KAP INDUSTRIAL HOLDINGS LIMITED
(Registration number: 1978/000181/06)
AUDITED ANNUAL FINANCIAL STATEMENTS
30 June 2017

Preparation supervised by: Ilse Uys CA(SA)

CONTENTS

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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 annual 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 annual 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 annual 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 annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa.

The directors reasonably believe that the company has adequate resources to continue in operation for the foreseeable future, and the annual financial statements have therefore been prepared on the going-concern basis.

DIRECTORS' APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the year ended 30 June 2017, which appear on pages 2 to 5 and 8 to 35 were approved by the board and signed on its behalf on 16 October 2017.

....

GN Chaplin FH Olivier

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 Property 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.

....

Steinhoff Secretarial Services Proprietary Limited
Company secretary
16 October 2017
28 Sixth Street, Wynberg, Sandton, 2090

Company registration number	1978/000181/06
Registered office	28 Sixth Street, Wynberg, Sandton, 2090
Postal address	PO Box 1955, Bramley, 2018
Directors	**Executive directors** Gary Noel Chaplin (chief executive officer) Frans Hendrik Olivier (chief financial officer) **Non-executive directors** Karel Johan Grové (deputy chairman) Markus Johannes Jooste Andries Benjamin la Grange Daniel Maree van der Merwe **Independent non-executive directors** Jacob de Vos du Toit (chairman: Board, chairman: Nomination Committee) Ipeleng Nonkululeko Mkhari (chairperson: Social and Ethics Committee) Stephanus Hilgard Müller (chairman: Human Resources and Remuneration Committee) Sandile Hopeson Nomvete Patrick Keith Quarmby (chairman: Audit and Risk Committee) Christiaan Johannes Hattingh van Niekerk
Auditors	Deloitte & Touche
Company secretary	Steinhoff Secretarial Services (Pty) Ltd
Audit Committee Report	For further details, refer to the audit committee report in the audited consolidated financial statements of KAP Industrial Holdings Ltd.
Review of operations and financial results	The financial results of the company are set out in the attached annual financial statements.
Events after the reporting date	The directors are not aware of any significant events after the reporting date that will have a material effect on the company's results or financial position as presented in these annual financial statements.
Going concern	The directors have reviewed the company's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

Background

The audit and risk committee's operation is guided by a formal detailed charter that is in line with the Companies Act, No. 71 of 2008 of South Africa ("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 Ltd ("KAP") audit and risk committee.

The committee is pleased to present its report for the financial year ended 30 June 2017 as recommended by the previous King Report on Corporate Governance for South Africa (King III) and in line with the Companies Act. During the year under review, King III was replaced in its entirety by the King Report on Corporate Governance for South Africa 2016 (King IV). Although King IV is only applicable in respect of financial years commencing on or after 1 April 2017, the committee has taken cognisance of the requirements of both King III and King IV in fulfilling its obligations.

Objective and scope

The overall objectives of the committee are as follows:

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

During the year under review, the committee:

- 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 to ensure that their concerns were 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 any additional services provided was not such that they could be seen to have impaired their independence.
- Reviewed and recommended for adoption by the board, such financial information that is publicly disclosed, which for the year included:
    - the consolidated financial statements for the year ended 30 June 2017; and
    - the consolidated interim results for the six months ended 31 December 2016.
- Considered the effectiveness of internal audit, approved the one-year internal audit plan and monitored the adherence of internal audit to its annual plan.
- Held meetings with the internal and external auditors where management was not present, and no matters of concern were raised.

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

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

Patrick Keith Quarmby (Chairman)
Stephanus Hilgard Müller
Sandile Hopeson Nomvete

The nomination committee and the board are satisfied that these members have the required knowledge and experience as set out in Section 94(5) of the Companies Act and Regulation 42 of the Companies Regulations, 2011. The re-appointment of committee members will be a matter for consideration by shareholders at the forthcoming annual general meeting.

The company secretary is the secretary of this committee.

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

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

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 effectively discharge their functions.

External audit
The committee has satisfied itself through enquiry that the auditors of KAP Industrial Holdings Limited and its subsidiaries are independent as defined by the Companies Act. The committee, in consultation with executive management, has agreed to the audit fee for the 2017 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Audit fees are disclosed in note 2 to the financial statements.

There is a formal policy 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 this set policy and attendant procedures.

The external auditor was given the opportunity to engage at each meeting with the audit committee members without management being present. No matters of concern were raised.

The committee has reviewed the performance of the external auditors and has nominated, for approval by shareholders at the forthcoming annual general meeting, Deloitte & Touche, an eligible registered auditor ("Deloitte"), as the external auditor for the 2018 financial year, with Dr Dirk Steyn, a registered auditor and member of Deloitte, as the individual who will undertake the audit. Upon appointment at the forthcoming annual general meeting, this will be Dr Steyn's second year of performing the external audit of the company.

Key audit matters

The committee notes the key audit matters set out in the independent auditor's report, which are:

- Impairment of goodwill and indefinite useful life intangible assets
- Purchase price allocation
- Valuation of timber plantation biological assets and insurance receivable

The committee has considered and evaluated these matters and is satisfied that they are represented correctly.

Accounting practices and internal control

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

Financial statements

The audit and risk committee has evaluated the consolidated financial statements for the year ended 30 June 2017 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 annual general meeting.

Evaluation of chief financial officer

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

....

PK Quarmby
Audit and risk committee chairman
16 October 2017

Deloitte.

PO Box 578
Cape Town 8000
South Africa

Deloitte & Touche
Registered Auditors
Audit & Assurance -
Cape Town
1st Floor The Square
Cape Quarter
27 Somerset Road
Green Point 8005
Western Cape
Docex 5 Claremont

Tel: +27 (0)21 427 5300
Fax: +27 (0)21 425 7651
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of KAP Industrial Holdings Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KAP Industrial Holdings Limited (the Company) set out on pages 8 to 35, which comprise the statement of financial position as at 30 June 2017, and the statement of income statement and statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2017, 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. No key audit matters were identified during the audit of the financial statements of the Company.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Report of the Audit and Risk Committee and the Company Secretary's Certificate as required by the Companies Act of South Africa.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (continued)
To the Shareholders of KAP Industrial Holdings Limited

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements
In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte has been the auditor of KAP Industrial Holdings Limited for 14 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per Dr D Steyn
Partner
16 October 2017

KAP INDUSTRIAL HOLDINGS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2017

	Notes	2017 R	2016 R
Operating income		**86 242**	7 650 939
Operating expenses		**(9 450 104)**	(7 527 231)
Capital items	1	**(183 260 673)**	(31 561 606)
Operating loss	2	**(192 624 535)**	(31 437 898)
Finance costs	3	**(692 098 192)**	(352 098 761)
Income from investments	4	**1 741 964 738**	1 061 923 754
Profit before taxation		**857 242 011**	678 387 095
Taxation	5	**(346 780)**	(34 739)
Profit after taxation		**856 895 231**	678 352 356
Other comprehensive income		**-**	-
Total comprehensive income for the year		**856 895 231**	678 352 356

KAP INDUSTRIAL HOLDINGS LIMITED
STATEMENT OF FINANCIAL POSITION
as at 30 June 2017

	Notes	2017 R	2016 R
ASSETS			
Non-current assets			
Intangible assets	6	**-**	-
Property, plant and equipment	7	**-**	43 135
Investment property	8	**-**	223 613
Investment in subsidiary companies	9	**6 154 720 734**	6 148 884 408
Deferred taxation assets	10	**1 172 410**	1 137 568
		6 155 893 144	6 150 288 724
Current assets			
Trade and other receivables	11	**21 989 362**	88 485 868
Related party short-term loans receivable	21	**12 185 888 443**	7 133 463 763
Taxation receivable		**1 640 065**	-
Shareholders for dividends		**-**	116 402 809
Cash and cash equivalents		**887 000 634**	1 045 843 763
Share scheme settlement receivable	12	**152 229 238**	141 045 910
		13 248 747 742	8 525 242 113
TOTAL ASSETS		**19 404 640 886**	14 675 530 837
EQUITY AND LIABILITIES			
Capital and reserves			
Stated share capital	13	**8 774 415 227**	7 317 695 880
Reserves		**1 335 184 946**	780 964 517
		10 109 600 173	8 098 660 397
Non-current liabilities			
Loans and borrowings	14	**7 062 000 000**	4 173 454 545
		7 062 000 000	4 173 454 545
Current liabilities			
Loans and borrowings	14	**304 683 039**	418 207 897
Trade and other payables	15	**64 577 595**	59 674 714
Related party short-term loans payable	21	**462 148 311**	1 914 738 408
Taxation payable		**-**	26 630
Bank overdraft		**1 401 570 275**	10 721 698
Shareholders for dividends		**61 493**	46 548
		2 233 040 713	2 403 415 895
TOTAL EQUITY AND LIABILITIES		**19 404 640 886**	14 675 530 837

KAP INDUSTRIAL HOLDINGS LIMITED
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2017

	Ordinary share capital and premium R	Distributable reserves R	Share-based payment reserve R	Total R
Balance at 1 July 2015	7 317 821 723	233 975 828	98 652 163	7 650 449 714
Net shares issued	(125 843)	-	-	(125 843)
Total comprehensive income for the year	-	678 352 356	-	678 352 356
Ordinary dividends paid	-	(363 421 824)	-	(363 421 824)
Capital distribution received in terms of share scheme arrangement	-	67 656 594	-	67 656 594
Share-based payments through reserve accounting	-	-	65 749 400	65 749 400
Balance at 30 June 2016	**7 317 695 880**	**616 562 954**	**164 401 563**	**8 098 660 397**
Net shares issued	**1 456 719 347**	**-**	**-**	**1 456 719 347**
Total comprehensive income for the year	**-**	**856 895 231**	**-**	**856 895 231**
Ordinary dividends paid	**-**	**(439 368 535)**	**-**	**(439 368 535)**
Capital distribution received in terms of share scheme arrangement	**-**	**69 167 000**	**-**	**69 167 000**
Share-based payments through reserve accounting	**-**	**-**	**67 526 733**	**67 526 733**
Balance at 30 June 2017	**8 774 415 227**	**1 103 256 650**	**231 928 296**	**10 109 600 173**

KAP INDUSTRIAL HOLDINGS LIMITED
STATEMENT OF CASH FLOWS
for the year ended 30 June 2017

	Notes	2017 R	2016 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	**181 725 970**	48 056 855
Dividends received	17	**1 155 782 977**	593 421 824
Dividends paid	18	**(439 353 590)**	(363 409 716)
Net finance costs		**10 486 376**	360
Taxation paid		**(2 048 317)**	(256 280)
Net cash inflow from operating activities		**906 593 416**	277 813 043
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on disposal property, plant and equipment		**30 000**	-
Proceeds on disposal of investment property		**1 245 000**	-
Net cash inflow on disposal of subsidiary		**-**	633 064 529
Net cash inflow from investing activities		**1 275 000**	633 064 529
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term borrowings		**(398 979 403)**	(472 031 935)
Increase in loans and borrowings		**3 174 000 000**	2 500 000 000
Net movement in related party loans		**(6 689 300 068)**	(1 951 950 735)
Increase in bank overdraft		**1 390 848 577**	10 023 174
Proceeds on issue of ordinary shares, net of issue expenses		**1 456 719 347**	(125 843)
Net cash (outflow)/inflow from financing activities		**(1 066 711 547)**	85 914 661
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(158 843 131)**	996 792 233
Cash and cash equivalents at beginning of the year		**1 045 843 763**	49 051 530
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**887 000 632**	1 045 843 763

KAP Industrial Holdings Limited ("the company") is a South African registered company.

Statement of compliance
The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the South African Companies Act, 71 of 2008 and have been audited in compliance with all the requirements of Section 29(1) of the South African Companies Act 2008, as required.

Adoption of new and revised standards
During the current year, the company has adopted all the new and revised standards issued by the International Accounting Standards Board (IASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2016. The adoption of these new and revised standards has resulted in changes to the company's accounting policies.

The company adopted the following standards and amended standards during the year:

IFRS 11	Joint Arrangements: Investment entities: Applying the consolidation exception
IFRS 12	Disclosure of Interests in Other Entities: Investment entities: Applying the consolidation exception
IAS 1	Presentation of Financial Statements: Disclosure initiative
IAS 27	Separate Financial Statements: Investment entities: Equity method in separate financial statements
	Annual Improvements to IFRSs 2012 - 2014 Cycle

Basis of preparation
The annual financial statements are prepared in South African rand on the historical-cost basis, except for certain assets and liabilities, which are carried at amortised cost.

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

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 company 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 annual 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.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date.
- Level 2 inputs are inputs, other than quoted prices within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of preparation (continued)
The material accounting policies applied by the company, as well as accounting policies where IFRS allows choice, are set out below and have been applied consistently to the periods presented in these annual financial statements, except where stated otherwise.

Intangible assets
Intangible assets that are acquired by the company are stated at cost less accumulated amortisation and impairment losses.

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

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

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

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

Property, plant and equipment
Owned assets
Property, plant and equipment are stated at cost to the 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.

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

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 either a straight-line basis at rates that will reduce the book values to estimated residual values over the estimated useful lives of the assets.

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

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

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

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

Investment property is initially recognised at cost, including transaction costs, when it is probable that future economic benefits associated with the investment property will flow to the 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.

Investments in subsidiary companies
Subsidiary companies are entities controlled by the company (including structured entities). An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, substantive rights relating to an investee are taken into account. For a right to be substantive, the holder must have the practical ability to exercise that right.

Investments in subsidiaries are stated at cost less impairment losses. The company recognises impairment losses to the extent that the carrying value of the investment exceeds the net asset value of the subsidiary company.

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 intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated annually and when there is an indication of impairment.

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

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

Reversal of impairment losses
An impairment loss 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.

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.

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

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.

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

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

Share-based payment transactions

Equity-settled

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

Group share-based payment transactions

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

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

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

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

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

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.

Financial instruments (continued)

Initial measurement

All financial instruments are initially recognised at fair value, including transaction costs that are incremental to the company and directly attributable to the acquisition or issue of the financial asset or financial liability, except for those classified as fair value through profit or loss where the transaction costs are recognised immediately in profit or loss.

Subsequent measurement

All financial liabilities, other than those at fair value through profit or loss, are classified as financial liabilities at amortised cost.

Loans and receivables are carried at amortised cost, with interest recognised in profit or loss for the period, using the effective-interest method.

Derecognition

The company derecognises a financial asset when the rights to receive cash flows from the asset have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

A financial liability is derecognised when, and only when, the liability is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or has expired.

Impairment of financial assets

An impairment loss for loans and receivables is recognised in profit or loss when there is evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative unrealised gains and losses recognised in equity are reclassified to profit or loss, even though the financial asset has not been derecognised. Impairment losses are only reversed in a subsequent period if the fair value increases due to an objective event occurring since the loss was recognised. Impairment reversals other than available-for-sale debt securities are not reversed through profit or loss but through other comprehensive income.

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

Instalment sale and loan receivables, such as up-to-date and early-stage delinquent trade receivables, i.e. 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 includes the level of arrears of a customer, part payment of instalments or missed instalments, as well as observable changes in national or economic conditions that correlate with defaults on receivables.

Effective-interest method

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

Interest

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

Rental income

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

Dividend income

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

	2017	2016
	R	R

1. CAPITAL ITEMS

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

Profit on disposal of property, plant and equipment	**(3 231)**	-
Profit on disposal of investment property	**(1 021 387)**	-
Provision for losses in subsidiaries - loans (note 21)	**184 285 291**	31 045 278
Related party loans written off	**-**	516 328
	183 260 673	31 561 606

2. OPERATING LOSS

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

Depreciation		
Depreciation recognised in operating expenses	**16 366**	50 632
Auditor's remuneration		
Fees for other services	**105 000**	55 000

3. FINANCE COSTS

Interest paid		
Bank overdraft	**36 590 198**	8 264 287
Loans	**303 480 802**	190 652 422
Senior unsecured listed and unlisted notes	**331 579 581**	107 252 895
Related parties (note 21)	**14 789 751**	44 358 219
South African Revenue Service	**41 971**	-
Credit facilities arranging costs	**5 615 889**	1 570 938
	692 098 192	352 098 761

4. INCOME FROM INVESTMENTS

Dividends received		
Related parties (note 21)	**1 039 380 168**	709 824 633
Interest received		
Bank	**83 936 940**	6 409 878
Related parties (note 21)	**618 647 630**	345 689 243
	702 584 570	352 099 121
	1 741 964 738	1 061 923 754

5. TAXATION

Taxation charge		
Normal taxation		
Current year	**381 622**	26 630
Deferred taxation		
Current year	**(34 842)**	8 109
	346 780	34 739

	2017	2016
	%	%
5. TAXATION (continued)		
Standard rate of taxation	**28.00**	28.00
Permanent differences - dividends received	**(33.95)**	(29.30)
Permanent differences - provision for losses in subsidiaries	**6.02**	1.31
Permanent differences - other	**(0.00)**	-
Net utilisation of unrecognised taxation and deductible temporary differences	**(0.03)**	-
Effective rate of taxation	**0.04**	0.01

	Software	**Total**
	R	**R**
6. INTANGIBLE ASSETS		
Balance at 1 July 2015	-	-
Balance at 30 June 2016	**-**	**-**
Balance at 30 June 2017	**-**	**-**
Cost	179 789	179 789
Accumulated amortisation and impairment	(179 789)	(179 789)
Net book value at 30 June 2016	-	-
Cost	**-**	**-**
Accumulated amortisation and impairment	**-**	**-**
Net book value at 30 June 2017	**-**	**-**

7. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	**Office and computer equipment, furniture and other assets**	**Total**
	R	**R**	**R**
Balance at 1 July 2015	64 958	28 809	93 767
Depreciation	(21 823)	(28 809)	(50 632)
Balance at 30 June 2016	**43 135**	**-**	**43 135**
Disposals	**(26 769)**	**-**	**(26 769)**
Depreciation	**(16 366)**	**-**	**(16 366)**
Balance at 30 June 2017	**-**	**-**	**-**
Cost	155 888	2 551 851	2 707 739
Accumulated depreciation and impairment	(112 753)	(2 551 851)	(2 664 604)
Net book value at 30 June 2016	43 135	-	43 135
Cost	**-**	**-**	**-**
Accumulated depreciation and impairment	**-**	**-**	**-**
Net book value at 30 June 2017	**-**	**-**	**-**

	2017	2016
	R	R
8. INVESTMENT PROPERTY		
Balance at beginning of the year	**223 613**	223 613
Disposals	**(223 613)**	-
	-	223 613

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

The property was disposed of during the current year. At 30 June 2016, investment property was valued by management at R923 200. The fair valuation of the company's investment was carried out by Steinhoff Properties (Pty) Ltd. 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%.

No restrictions existed on the sale of investment property.

There were no material contractual obligations to purchase, construct or develop investment property. There were, 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 R86 242 was recognised through profit or loss for the year ended 30 June 2017 (2016: R150 939).

9. INVESTMENT IN SUBSIDIARY COMPANIES

Shares at cost	**6 154 720 735**	6 148 884 410
Provision for losses - shares	**(1)**	(2)
Net investment in subsidiary companies	**6 154 720 734**	6 148 884 408

	Percentage Holding %	**Shares at cost R**
2017		
AFU Finance Company (Pty) Ltd	**100**	**2**
KAP Automotive (Pty) Ltd	**100**	**57 397 756**
KAP Bedding (Pty) Ltd	**100**	**301**
KAP Diversified Industrial (Pty) Ltd	**100**	**899 770 084**
KAP Investments (Pty) Ltd	**100**	**1**
Kolosus Share Trust	**100**	**-**
PG Bison (Pty) Ltd	**100**	**-**
Roadway Transport (Pty) Ltd	**100**	**1**
Toolplast Holdings (Pty) Ltd	**100**	**1**
Unitrans Holdings (Pty) Ltd	**100**	**5 039 970 161**
Unitrans Passenger (Pty) Ltd	**100**	**121 107 264**
Share-based payments		**36 475 164**
		6 154 720 735

9. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

	Percentage Holding %	**Shares at cost R**
2016		
AFU Finance Company (Pty) Ltd	100	2
KAP Automotive (Pty) Ltd	100	57 397 756
KAP Bedding (Pty) Ltd	100	301
KAP Diversified Industrial (Pty) Ltd	100	899 770 084
KAP Investments (Pty) Ltd	100	2
Kolosus Share Trust	100	-
PF-Two Properties (Pty) Ltd	100	1
PG Bison (Pty) Ltd	100	-
Roadway Transport (Pty) Ltd	100	1
Toolplast Holdings (Pty) Ltd	100	1
Unitrans Holdings (Pty) Ltd	100	5 039 970 161
Unitrans Passenger (Pty) Ltd	100	121 107 264
Share-based payments		30 638 837
		6 148 884 410

During the year KAP Investments (Pty) Ltd bought back 1 ordinary share of R1 par value. PF-Two Properties (Pty) Ltd was liquidated. During the prior year the company acquired the shares of Unitrans Passenger (Pty) Ltd for a purchase consideration of R121 107 264 (via a loan). PG Bison (Pty) Ltd distributed its shareholding in KAP Diversified Industrial (Pty) Ltd to KAP Industrial Holdings Ltd in terms of Section 46 of the Income Tax Act 62 (Act 58 of 1962) as amended. AFU Finance Company (Pty) Ltd repurchased part of its issued share capital for an amount of R633 064 529.

	2017 R	2016 R
10. DEFERRED TAXATION ASSETS		
Deferred taxation movement		
Balance at beginning of the year	**1 137 568**	1 145 677
Current year charge	**34 842**	(8 109)
Balance at end of the year	**1 172 410**	1 137 568
Deferred taxation balances		
Provision for taxation on temporary differences resulting from South African normal taxation rate (28%) and South African capital gains taxation (SA CGT) rate (22.4%):		
Prepayments	**(49 807)**	(46 630)
Property, plant and equipment	**-**	(38 019)
Share-based payments	**1 222 217**	1 222 217
Total deferred taxation assets	**1 172 410**	1 137 568

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

Unrecognised deferred taxation assets		
Deferred taxation assets have not been recognised in respect of the following items:		
Taxation losses	**14 131 218**	14 945 718

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

Taxation losses		
Estimated taxation losses available for set-off against future taxable income	**14 131 218**	14 945 718

	2017 R	2016 R
11. TRADE AND OTHER RECEIVABLES		
Other amounts due	**4 984 425**	344 808
Related party receivables (note 21)	**627**	79 938 638
Trade and other receivables (financial assets)	**4 985 052**	80 283 446
Prepayments	**17 004 310**	8 202 422
	21 989 362	88 485 868

The company's exposure to foreign currency and credit risk related to trade and other receivables is disclosed in note 20.

12. SHARE SCHEME SETTLEMENT RECEIVABLE

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

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

	2017 Rights	2016 Rights
Reconciliation of rights granted under the KAP Performance Share Rights Scheme		
Balance at beginning of the year	**49 217 738**	57 622 847
Forfeited during the year	**(1 815 011)**	(5 080 758)
Exercised during the year	**(20 239 575)**	(18 124 147)
Granted during the year	**12 958 255**	14 799 796
Granted during the year for prior period service	**192 583**	-
Balance at end of the year	**40 313 990**	49 217 738

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.

	2016 Grant	2015 Grant	2014 Grant	2013 Grant
Fair value at measurement date	**R7.02**	R6.62	R4.10	R3.04
Share price at grant date	**R7.59**	R7.11	R4.64	R3.45
Exercise price	**R0.00**	R0.00	R0.20	R0.20
Expected volatility	**25.58%**	32.50%	31.88%	41.35%
Dividend yield	**2.63%**	2.42%	2.90%	2.52%
Risk-free interest rate	**7.72%**	7.48%	6.70%	6.79%
Life of share right	**3 years**	3 years	3 years	3 years

12. SHARE SCHEME SETTLEMENT RECEIVABLE (continued)

KAP share scheme settlement receivable

Rights granted under the KAP share schemes are subject to a recharge arrangement whereby the company 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.

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.

	2016 Grant	2015 Grant		2014 Grant		2013 Grant
	2017	**2017**	2016	**2017**	2016	2016
Share price	**R 7.54**	**R 7.73**	R 5.75	**R 7.93**	R 5.91	R 6.08
Exercise price	**R 0.00**	**R 0.00**	R 0.00	**R 0.00**	R 0.00	R 0.00
Term	**29 months**	**17 months**	29 months	**5 months**	17 months	5 months
Volatility	**24.61%**	**24.61%**	31.57%	**24.61%**	31.57%	31.57%
Dividend yield	**3.18%**	**3.61%**	3.55%	**5.92%**	4.00%	6.75%
Risk-free interest rate	**7.10%**	**7.08%**	7.58%	**7.23%**	7.47%	7.31%

	2017 **R**	2016 R
Fair value of share scheme settlement receivable		
Balance at beginning of the year	**141 045 910**	166 548 058
Increase in fair value for the year	**126 340 425**	85 081 388
Share scheme settlement received during the year	**(115 157 097)**	(110 583 536)
	152 229 238	141 045 910

	2017 **Number of** **shares**	2016 Number of shares
13. STATED SHARE CAPITAL		
Authorised		
Ordinary shares of no par value	**6 000 000 000**	6 000 000 000
Cumulative, non-redeemable, non-participating preference shares of no par value	**1 000 000 000**	1 000 000 000
Perpetual preference shares of no par value	**50 000 000**	50 000 000
Issued		
Ordinary shares in issue at beginning of the year	**2 440 936 305**	2 422 812 158
Ordinary shares issued during the year	**221 263 064**	18 124 147
Ordinary shares in issue at end of the year	**2 662 199 369**	2 440 936 305

	2017 **R**	2016 R
14. LOANS AND BORROWINGS		
Analysis of closing balance		
Unsecured financing covered by intragroup cross-guarantees		
Term loans	**3 270 449 370**	2 064 796 739
Senior unsecured listed and unlisted notes	**4 096 233 669**	2 526 865 703
Total loans and borrowings	**7 366 683 039**	4 591 662 442
Portion payable before 30 June 2018 included in current liabilities	**(304 683 039)**	(418 207 897)
Total non-current loans and borrowings	**7 062 000 000**	4 173 454 545

The fair values of loans and borrowings are disclosed in note 20.

Analysis of repayment		
Repayable within the next year and thereafter		
Next year	**304 683 039**	418 207 897
Year 2	**814 363 636**	444 545 455
Year 3	**2 855 818 182**	1 018 909 090
Year 4	**2 021 818 182**	1 000 000 000
Year 5	**1 370 000 000**	1 260 000 000
Thereafter	**-**	450 000 000
	7 366 683 039	4 591 662 442

Loan details		
Unsecured financing covered by intragroup cross-guarantees		
Variable interest rates		
Term loans	**2 000 000 000**	1 600 000 000
(Facilities of R3 000 million and interest rates between 9.07% and 9.83%)		
Senior unsecured listed notes	**2 632 000 000**	1 500 000 000
(Facilities of R2 632 million and interest rates between 9.03% and 9.61%)		
Fixed interest rates		
Term loans	**1 250 000 000**	450 000 000
(Facilities of R1 250 million and interest rates between 9.65% and 10.94%)		
Senior unsecured listed and unlisted notes	**1 420 000 000**	1 000 000 000
(Facilities of R1 420 million and interest rates between 9.98% and 10.23%)		
Interest due on term loans and unsecured listed and unlisted notes	**64 683 039**	41 662 442
Total	**7 366 683 039**	4 591 662 442

The following companies participate in the cross-guarantees in respect of the term loans (jointly and severally) together with KAP Industrial Holdings Ltd: PG Bison Southern Cape (Pty) Ltd, KAP Diversified Industrial (Pty) Ltd, Unitrans Supply Chain Solutions (Pty) Ltd, KAP Bedding (Pty) Ltd, KAP Automotive (Pty) Ltd, Mvelatrans (Pty) Ltd, Unitrans Passenger (Pty) Ltd, Unitrans Holdings (Pty) Ltd, and KAP Homeware (Pty) Ltd.

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

	2017 R	2016 R
15. TRADE AND OTHER PAYABLES		
Trade payables	**115 609**	-
Accruals	**-**	2 466 561
Related party payables (note 21)	**-**	1 645 621
Deferred dividend in terms of share scheme arrangement	**50 058 205**	54 575 186
Interest payable	**9 140 987**	79 826
Other payables and amounts due	**5 262 794**	89 625
Trade and other payables (financial liabilities)	**64 577 595**	58 856 819
Value added taxation payable	**-**	817 895
	64 577 595	59 674 714

16. CASH GENERATED FROM OPERATIONS

	2017 R	2016 R
Operating loss	**(192 624 535)**	(31 437 898)
Adjusted for:		
Depreciation	**16 366**	50 632
Net profit on disposal of investment property	**(1 021 387)**	-
Net profit on disposal of property, plant and equipment	**(3 231)**	-
Provision for losses in subsidiaries	**184 285 291**	31 045 278
Other	**1**	516 328
Cash (utilised)/generated before working capital changes	**(9 347 495)**	174 340
Working capital changes		
Decrease/(increase) in trade and other receivables	**66 496 506**	(57 384 509)
Increase/(decrease) in trade and other payables	**9 419 862**	(5 316 512)
Settlement of share scheme receivable	**115 157 097**	110 583 536
Net changes in working capital	**191 073 465**	47 882 515
Cash generated from operations	**181 725 970**	48 056 855

17. DIVIDENDS RECEIVED

	2017 R	2016 R
Shareholders for dividends at beginning of the year	**116 402 809**	-
Dividends declared during year to be received	**1 039 380 168**	709 824 633
Shareholders for dividends at end of the year	**-**	(116 402 809)
Dividends received	**1 155 782 977**	593 421 824

18. DIVIDENDS PAID

	2017 R	2016 R
Shareholders for dividends at beginning of the year	**(46 548)**	(34 440)
Dividends declared during year to be paid	**(439 368 535)**	(363 421 824)
Shareholders for dividends at end of the year	**61 493**	46 548
Dividends paid	**(439 353 590)**	(363 409 716)

19. COMMITMENTS AND CONTINGENCIES

Commitments

The company is not committed to any capital expenditure.

Contingent liabilities

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

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

The company has issued cross-suretyships to various banks for the banking facilities available to the company and its subsidiaries.

19. COMMITMENTS AND CONTINGENCIES (continued)

The following loan amounts have been subordinated in favour of the other creditors until that company's assets, fairly valued, exceed the liabilities: KAP Bedding (Pty) Ltd for R777 700 000 (2016: R589 694 000) and Roadway Transport (Pty) Ltd for R2 353 606 (2016: R2 353 606).

A letter of support has also been issued in favour of Unitrans Passenger (Pty) Ltd for R207 000 000 (2016: R235 000 000), KAP Bedding (Pty) Ltd R1 020 100 000 (2016: R1 150 000 000) and Unitrans Holdings (Pty) Ltd R2 050 000 000 (2016: R1 120 000 000).

20. FINANCIAL INSTRUMENTS

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

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

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

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

20.1 Total financial assets and liabilities

Loans and receivables, other financial liabilities at carrying values	**2017** **R**	2016 R
Related party loans receivable	**12 185 888 443**	7 133 463 763
Trade and other receivables (financial assets)	**4 985 052**	80 283 446
Cash and cash equivalents	**887 000 634**	1 045 843 763
Long-term loans and borrowings	**(7 062 000 000)**	(4 173 454 545)
Related party loans payable	**(462 148 311)**	(1 914 738 408)
Trade and other payables (financial liabilities)	**(64 577 595)**	(58 856 819)
Short-term loans and borrowings	**(304 683 039)**	(418 207 897)
Bank overdrafts	**(1 401 570 275)**	(10 721 698)
	3 782 894 909	1 683 611 605
Net income from investments		
Interest income	**702 584 570**	352 099 121
Interest expense	**(692 056 221)**	(352 098 761)
	10 528 349	360

No items were classified as 'held to maturity', 'designated as at fair value through profit or loss' or 'available for sale' during either period presented.

The fair values are equal to the carrying values except for long- and short-term loans and borrowings of which the fair values are R7 112 596 535 (2016: R4 178 904 545) and R306 461 071 (2016: R418 207 897) respectively.

20. FINANCIAL INSTRUMENTS (continued)

20.2 Fair values

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

Trade and other receivables and short-term loans receivable
The fair values of trade and other receivables and short-term loans receivable are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The fair values are not necessarily indicative of the amounts the company could realise in the normal course of business.

No fair value adjustments were made to any of the financial assets and liabilities.

20.3 Foreign currency risk

The financial assets and financial liabilities of the company are all denominated in South African rand and therefore the company does not have any exposure to foreign currency risk.

20.4 Interest rate risk

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

The interest and related terms of the company's interest-bearing loans and borrowings are disclosed in note 14.

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

	Subject to interest rate movement Variable JIBAR and SA prime R	Fixed rate R	Non-interest bearing R	Total R
2017				
Related party loans receivable	**8 684 875 278**	**-**	**3 501 013 165**	**12 185 888 443**
Trade and other receivables (financial assets)	**-**	**-**	**4 985 052**	**4 985 052**
Cash and cash equivalents	**887 000 634**	**-**	**-**	**887 000 634**
Long term interest bearing loans and borrowings	**(4 392 000 000)**	**(2 670 000 000)**	**-**	**(7 062 000 000)**
Related party loans payable	**-**	**-**	**(462 148 311)**	**(462 148 311)**
Trade and other payables (financial liabilities)	**-**	**-**	**(64 577 595)**	**(64 577 595)**
Short-term interest-bearing loans and borrowings	**(272 234 185)**	**(32 448 854)**	**-**	**(304 683 039)**
Bank overdrafts	**(1 401 570 275)**	**-**	**-**	**(1 401 570 275)**
	3 506 071 452	**(2 702 448 854)**	**2 979 272 311**	**3 782 894 909**

20. FINANCIAL INSTRUMENTS (continued)

20.4 Interest rate risk (continued)

	Subject to interest rate movement Variable JIBAR and SA prime R	**Fixed rate R**	**Non-interest bearing R**	**Total R**
2016				
Related party loans receivable	4 763 006 630	-	2 370 457 133	7 133 463 763
Trade and other receivables (financial assets)	-	-	80 283 446	80 283 446
Cash and cash equivalents	1 045 843 763	-	-	1 045 843 763
Long term interest bearing loans and borrowings	(2 723 454 545)	(1 450 000 000)	-	(4 173 454 545)
Related party loans payable	(989 304 442)	-	(925 433 966)	(1 914 738 408)
Trade and other payables (financial liabilities)	-	-	(58 856 819)	(58 856 819)
Short-term interest-bearing loans and borrowings	(396 472 472)	(21 735 425)	-	(418 207 897)
Bank overdrafts	(10 721 698)	-	-	(10 721 698)
	1 688 897 236	(1 471 735 425)	1 466 449 794	1 683 611 605

Sensitivity analysis
The company is sensitive to movements in the SA prime rates, which are the primary interest rates to which the company is exposed.

The sensitivities calculated below are based on an increase of 100 basis points for each interest category. These rates are also used when reporting sensitivities internally to key management personnel.

	2017 R	2016 R
Through (profit)/loss		
JIBAR and SA prime - 100 basis point increase	**(35 060 715)**	(16 888 972)

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

20.5 Credit risk
Potential concentration of credit risk consists principally of short-term cash and cash equivalent investments, trade and other receivables, and loans receivable. The company deposits short-term cash surpluses with major banks of high quality credit standing. At 30 June 2017, the company did not consider there to be any significant concentration of credit risk which had not been adequately provided for. The amounts presented in the statement of financial position are net of provisions for doubtful debts, estimated by the company's management based on prior experience and the current economic environment.

The carrying amounts of financial assets represent the maximum credit exposure.
The maximum exposure to credit risk at the reporting date, without taking account of the value of any collateral obtained was:

20. FINANCIAL INSTRUMENTS (continued)

20.5 Credit risk (continued)

	2017 **R**	2016 R
Related party loans receivable	**12 185 888 443**	7 133 463 763
At amortised cost	**12 965 942 050**	7 725 511 370
Provision for impairment	**(780 053 607)**	(592 047 607)
Trade and other receivables (financial assets)	**4 985 052**	80 283 446
Cash and cash equivalents	**887 000 634**	1 045 843 763
	13 077 874 129	8 259 590 972

Ageing of financial assets
None of the financial assets of the company have been assessed to be past their due terms.

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

The KAP group manages liquidity risk by monitoring forecast cash flows and by ensuring that adequate borrowing facilities are available. Cash surpluses and short-term financing needs of the group are mainly centralised in the central treasury office. The central treasury office invests net cash reserves on the financial markets, mainly in short-term instruments linked to variable interest rates.

The following table details the company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay. The table includes both interest and principal cash flows:

	2017 **R**	2016 R
0 to 3 months	**(2 093 985 700)**	(2 095 854 391)
4 to 12 months	**(778 263 579)**	(695 920 562)
Year 2	**(1 473 690 347)**	(841 256 911)
Years 3 to 5	**(7 109 126 348)**	(3 953 444 358)
After 5 years	**-**	(499 230 000)
	(11 455 065 974)	(8 085 706 222)

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

20.8 Capital risk
The company manages its capital to ensure that entities in the company 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, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the statement of changes in equity.

21. RELATED-PARTY BALANCES AND TRANSACTIONS

Related-party relationships exist between shareholders (Steinhoff International Holdings N.V. and its subsidiaries) and subsidiaries within the KAP Industrial Holdings Ltd group.

These transactions are concluded in the normal course of business.

21. RELATED-PARTY BALANCES AND TRANSACTIONS (continued)

	Related party loans receivable R	Related party loans payable R	Related party receivables R	Related party payables R
KAP Diversified Industrial (Pty) Ltd	**8 763 246 875**	**-**	**-**	**-**
KAP Automotive (Pty) Ltd	**162 230 539**	**(462 145 310)**	**627**	**-**
KAP Bedding (Pty) Ltd	**684 785 751**	**-**	**-**	**-**
At amortised cost	**1 462 485 751**	**-**	**-**	**-**
Provision for impairment	**(777 700 000)**	**-**	**-**	**-**
Langford Street Investments (Pty) Ltd	**73 000 000**	**-**	**-**	**-**
KAP Homeware (Pty) Ltd	**223 000 000**	**-**	**-**	**-**
Unitrans Passenger (Pty) Ltd	**279 625 278**	**-**	**-**	**-**
Unitrans Supply Chain Solutions (Pty) Ltd	**2 000 000 000**	**-**	**-**	**-**
Roadway Transport (Pty) Ltd	**-**	**-**	**-**	**-**
At amortised cost	**2 353 607**	**-**	**-**	**-**
Provision for impairment	**(2 353 607)**	**-**	**-**	**-**
Toolplast Holdings (Pty) Ltd	**-**	**(3 000)**	**-**	**-**
KAP Investments (Pty) Ltd	**-**	**(1)**	**-**	**-**
Balance at 30 June 2017	**12 185 888 443**	**(462 148 311)**	**627**	**-**
Steinhoff International Holdings N.V. and its subsidiaries	-	-	445 893	(264 509)
KAP Diversified Industrial (Pty) Ltd	3 401 855 808	(410 000 000)	15 034 877	-
KAP Automotive (Pty) Ltd	618 699 569	(728 220 202)	28 930 553	-
KAP Bedding (Pty) Ltd	1 231 128 608	-	27 037 021	-
At amortised cost	1 820 822 608	-	27 037 021	-
Provision for impairment	(589 694 000)	-	-	-
DesleeMattex (Pty) Ltd	-	-	-	(127 701)
KAP Homeware (Pty) Ltd	-	-	-	(1 021 595)
Unitrans Passenger (Pty) Ltd	339 031 424	-	2 959 764	-
Unitrans Holdings (Pty) Ltd	325 347 668	(739 229 432)	5 130 300	(231 816)
Unitrans Supply Chain Solutions (Pty) Ltd	584 336 157	-	400 230	-
Roadway Transport (Pty) Ltd	-	-	-	-
At amortised cost	2 353 607	-	-	-
Provision for impairment	(2 353 607)	-	-	-
Toolplast Holdings (Pty) Ltd	-	(3 000)	-	-
KAP Investments (Pty) Ltd	-	(37 285 774)	-	-
AFU Finance (Pty) Ltd	633 064 529	-	-	-
Balance at 30 June 2016	7 133 463 763	(1 914 738 408)	79 938 638	(1 645 621)

	Corporate fees received R	Interest received R	Dividends received R
Steinhoff International Holdings N.V. and its subsidiaries	**-**	**(17 234 079)**	**-**
KAP Diversified Industrial (Pty) Ltd	**-**	**(378 235 351)**	**(189 749 942)**
KAP Automotive (Pty) Ltd	**-**	**(7 627 380)**	**(295 631 892)**
KAP Bedding (Pty) Ltd	**-**	**(57 596 050)**	**-**
Langford Street Investments (Pty) Ltd	**-**	**(2 831 219)**	**-**
KAP Homeware (Pty) Ltd	**-**	**(1 814 281)**	**-**
Unitrans Passenger (Pty) Ltd	**-**	**(34 953 160)**	**(133 240 936)**
Unitrans Holdings (Pty) Ltd	**-**	**(38 777 933)**	**(387 192 334)**
Unitrans Supply Chain Solutions (Pty) Ltd	**-**	**(79 578 177)**	**-**
KAP Investments (Pty) Ltd	**-**	**-**	**(33 565 064)**
Total 30 June 2017	**-**	**(618 647 630)**	**(1 039 380 168)**

	Corporate fees received R	**Interest received R**	**Dividends received R**
21. RELATED-PARTY BALANCES AND TRANSACTIONS (continued)			
Steinhoff International Holdings N.V. and its subsidiaries	-	(5 838 172)	-
KAP Diversified Industrial (Pty) Ltd	-	(144 433 210)	(118 503 998)
KAP Automotive (Pty) Ltd	(7 500 000)	(20 380 553)	(292 741 571)
KAP Bedding (Pty) Ltd	-	(70 536 012)	-
DesleeMattex (Pty) Ltd	-	(12 917)	-
Restonic (Pty) Ltd	-	(5 055 338)	-
Unitrans Passenger (Pty) Ltd	-	(17 173 972)	-
Unitrans Holdings (Pty) Ltd	-	(81 858 839)	(182 176 255)
Unitrans Supply Chain Solutions (Pty) Ltd	-	(400 230)	-
AFU Finance Company (Pty) Ltd	-	-	(116 402 809)
Total 30 June 2016	(7 500 000)	(345 689 243)	(709 824 633)

	Management fees paid R	**Finance costs paid R**	**Dividends paid R**
Steinhoff International Holdings N.V. and its subsidiaries	**832 344**	**-**	**188 921 008**
KAP Diversified Industrial (Pty) Ltd	**-**	**971 004**	**-**
KAP Automotive (Pty) Ltd	**2 827 816**	**4 184 154**	**-**
KAP Bedding (Pty) Ltd	**-**	**2 046 890**	**-**
DesleeMattex (Pty) Ltd	**-**	**653 684**	**-**
KAP Homeware (Pty) Ltd	**-**	**4 656 664**	**-**
Unitrans Holdings (Pty) Ltd	**-**	**2 277 355**	**-**
Total 30 June 2017	**3 660 160**	**14 789 751**	**188 921 008**
Steinhoff International Holdings N.V. and its subsidiaries	899 793	-	157 434 173
KAP Diversified Industrial (Pty) Ltd	-	2 983 646	-
KAP Automotive (Pty) Ltd	2 720 293	-	-
KAP Bedding (Pty) Ltd	-	8 317 101	-
DesleeMattex (Pty) Ltd	-	758 650	-
KAP Homeware (Pty) Ltd	-	9 433 655	-
Unitrans Holdings (Pty) Ltd	-	22 865 167	-
Total 30 June 2016	3 620 086	44 358 219	157 434 173

Directors of the company are considered to be key management personal. For details in respect of key management compensation refer Annexure A.

22. JUDGEMENTS AND ESTIMATES

Significant judgements and estimates:

There are no judgements and estimates made by management that have a significant effect on the annual financial statements.

Other judgements and estimates:

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

Software	2 years
Property, plant and equipment	
Straight-line basis:	
Computer equipment	3 years
Motor vehicles	5 years
Office equipment and furniture	5 years

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

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

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

Valuation of equity compensation benefits
Management classifies its share-based payment scheme as an equity-settled scheme based on the assessment of its role and that of the employees in the transaction. In applying its judgement, management consulted with external expert advisors in the accounting and share-based payment advisory industry. The critical assumptions as used in the valuation model are detailed in note 12.

23. NEW/REVISED ACCOUNTING PRONOUNCEMENTS

		Effective date - annual periods commencing on or after
At the date of authorisation of these financial statements, there are standards and interpretations in issue but not yet effective. These include the following standards and interpretations that have not been early adopted and may have an impact on future financial statements:		
IFRS 2	Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
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 40	Investment Property: Transfers to, or from, investment properties	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to IFRSs 2014 - 2016 Cycle		1 January 2017

23. NEW/REVISED ACCOUNTING PRONOUNCEMENTS (continued)

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 amendments will have on the company. The amendments will be adopted by the effective date.

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.

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.

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.

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

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

IAS 40
In December 2016, the IASB issued amendments to IAS 40 - Investment Properties (IAS 40). The amendments reinforce the principle for transfers into, or out of, investment property in IAS 40 to specify that such a transfer should only be made when there has been a change in use of the property. The company is in the process of evaluating the impact the amendments will have on the company. The amendments will be adopted by the effective date.

IFRIC 22
In December 2016, the IASB issued IFRIC 22 - Foreign Currency Transactions and Advance Consideration (IFRIC 22). The interpretation clarifies how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The company is in the process of evaluating the impact the interpretation will have on the company. This interpretation will be adopted by the effective date.

23. NEW/REVISED ACCOUNTING PRONOUNCEMENTS (continued)

IFRIC 23
In June 2017, the IASB issued IFRIC 23 - Uncertainty over Income Tax Treatments (IFRIC 23). The interpretation clarifies how to reflect uncertainty in accounting for income taxes. The company is in the process of evaluating the impact the interpretation will have on the company. This interpretation will be adopted by the effective date.

Annual Improvements to IFRSs 2014 - 2016
In December 2016, the IASB issued Annual Improvements to IFRSs 2014 - 2016. The improvements cover the following topics; IFRS 1 - First-time Adoption of International Financial Reporting Standards: Deletions of exemptions for first-time adopters; IFRS 12 - Disclosure of Interests in Other Entities: Clarifying the scope of the standard; IAS 28 - Investments in Associates and Joint Ventures: Measuring an associate or joint venture at fair value. The company is in the process of evaluating the impact the improvements will have on the company. The improvements will be adopted by the effective date.

24. SUBSEQUENT EVENTS

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

	Basic R	Company contributions R	Bonuses R	Other benefits R	Total R
DIRECTORS' REMUNERATION					
Remuneration					
Executive directors					
2017					
Gary Noel Chaplin	**4 913 650**	**336 350**	**4 000 000**	**-**	**9 250 000**
Karel Johan Grové[1]	**3 231 376**	**175 124**	**5 750 000**	**-**	**9 156 500**
Frans Hendrik Olivier	**3 079 622**	**275 378**	**2 271 096**	**262 500**	**5 888 596**
	11 224 648	**786 852**	**12 021 096**	**262 500**	**24 295 096**
2016					
Gary Noel Chaplin	3 566 241	433 759	2 664 880	774 966	7 439 846
Karel Johan Grové[1]	4 823 628	582 372	7 056 000	-	12 462 000
John Peter Haveman[2]	2 086 981	413 019	3 332 000	254 672	6 086 672
Frans Hendrik Olivier	2 153 256	181 981	1 866 667	-	4 201 904
	12 630 106	1 611 131	14 919 547	1 029 638	30 190 422

[1] Rnil (2016: R2 000 000) of the bonus amount was paid by Steinhoff Africa Holdings (Pty) Ltd. Karel Johan Grové retired from his executive position with the company effective 1 January 2017, but continues to serve on the board of directors as the non-executive deputy chairman.

[2] Rnil (2016: R1 000 000) of the bonus amount was paid by Steinhoff Africa Holdings (Pty) Ltd. John Peter Haveman resigned from the board on 15 April 2016.

	2017 **R**	2016 R
Non-executive directors		
Jacob de Vos du Toit	**747 083**	706 612
Karel Johan Grové[1&3]	**152 315**	-
Markus Johannes Jooste[3]	**295 405**	277 248
Andries Benjamin la Grange[3]	**295 405**	277 248
Ipeleng Nonkululeko Mkhari	**316 190**	364 270
Stephanus Hilgard Müller	**577 825**	529 608
Sandile Hopeson Nomvete	**432 354**	268 515
Patrick Keith Quarmby	**571 500**	516 074
Daniel Maree van der Merwe[3]	**367 377**	345 297
Christiaan Johannes Hattingh van Niekerk	**295 405**	277 248
	4 050 859	3 562 120

[3] Paid to Steinhoff International Holdings Ltd as management fees.

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.

KAP INDUSTRIAL HOLDINGS LIMITED
DIRECTORS REMUNERATION
ANNEXURE A

	Offer date	Number of rights as at 30 June 2016	Number of rights (exercised)/ (expired)/ awarded during the year	Number of rights as at 30 June 2017
Share rights				
Executive directors				
Gary Noel Chaplin	December 2013	1 334 188	(1 334 188)	-
	December 2014	1 543 470	-	1 543 470
	December 2015	1 151 851		1 151 851
	December 2016	-	1 401 589	1 401 589
		4 029 509	**67 401**	**4 096 910**
Karel Johan Grové	December 2013	2 818 191	(2 818 191)	-
	December 2014	2 191 160	-	2 191 160
	December 2015	1 556 726		1 556 726
	December 2016	-	99 060	99 060
		6 566 077	**(2 719 131)**	**3 846 946**
Frans Hendrik Olivier	December 2013	560 744	(560 744)	-
	December 2014	507 466	-	507 466
	December 2015	486 191		486 191
	December 2016	-	713 328	713 328
		1 554 401	**152 584**	**1 706 985**
Total executive directors		**12 149 987**	**(2 499 146)**	**9 650 841**

	Number of rights exercised	Value of rights exercised R
Value of share rights exercised during the year		
2017		
Executive directors [1]		
Gary Noel Chaplin	**1 334 188**	**10 126 487**
Karel Johan Grové	**2 818 191**	**21 390 070**
Frans Hendrik Olivier	**560 744**	**4 256 047**
	4 713 123	**35 772 604**
2016		
Executive directors [2]		
Gary Noel Chaplin	1 125 336	8 001 139
Karel Johan Grové	2 377 036	16 900 726
John Peter Haveman	841 373	5 982 162
Frans Hendrik Olivier	472 877	3 362 155
	4 816 622	34 246 182

[1] The market price of share rights exercised was R7.59 for 1 December 2016.

[2] The market price of share rights exercised was R7.11 for 1 December 2015.