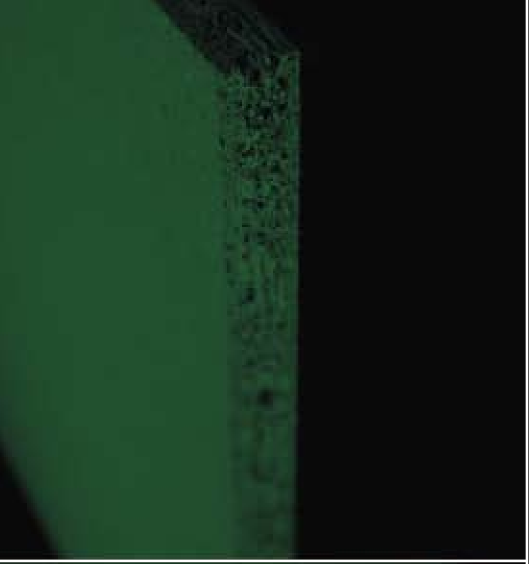
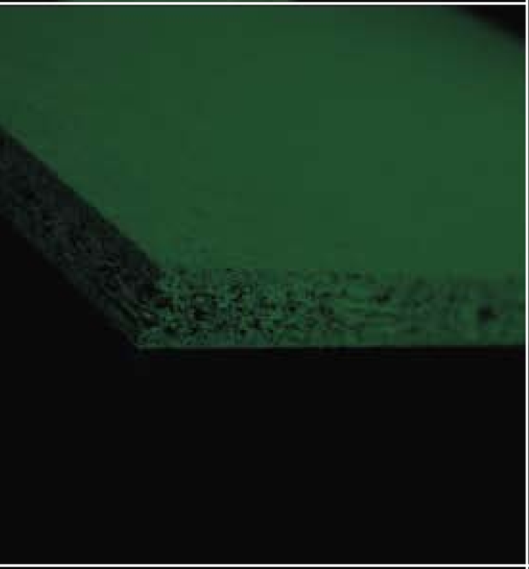
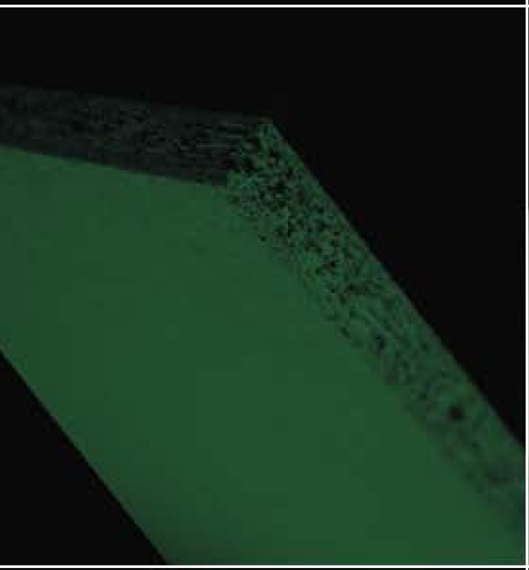
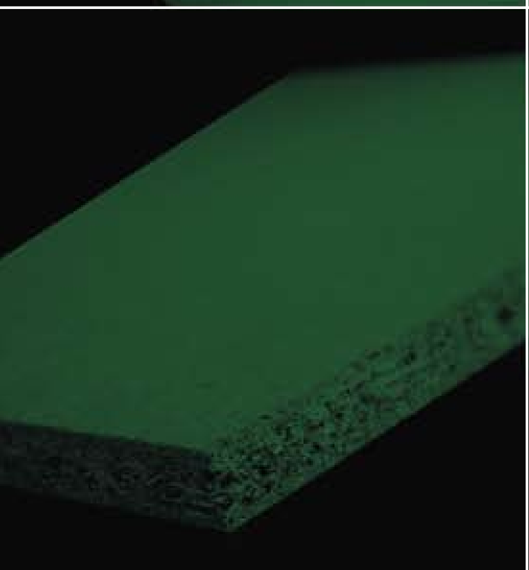
KayDav Group

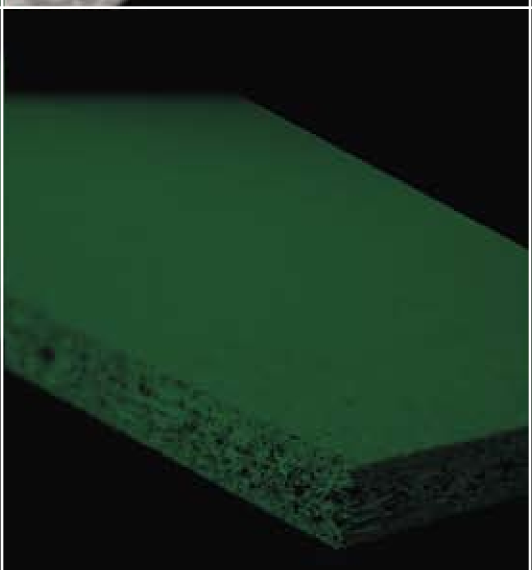
Annual Report 2008

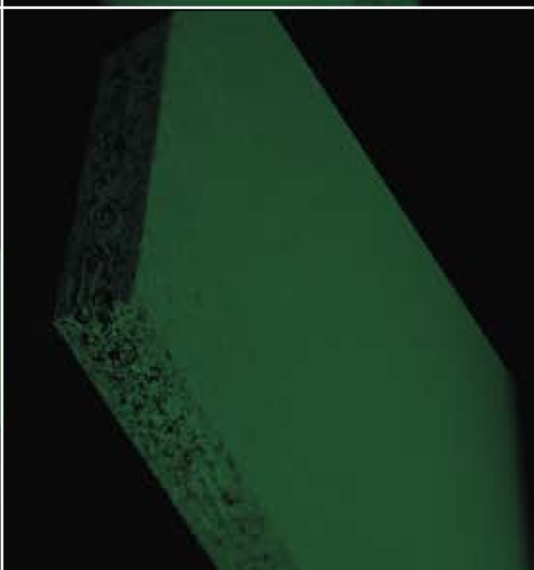












Profile and Company History

The KayDav Group Ltd ("KayDav" or "the Group") is a distributor and upgrader of wooden boards and solid wood.

Wood-based panels are manufactured through the compression of wood waste into a solid panel. These products have a variety of applications in the construction, furniture manufacturing and shopfitting industries.

Kayreed Board and Timber, known as Kayreed, is a bulk distributor of wooden boards servicing the Gauteng market. The business targets high volume customers, primarily in construction, particularly the furniture, cupboard and kitchen manufacturing industries.

Davidson's Discount Boards ("Davidson's") offers bulk distribution and value-added services with a branch network in the Western Cape, Johannesburg and Pretoria.

Davidson's distributes both raw wooden boards and upgraded wooden boards, which have been upgraded through the application of various natural and synthetic decorative surfaces.

Products can also be cut to individual specifications and edged. In addition to its board offering, Davidson's also sells complementary products, including fittings and accessories.

Davidson's has an extensive branch network throughout the Western Cape, including branches in Ottery, Montague Gardens, Brackenfell, Strand as well as franchises in Hermanus, Worcester, Gansbaai, Bredasdorp, Olifantsfontein and Britz. The factory, which is located in Epping, Cape Town, is equipped with state-of-the-art machinery including panel saws, computerised beam saws, edgebanders, routers, a spraying machine and a spray booth to enable the factory to supply the Davidson's retail network in the Western Cape with upgraded wooden boards.

A company called Caste Timbers recently commenced operations. This business is focused on processing rough solid wood into solid wooden mouldings, processed timber and manufactured timber products. These products are in turn distributed to retail building chain stores and merchants.

Since inception Castle Timbers has created a strong brand identity with its client base. This has been achieved through effective brand-related marketing material and the efforts of our committed sales team.

The Castle Timbers factory in Cape Town has been set up with state-of-the-art woodworking machines and competent staff.

CEO and Chairman's Report

Geoff Davidson, Gary Davidson and Martin Slier.

KayDav trading volumes in existing businesses decreased during the 2008 financial year leading to disappointing results. The fall in demand resulted from a general decrease in residential construction activity as well as decreased retail demand for domestic furniture. Management is of the view that these conditions will persist throughout the current 2009 year which are likely to improve in 2010.

Despite the difficult economic climate, management's consistent strategy during the reporting period was to increase KayDav's geographical footprint by opening new stores in areas where we are not represented. To this extent we successfully opened a new Davidson's store in Pretoria which has traded in line with expectations. Another existing store in Johannesburg was completely revamped to replicate the Davidson's model with new value-added machinery and staff. This store has traded well since the remodelling. These businesses have increased our client base and general brand awareness.

Castle Timbers was opened during the latter half of 2008. This business, whilst timber related, is a new venture for KayDav in that it focuses on solid wood products as opposed to our traditional wood-based panels. Our decision to pursue this venture was based on the availability of a highly skilled management team with the necessary expertise to implement this new venture. Management is optimistic regarding Castle Timbers' prospects.

Management has placed great emphasis on improving the efficiency and competency of staff. A training centre has been established in the Western Cape where regular training sessions were held throughout the year. This has had a positive effect on service levels and general morale.

Our strategy for the foreseeable future is to continue to build and streamline our existing operations. Emphasis is being placed on containing costs and managing working capital. We will continue to work closely with local manufacturers and evaluate opportunities for growth as they arise.

CEO and Chairman's Report

Corporate governance

The KayDav board is committed to a high standard of corporate governance. The functions of the board have been established to provide guidance to the company via a structure of meetings, clear division of responsibility and decision-making thresholds to regulate material matters which have been reserved for the board's approval. The directors and senior managers of the Group endorse the Code of Corporate Practices and Conduct as set out in the King II Report on Corporate Governance.

The board of KayDav consists of two non-executive directors and four executive directors and is chaired by an independent non-executive director.

The board itself evaluates its constitution and diversity and will, if necessary, consider any changes to its composition.

Audit committee

The two non-executive directors, Ian Stern (Chairman) and Jonathan Hertz, are both members of this committee. The financial director and the external auditors attend committee meetings by invitation. The committee meets three times per year and all members are invited to attend.

The committee is responsible for reviewing accounting, auditing, financial reporting, risk management and internal control matters and also approves the use of the external auditors for non-audit services.

The audit committee has considered and satisfied itself of the appropriateness of the expertise and experience of the financial director.

Remuneration committee

The committee consists of Ian Stern (Chairman) and Jonathan Hertz. The committee reviews and approves senior executive and non-executive remuneration and issues guidelines and limits for general salary adjustments. The chief executive is not present when his remuneration is discussed. This committee has met once during the reporting period.

Dealing in securities

The company secretary maintains a record of all dealings in KayDav shares by directors and selected employees and ensures that proper authority for dealing is in place prior to transactions being initiated.

Sustainability

The Group recognises its responsibility in respect of sustainability issues and complies with relevant health, safety and environmental legislation.

Appreciation

On behalf of our colleagues in the Group's senior management team, we thank the executive and non-executive directors for the guidance given to operational management on strategic and governance issues. We would also like to thank all management and staff for their contribution to the Group's achievements this year.

IH Stern
Chairman

GF Davidson
CEO

17 March 2009

Chief Financial Officer's Report

The Group complies with International Financial Reporting Standards ("IFRS") and the Listings Requirements of the JSE Limited ("JSE"). The accounting policies of the Group have been applied consistently to the periods presented in the consolidated financial statements. These financial statements cover the first full year of the KayDav Group created by the merger and listing which took place on 15 November 2007.

Income statement

Turnover for the Group during the 2008 year was R440 446 378 which is 8% below the forecast turnover published in the prospectus on 1 November 2007 (R480 817 000). Turnover for the year ended 31 December 2008 was R103 765 910. This period contains two months of Davidson's and four months of Kayreed and is therefore not meaningful when compared to the year reported on.

The gross profit of R135 568 085 reflects a gross margin of 30.8% which is in line with expectations.

Goodwill arising from the prior period acquisitions of the business of Kayreed and the shares of Davidsons' Holding Company (Pty) Ltd was impaired during the current year. Impairment resulted from changes in general valuation assumptions affecting financial markets and the decrease in headline earnings. Goodwill was impaired by an amount of R119 233 190, which resulted in a loss of R99 068 869 for the year.

Headline earnings of R20 161 004 to 31 December 2008 is 42% below the budgeted profit stated in the forecast published in the prospectus on 1 November 2007 (R34 885 000).

Included in headline earnings are start-up pre-tax losses incurred from Davidson's Discount Boards Silverton and Castle Timbers totalling R3 877 499.

Balance sheet

Goodwill

The goodwill balance after impairment of R119 233 190 is R14 302 804 (see note 3).

Plant and equipment

Plant and equipment of R35 914 574 consists mainly of plant, machinery and vehicles used in the adding of value and distribution of wooden boards. Additions to plant and equipment amounting to R7 653 763 were made to set up new businesses. Additions of R9 132 941 were made to maintain operations which includes the acquisition of a fleet of trucks for the Kayreed business. Prior to acquiring the fleet of trucks at a cost of R5 878 158, rented trucks were used.

A detailed reconciliation of movements in property, plant and vehicles is shown in note 2.

Current assets

The most significant portion of the Group's activity is that of retail and wholesale nature. This tends to an asset base weighted towards working capital. The Group has a healthy current ratio of 2.4 (2007: 2.3) and a quick ratio of 1.1 (2007: 1.2). The inventory level at year-end amounted to R87 454 624 (2007: R70 017 758). This equates to 105 days' sales. Both major suppliers increased their prices in January 2009 prompting the Group to create a buffer stock during the latter part of 2008. Management is of the opinion that this investment will put the Group in a position to maintain profit margins into 2009 as market conditions become increasingly competitive.

Trade receivables net of allowance for doubtful debts amounted to R64 907 528 (2007: R52 881 705). Given the deteriorating economic climate and the fact that credit sales make up the larger part of revenue, management has focused on implementing strict credit control policies within the Group. The number of days' sales in trade receivables is 57 (2007: 63). Despite this decrease in outstanding days' sales the Group experienced an increase in overdue accounts towards the end of the year and is monitoring the situation closely (see note 7).

Non-current liabilities

The long-term portion of instalment sale liabilities comprises R9 195 960 (2007: R5 231 478). Combined with the short-term portion of R3 501 529 (2007: R4 447 659) it amounts to R12 697 489 (2007: R9 679 137). The increase from prior year consists mainly of the financing of the fleet of trucks acquired for Kayreed. Instalment sale liabilities relating to the fleet amounted to R5 386 373 at the year-end (see note 11).

The Group's overall financial position is sound and provides sufficient solvency and liquidity to weather the current economic climate.

Martin Slier
CFO

17 March 2009

Board of Directors and Administration

Members of the board

Ian Stern 60 *Independent non-executive director (Chairman) (Indefinite)* CTA (Wits), CA(SA)

Ian worked for three companies listed on the JSE until 1982, before joining the Ozz group of companies as financial director. Ozz Limited was successfully listed on the JSE on 5 September 1984. In March 2003 Ozz Limited was sold to a consortium comprising Ethos Private Equity Fund IV, RMB Corvest Limited and Kagiso Ventures (Pty) Limited. Ian continued in his role as financial director for a year after the buy-out before leaving to pursue other interests. Ian was appointed as Chairman of the board of KayDav Group Ltd on 5 October 2007.

Gary Davidson 34 *Executive director (Chief Executive Officer) (Indefinite)* B Com, CA(SA)

Gary completed his B Com at UCT and articles with Grant Thornton in 1999. In 2000 he was appointed as director of Davidsons Holding Company and was involved in the day-to-day running of this business before being appointed CEO of KayDav Group Ltd on 5 October 2007.

Geoffrey Davidson 60 *Executive director (Managing Director: Davidson's business) (Indefinite)*

Geoff was a director of Penny Pinchers Board from 1986 to 1989. He founded the Davidson's business in 1989, and is still involved in the daily operations of the business.

Jay Katz 39 *Executive director (Director: Kayreed business) (Indefinite)*

Jay joined Kayreed in 1990, and became manager of the Discount Board and Timber branch in Main Reef Road. He was appointed as sales director of Kayreed Trading in October 2003, before being appointed as director of KayDav Group Ltd.

Jonathan Hertz 36 *Independent non-executive director (Indefinite)* BSc, FIA, CFA

Jonathan was General Manager at Fedsure Assurance and Managing Director at SAfrican Insurance Company Limited, before being appointed COO of Peregrine Holdings in 2000. As COO he had overall responsibility for all aspects of the company operations including businesses within asset management, securities structuring and trading, structured finance and advisory, investment banking and IT development. Jonathan left Peregrine in November 2005 and joined Caveo Fund Solutions as Managing Director. Since April 2007 he has been Managing Director of Spyglass Capital (Pty) Limited. Jonathan was appointed as director of KayDav Group Ltd on 14 June 2007.

Martin Slier 37 *Executive director (Chief Financial Officer) (Indefinite)* B Com (Law), Hons B Compt, CA(SA)

Martin completed his articles with Grant Thornton in 1999. He was an audit manager with Grant Thornton, as well as management accountant at E-TV, before joining Davidson's as Group Financial Manager in January 2004. Martin was appointed CFO of KayDav Group Ltd on 5 October 2007.

Administration

Company information

KayDav Group Limited
Registration number 2006/038698/06
JSE code: KDV
ISIN: ZAE000108940

Registered Office
105 Bamboesvlei Road, Ottery, 7800
PO Box 272, Ottery, 7808

Auditors
PKF (Jhb) Inc.
42 Wierda Road West, Wierda Valley, 2196
Private Bag X10046, Sandton, 2146

Company secretary
Probity Business Services (Pty) Ltd
3rd Floor, JHI House, 11 Cradock Avenue, Rosebank, 2196
PO Box 85392, Emmarentia, 2029

Sponsors
Java Capital (Pty) Limited
2 Arnold Road, Rosebank, 2196
PO Box 2087, Parklands, 2121

Transfer secretary
Link Market Services South Africa (Pty) Limited
5th Floor, 11 Diagonal Street, Johannesburg, 2001
PO Box 4844, Johannesburg, 2000

Directors' Responsibility for Financial Reporting

The directors are responsible for the preparation, integrity and fair presentation of the financial statements and other financial information included in this report. In presenting the accompanying financial statements, International Financial Reporting Standards have been followed, applicable accounting assumptions have been used while prudent judgements and estimates have been made.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company or the Group will not be a going concern in the foreseeable future based on forecasts and available cash resources. The financial statements support the viability of the company and the Group.

The financial statements have been audited by the independent accounting firm, PKF (Jhb) Inc., which was given unrestricted access to all financial records and related data, including all resolutions and minutes of all meetings of the shareholders, and the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate.

The financial statements were approved by the directors on 17 March 2009 and are signed on their behalf.

IH Stern
Chairman

GF Davidson
CEO

Declaration by Company Secretary

In terms of the Companies Act, 1973 (as amended) we certify that, to the best of our knowledge and belief, all returns required of a public company have, in respect of the year under review, been lodged with the Registrar of Companies and that all such returns are true, correct and up to date.

Probity Business Services (Pty) Ltd
Company Secretary

17 March 2009

Report of the Independent Auditors

to the members for the year ended 31 December 2008

Report on the financial statements

We have audited the accompanying financial statements and Group financial statements of KayDav Group Limited which comprise the directors' report, the balance sheets as at 31 December 2008 and the income statements, statements of changes in equity and cash flow statements for the year then ended; and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 40.

Directors' responsibility for the financial statements and group financial statements

Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 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 controls 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 the directors, 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 and Group financial statements present fairly, in all material respects, the financial position of KayDav Group Limited and its subsidiaries, as of 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act in South Africa.

PKF (Jhb) Inc.

PKF (Jhb) Inc.
JOHANNESBURG
Director: B Frey
17 March 2009
Registered Auditors
Chartered Accountants (SA)
Registration number: 1994/001166/21

Directors' Report

Your directors have pleasure in submitting their report which forms part of the annual financial statements of KayDav Group Limited and its subsidiaries for the year ended 31 December 2008.

Nature of business

The Group distributes flat wood panels through its outlets in the Western Cape and Gauteng.

Financial results

The salient features of the Group's results are summarised below:

	R000
Revenue	440 446
Loss before taxation	89 676
Loss for the year	99 069
Headline earnings	20 161

Borrowing powers

The borrowing powers are not restricted in the articles of association of the company.

Share capital

There were no changes to the company's authorised and issued share capital during the reporting period.

Dividends

No dividends are proposed for or have been paid during the year under review.

Subsequent events

Management expressed interest in acquiring the operations of KayDav Group Limited and its subsidiaries.

A cautionary announcement containing the details of the expression of interest was released on SENS on 28 January 2009 and renewed on 12 March 2009.

Special resolutions

A special resolution granting general authority for repurchases of the company's shares was passed at the annual general meeting held on 26 June 2008.

Directors

No changes to the board of directors took place during the year.

The directors in office at the date of this report are listed on page 6.

In accordance with the articles of association Jonathan Hertz and Jay Katz retire from office and, being eligible, offer themselves for re-election.

Directors' remuneration and interest in the shares of the company are set out in note 27.

Company secretary

Probity Business Services (Pty) Ltd remained the company secretary during the reporting period.

Subsidiary companies

Information in respect of interests in subsidiaries is set out in note 29. The aggregate net profits of the subsidiaries of the group amounted to R11 526 377 (2007: R3 040 007) and the aggregate losses of its subsidiaries amounted to R49 076 143 (2007: R261 963).

Audit committee report

The committee fulfilled its responsibilities during the year (refer CEO and Chairman's report) and has furthermore satisfied itself as to the independence of the external auditors and their suitability for reappointment for the ensuing year.

Auditors

PKF (Jhb) Inc. will continue in office in accordance with section 270(2) of the Companies Act of 1973.

Authority to issue annual financial statements

The board of directors of the company authorised the release of these annual financial statements, of which this report forms part, on 17 March 2009. The articles of association of the company do not make provision for shareholders to amend the annual financial statements after they have been issued.

Balance Sheets
at 31 December 2008

	Notes	Group 2008 R	Group 2007 R	Company 2008 R	Company 2007 R
Assets					
Non-current assets		**52 210 613**	158 022 108	**58 755 151**	109 838 628
Plant and equipment	2	**35 914 574**	23 272 633	**–**	–
Goodwill	3	**14 302 804**	133 535 994	**–**	–
Investment in subsidiaries	4	**–**	–	**58 755 151**	109 838 628
Deferred taxation	5	**1 993 235**	1 213 481	**–**	–
Current assets		**162 232 239**	148 532 784	**80 596 042**	119 698 404
Inventories	6	**87 454 624**	70 017 758	**–**	–
Trade and other receivables	7	**67 956 516**	60 341 937	**3 177**	–
Loans to subsidiaries	8	**–**	–	**80 592 865**	119 600 199
Cash and cash equivalents		**6 821 099**	16 127 753	**–**	98 205
Taxation		**–**	2 045 336	**–**	–
Total assets		**214 442 852**	306 554 892	**139 351 193**	229 537 032
Equity and liabilities					
Capital and reserves		**137 186 672**	236 255 541	**139 351 193**	229 477 847
Share capital	9	**295**	295	**295**	295
Share premium	10	**229 477 552**	229 477 552	**229 477 552**	229 477 552
(Accumulated loss)/Retained earnings		**(92 291 175)**	6 777 694	**(90 126 654)**	–
Non-current liabilities		**10 494 405**	6 136 472	**–**	–
Instalment sale liabilities	11	**9 195 960**	5 231 478	**–**	–
Deferred taxation	5	**1 298 445**	904 994	**–**	–
Current liabilities		**66 761 775**	64 162 879	**–**	59 185
Trade and other payables	12	**53 197 846**	38 375 885	**–**	59 185
Short-term portion of instalment sale liabilities	11	**3 501 529**	4 447 659	**–**	–
Bank overdraft		**7 248 796**	13 303 603	**–**	–
Taxation		**269 085**	6 756 872	**–**	–
Provisions	13	**2 544 519**	1 278 860	**–**	–
Total equity and liabilities		**214 442 852**	306 554 892	**139 351 193**	229 537 032
Net asset value per share (cents)		**46.5**	80.0		
Net tangible asset value per share (cents)		**41.6**	34.8		

Income Statements

for the year ended 31 December 2008

	Notes	Group 2008 R	Group 2007 R	Company 2008 R	Company 2007 R
Revenue	15	**440 446 378**	103 765 910	**–**	–
Cost of sales		**(304 878 293)**	(71 574 673)	**–**	–
Gross profit		**135 568 085**	32 191 237	**–**	–
Operating income – other		**464 062**	274 523	**–**	–
Operating expenses		**(105 004 236)**	(22 690 325)	**–**	–
Share-based payments	16	**–**	(4 000 000)	**–**	–
Goodwill impairment		**(119 233 190)**	–	**–**	–
Impairment of investment in and loans to subsidiaries		**–**	–	**(90 126 654)**	–
Operating (loss)/profit	12	**(88 205 279)**	5 775 435	**(90 126 654)**	–
Investment income	18	**1 037 795**	509 764	**–**	–
Finance costs	19	**(2 508 493)**	(729 696)	**–**	–
(Loss)/profit before taxation		**(89 675 977)**	5 555 503	**(90 126 654)**	–
Taxation	20	**(9 392 892)**	(2 777 809)	**–**	–
(Loss)/profit attributable to equity holders of the parent		**(99 068 869)**	2 777 694	**(90 126 654)**	–
Basic and diluted (loss)/earnings per share (cents)		**(33.6)**	1.3		

Statements of Changes in Equity

for the year ended 31 December 2008

	Share capital R	Share premium R	Total share capital R	(Accumulated loss)/ Retained income R	Total equity R
Group					
Issue of shares	295	233 857 522	233 857 817	–	233 857 817
Listing expenses	–	(4 379 970)	(4 379 970)	–	(4 379 970)
Profit attributable to equity holders of the parent	–	–	–	2 777 694	2 777 694
Share-based payment	–	–	–	4 000 000	4 000 000
Balance at 31 December 2007	295	229 477 552	229 477 847	6 777 694	236 255 541
Loss attributable to equity holders of the parent	–	–	–	(99 068 869)	(99 068 869)
Balance at 31 December 2008	**295**	**229 477 552**	**229 477 847**	**(92 291 175)**	**137 186 672**
Company					
Issue of shares	295	233 857 522	233 857 817	–	233 857 817
Listing expenses	–	(4 379 970)	(4 379 970)	–	(4 379 970)
Profit attributable to equity holders of the parent	–	–	–	–	–
Balance at 31 December 2007	295	229 477 552	229 477 847	–	229 477 847
Loss attributable to equity holders of the parent	–	–	–	(90 126 654)	(90 126 654)
Balance at 31 December 2008	**295**	**229 477 552**	**229 477 847**	**(90 126 654)**	**139 351 193**

Cash Flow Statements

for the year ended 31 December 2008

		Group		Company	
		2008	2007	**2008**	2007
	Notes	**R**	R	**R**	R
Cash flows from operating activities					
Operating cash before working capital movements	23.1	**36 158 990**	10 243 215	**–**	–
Working capital movements	23.2	**(10 229 488)**	(11 576 854)	**(62 362)**	59 185
Cash generated/(utilised) by operations		**25 929 502**	(1 333 639)	**(62 362)**	59 185
Interest received		**1 037 795**	509 764	**–**	–
Finance costs		**(2 508 493)**	(729 696)	**–**	–
Taxation paid	23.3	**(14 221 646)**	(1 667 124)	**–**	–
Net cash inflow/(outflow) from operating activities		**10 237 158**	(3 220 695)	**(62 362)**	59 185
Cash flow from investing activities					
Investment in plant and equipment to maintain operations	23.5	**(9 132 941)**	(1 004 223)	**–**	–
Investment in plant and equipment to expand operations	23.6	**(7 653 763)**	–	**–**	–
Proceeds on disposal of property, plant and equipment	23.7	**279 344**	4 827 030	**–**	–
Investment in subsidiaries and businesses	23.4	**–**	(114 836 010)	**–**	–
Loans to subsidiaries		**–**	–	**(35 843)**	(119 600 199)
Net cash outflow from investing activities		**(16 507 360)**	(111 013 203)	**(35 843)**	(119 600 199)
Cash flow from financing activities					
Proceeds from shares issued (net of costs)		**–**	119 639 219	**–**	119 639 219
Increase/(decrease) in instalment sale liabilities		**3 018 355**	(2 581 171)	**–**	–
Net cash inflow from financing activities		**3 018 355**	117 058 048	**–**	119 639 219
Net (decrease)/increase in cash and cash equivalents		**(3 251 847)**	2 824 150	**(98 205)**	98 205
Net cash and cash equivalents at the beginning of the year		**2 824 150**	–	**98 205**	–
Net cash and cash equivalents at the end of the year	23.8	**(427 697)**	2 824 150	**–**	98 205

1 Accounting policies

Basis of preparation

The financial statements are prepared on the historical cost basis and incorporate the principal accounting policies set out below.

These policies comply with IFRS and the Companies Act.

The financial statements are presented in South African Rands as it is the currency of the economic environment in which the group operates.

The financial statements are prepared on the going concern basis.

Basis for consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries. The results of subsidiaries are included from the effective dates of acquisition to the effective dates of disposal.

Intra-group transactions and balances are eliminated.

Plant and equipment and depreciation

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on the straight-line method to write the property, plant and equipment down to their residual values over their estimated useful lives. The depreciation rates applied to the various classes of assets are:

Plant and equipment	10% per annum
Office equipment	20% per annum
Vehicles	20% per annum
Computer equipment	33% per annum
Furniture and fittings	16.67% per annum

Goodwill

Goodwill is initially measured and carried at cost. It represents the excess of the purchase consideration over the fair value of the Group's share of the net fair value of identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition.

Goodwill is reviewed for impairment at least annually. Any impairment is immediately recognised as an expense.

Investment in subsidiaries

Investments in subsidiaries are regarded as available for sale. They are stated at cost except where there has been a decline in the net asset value, in which case they are written down to net asset value.

Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual terms of the instrument. Financial instruments include cash and bank balances, investments, receivables, trade creditors, borrowings and derivative financial instruments.

Loans receivable

Loans receivable originated by the enterprise are stated at amortised cost less accumulated impairment losses.

Trade and other receivables

Trade and other receivables originated by the group are stated at original invoiced amount, net of provisions for amounts which are not expected to be recoverable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balances with banks and investments in money market instruments.

Financial liabilities

Loans payable including interest-bearing debt and trade and other payables are recognised at amortised cost comprising original debt less principal payments.

Hedge accounting

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The group uses foreign exchange forward contracts to hedge this exposure. The group does not use derivative financial instruments for speculative purposes.

All foreign currency transactions are hedged through foreign exchange forward contracts.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability.

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss.

Gains or losses from remeasuring the derivative, or for non-derivatives of the foreign currency component of its carrying amount, are recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and estimated net realisable value, with due allowance being made for damage or obsolescence where applicable. Inventories are carried at cost based on the first-in first-out method.

Deferred taxation

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profits. Deferred tax assets are recognised when it is probable that future taxable profits will be available to off-set against deductible temporary differences.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event which is probable and will result in an outflow of economic benefits that can be reliably measured. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Leases

Leases of property, plant and equipment, which confer substantially all the benefits and risks of ownership, are classified as finance leases. Assets acquired in terms of finance lease agreements are capitalised at fair value or, if lower, at the present value of the minimum lease payments. Finance lease payments are allocated using the effective interest rate method, between finance costs and capital repayments.

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating leases are those leases that do not meet the above definition.

Operating lease rentals are charged against profit on a straight-line basis over the term of the lease.

Turnover

Turnover comprises net invoiced amounts for goods supplied net of value-added tax.

Cost of sales

Cost of sales consists of the cost of the inventories sold during the period, including costs of conversion and other costs included in bringing the inventories to their present location and condition.

Income from investments

Interest is recognised on a time proportion basis that takes into account the effective yield on the asset.

Borrowing costs

Borrowing costs are written off on a time apportionment basis to the income statement in the period in which they are incurred.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at grant date.

The fair value is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which such instruments are granted.

The fair value determined at grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period.

Foreign currencies

Foreign currency transactions are recorded, on initial recognition in rand, by applying to the foreign currency amount the exchange rate between the rand and the foreign currency at the date of the transactions. At each balance sheet date:

- foreign currency monetary items are reported using the closing rate.

Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised in the results for the period.

Forward exchange contracts

Forward exchange contracts are revalued to fair value at the balance sheet date and both realised and unrealised profits and losses are accounted for in the income statement for the period.

Post-retirement benefits

Contributions to the defined contribution plans in respect of service in a particular period are recognised as an expense in that period.

Significant estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent liabilities. Use of available information and the application of judgement are inherent in the formation of estimates.

Significant estimates and judgements are made in the following areas:

Plant and equipment
The useful lives of plant and equipment is estimated using past industry as well as Group experience.

New developments and changes in circumstances inform any changes in these estimates.

Goodwill impairment
Goodwill is tested for impairment at the end of each financial period.

The recoverable amount of the cash-generating unit to which the goodwill relates is determined by a value in use calculation.

Cash flow forecasts for one year ahead is discounted at post-tax rates which reflect the time value of money and the risk specific to the cash-generating unit.

Where the initial accounting of a business combination is provisional, the fair values of identifiable assets and liabilities will be determined within twelve months of the transaction (refer to note 3 for details).

Trade and other receivables

Allowances for doubtful debts are calculated by identifying specific past due debtors where indications are that amounts might not be recoverable.

In addition a general assessment is made of the inherent potential for bad debts in the remaining debtors book and a percentage of such debtors are provided for.

Share-based payments

The value of share-based payments is arrived at with reference to the market prices of such shares and the utilisation of generally accepted valuation techniques.

Actual results may differ from estimates made by management from time to time.

Segment report

No segment report is being presented as KayDav Group Limited is a single segment group. The business risks associated with the underlying divisions are the same.

2 Plant and equipment

Group

	31 December 2008			31 December 2007		
	Cost/ Valuation R	**Accumulated depreciation R**	**Carrying value R**	Cost/ Valuation R	Accumulated depreciation R	Carrying value R
Plant and equipment	**25 345 027**	**(2 292 849)**	**23 052 178**	18 016 985	(293 830)	17 723 155
Office equipment	**720 588**	**(207 192)**	**513 396**	672 630	(28 487)	644 143
Vehicles	**12 331 300**	**(1 061 953)**	**11 269 347**	4 320 982	(129 375)	4 191 607
Computer equipment	**1 149 248**	**(400 095)**	**749 153**	525 339	(53 472)	471 867
Furniture and fittings	**427 136**	**(96 636)**	**330 500**	253 251	(11 390)	241 861
Total	**39 973 299**	**(4 058 725)**	**35 914 574**	23 789 187	(516 554)	23 272 633

Reconciliation of plant and equipment – 31 December 2008

	Opening Balance R	**Additions R**	**Disposals R**	**Depreciation R**	**Total R**
Plant and equipment	**17 723 155**	**7 491 552**	**(89 552)**	**(2 072 977)**	**23 052 178**
Office equipment	**644 143**	**49 602**	**(1 644)**	**(178 705)**	**513 396**
Vehicles	**4 191 607**	**8 418 159**	**(153 943)**	**(1 186 476)**	**11 269 347**
Computer equipment	**471 867**	**650 072**	**(26 163)**	**(346 623)**	**749 153**
Furniture and fittings	**241 861**	**177 319**	**(3 434)**	**(85 246)**	**330 500**
	23 272 633	**16 786 704**	**(274 736)**	**(3 870 027)**	**35 914 574**

Reconciliation of plant and equipment – 31 December 2007

	Opening Balance R	Additions R	Disposals R	Depreciation R	Total R
Plant and equipment	17 720 779	296 206	–	(293 830)	17 723 155
Office equipment	636 365	36 265	–	(28 487)	644 143
Vehicles	8 960 108	601 358	(5 204 531)	(165 328)	4 191 607
Computer equipment	458 440	66 899	–	(53 472)	471 867
Furniture and fittings	249 756	3 495	–	(11 390)	241 861
	28 025 448	1 004 223	(5 204 531)	(552 507)	23 272 633

Plant and equipment with a carrying value of R15 953 081 (2007: R13 888 107) secures instalment sale liabilities set out in note 11.

The useful lives of plant and equipment as well as residual values are assessed annually.

Notes to the Annual Financial Statements
for the year ended 31 December 2008

	Group 2008 R	Group 2007 R	Company 2008 R	Company 2007 R
3 Goodwill				
Kayreed acquisition	**58 113 654**	58 113 654	**–**	–
Davidsons Holding Company acquisition	**75 422 340**	75 422 340	**–**	–
	133 535 994	133 535 994	**–**	–
Goodwill impairment	**(119 233 190)**	–	**–**	–
	14 302 804	133 535 994	**–**	–

Allocation of purchase considerations for prior period acquisitions

The Group has finalised the purchase price allocation associated with the acquisitions of the business of Kayreed Trading (Pty) Ltd and Davidsons Holding Company (Pty) Ltd during the year under review. The directors have considered the allocation of the purchase considerations to intangible assets and have concluded that the balance of the purchase consideration should not be allocated to intangible assets.

The directors are of the opinion that given the nature of the client lists, client relationships and the trade names acquired, there are no separately identifiable assets with a significant fair value requiring recognition.

Goodwill impairment

Changes in general valuation assumptions affecting financial markets and the current decrease in headline earnings lead to the impairment of goodwill.

The recoverable amount of goodwill was calculated by determining its value in use through the discounted cash flow method.

The following key assumptions were applied:

Nominal growth 7%

Discount rate 25%

The nominal growth rate was calculated by assuming inflation at 7% with no real growth.

The discount rate was calculated by using a risk free rate adjusted for risk factors.

The goodwill represents expected synergies and the value of the assembled workforce of these businesses.

	Group 2008 R	Group 2007 R	Company 2008 R	Company 2007 R
4 Investment in subsidiaries				
Shares at cost	**–**	–	**109 838 628**	109 838 628
Impairment	**–**	–	**(51 083 477)**	–
	–	–	**58 755 151**	109 838 628

The investment in subsidiaries was impaired in line with the impairment of goodwill which is set out in note 3.
The impairment above relates to the investment in the Davidsons Holding Company (Pty) Ltd.

	Group 2008 R	Group 2007 R	Company 2008 R	Company 2007 R
5 Deferred taxation				
Deferred taxation assets comprise:				
Accelerated capital allowances	**(168 787)**	(41 266)	**–**	–
Unrealised profits	**256 480**	–	**–**	–
Doubtful debt allowances	**747 673**	451 950	**–**	–
Leave pay accruals	**223 790**	132 363	**–**	–
Income received in advance	**–**	65 666	**–**	–
Prepayments	**–**	(6 677)	**–**	–
Rental accruals	**–**	10 083	**–**	–
Estimated tax losses	**934 079**	601 362	**–**	–
	1 993 235	1 213 481	**–**	–
Deferred taxation liabilities comprise:				
Accelerated capital allowances	**1 925 973**	1 670 808	**–**	–
Doubtful debt allowances	**(421 529)**	(507 427)	**–**	–
Leave pay accruals	**(234 256)**	(180 272)	**–**	–
Prepayments	**201 335**	–	**–**	–
Deferred income	**(105 968)**	–	**–**	–
Rental accruals	**(67 110)**	(78 115)	**–**	–
Estimated tax losses	**–**	–	**–**	–
	1 298 445	904 994	**–**	–
Deferred taxation asset	**1 993 235**	1 213 481	**–**	–
Deferred taxation liability	**(1 298 445)**	(904 994)	**–**	–
	694 790	308 487	**–**	–
Balance at the beginning of the period	**308 487**	–	**–**	–
Deferred tax balances acquired	**–**	(292 498)	**–**	–
Derecognition of deferred tax asset	**(367 318)**	–	**–**	–
Change in taxation rate	**2 029**	–	**–**	–
Unrealised profits	**256 480**	–	**–**	–
Temporary differences	**495 112**	600 985	**–**	–
	694 790	308 487	**–**	–

A deferred tax asset was not raised for estimated tax losses in Sharp Move Trading 260 (Pty) Ltd of R3 864 818.

	Group 2008 R	Group 2007 R	Company 2008 R	Company 2007 R
6 Inventories				
Inventories comprise				
– raw materials	**9 576 941**	6 013 764	**–**	–
– merchandise	**86 124 307**	69 747 536	**–**	–
	95 701 248	75 761 300	**–**	–
Impairment	**(8 246 624)**	(5 743 542)	**–**	–
	87 454 624	70 017 758	**–**	–

No inventory items are carried at net realisable value.

	Group 2008 R	Group 2007 R	Company 2008 R	Company 2007 R
7 Trade and other receivables				
Trade receivables	**70 881 188**	57 292 638	**–**	–
Impairment	**(5 973 660)**	(4 410 933)	**–**	–
	64 907 528	52 881 705	**–**	–
Other receivables	**3 048 988**	7 460 232	**3 177**	–
	67 956 516	60 341 937	**3 177**	–

The standard credit period on sale of goods is 30 days from the date of statement.

Before accepting any new customer, the Group performs credit checks utilising external credit bureaus and banks.

Industry knowledge and visits to potential customer premises assist in the decision to accept a new customer and the setting of credit limits.

Credit limits are continuously monitored through payment history checks and industry information.

Included in the Group's trade receivable balance are debtors with a carrying amount of R9 758 835 which are past due at the reporting date for which the Group has not provided as the amounts are still considered recoverable. The Group does not hold any collateral over these balances bar personal sureties.

The average age of the receivables is 57 days (2007: 63 days).

	Group 2008 R	Group 2007 R
Ageing of past due but not impaired trade receivables		
60 – 90 days	**7 742 174**	3 553 236
120 days +	**2 016 661**	66 878
Total	**9 758 835**	3 620 114
Ageing of impaired trade receivables		
60 – 90 days	**2 065 930**	2 365 388
120 days +	**4 744 043**	2 663 073
Total	**6 809 973**	5 028 461

Included in this amount is value-added taxation of R836 313.

	Group 2008 R	Group 2007 R
Reconciliation of impairment allowance		
Opening balance	**4 410 933**	–
Provision for impairment acquired	**–**	2 306 413
Provided during period	**1 562 727**	2 104 520
	5 973 660	4 410 933

	Group 2008 R	Group 2007 R	Company 2008 R	Company 2007 R
8 Loans to subsidiaries				
KayDav Industries (Pty) Ltd	**–**	–	**107 974 620**	107 921 180
Evertrade 168 (Pty) Ltd	**–**	–	**11 761 302**	11 779 019
Davidsons Holding Company (Pty) Ltd	**–**	–	**(99 880)**	(100 000)
	–	–	**119 636 042**	119 600 199
Impairment of loan to KayDav Industries (Pty) Ltd	**–**	–	**(39 043 177)**	–
	–	–	**80 592 865**	119 600 199

The loans are interest free and payable on demand.

The loan to KayDav Industries (Pty) Ltd was impaired in line with the net asset deficiency created by the impairment of goodwill in KayDav Industries (Pty) Ltd as set out in note 3.

The impairment above relates to the loan advanced to KayDav Industries (Pty) Ltd to acquire the business of Kayreed Trading (Pty) Ltd.

The loan to KayDav Industries (Pty) Ltd has been subordinated by KayDav Group Ltd until its assets, fairly valued, exceed its liabilities.

	Group 2008 R	Group 2007 R	Company 2008 R	Company 2007 R
9 Share capital				
Authorised				
1 000 000 000 ordinary shares of 0.000001 cent each	**1 000**	1 000	**1 000**	1 000
Issued				
295 232 716 ordinary shares of 0.000001 cent each	**295**	295	**295**	295

Unissued shares
The unissued shares are under the control of the directors until the forthcoming annual general meeting.

	Group 2008 R	Group 2007 R	Company 2008 R	Company 2007 R
10 Share premium				
Balance at the beginning of the period	**229 477 552**	–	**229 477 552**	–
Arising on conversion of shareholder loan to capital	**–**	84 119 044	**–**	84 119 044
Arising on acquisition of Davidsons Holding Company group	**–**	109 738 518	**–**	109 738 518
Arising on private placing	**–**	39 999 960	**–**	39 999 960
	229 477 552	233 857 522	**229 477 552**	233 857 522
Share issue expenses	**–**	(4 379 970)	**–**	(4 379 970)
	229 477 552	229 477 552	**229 477 552**	229 477 552

	Group 2008 R	Group 2007 R	Company 2008 R	Company 2007 R
11 Instalment sales				
Instalment sales over plant and equipment with interest rates varying between prime and two percentage points below prime	**12 697 489**	9 679 137	**–**	–
Short-term portion	**(3 501 529)**	(4 447 659)	**–**	–
	9 195 960	5 231 478	**–**	–
Minimum instalments				
Payable within 1 year	**4 933 264**	5 095 883	**–**	–
Payable in 2 to 5 years	**11 315 627**	6 616 428	**–**	–
	16 248 891	11 712 311	**–**	–
Capital repayments included in minimum instalments				
Payable within 1 year	**3 501 529**	4 447 659	**–**	–
Payable in 2 to 5 years	**9 195 960**	5 231 478	**–**	–
	12 697 489	9 679 137	**–**	–
12 Trade and other payables				
Trade payables	**51 115 486**	36 091 699	**–**	–
Other payables	**2 082 360**	2 284 186	**–**	59 185
	53 197 846	38 375 885	**–**	59 185
13 Provisions				
Provision for leave pay	**1 635 051**	1 278 860	**–**	–
At beginning of the year	**1 278 859**	1 743 982	**–**	–
Movement during the year	**356 192**	(465 122)	**–**	–
Provision for restructuring	**909 468**	–	**–**	–
	2 544 519	1 278 860	**–**	–
The provision for restructuring relates to a decision to close the branch operating out of Sharp Move Trading 260 (Pty) Ltd.				
Accounting for the business as a going concern was inappropriate. A provision for costs to close the branch was made.				
The provision consists of:				
Retrenchment costs	**51 721**	–	**–**	–
Onerous lease agreement	**857 747**	–	**–**	–
	909 468	–	**–**	–

14 Banking facilities

The Group has fixed bank overdraft facilities of R500 000.

In addition a fluctuating confidential factoring facility provides access to funds based on the level of trade debtors at certain subsidiaries.

At year-end the utilised factoring facility amounted to R7 248 796 (2007: R12 700 000).

The banking facilities at period-end were secured by unlimited cross sureties between Davidsons Holding Company (Pty) Ltd, Evertrade 168 (Pty) Ltd, Evertrade 173 (Pty) Ltd, Tresso Trading 298 (Pty) Ltd, Evertrade 180 (Pty) Ltd and Braver Trading (Pty) Ltd. In addition unrestricted cession of book debts in all companies excluding Evertrade 180 (Pty) Ltd and Sharp Move Trading 260 (Pty) Ltd secures the facilities.

	Group		Company	
	2008	2007	**2008**	2007
	R	R	**R**	R
15 Revenue				
Sale of goods	**440 446 378**	103 765 910	**–**	–

16 Share-based payments

On listing a major shareholder of KayDav Group Ltd granted 1 500 000 share options to the Chairman of the Board, Ian Stern. These options have a strike price of R1.00 and 300 000 options can be exercised on 15 November of each year from 2008 to 2012.

No value was placed on this arrangement at 31 December 2008, as a valuation indicated an insignificant value.

The above arrangements have no impact on the cash flows or the net asset value of the Group.

17 Operating (loss)/profit

	Group 2008 R	Group 2007 R	Company 2008 R	Company 2007 R
The following items are included in operating (loss)/profit				
Profit on disposal of tangible and intangible assets				
Property, plant and equipment – owned	**4 607**	35 254	**–**	–
Audit fees				
Audit services	**499 674**	–	**–**	–
Loss on disposal of tangible and intangible assets				
Property, plant and equipment – owned	**–**	415 788	**–**	–
Impairment				
Inventories	**2 503 083**	–	**–**	–
Trade receivables	**1 562 727**	2 104 520	**–**	–
Goodwill	**119 233 190**	–	**–**	–
Investment in and loans to subsidiaries	**–**	–	**90 126 654**	–
Depreciation of tangible and intangible assets				
Plant and equipment – owned	**3 870 027**	552 507	**–**	–
Operating lease charges				
Property	**10 027 863**	1 631 031	**–**	–
Plant and equipment (incl. vehicles)	**10 599 888**	516 787	**–**	–
	20 627 751	2 147 818	**–**	–
Staff costs				
Contributions to defined contribution retirement funds	**2 747 486**	482 865	**–**	–
Medical benefits	**1 556 692**	431 017	**–**	–
Other (incl. salaries, bonuses, allowances, commissions, fringe benefits excl. retirement and medical)	**45 448 598**	9 977 784	**–**	–
	49 752 776	10 891 666	**–**	–

Notes to the Annual Financial Statements
for the year ended 31 December 2008

	Group 2008 R	Group 2007 R	Company 2008 R	Company 2007 R
18 Investment income				
Bank interest received	**1 037 795**	509 764	**–**	–
19 Finance costs				
Interest-bearing borrowings (long term)	**1 011 444**	539 177	**–**	–
Bank overdraft	**1 497 049**	190 519	**–**	–
	2 508 493	729 696	**–**	–
20 Taxation				
South African normal tax at standard rate				
– current year	**9 779 195**	3 383 119	**–**	–
– prior year	**–**	(4 325)	**–**	–
Deferred	**(386 303)**	(600 985)	**–**	–
	9 392 892	2 777 809	**–**	–
21 Tax rate reconciliation				
Normal tax rate	**28%**	29%	**28%**	29%
Share-based payment	**–**	21%	**–**	–
Derecognition of tax asset	**(1%)**	–	**–**	–
Goodwill impairment	**(37%)**	–	**–**	–
Impairment of investment in and loans to subsidiaries	**–**	–	**(28%)**	–
Effective tax rate	**(10%)**	50%	**–**	29%
22 Earnings per share				
Weighted average number of shares in issue	**295 232 716**	220 363 402		
Reconciliation between earnings and headline earnings				
Earnings	**(99 068 869)**	2 777 694		
(Profit)/Loss on sale of plant and equipment (after tax)	**(3 317)**	270 179		
Goodwill impairment	**119 233 190**	–		
Headline earnings	**20 161 004**	3 047 873		
Headline earnings per share (cents)	**6.8**	1.4		

23 Notes to the cash flow statements

		Group 2008 R	Group 2007 R	Company 2008 R	Company 2007 R
23.1	Operating cash before working capital movements				
	(Loss)/Profit before taxation	**(89 675 977)**	5 555 503	**(90 126 654)**	–
	Adjusted for:				
	Depreciation	**3 870 027**	552 369	**–**	–
	(Profit)/Loss on disposal of assets	**(4 607)**	380 534	**–**	–
	Interest received	**(1 037 795)**	(509 765)	**–**	–
	Finance costs	**2 508 493**	729 696	**–**	–
	Provisions	**1 265 659**	(465 122)	**–**	–
	Goodwill impairment	**119 233 190**	–	**–**	–
	Impairment of investment in and loans to subsidiaries	**–**	–	**90 126 654**	–
	Share-based payment	**–**	4 000 000	**–**	–
		36 158 990	10 243 215	**–**	–
23.2	Working capital decrease/(increase)				
	Inventories	**(17 436 866)**	(393 319)	**–**	–
	Trade and other receivables	**(7 614 579)**	31 794 934	**(3 177)**	–
	Trade and other payables	**14 821 957**	(42 978 469)	**(59 185)**	59 185
		(10 229 488)	(11 576 854)	**(62 362)**	59 185
23.3	Taxation paid				
	Balance at beginning of year	**(4 711 536)**	–	**–**	–
	Liability acquired with subsidiaries purchased	**–**	(2 999 866)	**–**	–
	Recovery/(Charge) for the year	**(9 779 195)**	(3 378 794)	**–**	–
	Balance at end of year	**269 085**	4 711 536	**–**	–
	Taxation paid	**(14 221 646)**	(1 667 124)	**–**	–
23.4	Purchase of new business and subsidiaries				
	Property, plant and equipment	**–**	(1 453 391)	**–**	–
	Goodwill	**–**	(58 113 654)	**–**	–
	Subsidiaries	**–**	(109 838 628)	**–**	–
	Current assets	**–**	(79 856 331)	**–**	–
	Cash and cash equivalents	**–**	(3 326 965)	**–**	–
	Current liabilities	**–**	34 271 171	**–**	–
	Taxation	**–**	1 670 540	**–**	–
		–	(216 647 258)		
	Purchase settled via shares	**–**	109 838 628		
	Net overdrafts acquired	**–**	(8 027 380)		
	Net cash flow on acquisition	**–**	114 836 010		

	Group 2008 R	Group 2007 R	Company 2008 R	Company 2007 R
23 Notes to the cash flow statements (continued)				
23.5 Investment in plant and equipment to maintain operations				
Plant and equipment	**(2 012 736)**	(296 206)	**–**	–
Office equipment	**(18 798)**	(36 265)	**–**	–
Motor vehicles	**(6 822 760)**	(601 358)	**–**	–
Computer equipment	**(222 516)**	(66 899)	**–**	–
Furniture and fittings	**(56 131)**	(3 495)	**–**	–
	(9 132 941)	(1 004 223)	**–**	–
23.6 Investment in plant and equipment to expand operations				
Plant and equipment	**(5 478 816)**	–	**–**	–
Office equipment	**(30 805)**	–	**–**	–
Motor vehicles	**(1 595 398)**	–	**–**	–
Computer equipment	**(427 556)**	–	**–**	–
Furniture and fittings	**(121 188)**	–	**–**	–
	(7 653 763)	–	**–**	–
23.7 Proceeds on disposal of plant and equipment				
Plant and equipment	**35 000**	–	**–**	–
Motor vehicles	**244 344**	4 827 030	**–**	–
	279 344	4 827 030	**–**	–
23.8 Net cash and cash equivalents				
Cash and cash equivalents	**6 821 099**	16 127 753	**–**	98 205
Bank overdraft	**(7 248 796)**	(13 303 603)	**–**	–
	(427 697)	2 824 150	**–**	98 205

	Group 2008 R	Group 2007 R	Company 2008 R	Company 2007 R
24 Commitments				
Operating leases				
The minimum commitments are				
– immovable property	**20 718 908**	17 963 342	**–**	–
– vehicles	**6 809 809**	8 084 631	**–**	–
	27 528 717	26 047 973	**–**	–
Payable within 1 year	**8 961 740**	7 882 093	**–**	–
Payable in 2 to 5 years	**18 566 977**	17 477 523	**–**	–
Thereafter	**–**	688 357	**–**	–
	27 528 717	26 047 973	**–**	–
Present value of minimum lease payments				
– immovable property	**19 476 170**	15 750 349	**–**	–
– vehicles	**5 906 662**	6 883 470	**–**	–
	25 382 832	22 633 819	**–**	–

25 Risk management

Financial risk management

The Group's non-derivative financial instruments consist mainly of deposits with and borrowings from banks, term investments, accounts receivable and payable and loans to and from subsidiaries. The book value of these financial instruments approximates fair value.

Derivative instruments used by the Group for hedging of foreign currency risk are forward exchange contracts. The Group does not speculate in the trading of these derivative instruments.

25 Risk management (continued)

Foreign currency management

The Group transacts a significant portion of its purchases in foreign currency. Hedging instruments are used to reduce the risks arising from foreign currency fluctuations and are designated to accounts payable.

Foreign exchange risk

It is the policy of the Group to hedge all foreign transactions by covering the transactions with forward exchange contracts on transaction date. As such no unhedged foreign exchange balances existed at year-end, therefore a decrease or increase in foreign exchange rates will have no effect on profits.

Interest rate risk management

Interest rates on all deposits with banks and external borrowings are variable and linked to prime overdraft rates.

Credit risk management

Potential credit risk comprises trade accounts receivable and cash deposits with banks.

Credit risk relating to trade accounts receivable is dispersed over a large number of customers. There are no significant concentrations of credit risk in that no customer comprises more than 5% of accounts receivable. The Group performs credit checks on all new customers and monitors the credit situation of each customer on an ongoing basis. Where appropriate, accounts are secured through personal suretyships, collateral and credit insurance.

The Group invests surplus funds only with major financial institutions.

Liquidity risk management

The Group manages liquidity risk by monitoring cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The Group facilities at 31 December 2008 are reflected in note 14.

25 Risk management (continued)

Sensitivity analysis

The sensitivity analysis below calculates the impact of movements in the foreign exchange rates in which the Group transacts as well as in interest rates on Group profits. The analysis is based on closing balances at year-end.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange and interest rate risk as the year-end exposure does not reflect the exposure during the year.

GROUP
2008

		Foreign exchange risk			Interest rate risk		
		Profit/(loss) should the rand exchange rate change by 5%			Profit/(loss) should the interest rate change by 2%		
	Carrying value R	Amount exposed to risk R	Rand appreciation R	Rand depreciation R	Amount exposed to risk R	Rate increase R	Rate decrease R
Financial assets							
Bank and cash	6 821 099	–	–	–	6 821 099	136 422	(136 422)
Trade and other receivables	67 956 516	–	–	–	–	–	–
Impact of financial assets on:							
– profit before taxation	–	–	–	–	–	136 422	(136 422)
– profit after taxation	–	–	–	–	–	98 224	(98 224)
Financial liabilities							
Instalment sale liabilities	12 697 490	–	–	–	12 697 490	(253 950)	253 950
Trade and other payables	53 197 843	1 636 934	81 847	(81 847)	–	–	–
Bank overdraft	7 248 796	–	–	–	7 248 796	(144 976)	144 976
Impact of financial liabilities on:							
– profit before taxation	–	–	81 847	(81 847)	–	(398 926)	398 926
– profit after taxation	–	–	58 111	(58 111)	–	(287 227)	287 227
Overall impact on profit after taxation	–	–	58 111	(58 111)	–	(189 003)	189 003

25 Risk management (continued)

Sensitivity analysis (continued)

GROUP

2007		Foreign exchange risk: Profit/(loss) should the rand exchange rate change by 5%			Interest rate risk: Profit/(loss) should the interest rate change by 2%		
	Carrying value R	Amount exposed to risk R	Rand appreciation R	Rand depreciation R	Amount exposed to risk R	Rate increase R	Rate decrease R
Financial assets							
Bank and cash	16 127 753	–	–	–	16 127 753	322 555	(322 555)
Trade and other receivables	60 341 937	–	–	–	–	–	–
Impact of financial assets on:							
– profit before taxation	–	–	–	–	–	322 555	(322 555)
– profit after taxation	–	–	–	–	–	229 014	(229 014)
Financial liabilities							
Instalment sale liabilities	9 679 137	–	–	–	9 679 137	(193 583)	193 583
Trade and other payables	38 375 885	1 372 998	68 650	(68 650)	–	–	–
Bank overdraft	13 303 603	–	–	–	13 303 603	(266 072)	266 072
Impact of financial liabilities on:							
– profit before taxation	–	–	68 650	(68 650)	–	(459 655)	459 655
– profit after taxation	–	–	48 741	(48 741)	–	(326 355)	326 355
Overall impact on profit after taxation	–	–	48 741	(48 741)	–	(97 341)	97 341

25 Risk management (continued)

Sensitivity analysis (continued)

COMPANY
2008

	Foreign exchange risk				Interest rate risk		
	Profit/(loss) should the rand exchange rate change by 5%				Profit/(loss) should the interest rate change by 2%		
	Carrying value R	Amount exposed to risk R	Rand appreciation R	Rand depreciation R	Amount exposed to risk R	Rate increase R	Rate decrease R
Financial assets							
Bank and cash	–	–	–	–	–	–	–
Trade and other receivables	3 177	–	–	–	–	–	–
Impact of financial assets on:							
– profit before taxation	–	–	–	–	–	–	–
– profit after taxation	–	–	–	–	–	–	–
Financial liabilities							
Trade and other payables	–	–	–	–	–	–	–
Impact of financial liabilities on:							
– profit before taxation	–	–	–	–	–	–	–
– profit after taxation	–	–	–	–	–	–	–
Overall impact on profit after taxation	–	–	–	–	–	–	–

25 Risk management (continued)

Sensitivity analysis (continued)

COMPANY

2007	Foreign exchange risk				Interest rate risk		
	Profit/(loss) should the rand exchange rate change by 5%				Profit/(loss) should the interest rate change by 2%		
	Carrying value R	Amount exposed to risk R	Rand appreciation R	Rand depreciation R	Amount exposed to risk R	Rate increase R	Rate decrease R
Financial assets							
Bank and cash	98 205	–	–	–	98 205	1 964	(1 964)
Impact of financial assets on:							
– profit before taxation	–	–	–	–	–	1 964	(1 964)
– profit after taxation	–	–	–	–	–	1 395	(1 395)
Financial liabilities							
Trade and other payables	59 837	–	–	–	–	–	–
Impact of financial liabilities on:							
– profit before taxation	–	–	–	–	–	–	–
– profit after taxation	–	–	–	–	–	–	–
Overall impact on profit after taxation	–	–	–	–	–	1 395	(1 395)

Maturity analysis of financial liabilities

Instalment sale agreements

Refer to note 11.

Trade and other payables

Trade and other payables are payable within six months.

26 Retirement benefits

The group operates defined contribution retirement plans for the benefit of its employees.

All permanent employees are required to become members of one of these plans.

Contributions to retirement funding during the reporting period amounted to R2 747 486.

27 Directors' emoluments

	Services as directors R	Salary and allowances R	Bonuses and performance-related payments R	Retirement and related benefits R	Share-based payments R	Other benefits R	Total R
2008							
Executive directors							
Gary Davidson	–	985 836	83 153	–	–	14 160	1 083 149
Geoff Davidson	–	840 000	70 000	42 000	–	93 684	1 045 684
Martin Slier	–	700 034	62 500	32 902	–	17 064	812 500
Jay Katz	–	602 040	50 170	81 697	–	118 346	852 253
	–	3 127 910	265 823	156 599	–	243 254	3 793 586
Non-executive directors							
Ian Stern	360 000	–	–	–	–	–	360 000
Jonathan Hertz	180 000	–	–	–	–	–	180 000
	540 000	–	–	–	–	–	540 000

Shareholding of directors	Direct	Indirect
Ian Stern	300 000	–
Gary Davidson	13 325 794	26 651 588
Martin Slier	1 000 000	–
Jay Katz	1 060 000	–
	15 685 794	26 651 588

27 Directors' emoluments (continued)

2007

	Services as directors R	Salary and allowances R	Bonuses and performance-related payments R	Retirement and related benefits R	Share-based payments R	Other benefits R	Total R
Executive directors							
Gary Davidson	–	164 306	53 000	–	–	–	217 306
Geoff Davidson	–	140 000	70 000	7 000	–	15 664	232 664
Martin Slier	–	117 131	49 342	6 250	1 000 000	–	1 172 723
Jay Katz	–	121 906	35 868	16 539	1 000 000	22 169	1 196 482
	–	543 343	208 210	29 789	2 000 000	37 833	2 819 175
Non-executive directors							
Ian Stern	90 000	–	–	–	–	–	90 000
Jonathan Hertz	30 000	–	–	–	–	–	30 000
	120 000	–	–	–	–	–	120 000

Shareholding of directors	Direct	Indirect
Ian Stern	300 000	–
Gary Davidson	13 325 794	26 651 588
Martin Slier	1 000 000	–
Jay Katz	1 060 000	–
	15 685 794	26 651 588

28 Related parties

Related parties are those that control or have significant influence over the group, including major investors and key management personnel and parties that are significantly controlled or influenced by the group, including subsidiaries.

Related-party relationships where control exists are:

Related party	Nature of relationship
Companies	
Davidsons Holding Company	Subsidiary
KayDav Industries (Pty) Ltd	Subsidiary
Evertrade 168 (Pty) Ltd	Subsidiary
Evertrade 173 (Pty) Ltd	Subsidiary
Evertrade 180 (Pty) Ltd	Subsidiary
Braver Trading (Pty) Ltd	Subsidiary
Tresso Trading 298 (Pty) Ltd	Subsidiary
Sharp Move Trading 260 (Pty) Ltd	Subsidiary
Sign and Seal Trading 154 (Pty) Ltd	Subsidiary

Directors
KayDav Group Ltd
Gary Davidson
Geoff Davidson
Ian Stern
Jay Katz
Jonathan Hertz
Martin Slier

Related-party transactions
The following related party transactions occurred:

Directors
Directors' emoluments are set out in note 27.

Shareholders
Premises rented from the Davidson Family Trust (major shareholder) resulted in a rent charge of R1 623 200 for the reporting period.

Contracts for the rental of three buildings were entered into during the year and will run until 31 July 2010. The combined rental amounts to R135 266 per month with annual escalations of 8%.

29 Subsidiaries

	Issued share capital	Shares at cost less amounts written off	Amount receivable/ (payable)
Direct holdings			
All wholly owned			
Davidsons Holding Company (Pty) Ltd	100	109 838 628	(99 880)
KayDav Industries (Pty) Ltd	100	100	107 974 620
Indirect holdings			
All wholly owned via Davidsons Holding Company (Pty) Ltd			
Evertrade 168 (Pty) Ltd	100	Indirect	11 761 302
Evertrade 173 (Pty) Ltd	100	Indirect	–
Evertrade 180 (Pty) Ltd	100	Indirect	–
Braver Trading (Pty) Ltd	100	Indirect	–
Tresso Trading 298 (Pty) Ltd	100	Indirect	–
Sharp Move Trading 260 (Pty) Ltd	100	Indirect	–
Sign and Seal Trading 154 (Pty) Ltd	100	Indirect	–

30 New accounting pronouncements

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective: Note: Amendments in italics represent amendments introduced under the Improvements Project.

Standard	Details of amendment	Annual periods beginning on or after
IFRS 1: First-time Adoption of International Financial Reporting Standards	• Measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRS for the first time	1 January 2009
IFRS 2: Share-based Payment	• Amendment relating to vesting conditions and cancellations	1 January 2009
IFRS 3: Business Combinations	• Amendments to accounting for business combinations	1 July 2009
IFRS 5: Non-current Assets Held for Sale and Discontinued Operations	• *Plan to sell the controlling interest in a subsidiary*	1 July 2009
IFRS 7: Financial Instruments: Disclosures	• *Presentation of finance costs*	1 January 2009

30 New accounting pronouncements (continued)

Standard	Details of amendment	Annual periods beginning on or after
IFRS 8: Operating Segments	• New standard on segment reporting (replaces IAS 14)	1 January 2009
IAS 1: Presentation of Financial Statements	• Amendments to the structure of the financial statements • *Current/non-current classification of derivatives*	1 January 2009
IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors	• *Status of the implementation guidance*	1 January 2009
IAS 10: Events after the Reporting Period	• *Dividends declared after the end of the reporting period*	1 January 2009
IAS 16: Property, Plant and Equipment	• *Recoverable amount* • *Sale of assets held for rental*	1 January 2009
IAS 18: Revenue	• *Costs of originating a loan*	1 January 2009
IAS 20: Accounting for Government Grants and Disclosure of Government Assistance	• *Government loans with a below-market rate of interest* • *Consistency of terminology with other IFRSs*	1 January 2009
IAS 23: Borrowing Costs	• Amendment requiring capitalisation only model • *Components of borrowing costs*	1 January 2009
IAS 27: Consolidated and separate financial statements	• Amendments dealing with measurement of the cost of investments when adopting IFRS for the first time • Consequential amendments from changes to Business Combinations • *Measurement of subsidiary held for sale in separate financial statements*	1 January 2009
IAS 28: Investments in Associates	• Consequential amendments from changes to Business Combinations • *Required disclosures when investments in associates are accounted for at fair value through profit or loss* • *Impairment of investment in associates*	1 January 2009
IAS 29: Financial Reporting in Hyperinflationary Economics	• *Description of measurement basis in financial statements* • *Consistency of terminology with other IFRSs*	1 January 2009
IAS 31: Interests in Joint Ventures	• Consequential amendments from changes to Business Combinations • *Required disclosures when interests in jointly controlled entities are accounted for at fair value*	1 January 2009

30 New accounting pronouncements (continued)

Standard	Details of amendment	Annual periods beginning on or after
IAS 32: Financial Instruments: Presentation	• Certain financial instruments will be classified as equity whereas prior to these amendments they would have been classified as financial liabilities	1 January 2009
IAS 34: Interim Financial Reporting	• *Earnings per share disclosures in interim financial reports*	1 January 2009
IAS 36: Impairment of Assets	• *Disclosure of estimates used to determine recoverable amount*	1 January 2009
IAS 38: Intangible Assets	• *Advertising and promotional activities* • *Unit of production method of amortisation*	1 January 2009
IAS 39: Financial Instruments: Recognition and Measurement	• *Reclassification of derivatives into or out of the classification at fair value through profit or loss* • *Designating and documenting hedges at the segment level* • *Applicable effective interest rate on cessation of fair value hedge accounting*	1 January 2009
	• Clarifies two hedge accounting issues: • Inflation in a financial hedged item • A one-sided risk in a hedged item	1 July 2009
IAS 40: Investment Property	• *Property under construction or development for future use as investment property* • *Consistency of terminology with IAS 8* • *Investment property held under lease*	1 January 2009
IAS 41: Agriculture	• *Discount rate for fair value calculations* • *Additional biological transformation* • *Examples of agricultural produce and products* • *Point-of-sale costs*	1 January 2009

Interpretations	Annual periods beginning on or after
IFRIC 13: Customer Loyalty Programmes	1 July 2008
IFRIC 15: Agreements for the Construction of Real Estate	1 January 2009
IFRIC 17: Distributions of Non-cash Assets to Owners	1 July 2009
IFRIC 18: Transfer of Assets from Customers	1 July 2009

The directors have not yet determined what the impact of these new Standards and Interpretations on the company will be.

Analysis of Shareholders

as at 31 December 2008

Analysis of shareholdings	Number of shareholders	% of total number of shareholders	Number of shares	% of total issued capital
1 – 1 000 shares	13	7.2%	7 964	0.0%
1 001 – 10 000 shares	52	28.7%	273 100	0.1%
10 001 – 100 000 shares	55	30.4%	2 612 679	0.9%
100 001 – 1 000 000 shares	42	23.2%	15 114 551	5.1%
1 000 001 shares and over	19	10.5%	277 224 422	93.9%
	181	100.0%	295 232 716	100.0%
Major shareholders holding more than 5% of share capital				
Peregrine Equities Pty Ltd			81 000 000	27.4%
Davidson Family Trust			53 303 177	18.1%
African Dune Investments 183 Pty Ltd			40 920 700	13.9%
Katzgold Trading & Investments (Pty) Ltd			19 612 458	6.6%
Shareholder spread				
Directors of KayDav Group Ltd and its subsidiaries	6	3.3%	52 251 245	17.7%
Shareholders with an interest of 10% or more in the company	3	1.7%	175 223 877	59.3%
Public shareholders	172	95.0%	67 757 594	23.0%
	181	100.0%	295 232 716	100.0%
Distribution of shareholders				
Individuals	126	69.6%	53 868 631	18.2%
Private companies	22	12.1%	155 202 803	52.6%
Public companies	2	1.1%	8 197 465	2.8%
Close corporations	9	5.0%	910 800	0.3%
Trusts	13	7.2%	54 357 866	18.4%
Collective investment schemes	9	5.0%	22 695 151	7.7%
	181	100.0%	295 232 716	100.0%

Share price performance	R
Opening price 31 December 2007	1.10
Closing price 31 December 2008	0.27
High for the period	1.10
Low for the period	0.21
Number of shares in issue	295 232 716
Volume traded during period	132 444 073
Ratio of volume traded to shares issued	44.86%

Notice of Annual General Meeting

KAYDAV GROUP LIMITED

Registration number 2006/038698/06

JSE code: KDV

ISIN: ZAE000108940

("the company")

Notice is hereby given that the annual general meeting of shareholders of KayDav Group Limited ("the company") will be held at 2 Arnold Road, Rosebank 2196, Gauteng on 26 June 2009 at 10:00 for the following purposes:

1. To consider the annual financial statements for the year ended 31 December 2008;
2. To transact such other business as may be transacted at an annual general meeting of a company, including the re-appointment of the auditors and re-election of retiring directors; and
3. To consider and, if deemed fit, to pass, with or without modification, the special and ordinary resolutions set out below, in the manner required by the South African Companies Act, 1973, as amended:

Special resolution number 1: Share repurchases

"Resolved that the directors be authorised pursuant *inter alia* to the company's articles of association, until this authority lapses at the next annual general meeting of the company, unless it is then renewed at the next annual general meeting of the company and provided that this authority shall not extend beyond 15 (fifteen) months from date of passing this special resolution, for the company or any subsidiary of the company to acquire shares of the company, subject to the Listings Requirements of the JSE Limited ("JSE") on the following bases:

1. repurchases of shares must be effected through the order book operated by the JSE trading system, and done without any prior arrangement between the company and the counterparty;
2. the company or subsidiary may only appoint one agent to effect repurchases on its behalf;
3. the company or subsidiary must be authorised thereto by its articles of association;
4. the number of shares which may be acquired pursuant to this authority in any financial year (which commenced 1 January 2009) may not in the aggregate exceed 20% (twenty per cent) [or 10% (ten per cent) where such acquisitions are effected by a subsidiary] of the company's share capital as at the date of this notice of annual general meeting;
5. repurchases of shares may not be made at a price more than 10% (ten per cent) above the weighted average of the market value on the JSE of the shares in question for the five business days immediately preceding the repurchase;
6. repurchases may not take place during a prohibited period (as defined in paragraph 3.67 of the JSE Listings Requirements) unless a repurchase programme is in place and the dates and quantities of shares to be repurchased during the prohibited period have been determined and full details thereof announced on SENS prior to commencement of the prohibited period;
7. repurchases may only take place if, after such repurchase, the shareholder spread of the company still complies with Listings Requirements of the JSE;

8. after the company has acquired shares which constitute, on a cumulative basis, 3% (three per cent) of the number of shares in issue (at the time that authority from shareholders for the repurchase is granted), the company shall publish an announcement to such effect, or any other announcements that may be required in such regard in terms of the Listings Requirements of the JSE which may be applicable from time to time; and
9. the company's sponsor shall confirm the adequacy of the company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE prior to entering the market to proceed with the repurchase."

In accordance with the Listings Requirements of the JSE, the directors record that:

Although there is no immediate intention to effect a repurchase of securities of the company, the directors would utilise the general authority to repurchase securities as and when suitable opportunities present themselves, which opportunities may require expeditious and immediate action.

The directors, after considering the maximum number of securities which may be repurchased and the price at which the repurchases may take place pursuant to the buyback general authority, are of the opinion that for a period of 12 (twelve) months after the date of notice of this annual general meeting:

- the company and the group will be able to pay their debts in the ordinary course of business;
- the consolidated assets of the company and of the group fairly valued in accordance with generally accepted accounting practice, will exceed the consolidated liabilities of the company and of the group after the buyback;
- the working capital, share capital and reserves of the company and of the group will be adequate for the purposes of the business of the company and its subsidiaries.

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of paragraph 11.26 of the Listings Requirements of the JSE for purposes of this general authority:

- Directors – page 6
- Major beneficial shareholders – page 41
- Directors' interests in ordinary shares – page 35
- Share capital of the company – page 23

Litigation statement

The directors, whose names appear on page 6 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past (being at least the previous 12 (twelve) months) a material effect on the group's financial position.

Directors' responsibility statement

Directors, whose names appear on page 6 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required in terms of the Listings Requirements of the JSE.

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report for the year ended 31 December 2008 and up to the date of this notice.

Reasons for and effects of special resolution 1

The reason for Special Resolution 1 is to afford directors of the company or a subsidiary of the company a general authority to effect a buyback of the company's shares on the JSE. The effect of the resolution will be that the directors will have the authority, subject to the Rules and Requirements of the JSE, to effect acquisitions of the company's shares on the JSE.

Ordinary resolution number 1: Issue of shares for cash

"Resolved that the directors be authorised pursuant *inter alia* to the company's articles of association, until this authority lapses at the next annual general meeting of the company, unless it is then renewed at the next annual general meeting of the company provided that it shall not extend beyond 15 months, to allot and issue ordinary shares for cash subject to the Rules and Requirements of the JSE Limited ("JSE") on the following bases:

1. the allotment and issue of the shares must be made to persons qualifying as public shareholders as defined in the Listings Requirements of the JSE and not to related parties;
2. the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;
3. the number of shares issued for cash shall not in the aggregate in any one financial year exceed 15% (fifteen percent) of the company's issued share capital of ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to a rights issue (announced, irrevocable and fully underwritten) or acquisition (concluded up to the date of application including announcement of the final terms) may be included as though they were shares in issue at the date of application;
4. the maximum discount at which ordinary shares may be issued is 10% (ten per cent) of the weighted average traded price on the JSE of those shares over the 30 business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the shares;
5. after the company has issued shares for cash which represent, on a cumulative basis within a financial year, 5% (five per cent) or more of the number of shares in issue prior to that issue, the company shall publish an announcement containing full details of the issue (including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 days prior to the date that the price of the issue is determined or agreed to by the directors and the effect of the issue on net asset value per share, net tangible asset value per share, earnings per share, headline earnings per share and, if applicable, diluted earnings per share and diluted headline earnings per share), or

any other announcements that may be required in such regard in terms of the JSE Listings Requirements which may be applicable from time to time."

In terms of the Listings Requirements of the JSE a 75% (seventy-five per cent) majority of the votes cast by shareholders present or represented by proxy at the general meeting must be cast in favour of Ordinary Resolution Number 1 for it to be approved.

Ordinary resolution number 2: Unissued ordinary shares

"Resolved that the authorised and unissued ordinary share capital of the company be and is hereby placed under the control of the directors of the company, which directors are, subject to the rules and regulations of the JSE and the provisions of section 221 and section 222 of the Companies Act of 1973, as amended, authorised to allot and issue any of such shares at such time or times, to such person or persons, company or companies and upon such terms and conditions as they may determine, such authority to remain in force until the next annual general meeting of the company."

Ordinary resolution number 3: Re-election of J Hertz as a director of the company

"Resolved that J Hertz be re-elected as a director of the company."

A brief curriculum vitae is set out on page 6 of the annual report of which this notice forms part.

Ordinary resolution number 4: Re-election of J Katz as a director of the company

"Resolved that J Katz be re-elected as a director of the company."

A brief curriculum vitae is set out on page 6 of the annual report of which this notice forms part.

Ordinary resolution number 5: Directors' Remuneration

"Resolved that the remuneration of the non-executive directors, as set out on page 35 of the annual report of which this notice forms part be, and is hereby confirmed and ratified."

Ordinary resolution number 6: Reappointment of auditors

"Resolved that PKF (Jhb) Inc be reappointed as auditors of the company."

Ordinary resolution number 7: Signature of documentation

"Resolved that any director or the company secretary of the company be and is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of Special Resolution number 1 and Ordinary Resolution numbers 1, 2, 3, 4, 5 and 6 which are passed by the members in accordance with and subject to the terms thereof."

Voting and proxies

A shareholder of the company entitled to attend and vote at the general meeting is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, vote and speak in his/her stead.

Notice of Annual General Meeting

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by such shareholder.

A form of proxy is attached for the convenience of any shareholder holding KayDav Group Limited shares who cannot attend the annual general meeting. Forms of proxy may also be obtained on request from the company's registered office. The completed forms of proxy must be deposited at or posted to the office of the transfer secretaries of the company, Link Market Services South Africa (Proprietary) Limited, 5th Floor, 11 Diagonal Street, Johannesburg 2001 (PO Box 4844, Johannesburg, 2000) to be received at least 48 hours prior to the meeting. Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the general meeting should the member subsequently decide to do so.

Shareholders who have already dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker rather than through own name registration and who wish to attend the annual general meeting must instruct their CSDP or broker to issue them with the necessary authority to attend.

Dematerialised shareholders, who have elected own name registration in the sub-register through a CSDP and who are unable to attend but wish to vote at the annual general meeting, should complete and lodge the attached form of proxy with the transfer secretaries of the company.

Dematerialised shareholders who have not elected own name registration in the sub-register through a CSDP and who are unable to attend but wish to vote at the annual general meeting should timeously provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between the shareholder and his CSDP or broker.

By order of the board

Probity Business Services (Proprietary) Limited
Company Secretary
31 March 2009

Registered address

105 Bamboesvlei Road
Ottery
7800

Transfer Secretaries

Link Market Services South Africa (Pty) Ltd
5th Floor
11 Diagonal Street
Johannesburg
2001
(PO Box 4844, Johannesburg 2000)

Form of Proxy

KAYDAV GROUP LIMITED
Registration number 2006/038698/06
JSE code: KDV
ISIN: ZAE000108940
("the company")

For use by the holders of the company's certificated ordinary shares ("certificated shareholders") and/or dematerialised ordinary shares held through a Central Securities Depository Participant ("CSDP") or broker who have selected "own name" registration ("own name dematerialised shareholders") at the annual general meeting of the company to be held at 10:00 on 26 June 2009, or at any adjournment thereof if required. Additional forms of proxy are available from the transfer secretaries of the company.

Not for use by holders of the company's dematerialised ordinary shares who have not selected "own name" registration. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the annual general meeting and request that they be issued with the necessary authorisation to do so or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the annual general meeting in order for the CSDP or broker to vote in accordance with their instructions at the annual general meeting.

I/We ____ (Name in block letters)

of ____ (Address)

being the registered holder of ____________________ ordinary shares in the capital of the company hereby appoint

1. ____ or failing him

2. ____ or failing him

3. the chairperson of the meeting

as my/our proxy to act for me/us on my/our behalf at the annual general meeting, or any adjournment thereof, which will be held for the purpose of considering and, if deemed fit, passing with or without modification, the ordinary and special resolutions as detailed in the Notice of Annual General Meeting, and to vote for and/or against such resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions:

	Number of votes		
	In favour of	Against	Abstain
To pass special resolution:			
1. To effect share repurchases			
To pass ordinary resolutions:			
1. To issue shares for cash			
2. To place the unissued shares under the control of the directors			
3. To re-elect J Hertz as a director of the company			
4. To re-elect J Katz as a director of the company			
5. To ratify non-executive directors' remuneration			
6. To reappoint PKF (Jhb) Inc as auditors of the company			
7. To authorise the signature of documentation			

(Indicate instructions to proxy in the spaces provided above.)

Unless otherwise instructed, my proxy may vote as he thinks fit.

Signed this ____________________ day of ____________________ 2009

Signature ____ Assisted by (if applicable)

Form of Proxy

Notes

1. Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of the company) to attend, speak and vote in place of that shareholder at the annual general meeting.
2. Shareholder(s) that are certificated or own name dematerialised shareholders may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairperson of the meeting", but any such deletion must be initialled by the shareholder(s). The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow. If no proxy is named on a lodged form of proxy the chairperson shall be deemed to be appointed as the proxy.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy, in the case of any proxy other than the chairperson, to vote or abstain from voting as deemed fit and in the case of the chairperson to vote in favour of the resolution.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder, but the total of the votes cast or abstained may not exceed the total of the votes exercisable in respect of the shares held by the shareholder.
5. Forms of proxy must be lodged at or posted to Link Market Services South Africa (Pty) Ltd, 5th Floor, 11 Diagonal Street, Johannesburg 2001 (PO Box 4844, Johannesburg, 2000) to be received not less than 48 hours prior to the meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. Where there are joint holders of shares, the vote of the first joint holder who tenders a vote, as determined by the order in which the names stand in the register of members, will be accepted.
7. The chairperson of the general meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes, provided that, in respect of acceptances, the chairperson is satisfied as to the manner in which the shareholder concerned wishes to vote.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company or the transfer secretaries or waived by the chairperson of the general meeting.
9. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
10. A minor must be assisted by his/her parent guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
11. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this form of proxy.

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Shareholders' Diary

Annual general meeting	26 June 2009
Interim period-end	30 June 2009
Interim results published	September 2009
Year-end	31 December 2009
Annual results published	March 2010
Posting of annual report	March 2010

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