



Group

Profile

KayDav Group Limited (“KayDav” or “the Group”) is a distributor and upgrader of wood-based panels.

Wood-based panels are manufactured through the compression of wood waste into solid panels.

These panels have a variety of applications in the construction, furniture manufacturing and shopfitting industries.

The Group’s main focus is on bulk distribution. This is achieved through an extensive branch network in the Western Cape and Gauteng. Kayreed Board and Timber (“Kayreed”) and Davidson’s Discount Boards (“Davidson’s”) are the two brand names servicing the panel market.

Kayreed is a bulk distributor of wooden board panels servicing the Gauteng market. Davidson’s has an extensive branch network, with branches in Ottery, Montague Gardens, Brackenfell, Strand, Silverton and Langlaagte. Franchise Davidson’s stores are situated in Hermanus, Worcester, Gansbaai, Bredasdorp, Midrand and Durban. These Davidson’s stores offer added value services such as cutting and edging in addition to distribution, in order to service the ever expanding informal sector with our products.

The Group’s manufacturing operation is situated in the Western Cape. Davidson’s Manufacturing is a focused manufacturer of veneer boards, foil boards and cabinet doors. This production facility focuses on the application of various natural and synthetic decorative surfaces.

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CEO and Chairman's Report

The KayDav Group is South Africa's largest wooden board wholesaler with extensive distribution networks in Gauteng and Western Cape.

OVERVIEW OF ACTIVITIES

Introduction

The results for the year under review were disappointing. The events explained below gave way to a strategic decision by management to divest from Castle Timbers ("Castle") and focus on our core trading operations.

Manufacturing

KayDav divested from Castle during December 2010. It became clear during the year reported on that Castle was underachieving on budgeted goals. An expansive strategy was created for Castle in terms of which levels of turnover and profitability were to be reached. These were not realised, with a resultant unacceptable performance. One of the main reasons for this underachievement was the poor performance in the residential construction industry. Management resolved that it would be in shareholders' best interest to extricate from Castle given the quantum of losses incurred and future funding required relative to Group profitability. The business was sold as a going concern. Naturally the losses incurred during the period and resultant loss on sale had an adverse effect on KayDav's results.

As regards our upgrading facility at Epping, our goal is to accomplish improved turnover and profitability.

Board distribution

The board panels sold by KayDav are procured predominantly through two local dominant manufacturers who are largely responsible for setting prices in the market. Import parity pricing and significant excess capacity by both of these players coupled with new market entrants fighting for market share resulted in a lack of selling price inflation during the year.

Whilst all reasonable measures were taken to control costs, the results of our trading businesses were adversely affected as inflationary pressures on operating costs were experienced with resultant effects on profitability. Management is of the view that the lack of selling price inflation experienced is a cyclical issue and hence is committed to grow market share whilst focusing on margins and cost control.

We are extremely grateful for the efforts of our highly skilled, well motivated management team. Constant improvements to our operations and skill levels are further enhanced through staff training as part of ongoing initiatives to improve profitability.

Management's goal for the 2011 year is to grow our market share in board distribution profitably while continuing to improve our systems of procurement, distribution and general management.

Specific buy-back

An investment of R15 480 000, excluding costs, was made on a buy-back of 51 600 000 shares at 30 cents per share under a special authority from shareholders. The buy-back enhances earnings per share by 28% going forward, excluding the effects of interest forfeited on applied funds. Additional value for shareholders was achieved in that KayDav's net tangible asset value per share was 55.2 cents. at 31 December 2010 (2009: 47.2 cents).

Prospects

Future growth in earnings will be largely determined by price inflation and resultant top-line sales growth coupled with resurgent demand increase resulting from demand in construction, improved bank lending and increased consumer spending in the retail sector.

Management is committed to continue to concentrate on improving systems and internal controls whilst fighting for every additional Rand of turnover and margin.

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 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 III Report on Corporate Governance.

Board of directors

The KayDav board consists of two independent non-executive directors and two executive directors.

The role of non-executive Chairman and CEO are strictly separated in accordance with the King Code. This separation of duties is adhered to in all deliberations of the board to ensure that no director can exercise unfettered process of decision-making. The board met on four occasions during the 2010 financial year.

The board is committed to compliance with the requirements of King III and is in the process of evaluating the material aspects for implementation, having regard to KayDav's size and resources available. In particular, steps are being taken to identify suitable candidates for appointment as additional independent non-executive directors and members of the Audit Committee in light of requirements of King III and the new Companies Act.

Appointments to the board are made in a formal and transparent manner and are a matter for the board as a whole.

Audit committee

The two independent 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 attended.

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, on an annual basis, 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, both being independent non-executive directors. 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

A record of all dealings in KayDav shares by directors and selected employees is kept 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

We are fortunate in KayDav to have the resources, human and financial, to excel in what we do. For their continuing dedication and keen interest in our activities, our special warm thanks go to fellow board members and staff at all levels. We take this opportunity in thanking our shareholders, professional advisers, financiers, customers and suppliers and indeed, all our stakeholders for their unflagging support and commitment to KayDav.

Ian Stern
Chairman

Gary Davidson
CEO

25 March 2011

Chief Financial Officer's Report



The Group complies with International Financial Reporting Standards ("IFRS"), the AC 500 series of interpretations and the Listings Requirements of the JSE Limited. The accounting policies of the Group have been applied consistently to the periods presented in the consolidated financial statements.

STATEMENT OF COMPREHENSIVE INCOME

The CEO and Chairman's report drew attention to the sale of the Castle Timbers business on 15 December 2010. Castle Timbers is classified as a discontinued operation for financial reporting purposes for the year ended 31 December 2010. The financial results of the Group for continuing operations is therefore separately disclosed in the statement of comprehensive income.

Revenue for the Group from continuing operations increased by 4.7% from R440 121 613 to R460 837 937. Due mainly to a lack of selling price inflation, the Group's gross margins came under pressure resulting in the gross profit percentage for 2010 from continuing operations of 28.7% being well below the 31.9% of 2009. Consequently gross profit from continuing operations of R132 407 803 is R8 083 348 below that of the previous year.

During the year bad debts totalling R7 454 364, in respect of continuing operations, were written off, while the impairment allowance relating to continuing operations decreased by R1 701 833. The resultant total bad debt expense of R5 752 531 is R9 945 232 below the amount expensed for the year ended 31 December 2009.

A previously unrecognised deferred taxation asset of R2 083 178 was recognised during the year ended 31 December 2010. The Group considers it probable that sufficient taxable income will be available in the future to realise this asset. The taxation expense for the year ended 31 December 2010 in respect of continuing operations was therefore decreased by this amount.

The Group's results were negatively impacted by the trading loss of Castle Timbers for the year ended 31 December 2010 of R6 921 631 and by the loss on sale of the business of R1 125 326.

Headline earnings per share for 2010 increased to 3.9 cents per share from the previous year's 2.3 cents per share. Headline earnings per share was favourably impacted by the share repurchases mentioned in the CEO and Chairman's report.

STATEMENT OF FINANCIAL POSITION

Plant and equipment

Plant and equipment of R31 349 411 (2009: R35 542 939) consist mainly of plant, machinery and vehicles used in the adding of value and distribution of wood-based panels. Additional plant and equipment of R4 565 725 were acquired during the year:

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

Working capital

The most significant portion of the Group's operations is that of retail and wholesale trade. This tends to an asset base weighted towards working capital.

The Group has a healthy current ratio of 2.1 (2009: 2.3) and a quick ratio of 1.3 (2009: 1.3).

Inventory related to continuing operations increased from R58 009 599 at 31 December 2009 to R61 237 708 at 31 December 2010 as the Group engaged in some pre-price increase buying towards the year-end.

Past due trade receivables from continuing operations of R24 288 478 at the year-end is well below past due debtors of R26 205 643 from continuing operations at the 2009 year-end. While the level of bad debts are still very high, the Group believes that the situation has stabilised.

Capital and reserves

The specific repurchase of 51 600 000 of the company's shares, mentioned in the the CEO and Chairman's report, together with the related costs, reduced share capital and share premium by R16 443 971. A general repurchase of the company's shares under general authority from shareholders resulted in a further 948 900 shares being repurchased at 35 cents per share. Consequently share capital and share premium were further reduced by R334 080.

Non-current liabilities

Instalment sale liabilities of R4 248 936 (2009: R6 018 822) combined with the short-term portion of R3 215 677 (2009: R2 552 466) amounts to R7 464 613 (2009: R8 571 288).

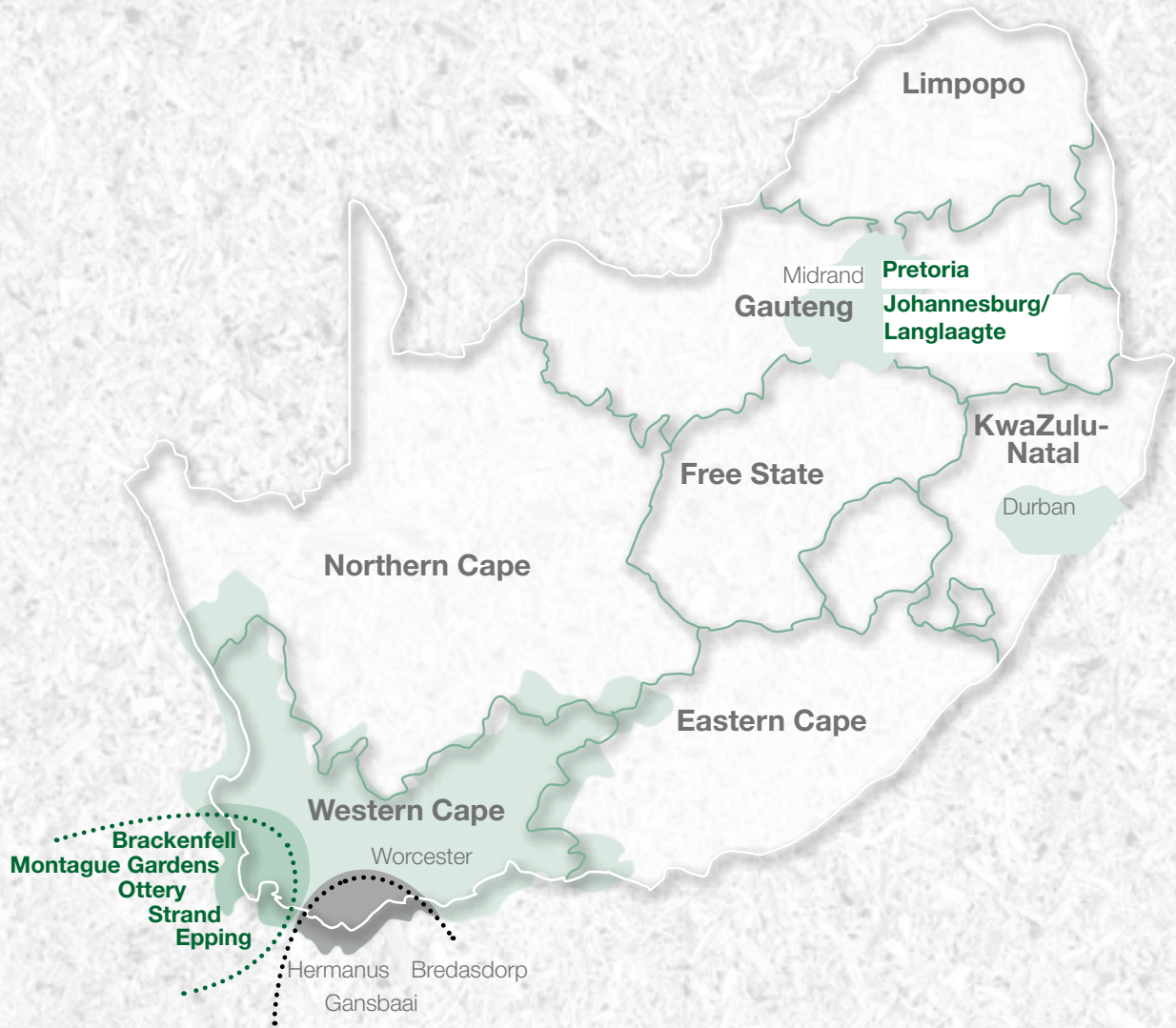
A R15 500 000 term loan from Nedbank was acquired by the Group during the year. The loan will be repaid over a period of five years and bears interest at one percentage point above the prime overdraft rate. At year-end the outstanding capital balance on this loan was R13 950 326.

The Group's overall financial position remains sound.

Martin Slier

CFO

25 March 2011



Branches

- Brackenfell
- Montague Gardens
- Ottery
- Strand
- Epping
- Johannesburg (Langlaagte)

Franchises

- Hermanus
- Gansbaai
- Bredasdorp
- Worcester
- Midrand
- Durban

Board of Directors and Administration

MEMBERS OF THE BOARD



Ian Stern 62
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 Limited on 5 October 2007.



Gary Davidson 36
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 Limited on 5 October 2007.



Jonathan Hertz 38
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. In 2007 Jonathan founded, and is currently managing, South Africa Alpha Capital Management, an international fund management business. Jonathan was appointed as director of KayDav Group Limited on 14 June 2007.



Martin Slier 39
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 Davidsons' as group financial manager in January 2004. Martin was appointed CFO of KayDav Group Limited 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

Probit Business Services (Pty) Limited
3rd Floor, The Mall Offices, 11 Cradock Avenue,
Rosebank, 2196
PO Box 85392, Emmarentia, 2029

Sponsors

Java Capital Trustees and Sponsors (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, the AC 500 series, the JSE Listings Requirements and the Companies Act of South Africa 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 25 March 2011 and are signed on their behalf.

Ian Stern
Chairman

Gary 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) Limited

Company Secretary

25 March 2011

Report of the Independent Auditors

to the members for the year ended 31 December 2010

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 statements of financial position as at 31 December 2010 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended; and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 43.

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 2010, 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 25 March 2011

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 period ended 31 December 2010.

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:

	R
Revenue from continuing operations	460 837 937
Profit before taxation from continuing operations	14 653 228
Loss from discontinued operation	6 921 631
Loss from disposal of discontinued operation	1 125 326
Profit for the period	6 585 801
Headline earnings	7 708 113

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 share capital during the reporting period. Due to share repurchases by KayDav share capital reduced from R236 to R184. The number of shares in issue decreased from 236 186 273 to 183 637 373.

DIVIDENDS

No dividends are proposed or were paid during the year under review.

SUBSEQUENT EVENTS

No material change has taken place in the affairs of the Group between the end of the financial period and the date of this report, that requires adjustment or disclosure in the annual report.

SPECIAL RESOLUTIONS

The following special resolutions were passed during the year:

A special resolution providing specific authority to repurchase 29 000 000 KayDav Group Limited shares from Peregrine Equities (Pty) Limited was passed on 23 March 2010 and was registered by CIPRO.

A special resolution providing specific authority to repurchase 22 600 000 KayDav Group Limited shares from Stanlib Asset Management Limited was passed on 23 March 2010 and was registered by CIPRO.

A special resolution providing general authority to the company to repurchase its shares was passed on 8 June 2010 and was registered by CIPRO.

DIRECTORS

Geoffrey Davidson and Jay Katz resigned as directors on 23 August 2010.

The directors in office at the date of this report are listed on page 7.

In accordance with the articles of association Jonathan Hertz and Gary Davidson 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 30.

COMPANY SECRETARY

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

SUBSIDIARY COMPANIES

Information in respect of interests in subsidiaries is set out in note 33.

The aggregate net profits for the year of the subsidiaries of the Group amounted to R11 466 188 (2009: R12 859 267) and the aggregate net losses of the subsidiaries amounted to R4 579 958 (2009: R6 370 358).

AUDIT COMMITTEE REPORT

The committee fulfilled its responsibilities during the year (refer to the CEO and Chairman's report).

In accordance with section 270(A)(1)(f) of the Companies Act, No. 61 of 1973, as amended, the audit committee reports as follows:

Directors' Report

- The scope, independence and objectivity of the external auditors were reviewed.
- The audit firm PKF (Jhb) Inc., and audit partner Ben Frey, are, in the committee's opinion, independent of the company, and have been proposed to the shareholders for approval to be the Group's auditor for the 2011 financial year.
- On an ongoing basis, the committee reviews and approves the fees proposed by the external auditors.
- The appointment of the external auditor complies with the Companies Act, as amended, and with all other legislation relating to the appointment of external auditors.
- The nature and extent of non-audit services provided by the external auditors have been reviewed to ensure that the fees for such services do not become so significant as to call into question their independence.
- The nature and extent of future non-audit services have been defined and preapproved.
- As at the date of this report, no complaints have been received relating to accounting practices and internal audit of the company or to the content or auditing of the company's financial statements, or to any related matter.

AUDITORS

PKF (Jhb) Inc. was appointed as auditors at incorporation.

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 25 March 2011. The articles of association of the company do not make provision for shareholders to amend the annual financial statements after they have been issued.



Consolidated Statements of Financial Position

at 31 December 2010

	Notes	Group		Company	
		2010 R	2009 R	2010 R	2009 R
ASSETS					
Non-current assets		51 525 170	52 291 161	58 755 151	58 755 151
Plant and equipment	2	31 349 411	35 542 939	–	–
Goodwill	3	14 302 804	14 302 804	–	–
Investment in subsidiaries	4	–	–	58 755 151	58 755 151
Deferred taxation	5	5 872 955	2 445 418	–	–
Current assets		151 879 798	142 731 681	45 968 730	62 746 781
Inventories	6	61 237 708	62 177 403	–	–
Trade and other receivables	7	66 122 323	69 506 096	10 729	3 575
Loans to subsidiaries	8	–	–	45 948 421	62 694 046
Cash and cash equivalents	25.7	22 747 360	9 491 221	9 580	49 160
Taxation		1 772 407	1 556 961	–	–
TOTAL ASSETS		203 404 968	195 022 842	104 723 881	121 501 932
EQUITY AND LIABILITIES					
Capital and reserves		115 650 549	125 842 799	104 723 881	121 501 932
Share capital	9	184	236	184	236
Share premium	10	194 850 351	211 628 350	194 850 351	211 628 350
Accumulated loss		(79 199 986)	(85 785 787)	(90 126 654)	(90 126 654)
Non-current liabilities		15 605 553	6 535 603	–	–
Instalment sale liabilities	11	4 248 936	6 018 822	–	–
Interest-bearing liability	12	11 242 494	–	–	–
Deferred taxation	5	114 123	516 781	–	–
Current liabilities		72 148 866	62 644 440	–	–
Trade and other payables	13	56 057 241	50 664 350	–	–
Short-term portion of instalment sale liabilities	11	3 215 677	2 552 466	–	–
Short-term portion of interest-bearing liability	12	2 707 832	–	–	–
Bank overdraft	15, 25.7	8 034 017	7 689 783	–	–
Provisions	14	2 134 099	1 737 841	–	–
TOTAL EQUITY AND LIABILITIES		203 404 968	195 022 842	104 723 881	121 501 932
Net asset value per share (cents)		63.0	53.3		
Net tangible asset value per share (cents)		55.2	47.2		

Consolidated Statements of Comprehensive Income

for the year ended 31 December 2010

	Notes	Group		Company	
		2010 R	2009 R	2010 R	2009 R
CONTINUING OPERATIONS					
Revenue	16	460 837 937	440 121 613	–	–
Cost of sales		(328 430 134)	(299 630 462)	–	–
Gross profit		132 407 803	140 491 151	–	–
Other income		1 227 431	500 486	691 549	932 695
Operating expenses		(116 709 971)	(122 739 316)	(691 549)	(932 695)
Operating profit	18	16 925 263	18 252 321	–	–
Investment income	19	465 486	807 314	–	–
Finance costs	20	(2 737 521)	(2 031 557)	–	–
Profit before taxation		14 653 228	17 028 078	–	–
Taxation	21	(20 470)	(6 303 138)	–	–
Profit for the year		14 632 758	10 724 940	–	–
Other comprehensive income		–	–	–	–
Total comprehensive income attributable to equity holders of the parent from continuing operations		14 632 758	10 724 940	–	–
DISCONTINUED OPERATION					
Loss for the year from discontinued operation before loss on disposal	22	(6 921 631)	(4 219 552)	–	–
Loss on disposal of discontinued operation	23	(1 125 326)	–	–	–
Loss for the year from discontinued operation		(8 046 957)	(4 219 552)	–	–
Other comprehensive income		–	–	–	–
Total comprehensive loss attributable to equity holders of the parent from discontinued operation		(8 046 957)	(4 219 552)	–	–
Total comprehensive income attributable to equity holders of the parent from continuing and discontinued operations		6 585 801	6 505 388	–	–
Basic and diluted earnings per share	24	3.3	2.3		
Headline earnings per share	24	3.9	2.3		

Statements of Changes in Equity

for the year ended 31 December 2010

	Share capital	Share premium	Total share capital	Accumulated loss	Total equity
Group					
Balance at 31 December 2008	295	229 477 552	229 477 847	(92 291 175)	137 186 672
Share repurchases	(59)	(17 849 202)	(17 849 261)	–	(17 849 261)
Comprehensive income for the year	–	–	–	6 505 388	6 505 388
Balance at 31 December 2009	236	211 628 350	211 628 586	(85 785 787)	125 842 799
Share repurchases	(52)	(16 777 999)	(16 778 051)	–	(16 778 051)
Comprehensive income for the year	–	–	–	6 585 801	6 585 801
Balance at 31 December 2010	184	194 850 351	194 850 535	(79 199 986)	115 650 549
Company					
Balance at 31 December 2008	295	229 477 552	229 477 847	(90 126 654)	139 351 193
Share repurchase	(59)	(17 849 202)	(17 849 261)	–	(17 849 261)
Comprehensive income for the year	–	–	–	–	–
Balance at 31 December 2009	236	211 628 350	211 628 586	(90 126 654)	121 501 932
Share repurchase	(52)	(16 777 999)	(16 778 051)	–	(16 778 051)
Comprehensive income for the year	–	–	–	–	–
Balance at 31 December 2010	184	194 850 351	194 850 535	(90 126 654)	104 723 881

Consolidated Statements of Cash Flows

for the year ended 31 December 2010

	Notes	Group		Company	
		2010 R	2009 R	2010 R	2009 R
Cash flows from operating activities					
Operating cash before working capital movements	25.1	15 074 220	17 507 488	–	–
Working capital movements	25.2	3 035 614	21 194 142	(7 154)	(398)
Cash generated/(utilised) by operations		18 109 834	38 701 630	(7 154)	(398)
Investment income		465 760	807 565	–	–
Finance costs		(2 759 222)	(2 043 334)	–	–
Taxation paid	25.3	(4 066 109)	(9 363 031)	–	–
Net cash inflow/(outflow) from operating activities		11 750 263	28 102 830	(7 154)	(398)
Cash flow from investing activities					
Investment in plant and equipment	25.4	(4 565 725)	(4 713 526)	–	–
Proceeds on disposal of plant and equipment	25.5	66 112	815 292	–	–
Sale of business	25.6	9 595 654	–	–	–
Repayment of loans to subsidiaries		–	–	16 745 625	17 898 819
Net cash inflow/(outflow) from investing activities		5 096 041	(3 898 234)	16 745 625	17 898 819
Cash flow from financing activities					
Repurchase of shares		(16 778 051)	(17 849 261)	(16 778 051)	(17 849 261)
Decrease in instalment sale liabilities		(1 106 674)	(4 126 200)	–	–
Increase in interest-bearing liability		13 950 326	–	–	–
Net cash outflow from financing activities		(3 934 399)	(21 975 461)	(16 778 051)	(17 849 261)
Net increase/(decrease) in cash and cash equivalents		12 911 905	2 229 135	(39 580)	49 160
Net cash and cash equivalents at the beginning of the year		1 801 438	(427 697)	49 160	–
Net cash and cash equivalents at the end of the year	25.7	14 713 343	1 801 438	9 580	49 160

Notes to the Annual Financial Statements

for the year ended 31 December 2010

I ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared on the historical cost basis, except for financial instruments which have been accounted for in terms of IAS 39. The financial statements incorporate the principal accounting policies set out below, which are consistent with those applied in the previous year.

These policies comply with IFRS, the AC 500 Standards as issued by the Accounting Practices Board and the Companies Act and are in accordance with JSE Listings Requirements.

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 a 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 on consolidation.

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 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	(20% residual)
Office equipment	20% per annum	(0% residual)
Vehicles	20% per annum	(50% residual)
Computer equipment	33% per annum	(0% residual)
Furniture and fittings	16.67% per annum	(0% residual)

Residual values and useful lives are reassessed at each financial year-end.

Goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries.

The cost of an acquisition is the fair value of assets given, equity instruments issued and liabilities incurred at the date of exchange. The costs attributable to the acquisition are expensed.

Goodwill is initially recognised and carried at cost. It represents the excess of the cost of an acquisition 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. Subsequently goodwill is carried at cost less accumulated impairment losses.

Goodwill is reviewed for impairment at least annually, or when indicators of impairment exist. Any impairment is immediately recognised as an expense.

Impairment losses on goodwill cannot be reversed.

Investment in subsidiaries

Investments in subsidiaries are carried at cost less impairment losses where necessary. They are stated at cost except where there has been a decline in the recoverable amount, in which case they are written down to the recoverable amount.

Notes to the Annual Financial Statements

for the year ended 31 December 2010

I ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual terms of the instrument. Financial instruments include cash and bank balances, investments, receivables, payables, borrowings and derivative financial instruments.

Financial instruments are initially recognised at fair value plus transaction costs.

Financial assets are derecognised when the right to receive cash flows from the asset has expired or has been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when they are extinguished, thus discharged, cancelled or expired.

At each financial year-end the Group assesses for each financial asset whether there is objective evidence that one or more events have had a negative effect on the future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying value and the present value of the future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Impairment losses are recognised in profit and loss. Any cumulative loss in respect of an available-for-sale financial asset previously recognised in other comprehensive income is transferred to profit and loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit and loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

Loans receivable

Loans receivable originated by the enterprise are stated at amortised cost, using the effective interest rate method, less accumulated impairment losses.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

Where the effect of the time value of money is not considered material these instruments are not amortised as their carrying amounts approximate their amortised cost values.

Impairment of trade receivables is determined as set out under the significant estimates section below.

The carrying amount of trade receivables is reduced through the use of a provision for impairment account. Movements in the provision for impairment are recognised in profit and loss.

Uncollectible trade receivables are written off to profit and loss, while the provision for impairment is reduced accordingly.

Cash and cash equivalents

Cash and cash equivalents are carried at fair value and 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, using the effective interest rate method and comprise original debt less principal payments.

Where the effect of the time value of money is not considered material these instruments are not amortised as their carrying amounts approximate their amortised cost values.

Notes to the Annual Financial Statements

for the year ended 31 December 2010

I ACCOUNTING POLICIES (CONTINUED)

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 statement of comprehensive income. 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. Movements in allowances for damaged, slow moving or obsolete stock are recognised in profit or loss.

Current taxation

Current taxation for current and prior periods is, to the extent unpaid, recognised as a liability. Where amounts paid in respect of current and prior periods exceed the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities and assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date.

Current tax expense is recognised in profit or loss unless it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Deferred taxation

Deferred taxation is accounted for using the liability method in the statement of financial position 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.

Deferred taxation is recognised on all temporary differences arising from investment in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred taxation is not recognised on temporary differences that arise from the initial recognition of goodwill and transactions, other than business combinations, that do not affect either accounting or taxable profit and loss.

Notes to the Annual Financial Statements

for the year ended 31 December 2010

I ACCOUNTING POLICIES (CONTINUED)

Deferred tax is recognised using the tax rates that are enacted or substantively enacted at the financial year-end.

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 statement of financial position date and are discounted to present value where the effect is material. Provisions are calculated on a discounted basis where the effect is material to the original undiscounted provision. The carrying amount of the provision increases in each period as the discounting unwinds. The movement is recognised in profit and loss.

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 statement of comprehensive income 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.

Revenue

Revenue is measured at the fair value of the consideration received or receivable for goods provided in the normal course of business, net of discounts and value-added taxation.

Revenue from the sale of goods is recognised when:

- substantially all the risks and rewards of ownership have been transferred to the buyer;
- the enterprise does not retain continuing managerial control of the goods to a degree usually associated with ownership;
- the amount of revenue and costs incurred or to be incurred in respect of the sale transactions can be measured reliably; and
- it is probable that economic benefits associated with the transaction will flow to the Group.

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.

Notes to the Annual Financial Statements

for the year ended 31 December 2010

I ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are written off on a time apportionment basis to profit and loss 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.

At each statement of financial position date management reassesses the number of options expected to vest and the adjustment if any is taken to the statement of comprehensive income with a corresponding adjustment in equity. When share options are exercised a transfer is done within equity to reflect the shares issued at the exercise price.

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 statement of financial position 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 statement of financial position date and both realised and unrealised profits and losses are accounted for in profit and loss 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. The Group has no further payment obligations once the contributions have been paid.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever the employee accepts voluntary redundancy in exchange for those benefits. The Group recognises termination benefits when it is demonstrably committed to terminating the employment of employees according to a detailed formal plan without possibility of withdrawal or as a result of an offer made to encourage voluntary redundancy.

Bonus plans

The Group recognises a liability and an expense for bonuses where the Group is contractually obliged or where there is a constructive obligation to pay such bonuses. A provision is made for the portion of expected unpaid bonuses which accrued by the year-end.

I ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

At each financial year-end consideration is given as to whether indicators exist that assets might be impaired. When such indicators exist, the carrying amount of the relevant assets is reviewed.

Where the carrying amounts of such assets or cash-generating units exceed the estimated recoverable amount, these assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Impairment losses are first allocated to goodwill and then to other assets in the cash-generating unit on a proportional basis.

Impairment losses and reversals are recognised directly in profit and loss, unless such reversals relate to previously recognised revaluation reserves in equity.

Reversal of a previous impairment loss is limited to the original impairment and cannot increase the carrying amount of an asset to which it relates to an amount higher than that which would have been recognised had no impairment loss initially been recognised.

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 are 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 goodwill relates is determined as the higher of its fair value less costs to sell and its value in use.

In determining the value in use, cash flow forecasts are 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.

Trade and other receivables

The impairment provision for trade receivables is calculated by identifying specific past due debtors where indications are that amounts might not be recoverable. These indicators include payment delinquency and specific market information which cast doubt on the recoverability of the amount receivable.

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:

I ACCOUNTING POLICIES (CONTINUED)

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 information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer.

At year-end the Group was organised in two main reportable operating segments:

1. board distribution; and
2. manufacturing.

All Group operations are in the RSA and are not subject to risks and returns that are different from those segments operating in other economic environments. No separate geographical segment disclosure is therefore provided.

Other Group operations comprise head office and finance. Neither of these constitutes a separate reportable segment.

Notes to the Annual Financial Statements

for the year ended 31 December 2010

2 PLANT AND EQUIPMENT

GROUP	31 December 2010			31 December 2009		
	Cost/ Valuation R	Accumulated depreciation R	Carrying value R	Cost/ Valuation R	Accumulated depreciation R	Carrying value R
Plant and equipment	27 343 357	(7 555 845)	19 787 512	28 854 129	(5 831 802)	23 022 327
Office equipment	965 431	(686 020)	279 411	958 837	(523 430)	435 407
Vehicles	14 756 536	(4 047 182)	10 709 354	13 704 865	(2 592 801)	11 112 064
Computer equipment	1 740 891	(1 379 991)	360 900	1 907 407	(1 251 046)	656 361
Furniture and fittings	588 203	(375 969)	212 234	618 883	(302 103)	316 780
Total	45 394 418	(14 045 007)	31 349 411	46 044 121	(10 501 182)	35 542 939

Reconciliation of plant and equipment – 31 December 2010

	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Plant and equipment	23 022 327	2 049 396	(2 963 666)	(2 320 545)	19 787 512
Office equipment	435 407	30 480	(6 421)	(180 055)	279 411
Vehicles	11 112 064	2 039 643	(877 078)	(1 565 275)	10 709 354
Computer equipment	656 361	376 268	(223 015)	(448 714)	360 900
Furniture and fittings	316 780	69 938	(63 077)	(111 407)	212 234
	35 542 939	4 565 725	(4 133 257)	(4 625 996)	31 349 411

Reconciliation of plant and equipment – 31 December 2009

	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Plant and equipment	23 052 178	2 580 049	(453 967)	(2 155 933)	23 022 327
Office equipment	513 396	109 087	–	(187 076)	435 407
Vehicles	11 269 347	1 614 719	(311 291)	(1 460 711)	11 112 064
Computer equipment	749 153	309 404	–	(402 196)	656 361
Furniture and fittings	330 500	100 267	–	(113 987)	316 780
	35 914 574	4 713 526	(765 258)	(4 319 903)	35 542 939

Plant and equipment, including vehicles, with a net book value of R10 053 715 (2009: R10 609 390) secure the instalment sale liabilities disclosed in note 11.

The general moveable assets of Evertrade 168 (Pty) Limited, Evertrade 173 (Pty) Limited, Tresso Trading 298 (Pty) Limited and KayDav Industries (Pty) Limited serve as security for the interest-bearing liability as reflected in note 12.

Notes to the Annual Financial Statements

for the year ended 31 December 2010

	Group		Company	
	2010 R	2009 R	2010 R	2009 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)	(119 233 190)	–	–
	14 302 804	14 302 804	–	–

The recoverable amount of goodwill was calculated by determining its value in use through the discounted cash flow method. Cash flows were projected over a 10-year period. A 10-year period was used to account for the length of economic cycles in the industry.

The following key assumptions were applied:

Average nominal growth	9%	(2009: 10%)
Discount rate	19%	(2009: 20%)

The nominal growth rate was calculated by assuming inflation at 7% (2009: 7%) with real growth rates for each year varying between 2% and 3% (2009: 2% and 8%), with a terminal growth rate of 7% (2009: 7%).

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

Goodwill represents expected synergies and the value of the assembled workforce of the various businesses.

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
4 INVESTMENT IN SUBSIDIARIES				
Shares at cost	–	–	109 838 628	109 838 628
Impairment	–	–	(51 083 477)	(51 083 477)
			58 755 151	58 755 151

The investment in subsidiaries was impaired in line with the impairment of goodwill which is set out in note 3.

The investment and impairment above relate to the investment in the Davidsons Holding Company (Pty) Limited.

Notes to the Annual Financial Statements

for the year ended 31 December 2010

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
5 DEFERRED TAXATION				
Deferred taxation assets comprise:				
Accelerated capital allowances	(3 028 516)	(660 028)	–	–
Unrealised profits	261 272	144 528	–	–
Doubtful debt allowances	2 325 207	2 503 220	–	–
Payroll accruals	1 223 701	285 390	–	–
Rental accruals	472 285	172 308	–	–
Estimated tax losses	4 619 006	–	–	–
	5 872 955	2 445 418	–	–
Deferred taxation liabilities comprise:				
Accelerated capital allowances	518 541	1 813 947	–	–
Doubtful debt allowances	(224 372)	(570 798)	–	–
Payroll accruals	(97 648)	(244 496)	–	–
Rental accruals	(6 560)	(107 039)	–	–
Estimated tax losses	(75 838)	(374 833)	–	–
	114 123	516 781	–	–
Deferred taxation asset	5 872 955	2 445 418	–	–
Deferred taxation liability	(114 123)	(516 781)	–	–
	5 758 832	1 928 637	–	–
Balance at the beginning of the period	1 928 637	694 790	–	–
Recognition/(derecognition) of previous period's deferred tax assets	2 083 178	(934 079)	–	–
Unrealised profits	116 745	(111 952)	–	–
Estimated tax losses	2 236 833	374 833	–	–
Temporary differences	(606 561)	1 905 045	–	–
	5 758 832	1 928 637	–	–

A deferred tax asset was not raised for an estimated tax loss in Sharp Move Trading 260 (Pty) Limited amounting to R3 677 418. The recognition of previously unrecognised deferred tax assets relate to Sign and Seal Trading 154 (Pty) Limited.

Notes to the Annual Financial Statements

for the year ended 31 December 2010

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
6 INVENTORIES				
Inventories comprise				
– raw materials	6 220 369	10 334 112	–	–
– merchandise	62 792 724	59 225 171	–	–
	69 013 093	69 559 283	–	–
Impairment	(7 775 385)	(7 381 880)	–	–
	61 237 708	62 177 403	–	–
No inventory items are carried at net realisable value.				
7 TRADE AND OTHER RECEIVABLES				
Trade receivables	76 504 608	83 250 991	–	–
Impairment allowance	(13 236 883)	(15 644 276)	–	–
	63 267 725	67 606 715	–	–
Other receivables	2 854 598	1 899 381	10 729	3 575
	66 122 323	69 506 096	10 729	3 575

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 198 432 (2009: R10 473 797) 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.

	2010 R	2009 R
Ageing of past due but not impaired trade receivables		
120 days -	6 938 595	9 878 385
120 days +	2 259 837	595 412
	9 198 432	10 473 797
Ageing of impaired trade receivables		
120 days -	1 631 487	2 746 061
120 days +	13 458 559	15 088 413
	15 090 046	17 834 474
Included in this amount is value-added taxation of R1 853 163 (2009: R2 190 199).		
Reconciliation of impairment allowance		
Opening balance	15 644 275	5 973 660
Provision for impairment sold	(705 559)	–
(Reversed)/provided during the period	(1 701 833)	9 670 615
	13 236 883	15 644 275

Notes to the Annual Financial Statements

for the year ended 31 December 2010

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
8 LOANS TO SUBSIDIARIES				
KayDav Industries (Pty) Ltd	–	–	73 330 175	90 075 800
Davidsons Holding Company (Pty) Ltd	–	–	11 661 423	11 661 423
	–	–	84 991 598	101 737 223
Impairment of loan to KayDav Industries (Pty) Ltd	–	–	(39 043 177)	(39 043 177)
	–	–	45 948 421	62 694 046
The loans are interest free and payable on demand.				
The loan to KayDav Industries (Pty) Limited was impaired in line with the impairment of goodwill which is set out in note 3.				
The impairment above relates to the loan advanced to KayDav Industries (Pty) Limited to acquire the business of Kayreed Trading (Pty) Limited.				
9 SHARE CAPITAL				
Authorised				
1 000 000 000 ordinary shares of 0.0001 cent each	1 000	1 000	1 000	1 000
Issued				
183 637 373 (2009: 236 186 273) ordinary shares of 0.0001 cent each	184	236	184	236
Unissued shares				
The unissued shares are under the control of the directors until the forthcoming annual general meeting.				
10 SHARE PREMIUM				
Balance at the beginning of the period	211 628 350	229 477 552	211 628 350	229 477 552
Repurchase of shares	(16 777 999)	(17 849 202)	(16 777 999)	(17 849 202)
	194 850 351	211 628 350	194 850 351	211 628 350
11 INSTALMENT SALE LIABILITIES				
Instalment sales over plant and equipment with interest rates varying between prime and 2 percentage points below prime	7 464 613	8 571 288	–	–
Short-term portion	(3 215 677)	(2 552 466)	–	–
	4 248 936	6 018 822	–	–
<i>Minimum instalments</i>				
Payable within 1 year	3 677 229	3 205 778	–	–
Payable in 2 to 5 years	4 489 623	6 655 888	–	–
	8 166 852	9 861 666	–	–
<i>Capital repayments included in minimum instalments</i>				
Payable within 1 year	3 215 677	2 552 466	–	–
Payable in 2 to 5 years	4 248 936	6 018 822	–	–
	7 464 613	8 571 288	–	–

Notes to the Annual Financial Statements

for the year ended 31 December 2010

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
12 INTEREST-BEARING LIABILITY				
Term loan from Nedbank Limited	13 950 326	–	–	–
Short-term portion	(2 707 832)	–	–	–
	11 242 494	–	–	–
<i>Minimum instalments</i>				
Payable within 1 year	3 947 232	–	–	–
Payable in 2 to 5 years	13 157 441	–	–	–
	17 104 673	–	–	–
<i>Capital repayments included in minimum instalments</i>				
Payable within 1 year	2 707 832	–	–	–
Payable in 2 to 5 years	11 242 494	–	–	–
	13 950 326	–	–	–

The loan bears interest at one percentage point above the prime overdraft rate quoted by Nedbank Limited. The term loan is secured by general notarial bonds over the moveable assets of Evertrade 168 (Pty) Limited, Evertrade 173 (Pty) Limited, Tresso Trading 298 (Pty) Limited, and KayDav Industries (Pty) Limited. A cash pledge of R2 000 000 substituted on a temporary basis, a previous general notarial bond over the assets of the discontinued operation as security.

The loan has a repayment term of five years with the final instalment on 1 April 2015.

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
13 TRADE AND OTHER PAYABLES				
Trade payables	48 797 739	45 174 964	–	–
Other payables	7 259 502	5 489 386	–	–
	56 057 241	50 664 350	–	–
14 PROVISIONS				
Provision for leave pay				
At the beginning of the year	1 737 841	1 635 051	–	–
Movement during the year	396 258	102 790	–	–
	2 134 099	1 737 841	–	–

15 BANKING FACILITIES

The Group's banking facilities include an overdraft facility with a maximum limit of R20 000 000. At year-end R8 034 017 of this overdraft facility was utilised.

The banking facilities are secured by a cession of debtors and unlimited cross sureties between KayDav Group Ltd, Davidsons Holding Company (Pty) Ltd, Evertrade 168 (Pty) Ltd, Evertrade 173 (Pty) Ltd, Evertrade 180 (Pty) Ltd, Tresso Trading 298 (Pty) Ltd, Sharp Move Trading 260 (Pty) Ltd, Sign and Seal Trading 154 (Pty) Ltd, Braver Trading (Pty) Ltd and KayDav Industries (Pty) Ltd.

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
16 REVENUE				
Sale of goods from continuing operations	460 837 937	440 121 613	–	–
Sale of goods from discontinued operations	29 813 665	21 114 734	–	–
	490 651 602	461 236 347	–	–

Notes to the Annual Financial Statements

for the year ended 31 December 2010

17 SHARE-BASED PAYMENTS

On listing a major shareholder of KayDav Group Limited 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. If not exercised in a particular year the options are carried forward and can be exercised in the following year.

No value was placed on this arrangement at 31 December 2010, as the valuation indicated an insignificant value.

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

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
18 OPERATING PROFIT				
<i>The following items are included in operating profit</i>				
<i>Continuing operations</i>				
Audit fees				
Audit services	884 364	942 045	–	–
Other services	165 884	15 000	–	–
	1 050 248	957 045	–	–
(Profit)/loss on disposal of tangible assets				
Property, plant and equipment – owned	(4 186)	50 034	–	–
Impairment/(reversal of impairment)				
Inventories	612 863	(864 744)	–	–
Trade receivables	(1 701 833)	9 670 615	–	–
Depreciation				
Plant and equipment – owned	4 079 127	3 844 073	–	–
Operating lease charges				
Property	11 011 791	10 126 496	–	–
Plant and equipment (including vehicles)	3 205 816	3 631 738	–	–
	14 217 607	13 758 234	–	–
Staff costs				
Contributions to defined contribution retirement funds	3 035 973	2 533 469	–	–
Medical benefits	1 521 113	1 493 488	–	–
Other (including salaries, bonuses, allowances, commissions, fringe benefits excluding retirement and medical)	56 902 092	53 194 553	–	–
	61 459 178	57 221 510	–	–
Discontinued operation				
Impairment/(reversal of impairment)				
Inventories	(219 358)	219 358	–	–
Trade receivables	287 945	575 936	–	–
Depreciation				
Plant and equipment	546 869	475 831	–	–
Operating lease charges				
Property	1 270 030	1 230 211	–	–
Plant and equipment (including vehicles)	241 115	190 979	–	–
	1 511 145	1 421 190	–	–
Staff costs				
Contributions to defined contribution retirement funds	270 171	189 396	–	–
Medical benefits	121 191	–	–	–
Other (including salaries, bonuses, allowances, commissions, fringe benefits excluding retirement and medical)	7 970 052	4 971 238	–	–
	8 361 414	5 160 634	–	–

Notes to the Annual Financial Statements

for the year ended 31 December 2010

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
19 INVESTMENT INCOME				
<i>Continued operations</i>				
Bank interest received	230 328	807 314	–	–
South African Revenue Service	235 158	–	–	–
	465 486	807 314	–	–
<i>Discontinued operation</i>				
Bank interest received	274	251	–	–
20 FINANCE COSTS				
<i>Continuing operations</i>				
Interest-bearing borrowings (long-term)	1 512 835	1 177 969	–	–
Bank overdraft	1 224 686	853 588	–	–
	2 737 521	2 031 557	–	–
<i>Discontinued operation</i>				
Suppliers and service providers	21 701	11 777	–	–
21 TAXATION				
South African normal tax at standard rate				
– current year	3 811 282	7 536 985	–	–
– prior year	39 381	–	–	–
Deferred	(3 830 193)	(1 233 847)	–	–
	20 470	6 303 138	–	–
Tax rate reconciliation				
Normal tax rate	28%	28%	0%	0%
(Recognition)/derecognition of deferred tax asset	(28%)	17%	0%	0%
Non-deductible expenditure	0%	4%	0%	0%
Effective tax rate	0%	49%	0%	0%
22 LOSS FOR THE YEAR FROM DISCONTINUED OPERATION BEFORE LOSS ON DISPOSAL				
Revenue	29 813 665	21 114 734	–	–
Cost of sales	(19 194 891)	(16 754 818)	–	–
Gross profit	10 618 774	4 359 916	–	–
Operating expenses	(17 518 978)	(8 567 942)	–	–
Operating loss	(6 900 204)	(4 208 026)	–	–
Net interest	(21 427)	(11 526)	–	–
Loss for the period before taxation	(6 921 631)	(4 219 552)	–	–
Taxation	–	–	–	–
Loss for the year from discontinued operation before loss on disposal	(6 921 631)	(4 219 552)	–	–

Notes to the Annual Financial Statements

for the year ended 31 December 2010

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
23 LOSS ON DISPOSAL OF DISCONTINUED OPERATION				
Sale proceeds	11 000 000	–	–	–
Net assets sold	(9 711 501)	–	–	–
Plant and equipment	(4 062 960)	–	–	–
Inventories	(4 855 567)	–	–	–
Trade and other receivables	(5 356 673)	–	–	–
Cash and cash equivalents	(1 404 346)	–	–	–
Trade and other payables	5 945 323	–	–	–
Provisions	22 722	–	–	–
	1 288 499	–	–	–
Costs related to the sale of discontinued operation	(2 413 825)	–	–	–
Loss on disposal of discontinued operation before taxation	(1 125 326)	–	–	–
Taxation	–	–	–	–
Loss on disposal of discontinued operation	(1 125 326)	–	–	–
24 EARNINGS PER SHARE				
Weighted average number of shares				
Shares in issue at the beginning of the year	236 186 273	295 232 716	–	–
Shares repurchased (weighted)	(37 224 298)	(15 816 639)	–	–
	198 961 975	279 416 077	–	–
Reconciliation between earnings and headline earnings				
Earnings	6 585 801	6 505 388	–	–
(Profit)/loss on sale of plant and equipment	(4 186)	50 034	–	–
Taxation on (profit)/loss on sale of plant and equipment	1 172	(14 009)	–	–
Loss on sale of business	1 125 326	–	–	–
Headline earnings	7 708 113	6 541 413	–	–
Headline earnings per share (cents)	3.9	2.3	–	–
25 NOTES TO THE CASH FLOW STATEMENTS				
25.1 Operating cash before working capital movements				
Profit before taxation	6 606 270	12 808 525	–	–
Adjusted for:				
Depreciation	4 625 996	4 319 904	–	–
(Loss)/profit on disposal of assets	4 186	(50 034)	–	–
Loss on sale of business	1 125 326	–	–	–
Investment income	(465 760)	(807 565)	–	–
Finance costs	2 759 222	2 043 334	–	–
Provisions	418 980	(806 676)	–	–
	15 074 220	17 507 488	–	–

Notes to the Annual Financial Statements

for the year ended 31 December 2010

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
25 NOTES TO THE CASH FLOW STATEMENTS (CONTINUED)				
25.2 Working capital movements				
Inventories	(3 915 873)	25 277 221	–	–
Trade and other receivables	(1 972 901)	(1 549 580)	(7 154)	(398)
Trade and other payables	8 924 388	(2 533 499)	–	–
	3 035 614	21 194 142	(7 154)	(398)
25.3 Taxation paid				
Balance at the beginning of the year	1 556 961	(269 085)	–	–
Charge for the year	(3 850 663)	(7 536 985)	–	–
Balance at the end of the year	(1 772 407)	(1 556 961)	–	–
Taxation paid	(4 066 109)	(9 363 031)	–	–
25.4 Investment in plant and equipment				
Plant and equipment	(2 049 396)	(2 580 049)	–	–
Office equipment	(30 480)	(109 087)	–	–
Motor vehicles	(2 039 643)	(1 614 719)	–	–
Computer equipment	(376 268)	(309 404)	–	–
Furniture and fittings	(69 938)	(100 267)	–	–
	(4 565 725)	(4 713 526)	–	–
25.5 Proceeds on disposal of property, plant and equipment				
Plant and equipment	–	570 267	–	–
Computer equipment	12 799	–	–	–
Motor vehicles	53 313	245 025	–	–
	66 112	815 292	–	–
25.6 Sale of business				
Consideration received	11 000 000	–	–	–
Cash sold	(1 404 346)	–	–	–
	9 595 654	–	–	–
25.7 Net cash and cash equivalents				
Cash and cash equivalents	22 747 360	9 491 221	9 580	49 160
Bank overdraft	(8 034 017)	(7 689 783)	–	–
	14 713 343	1 801 438	9 580	49 160
25.8 Cash flows from discontinued operation for the year				
Cash flows from operating activities	(4 280 117)	(4 595 640)	–	–
Cash flows from investment activities	(565 194)	(799 230)	–	–
Cash flows from financing activities	–	–	–	–
	(4 845 311)	(5 394 870)	–	–

Notes to the Annual Financial Statements

for the year ended 31 December 2010

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
26 COMMITMENTS				
Operating leases				
The minimum commitments are				
– immovable property	36 225 231	30 333 169	–	–
– vehicles	3 060 951	4 382 809	–	–
	39 286 182	34 715 978	–	–
Payable within 1 year	11 088 638	11 306 516	–	–
Payable in 2 to 5 years	28 197 544	23 409 462	–	–
Thereafter	–	–	–	–
	39 286 182	34 715 978	–	–

27 FINANCIAL INSTRUMENTS BY CATEGORY INCLUDING NON-FINANCIAL ASSETS AND LIABILITIES

Financial assets by category including non-financial assets

	Loans and receivables R	Fair value through profit or loss – held for trading R	Fair value through profit or loss – designated R	Available- for-sale R	Non-financial assets R	Total R
GROUP						
2010						
Plant and equipment	–	–	–	–	31 349 411	31 349 411
Goodwill	–	–	–	–	14 302 804	14 302 804
Deferred taxation	–	–	–	–	5 872 955	5 872 955
Inventories	–	–	–	–	61 237 708	61 237 708
Trade and other receivables	63 745 926	–	–	–	2 376 397	66 122 323
Current tax receivable	–	–	–	–	1 772 407	1 772 407
Cash and cash equivalents	22 747 360	–	–	–	–	22 747 360
	86 493 286	–	–	–	116 911 682	203 404 968
GROUP						
2009						
Plant and equipment	–	–	–	–	35 542 939	35 542 939
Goodwill	–	–	–	–	14 302 804	14 302 804
Deferred taxation	–	–	–	–	2 445 418	2 445 418
Inventories	–	–	–	–	62 177 403	62 177 403
Trade and other receivables	67 837 594	–	–	–	1 668 502	69 506 096
Current tax receivable	–	–	–	–	1 556 961	1 556 961
Cash and cash equivalents	9 491 221	–	–	–	–	9 491 221
	77 328 815	–	–	–	117 694 027	195 022 842
COMPANY						
2010						
Investment in subsidiaries	–	–	–	–	58 755 151	58 755 151
Trade and other receivables	–	–	–	–	10 729	10 729
Loans to group companies	45 948 421	–	–	–	–	45 948 421
Cash and cash equivalents	9 580	–	–	–	–	9 580
	45 958 001	–	–	–	58 765 880	104 723 881
COMPANY						
2009						
Investment in subsidiaries	–	–	–	–	58 755 151	58 755 151
Trade and other receivables	–	–	–	–	3 575	3 575
Loans to group companies	62 694 046	–	–	–	–	62 694 046
Cash and cash equivalents	49 160	–	–	–	–	49 160
	62 743 206	–	–	–	58 758 726	121 501 932

Notes to the Annual Financial Statements

for the year ended 31 December 2010

27 FINANCIAL INSTRUMENTS BY CATEGORY INCLUDING NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Financial liabilities by category including non-financial liabilities

	Financial liabilities at amortised cost	Fair value through profit or loss – held for trading	Non-financial liabilities	Total
	R	R	R	R
GROUP				
2010				
Instalment sale liabilities (including short-term portion)	7 464 613	–	–	7 464 613
Interest-bearing liability (including short-term portion)	13 950 326	–	–	13 950 326
Deferred taxation	–	–	114 123	114 123
Trade and other payables	53 659 044	–	2 398 197	56 057 241
Bank overdraft	8 034 017	–	–	8 034 017
Provisions	–	–	2 134 099	2 134 099
	83 108 000	–	4 646 419	87 754 419
GROUP				
2009				
Instalment sale liabilities (including short-term portion)	8 571 288	–	–	8 571 288
Interest-bearing liability (including short-term portion)	–	–	–	–
Deferred taxation	–	–	516 781	516 781
Trade and other payables	48 040 899	–	2 623 451	50 664 350
Bank overdraft	7 689 783	–	–	7 689 783
Current taxation	–	–	–	–
Provisions	–	–	1 737 841	1 737 841
	64 301 970	–	4 878 073	69 180 043

Notes to the Annual Financial Statements

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28 RISK MANAGEMENT

Financial risk management

The Group's non-derivative financial instruments consist mainly of deposits with and borrowings from banks, 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.

Foreign currency management

The Group transacts a 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 period-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.

Management monitors the level of interest rate risk by ensuring that the level of interest-bearing liabilities are such that a significant increase in interest rates does not materially impact on the overall profitability of the Group.

Credit risk management

Potential credit risk comprises trade accounts receivable, other receivables 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.

Capital management

The Group defines capital as equity funding by shareholders and debt funding from external parties. Equity funding comprises share capital, share premium and reserves, less goodwill.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to provide optimal returns for shareholders through maintenance of an optimal capital structure.

The Group's bankers require the maintenance of a gearing ratio below 1. The gearing ratio is defined as total liabilities to equity. Total liabilities excludes deferred taxation and is reduced by cash and cash equivalents. The Group manages this ratio as an external as well as internal capital structure requirement. The Group complied with this requirement with this ratio at year-end being 0.64.

The Group was not subject to external capital structure requirements before the current financial period.

Notes to the Annual Financial Statements

for the year ended 31 December 2010

28 RISK MANAGEMENT (CONTINUED)

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 2010 are reflected in note 15.

Sensitivity analysis

GROUP 2010	Carrying value R	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%		
		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	22 747 360	–	–	–	22 747 360	454 947	(454 947)
Trade and other receivables	66 122 323	–	–	–	–	–	–
Impact of financial assets on:							
– profit before taxation	–	–	–	–	–	454 947	(454 947)
– profit after taxation	–	–	–	–	–	327 562	(327 562)
Financial liabilities							
Instalment sale liabilities	7 464 613	–	–	–	7 464 613	(149 292)	149 292
Interest-bearing liability	13 950 326	–	–	–	13 950 326	(279 007)	279 007
Trade and other payables	56 057 242	897 405	44 870	(44 870)	–	–	–
Bank overdraft	8 034 017	–	–	–	8 034 017	(160 680)	160 680
Impact of financial liabilities on:							
– profit before taxation	–	–	44 870	(44 870)	–	(588 979)	588 979
– profit after taxation	–	–	32 307	(32 307)	–	(424 065)	424 065
Overall impact on profit after taxation	–	–	32 307	(32 307)	–	(96 503)	96 503
COMPANY							
Financial assets							
Bank and cash	9 580	–	–	–	9 580	192	(192)
Trade and other receivables	10 729	–	–	–	–	–	–
Impact of financial assets on:							
– profit before taxation	–	–	–	–	–	192	(192)
– profit after taxation	–	–	–	–	–	138	(138)
Financial liabilities							
Trade and other payables	–	–	–	–	–	–	–
Impact of financial liabilities on:							
– profit before taxation	–	–	–	–	–	–	–
– profit after taxation	–	–	–	–	–	–	–
Overall impact on profit after taxation	–	–	–	–	–	138	(138)

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28 RISK MANAGEMENT (CONTINUED)

Sensitivity analysis (continued)

	Carrying value	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%		
GROUP 2009	R	Amount exposed to risk	Rand appreciation	Rand depreciation	Amount exposed to risk	Rate increase	Rate decrease
		R	R	R	R	R	R
Financial assets							
Bank and cash	9 491 221	–	–	–	9 491 221	189 824	(189 824)
Trade and other receivables	69 506 096	–	–	–	–	–	–
Impact of financial assets on:							
– profit before taxation	–	–	–	–	–	189 824	(189 824)
– profit after taxation	–	–	–	–	–	136 674	(136 674)
Financial liabilities							
Instalment sale liabilities	8 571 288	–	–	–	8 571 288	(171 426)	171 426
Trade and other payables	50 664 350	1 584 705	79 235	(79 235)	–	–	–
Bank overdraft	7 689 783	–	–	–	7 689 783	(153 796)	153 796
Impact of financial liabilities on:							
– profit before taxation	–	–	79 235	(79 235)	–	(325 222)	325 222
– profit after taxation	–	–	56 257	(56 257)	–	(234 160)	234 160
Overall impact on profit after taxation	–	–	56 257	(56 257)	–	(97 486)	97 486
COMPANY							
Financial assets							
Bank and cash	49 160	–	–	–	49 160	983	(983)
Trade and other receivables	3 575	–	–	–	–	–	–
Impact of financial assets on:							
– profit before taxation	–	–	–	–	–	983	(983)
– profit after taxation	–	–	–	–	–	698	(698)
Financial liabilities							
Trade and other payables	–	–	–	–	–	–	–
Impact of financial liabilities on:							
– profit before taxation	–	–	–	–	–	–	–
– profit after taxation	–	–	–	–	–	–	–
Overall impact on profit after taxation	–	–	–	–	–	698	(698)

Maturity analysis of financial liabilities

Instalment sale liabilities and interest-bearing liability

Refer to notes 11 and 12.

Trade and other payables

Trade and other payables are payable within six months.

Bank overdrafts

Bank overdrafts are repayable on demand.

29 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 R3 306 144 (2009: R2 722 865).

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30 DIRECTORS' EMOLUMENTS

	Services as directors	Salary and allowances	Bonuses and performance related payments	Retirement and related benefits	Share-based payments	Other benefits	Total
Directors' emoluments – 2010							
<i>Executive directors</i>							
Gary Davidson	–	1 372 302	115 385	–	–	37 560	1 525 247
Geoff Davidson*	–	302 400	–	–	–	4 023	306 423
Martin Slier	–	826 511	75 000	40 045	–	33 049	974 605
Jay Katz*	–	429 440	24 545	58 275	–	91 361	603 621
	–	2 930 653	214 930	98 320	–	165 993	3 409 896
<i>Non-executive directors</i>							
Ian Stern	385 200	–	–	–	–	–	385 200
Jonathan Hertz	192 600	–	–	–	–	–	192 600
	577 800	–	–	–	–	–	577 800

Interest of directors

	Direct	Indirect
<i>Beneficial</i>		
Ian Stern	300 000	–
Gary Davidson	15 209 780	26 651 588
Martin Slier	1 000 000	–
Jay Katz*	1 060 000	–
	17 569 780	26 651 588

* Geoffrey Davidson and Jay Katz resigned as directors on 23 August 2010.

Directors' emoluments – 2009

Executive directors

Gary Davidson	–	1 384 615	115 000	–	–	–	1 499 615
Geoff Davidson	–	360 000	–	–	–	–	360 000
Martin Slier	–	842 891	75 000	40 044	–	21 142	979 077
Jay Katz	–	644 160	53 680	87 413	–	123 590	908 843
	–	3 231 666	243 680	127 457	–	144 732	3 747 535

Non-executive directors

Ian Stern	385 200	–	–	–	–	–	385 200
Jonathan Hertz	192 600	–	–	–	–	–	192 600
	577 800	–	–	–	–	–	577 800

Interest of directors

	Direct	Indirect
<i>Beneficial</i>		
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

Notes to the Annual Financial Statements

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31 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

Directors

Directors' emoluments are set out in note 30.

Premises rented from a company controlled by Jay Katz, on a month-to-month basis resulted in a rent charge of R843 708 (2009: R787 545) for the year. Jay Katz resigned as a director of KayDav Group Limited on 23 August 2010 but is still a director of KayDav Group Limited's subsidiary, KayDav Industries (Pty) Limited.

Shareholders

Premises rented from The Davidson Family Trust (major shareholder) resulted in a rent charge of R1 883 297 (2009: R1 674 060) for the year.

Contracts for the rental of these three buildings were renewed during the year and will run until 30 November 2015.

The combined rental amounts to R195 146 (2009: R145 800) per month and escalates at 8% per annum.

Investment and loans

Related party investment and loans of the holding company are reflected in notes 4 and 8.

Notes to the Annual Financial Statements

for the year ended 31 December 2010

	2010	2009
	R	R
32 SEGMENTAL ANALYSIS		
At 31 December 2010 the Group was organised into two reportable operating segments:		
– board distribution; and		
– manufacturing		
Segmental revenue		
Board distribution	449 403 208	429 014 760
Manufacturing	62 870 866	51 597 968
Other	–	–
Internal revenue	(21 622 472)	(19 376 381)
	490 651 602	461 236 347
Segmental results		
Board distribution	16 660 984	19 393 767
Manufacturing	(8 394 199)	(5 348 830)
Other	1 758 273	(642)
Operating profit before interest	10 025 058	14 044 295
Discontinued operation – manufacturing	6 900 205	4 208 026
Loss for the period from discontinued operation	6 921 631	4 219 552
Net finance charges from discontinued operation	(21 426)	(11 526)
Operating profit before interest from continuing operations	16 925 263	18 252 321
Inter-segment transactions are entered into under normal commercial terms and conditions available to third parties.		
Operating assets		
Board distribution	171 954 067	148 096 370
Manufacturing	18 121 569	32 810 075
Other	226 721	704 683
Internal transactions	(8 845 556)	(4 893 469)
	181 456 801	176 717 659
Segment assets consist of plant and equipment, inventory, trade receivables and operating cash and excludes taxation assets, investments and intangible assets.		
Operating liabilities		
Board distribution	66 287 261	61 275 397
Manufacturing	7 595 849	11 140 619
Other	8 652 417	1 140 719
Internal transactions	(8 845 556)	(4 893 469)
	73 689 971	68 663 266

Segment liabilities include operating liabilities and excludes taxation liabilities.

Notes to the Annual Financial Statements

for the year ended 31 December 2010

	2010	2009
	R	R
32 SEGMENTAL ANALYSIS (CONTINUED)		
Capital expenditure		
Board distribution	3 163 837	7 742 964
Manufacturing	1 383 654	2 338 718
Other	18 235	30 018
Internal transactions	–	(5 398 174)
	4 565 726	4 713 526
Capital expenditure comprises additions to plant and equipment.		
Depreciation		
Board distribution	3 299 593	3 268 011
Manufacturing	1 295 735	1 024 741
Other	30 668	27 151
	4 625 996	4 319 903

Secondary reporting format (geographical segments)

All Group operations are in the RSA and are not subject to risks and returns that are different from those segments operating in other economic environments.

33 SUBSIDIARIES

	Issued share capital	Shares at cost less amounts written off	Amount receivable/ (payable) R
Direct holdings			
All wholly owned			
Davidsons Holding Company (Pty) Ltd	100	100	11 661 423
KayDav Industries (Pty) Ltd	100	100	73 330 175
Indirect holdings			
All wholly owned via Davidsons Holding Company (Pty) Ltd			
Evertrade 168 (Pty) Ltd	100	Indirect	–
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	–

Notes to the Annual Financial Statements

for the year ended 31 December 2010

34 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 green represent amendments introduced under the Improvements Project 2010.

Standard	Details of amendment	Annual periods beginning on or after
IFRS 1: First-time Adoption of International Financial Reporting Standards	• Amendment relieves first-time adopters of IFRS from providing the additional disclosures introduced through amendments to IFRS 7 in March 2009	1 July 2010
	• Accounting policy changes in the year of adoption	1 January 2011
	• Revaluation basis as deemed cost	1 January 2011
	• Use of deemed cost for operations subject to rate regulation	1 January 2011
	• Standard amended to provide guidance for entities emerging from severe hyperinflation and resuming presentation of IFRS-compliant financial statements, or presenting IFRS-complaint financial statements for the first time	1 July 2011
	• Standard amended to remove the fixed date of 1 January 2004 relating to the retrospective application of the derecognition requirements of IAS 39, and relief for first-time adopters from calculating day one gains on transactions that occurred before the date of adoption	1 July 2011
IFRS 3: Business Combinations	• Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS	1 January 2011
	• Measurement of non-controlling interests	1 January 2011
	• Unreplaced and voluntarily replaced share-based payment awards	1 January 2011
	• Amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period	1 July 2011
IFRS 7: Financial Instruments: Disclosures	• Clarification of disclosures	1 January 2011
	• Additional disclosure on transfer transactions of financial assets	1 July 2011
IFRS 9: Financial Instruments	• New standard that forms the first part of a three-part project to replace IAS 39: Financial Instruments: Recognition and Measurement	1 January 2013
IAS 1: Presentation of Financial Statements	• Clarification of statement of changes in equity	1 January 2011
IAS 12: Income Taxes	• Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale	1 July 2012
IAS 21: The Effects of Changes in Foreign Exchange Rates	• Consequential amendments from changes to IAS 27: Consolidated and Separate Financial Statements (Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation)	1 July 2010

Notes to the Annual Financial Statements

for the year ended 31 December 2010

34 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Standard	Details of amendment	Annual periods beginning on or after
IAS 24: Related Party Disclosure	<ul style="list-style-type: none"> Simplification of the disclosure requirements for government-related entities Clarification of the definition of related party 	1 January 2011
IAS 27: Consolidated and Separate Financial Statements	<ul style="list-style-type: none"> Transition requirement for amendments arising as a result of IAS 27 	1 July 2010
IAS 28: Investments in Associates	<ul style="list-style-type: none"> Consequential amendments from changes to IAS 27: Consolidated and Separate Financial Statements (clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation) 	1 July 2010
IAS 31: Interests in Joint Ventures	<ul style="list-style-type: none"> Consequential amendments from changes to IAS 27: Consolidated and Separate Financial Statements (Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation) 	1 July 2010
IAS 32: Financial Instruments: Presentation	<ul style="list-style-type: none"> Accounting for rights issues (including rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer 	1 February 2010
IAS 34: Interim Financial Reporting	<ul style="list-style-type: none"> Significant events and transactions 	1 January 2011

Interpretations	Annual periods beginning on or after
IFRIC 13: Customer Loyalty Programmes Fair value of award credits	1 January 2011
IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. Amendments relating to the recognition as assets of some voluntary prepayments for minimum funding contributions	1 January 2011
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	1 April 2010

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group/company.

Analysis of Shareholders

as at 31 December 2010

	Number of shareholders	% of total number of shareholders	Number of shares	% of total issued capital
Analysis of shareholdings				
1 – 1 000 shares	26	14.44%	7 499	0.00%
1 001 – 10 000 shares	59	32.78%	366 131	0.20%
10 001 – 100 000 shares	47	26.11%	1 949 549	1.06%
100 001 – 1 000 000 shares	33	18.33%	11 080 558	6.04%
1 000 001 shares and more	15	8.33%	170 233 636	92.70%
	180	100.00%	183 637 373	100.00%

Major shareholders (holding 5% or more of shares in issue)

The Davidson Family Trust			53 303 177	29.03%
The David Brouze Trust			71 854 335	39.13%
Gary Davidson			15 209 780	8.28%

* Note: Gary Davidson has a 50% indirect beneficial interest in The Davidson Family Trust.

Shareholder spread

Directors of KayDav Group Ltd and its subsidiaries**	8	4.4%	54 135 231	29.5%
Shareholders with an interest of 10% or more in the company other than directors of KayDav Group Ltd and its subsidiaries***	2	1.1%	98 505 924	53.6%
Public	170	94.4%	30 996 218	16.9%
	180	100.0%	183 637 373	100.0%

** Note: Includes the 50% indirect beneficial interest in The Davidson Family Trust of Gary Davidson.

*** Note: Excludes 50% of the holding of The Davidson Family Trust, being the indirect beneficial interest of Gary Davidson.

Distribution of shareholders

Individuals	144	80.0%	39 799 845	21.7%
Private companies	12	6.7%	4 361 418	2.4%
Close corporations	6	3.3%	400 800	0.2%
Trusts	10	5.6%	56 307 667	30.7%
Stockbrokers and nominees	5	2.7%	72 098 848	39.2%
Hedge funds	2	1.1%	6 473 045	3.5%
Collective investment schemes	1	0.6%	4 195 750	2.3%
	180	100.0%	183 637 373	100.0%

Share trades during the period

Opening price (cents)	30
Closing price (cents)	36
High (cents)	72
Low (cents)	29
Volume (number of shares)	59 053 706

Notice of Annual General Meeting

KayDavGroup

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 28 April 2011 at 11:00 for the following purposes:

1. to consider the annual financial statements for the year ended 31 December 2010;
2. to transact such other business as may be transacted at an annual general meeting of a company, including the reappointment 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 the 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 at any point in time 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 2011) 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. 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

Notice of Annual General Meeting

Requirements of the JSE which may be applicable from time to time; and

8. 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 the company 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 undertake that after considering the maximum number of securities which may be repurchased and the price at which the repurchases may take place pursuant to the buy-back general authority, 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 International Financial Reporting Standards, will exceed the consolidated liabilities of the company and of the Group after the buy-back; and
- 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 7
- Major beneficial shareholders – page 44
- Directors' interests in ordinary shares – page 38
- Share capital of the company – page 27

LITIGATION STATEMENT

The directors, whose names appear on page 7 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 7 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 2010 and up to the date of this notice.

REASONS FOR AND EFFECTS OF SPECIAL RESOLUTION NUMBER 1

The reason for special resolution number 1 is to afford directors of the company or a subsidiary of the company a general authority to effect a buy-back 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

Notice of Annual General Meeting

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 and not to related parties as defined in the Listings Requirements of the JSE;
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 per cent) 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: GENERAL PAYMENTS TO SHAREHOLDERS

"Resolved that subject to the Companies Act ("the Act"), the Listings Requirements of the JSE and the restrictions set out below, the directors are authorised at their discretion

Notice of Annual General Meeting

to pay, by way of a reduction of share capital or share premium, in lieu of an ordinary dividend, an amount equal to the amount which the directors would have declared and paid out of profits in respect of the company's dividends on the basis that:

1. this authority is not required in respect of cash dividends paid out of retained income, scrip dividends or capitalisation issues which may, subject to the provisions of the Act, be made by the company without this authority;
2. this general authority shall be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of the passing of this ordinary resolution number 3;
3. any general payment(s) in terms of this authority:
 - must be made pro rata to all shareholders; and
 - may not in any one financial year exceed 20% of the company's issued share capital at the beginning of such financial year, including reserves but excluding minority interest, and revaluations of assets and intangible assets (not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months)."

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

The directors would use the authority to make payments to shareholders by way of capital distributions to shareholders if appropriate, but subject to the provisions of the Listings Requirements of the JSE and section 90 of the Act.

Before effecting any general payment contemplated by this ordinary resolution number 3, the directors will consider the effect of the general payment and will ensure that for a period of 12 (twelve) months after the date of the notice of the general payment to be made:

- the company and the Group will be able, in the ordinary course of business, to pay their debts;
- the assets of the company and the Group, measured in accordance with the accounting policies used in the latest audited annual financial statements, will be in excess of the liabilities of the company and the Group; and
- the working capital, share capital and reserves of the company and the Group are adequate for ordinary business purposes.

In the case of a general payment being made an announcement will be published in accordance with Schedule 24 of the Listings Requirements of the JSE containing the terms of the payment, the date of the general meeting at which the general authority was obtained, the date on which payment is to be made and the effect of the payment on the company's earnings per share, headline earnings per share, net asset value per share and net tangible asset value per share and if applicable, diluted earnings and headline earnings per share.

ORDINARY RESOLUTION NUMBER 4: RE-ELECTION OF GARY DAVIDSON AS A DIRECTOR OF THE COMPANY

"Resolved that Gary Davidson be re-elected as a director of the company."

A brief curriculum vitae is set out on page 7 of the annual report of which this notice forms part.

ORDINARY RESOLUTION NUMBER 5: RE-ELECTION OF JONATHAN HERTZ AS A DIRECTOR OF THE COMPANY

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

A brief curriculum vitae is set out on page 7 of the annual report of which this notice forms part.

ORDINARY RESOLUTION NUMBER 6: DIRECTORS' REMUNERATION

"Resolved that the remuneration of the non-executive directors for 2010, as set out on page 38 of the annual

report of which this notice forms part be, and is hereby confirmed and ratified.”

ORDINARY RESOLUTION NUMBER 7: REAPPOINTMENT OF AUDITORS

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

ORDINARY RESOLUTION NUMBER 8: 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, 6 and 7 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.

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 (Pty) 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 (Pty) Limited

Company Secretary

25 March 2011

Registered address

105 Bamboesvlei Road
Ottery, 7800

Transfer Secretaries

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

Form of Proxy

KayDavGroup

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 11:00 on 28 April 2011, 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 make general payments to shareholders			
4. To re-elect Gary Davidson as a director of the company			
5. To re-elect Jonathan Hertz as a director of the company			
6. To ratify non-executive directors' remuneration			
7. To reappoint PKF (Jhb) Inc. as auditors of the company			
8. 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 _____ 2011

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) Limited, 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.

