to any capital expenditure.

21. JUDGEMENTS AND ESTIMATES

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

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions which have significant risk of causing material adjustment to the carrying amounts of assets and liabilities during the next financial year are discussed below.

Useful lives and residual values
The estimated useful lives for property, plant and equipment are:

- Computer equipment, furniture and other assets 3 - 5 years

The estimated useful lives for intangible assets are:

- Computer software 2 years

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

Impairment of assets
Investments, property, plant and equipment, investment property and amounts receivable from group companies are assessed annually for impairment.

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

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

Valuation of equity compensation
Management classifies its share-based payment scheme as an equity-settled scheme based on the assessment of its role and that of the employees in the transaction. In applying its judgement, management consulted with external expert advisors in the accounting and share-based payment advisory industry. The critical assumptions as used in the valuation model are detailed in note 9.

22. RELATED PARTIES

Related party relationships exist between shareholders, subsidiaries, joint venture companies and associate companies within the group. For related parties, the only companies not subsidiaries of KAP Industrial Holdings Limited are as follows:

Ainsley Holdings Proprietary Limited	Shareholder
Steinhoff Africa Holdings Proprietary Limited	Common shareholder
Steinhoff International Holdings Limited	Common shareholder

These transactions are concluded in the normal course of business. The amounts outstanding are unsecured and will be settled in cash. For details in respect of key management compensation refer to note 19.

22.1 Trading balances and transactions

	2016 R'000	2015 R'000
Interest paid to:		
Steinhoff Africa Holdings Proprietary Limited	-	56 864
Unitrans Holdings Proprietary Limited	22 865	37 164
KAP Diversified Industrial Proprietary Limited	2 983	3 561
KAP Bedding Proprietary Limited	8 317	8 786
KAP Homeware Proprietary Limited	9 434	7 797
DesleeMattex Proprietary Limited	759	866
Interest received from:		
Steinhoff Africa Holdings Proprietary Limited	5 838	37 072
Unitrans Holdings Proprietary Limited	81 859	109 310
KAP Diversified Industrial Proprietary Limited	144 433	133 021
KAP Bedding Proprietary Limited	70 414	48 444
DesleeMattex Proprietary Limited	13	-
Restonic Proprietary Limited	5 177	1 501
Unitrans Passenger Proprietary Limited	17 174	-
Unitrans Supply Chain Solutions Proprietary Limited	400	-
KAP Automotive Proprietary Limited	20 381	-
Dividends paid to:		
Ainsley Holdings Proprietary Limited	157 434	125 947
Dividends received from:		
KAP Diversified Industrial Proprietary Limited	118 504	326 871
Unitrans Holdings Proprietary Limited	182 176	783 132
KAP Bedding Proprietary Limited	-	5 906
KAP Automotive Proprietary Limited	292 742	40 035
Toolplast Holdings Proprietary Limited	-	2 528
AFU Finance Company Proprietary Limited	116 403	-
Management fees received from:		
KAP Automotive Proprietary Limited	7 500	-

KAP INDUSTRIAL HOLDINGS LIMITED

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

22. **RELATED PARTIES** (continued)

22.1 **Trading balances and transactions** (continued)

	2016 R'000	2015 R'000
Management fees paid to:		
Steinhoff International Holdings Limited	900	839
KAP Automotive Proprietary Limited	2 720	2 546
Accounts payable:		
Steinhoff International Holdings Proprietary Limited	265	250
Steinhoff Africa Holdings Proprietary Limited	-	2 092
Unitrans Holdings Proprietary Limited	232	3 785
KAP Bedding Proprietary Limited	-	806
DesleeMattex Proprietary Limited	128	81
KAP Homeware Proprietary Limited	1 021	858
Loans owing to:		
Steinhoff Africa Holdings Proprietary Limited	-	3 820
Unitrans Holdings Proprietary Limited	739 229	756 304
KAP Investments Proprietary Limited	37 286	37 286
KAP Automotive Proprietary Limited	728 220	36 170
KAP Diversified Industrial Proprietary Limited	410 000	-
Toolplast Holdings Proprietary Limited	3	3
Roadway Transport Proprietary Limited	-	7 000
Accounts receivable:		
Steinhoff Africa Holdings Proprietary Limited	446	4
Unitrans Holdings Proprietary Limited	5 129	8 995
KAP Diversified Industrial Proprietary Limited	15 038	8 984
KAP Bedding Proprietary Limited	27 036	9 889
Unitrans Passenger Proprietary Limited	2 960	87
Unitrans Supply Chain Solutions Proprietary Limited	400	-
KAP Automotive Proprietary Limited	28 930	-
Loans receivable from:		
Unitrans Holdings Proprietary Limited	325 348	1 111 062
KAP Diversified Industrial Proprietary Limited	3 401 856	2 179 710
KAP Bedding Proprietary Limited	1 231 128	568 350
At amortised cost	1 820 822	1 128 836
Less accumulated impairment	(589 694)	(560 486)
KAP Automotive Proprietary Limited	618 700	325 784
Kolosus Management Services Proprietary Limited	-	-
At amortised cost	-	471
Less accumulated impairment	-	(471)
Kolosus Share Trust	-	-
At amortised cost	-	45
Less accumulated impairment	-	(45)
Restonic Proprietary Limited	-	71 301
Unitrans Passenger Proprietary Limited	339 031	-
AFU Finance Company Proprietary Limited	633 065	-
Roadway Transport Proprietary Limited	-	-
At amortised cost	2 354	-
Less accumulated impairment	(2 354)	-
Unitrans Supply Chain Solutions Proprietary Limited	584 335	-

23. CONTINGENT LIABILITIES AND GUARANTEES

The company has issued cross-guarantees to various banks for the banking facilities available to the company.

The company has deferred its right to claim repayments of loans amounting to R592 047 606 (2015: R561 002 328) owing to it by subsidiary companies in favour of creditors for as long as the net liabilities of the subsidiaries exceed their net assets.

The company has committed to support the following subsidiary companies due to concerns surrounding their liquidity; Unitrans Holdings Proprietary Limited, Unitrans Passenger Proprietary Limited and KAP Bedding Proprietary Limited.

24. FINANCIAL INSTRUMENTS

The company uses financial instruments to raise finance for its operations and to manage the risks arising from these operations. All transactions in derivatives are undertaken to manage the risks arising from underlying business activities. The main financial risk faced by the company is interest rate.

24.1 Fair value per class of financial instrument

	2016		2015	
	Carrying amount R'000	Fair value R'000	Carrying amount R'000	Fair value R'000
Financial assets				
Loans and receivables	8 259 591	8 259 591	4 333 217	4 333 217
Loans to group companies	7 133 463	7 133 463	4 256 207	4 256 207
Trade and other receivables	345	345	-	-
Related party receivables	79 939	79 939	27 959	27 959
Cash and cash equivalents	1 045 844	1 045 844	49 051	49 051
Financial liabilities				
Financial liabilities held at amortised cost	6 575 979	6 581 429	3 483 833	3 469 085
Loans due to group companies	1 914 738	1 914 738	836 763	836 763
Loans due to related parties	-	-	3 820	3 820
Interest-bearing borrowings	4 591 663	4 597 113	2 559 874	2 545 126
Trade and other payables	57 210	57 210	74 805	74 805
Related party payables	1 646	1 646	7 872	7 872
Bank overdrafts and short-term facilities	10 722	10 722	699	699

At year-end the carrying amounts of cash, accounts receivable, loans receivable, accounts payable and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities.

The fair value of other longer-term assets is not significantly different from the carrying amounts.

The directors believe that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value are:
- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (including listed redeemable notes, bills of exchange, debentures and perpetual notes).

24. FINANCIAL INSTRUMENTS (continued)

24.1 Fair value per class of financial instrument (continued)

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analyses using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

IFRS 7 - Financial Instruments: Disclosure (IFRS 7), has established a three-level hierarchy for making fair value measurements:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

24.2 Liquidity and interest rate management

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 200 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 200 basis points higher or lower and all other variables were held constant, the company's profit for the year ended 30 June 2016 would increase or decrease by R33 777 945 (2015: R11 872 362). This is mainly attributable to the company's exposure to interest rates on its variable rate borrowings. The company's sensitivity to interest rates has decreased during the current period mainly due to the decrease in variable rate debt instruments.

2016	Interest rate %	Year 1 R'000	Years 2 - 5 R'000	Over 5 years R'000	Total R'000
Assets					
Loans to group companies					
- interest-free	Interest-free	2 370 456	-	-	2 370 456
- interest-bearing	Variable	4 763 007	-	-	4 763 007
Accounts receivables	Interest-free	345	-	-	345
Related party receivables	Interest-free	79 939	-	-	79 939
Cash and cash equivalents	Variable SA prime	1 045 844	-	-	1 045 844
		8 259 591	-	-	8 259 591

24. FINANCIAL INSTRUMENTS (continued)

24.2 Liquidity and interest rate management (continued)

2016	Interest rate %	Year 1 R'000	Years 2 - 5 R'000	Over 5 years R'000	Total R'000
Liabilities					
Loans due to group companies					
- interest-free	Interest-free	925 433	-	-	925 433
- interest-bearing	Variable	989 305	-	-	989 305
Loans due to related parties					
- interest-bearing	Variable	-	-	-	-
Interest-bearing borrowings	Variable JIBAR	661 162	3 373 711	-	4 034 873
Interest-bearing borrowings	Fixed	146 296	1 420 990	499 230	2 066 516
Trade and other payables	Interest-free	57 210	-	-	57 210
Related party payables	Interest-free	1 646	-	-	1 646
Bank overdraft and short-term facilities	Variable SA prime	10 722	-	-	10 722
		2 791 774	4 794 701	499 230	8 085 705

2015	Interest rate %	Year 1 R'000	Years 2 - 5 R'000	Over 5 years R'000	Total R'000
Assets					
Loans to group companies					
- interest-free	Interest-free	841 078	-	-	841 078
- interest-bearing	Variable	3 415 129	-	-	3 415 129
Accounts receivables	Interest-free	-	-	-	-
Related party receivables	Interest-free	27 959	-	-	27 959
Cash and cash equivalents	Variable SA prime	49 051	-	-	49 051
		4 333 217	-	-	4 333 217

24. **FINANCIAL INSTRUMENTS** (continued)

24.2 **Liquidity and interest rate management** (continued)

2015	Interest rate %	Year 1 R'000	Years 2 - 5 R'000	Over 5 years R'000	Total R'000
Liabilities					
Loans due to group companies					
- interest-free	Interest-free	80 459	-	-	80 459
- interest-bearing	Variable	756 304	-	-	756 304
Loans due to related parties					
- interest-bearing	Variable	3 820	-	-	3 820
Interest-bearing borrowings	Variable JIBAR	175 707	2 419 363	-	2 595 070
Interest-bearing borrowings	Fixed	49 365	197 055	548 460	794 880
Trade and other payables	Interest-free	74 805	-	-	74 805
Related party payables	Interest-free	7 872	-	-	7 872
Bank overdraft and short-term facilities	Variable SA prime	699	-	-	699
		1 149 031	2 616 418	548 460	4 313 909

24.3 **Credit risk management**

Potential concentrations of credit risk relate mainly to other loans and bank and cash balances.

The company's cash equivalents are placed with high-quality financial institutions.

The carrying amount of financial assets recognised in the financial statements, which is net of impairment losses, represents the company's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

24.4 **Treasury risk management**

Management of the liquidity structure of the company's assets, liabilities and commitments ensures that cash flows are sufficiently balanced. Measures have been introduced to ensure that the cash flow information received is accurate and complete.

The company only deposits cash surpluses with major banks of high quality credit standing.

24. FINANCIAL INSTRUMENTS (continued)

24.5 Capital risk management

The company manages its capital to ensure that the entity will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the company consists of debt and equity attributable to equity holders of the parent and related parties, comprising issued capital, share premium and retained earnings as disclosed in the statement of changes in equity. The gearing ratio at the year-end was as follows:

	2016 R'000	2015 R'000
Debt	4 602 385	2 564 393
Bank balances and cash	(1 045 844)	(49 051)
Net Debt	3 556 541	2 515 342
Equity	8 101 014	7 650 450
Net debt to equity ratio	44%	33%

Excluding amounts due to group companies.

25. SUBSEQUENT EVENTS

No significant events have occurred between 30 June 2016 and the date of these financial statements.

26. NEW ACCOUNTING PRONOUNCEMENTS

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

26.1 IFRS 2

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

26.2 IFRS 9

In July 2014, the IASB issued the completed version of IFRS 9 - Financial Instruments (IFRS 9). The statement addresses the classification and measurement of financial assets and financial liabilities. The new standard enhances the ability of investors and other users of financial information to understand the accounting of financial assets and financial liabilities and aims to reduce complexity. The company is in the process of evaluating the impact the standard will have on the company. This standard will be adopted by the effective date.

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

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

26. NEW ACCOUNTING PRONOUNCEMENTS (continued)

26.4 IFRS 15

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

26.5 IFRS 16

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

26.6 IAS 1

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

26.7 IAS 7

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

26.8 IAS 12

In January 2016, the IASB issued amendments to IAS 12 - Income Taxes. The amendments clarify how to acc for deferred taxation assets related to debt instruments measured at fair value. The company is in the proce evaluating the impact the amendments will have on the company. The amendments will be adopted by the effe date.

26.9 Annual Improvements to IFRSs 2012-2014 Cycle

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

KAP INDUSTRIAL HOLDINGS LIMITED

Annexure A – Shareholders' profile
as at 30 June 2016

	2016 No. of shares	%	2015 No. of shares	%
Shares held by directors of the Company				
GN Chaplin	1 824 048	0.075	700 000	0.029
J de V du Toit	500 000	0.020	500 000	0.021
KJ Grové	1 610 451	0.066	208 000	0.009
JP Haveman[1]	-	-	331 954	0.014
SH Müller	300 004	0.012	300 004	0.012
FH Olivier	557 997	0.023	180 000	0.007
	4 792 500	0.196	2 219 958	0.092
Shares held by directors of group subsidiaries	54 115 273	2.217	51 016 946	2.106
TOTAL	58 907 773	2.413	53 236 904	2.197

	2016 No. of shares	%	2015 No. of shares	%
Public / Non-public shareholdings				
Steinhoff International Holdings N.V.[2]	1 049 561 154	43.00	1 049 561 154	43.32
Directors of the Company and its subsidiaries	58 907 773	2.41	53 236 904	2.20
Allan Gray[3]	319 091 367	13.07	315 188 546	13.01
Non-public shareholders[4]	1 427 560 294	58.48	1 417 986 604	58.53
Public shareholders[5]	1 013 376 011	41.52	1 004 825 554	41.47
TOTAL	2 440 936 305	100.00	2 422 812 158	100.00

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