KAP

Integrated report **2019**





INTEGRATED INTO EVERY DAY

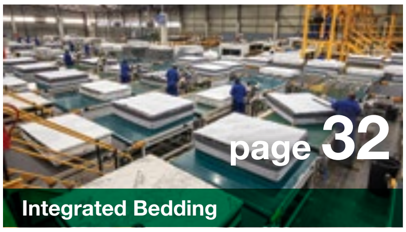





Contents

Integrated Timber

Automotive Components



Integrated Bedding

Polymers

Contractual Logistics (South Africa)

Contractual Logistics (Africa)

Passenger Transport

Highlights

Revenue increased
by **12%** to **R25.6 billion**
from continuing operations

EBITDA* remained stable
at **R3.9 billion** from continuing
operations

Cash generated from operations
increased by **22%** to **R4 billion**

Free cash generation before
dividends of **R2 billion**

Gearing reduced to **35%**

** Excluding the non-recurring, non-cash impact of the Unitrans B-BBEE transaction cost.*

Group structure

KAP Industrial Holdings Limited ('KAP') is a JSE-listed diversified industrial group consisting of industrial, chemical and logistics businesses

Diversified industrial

PG BISON

Integrated Timber
Integrated forestry and timber manufacturing operations with primary and secondary upgrading processes

FELTEX

Automotive Components
Manufacture of vehicle retail accessories and components used in new vehicle assembly

RESTONIC
SUPPORTING DREAMS SINCE 1938

Integrated Bedding
Manufacture of foam, fabrics, springs, bases and branded mattresses

KAP

Geographic presence

The group is focused on delivering on its strategy of being a market leader in the industries it serves in a growing African market

12
AFRICAN COUNTRIES

Diversified chemical

SAFRIPOL
preferred polymer partner

Polymers
Manufacture of polyethylene terephthalate ('PET'), high-density polyethylene ('HDPE') and polypropylene ('PP')

Diversified logistics

Contractual Logistics (South Africa)
Provision of integrated supply chain solutions to clients in South Africa

UNITRANS

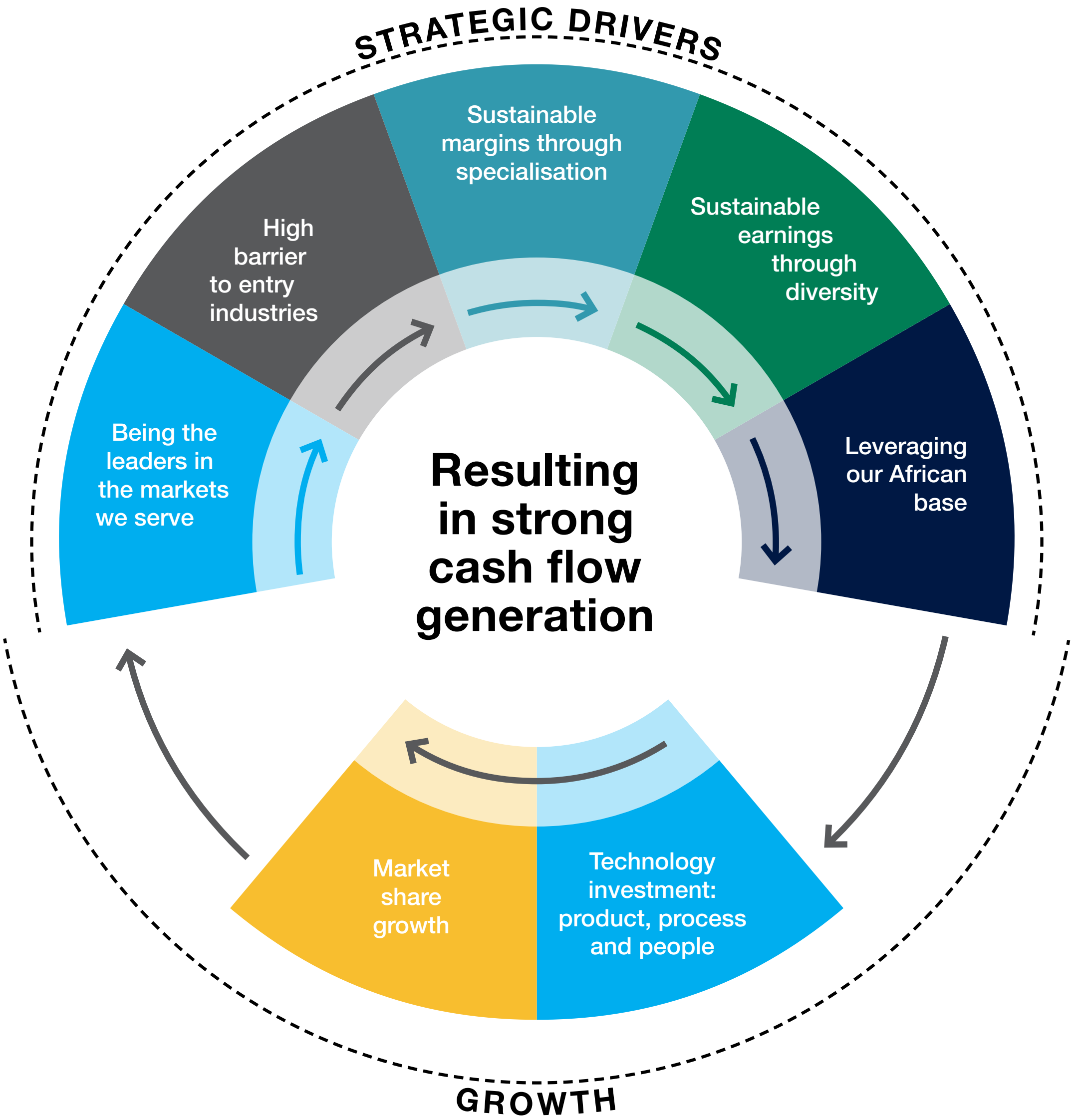
Contractual Logistics (Africa)
Provision of integrated supply chain solutions to clients in sub-Saharan African countries

Passenger Transport
Provision of personnel, commuter, intercity and tourism transport services

Business strategy

Critical factors that shape our strategy

KAP's strategy provides the group and the divisional businesses with guiding principles and direction to enable them to formulate and implement their respective business plans and develop performance objectives.



KAP

Disciplined execution of the group's strategy has resulted in:

Revenue from continuing operations up on prior year by 12% to

R25.6bn

Revenue (Rm)

CAGR* 12%

EBITDA remained stable at

R3.9bn*

Excluding the non-recurring, non-cash impact of the Unitrans B-BBEE transaction cost.

Operating profit (Rm)

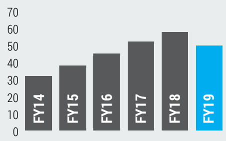
CAGR* 13%

Gearing reduced to

35%

HEPS (cents)

CAGR* 9%

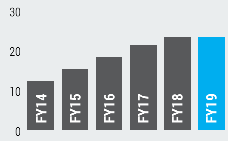


Cash generated from operations up on prior year by 22% to

R4.0bn

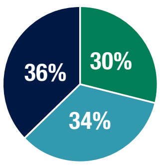
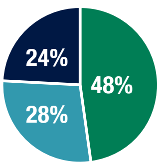
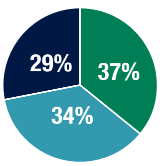
DPS (cents)

CAGR* 14%



** Compound annual growth rate of continuing operations, excluding the non-recurring, non-cash impact of the Unitrans B-BBEE transaction cost.*

Group segmental highlights

Segmental split	Diversified industrial	Diversified chemical	Diversified logistics
	**Revenue** up by 13% to **R7 777m**	**Revenue** up by 22% to **R8 690m**	**Revenue** up by 5% to **R9 433m**
	**Operating profit** up by 2% to **R1 311m**	**Operating profit** down by 3% to **R751m**	**Operating profit** down by 21% to **R661m**
	**Total assets** down by 1% to **R9 698m**	**Total assets** flat **R8 873m**	**Total assets** up by 3% to **R7 549m**

Revenue and operating profit from continuing operations.

Chairman's report

The pace and scale at which change is taking place in the world is having a impact on the business environment.

Although this is a global phenomenon, affecting all the major economies, it appears to become magnified in smaller economies such as South Africa.

The South African corporate environment is exposed to the volatility of the global markets. In addition, we have significant and specific challenges facing our country, which has placed our economy in real distress. The challenges and risks of escalating unemployment, reduced consumer spending, political uncertainty and low business confidence are well-documented and have a negative impact on South African businesses.

The degree of volatility under which we operate is incredible and this certainly had an impact on KAP during the financial year under review.

In the context of this uncertain economic environment, I believe the strategy set by the board for the 2019 financial year was appropriate and responsible. Our strategy was simply to ensure that all of our investments and acquisitions are operating optimally, to generate healthy cash flows, and to strengthen the company's balance sheet.

Performance

The success of this strategy is reflected in the company's overall performance, and I am pleased with the performance for the year under review. Despite the tough economic environment, revenue increased by 12% to R25.6 billion from continuing operations. The EBITDA, excluding the non-recurring, non-cash impact of the Unitrans B-BBEE transaction, remained stable at R3.9 billion.

The strategy of focusing on cash generation was successful, with cash generated from operations increasing by 22% to R4 billion and free cash before dividends at R2 billion. The balance sheet is furthermore strengthened with gearing reducing to 35%.

I believe that the economy will remain challenging for some time and that those companies with strong balance sheets and

Jaap du Toit – Independent non-executive chairman

strong cash-generating abilities will survive and prosper in this volatile environment.

As always, work still needs to be done, but the board and management are focused on the right issues and are making good progress.

Corporate citizenship

I am proud to see the progress that the company has made in pursuing a responsible and balanced approach to environmental and social issues.

Significant progress was made during the year on the environmental, social and governance ('ESG') activities, and we were once again included in the FTSE4Good Index. KAP improved its FTSE4Good score across all the ESG themes and the company was rated above average for a diversified industrial company.

KAP makes a significant difference to many people's lives, often in areas of the country where there are limited opportunities. This year, the company spent R17.5 million on several corporate social investment projects with a focus on education, nutrition and community development.

The company remains committed to the principles of B-BBEE and continues to pursue a balanced approach to the transformational impact thereof. The successful conclusion of the Unitrans B-BBEE transaction and the creation of the Sakhumzi Foundation Empowerment Trust were significant milestones for the company.

People

KAP employs over 19 000 people. One of our strategic company objectives is to be an industry leader in our chosen markets. This implies a requirement to attract and retain the best people in the industry and to continuously improve their skills. KAP's commitment to this objective is reflected in the R154 million that the company invested in training and people development.

The focus on leadership development, succession planning, and training and development provides a sound platform for the continued growth of the company.

Still of concern is the number of work-related injuries and deaths that occurred over the past year. We operate in a risky environment – travelling over 380 million kilometres per annum with our logistics and passenger fleets and operating across multiple manufacturing industries. Management has committed itself to a target of zero harm across the organisation. We have seen a marked improvement in our health and safety statistics, creating a safe and healthy environment for our staff. However, this requires ongoing effort and commitment.

We were pleased with the high level of shareholder support at the November 2018 annual general meeting for recommended changes to the company's remuneration policy. The recommended changes provide a more balanced approach to executive remuneration by including B-BBEE, internal audit compliance, ESG, strategy execution, retention and return on equity measurements, in addition to the previous measurement criteria of headline earnings and cash conversion. These changes were recommended in line with the board's objective of strengthening governance and sustainability in the company.

Governance

KAP's corporate services structure is now established and functioning well and covers all the primary corporate service requirements. The structure has also added depth and a broader base of knowledge and expertise to the management team.

The governance framework continues to comply with the relevant legislation and remains in line with the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™)*. The board was pleased and commends management on its approach to corporate governance.

During the year, Ainsley Holdings Proprietary Limited, a wholly owned indirect subsidiary of Steinhoff International Holdings N.V., disposed of their remaining interests in KAP. Louis du Preez and Theodore de Klerk, both Steinhoff executives, subsequently resigned from the board. I would like to thank both Louis and Theodore for their positive contribution to the board.

The board and its nomination committee are in the process of identifying additional independent non-executive directors that will bring additional skills and diversity to the board.

Prospects

Despite the tough economic environment, KAP produced a satisfactory set of results. This is reflective of the value in the diversity of the company's operations and the resilience in its business model. The recent investments across our various operations have created a competitive advantage that will be particularly relevant in these tough times. The significant improvement in cash flow and the strengthening of the balance sheet positions KAP to take advantage of opportunities that may arise. The company is, however, taking a measured approach to any potential acquisitions and will only consider opportunities that meet specific strategic criteria.

Management has been quick to identify areas of improvement within the current operations and KAP is now well-positioned to capitalise on growth in the economy.

Appreciation

I would like to thank the board for their input and commitment to the business. I also extend my appreciation to our customers, investors and bankers for their ongoing support and trust. The support of these stakeholders is key to the long-term success of KAP.

Finally, I wish to thank all our employees for their ongoing loyalty, passion and dedication to the company.

Jaap du Toit
Independent non-executive chairman

Chief executive officer's report

The 2019 financial year has been a challenging one for business in South Africa and KAP has not been immune to these challenges.

The board and management were, however, focused on a particular strategy for the year, which has proven to be a prudent and responsible approach. In previous financial years, the group initiated several significant expansion projects at its operations and concluded several acquisitions, resulting in the investment of R7.8 billion over the 24 months to 30 June 2018. In view of the scale and complexity of these investments, the strategy set by the board for the 2019 financial year was to ensure the completion of these expansion projects and the effective integration of the acquisitions into the group, with the focus on market share growth, extraction of value, and generation of cash to improve gearing and to strengthen the group's balance sheet. Management made good progress in the execution of this strategy during the year.

Financial performance

The company produced a satisfactory set of results for the year in a very challenging economic, social and political environment. Revenue from continuing operations increased by 12% to R25 602 million (FY18: R22 813 million). Operating profit before depreciation, amortisation, B-BBEE cost and capital items ('core EBITDA') remained stable for the year at R3 909 million (FY18: R3 944 million). Operating profit before B-BBEE cost and capital items ('core operating profit') from continuing operations decreased by 6% to R2 723 million (FY18: R2 901 million). We were particularly pleased that cash generated from operations increased by 22% to R4 033 million (FY18: R3 308 million).

The balance sheet was well managed during the year, with a specific focus on debt reduction and the settlement of maturing bonds out of cash from operations. Net capital expenditure was contained at R1 231 million, while net working capital was reduced by R222 million to R1 145 million. Net interest-bearing debt was reduced by R1 239 million to R4 488 million, with the result that gearing improved from 47% to 35%.

Gary Chaplin – Chief executive officer

Corporate activity

In line with the strategy set by the board for the 2019 financial year, the company did not pursue any acquisitions during the year. We were, however, very pleased to conclude a series of transactions and funding arrangements ('Unitrans B-BBEE transaction') in order to facilitate greater than 51% 'black ownership' and greater than 30% 'black-women ownership' of the company's South African logistics operations, Unitrans Supply Chain Solutions Proprietary Limited ('USCS'). The non-core Glodina operations were disposed of during the year and a disposal process of the non-core Autovest operations was initiated.

Operational review

Integrated Timber

The division's panel products operations performed well for the year, showing volume, revenue and operating profit growth. It continued to pursue its strategy of technology investments to reduce its cost of manufacture, increase the proportion of value-added products and grow market share. The division's forestry, sawmilling and pole operations in the southern Cape were, however, significantly impacted by the operational effects of the extensive fires experienced in the region during 2017 and 2018. The division initiated new projects during the year to further expand particleboard capacity and improve efficiencies at both its Ugie and Piet Retief plants, which will be commissioned in February and March 2020 respectively. An additional melamine-faced board ('MFB') upgrading press at Piet Retief was commissioned in August 2019.

Automotive Components

An 11% increase in industry new vehicle assembly volumes over the prior comparative period supported the revenue, volume and profit growth of the division. The model replacements of the VW Polo and the BMW X3, introduced during the previous financial year, were ramped up as planned. Efficiency improvement projects and new technologies associated with the new model introductions were successfully implemented during the second half of the year. The Maxe operation, which is aligned with the strategy of the division and remains an area of potential expansion, performed well for the year despite subdued industry new vehicle sales volumes. A process for the discontinuation of the remaining aftermarket accessories operations was initiated during the year and will be completed during FY20. The extension of the Automotive Production and Development Programme ('APDP') to 2035 provides much-needed clarity and stability to the automotive sector.

Integrated Bedding

The division continued to implement its strategy of technology investments to reduce its cost of manufacture, further integrate into the manufacture of its primary raw materials, develop its brands and grow market share. The acquisition of Support-a-Paedic during the previous financial year contributed to the latter. An increase in production volumes during the year facilitated a 23% increase in intra-divisional revenue, which supported margins. The division has made strong progress in adjusting its business model to support increased retail promotional activities.

Polymers

The division's strong operational performance was overshadowed by significant margin volatility experienced during the year as a result of new monomer and polymer production capacity being commissioned, primarily in the United States. In spite of this, the division produced a stable performance for the year.

The recently expanded PET operation in Durban produced at an average of 93% of rated capacity, with production yields improving from 92% to 96% during the year. The plant was also successfully tested to 108% of nameplate capacity and separately tested to 98% yield. HDPE operations ran above normal capacity for the year due to increased availability of ethylene raw material, which was consistent with the prior year. PP operations ran marginally below capacity as a result of two unscheduled shutdowns that affected five days' production during the first half of the year.

Contractual Logistics (South Africa)

Following the conclusion of the Unitrans B-BBEE transaction, a new executive management structure was implemented to focus only on the South African operations. The division's operations and support functions were significantly restructured during the second half of the year, which resulted in steady month-on-month operational and financial improvements evident from January 2019. The division's operations in the petroleum, mining and general freight sectors remained stable, while its activities in the chemicals and cement sectors were negatively impacted by lower customer volumes. The performance in the division's food-related activities was poor, primarily as a result of margin pressure in the poultry sector and a significant contractual dispute in the retail sector.

Contractual Logistics (Africa)

Contractual Logistics' operations in non-South African territories comprise mainly activities in southern and East African countries, primarily in the petrochemical and agricultural sectors, with smaller operations in mining and cement. Following the Unitrans B-BBEE transaction, a new executive management structure was also implemented in this division to focus only on non-South African operations. The division performed well for the year, supported by stable volumes at its major operations and excellent operational execution.

Passenger Transport

The division found trading conditions challenging during the year. The intercity and tourism operations experienced lower industry passenger numbers and aggressive competition on all routes, while in the division's legacy commuter contracts, it was unable to fully recover the impact of inflated fuel costs. The remainder of the commuter and personnel travel operations performed satisfactorily for the year despite a particularly challenging environment with increasing unemployment levels. The division's Mozambique operations performed well, showing revenue and profit growth.

Governance

The establishment of a full corporate services function within KAP has shaped a broader base of knowledge and expertise, created division of responsibilities, increased the depth of management and provided for improved succession planning opportunities. Subsequent to an independent review of its internal audit function, which yielded positive results, management initiated a process to formalise those structures that provide combined assurance to the board. There were no material breaches of the company's control environment during the year.

Sustainability

The board and management recognise the company's responsibility toward various stakeholder groups in addition to its shareholders, including its employees, suppliers, customers and the communities located in those areas within which it conducts business. The company also recognises its responsibility for the impact of its operations on the environment and takes a proactive approach to minimising this. The company has subscribed to the FTSE4Good Index and uses this as a framework to manage compliance and measure its progress against industry best practice in the areas of environment, social and governance. A senior KAP executive has been tasked with the duty of driving sustainability for the group and ESG targets have been integrated into employee remuneration structures. The company improved its FTSE4Good score over the prior year score.

The damaging impact of discarded plastic on the environment has been widely publicised. In view of KAP's position in the production of polymers, the company is committed to working constructively with relevant stakeholders to actively contribute to the development of a sustainable solution to this issue. An enormous amount of effort is being invested and we are confident that an integrated solution will be formulated in time.

Sakhumzi Foundation Empowerment Trust

During the year, KAP continued to support this independent broad-based ownership trust, as defined in the B-BBEE Codes of Good Practice. Sakhumzi continues to be the vehicle through which KAP will consolidate a broad range of its B-BBEE initiatives into larger, more meaningful projects. These will be independently managed by the trust, with the objective of driving transformation through grassroots education and business development.

B-BBEE

The company remains committed to transformation in line with the B-BBEE Codes of Good Practice. Management views sustainable transformation not only as a redress of historic inequality, but also as a business imperative to sustainability and growth. The conclusion of a B-BBEE transaction during the year in the South African Contractual Logistics operation is an exciting step in this regard. Further initiatives are in progress to improve transformation into the future, including the funding of certain projects in the Sakhumzi Foundation Empowerment Trust.

Prospects

The macroeconomic and political environments in South Africa are expected to remain challenging and uncertain for the foreseeable future, with limited real economic growth and subdued consumer spending. The company remains focused on the execution of its strategy, the optimisation of its operations, market share growth and generation of cash to further strengthen its balance sheet and to provide a platform for growth.

Various new capacity expansion projects and technology investments have been initiated that will be commissioned during FY20. Management continues to seek out further capacity expansion opportunities, in line with the group's strategy to grow earnings and enhance shareholder returns. Acquisition opportunities that meet the group's strategic requirements and create shareholder value will remain an element of management's growth objectives.

Appreciation

On behalf of the board of directors, I express my sincere gratitude to shareholders and financial institutions for their support during a challenging and uncertain time, to the 19 579 staff members of KAP for their commitment and dedication, and to our customers, suppliers and business partners who continue to support the growth and expansion of our company.

My personal thanks to the board of directors, under the leadership of our chairman, Jaap du Toit, for their invaluable guidance and support.

Gary Chaplin
Chief executive officer

Chief financial officer's report

The strategy for the 2019 year resulted in a **12%** growth in revenue and a **22%** increase in cash generated from operations.

In the previous financial years, KAP embarked on a number of significant expansion projects at its operations and concluded a number of acquisitions. In view of the scale and complexity of these investments, the strategy set by the board for the 2019 financial year was to ensure the completion of the expansion projects and the effective integration of the acquisitions into the group, with the focus on market share growth, extraction of value and generation of cash in order to improve gearing and strengthen the group's balance sheet.

This strategy for the year resulted in a 12% growth in revenue, stable core EBITDA and a 22% increase in cash generated from operations to R4 033 million. Free cash flow before dividends of R1 983 million resulted in reduced gearing of 35%.

Key metrics (from continuing operations)	**FY19**	FY18	Variance %
Revenue (Rm)	**25 602**	22 813	12
Core EBITDA (Rm)*	**3 909**	3 944	(1)
Core operating profit before capital items (Rm)*	**2 723**	2 901	(6)
Core headline earnings (Rm)*	**1 433**	1 646	(13)
Core headline earnings per share (cents)*	**53.2**	61.6	(14)
Cash generated from operations (Rm)	**4 033**	3 308	22
Free cash flow before dividends (Rm)	**1 983**	594	234

** Excluding the non-recurring, non-cash impact of the Unitrans B-BBEE cost.*

Frans Olivier – Chief financial officer

Corporate activity

The company concluded a series of transactions and funding arrangements ('Unitrans B-BBEE transaction') in order to facilitate greater than 51% 'black ownership' and greater than 30% 'black-women ownership' of its South African logistics operations, Unitrans Supply Chain Solutions Proprietary Limited ('USCS'). The series of transactions resulted in the following:

- effective sale of 23.02% of USCS to a wholly owned entity of the FWG Pieters Trust;
- effective sale of 21.98% of USCS to a wholly owned entity of the Sakhumzi Foundation Empowerment Trust; and
- acquisition by USCS of the remaining shares of Xinergistix Proprietary Limited ('Xinergistix'), resulting in it being a wholly owned subsidiary of USCS.

The details of this Unitrans B-BBEE transaction were published on the Stock Exchange News Service ('SENS') on 18 May 2018 and a related circular was published on 8 June 2018. The series of transactions was approved by the competition authorities and became effective on 3 September 2018.

The Unitrans B-BBEE transaction is accounted for in terms of IFRS 2 – *Share-based Payments* and IFRS 10 – *Consolidated Financial Statements*. KAP is deemed, through the funding structure of the B-BBEE transaction, to control both of the acquiring entities and is therefore required to consolidate both acquiring entities. In addition, the transaction creates a 'put option' in favour of the acquiring entities. The fair value of the put options for both the acquiring entities was actuarially valued at R215 million ('B-BBEE cost'). The B-BBEE cost is non-cash and is accounted for as a charge to earnings with corresponding credit to reserves. An amount of R196 million of the B-BBEE cost was expensed in the year and the remaining R19 million will be expensed equally over the seven-year contract period.

The impact on earnings is material and therefore the B-BBEE cost is disclosed separately in the financial results. Core headline earnings and core headline earnings per share referred to in these results exclude the B-BBEE cost.

Financial performance

The group increased its disclosure of financial and operational information to allow stakeholders to better understand the group and its divisions. These disclosures include revenue, EBITDA, operating profit and total assets per division, grouped by segment.

Revenue from continuing operations increased by 12% to R25 602 million (FY18: R22 813 million). Revenue increased in all of the divisions due to volume growth, market share gains and cost recovery. Revenue growth by segment and division is illustrated in **figure 1**:

Figure 1: Revenue analysis from continuing operations	**Year ended 30 June 2019 Audited Rm**	Year ended 30 June 2018 Audited* Rm	% change
Diversified industrial	**7 777**	6 879	13
Integrated Timber	**4 031**	3 612	12
Automotive Components	**2 202**	1 853	19
Integrated Bedding	**1 551**	1 414	10
Interdivisional revenue eliminations	**(7)**	–	
Diversified chemical	**8 690**	7 117	22
Polymers	**8 690**	7 117	22
Diversified logistics	**9 433**	8 971	5
Contractual Logistics (South Africa)	**5 144**	4 969	4
Contractual Logistics (Africa)	**2 011**	1 820	10
Passenger Transport	**2 382**	2 228	7
Interdivisional revenue eliminations	**(104)**	(46)	
	25 900	22 967	13
Intersegmental revenue eliminations	**(298)**	(154)	
	25 602	22 813	12

** Comparative segmental information restated for the move of the group's resin business from chemical to industrial (Integrated Timber) and to reflect the Autovest discontinued operation.*

Operating profit before depreciation, amortisation, B-BBEE cost and capital items ('core EBITDA') from continuing operations remained stable for the year at R3 909 million (FY18: R3 944 million).

Operating profit before B-BBEE cost and capital items ('core operating profit') from continuing operations decreased by 6% to R2 723 million (FY18: R2 901 million). Core operating profit and core operating margin by segment and division are illustrated in **figure 2**:

Figure 2: Core operating profit and margin before capital items from continuing operations	**Year ended 30 June 2019 Rm**	**30 June 2019 margin %**	Year ended 30 June 2018* Rm	30 June 2018 margin* %	Operating profit change %	Margin change
Diversified industrial	**1 311**	**16.9**	**1 281**	**18.6**	**2**	**(1.7)**
Integrated Timber	806	20.0	809	22.4	–	(2.4)
Automotive Components	266	12.1	248	13.4	7	(1.3)
Integrated Bedding	239	15.4	224	15.8	7	(0.4)
Diversified chemical	**751**	**8.6**	**778**	**10.9**	**(3)**	**(2.3)**
Polymers	751	8.6	778	10.9	(3)	(2.3)
Diversified logistics	**661**	**7.0**	**842**	**9.4**	**(21)**	**(2.4)**
Contractual Logistics (South Africa)	161	3.1	313	6.3	(49)	(3.2)
Contractual Logistics (Africa)	283	14.1	268	14.7	6	(0.6)
Passenger Transport	217	9.1	261	11.7	(17)	(2.6)
	2 723	**10.6**	**2 901**	**12.7**	**(6)**	**(2.1)**

** Comparative segmental information restated for the move of the group's resin business from chemical to industrial (Integrated Timber) and to reflect the Autovest discontinued operation.*

The core operating profit of the Automotive Components, Integrated Bedding and Contractual Logistics (Africa) divisions increased, while the Polymers, Contractual Logistics (South Africa) and Passenger Transport divisions decreased, and the Integrated Timber division remained stable. Polymers' operating profit was impacted by weakening global margins, specifically in the second half of the year, which offset the benefits of the increased production volumes at the recently upgraded PET facility. Contractual Logistics (South Africa) was negatively affected by a challenging South African economic environment and was further impacted by a R50 million provision for an onerous contract. Passenger Transport was impacted by lower passenger numbers, aggressive competition and onerous fuel capping provisions in certain commuter contracts.

Core operating margin decreased to 10.6% (FY18: 12.7%) as a result of extremely competitive trading conditions in all the divisions.

Headline earnings decreased by 28% to R1 156 million (FY18: R1 596 million) and core headline earnings decreased by 15% to R1 352 million (FY18: R1 596 million) as illustrated in **figure 3**:

Figure 3: Reconciliation of headline earnings	**FY19 Rm**	FY18 Rm	Variance %
Earnings attributable to owners of the parent	**1 033**	1 540	(33)
Capital items	**149**	66	
Taxation effects of capital items	**(26)**	(10)	
Headline earnings	**1 156**	1 596	(28)
B-BBEE cost (net of taxation)	**196**	–	
Core headline earnings	**1 352**	1 596	(15)

Capital items from continuing operations of R144 million (FY18: R65 million) include various goodwill, contract intangibles, brand and property, plant and equipment impairments, mainly in the Contractual Logistics (South Africa) and Passenger Transport divisions.

Net finance costs from continuing operations increased by 1% to R707 million (FY18: R697 million), mainly as a result of R3 million interest capitalised on capital projects versus R57 million in the prior year with nothing capitalised in the current year. Cash net finance costs decreased by 6% to R717 million (FY18: R764 million) due to strong cash generation and reduced gearing.

The effective tax rate from continuing operations increased to 31.2% (FY18: 24.0%), mainly due to the R196 million B-BBEE cost, which is not deductible for income tax purposes. Excluding the B-BBEE cost, the effective tax rate normalised to 28.0% (FY18: 24.0%). The tax rate in the previous year was lower than in the current year as a result of incentives in relation to the group's investments in expanding manufacturing capacity.

Core headline earnings per share from continuing operations decreased by 14% to 53.2 cents (FY18: 61.6 cents) as a result of a 6% lower core operating profit and a four-percentage-point increase in the effective tax rate. The weighted average number of ordinary shares increased by 1% to 2 696 million shares (FY18: 2 671 million shares). Shares were issued during the year in relation to the acquisition of Xinergistix and Lucerne Transport Proprietary Limited and the KAP share rights scheme.

Discontinued operations

During the year, the group initiated a process to dispose of the Autovest operation, which formed part of the Automotive Components division and comprised the manufacture and distribution of various aftermarket accessories. This operation is accordingly disclosed as a discontinued operation in the company's income statement while related assets and liabilities are shown as assets and liabilities held for sale.

The Glodina operation, which was disposed of as a going concern for R101 million on 3 September 2018, is also disclosed under discontinued operations.

Statement of financial position

The group's financial position remains healthy with reduced gearing as a result of strong cash generation and reduced net debt. The group's earnings are underpinned by a solid and diverse asset base of land holdings, forestry assets, infrastructure, plant, machinery and vehicles. This strong base of new technology assets will support future competitiveness and growth.

Figure 4: Asset base (from continuing operations)	**FY19 Rm**	**% of total**	FY18 Rm	% variance
Plant and machinery	**5 331**	27	5 367	(1)
Long-haul vehicles and buses	**4 634**	24	4 381	6
Intangible assets	**3 996**	20	4 109	(3)
Land and buildings	**2 297**	12	2 244	2
Biological assets	**1 900**	10	1 919	(1)
Goodwill	**1 246**	6	1 283	(3)
Capital work-in-progress	**156**	1	385	(59)
Other	**118**	–	136	(13)
Total	**19 678**	100	19 824	(1)

Replacement capital expenditure continues to be managed in relation to the annual depreciation charge. Depreciation for the year amounted to R1 152 million, while replacement capital expenditure amounted to R811 million net of proceeds on disposal, insurance proceeds and government grants. Expansion capital expenditure of R420 million was invested in the group's asset base to drive growth and efficiency benefits. Capital expenditure was mainly directed toward logistics long-haul vehicles and passenger transport vehicles.

The split of capital expenditure per division and segment is illustrated in **figure 5**:

Figure 5: Split of capital expenditure	**FY19 Rm**	**% of total**	FY18 Rm
Diversified industrial	**225**	18	307
Integrated Timber	**77**	6	105
Automotive Components	**75**	6	120
Integrated Bedding	**73**	6	82
Diversified chemical	**83**	7	567
Polymers	**83**	7	567
Diversified logistics	**917**	74	831
Contractual Logistics (South Africa)	**242**	20	400
Contractual Logistics (Africa)	**472**	38	200
Passenger Transport	**203**	16	231
Corporate, consolidation and elimination	**6**	1	(57)
Total	**1 231**	100	1 648

Intangible assets predominantly include supplier relationships, patents and trademarks. These intangible assets secure access to strategic raw material inputs, create barriers to entry, and secure market leadership. Intangible assets and goodwill are assessed annually for impairment in terms of International Financial Reporting Standards (IFRS). Based on the assessments, no significant impairment of these assets was required during the 2019 financial year.

The group's consumable biological assets, comprising mainly timber plantations, provide sustainable access to strategic raw material inputs and support earnings and sustainability within the Integrated Timber division. The group's plantations in the southern Cape region were affected by fires during November 2018, which resulted in damage to 845 hectares and a R19 million reduction in the value of the plantations. There was a R5 million fair value loss in the finalisation of the 2017 fires. The net effect of both fires on the period was therefore a downward revaluation of R24 million. Insurance income of R10 million was received in relation to the 2018 fires.

Net working capital decreased by R222 million to R1 145 million. Inventories increased by R284 million, mainly due to increased stockholding in Polymers as a result of softer market conditions and lower sales toward year-end. This was offset by a decrease in accounts receivables of R72 million and an increase in accounts payables of R434 million.

Non-controlling interest decreased as a result of the Unitrans B-BBEE transaction whereby USCS acquired the remaining 49.9% shares of Xinergistix for an amount of R155 million, of which R73 million was paid for by the issue of ordinary shares in KAP.

The net asset value per share increased by 4% to 474 cents from 454 cents.

Statement of cash flows

The group's strategy for FY19 resulted in cash generated from operations increasing by 22% to R4 033 million (FY18: R3 308 million), with free cash flow before dividends of R1 983 million (FY18: R594 million). The cash conversion ratio of core operating profit before capital items into cash generated from operations was 153% (FY18: 116%).

Capital structure

It is imperative that the group maintains a sound capital structure and has access to sufficient funding to support its operations and facilitate growth. The capital management strategy is to maintain an optimal level of capital, diversified in nature, at competitive rates and sourced from a variety of funding sources. The group's central treasury function supports operations and monitors gearing on a group-wide basis, ensuring that the group treasury and funding requirements operate in line with internal debt capacity ratios set by the board.

Strong cash generation resulted in net interest-bearing debt decreasing by R1 239 million to R4 488 million. Both the net debt/EBITDA ratio and the EBITDA/interest cover ratio remained well within target levels at 1.2 times and 5.3 times respectively. The net debt/equity (gearing) ratio reduced from 47% to 35%.

The debt structure and capacity ratios are reflected as follows in **figure 6**:

Figure 6: Debt structure and capacity ratios	**30 June 2019 Audited Rm**	30 June 2018 Audited* Rm
Loans and borrowing long-term	**5 013**	6 960
Loans and borrowing short-term	**1 298**	1 007
Non-interest-bearing loans and borrowings	**(38)**	(89)
Cash and cash equivalents	**(1 785)**	(2 151)
Net interest-bearing debt	**4 488**	5 727
EBITDA**	**3 713**	3 944
Net finance costs**	**707**	697
EBITDA:interest cover (times)	**5.3**	5.7
Net debt:EBITDA (times)	**1.2**	1.5
Gearing %	**35**	47

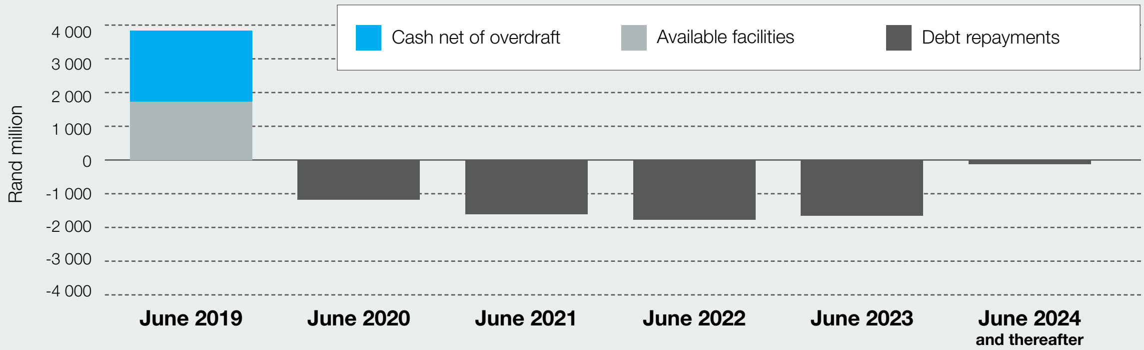
** Prior period disclosure has been restated to reflect the Autovest discontinued operation.*
*** From continuing operations*

The following significant funding activities were concluded during the year:

R678 million bonds settled at maturity	R800 million of existing term loan facility settled prior to maturity date
R1 billion bond settled prior to maturity date	R700 million raised through bond issuances with a three-year tenure

These funding activities have resulted in a healthy debt maturity profile, as reflected in **figure 7**:

Figure 7: Maturity of net interest-bearing debt as at 30 June 2019



The group finances its operations through cash generated from operations and a mix of short-, medium- and long-term bank credit facilities, bank loans and domestic medium-term notes. This provides the group with a balanced range of funding sources as reflected in **figures 8** and **9**:

Figure 8: Funding structure

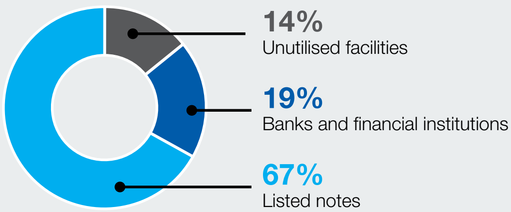
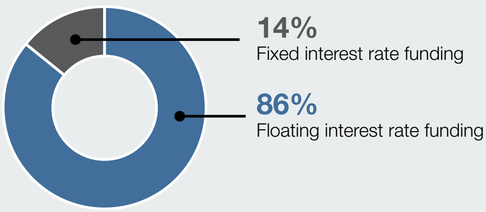


Figure 9: Fixed vs floating interest rate funding



Global Credit Rating Co. Proprietary Limited reviewed KAP's credit rating in November 2018 and confirmed its rating as A+(za) with a stable rating outlook. The company is well positioned in terms of funding future growth and expansion activities.

Dividends

With strong cash generation and reduced gearing, the group maintained its dividend at 23 cents per share (FY18: 23 cents per share).

Accounting policies

During the current year, the group adopted the new and revised standards that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2018. The impact of the following new IFRS are highlighted as follows:

IFRS 15 – Revenue from Contracts with Customers
No material impact on the amount and timing of revenue recognition was identified upon adoption of IFRS 15.

IFRS 9 – Financial Instruments: Recognition and measurement
The group elected the transition provisions of IFRS 9 that allow an entity not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 July 2018. The following table summarises the impact, net of tax, of the transition to IFRS 9 on opening balance of retained earnings:

	Net impact on retained earnings Rm
Increase in loss allowance	**30**
Related deferred taxation	**(7)**
Net impact on retained earnings	**23**

IFRS 16 – Leases
IFRS 16 will be effective for the 2020 financial year. The group plans to apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect on initial application will be recognition in retained earnings at 1 July 2019, with no restatement of comparative information. Based on the information currently available, the group estimates that it will recognise right-of-use assets and additional lease liabilities of between R400 million and R500 million at 1 July 2019. The group does not expect the adoption of IFRS 16 to impact its ability to comply with its internal debt capacity ratios or loan covenant requirements.

Risk management

The board recognises that some elements of risk management are best achieved on an integrated basis through combined assurance. Financial risks, such as liquidity risk, currency risk and interest rate risk, are largely managed centrally. The group's risk management process and internal control environment remain key focus areas of the board and management. The group provides continuous assurance of the control environment through its governance framework, internal audit and other independent assurance providers.

Liquidity risk

The group's policy remains to spread its debt requirement across a range of instruments and maturity dates and from a variety of funding sources in order to reduce refinancing risk and concentration risk.

Currency risk

The principal objective of the group's currency risk management strategy remains to mitigate open exposure to movements in foreign exchange rates in relation to purchase or sales orders for products, services and capital expenditure.

Interest rate risk

The group's policy remains to balance interest rates on its debt instruments between variable and fixed interest rates, in line with expected movements in interest rates.

Credit risk

The group's trade accounts receivables consist mainly of a large and widespread customer base. Group companies continually monitor the financial position of their customers, and appropriate use is made of credit insurance. Loss allowances for doubtful debts are made in line with IFRS 9. At year-end, management did not consider there to be any material credit risk exposure that had not been covered by the loss allowance or credit insurance.

Insurance risk

The group maintains an insurance programme, including a degree of self-insurance, which provides financial protection against unforeseen events that could cause financial loss. All material risks are considered to be adequately covered, except for political risks. Regular risk management audits are conducted to identify improvement areas, from which management is able to implement corrective action plans.

Governance

KAP employs a decentralised business model, which allows its divisions to operate autonomously with a strong entrepreneurial culture within a group governance framework where compliance with policies, procedures and internal controls are monitored. The primary control environment of the company is key to the success of the decentralised model, both in terms of governance and providing effective support to divisional management to grow their businesses.

KAP acknowledges the importance of technology and the benefits that are unlocked through accuracy and visibility of information, as well as the improved control environment that is related to robust systems. The divisions all operate on separate enterprise resource management ('ERP') systems appropriate to their businesses and continuous investment and upgrades are done to these systems. Detailed divisional management accounts are reported within five days of month-end, providing enhanced insight into the divisional results. The consolidation reporting system improves the visibility and accuracy of financial reporting of the group.

The KAP corporate services function, which was established in April 2018 and includes corporate finance, secretarial, legal, taxation and internal audit services, functioned well during the year. The focused corporate services function has strengthened the governance structures of the group and improved the overall internal control environment.

The company operates a centralised treasury function, which raises funding according to the group's requirements. The divisional funding structures and divisional balance sheet structures are determined centrally, according to the requirements of each division. Cash management is controlled and reported centrally to ensure that it is managed effectively and provides daily visibility of all bank accounts in the group.

Looking ahead

Management remains focused on the execution of its strategy, the optimisation of its operations, market share growth and generation of cash to further strengthen its balance sheet to provide a platform for growth. Management remains optimistic that the diverse operational and geographic nature of the group's operations will provide support in the current challenging economic environment.

Frans Olivier
Chief financial officer

A summary of the group's key financial performance measurements is set out below. It is evident from the performance over the seven-year period that the group has, in line with its strategy, delivered consistent growth. This has been achieved through a combination of organic expansion and complementary acquisitions. Return on net assets and return on equity declined in 2019 as a result of capital investments where the associated returns will be earned in the forthcoming financial years.

Seven-year financial review	Financial definition	Five-year CAGR %	**2019 Rm**	2018 Rm	2017 Rm	2016 Rm	2015 Rm	2014 Rm	2013 Rm
Extracts from income statement – continuing operations									
Revenue		12	**25 602**	22 813	19 783	16 047	15 664	14 471	13 513
Operating profit	1	11	**2 527**	2 901	2 499	1 997	1 666	1 480	1 309
Core operating profit*	1	13	**2 723**	2 901	2 499	1 997	1 666	1 480	1 309
EBITDA	2	11	**3 713**	3 944	3 361	2 797	2 450	2 230	2 050
Core EBITDA*	2	12	**3 909**	3 944	3 361	2 797	2 450	2 230	2 050
Net finance charges			**707**	697	515	312	289	327	364
Income tax expense			**533**	520	510	487	261	309	272
Headline earnings		9	**1 237**	1 646	1 431	1 172	969	801	658
Core headline earnings*		12	**1 433**	1 646	1 431	1 172	969	801	658
Extracts from statement of financial position									
Intangible assets and goodwill			**5 242**	5 392	5 333	2 078	1 598	1 290	1 311
Property, plant and equipment and investment property			**12 536**	12 513	11 832	8 128	7 129	6 633	6 394
Consumable biological assets			**1 900**	1 919	1 978	1 890	1 824	1 875	1 761
Net working capital	3		**1 132**	1 330	623	(27)	352	170	267
Net operating assets	4	16	**20 810**	21 154	19 766	12 069	10 903	9 968	9 733
Gross interest-bearing debt			**6 273**	7 878	7 712	4 635	3 456	3 504	4 269
Bank and overdraft			**(1 785)**	(2 151)	(1 935)	(2 566)	(1 367)	(828)	(1 179)
Net interest-bearing debt			**4 488**	5 727	5 777	2 069	2 089	2 676	3 090
Equity		14	**12 825**	12 155	11 035	8 667	7 761	6 709	6 166
Extracts from statement of cash flows									
Cash generated from operations			**4 033**	3 308	2 958	3 285	2 275	1 888	2 249
Cash flow from investing activities**			**(1 142)**	(1 723)	(6 083)	(2 285)	(871)	(828)	(1 159)
Expansion capital expenditure			**(420)**	(811)	(1 050)	(735)	(509)	(403)	(594)
Replacement capital expenditure			**(811)**	(837)	(1 190)	(965)	(683)	(653)	(470)
Disposal/(acquisition) of investments			**101**	(29)	(3 781)	(573)	328	276	(38)
Other investing activities			**(12)**	(46)	(62)	(12)	(7)	(48)	(57)
Free cash flow before dividends	5		**1 983**	594	(4 006)	417	913	600	584
Key information									
Headline earnings per share (cents)		6	**45.9**	61.6	55.6	48.2	40.6	34.1	28.1
Core headline earnings per share (cents)*		9	**53.2**	61.6	55.6	48.2	40.6	34.1	28.1
Dividends per share (cents)		14	**23**	23	21	18	15	12	8
Net asset value per share (cents)		11	**474**	454	415	355	320	286	263
Weighted average number of shares (million)		3	**2 696**	2 671	2 574	2 433	2 384	2 346	2 342
Shares in issue (million)		3	**2 704**	2 678	2 662	2 441	2 423	2 346	2 346
Ratios									
Operating margin* – %	6		**10.6**	12.7	12.6	12.4	10.6	10.2	9.7
EBITDA margin* – %	7		**15.3**	17.3	17.0	17.4	15.6	15.4	15.2
Effective tax rate – %	8		**31.2**	24.1	26.0	28.8	19.4	27.1	27.8
Cash conversion ratio*	9		**153**	116	121	166	137	129	167
Gearing %	10		**35**	47	52	24	27	40	50
Gearing % – gross debt	11		**49**	65	70	53	45	52	69
EBITDA:interest cover (times)			**5.3**	5.7	6.5	9.0	8.5	6.8	5.6
Net debt:EBITDA (times)			**1.2**	1.5	1.7	0.7	0.9	1.2	1.5
Gross debt:EBITDA (times)			**1.7**	2.0	2.3	1.7	1.4	1.6	2.1
RONA % (return on net assets)*	12		**13.0**	14.2	15.7	17.4	16.0	15.0	13.4
ROE % (return on equity)*	13		**10.8**	13.8	14.2	14.2	13.3	12.3	11.6

** Excluding B-BBEE cost. ** Cash flow from investing activities has been restated from 2012 to 2016 to include capitalised interest in net finance charges. It was previously included in additions to property, plant and equipment.*

DEFINITIONS 1 **Operating profit** – Operating profit before capital items. **2** **EBITDA** – operating profit before depreciation, amortisation and capital items. **3** **Net working capital** – consists of inventories, trade and other receivables, trade and other payables, employee benefits and provisions excluding assets and liabilities held for sale. **4** **Net operating assets** – consists of goodwill, intangible assets, property plant and equipment, investment properties, consumable biological assets and net working capital. **5** **Free cash flow before dividends** – cash flow from operations plus dividends received less net finance charges, taxation paid and cash flow from investing activities. **6** **Operating margin %** – core operating profit from continuing operations divided by revenue from continuing operations. **7** **EBITDA margin %** – core EBITDA from continuing operations divided by revenue from continuing operations. **8** **Effective tax rate %** – taxation expense from continuing operations divided by profit before tax from continuing operations. **9** **Cash conversion ratio %** – cash flow from operations divided by core operating profit from continuing and discontinued operations. **10** **Gearing %** – net interest-bearing debt divided by equity. **11** **Gearing – gross debt %** – gross interest-bearing debt divided by equity. **12** **RONA %** – core operating profit from continuing operations divided by average net operating assets. **13** **ROE %** – core headline earnings from continuing and discontinued operations divided by average equity.

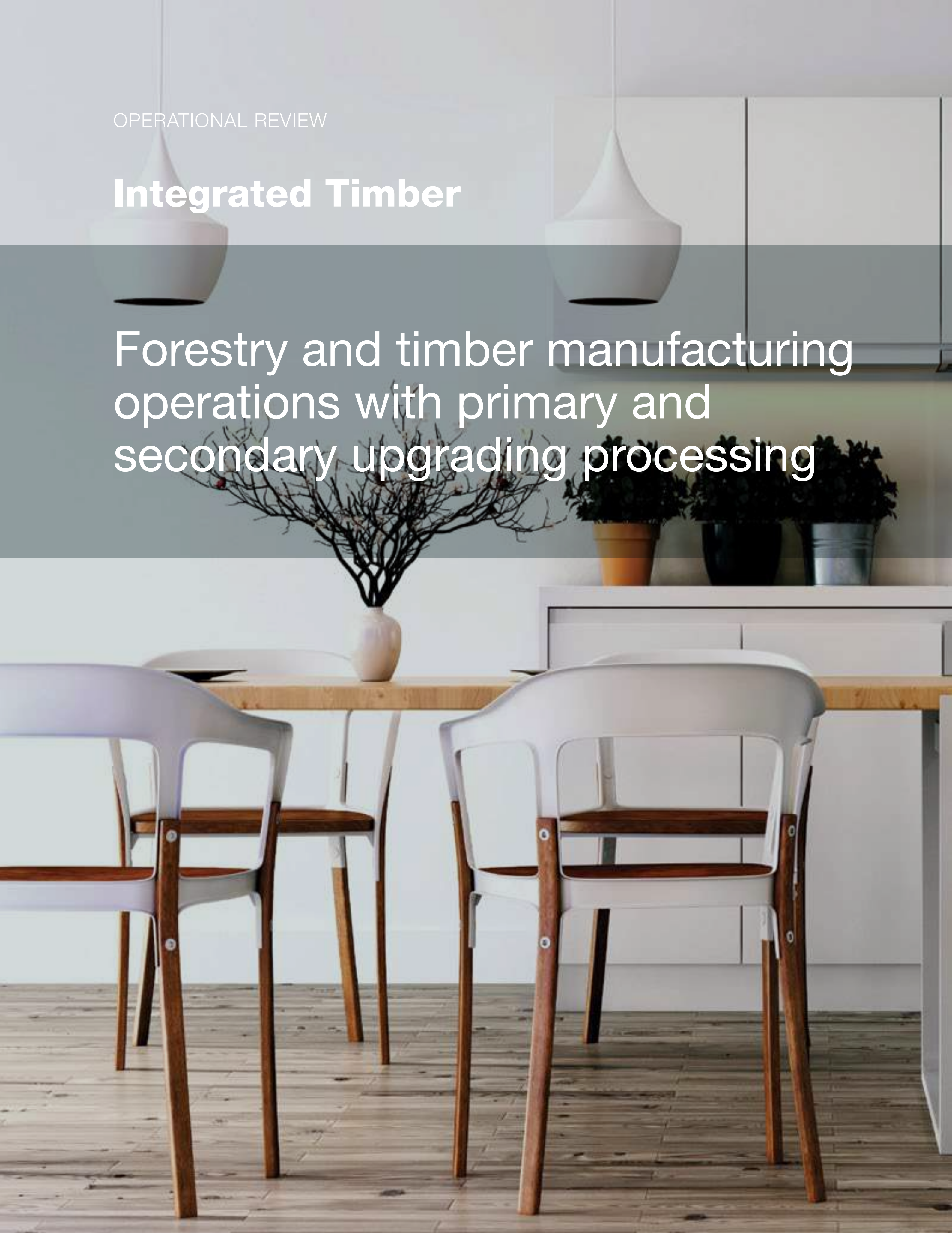
KAP

OPERATIONAL REVIEW

OPERATIONAL REVIEW

Integrated Timber

Forestry and timber manufacturing operations with primary and secondary upgrading processing



REVENUE

12% ↑

OPERATING PROFIT

Flat

PG Bison harnesses the benefits of an integrated business model by owning and managing its own resin, forestry and timber operations with primary manufacturing and value-adding facilities.

Revenue split

55% Value added
42% Primary processing
3% Forestry

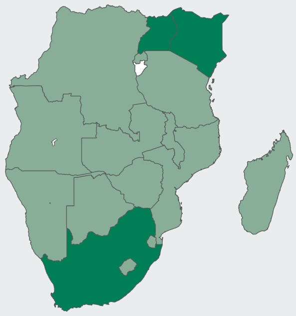
Eight manufacturing plants

Operations

Kenya, South Africa

Sales and distribution

Angola, Botswana, Kenya, Lesotho, Mauritius, Mozambique, Namibia, Nigeria, Zambia and Zimbabwe
Also in Australia



Products and services

Forestry
Sawlogs, poles, pulpwood

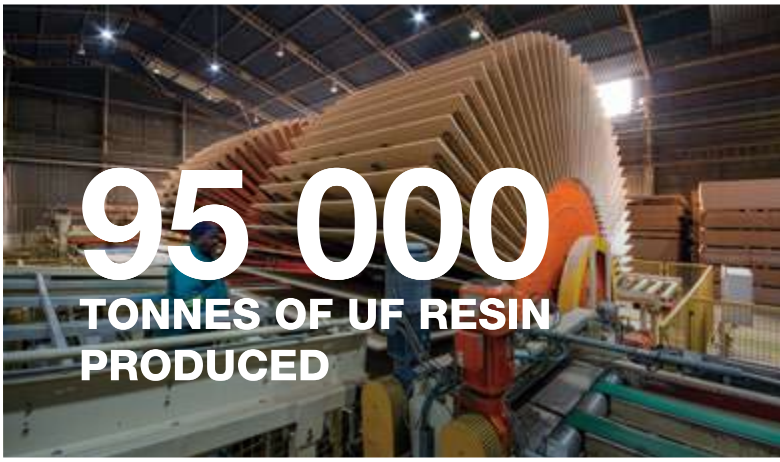
Primary processing – Timber
Structural timber (Thesen), poles (Woodline)

Primary processing – Board
Particleboard (BisonBord), medium-density fibreboard (MDF) (SupaWood)

Upgrading
Foil (DecoBord), Formica Lifeseal worktops, melamine-faced board (MFB) (MelaWood), gloss board (MelaWood Supagloss)

Formaldehyde and UF resin
Primarily used in the timber panel industry

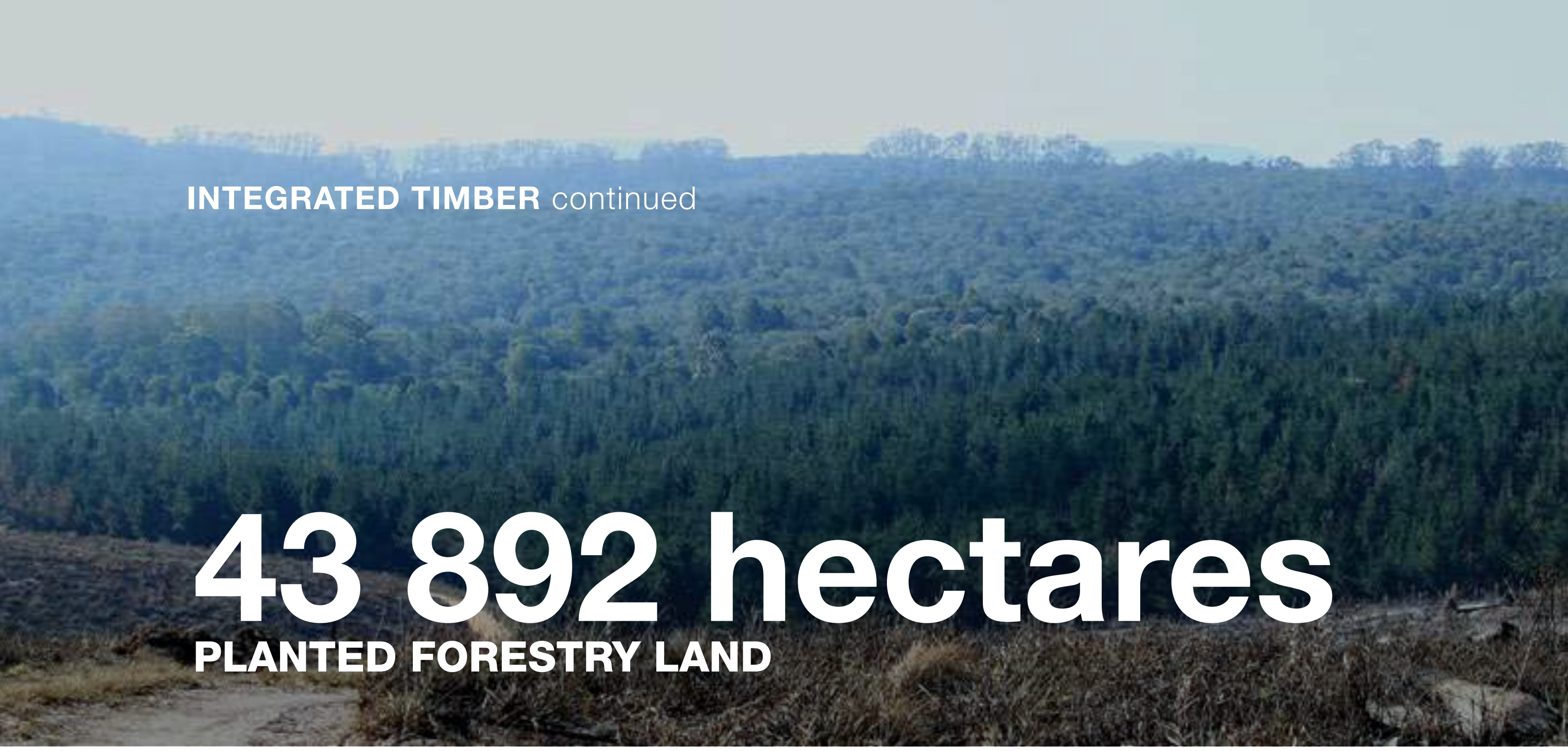
Impregnated paper
Primarily used in the timber panel industry to manufacture MFB



95 000
TONNES OF UF RESIN PRODUCED

480 000
TONNES OF RESIDUE FIBRE CONSUMED

1 489
EMPLOYEES



43 892 hectares

PLANTED FORESTRY LAND

"Our aim is to be the leading manufacturer and primary upgrader of timber products in our chosen markets." – Gerhard Victor

HIGHLIGHTS

- Continued annual cost saving through investment and technology
- Largest and most advanced manufacturing plants in Africa
- 96 157 hectares of land owned
- FSC-certified plantations at NECF
- Improved efficiencies for lowest cost supplier
- Preferred supplier of branded products
- 3.9 million trees planted

Gerhard Victor – Chief executive officer, Integrated Timber

49 million m^2

OF IMPREGNATED PAPER PRODUCED

Business environment

PG Bison services the retail, construction, furniture manufacturing and residential development sectors with a variety of timber products, primarily in southern and eastern Africa and Australia. This diversity of geographies and sectors consistently supports the underlying demand through the business cycles.

The South African market continues to evolve, with consolidation taking place in the DIY retail sector and customer fragmentation in the furniture, construction and development, merchant reseller and manufacturing sectors. Through its continuous investment in product development, marketing activities and manufacturing technology, combined with the integration of its key raw materials, PG Bison is well-positioned to capitalise on this changing environment.

Commentary

The Integrated Timber division performed well for the year, showing 12% revenue growth to R4 031 million from R3 612 million in the prior year. The resin manufacturing and paper impregnation operations are now reported as part of this division. (They were previously reported in the Chemical segment.) Resin manufacturing and paper impregnation represent key raw materials in the manufacture of panel products. Prior year numbers have been restated accordingly.

The division continued to implement its strategy of increasing its volume capacity and value-added product and service offering, with investments in product development, marketing, supply chain and new technology during the year. The division benefited from deferred annual maintenance shuts at three of its operations. In order to minimise production downtime, this maintenance will be done in 2020 to align with the planned plant capacity expansions and technology upgrades. The additional production volume, due to the deferred shuts, created the opportunity for increased sales and higher overhead absorption. Sales were supported by the growth in new products.

The southern Cape forestry, sawmilling and pole operations were impacted by the significant fires experienced in 2017 and 2018. The division suffered a R68 million negative effect on operating profit compared to the prior year, due to the timber supply of salvaged burnt timber into the sawmill and pole plant, as well as the short-term supply balance in the region.

The treated paper and resin operations performed well for the year, with increased volumes and sales mix in line with the integrated performance of the panel business.

Despite the negative operational impact that resulted from the fires, PG Bison's operating profit remained stable.

Outlook

PG Bison's access to key raw materials in the form of timber from its own plantations and its own manufactured impregnated paper and resin, remains a long-term strategic imperative that mitigates anticipated timber supply constraints in South Africa, as well as upward raw material pricing pressure. The focus of the division remains on providing value-added products and improving operational efficiencies through investing in technology and creating a culture of innovation and customer-focused service delivery.

While market conditions are expected to become more challenging in the near future, the division is implementing mitigating initiatives. Investments totalling R200 million for the replacement and expansion of the primary plants to manufacture particleboard at Ugie and Piet Retief will be commissioned in February and March 2020 respectively, adding an additional 8% of particleboard capacity. An additional MFB upgrading press was successfully commissioned in August 2019 in Piet Retief. This added value to particleboard in line with PG Bison's strategy to grow the volume of value-added products. The additional capacity, together with continued investments into new product development and marketing activities, will facilitate growth in market share, revenue and operating profit. These initiatives will also assist to mitigate the effects of the maintenance and upgrading shuts planned for part of FY20.

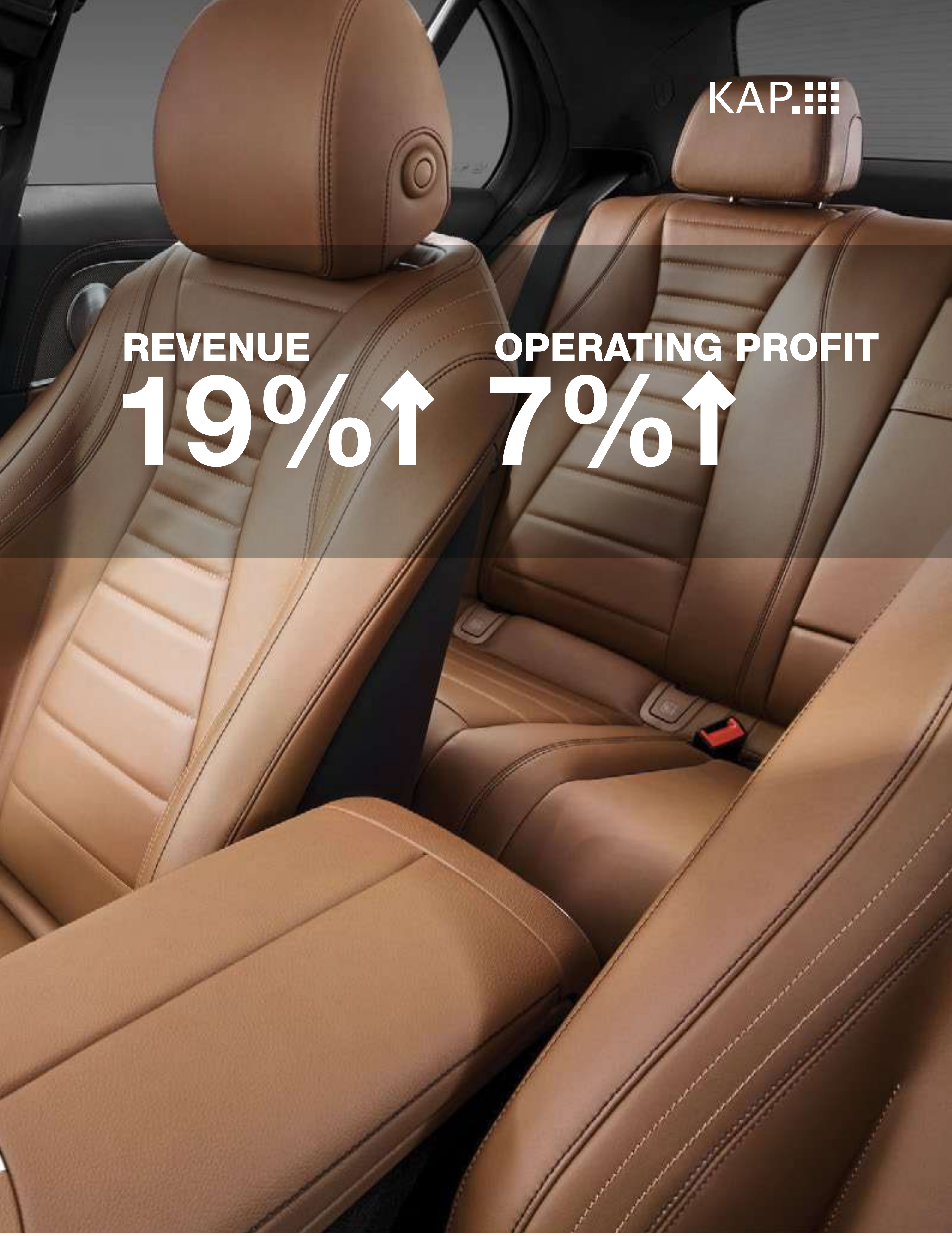
Following the fires in 2017 and 2018, the southern Cape division has adapted the rotation age and planting densities of its plantations. The division will spend R60 million on upgrading the processing capabilities in order to optimise utilisable timber volume and to support its strategy. The operation should be well poised to deliver sustainable, improved operating results in the future.

PG Bison remains committed to growing its supply of products into non-South African territories to facilitate a sustainable and diversified revenue base, and to promote economy of scale benefits at its operations.

The division will continue to pursue its strategy through investments in its products, customers, employees, systems and manufacturing assets to produce quality, fit-for-purpose products at the lowest cost.

Automotive Components

Manufacture of vehicle retail accessories and components used in the assembly of new vehicles



REVENUE
19%↑

OPERATING PROFIT
7%↑

As the manufacturer of vehicle retail accessories and components used in the assembly of new vehicles, the Automotive Components division is well placed through its economy of scale and international technology/licence agreements and partnerships to benefit from continued new model introductions in South Africa.

Products

Feltex Automotive Trim
Textile-based automotive acoustic and soft trim components

Autoneum Feltex
Underfloor systems for thermal and impact protection and aluminium heatshields

Caravelle
Overlay carpets/loose-lay vehicle mats and tonneau covers

Feltex Fehrer
Polyurethane flexible foam, moulded seats, conventional and pour-in-place headrests, foam pads, side bolsters and armrests

Feltex Foam
Polyester and polyether flexible, semi-rigid and rigid thermoformable foams for use in vehicles and high-tech industrial products

Auria Feltex
Acoustically engineered tufted automotive carpet

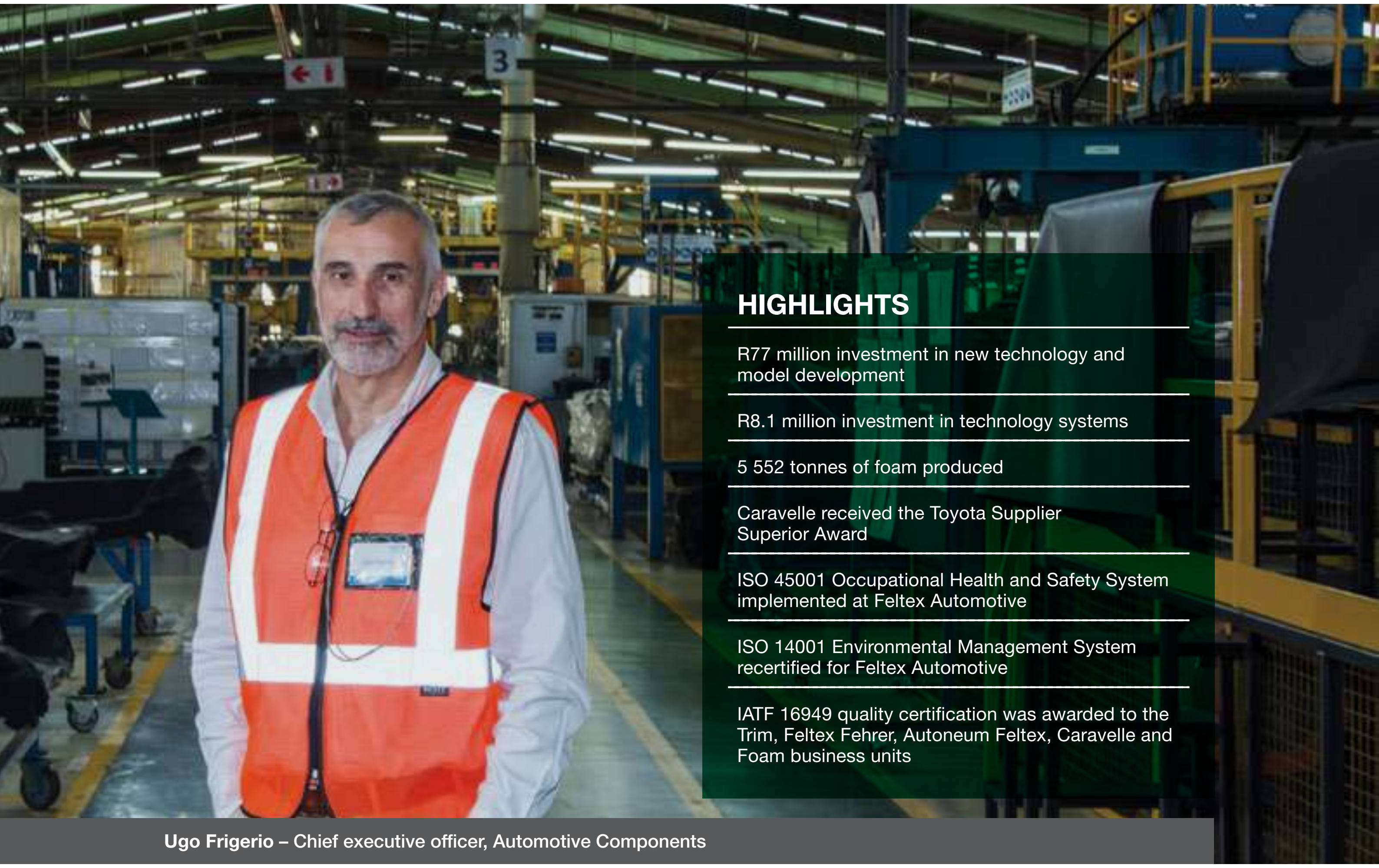
Maxe
Premium automotive accessories made from mild and stainless steel, supplying the LCV*, SUV• and truck markets

** Light commercial vehicle • Sport utility vehicle*

28 million

COMPONENTS PRODUCED ANNUALLY, USED IN 15 ASSEMBLY MODELS

"Our aim is to be the supplier of choice with leading technology and globally competitive manufacturing capabilities." – Ugo Frigerio



HIGHLIGHTS

- R77 million investment in new technology and model development
- R8.1 million investment in technology systems
- 5 552 tonnes of foam produced
- Caravelle received the Toyota Supplier Superior Award
- ISO 45001 Occupational Health and Safety System implemented at Feltex Automotive
- ISO 14001 Environmental Management System recertified for Feltex Automotive
- IATF 16949 quality certification was awarded to the Trim, Feltex Fehrer, Autoneum Feltex, Caravelle and Foam business units

Ugo Frigerio – Chief executive officer, Automotive Components

Business environment

With world-class quality and manufacturing capabilities, South Africa remains an attractive production destination for international vehicle original equipment manufacturers (‘OEMs’). Annual vehicle production by international OEMs in South Africa grew from 552 260 units to 615 161 units, primarily as a result of the introduction of two replacement models during the prior year. South Africa’s vehicle build is spread over seven OEMs that build 15 models, with approximately 60% of all vehicles produced being exported.

The Automotive Production and Development Programme (‘APDP’), which has been extended to 2035, provides investment certainty to the business environment. As a result of this, replacement models continue to be secured by the South African OEMs as the current models reach the end of their production periods. An amendment to the APDP now also encourages an increase in local content requirements in assembled vehicles.

The trend of centrally manufacturing ‘stripped down’ model configurations for global distribution, with the fitment of accessories taking place in-country according to regional requirements, provides a sound base for the sale of aftermarket automotive accessories like those manufactured by Maxe. The increased demand for SUVs and LCVs is also encouraging as these vehicles provide greater scope for accessorising.

Commentary

The Automotive Components division reported a 19% increase in revenue to R2 202 million from R1 853 million in the prior year. The model replacements of the VW Polo and the BMW X3 introduced in the prior year were ramped up as planned. The division’s total production volumes for the year grew by 11% in line with OEM assembly volumes. Efficiency improvement projects and new technologies associated with the new model introductions were successfully implemented during the second half of the year.

The aftermarket accessories business was rationalised during the year. In this regard, the Maxe operation, which is aligned with the strategy of the division and remains an area of potential expansion, performed well for the year despite subdued industry new local vehicle sales volumes. A process for the disposal of the remaining aftermarket accessories operations, namely Kilber, Auto Armour, Rhino Linings and Autovest, was initiated during the year and will be completed in FY20. These operations, including potential closure costs, are reflected as discontinued operations in the company’s income statement (prior year figures have been restated for comparative purposes).

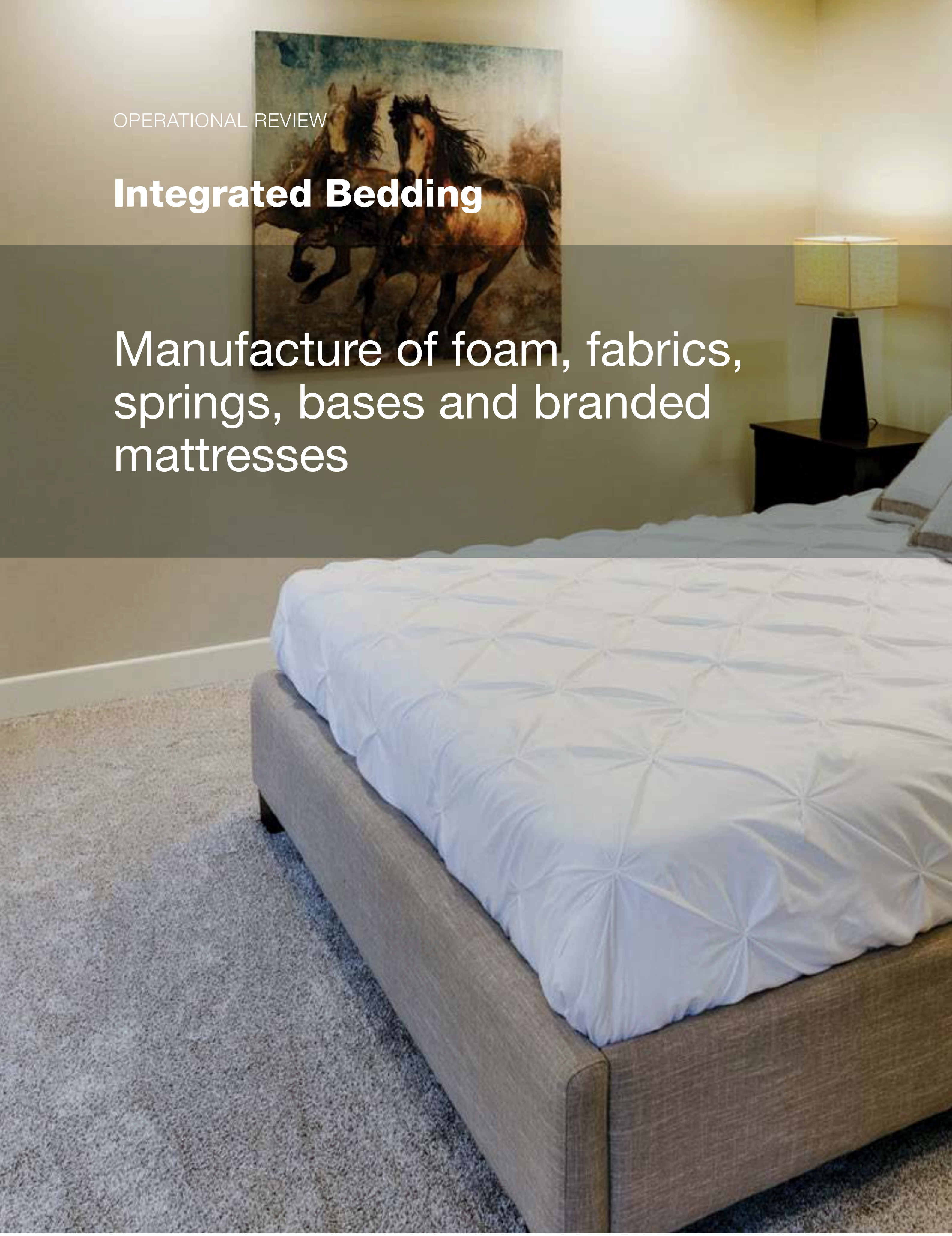
Despite an extremely challenging year, the Automotive Components division’s operating profit grew by 7% over the prior year.

Outlook

The extension of the APDP to 2035 provides much-needed clarity and stability to the automotive sector. This will lead to growth opportunities for the division. The introduction of a material replacement model is expected to cause production disruptions in FY20.

Integrated Bedding

Manufacture of foam, fabrics, springs, bases and branded mattresses

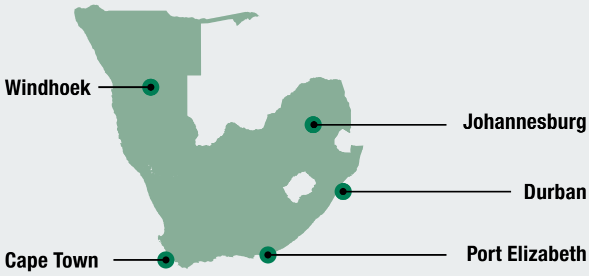


REVENUE
10%↑

OPERATING PROFIT
7%↑

KAP's Integrated Bedding division manufactures flexible polyurethane foam, rebonded foam, expanded polyethylene ('EPE'), polyester fibre, knitted and woven fabrics, non-woven textiles, springs, bed bases, plastic injection moulded components and branded mattresses.

Production hubs



Operating from five strategically positioned production hubs throughout South Africa and Namibia, the division's extensive infrastructure, scale benefits and technology investments reduce costs and enable it to provide products and services to customers at competitive prices.

Products

Bedding
Mattresses and base sets

Foam and related products
Flexible polyurethane foam, expanded polyethylene and fibre products for various industrial applications

Mattress ticking
Knitted and woven fabrics for use in the mattress industry

Non-woven spunbond
Various products for household and industry use

431 000+

MATTRESSES PRODUCED PER ANNUM

"Our aim is to be the leading manufacturer of bedding-related products and brands in southern Africa by utilising world-class technology and expertise." – Michael Metz

HIGHLIGHTS

- Vitafoam celebrated its 60th birthday in 2019
- Vitafoam became a certified 'Proudly South African' product
- Restonic's television commercial was nominated as a finalist at the prestigious Loeries
- Restonic received multiple supplier awards from its retail customer base in 2019
- Vitafoam expanded into the agricultural market with its UV resistant and frost protection non-woven textiles
- Restonic recycles more than 19 tonnes of textiles throughout its process and consumes an additional 2 700 tonnes of recycled polyester annually, thus furthering its 'go green' initiatives

Michael Metz – Chief executive officer, Integrated Bedding

8.3 million

LINEAR METRES OF FABRIC PRODUCED PER ANNUM

Business environment

The Integrated Bedding division's strategy is to manufacture key raw materials centrally through state-of-the-art technology, providing economy of scale benefits. Adding to this strategy, the division produces innerspring and foam mattresses, as well as bed bases in key regional locations to facilitate cost-effective distribution and access to the market. This enables the division to supply national brands in regional locations on a competitive basis.

Within the global furniture retail sector, the bedding category has proved to be resilient through economic cycles. It has also remained relatively stable in the South African furniture retail sector despite volatile and subdued performances in other product categories. A trend has developed toward speciality bedding retail outlets, which has added further support to the sector.

Mattresses and bed bases are expensive products to transport due to their light weight and bulky size. As a result, the mattress industry is highly fragmented with numerous regional retail and manufacturing operators.

Commentary

The Integrated Bedding division performed well for the year despite a depressed retail environment, showing 10% revenue growth to R1 551 million from R1 414 million in the prior year. The division continued to implement its strategy of technology investments to reduce the manufacturing costs of its primary raw materials, as well as to develop its brands and to grow market share.

The division remains the only fully integrated bedding manufacturer in South Africa. Following the acquisition of Support-a-Paedic during the previous financial year, the division continued to grow volumes. These increased production and sales volumes led to a 23% increase in intra-divisional revenue, which supported margins.

The unexpectedly high sales volumes brought on by retail 'Black Friday' promotions impacted negatively on the division during the first half of the year. Excess volumes in this regard proved beneficial during the second half of the year, which is traditionally a low-demand period.

The division's operating profit increased by 7% as a result of volume growth.

Outlook

A bed remains the leading furniture item for first-time furniture consumers. In view of the relatively young demographic profile of South African consumers, it is expected that the retail focus on bedding products will continue and will provide a sound platform for the continued growth of the Integrated Bedding division. Volume demand is expected to remain buoyant on lower-margin products. The continued volatility of raw material pricing could impact margins negatively.

The mattress manufacturing and process automation investments associated with the R250 million Integrated Bedding plant in Johannesburg will be completed before the 2019 peak trading period. This will facilitate production efficiencies at higher production volumes.

The division will continue to focus on creating value and aligning its business model to support increased retail promotional activities.

OPERATIONAL REVIEW

Polymers

Manufacture of polyethylene terephthalate (‘PET’), high-density polyethylene (‘HDPE’) and polypropylene (‘PP’)

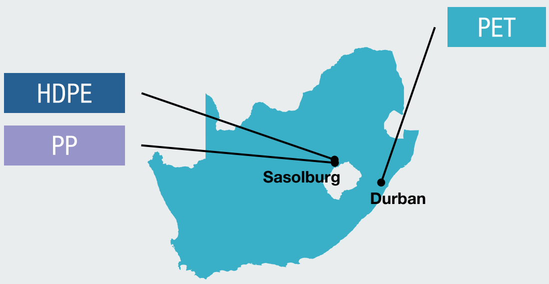

REVENUE
22%↑
OPERATING PROFIT
3%↓

As a specialised polymer manufacturer, the division is the only producer of PET, HDPE and one of two producers of PP in South Africa.

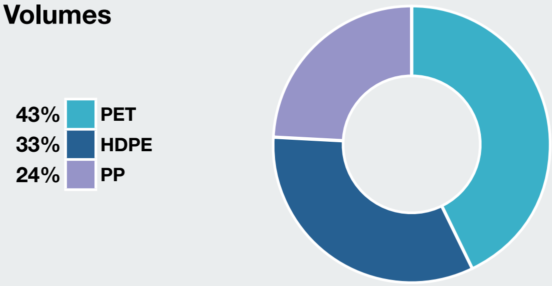
PET is used primarily in the bottling industry for water, carbonated and other soft drinks due to its high intrinsic viscosity and clarity, while HDPE and PP are used in a broad range of applications, including piping, multipurpose containers, fibres, films, non-woven fabrics and packaging.

SAFRIPOL
preferred polymer partner

Three manufacturing plants



Volumes



Products

PET
Primarily used in the manufacture of bottles for carbonated soft drinks

HDPE
Used for a wide range of applications, such as pipes, chemical containers, toys and packaging

PP
Used for a wide range of applications, such as furniture, clothing, textiles and automotive components and packaging

212 318 tonnes
PET PRODUCED

"Our aim is to be the polymer business partner of choice in the industry, delivering premium products through leading technical expertise and world-class technology." – Nico van Niekerk

HIGHLIGHTS

- Safripol contributed R4.4 million to Plastics SA and R1.5 million to PETCO to support the recycling of plastic waste
- ISO 9001 Quality standards across all plants
- ISO 14001 Environmental standards in Sasolburg
- OSH 18001 Safety standards in Sasolburg

Nico van Niekerk – Chief executive officer, Polymers

Business environment

The division produces HDPE and PP in state-of-the-art facilities in Sasolburg, with ethylene and propylene – its two primary raw materials – sourced directly from Sasol (and SAPREF in the case of propylene) in South Africa at internationally indexed US dollar prices. As a result of the high-quality ethylene and propylene procured and the proximity of supply, the division is able to manufacture superior grade HDPE and PP, allowing it to compete actively in the global polymers market. PET is manufactured at the division's operation in Durban from three primary raw materials, which are sourced from international suppliers at international US dollar prices. Selling prices of PET, HDPE and PP are strongly influenced by international supply and market demand forces, as well as the resultant international US dollar equivalent import parity prices. With both selling prices and raw material prices being US dollar-driven, this division provides the company with significant US dollar-linked margins without the complexity of doing business in foreign jurisdictions.

Commentary

Revenue increased by 22% to R8 690 million from R7 117 million as a result of a 13% growth in sales volumes. The strong operational performance by the division was overshadowed by significant margin volatility during the year. This margin volatility resulted from new global monomer and polymer production capacity being commissioned, primarily in the US. Nevertheless, the division produced a stable performance for the year. Operating profit declined by only 3% to R751 million.

The recently expanded PET operation in Durban ran at an average of 93% of rated capacity for the year, excluding a post-commissioning shutdown during July 2018, which affected 14 days' production. The plant was successfully tested to 108% of nameplate capacity. Demand for the product was strong during the first half of the year; however, demand weakened during the second half of the year, a traditionally slower period, which necessitated increased exports at significantly lower margins.

Similar to the prior year, HDPE operations ran above normal capacity due to the availability of ethylene raw material. While global and South African demand for HDPE remained stable, volumes were impacted by an industry strike in the first half of the year. Margins were particularly volatile during the year as a result of the delayed commissioning of new ethylene capacity in the US, elevating margins during the first half but decreasing it again in the second half when the plants were commissioned. The HDPE raw material margin per tonne decreased by 32% between the first and second half of the year. Year-on-year margins experienced a net decrease of 6% for the full year.

The demand for PP remained buoyant and in excess of the division's production capacity. Production was marginally below capacity because of two unscheduled shutdowns that affected five days' production during the first half of the year. Margins weakened during the second half as a result of increased global polypropylene capacity and aggressive competitor activity.

Outlook

The division is expected to continue its strong operational performance in terms of production volumes and efficiency levels. The final debottlenecking project in the PET operations, which will cost R50 million, will improve the operational metrics of the plant and is scheduled to be completed in 2020. Margins are expected to remain volatile, with continuing weakness, as the global monomer and polymer production capacity expansion activities take time to be absorbed by markets. Global polymer demand is expected to continue to grow as product conversion continues to take place to exploit the numerous benefits of polymers.

The group is actively involved in various initiatives to promote the reduction, reuse and recycling of plastics, and to reduce the impact of discarded plastics on the environment.

Contractual Logistics (South Africa)

A diversified supply chain solution company serving the South African market

REVENUE

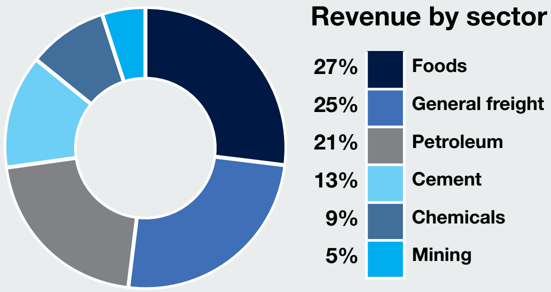
4% ↑

OPERATING PROFIT*

49% ↓

* Excluding the B-BBEE cost.

Unitrans Supply Chain Solutions Proprietary Limited ('USCS') is a black-empowered, diversified transportation and logistics company providing integrated supply chain solutions to its clients in South Africa.



Revenue by sector
27% Foods
25% General freight
21% Petroleum
13% Cement
9% Chemicals
5% Mining

UNITRANS

5 273
EMPLOYEES

1 999 VEHICLES

“The USCS business model utilises technology, intellectual property and control tower operational excellence to leverage value to its customers.” – Terry Bantock

HIGHLIGHTS

- Restructure completed
- B-BBEE empowerment transaction concluded September 2018
- 2 348 vehicles monitored by Unitrans Control Tower
- Significant improvements in driver monitoring:
  45% reduction in traffic violations
  42% improvement in driver awareness
  45% reduction in distracted driving

Terry Bantock – Chief executive officer, Contractual Logistics (South Africa)

222 million
KILOMETRES PER ANNUM

Business environment
The division operates in the contract logistics sector of the economy, playing an integral role in the supply chains of several well-known organisations in South Africa. The diversified nature of the division enables it to operate efficiently in a number of sectors, offering a wide range of value-adding services to its customers.

The black-empowerment credentials position the division to participate and compete favourably in most business sectors. The division has a proud track record of forming long-lasting strategic alliances with customers.

Commentary
A B-BBEE transaction was concluded in September 2018, whereby 45% of USCS was disposed of to B-BBEE entities. The management team was reorganised in December 2018 and the business underwent a significant restructure and culture change. USCS is now well-positioned to leverage its scale in a challenging economic trading environment.

The division's operations in the petroleum, mining and general freight sectors remained stable, while its activities in the chemical and cement sectors were negatively impacted by lower customer volumes. The food sector's performance was poor, primarily as a result of margin pressure in the poultry sector and a significant contractual dispute, which was resolved on a forward-looking basis at the start of the new financial year.

The persistent weakness in the economy had a direct negative impact on volumes and profitability of both the division and many of its customers. The division has worked closely with customers to develop efficient and sustainable supply chain solutions. In exchange for the renewal of long-term contracts, the division reduced its rates in certain sectors and offered customers more flexible contractual solutions in order to compete in a challenging economic environment. This negatively impacted financial performance in FY19, but has presented future awareness of opportunities for organic growth, cost management, consolidation and operational effectiveness.

The division's turnover increased by 4% to R5 144 million from R4 969 million, primarily as a result of new business won and changes in the fuel price that are contractually passed on to customers. Operating profit of R161 million, excluding the R196 million impact of the B-BBEE transaction, was 49% down from the previous year. Over and above the R196 million B-BBEE cost, additional one-off costs of R102.5 million were also incurred.

During the year, the division renewed contracts with an annualised revenue of R913 million, secured new contracts with an annualised revenue of R426 million, and was unsuccessful in contract renewals with an annualised revenue of R86 million.

Outlook
Market conditions are expected to remain challenging. The division's focus is on executing its strategy to gain market share by leveraging the strengths of the brand, B-BBEE credentials, scale, technology and efficiencies. Growth will be further supported by ensuring contractual compliance combined with an aggressive organic marketing strategy. The division is well-positioned to benefit from an improvement in the economy.

Contractual Logistics (Africa)

A diversified supply chain solution company serving selected sub-Saharan African markets

REVENUE

10%↑

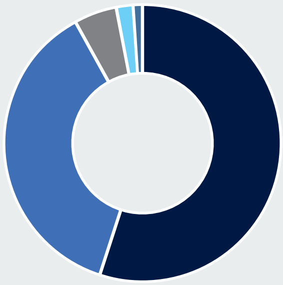
OPERATING PROFIT

6%↑

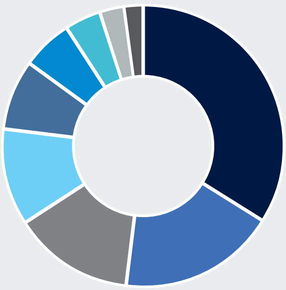
As a diversified contractual logistics company serving the needs of selected sub-Saharan African markets, the division's successful business model incorporates the design, implementation and ongoing provision of supply chain solutions for its customers.

UNITRANS

Revenue by sector



Revenue by country



"Our aim is to be the leading supply chain partner in our chosen markets by adding value to our clients through the provision of specialist services." – Gert Brits

HIGHLIGHTS

- Restructure completed
- Renewal of Illovo contract in Nchalo, Malawi
- Expanded agricultural footprint with the award of Ubombo contract in eSwatini and Agricane contract in Malawi
- Received top safety awards in Xinavane, Mozambique and Kilombero, Tanzania
- Secured new fuel contracts in eSwatini and Namibia

Gert Brits – Chief executive officer, Contractual Logistics (Africa)

52 million
KILOMETRES PER ANNUM

Business environment

The Contractual Logistics (Africa) division comprises Unitrans's non-South African operations. The division was created following the sale of 45% of Unitrans South African Operations ('USCS') in a B-BBEE transaction. A new executive management structure was implemented on 1 December 2018, providing focused attention to the African businesses with growth being the dominant strategic objective.

The division is diversified and operates in nine African countries, namely Botswana, Lesotho, Namibia, eSwatini, Mozambique, Malawi, Tanzania, Zambia and Madagascar. It currently operates in two major sectors, being petroleum and agriculture, with smaller operations in the mining, cement, salt and food sectors.

In the agricultural sector, the division operates in the sugar industry. Operations are situated on clients' premises, utilising dedicated farming equipment and delivering services that range from land preparation to loading and hauling of sugar cane. The specialisation of services provides an ideal platform to continually invest in innovative solutions that deliver both cost and yield benefits to clients and the division. Operating on the client's premises also creates the ability to rapidly up- or downscale operations to optimise cost structures and adjust in line with volume fluctuations.

In the petroleum sector, the division operates with a large fuel tanker fleet. Although the business is mostly contractual, the division can redeploy vehicles with relative ease across borders to other operations as and when required.

The division remains focused on the renewal of existing agreements and the growth of medium- to long-term contractual logistics services. Nevertheless, it has the skills and experience to expand its services into other sectors within those countries in which it operates. The geographic and sectoral diversification provides some protection to cyclical fluctuations within countries or sectors. Currency volatility is closely managed by KAP's treasury team to mitigate foreign exchange risk and to continuously repatriate funds.

Commentary

The division performed well for the year, supported by stable volumes and good operational execution. Revenue increased by 10% to R2 011 million from R1 820 million. Operating profit increased by 6% to R283 million from R268 million. The division experienced growth in both the agricultural and cement operations. Volumes in the petroleum operations were negatively affected by delayed border crossings. The devastation caused by Cyclone Idai in northern Mozambique was mitigated by management intervention and insurance. Cost escalations were effectively recovered from clients.

Outlook

With a significant number of contracts at or nearing renewal stage, the division is focused on contract retention, volume growth, technology investments and efficiency improvement in an increasingly competitive environment. Management continues to focus on growth opportunities in its existing territories.

Passenger Transport

A complete passenger transport solution to customers in the commuter, personnel, intercity and tourism markets


KAP
REVENUE
7%
OPERATING PROFIT
17%
GAUTRAIN
YNY908 GP

The Unitrans Passenger Transport division offers a diversified passenger transport solution in southern Africa, covering the commuter, intercity and tourism markets. The business is aimed at building a transport service that matches customers' requirements.

This specialised service offering focuses on innovation, safety, service and cost optimisation, which has positioned the business as a market leader, providing fit-for-purpose passenger services to customers in South Africa, Mozambique and Zimbabwe.

KAP

Services

Intercity operations
Luxury coach operator transporting more than 1.4 million passengers per annum over more than 29 million kilometres

Mega Bus
Operating in the commuter and personnel markets under mid- to long-term contracts with government as well as with large corporate entities

Mega Coach
With a fleet in excess of 80 vehicles, Mega Coach is rated as one of the leading coach companies in southern Africa, servicing the corporate and tourism markets

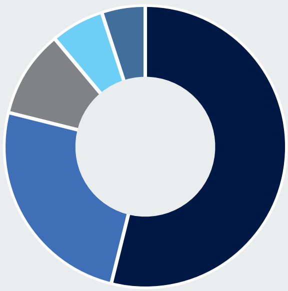
Mega Express
Operates and manages the Gautrain feeder and distribution service

Bojanala Bus
Servicing the North West Province and catering mainly for commuters staying in the surrounding rural areas

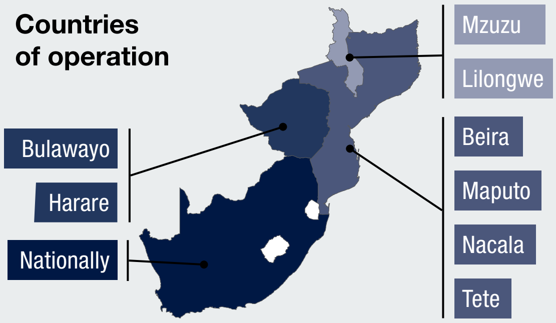
Bapotrans
Having partnered with the Ba-Mogale Community Trust, this operator supplies the commuter service to Lonmin mine employees. The service covers 2 658 trips per day

Magic Transfers
Chauffeur-driven transport in and around Johannesburg, Durban and Cape Town international airports. This exclusive service is available 24 hours a day, seven days a week

Key statistics



Countries of operation



110 million
KILOMETRES PER ANNUM

"We strive to be the preferred passenger transport service provider, differentiated by high standards of safety and reliability."
– Nico Boshoff

HIGHLIGHTS

- Tracking in all vehicles improves safety and performance
- CCV cameras rolled out in all vehicles to further improve safety
- 1.4 million intercity passengers transported per annum

Nico Boshoff – Chief executive officer, Passenger Transport

1 408
REVENUE-EARNING VEHICLES

Business environment
The Passenger Transport division found trading conditions challenging during the year, particularly during the second half. The intercity and tourism operations experienced lower industry passenger numbers and aggressive competition on all routes. The division was unable to recover the impact of inflated fuel costs on its legacy commuter contracts. The impact of a 19% higher average diesel price compared to the prior year, which the division was unable to contractually recover, amounted to R54 million for the year. The remainder of the commuter and personnel travel operations performed satisfactorily despite a particularly challenging environment with increasing unemployment levels. The division's Mozambique operations performed well, showing revenue and profit growth.

Commentary
The primary focus of this division is the renegotiation of onerous conditions in its commuter contracts and the rationalisation or sale of its intercity operations. The division continues to pursue growth opportunities where it can earn acceptable returns, including further expansion in Mozambique.

With the ever-increasing movement of people between South Africa and southern African countries, Citiliner opened its first service to Malawi in September 2018 to complement the current Zimbabwe and Mozambique routes. During March 2019, additional services were opened from Johannesburg to Mzuzu via Lilongwe in Malawi.

Outlook
While the uncertain political and resultant subdued economic environment impact negatively on the division's areas of operation, the division remains well positioned to deliver attractive returns on capital employed.

A strategic review has been initiated in relation to the division's intercity operations to optimise the allocation of capital. Commuter contracts are currently being renegotiated. The amendments to the contracts will assist in the recovery of fuel inflation, improving both income and margins.

Sustainability report

KAP is committed to continuously evaluating and improving its long-term sustainability


slf
foundat

KAP is committed to continuously evaluating and improving its long-term sustainability in terms of the environment, social commitment and corporate governance to the benefit of shareholders, customers, suppliers, employees and communities.

The company regularly reviews and adapts its policies and processes to reinforce its ability to be economically viable, socially responsible and environmentally sound, while remaining competitive.

FTSE4Good Index

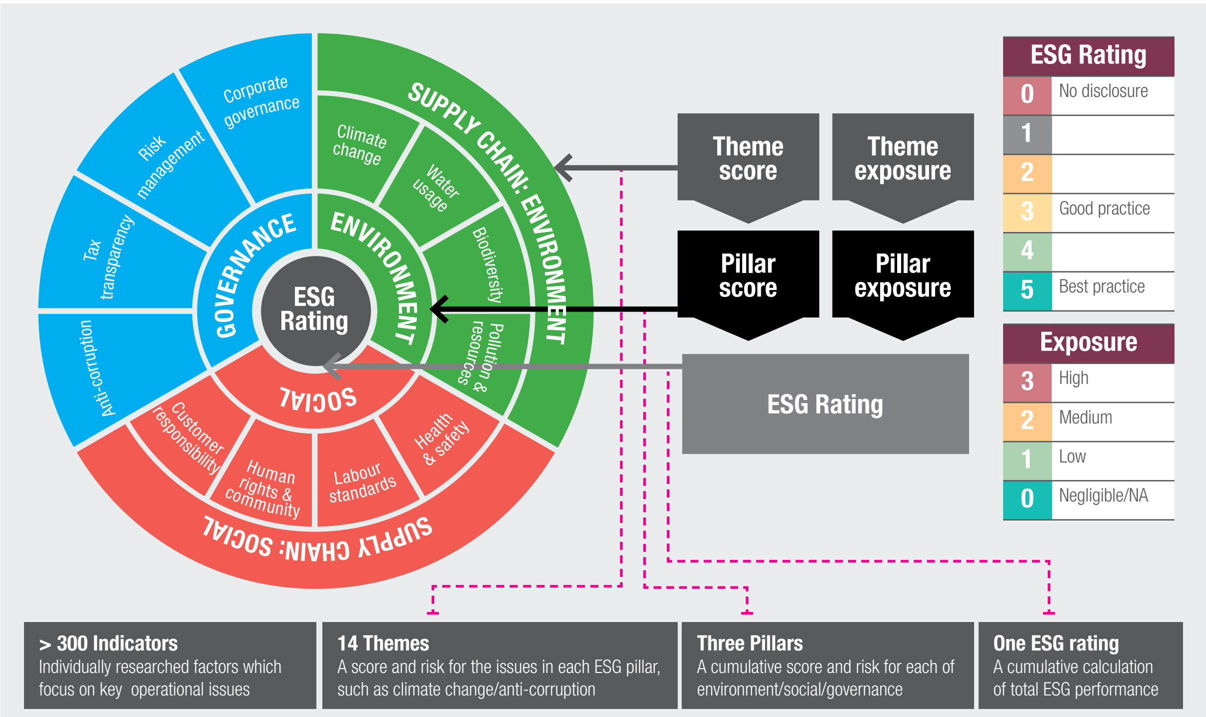
The company provides policies and guidance to each of its operating divisions. The divisional management is responsible for managing their own sustainability efforts and are accountable to the board of directors as well as stakeholders.

KAP subscribes to the guiding principles and reporting requirements of the FTSE4Good Index across all the ESG pillars, namely environment, social and governance, and uses this as a framework to monitor compliance and progress. The company has made significant progress during the past year in improving its overall FTSE4Good score.

FTSE4Good rating (scores out of 5)	2019	2018
Environment	**2.6**	1.8
Social	**2.5**	2
Governance	**4.3**	4
Total	**3**	2.5

KAP was rated above the sub-sector average for a diversified industrial company and above the industry average for industrial companies across all three ESG pillars. The company improved its scores across all the themes. ESG is monitored by the board and the social and ethics committee and measures have been incorporated into employee remuneration structures.

The FTSE4Good ESG model:



The social and ethics committee reviews the company's ESG targets in the context of FTSE4Good and also monitors its standing in terms of:

- the goals and purposes of the 10 principles as set out in the United Nations Global Compact ('UNGC') regarding human rights, labour, the environment and anti-corruption;
- the recommendations of the Organisation for Economic Co-operation and Development ('OECD') regarding corruption;
- the Employment Equity Act ('EE');
- the Broad-Based Black Economic Empowerment Act ('B-BBEE');
- good corporate citizenship;
- the environment, health and safety;
- consumer relationships;
- labour and unemployment;
- training and development; and
- contact with politically exposed people ('PEP').

Social responsibility

KAP acknowledges its role and responsibility in supporting the communities in the areas where it operates.

The company's social responsibility focus is on projects that involve the youth and enhance **education**, **nutrition** and **community development**. Throughout the company, divisions identify and are involved in social projects that are aligned with their strategies and are in close proximity to their operations.

The divisions actively engage with community members and work with community organisations, NPOs and various community service delivery organisations to develop the appropriate projects and to successfully execute these projects to the benefit of the recipients.

During 2019, R17.5 million (FY18: R14.6 million) was contributed to socio-economic development across a number of projects, of which a few are highlighted below. Additional projects are reported on the website.

Education

1.618 Design Awards

The PG Bison 1.618 education initiative is an annual design competition aimed at third-year interior design and architectural students. The initiative is already in its 26th year and has been established as an integral part of the syllabus at most of the interior design and architectural tertiary institutions across South Africa. The competition creates the opportunity for young designers to showcase their work to the industry. Most competition finalists receive job offers based on their submissions. Since its inception, more than 10 800 students have participated in the competition.

Sakhumzi Foundation Empowerment Trust

Sakhumzi was founded by KAP in 2018, with the primary purpose of facilitating sustainable economic empowerment of black people in line with the B-BBEE Codes of Good Practice.

Sakhumzi is the combination of two Xhosa words, namely 'Sakha' (which means to build) and 'Umzi', which means a home, community or nation. This name is derived from the creed 'to empower a child is to empower a nation'.

The foundation is an independent organisation, with the aim of empowering underprivileged black children through education and training, from primary school through to tertiary education. Sakhumzi's goal is to embark on this journey together with the child, providing support until he or she enters the work environment.

The foundation's aim is also to empower communities through enterprise development by identifying, evaluating and investing in commercial opportunities, thereby creating a sustainable financial model to benefit these groups.

Learners with disabilities

KAP has partnered with the Skills Development Corporation ('SDC') to sponsor 56 learners with disabilities.

The SDC is an accredited learning institution specialising in training and learnership initiatives. It is a 51% black-women-owned corporation that develops specific functional training initiatives to maximise skills opportunities. All its programmes are customised to accommodate learners with disabilities of all levels.

The learners are all currently unemployed. KAP provides funding that covers tuition and a monthly stipend for the learners. The 12-month course is a work-based learning programme that, when completed, provides the learner with a recognised and registered National Qualification ('NQF'), as managed by the Sector Education and Training Authorities ('SETA').

The Business Practice NQF Level 1 qualification is for anyone preparing to become employed or self-employed in any business sector. The qualification covers skills such as numeracy, literacy, entrepreneurial or intrapreneurial thinking, basic financial understanding, computer literacy and cognitive reasoning. This qualification tackles a range of interesting and challenging concepts – all designed to enhance employability.

On completion, the learners have an opportunity to apply for a further learnership at a higher NQF level. These learners provide KAP with a pool of candidates, should vacancies arise within the company.

School education

PG Bison supports Infundo, an independent organisation with the aim of developing and coaching high school educators in critical subjects such as mathematics, physical science, accounting and English to improve standards of education.

In addition to improving the subject knowledge of the teachers, the project also addresses management, leadership, coaching, teacher development, community care and support. The focus on improving the skills of the teachers has a direct benefit on improving the quality of the education.

Since inception, pass rates have improved significantly. In one case, the matric pass rate leaped from 23% to 69% after the introduction of Infundo.

As part of the Infundo School Project, PG Bison has provided assistance in the form of books, infrastructure and mentoring to four schools, namely the ET Thabane Public School, Ugie High School, Umthawelanga Senior Secondary School and the Sibabale Senior Secondary School. These schools collectively educate more than 4 900 learners.

As the project has evolved, more initiatives have been undertaken, including the introduction of tutoring programmes and the use of technology in classrooms. Skills were also provided to teach children with learning difficulties.

PG Bison, together with other funding partners, works closely with the district tribal chiefs, the community, non-governmental organisations ('NGOs'), local government, as well as the heads of department in the various schools.

Unitrans supports a number of education initiatives, including funding a bursary, paying for the upskilling of teachers at the Diepsloot Pre-school, building ablution facilities at the Emkhayyindeni Technical High School, and supporting the Steinthai Children's Home in Tulbagh.

Nutrition

PG Bison has partnered with Judea Hope (an NPO), farmers and businesses to establish a feeding scheme in the Ugie area.

The feeding scheme supports seven local crèches by distributing meals to 364 pre-school children. A local farmers' hall was revamped to facilitate the packing of the specially formulated nutritional meals. More than 48 000 meals are distributed per annum to the children and the elderly in the community.

In addition, five vegetable tunnels have been established at the early childhood development ('ECD') centres to supplement the food parcels. The vegetable tunnels have created employment opportunities and the excess vegetables are sold to generate additional income for the schools. The local community manages the vegetable tunnels.

The feeding scheme programme has also facilitated the training of the crèche caregivers to further assist in the development of pre-school children. A combination of theoretical and practical skills is provided to the caregivers.

Ugie vegetable project

Five years ago, PG Bison, with the help of the local community, identified the need to provide a source of fresh vegetables to the Ugie community. Two projects were established: the Ugie socio-agricultural project and the Malibongwe project, which is three years old.

PG Bison provided nine hectares of land, infrastructure and various farming implements, such as tractors, to establish the vegetable gardens. The seedlings, fertiliser and expertise are also provided by PG Bison. Seedlings are cultivated in the PG Bison nursery and a variety of vegetables are planted annually. To ensure the sustainability of the land, PG Bison takes regular soil samples for analysis.

The two projects have been established as sustainable cooperatives that employ 16 local residents and supply fresh vegetables to the community.

Unitrans volunteer programme: FoodForward SA

FoodForward SA is a non-profit organisation that collects surplus food from manufacturers, wholesalers and retailers and repackages and labels it for distribution to organisations focusing on ECD, youth development, women empowerment groups and day-care centres. They distribute over 16 million meals per annum, feeding 201 000 people daily.

The company encourages Unitrans employees to volunteer one working day per month to unpack boxes, check product expiry dates, rebrand the food and repackage it for distribution.

Unitrans donated a truck to FoodForward SA and maintains the vehicle on their behalf.

Community development

KAPsani2c

KAP has been partnering with the sani2c initiative since its inception in 2004. Sani2c is a three-day mountain bike event in KwaZulu-Natal, with its route starting at the bottom of the Sani Pass and ending in the coastal town of Scottburgh. The event was primarily established as a vehicle to raise funds for a local farm school. It now attracts more than 4 000 mountain bike cyclists per annum. The event employs permanent and temporary employees from the local community.

In 2019, the organisers of sani2c contributed more than R10 million to the local communities. The sani2c development trust recently purchased land to expand the Kings Harvest Academy, a rural school catering for the local children. The trust has also partnered with the Southern Loadstar Foundation's Breakfast Programme, feeding almost 2 000 school children daily along the sani2c route.

The sani2c also has a positive impact on a far wider community and provides much needed funds and employment in the area. Sixteen local schools and communities are now recipients of the funds raised through entries to the race and sponsorships.

Vitafoam mattress donation

Vitafoam identifies deserving charities in the various communities within which they operate and donates beds to old age homes, orphanages and hospices on an ongoing basis. This past year, over R800 000 worth of mattresses was donated.

Funding a home in Botswana

Unitrans Africa was approached to assist in providing shelter to a less privileged family in Botswana. The Unitrans employees, through their Bojammogo Social Club, started raising funds to build the family a house. The company topped up the employees' contributions.

The recipient of the home was identified by social workers in Botswana. She is a single mother with three children, one of whom has cerebral palsy. The cost of the project was P220 000. In addition, the staff also raised money to donate furniture, appliances and groceries to the family. The house was handed over in December 2018.

PG Bison Knock-out soccer and netball tournament

An annual soccer and netball tournament is held in the Eastern Cape, involving the communities of Elliot, Mount Fletcher, Ugie and Maclear. The tournament is funded by PG Bison and targets the youth in the community. Eight soccer teams and eight netball teams participate.

16

LOCAL SCHOOLS AND COMMUNITIES ARE RECIPIENTS OF THE FUNDS RAISED THROUGH ENTRIES TO THE SANI2C RACE AND SPONSORSHIPS

This year, 1 000 blankets were given to children from the community and more than 7 000 meals were served to the participants as well as other members from the community during the two-day event.

Unitrans Passenger Scholar Transport
The Mega Bus Virginia operation provides subsidised bus transport for scholars from the local community at a cost of R2 million per annum. All the recipients of these subsidies are from previously disadvantaged communities.

Environmental responsibility

KAP is committed to protecting natural resources, reducing waste and investing in technologies that reduce environmental impact. The company acknowledges that this is an ongoing process requiring continuous monitoring and action. For this reason, we have developed standards and procedures to govern all activities and ensure that negative environmental impacts are prevented or mitigated.

Significant progress was made during the year in terms of reporting and measuring environmental compliance across the various operations. The diverse nature of the KAP group requires specific focus and actions per operation. Where required, independent and accredited third-party service providers are utilised to measure and, together with management, implement the appropriate actions, ensuring environmental compliance. KAP also collaborates with the local communities in the areas in which the company operates to mitigate any environmental impact.

The reports are shared with the KAP senior management as well as the social and ethics committee.

Climate change
KAP recognises that climate change presents both risks and opportunities to our business. Given the importance of climate change and its potential implications for business, ultimate responsibility for climate-related issues rests with the KAP board. The board has overall collective responsibility and accountability for legislative compliance, including the management of risks and opportunities.

Protecting the biodiversity of our forests
The long-term sustainability of timber supply is of strategic significance to PG Bison.

PG Bison is a member of the Forestry South Africa (‘FSA’) environmental management committee, which oversees the environmental standards for forestry in South Africa.

We are committed to reducing alien invasive species spread, and actively monitor and address invasive species on our properties. We work with several private landowners to eradicate alien invasive species offsite and provide guidance regarding alien control. We also collaborate with neighbours, government departments and NGOs to minimise the risks of fire, as well as to restore natural wetlands and critical biodiversity habitats.

PG Bison’s North East Cape Forest (‘NECF’) is Forest Stewardship Council (‘FSC’) certified (certificate number SGS-FM/COC-011207 and licence number FSC-C139494). The mission of FSC is to promote environmentally appropriate, socially beneficial and economically viable management of the world's forests. Annual surveillance audits are undertaken and the certificate is valid for five years. The NECF accounts for 79% of PG Bison’s plantations.

The NECF has a land area of 76 393 hectares of which 33 601 hectares is planted. The balance of 42 792 hectares consists of either protected biodiversity areas, or is being used for other agricultural activities.

Areas that are not protected or suitable for commercial forestry are used primarily for cattle farming. The NECF herd of 4 843 cattle is managed to protect the area’s biodiversity. An effective grazing programme optimises conditions in the veld in terms of specie richness and maintaining the optimum biodiversity within the plantations. The herd also plays an important role in reducing fire risk. Our own farmers, supported by local and state veterinarians, manage the cattle on a commercial basis.

Several species of wild animals previously common to the area have been reintroduced, while other species like the Cape grysbok have immigrated naturally. The game forms part of an integrated environmental plan and includes species such as Burchell’s zebra, blesbok, mountain reedbuck, southern reedbuck, grey rhebok, grey duiker, bushbuck, African striped weasel and black wildebeest. We have identified and monitor Red Data bird species that reside in our plantations, including the wattled crane, grey crowned crane and blue crane.

In our southern Cape plantations, we participate in a forum, the Knysna Elephant Landowners which, together with the South African National Parks, assists in the research of the rare Knysna elephant. The southern Cape plantations are actively recovering after the devastating 2017 and 2018 fires ensuring that conservation actions are prioritised to address weed regrowth and protection of sensitive areas.

Our non-commercial forestry areas have been mapped using a vegetation mapping standard developed by the South African forestry industry. It records information on fauna and flora, rare and endangered species, as well as areas of special interest, such as archaeological, paleontological and historical sites. The conservation management plans also monitor and implement actions to mitigate and manage the impact on the environment in these special identified areas.

Waste reduction
KAP’s various manufacturing operations are focused on managing and reducing waste and, where appropriate, identifying opportunities to use more recycled products in their processes.

If necessary, investments are made to facilitate this. For example, the recent investments in KAP’s Integrated Bedding division have yielded significant benefits in reducing waste and increasing opportunities to use more recycled products in their processes.

The mattress pads produced at the Restonic factory are manufactured with a blend of 75% recycled product. The recycled blend is sourced from waste cotton, denim, acrylic and polyester clothing offcuts, as well as waste generated from the quilting process. More than 2 700 tonnes of waste fibre is utilised annually.

The quilting fibre used in the mattress assembly is manufactured from recycled PET carbonated softdrink bottles. The PET is recycled into polyester fibres and these fibres comprise over 70% of the quilted fabric. Any offcuts in the process are recycled, which creates zero waste.

Vitafoam, which manufactures non-woven textiles for the agricultural, furniture and bedding industry, produces zero waste. All offcuts and trimmings generated in the manufacturing process are recycled back into the production line.

Vitafoam also produces expanded polyethylene products for the packaging, furniture, bedding components, agriculture and pipe insulation markets. Because of the manufacturing process, approximately eight tonnes of by-products are created each month. These by-products are recycled and reused in the manufacturing process.

The Vitafoam operation produces a polyurethane foam primarily for the bedding and furniture industry. The manufacturing process generates approximately 120 tonnes of scrap foam per month. This scrap foam, combined with an additional 60 tonnes of imported scrap foam, is chipped and manufactured into rebonded foam that is used in economy priced mattresses and other furniture applications.

Managing plastic waste

The benefits of plastic are well documented in terms of lightness, strength, durability, formability, as well as its use in sterile and hygienic environments. Plastic is found in many everyday products and can be reused and recycled almost infinitely.

Discarded plastic waste is, however, a global challenge. KAP is committed to working with industry, government and society to promote the reduction, reuse or recycling of plastic waste.

KAP is involved in a number of initiatives to reduce the impact of plastic waste. We participate in industry forums such as Packaging SA, PETCO, Polyco and Plastics SA, which all have recycling and waste management at their core. These industry forum initiatives include clean-up operations, education, training programmes, awareness campaigns and employment creation. They are continuously engaging with government, industry, local communities and retailers to address the environmental issues around discarded plastic, with a focus on developing an Integrated Waste Management Plan ('IWMP') for approval by the government's Department of Environmental Affairs.

R4.4 million

CONTRIBUTED TO PLASTICS SA AND AN ADDITIONAL R1.5 MILLION TO PETCO IN THE FORM OF A GRANT

KAP's financial contribution to these industry forums is linked to our production volumes. This past year, KAP contributed R4.4 million to Plastics SA and an additional R1.5 million to PETCO in the form of a grant. The Safripol management actively participates on the boards of these industry bodies and, where required, provides technical and operational assistance.

PETCO and Plastics SA have been extremely successful in reducing plastic waste in the environment and increasing recycling in South Africa.

PETCO focuses on PET recycling. This past year, it increased the recycling of post-consumer PET bottles by 6% year on year to 98 649 tonnes. PETCO has achieved a 63% post-consumer recycling rate for PET, saving 612 000 m^3 of landfill and 148 000 tonnes of carbon emissions this past year. PET is recycled into a number of products, including 'bottle-2-bottle' and 'bottle-2-fibre' products.

PETCO has created over 68 000 work opportunities in the recycling industry and also conducts several educational and community clean-up initiatives.

Safripol, together with Plastics SA, has participated in several beach and community clean-ups this past year. It provided funding for the Bophelo Recycling Project in Ermelo and, together with PETCO, also provided infrastructure to a black-female entrepreneur, Johanna Leshabane, to establish a sustainable recycling centre.

Reducing and managing water usage

Our manufacturing processes are dependent on water, which is a scarce resource. The KAP divisions actively monitor and manage water consumption and strive to reduce water usage. Through the company's risk management structure, water usage is reviewed at an operational level. The operations strive to minimise water withdrawals and alleviate pressure on the municipal water networks. Rainwater is harvested, recycled and reused at several of the company's operations. The use of technology also assists in reducing water consumption. PG Bison Boksburg, for example, upgraded its boiler system to return more condensate, thereby reducing water withdrawal by 21 million litres per year.

All the operations have the required Water Use Licences ('WULs') and all water disposal is in line with legislation.

Supply chain

The supplier code of conduct requires suppliers to comply with environmental legislation and to implement and maintain environmental policies to ensure their actions are carried out in an environmentally responsible way. The code furthermore calls for suppliers to minimise the consumption of natural resources (including water), minimise waste generation, minimise the impact of operations on the environment (including greenhouse gas emissions), maximise recycling, and to protect biodiversity.

Unitrans control tower technology improves safety, customer service and reduces emissions

The Unitrans centralised control tower ('UCT') was established two years ago. The tower monitors the movement of vehicles through satellite tracking technology and GPRS information transfer. Vehicles are tracked against planned routes and managed through live exception reporting. Currently, more than 2 348 vehicles are monitored. The goal is to increase this amount to 3 000 vehicles by 2020.

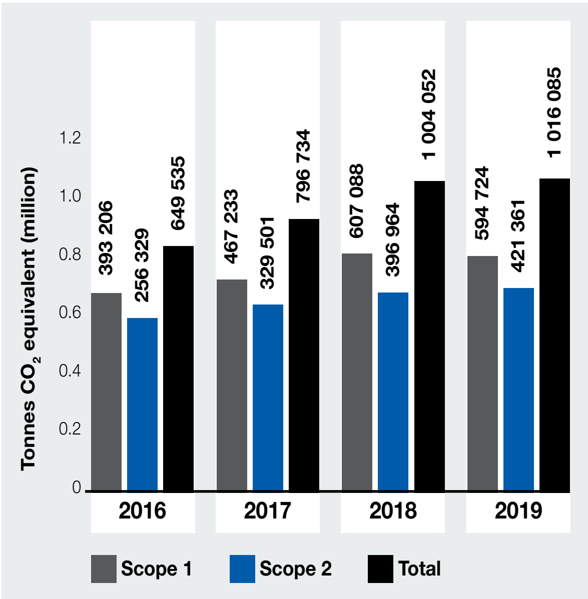
The ongoing investment in the UCT has seen significant improvement in safety standards. Traffic violations have reduced by 45% and driver awareness and distracted driving have improved by 42% and 45% respectively. Any safety risks are monitored in real time, using a combination of software technology and video.

This technology has also improved route planning as the UCT can now, in the case of unplanned traffic delays, reroute vehicles in the most optimal way without compromising safety. Optimal route planning also reduces kilometres travelled, which reduces carbon emissions.

UCT monitoring has similarly improved customer service. Optimal route planning as well as live track and trace are providing customers with a more consistent service.

Carbon emissions

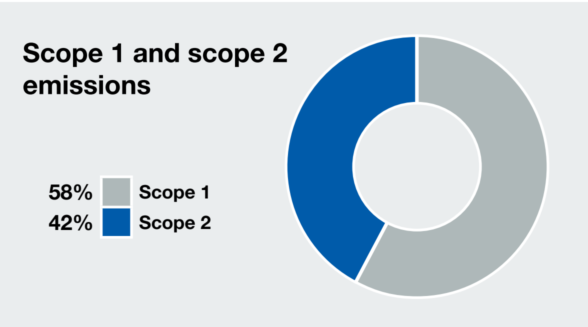
KAP is committed to the effective management of its climate-related risks and opportunities, as well as the reduction of its carbon footprint.



This year, significant improvements were made in the accurate measurement of the company's carbon footprint. An independent, accredited service provider has verified the accuracy and credibility of the data. The carbon footprint is calculated in accordance with the South African government's National Greenhouse Gas Emission Reporting Regulations (Gn 40762), as published in 2017. Where required, KAP is registered with the South African Department of Environmental Affairs to report on its greenhouse gas emissions.

KAP's carbon emissions, both scope 1 and scope 2, increased by only 1% year on year despite material increases in activity.

Scope 1 and scope 2 emissions
Scope 1 and scope 2 emissions for the 2019 financial year were 1 016 085 tonnes CO_2 equivalent (FY18: 1 004 052 tonnes CO_2 equivalent; FY17: 796 734 CO_2 equivalent; FY16: 649 535 CO_2 equivalent). Of this, 58% can be attributed to emission sources under direct operational control (scope 1), and 42% to emissions from purchased electricity and steam (scope 2).



KAP's main source of scope 1 emissions is the fuel consumed by its Contractual Logistics and Passenger Transport divisions. These emissions decreased as a direct result of reduced diesel consumption, which was brought on by a lower demand in the Contractual Logistics (South Africa) and Passenger Transport divisions, more fuel-efficient vehicles, as well as an improvement in logistics planning through the use of technology. Diesel consumption decreased by 3% to 166 million litres (FY18: 172 million litres).

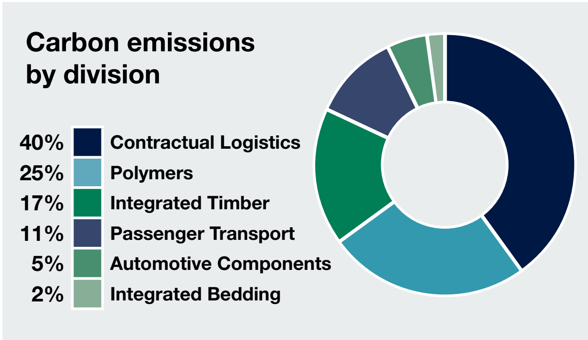
Fuel is a significant operating cost in our logistics divisions, but the operations are continually focusing on reducing this cost by investing in fuel-efficient vehicles, technology and improved vehicle utilisation. Drivers receive ongoing training and are rewarded for achieving lower fuel consumption targets.

Scope 2 emissions rose by 6% due to the increased electricity consumption of 10% to 418 345 MW/h (FY18: 379 096 MW/h). This upsurge is the result of the material increase in production volumes across our Polymers, Automotive Components, Integrated Bedding and Integrated Timber divisions.

Consumption of fossil fuels is our largest source of greenhouse gas emissions. For this reason, we use alternative fuels where possible. Instead of using emissions-intensive coal, our Integrated Timber division, for example, uses biomass to generate thermal energy. This biomass comprises shavings, offcuts and wood chips which are by-products of our manufacturing process.

There are ongoing initiatives in place to reduce energy consumption. This year, for example, PG Bison's Piet Retief operation rerouted waste material to be used in a downstream drying process, resulting in savings of approximately 120 MW/h per annum.

Given the diversity of the KAP operations, it is not practical to set a group carbon emission reduction target. Where appropriate, targets are set at divisional and operational levels.



Our people

KAP has a strategic and multifaceted approach to developing human capital and managing identified talent for the future

Level 6

B-BBEE RATING

19 579

PERMANENT AND SEASONAL EMPLOYEES

15 978

TRAINING INTERVENTIONS (FY18: 15 623)

R154 million

INVESTED IN TRAINING AND PEOPLE DEVELOPMENT (FY18: R129.6 MILLION)

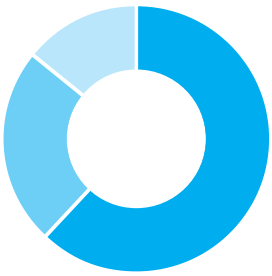
One of the company's strategic objectives is to be an industry leader in its chosen markets. This implies a requirement to attract and retain only the finest people in the industry and to consistently improve their skills.

This strategy is underpinned by our corporate culture and reinforced through our code of ethics to create a competitive advantage for KAP.

To enable us to achieve this strategic objective, our annual investment in terms of remuneration and benefits is R4.5 billion, which represents 56% of the wealth created.

KAP employs 19 579 permanent and seasonal employees. The latter are employed primarily by our Contractual Logistics (Africa) division, operating in the agricultural sector.

Permanent staff profile



Women play an important role and add significant value throughout the company, representing 15.7% (FY18: 13.3%) of our permanent employees. Although progress has been made, several initiatives are under way to increase female representation across all operations and levels of management. Of the employees studying for a degree or diploma, 37% (FY18: 33%) are women and, in terms of participants enrolled in learnership or apprenticeship programmes, 27% (FY18: 13%) of existing employees and 41% (FY18: 34%) of external participants are female. We promoted 296 (FY18: 328) people this past year, of whom 20% (FY18: 18%) were women. Women currently represent 22% (FY18: 21%) of all middle and senior management promotions.

Despite the physical industrial nature of the industries we operate in, the company has 54 employees with disabilities.

KAP focuses on developing and retaining its employees. Permanent staff turnover for the past year was only 4%, which is in line with industry trends. The company proactively aligns day-to-day business practices in South Africa with its B-BBEE commitments and creates opportunities for the youth through learnerships and educational upskilling.

We acknowledge the importance of creating a healthy and safe work environment, giving our employees a 'voice', and ensuring we reward them relative to market standards.

KAP strives, where applicable, to employ people from local communities.

Training and development

KAP encourages employees to further develop themselves by creating a positive environment through either financial assistance and/or time off to pursue degree or diploma courses. We have 146 (FY18: 102) full-time employees currently studying toward a degree or diploma, of whom 122 (FY18: 91) are black employees. We have 54 (FY18: 34) women studying toward a degree or diploma. The company invested R154 million (FY18: R129.6 million) in training and people development and trained 7 305 (FY18: 6475) employees during the past year.

KAP currently has 1 032 (FY18: 1 551; F17: 843) participants enrolled in learnership, apprenticeship and internship programmes, of whom 91% (FY18: 76%) are black and 36% (FY18: 24%) are female. We invested R69 million (FY18: R56 million) in these programmes. The company furthermore subsidises 663 non-employees who are participating in third-party learnerships, apprenticeships or internships recognised across the various divisions. Of these 663 participants, 271 are women and 79 are learners with disabilities. These learnership programmes provide both a theoretical and practical learning environment. If positions become available within the company, candidates are sourced from this pool of learners.

Each division has submitted a three-year employment equity ('EE') plan and target to the South African Department of Labour. The EE plan identifies the skills and the target number of people across all management levels required to balance gender and race diversity levels within the organisation to better reflect the demographics of our communities. Progress is measured against these targets in each division to ensure we have a sustainable supply of educated talent for the future needs of the company and that we simultaneously achieve our gender and race diversity targets.

KAP has developed a leadership competency model and the company's leadership group has been assessed on their leadership competencies. In the forthcoming year, identified leaders will be undertaking a leadership development programme covering 41 topics. The 'e-learning' programme will be facilitated by the Harvard Business School. This year R5.2 million was spent on leadership development.

Employee engagement

Quarterly engagement forums aimed at all senior employees across the various divisions encourage interaction and create a platform to share experiences and case studies. Senior executives receive training at these forums on relevant topics, e.g. competition legislation, ethics, ESG and other leadership-related matters.

The various divisional managers provide regular feedback and communication to all levels of staff through a variety of mechanisms, including the established union structures as well as divisonal CEO roadshows and plant-based meetings. All operations have detailed grievance procedures in place that allow every employee to raise a grievance without fearing victimisation, thereby ensuring the ongoing respect for the employee's rights.

The culture of open communication in the company is further encouraged through staff climate surveys and staff can access KAPREF – an independently managed and confidential reporting hotline. All incidents reported on the hotline are investigated in detail and reported to the social and ethics committee, as well as discussed in divisional board meetings.

Creating a safe work environment

Our health and safety policy is embodied in our code of ethics. CEO Gary Chaplin is ultimately responsible for health, safety and environmental issues and ensures that this responsibility is delegated throughout the organisation. The various divisions are accountable for identifying potential health and safety risks, managing and reporting these risks, as well as conducting appropriate health and safety training for employees and contractors by equipping them with the necessary knowledge and skills that will ensure a healthy and safe work environment.

KAP has a continuously evolving health and safety system that involves a legal register, risk register, incident register, risk management plan (with regular hazard identification and risk assessments), internal audits, safety training, management reviews and third-party audits undertaken on existing as well as any new projects. All incidents are measured and recorded, remedial actions are taken and reported to the relevant authorities and regulatory bodies. In-depth investigations are conducted into all incidents and mitigation procedures are continuously reviewed.

Various recognised safety systems, processes and procedures have been adopted by the various divisions. Where applicable, ISO 9001, ISO 14001, ISO 45001 and ISO 18001 have been adopted. Each division has a qualified risk manager or a safety, health, environment and quality officer who is responsible for health and safety oversight and reporting. Each division is required to report to the executive, the audit and risk committee and, ultimately, to the KAP board on health and safety matters.

KAP also has a supplier code of conduct in place, requiring companies who do business with us to provide a safe and healthy work environment for all their employees. All supplier employees or representatives providing on-site services in a KAP facility are also required to adhere to KAP safety standards and site rules.

Significant progress was made in the measurement and reporting of reportable injuries ('Compensation of Occupational Injuries and Diseases/COID') in the past year. These statistics are reported to the social and ethics committee as well as the KAP board.

Senior executives are measured on their divisional health and safety targets. KAP has set a target of zero fatalities across all operations. Unfortunately, the company experienced seven fatalities this past year. Six of these fatalities occurred in the Contractual Logistics and Passenger Transport divisions. These divisions travel more than 380 million kilometres per annum on public roads where they are exposed to several uncontrollable factors. Road safety is an ongoing challenge, particularly seen in the context of South Africa's poor road safety record. According to the World Health Organisation ('WHO'), South Africa has 39.1 fatalities per 100 000 people versus the global average of 18 per 100 000. The company mitigates this risk through ongoing training, investing in and maintaining a modern fleet of vehicles, and the live monitoring of driver performance and behaviour using a variety of technologies. The group remains committed to creating a safe work environment.

The KAP health and safety statistics for the past financial year are reflected in the table below:

	Lost time injuries ('LTI')	Occupational diseases ('ODI')	COID, no lost time	Total COID	Fatalities
Employees	379	5	233	617	7
Contractors	36	Not measured	Not measured	36	0
Total	415	5	233	653	7

There are regular interactions to continuously ensure the health and safety of our staff. Safety representatives are appointed from the shop floor in accordance with the South African Occupation Health and Safety Act. We continuously train our staff and contractors in health and safety. During the period under review, R16 million was spent on health and safety-related training.

KAP is regularly audited by accredited independent specialists to ensure compliance with statutory and legal health and safety requirements.

Programmes are in place to ensure the health of all KAP employees. HIV/Aids is addressed in divisional policies, and divisions have holistic and comprehensive programmes in place to promote awareness, prevention, voluntary testing and support. Policies cover aspects of confidentiality, non-discrimination and commitment to implement programmes relevant and of value to that division and its employees. Where applicable, local communities are involved in initiatives such as World Aids Day. This past year, 4 640 people received HIV/Aids education.

Certain divisions, where appropriate, have on-site health clinics for their staff. Within our transport environment, mobile clinics are available on the main routes. Our clinics have qualified nursing staff, assisted by doctors, to provide workplace health risk assessments, including TB monitoring, industrial hygiene, medical surveillance, as well as outcome management and incident management in line with the Health Risk Control section of the Healthcare Model.

Creating an ethical culture

The KAP code of ethics was reviewed and updated by the social and ethics committee. This code, as published on the website, is specific in terms of behaviour expected from KAP employees. All employees are provided with the code of ethics as part of the company's induction process.

In addition, a supplier code of conduct was introduced into the company. This code addresses issues such as bribery, health and safety, environment and labour, as well as human rights practices the company expects suppliers to adhere to.

KAP wishes to avoid anti-competitive conduct or any appearance thereof. There is ongoing training for senior and relevant middle management across all the operations on competition law and the changing competition regulations.

New and additional measurements and reward systems were adopted during the past year. In addition to financial and growth-based measures, management are measured and rewarded on B-BBEE targets, health and safety compliance, succession planning, internal audit compliance and ESG targets.

Responsible employment

KAP subscribes to the principles of the UNGC and the recommendations of the International Labour Organisation. Our code of ethics provides employees with a summary of what constitutes unlawful or unethical practices and behaviour, and provides guidelines on topics that include basic human rights, gender and race diversity.

Freedom of association is guaranteed in the South African Constitution. Of our 15 249 South African employees, 56% are unionised. KAP is actively involved and prominent in all associated industry bargaining councils. The primary task of the bargaining councils is to determine industry terms and conditions of employment. The bargaining councils are regulated and require both employer and employee representation. A senior executive, with the assistance of the divisional human resource managers, is tasked with stakeholder engagement and working with the relevant bargaining councils. There is ongoing engagement with all the main unions represented in the various divisions as well as other industry representatives. Almost 95% of all the group's collective bargaining is conducted through centralised structures.

KAP meets or exceeds all minimum wage requirements as legislated in the territories it operates. Furthermore, our employees voluntarily participate in both medical and health schemes. Memberships to retirement schemes are compulsory for permanent employees. Overtime is strictly monitored and reported to ensure KAP remains compliant with all local labour laws.

R16 million
WAS SPENT ON HEALTH AND SAFETY-RELATED TRAINING

KAP

Value-added statement 30 June 2019

	2019 Rm	%	2018 Rm	%
Revenue	**25 765**		23 038	
Net cost of raw materials, goods and services	**(17 643)**		(14 783)	
Wealth created by trading operations	**8 122**		8 255	
Capital items	**(149)**		(66)	
Income from investments	**89**		59	
Total wealth created	**8 062**	**100.0**	8 248	100.0
Distributed as follows				
Employees				
Benefits and remuneration	**4 487**	**55.7**	4 368	53.0
Governments				
Taxation	**522**	**6.5**	501	6.1
Providers of capital	**1 429**	**17.7**	1 373	16.6
Finance costs	**773**	**9.6**	743	9.0
Distributions to shareholders	**618**	**7.7**	559	6.8
Distributions to non-controlling interests	**38**	**0.5**	71	0.9
Retained for growth	**1 624**	**20.1**	2 006	24.3
Depreciation and amortisation	**1 190**	**14.8**	1 045	12.7
Profit attributable to the owners of the parent[1]	**415**	**5.1**	981	11.9
Profit attributable to non-controlling interests[2]	**19**	**0.2**	(20)	(0.2)
	8 062	**100.0**	8 248	100.0

[1] *Profit for the year attributable to owners of the parent less dividends paid.*
[2] *Profit for the year attributable to non–controlling interests less dividends paid.*

Remuneration report

KAP's remuneration philosophy is to remunerate employees fairly and responsibly

KAP's remuneration philosophy is to remunerate employees fairly and responsibly in a balanced approach, in order to attract, retain and motivate competent individuals who can contribute meaningfully to the sustainable growth of the company.

KAP applies the recommendations of the King IV Report on Corporate Governance™ for South Africa, 2016 ('King IV™')* and endorses King IV's™ inclusive, interconnected approach to corporate governance and its recognition of the importance of ensuring sustainability over the longer term. Fair, responsible and balanced remuneration is viewed as a key factor in ensuring the sustainability of the company.

Human resources and remuneration committee
KAP's human resources and remuneration committee ('the committee') operates within defined terms of reference and authority granted to it by the KAP board. The board oversees the implementation and execution of the remuneration policy. The committee comprises two independent non-executive directors, one of whom is appointed as chairman, and a non-executive director. The chief executive officer and certain executive managers attend parts of the meetings by invitation. This committee meets at least once a year and, should this be required, additional ad hoc meetings are convened. During the review period, the committee met on 14 August 2018 and all the members were present. In line with the recommendation by King IV™ that board committees should have cross membership to ensure a balanced distribution of power and to enhance effective collaboration, the committee chairman is also a member of the KAP social and ethics committee, which, inter alia, plays a contributory role in remuneration matters, with particular focus on the ethical and social aspects of remuneration and other benefits to employees.

Due to the group's decentralised management structures, the committee has established divisional human resources and remuneration subcommittees ('the divisional subcommittees'). The divisional subcommittees are responsible for all human capital management and employee remuneration matters at business-unit level, within the parameters set by the committee. The divisional subcommittees are supported by established human resource practitioners at group, divisional and business-unit level, with responsibility for the implementation and management of human resource and remuneration strategies, policies and practices in line with those set by the committee.

The committee is satisfied that it has fulfilled its responsibilities during the review period. Key areas of focus of the committee during the period under review included:
- a review of the strategic drivers of human resources and remuneration and the alignment thereof to the vision and strategy of the company;
- a review of the group's remuneration policy, which is presented annually for a non-binding advisory vote by shareholders;
- a review of the measurement criteria in relation to the company's annual and long-term incentive schemes in order to ensure that they remain appropriate and act as drivers of the achievement of the business strategy;
- a review and approval of the remuneration packages of all senior executives, including annual and long-term incentive schemes;
- the fulfillment of delegated responsibilities for KAP's share-based incentive schemes;
- a review of the human capital management practices in place across the group to ensure fairness, responsibility and transparency, alignment with King IV™ and compliance with the specific requirements of South African labour legislation;
- a self-assessment by the committee of the effectiveness of its operations and its members' performance as appraised against the relevant recommendations of King IV™; and
- a review of the recommendations of the divisional subcommittees and their assessment of compliance with the terms of reference prescribed by the committee, in order to establish whether the committee can rely on the work of the divisional subcommittees and to ensure that the divisional subcommittees remain aligned with the group's remuneration strategy, practices and policy.

Key considerations for the divisional subcommittees include the review of divisional:
- pay structures and equitable base-salary increases for all employees;
- performance management systems and processes;
- annual performance incentive schemes;
- long-term incentive schemes;
- employee relations management;
- talent management and succession planning;
- training and development; and
- employment equity.

Alignment with strategy
The sustainable success of KAP's business is critically dependent on its people in order to maintain quality products and high standards of service to customers in very competitive sectors. KAP's remuneration structures are therefore aligned with the group's long-term strategic business priorities, namely:
- to sustain and improve its leading positions in high-barrier-to-entry markets;
- to add value through specialisation in a diverse range of industries, markets and geographies;
- to grow sustainable long-term revenue;
- to increase its sustainable operating profit and cash flows; and
- to improve sustainable return on equity.

KAP's strategic objective is to be an industry leader in its chosen markets. This implies a requirement to attract and retain the best people in the industry and to consistently improve their skills. As KAP has grown into industry-leading positions, it has become increasingly exposed to and benchmarked against global best practice. Although KAP is a South African-based company, it earns approximately 17% of its revenue outside South Africa; it has operations in 12 different countries; it imports a significant proportion of its inputs from outside South Africa; a significant proportion of its inputs are globally indexed in foreign currencies; and it has international shareholders at certain business units who actively participate in the relevant businesses and several technology agreements with international companies. At a listed level, 21% of its shareholding is owned by foreigners. As a result, KAP expects its executives to have knowledge and experience across international borders and to be internationally mobile. KAP therefore competes for management and specialist skills and succession talent in a challenging global marketplace and, as a result, its approach to remuneration needs to remain competitive and encourage retention.

Service contracts
Executives' contracts are subject to terms and conditions of employment as governed by the Labour Relations Act of South Africa. The contracts of the top executives or any other executive directors do not contain termination packages or excessive notice periods. KAP's directors are not appointed for life.

In terms of King IV™, the board as a whole appoints directors upon a recommendation by the KAP nomination committee. On appointment, directors are subject to screening and a fit-and-proper test. In terms of the company's memorandum of incorporation and the Companies Act, No. 71 of 2008 of South Africa ('the Act'), all directors are subject to retirement by rotation from time to time.

Non-executive directors' remuneration
Independent surveys are obtained from expert consultants to assist the committee with its annual review of non-executive directors' fees.

The committee submitted its proposals to the board for the forward-looking fees payable for the period from the date of the forthcoming annual general meeting ('AGM') in November 2019 to the 2020 AGM, and the board has endorsed the committee's proposals. The non-executive directors receive fees for services rendered to the company and their remuneration is not linked to the company's share price, its share performance or its results. Non-executive directors do not qualify for shares in terms of the KAP Performance Share Rights Scheme and do not hold share rights under this scheme.

The company's executive directors are remunerated in terms of each director's contract with the company and they do not receive any fees for services rendered to the company.

Shareholder approval
Following the introduction of King IV™, in addition to the requirement to obtain shareholder approval for the payment of fees to the non-executive directors, the remuneration policy and implementation report will be tabled each year for separate non-binding advisory votes by shareholders at the AGM. In the event that either the remuneration policy or the implementation report, or both, are voted against by shareholders exercising 25% or more of the total voting rights exercised at the AGM, the committee will issue an invitation to dissenting shareholders to engage with them in a mutually accepted manner and timing in order to address legitimate and reasonable concerns.

At the AGM on 13 November 2018, the shareholders endorsed the remuneration policy and the implementation report of the company by way of separate non-binding advisory votes of 86.9% and 94.7% in favour respectively. As the non-binding advisory votes were passed by the requisite majorities, no further engagement with shareholders was required.

Remuneration policy

The committee has implemented a remuneration policy, which has been approved by the board and shareholders, to assist in the achievement of the group's strategy and objectives. The remuneration policy is reviewed on an annual basis and is aligned to the recommendations of King IV™, based on the following principles:

- Remuneration practices throughout the group are aligned with the applicable business vision and strategy.
- Remuneration is set at levels that are competitive and appropriate within the specific markets, geographical areas and industries in which the group operates.
- Incentive-based remuneration, applicable to management involved in determining and implementing the strategy of the group and/or divisions, is determined with reference to financial performance targets, strategy execution, broad-based black economic empowerment ('B-BBEE') targets, the achievement of environmental, social and governance ('ESG') goals, as well as internal control and compliance measures in order to promote the sustainable well-being of the group.
- Executive remuneration is fair, responsible and transparent in the context of overall remuneration in the group.

The committee seeks to ensure an appropriate balance between the guaranteed and performance-related elements of managerial remuneration and also between short-term performance and long-term sustainable stakeholder value creation. The committee considers each element of remuneration relative to the market and, in determining its quantum, takes into account the performance of the group and/or division, the management team and the individual concerned.

Elements of remuneration
Benchmarking of the remuneration of executive managers and executive directors was undertaken during the financial year, utilising the services of independent experts. The committee is satisfied that remuneration in all forms accruing to employees at all levels is market-related and equitably awarded under the remuneration systems and practices in place.

The remuneration policy covers two elements of remuneration:

Total cost to company guaranteed salary ('salary')
The salary element of remuneration incorporates all guaranteed cash benefits. Its purpose is to provide a competitive level of remuneration for employees. The salary is subject to annual review and is intended to be competitive, with reference to market practice in companies comparable in size, market sector, business complexity and geographic location, as well as equally graded positions. A global grading system is applied across the group that ensures standardised employee grading. Company performance, individual performance, general inflation and changes in responsibilities are also taken into consideration when determining annual base salaries.

The amount of the salary package is determined, with effect from 1 July each year, based on parameters approved by the board. Pay levels are based on individual and market factors, as follows:

- Position profiles are compiled for each approved position in each division and department and these are graded using the company's uniform grading system.
- A competency profile and levels of proficiency are determined for each approved position. Performance reviews of the employee may lead to the employee receiving merit increments from year to year, which, over time, enable him or her to earn remuneration at a level above the market median for a position, but within market norms.
- The market positioning of the pay of key managers and professional staff is benchmarked and reassessed regularly, using the market median of independent salary surveys as reference points.
- Inflationary remuneration increases are approved from year to year, taking into account movements in consumer price inflation in South Africa or the relevant country of operation.

The remuneration of employees, other than union and other bargaining structure represented employees, is contracted on a 'total cost to company package' basis, which includes basic salary, allowances and contributions by the company to retirement savings, risk insurance and medical schemes.

In terms of this arrangement, a minimum level of healthcare cover is a condition of employment at certain levels and additional cover is available to employees according to their personal circumstances. The healthcare benefits are outsourced to service providers. The company does not provide post-retirement healthcare benefits for current employees.

Employees throughout the group are able to contribute to various independently administered defined benefit retirement schemes.

The company encourages union membership and collective bargaining among its employees in order to provide for responsible and structured engagement. In relation to employees represented by trade unions or similar bargaining structures and similarly graded positions, their wages and substantive conditions of employment are negotiated from time to time with the applicable bargaining structures, preferably via collective bargaining processes. Changes to remuneration and benefits are negotiated in one, two or three-year arrangements. Multi-year arrangements are favoured in terms of stability and consistency in industrial relations. Access by these employees to suitable medical, retirement and associated insured benefits is also facilitated by the company. Advisory and administrative services are offered on an outsourced basis in relation to employment benefits.

Payments on termination of employment or office, sign-on, retention or restraint payments, commissions and allowances are limited to contractual, legal and/or negotiated obligations and any deviations from this policy in relation to senior executives would require appropriate motivation and the specific approval of the committee.

Variable performance-related incentives ('incentives')
A principle underlying this policy is that senior executives and managers of the company and each of its business units are required to assume more business risk in relation to corporate returns and sustainable performance than their subordinates and to place more of their remuneration at risk in relation to the achievement of certain targets. Consequently, they are offered a combination of guaranteed and variable pay to incentivise performance on a sustainable long-term basis.

Variable pay is designed to incentivise and reward both team and individual effort and serves as a tool to attract, motivate and retain staff of the calibre required to achieve the objectives of the business. These policies are also used to ensure that top management are duly motivated to achieve organisational goals and strategic objectives to ensure the long-term sustainability of the company. Bonuses are determined and paid in the financial year following that to which the performance relates and are disclosed together with the applicable performance targets.

This remuneration philosophy historically provided for a high weighting toward risk-based remuneration based on achievement of rigid financial targets, on an 'all or nothing' basis that had the potential to negatively influence the culture of the company and the behaviour of its executives over time. The remuneration philosophy of the company was therefore reconsidered during the year under review in order to encourage a more balanced and socially responsible approach to the management of the business and to ensure that growth is sustainable over the long term. In this regard, the inclusion of B-BBEE targets, long-term strategy execution, internal audit compliance, ESG goal achievement and executive retention was approved by the committee on 14 August 2018 as additional measurement criteria in the company's incentive schemes.

Annual incentive bonus (AIB) scheme
The objective of the AIB scheme is to achieve growth in earnings and the conversion of earnings to cash. The AIB, payable in cash, is further designed to incentivise applicable levels and groupings of management to achieve the divisional and the group's short-term goals. Targets are set by taking into account various factors, including the prevailing economic environment, relevant market conditions in the sectors within which the group operates, the performance of market peers, as well as the group's objective of improving its performance over time. Objectives are set after taking into account that management is obliged to maintain the group's assets on a sustainable basis.

For the group's executive management, the performance measures for the AIB include:

Objective	Measurement criteria	Weighting
Performance against profit targets	Core headline earnings per share (at group level) Core headline earnings before tax (at division level)	75%
Performance against cash flow targets	Cash from operations, less net cash finance cost, less cash taxation, (less)/add any capex and investment (over)/underspend	
Performance against B-BBEE targets	B-BBEE scorecard points defined in terms of the B-BBEE Codes of Good Practice	15%
Performance against internal audit and compliance targets	Management effectiveness in maintaining the integrity of the system of internal controls against predetermined targets	10%

AIB allocations to the executive management are weighted as follows:

Role	Percentage of AIB relating to group performance	Percentage of AIB relating to divisional performance	On-target bonus as a percentage of guaranteed salary
Chief executive officer	100%	–	50%
Chief financial officer	100%	–	50%
Divisional chief executive officers	50%	50%	50%
Human resources executive	100%	–	50%
Business development executive	100%	–	50%
Stakeholder relations executive	100%	–	50%
Key divisional management	–	100%	15% – 50%

The group's executive committee (i.e. chief executive officer, chief financial officer, divisional CEOs, human resources executive, business development executive and stakeholder relations executive) participates in a group AIB pool in order to support the alignment of the interests of executive management with those of the group's shareholders and to ensure the optimal allocation of capital between divisions in the group. Divisional CEO incentives are split 50/50 in relation to group and divisional performance against relevant measurement criteria in order to balance divisional performance with group performance, without compromising the optimal allocation of capital across the group.

Key executives are further entitled to participate in the value created by performance in excess of targeted measurements applicable to their respective division or the group. This participation varies between 12% and 20% of excess over targets of applicable measured earnings. Any incentive that exceeds 100% of an executive's cost to company in a year will be carried forward for payment in the following financial year if the relevant executive is still in the employ of the group and has a clean disciplinary record.

The performance objectives for group and individual divisions are assessed, taking into account their specific industry, identified peers and/or competitors and the maturity of the group or division. The committee performs an annual review to ensure that the performance measures and the targets set are appropriate within the economic context and the performance expectations for the division or group.

The committee retains the discretion to make adjustments to AIB payments, taking into account both group performance and the overall and specific contribution of the management teams toward meeting the group's objectives. Divisional bonus schemes applicable to middle and junior management are aimed at achieving project, production and sales-related targets.

Long-term incentives schemes

KAP competes for management skills and talent and its approach to remuneration takes account of the need to retain key management over the long term. Long-term incentives are awarded with the primary aim of promoting the sustainability of the company through business cycles; aligning performance of key management with the interests of stakeholders; and retaining key management over the long term. The long-term incentives comprise a share rights scheme ('SRS') for executive staff and a cash-settled ('LTI') scheme for key senior management.

For the group's executive management, the performance measures for the SRS and LTI include:

Objective	Measurement criteria	Weighting
1. Achievement of financial targets		
Performance against profit target	Cumulative three-year core headline earnings per share	35%
Performance against cash flow target	Cumulative three-year cash from operations, less net cash finance cost, less cash taxation, (less)/add any capex and investment (over)/underspend	
Performance against return on equity target	Return on equity over three years	15%
2. Implementation of key strategic initiatives related to the strategic development and competitive positioning of KAP		
• Securing an appropriate and flexible capital and debt structure in order to minimise the risk of stressed debt or equity issuance in volatile economic environments • Implementation of risk management policy and framework • Successful conclusion and implementation of strategic mergers, acquisitions and disposals • Implementation of growth initiatives, which do not necessarily benefit the year under review • Other initiatives, such as B-BBEE, internal audit ratings, health and safety, succession planning, etc.	Board-approved initiatives	15%
3. Achievement of ESG targets	**FTSE4Good Index measurement criteria**	10%
4. Retention	**Continued employment through the measurement period with a clean disciplinary record on vesting date**	25%

The allocation of SRS and LTI incentives is at the discretion of the committee and applies to individuals who are key to determining and implementing the long-term vision and strategy at group and/or divisional levels. Benchmark performance criteria are aligned with the group's long-term strategic priorities to ensure that there are no 'windfall' gains. The allocation and quantum of long-term incentives are based on the responsibility levels and salary packages of relevant individuals. Share rights vest in weighting as detailed above if the relevant objective was achieved over the measurement period.

The value of SRS allocations to the group's executive management is as follows:

Role	Percentage of guaranteed salary allocated to share scheme
Group chief executive officer	167%
Group chief financial officer	167%
Divisional chief executive officers	133%
Group human resources executive	100%
Group business development executive	53%
Stakeholder relations executive	133%
Key divisional management	33% – 133%

In order to qualify for the LTI, participants are required to achieve their own division's measurement criteria, as detailed above, over a cumulative three-year period. The value of LTI allocations to the group's senior management are as follows:

Role	Percentage of guaranteed salary allocated to long-term cash incentive
Key divisional management	25% – 67%

Except as approved by the committee in exceptional circumstances, share rights and LTI allocations will lapse should any participant in the SRS or LTI scheme leave the employ of the group other than in the event of death, incapacity, disability or retirement, as detailed in the share scheme rules approved by shareholders.

Implementation report

During the 2019 financial year, the remuneration policy of the group was applied with no deviations.

Total cost to company guaranteed salary

The base salaries of executive management were benchmarked by an external service provider, with reference to market practice by companies comparable in size, market sector, business complexity and geographic location, in order to ensure that they provide a competitive level of remuneration. Base salary increases were awarded based on inflation, except where there were changes in responsibilities and roles that warranted higher increases.

The base salaries of the executive committee comprised the following elements:

Executive directors	Total guaranteed salary 2019 R	Total guaranteed salary 2018 R	Increase in guaranteed salary
Gary Noel Chaplin [1]	7 400 000	6 000 000	23%
Frans Hendrik Olivier [2]	4 500 000	3 700 000	22%
Total	**11 900 000**	**9 700 000**	

[1] Gary Noel Chaplin's base salary was increased in the last of a two-phased approach aimed at aligning his remuneration with the market median for companies of similar size and complexity.

[2] Frans Hendrik Olivier's base salary was increased in the last of a two-phased approach aimed at aligning his remuneration with the market median for companies of similar size and complexity.

	Total guaranteed salary 2019 R	Total guaranteed salary 2018 R	Increase in guaranteed salary
Other executive committee members	35 138 882	27 172 000	29%

The increase in guaranteed salaries paid to other executive committee members is based on inflation, additional responsibilities resulting from acquisitions, market benchmarks and an increase in the number of executive committee members. The year-on-year increase, excluding the impact of changes in the number of members, is 12% as a result of additional responsibilities assumed by certain Exco members and restructure of certain packages between short-term and long-term incentives.

Annual incentive bonus (AIB)

Bonuses paid in the 2019 financial year were determined in line with the remuneration policy and were awarded based on the following criteria in relation to the 2018 financial year:

1. Achievement of operational and financial growth objectives for the 2018 financial year		
Objective	**Target**	**Performance**
Performance against profit target	Headline earnings before tax of R2 149 million	Headline earnings before tax of R2 128 million
Performance against cash flow targets	Cash flow from operations less net finance cost of R2 497 million	Cash flow from operations less net finance cost less capex over spend of R2 131 million

2. Implementation of key strategic initiatives related to the strategic development and competitive positioning of KAP for the 2018 financial year		
Objective	**Target**	**Performance**
• Securing an appropriate and flexible capital and debt structure in order to minimise the risk of stressed debt or equity issuance in volatile economic environments • Implementation of risk management policy and framework • Successful conclusion and implementation of strategic mergers, acquisitions and disposals • Implementation of growth initiatives that do not benefit the year under review • Other initiatives, such as B-BBEE, internal audit ratings, health and safety, and succession planning, etc.	At the discretion of the board	Following the collapse of a strategic shareholder in December 2017, management successfully protected the company from any contagion impact through various measures, as follows: • securing continued lines of credit with banking partners and suppliers; • maintaining uninterrupted operational execution; • securing payment of R585 million to employee beneficiaries of the shareholder funded S'khulasonke Scheme; • terminating provision of services agreement with the strategic shareholder; • establishment of a full corporate services function in two new corporate offices; and • independent review of governance structures. The group continued with strategic corporate activities to enhance its quality of earnings and its sustainability into the future. In line with its key investment criteria, the group entered into the following material transactions with a dedicated focus on strategic industrial assets: • The company concluded a series of transactions and funding arrangements in order to facilitate greater than 51% 'black ownership' and greater than 30% 'black-women ownership' of its South African logistics operations, Unitrans Supply Chain Solutions Proprietary Limited ('USCS'). • Support-a-Paedic Proprietary Limited and RME Components Proprietary Limited were acquired effective 1 December 2017 for R48 million, in order to provide the Integrated Bedding division with access to new markets and brands. • On 1 December 2017, Southern Star Logistics Proprietary Limited (a 50%-owned subsidiary) was formed in order to facilitate growth in the eSwatini territory. Certain assets from KAP-owned subsidiaries Unitrans Swaziland Proprietary Limited and Unitrans Agricultural Services Proprietary Limited, were combined with a R92 million contribution of assets from an external party, South Star Investments Proprietary Limited. • KAP acquired 45% minority interests in Crystal Cool Holdings Proprietary Limited on 1 July 2017 for R10 million in order to consolidate and streamline operations in the Contractual Logistics division. The following funding activities were concluded during the period to facilitate longer-dated maturities to accommodate future growth: • R2 004 million raised through bond issuances, with three- and five-year tenures; • R240 million bond settled at maturity; • R1 750 million of existing term loan facilities settled; and • the KAP bond programme increased from R5 billion to R10 billion. Global Credit Rating Co Proprietary Limited reviewed KAP's credit rating in October 2017 and upgraded KAP from A(za) to A+(za) with a stable outlook.

The committee reviewed the performance of individuals against the target criteria set out above and although financial targets were not met, the remuneration committee resolved to award discretionary bonuses on the basis of individual performances, primarily in relation to the strategic initiatives detailed above.

Executive directors	Total bonuses 2019 R
Gary Noel Chaplin	3 000 000
Frans Hendrik Olivier	1 850 000
Total	**4 850 000**
Other executive committee members	**3 600 000**

Long-term incentives

Long term incentives were awarded in line with the remuneration policy and stipulated allocation levels. The committee reviewed the performance of individuals against the target criteria (in line with the AIB criteria) for the December 2015 grant and approved the vesting thereof, where target criteria were met.

Executive directors	Offer date	Vesting date	Number of rights as at 30 June 2018	Number of rights (exercised)/ (expired)/ awarded during the year	Number of rights as at 30 June 2019	Market value of rights at grant date R	Market value of rights upon vesting R	Market value of rights at 30 June 2019 R
Gary Noel Chaplin	Dec 2015	Nov 2018	1 151 851	(1 151 851)	–	8 189 661	8 984 438	–
	Dec 2016	Dec 2019	1 401 589	(1 401 589)	–	10 638 061	–	–
	Dec 2017	Dec 2020	1 198 565	–	1 198 565	10 427 516	–	6 699 978
	Nov 2018	Nov 2021	–	1 578 289	1 578 289	12 705 226	–	8 822 636
Total			**3 752 005**	**(975 151)**	**2 776 854**	**41 960 464**	**8 984 438**	**15 522 614**
Frans Hendrik Olivier	Dec 2015	Nov 2018	486 191	(486 191)	–	3 456 818	3 792 290	–
	Dec 2016	Dec 2019	713 328	(713 328)	–	5 414 160	–	–
	Dec 2017	Dec 2020	588 636	–	588 636	5 121 133	–	3 290 475
	Nov 2018	Nov 2021	–	959 770	959 770	7 726 149	–	5 365 114
Total			**1 788 155**	**(239 749)**	**1 548 406**	**21 718 260**	**3 792 290**	**8 655 589**
Total executive directors			**5 540 160**	**(1 214 900)**	**4 325 260**	**63 678 124**	**12 776 728**	**24 178 203**
Karel Johan Grové*	Dec 2015	Nov 2018	827 893	(827 893)	–	5 886 319	6 457 565	–
Total			**827 893**	**(827 893)**	–	**5 886 319**	**6 457 565**	–
Total non-executive directors			**827 893**	**(827 893)**	–	**5 886 319**	**6 457 565**	–
Total directors			**6 368 053**	**(2 042 793)**	**4 325 260**	**69 565 043**	**19 234 293**	**24 178 203**

** Share rights of Karel Johan Grové have been adjusted to reflect the pro rata entitlement as per the rules of the share scheme in terms of retirement.*

KAP

Non-executive directors' remuneration
Non-executive directors' remuneration is reflected as follows based on pre-planned and annually scheduled meetings. Additional meetings are held by the board and its subcommittees from time to time as required and are remunerated accordingly.

Non-executive directors' fees	Increase %	2020 R	2019 R
Board membership fees			
Independent non-executive chairman	6	916 000	864 000
Non-executive deputy chairman	6	579 000	546 000
Non-executive deputy chairman – additional services	–	–	360 000[1]
Member	6	365 200[2]	344 500
Ad hoc meeting fee (fee per formal meeting)	6	78 700[3]	74 200
Audit and risk committee fees			
Chairman	6	424 000	400 000
Member	6	212 000	200 000
Human resources and remuneration committee fees			
Chairman	6	174 200	164 300
Member	6	84 300	79 500
Nomination committee fees			
Chairman	6	7 300	6 900
Member	6	7 300	6 900
Social and ethics committee fees			
Chairman	6	33 700	31 800
Member	6	16 900	15 900
Investment committee fees			
Chairman (fee per formal meeting)	6	31 800	30 000
Member (fee per formal meeting)	6	26 500	25 000

[1] The non-executive deputy chairman facilitated the meetings of the divisional management boards on a quarterly basis as an independent facilitator. Remuneration in relation to these additional services was based on a rate of R15 000 per meeting. He will no longer facilitate these meetings.
[2] This comprises an annual retainer of R50 800 (2019: R47 700) and a per meeting fee of R78 600 (2019: R74 200), based on four scheduled formal board meetings per annum
[3] From time to time the board may be required to meet formally in addition to the scheduled annual commitments. In such an event, all non-executive directors will qualify for the ad hoc formal meeting fee upon attendance.
All reasonable travelling and accommodation expenses to attend board and committee meetings are paid by the company.

Areas of future focus

The committee will focus on its commitment to the application of King IV™ and, in adhering on a transparent basis to the King IV™ principle of fair, responsible and balanced remuneration, will consider all new developments and best practice in this field, in order to further the best interest of all stakeholders.

The company has targeted four key areas of focus in relation to its divisional human and resources activities, namely:
- leadership development;
- succession planning;
- employment equity; and
- training and development.

The successful development of these areas will provide a sound platform for sustainable growth of the company and its employees.

The ultimate responsibility for ensuring full and effective control of the group's businesses rests with the KAP board.

The company has adopted a decentralised approach to the management of its day-to-day divisional operations, subject to compliance by the divisions with the group control and approvals framework and the systems and governance policies set by the board.

There are defined reporting lines from divisional management level to the board, to facilitate effective monitoring by the board of the divisions' compliance with group and divisional policies. Save where pre-approved materiality levels apply, decisions on material matters are reserved for the board, including, but not limited to, decisions on the allocation of capital resources, the authorisation of capital expenditure, property transactions, borrowings and investments. Decisions made by the board take into account the legitimate interests and expectations of stakeholders and the sustainability of the group's operations.

The detailed responsibilities and powers of the board are contained in a formal charter, which is available on the group's website, together with the corporate governance report.

The board committees that support the board of directors include the audit and risk, human resources and remuneration, nomination, social and ethics and the investment committees. The robust committee and reporting structures in place across the group underpin the group's commitment to sound corporate governance and afford stakeholders the assurance that the group's businesses are managed responsibly.

The group applies King IV™, which operates on an 'apply and explain' basis. The corporate governance report, which is available on the group's website, provides a narrative explanation on how the group has applied the 16 King IV™ principles across its operations.

KAP has met its reporting requirements relating to King IV™, the Listings Requirements of the JSE ('JSE Listings Requirements') and the Companies Act, No. 71 of 2008, (as amended) together with the Companies Regulations, 2011 (jointly 'the Act').

A decentralised structure supports the development and retention of expertise in a diversified group. Each division has specialised industry and market experience that supports its ability to grow sustainable earnings.

Formulation of strategic intent	Governance and compliance	
Board of directors	Board committees	
Holding company	Holding company	Material subsidiaries
KAP	Board committees support the board of directors with regard to specific functions. These formal board committees are constituted in accordance with the recommendations of King IV™ and the requirements of the Companies Act. Each committee's responsibility is described in the corporate governance report. Committees for the review period include: Audit and risk committee Human resources and remuneration committee Nomination committee Social and ethics committee Investment committee	KAP Diversified Industrial Proprietary Limited KAP Automotive Proprietary Limited KAP Bedding Proprietary Limited Unitrans Holdings Proprietary Limited Unitrans Supply Chain Solutions Proprietary Limited Unitrans Africa Proprietary Limited Unitrans Passenger Proprietary Limited

Management teams have the autonomy to employ the appropriate people to implement group strategy in a way that best aligns with their businesses. Management teams are supported by human resources, risk, health and safety, social and ethics and information and communication technology committees that monitor legal, regulatory and best practice compliance across all operations.

Strategy development	Strategy implementation
Executive committee	Divisional management teams Divisional committees

Divisional structure	Operational structure
Diversified industrial	Integrated Timber Automotive Components Integrated Bedding
Diversified chemical	Polymers
Diversified logistics	Contractual Logistics (South Africa) Contractual Logistics (Africa) Passenger Transport

Supported by operational committees, including:
- BEE Exco
- ICT steering committee
- Compliance committee
- Treasury and banking subcommittee

Supported by:
- Divisional boards
- Divisional audit and risk committees
- Divisional human resources and remuneration committees
- Employment equity forums

Directors	
Executive	25%
Independent non-executive	62.5%
Non-executive	12.5%

	Years with group or relevant divisional businesses
Executive management	
Chief executive officer	
Gary Chaplin	22
Chief financial officer	
Frans Olivier	13
Human Resources executive	
Johan Geldenhuys	20
Business development executive	
Vukile Zondani	2
Stakeholder relations executive	
Penwell Lunga	14
Divisional CEO – Integrated Timber	
Gerhard Victor	22
Divisional CEO – Automotive Components	
Ugo Frigerio	29
Divisional CEO – Integrated Bedding	
Michael Metz	45
Divisional CEO – Polymers	
Nico van Niekerk	31
Divisional CEO – Contractual Logistics (South Africa)	
Terry Bantock	3
Divisional CEO – Contractual Logistics (Africa)	
Gert Brits	25
Divisional CEO – Passenger Transport	
Nico Boshoff	24

Executive directors

GN (Gary) Chaplin (49)

CA(SA)

Chief executive officer

Gary qualified as a chartered accountant in 1995 after completing his articles with Deloitte. In 1996, he joined a private company in the timber industry which was later acquired by Steinhoff Africa Holdings Proprietary Limited ('Steinhoff'). Gary held various positions and fulfilled numerous roles in Steinhoff's South African timber and furniture manufacturing operations. He joined PG Bison Proprietary Limited ('PG Bison') where he was appointed to the board in August 2006 and as chief executive officer in November 2011. In June 2012, KAP Industrial Holdings Limited acquired PG Bison, whereupon Gary was appointed to the KAP executive committee. He later assumed full responsibility for KAP's diversified industrial segment. In November 2014, Gary became chief executive officer of KAP. He serves as a member of the social and ethics committee and the investment committee.

Member of the social and ethics committee
Member of the investment committee

FH (Frans) Olivier (40)

CA(SA)

Chief financial officer

Frans qualified as a chartered accountant in 2004 after completing his articles at KPMG in Johannesburg. In 2005, Frans joined Riso Africa Proprietary Limited as financial manager. Subsequent to his appointment, he assumed the same position at Steinhoff Africa Holdings Proprietary Limited in 2006. In 2009, Frans joined PG Bison Proprietary Limited ('PG Bison') as group financial manager and was appointed as chief financial officer in 2010. In 2012, KAP Industrial Holdings Limited acquired PG Bison. Frans was promoted to the role of chief financial officer for the diversified industrial segment of KAP in 2015. In April 2016, he became chief financial officer of KAP and serves as a member of the investment committee.

Member of the investment committee

Non-executive director

KJ (Jo) Grové (70)

AMP (Oxford)

Non-executive deputy chairman

Jo has more than 20 years' experience in the financial and banking industry. In 1976, he founded Medical Leasing Services – a company providing specialised financial services to medical doctors. In 1987, the business was sold to the Absa Group, the name was changed to MLS Bank, and Jo was appointed chief executive officer – a position he held until 1995. Jo established Imperial Bank and served on the main board of Imperial Holdings until he joined Unitrans Limited as chief executive officer in September 1998. Following the approval and implementation of Steinhoff's acquisition of the majority shareholding in Unitrans Limited, he was appointed as a non-executive director of Steinhoff International Holdings Limited. Subsequently, he became a non-executive alternative director on the Steinhoff International Holdings Limited board from December 2007 until he resigned from this position in December 2015. In 2012, Jo was appointed as chief executive officer of KAP Industrial Holdings Limited. He stepped down from this position and was appointed executive chairman in November 2014. Since January 2017, he has been fulfilling the role of non-executive deputy chairman. He serves as a member of the investment committee and human resources and remuneration committee.

Member of the investment committee
Member of the human resources and remuneration committee

Independent non-executive directors

J dV (Jaap) du Toit (65)

BAcc, CA(SA), CTA, CFA

Independent non-executive chairman

Jaap was appointed as senior general manager of the Trust Building Society in 1984, financial director at SMK Securities Proprietary Limited in 1988, and as their portfolio director in 1990. He was a founder member of PSG Group Limited in 1996 and acted as a director until mid-2016. He acted as chairman of PSG Konsult from its formation in 1998 until 2013, and is still a director of that board. In August 2012, Jaap was appointed as the lead independent non-executive director for PSG Group Limited (until mid-2016). Jaap has served, and currently serves, as chairman of various national committees and boards. He was appointed as chairman of KAP Industrial Holdings Limited in 2012 and in 2013 as chairman of the nomination committee.

Chairman of the board
Chairman of the nomination committee

Independent non-executive directors

IN (Ipeleng) Mkhari (45)

BSocSci

Independent non-executive director

Ipeleng holds a Bachelor of Social Science degree from the University of Natal. She completed the Executive Development Programme at the University of the Witwatersrand in 2004 and is also an Archbishop Tutu Fellow. Ipeleng founded Motseng Investment Holdings Limited of which she is currently the chief executive officer. Ipeleng co-founded Delta Property Fund – a company that listed on the Johannesburg Stock Exchange in 2012. She also serves as a non-executive director on the boards of South African Property Owners Association, Nampak and Attacq, and is a trustee of the Women's Property Network Education Trust. Ipeleng was appointed as an independent non-executive director of KAP Industrial Holdings Limited in 2004. She chairs the social and ethics committee and serves as a member of the human resources and remuneration committee and the nomination committee.

Chairperson of the social and ethics committee
Member of the human resources and remuneration committee
Member of the nomination committee

SH (Steve) Müller (58)

BAcc (Hons), CA(SA), Sanlam EDP

Independent non-executive director

Steve qualified as a chartered accountant and worked at KPMG from 1983 to 1992. In 1992, he was appointed as senior credit manager at Rand Merchant Bank and, in 1995, joined Genbel Investments. Over the next 13 years, Steve functioned in various capacities within the group, including chief operating officer: Equities of Genbel Securities Limited, as well as executive director of Gensec Bank Limited. He furthermore served as a non-executive director and member of the audit and remuneration committees of various investee companies within the Genbel Securities Group. In 2008, he left the group to pursue his own interests. Steve served as an independent non-executive director and chairman of the audit committee of SACOIL from 2013 to 2016. In January 2018, he was appointed as an independent non-executive director of the Phumelela Gaming and Leisure Limited board and as chairman of the company's audit committee. In August 2017, Steve became an independent non-executive director of Pepkor Holdings Limited, serving as chairman of the human resources and remuneration committee and as a member of the audit committee.

In 2012, Steve was appointed as an independent non-executive director of KAP Industrial Holdings Limited and, in 2014, as chairman of the KAP human resources and remuneration committee. He currently also serves on the audit and risk committee, the social and ethics committee and the investment committee.

Chairman of the human resources and remuneration committee
Member of the audit and risk committee
Member of the social and ethics committee
Member of the investment committee

SH (Sandile) Nomvete (47)

EDP (Wits), Prop Dev Prog (UCT)

Independent non-executive director

Sandile co-founded Delta Property Fund in 2002, which would go on to list on the Johannesburg Stock Exchange in 2012. He has since led the company to be a predominately sovereign underpinned fund. Through his leadership, Sandile has managed to position Delta as one of the most prominent black-owned and black-managed property funds for government and state-owned enterprises across South Africa.

Sandile serves as a director on a number of other listed entities and has more than a decade's experience in executive and non-executive positions. He is a graduate of the Property Development Programme of the University of Cape Town Graduate School of Business. He also holds an Executive Development Programme and Finance for Non-financial Managers diploma from the University of the Witwatersrand's Graduate School of Business. Sandile was appointed as an independent non-executive director of KAP Industrial Holdings Limited in 2004 where he serves as a member of the audit and risk committee.

Member of the audit and risk committee

PK (Patrick) Quarmby (65)

CA(SA) (Hons)

Independent non-executive director

Patrick was a partner at Ernst & Young until he relocated overseas in 1987. During his time abroad, he was employed in the Corporate Finance Department of Schroders in London. Patrick became one of the founding directors of Standard Bank in London and established Standard Bank's presence in Hong Kong. On his return to South Africa in 1996, Patrick was appointed as director of Dimension Data Holdings Limited, responsible for the global expansion of the group. He retired from this position in 2014. Patrick acted as non-executive chairman of Datacraft Asia, an IT services company listed in Singapore, until it delisted in 2008, as well as independent non-executive director of Unitrans Limited until the Steinhoff acquisition in 2007. He was appointed as an independent non-executive director of KAP Industrial Holdings Limited in 2012 and serves as the chairman of the audit and risk committee. He is also a member of the nomination committee and the investment committee.

Chairman of the audit and risk committee
Member of the nomination committee
Member of the investment committee

KAP's nomination committee ('the committee') operates under a mandate from the board of directors and in accordance with the duties as set out in a formal terms of reference, which are aligned with the provisions of the company's memorandum of incorporation, the Companies Act and the Companies Regulations, the JSE Listings Requirements and the recommendations of King IV™.

The key function of the committee is to ensure that the board and its committees are appropriately structured and resourced to enable them to fulfill their duties efficiently in terms of their terms of reference or charter. The committee ensures that appointments to the board and committees are made through a formal and transparent process. Details of the duties of the committee and its specific responsibilities are set out in the corporate governance report, which is available on the company's website.

During the review period, the committee met on 14 August 2018, 17 September 2018 and on 30 January 2019, at which meetings changes to the composition of the board and its committees were recommended. Recommended changes from the August and September meetings were confirmed by shareholders at the company's annual general meeting ('AGM') in November 2018. Subsequent to year-end, the committee met on 14 August 2019.

At the 14 August 2019 meeting, the rotation and election/re-election of directors at the forthcoming AGM in November 2019 were considered, as well as the membership of each of the board committees. The meeting also addressed the categorisation of directors.

The non-executive directors were categorised as required by the JSE Listings Requirements and in accordance with the recommendations of King IV™. Following a formal, robust assessment of the independence of two long-serving non-executive directors, Mrs IN Mkhari and Mr SH Nomvete, and taking into account their experience, valuable contributions and actual conduct, the committee recommended, and the board concurred, that both directors may continue to serve in an independent capacity on the KAP board and its committees.

Having considered the recommendation of King IV™ in respect of the role and position of the chairman of a company's board and the need to appoint a lead independent non-executive director ('LINED'), the committee concluded, and the board agreed, not to appoint a LINED while the position of a deputy chairman exists on the KAP board, since the material obligations and duties of a LINED are, in practice, fulfilled by the current serving non-executive deputy chairman, Mr KJ Grové. The committee also conducted an assessment of the independence status of the deputy chairman given that the expiry of his 'cooling off' term is imminent. It was recommended that he serve in an independent non-executive capacity upon the lapsing of his 'cooling off' period.

The committee recommended the directors for re-appointment to the audit and risk committee, being Messrs PK Quarmby, SH Müller and SH Nomvete.

The committee similarly recommended the directors for reappointment to the social and ethics committee, being Mrs IN Mkhari and Messrs SH Müller and GN Chaplin.

The committee also recommended the directors who stand for re-election to the board, having retired by rotation, being Mrs IN Mkhari and Messrs SH Nomvete and GN Chaplin.

During the review period, and following the sale of its remaining interest in KAP, the two representative directors from Steinhoff International Holdings N.V., namely Messrs TLR de Klerk and LJ du Preez, resigned from the board. As a consequence, and in line with the race and gender diversity policies adopted by the board, the committee prioritised the appointment of four new directors, of whom two should be women and at least one of whom should be black, as well as a male of any race. The committee is in the process of sourcing potential candidates for appointment to the board.

The most recent self-assessment exercises conducted by the board committees confirm that the group's committees continue to operate effectively and that the duties of these committees have been carried out efficiently in accordance with the relevant terms of reference of each committee.

The composition of the committee meets the recommendations of King IV™ and the Companies Act and there is an appropriate mix of knowledge, skills, experience, diversity and independence. More details of the composition of the committees are recorded in the corporate governance report, which is available on the company's website.

The committee is satisfied that it has fulfilled its responsibilities during the review period.

SOCIAL AND ETHICS COMMITTEE REPORT

The operations of KAP's social and ethics committee ('S&EC') are guided by formal terms of reference, which provisions are in line with the requirements of the Companies Act and the Companies Regulations, as well as the JSE Listings Requirements and the recommendations of King IV™.

The S&EC's terms of reference were approved by the KAP board of directors ('the board'). The terms of reference were reviewed in the 2019 financial year and updated with the latest recommendations and requirements of King IV™.

The S&EC is both a statutory committee and a committee of the board in respect of other duties assigned to it by the board.

The S&EC enjoys the support and co-operation and draws on the competencies and experience of the members serving on the audit and risk committee, the human resources and remuneration committee, the executive committee and the BEE Exco in exercising certain overlapping duties in the areas of KAP's integrated reporting, remuneration, human resources, employment equity, broad-based black economic empowerment, and other aspects of the group's business.

Objective and scope

The role of the S&EC is to assist the board with the oversight of social and ethical matters relating to the KAP group. The overall objectives of the S&EC are as follows:

- to monitor KAP's activities with regard to the duties that are attributed to it by the Companies Act, the JSE Listings Requirements and King IV™, with a specific focus on those duties stated in regulation 43(5) of the Companies Regulations, relating to:
  - social and economic development
  - the prevention of fraud and corruption and the promotion of ethical behaviour
  - good corporate citizenship
  - the environment, health and safety
  - public relations and consumer relationships
  - employment and labour relations
  - compliance with applicable legislation
  - the impact of KAP's activities, products and services on communities
- to draw matters within its mandate to the board's attention as required
- to report to the company's shareholders on the matters within its mandate

Overview of duties fulfilled

The S&EC has discharged all its responsibilities as contained in its terms of reference, the Companies Act, the JSE Listings Requirements and King IV™. The information below is presented as an overview and should not be regarded as an exhaustive list of all duties carried out.

Among others, the S&EC received and considered reports relating to:

- KAP's standing in terms of the goals and purposes of the 10 Principles as set out in the United Nations Global Compact ('UNGC'), in the areas of human rights, labour, the environment and anti-corruption
- the instruments of the Organisation for Economic Co-operation and Development ('OECD') aimed at combating the fight against corruption and averting the solicitation of bribes and extortion
- the instruments of the OECD aimed at promoting economic and social well-being of people
- the protocol and recommendations of the International Labour Organisation on decent work and working conditions, freedom of association, the right to collective bargaining, elimination of forced or compulsory labour and discrimination in the workplace
- KAP's employment relationships with its employees and the labour unions
- KAP's contribution toward the educational development of its employees and other employee benefits
- KAP's compliance with:
  - the Employment Equity ('EE') Act
  - the Broad-Based Black Economic Empowerment ('B-BBEE') Act and the new Codes of Best Practice
  - the Occupational Health and Safety Act ('OHASA')
  - other relevant and applicable legislation in the areas of labour, the environment, health and public safety, insider trading, etc.

The S&EC reviewed KAP's position in terms of the goals and purposes of each of the aforementioned aspects and management's actions in applying the above across the business operations of the KAP group, and the committee concluded that:

- KAP's practices are aligned with the principles and guidelines of the UNGC, those of the OECD as well as those recommended by the International Labour Organisation.
- The group's controls are sufficient in mitigating the risks of fraud, bribery and extortion, and that the application of a politically exposed people ('PEP') interest declaration across

the business has enhanced the monitoring of risks associated with money laundering, corruption, embezzlement, bribes and related criminal activities that are associated with PEP.

- The group has filed its statutory EE reports with the Department of Labour. Progress toward achieving the three-year EE targets set and agreed with the Department of Labour is monitored on an ongoing basis and is materially on track.
- KAP's transformation progress is monitored on a constant basis by, among others, the various divisional human resources ('HR') and remuneration committees, the KAP BEE Exco and the KAP Exco.
- Good progress has been made toward B-BBEE and black enterprise development in the Contractual Logistics division business environment. Black business partners own 45% of Unitrans Supply Chain Solutions ('USCS'). A trust, which is more than 51% black owned and more than 31% black-women owned, was furthermore founded to enhance black enterprise development across the KAP business environment. The group has made positive strides in the areas of stakeholder and labour relationships since the appointment of a black industrial relations executive to the KAP Exco in the prior financial year to guide the group's relationships with key government institutions, regulatory authorities, industry associations as well as communities and local authorities.
- Similar positive progress and improved relations were evident in respect of business development and, in particular, B-BBEE contracts with institutional customers and suppliers following the appointment of a black business development executive to the Exco.
- KAP's efforts to provide affordable medical access to all its employees was commendable. This aspect, together with retirement, disability and insurance benefits, is scrutinised at least annually, with a view of maximising benefits for employees.
- The group's health, safety and environmental compliance aspects under OHASA are well managed and reported quarterly to divisional audit and risk committees. No matters of material concern were identified for escalation to the S&EC or the board.
- The S&EC has emphasised the need to maintain a compliant B-BBEE score. Following the most recent assessment, the KAP contributor status increased to level 6. KAP's most recent B-BBEE certificate is available on the KAP website.

The S&EC has reinforced numerous controls and safeguards around conflicts of interests, ethics, codes of conduct, as well as the awareness of corruption and fraud. Ethical conduct is, among others, enforced through KAP's code of ethics for employees, which was reviewed by the S&EC during the year. The company also formulated a supplier code of conduct during the review period in terms of which suppliers of goods and services to KAP are expected to operate with values comparable to those of KAP and in a manner that is consistent with good corporate governance. Conversely, KAP also complies with the ethical standards set by its customers. The aforementioned codes address a comprehensive range of aspects, including competition law, confidentiality of information, health, safety and the environment, human rights, labour practices and ethical behaviours across a wide spectrum. Fraud prevention is reinforced by an independent hotline ('KAPREF') through which unethical actions are reported anonymously for investigation by independent investigators. Anti-fraud and corruption were combated via awareness campaigns and training at HR induction sessions. Overall, indications are that KAP's code of ethics has been embedded deeply into the daily operations and lives of the group's employees.

As directed by the S&EC, KAP follows a consistent approach in actively pursuing and prosecuting perpetrators of fraudulent or other illegal activities across its business operations.

KAP has published on its website various important documents for wider stakeholder absorption, such as the group's HIV/Aids approach; its code of ethics; the promotion of access to information guide; its gender diversity policy and its race diversity policy; its environmental policy; the KAP board charter; its value-added statement; as well as an overview of its contributions to socio-economic development and training and development.

From a good corporate citizenship perspective, the S&EC monitored:

- the promotion of equality across the operations of KAP;
- the prevention of unfair discrimination;
- KAP's contribution to the development of the communities in which its activities are predominantly conducted and its products and services are marketed; and
- the sponsorship and donations of the company to various communities.

The S&EC endorsed KAP's corporate social investment ('CSI') and socio-economic development ('SED') approach, in terms of which CSI and SED are managed within the dimensions of enterprise development projects, direct donations and humanitarian activities by each division in the communities in which KAP conducts its business. The group's CSI policy is primarily focused on child well-being, health and education. KAP has made several donations and has given ample financial assistance to alleviate poverty, combat crime, and enhance community development, education, health and agriculture.

In addition to the codes mentioned above, the following policies have been adopted and/or reviewed by the S&EC for application across KAP's operations:

- a communications policy, which, in particular, also makes provision for 'crisis communication'
- a policy for communications with financial analysts
- a supplier code of conduct
- a CSI policy, including the group's donations policy
- a social media policy
- an environmental policy and strategy
- a hotline policy for prevention of fraud, crime and unethical behaviour
- a board race diversity policy
- a board gender diversity policy
- a number of sustainability-related plans and guidelines focused on enhancing triple bottom-line and corporate governance aspects in support of KAP's business strategy

The S&EC reviewed the social and ethical-related information that was publicly disclosed in its 2018 integrated report and concluded that the integrity of that non-financial information was reliable and beyond reproach.

FTSE Russell ESG Rating and FTSE4Good Index Series Status

Under the oversight of the S&EC, the company secured inclusion on the FTSE4Good Responsible Investment Index, in the Industrial Goods and Services sector, for the second consecutive year. A framework for developing a comprehensive ESG strategy has the support of the S&EC and has been presented to the KAP board for consideration. The S&EC believes that ESG and Return on Investment are connected and that the incorporation of ESG elements into KAP's strategy would give the group a competitive advantage. In respect of its ESG consciousness disclosures, KAP made significant year-on-year strides in improving its overall rating to 3 out of a maximum of 5 (FY2018: 2.5/5) and with the percentile score improving to 50 out of a 100 (FY2018: 36/100). This places KAP above the average for diversified industrial companies that are assessed by FTSE4Good. KAP has also participated and provided input to other ESG rating agencies, including Robeco SAM, Sustainanalytics and MSCI. (More detailed information on KAP's ESG initiatives is set out on pages 64 to 77 of the sustainability report.)

Performance effectiveness assessment

In line with the recommendations of King IV™, the effectiveness and performance of the S&EC were evaluated and assessed against the relevant King IV™ Principles through a collective exercise that measured the effectiveness of both the members and the committee as a whole. To obtain a balanced view, both members of the S&EC and relevant management participated in the assessment. Overall, the outcomes were very positive, and the operations of the S&EC were rated as of a 'Best Practice' standard. The S&EC was viewed as functional and effective and the members were satisfied that the committee had fulfilled its obligations effectively.

Membership

The S&EC is comprised of three members. The composition of the S&EC, which has been reviewed and approved by the KAP nomination committee, satisfies the requirements of the Companies Act and its regulations and, in addition, meets the higher composition recommendations of King IV™ in that the majority of its members are independent non-executive directors.

During the review period, the S&EC members were:

- Mrs IN Mkhari (independent non-executive director and member of the human resources and remuneration committee and the nomination committee)
- Mr SH Müller (independent non-executive director, chairman of the human resources and remuneration committee and member of the audit and risk committee and of the investment committee)
- Mr GN Chaplin (chief executive officer and member of the investment committee)

The S&EC is satisfied that the committee as a whole is appropriately diverse and has the required knowledge, experience and skills to discharge its responsibilities effectively.

Meetings and attendance

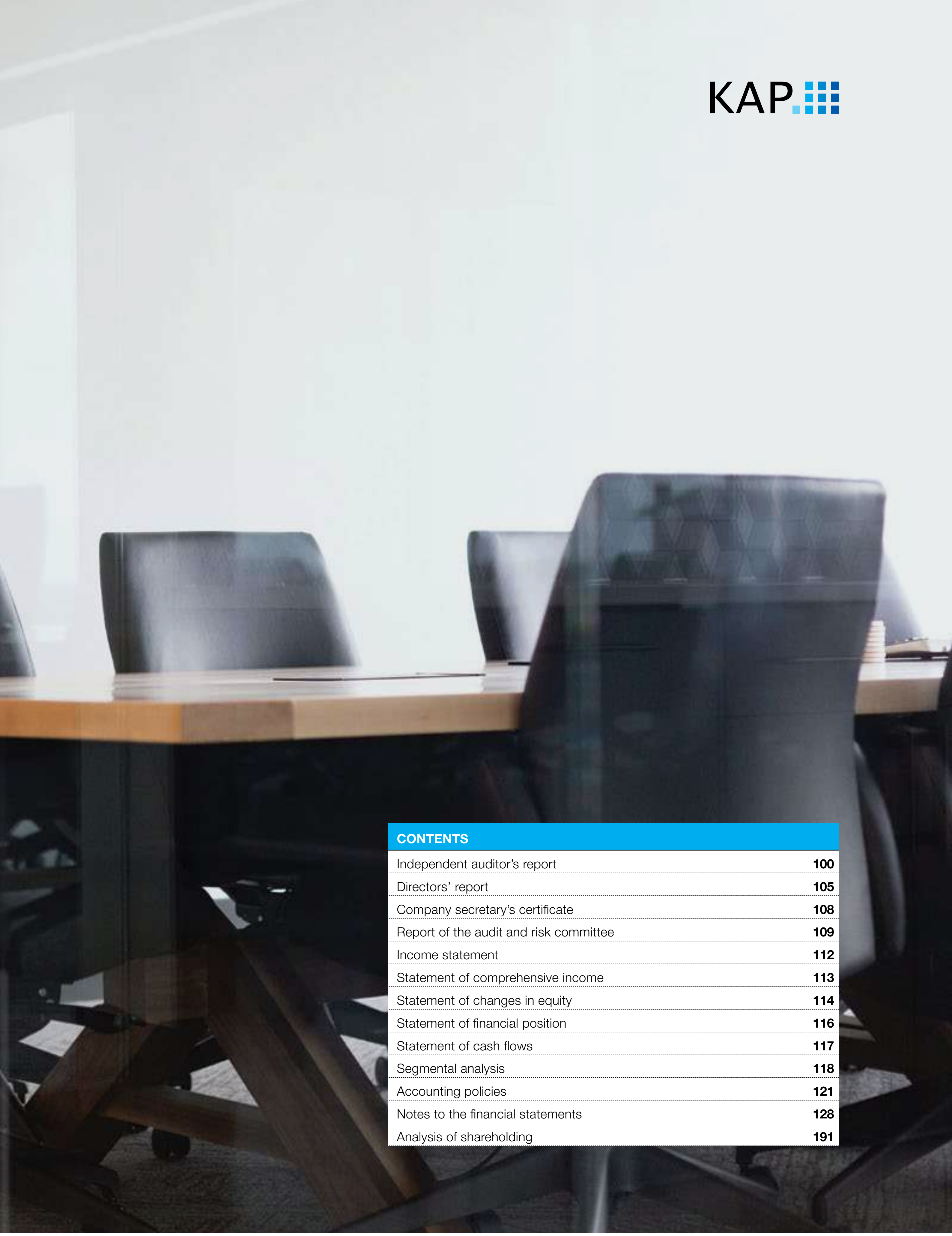
The S&EC convenes once every year (unless circumstances dictate otherwise) and met on 13 August 2018, at which meeting all members were in attendance.

Attendance at meetings by other directors, officers or advisors is by way of invitation.

The company secretary is the secretary of the S&EC and formal minutes are recorded.

IN Mkhari
Chairperson: KAP social and ethics committee
13 August 2019

Audited consolidated financial statements



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To the shareholders of KAP Industrial Holdings Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of KAP Industrial Holdings Limited (the Group) set out on pages 112 to 190, which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (Revised November 2018) (together with the *IRBA Codes*) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the *IRBA Codes* and in accordance with other ethical requirements applicable to performing audits in South Africa. The *IRBA Codes* are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Impairment of goodwill and indefinite useful life intangible assets	
Goodwill and indefinite useful life intangible assets comprise 18% (2018: 19%) of the total assets of the Group. These assets have been recognised in the consolidated statement of financial position as a consequence of current and prior year business acquisitions. The directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill and indefinite useful life intangible assets. This is performed by calculating the value in use for these assets. There are a number of key sensitive judgements and assumptions made in determining the inputs into the calculations which include: • Growth in revenue and operating margins; • The discount rates applied to the projected future cash flows; and • Royalty rates. The directors assess the intangible assets with indefinite useful life for impairment on an annual basis using cash flow projections based on financial projections. These projections are based on past performance and expected market development. Accordingly, the impairment test of these goodwill and intangible assets with indefinite useful life are considered to be a key audit matter. The disclosures around goodwill and intangible assets are set out in note 11 and 12 of the consolidated financial statements respectively.	We focused our testing of the impairment of goodwill and indefinite useful life intangible assets on the key judgements and assumptions made by the directors by reviewing the value-in-use calculations prepared with a focus on the key assumptions including the growth rates and discount rates. Our audit procedures included: • Testing the controls designed and implemented by the Group to provide assurance that the assumptions used in preparing the impairment calculations are regularly updated, that changes are monitored, scrutinised and approved by appropriate personnel and that the final assumptions used in impairment testing have been appropriately approved. These include controls implemented by Those Charged with Governance to understand the robustness of key assumptions. • Critically evaluating whether the models used by the directors to calculate the value in use of the individual cash generating units comply with industry acceptable models and International Accounting Standard 36 *Impairment of Assets* ('IAS 36'); • Validating the assumptions used against available external benchmarks to calculate the discount rates and recalculating the discount rates; • Evaluating the directors royalty rates against industry norms;

Key audit matter	How the matter was addressed in the audit
Impairment of goodwill and indefinite useful life intangible assets (continued)	
	• Analysing the future projected cash flows used in the models to determine whether they are reasonable and supportable, given the current macroeconomic climate and expected future performance of the cash generating units; • Comparing the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance where applicable and the directors' budgets to test the reasonableness thereof; • Recalculating the value in use of the cash generating units; • Subjecting the key assumptions and inputs to sensitivity analyses; and • Engaging the services of our Corporate Finance specialists to independently assess the models and reasonability of the discount rate used in the directors' impairment calculations. We noted that: • The key assumptions and inputs used by the directors were comparable with historical performance and the expected future outlook and that the discount rates used were appropriate in the circumstances. • We consider the disclosure of the goodwill and indefinite useful life intangible assets to be relevant and useful.
Accounting for the Broad-Based Black Economic Empowerment ('B-BBEE') transaction within Unitrans Supply Chain Solutions Proprietary Limited ('USCS') ('USCS B-BBEE transaction')	
As disclosed in note 22.4 of the consolidated financial statements, the Group recognised a share-based payment expense related to the USCS B-BBEE transaction of R196 million. The USCS B-BBEE transaction was effective on 3 September 2018 and is accounted for as a share-based payment transaction in accordance with *IFRS 2 – Share-based payment* ('IFRS 2'). Accounting for the USCS B-BBEE transaction was considered a key audit matter and of most significance to the current year audit for the following reasons: • The calculation of the share-based payment expense requires management judgement, given complex valuation models and related assumptions; • The value of the share-based payment expense is determined with reference to the extent the fair value of USCS and its subsidiaries ('USCS Group') and any dividends declared by USCS is expected to exceed any outstanding financing at the end of the transaction period; • The USCS B-BBEE transaction was structured using a number of special purpose entities and the consolidation requirements related to these entities are complex; and • The USCS B-BBEE transaction may not be adequately disclosed in the consolidated financial statements.	We inspected the relevant board of directors and shareholder resolutions of the KAP Industrial Holdings Limited that evidenced the board of directors and shareholders' decision to approve the USCS B-BBEE transaction. With the assistance of our corporate finance experts, we performed the following procedures in relation to the fair value of the USCS Group: • Testing the internal controls over management's preparation, review and approval of the USCS Group fair value calculation; • Assessed the USCS Group valuation model used to determine the fair value of the USCS Group and found that it was materially consistent with best practice; • Benchmarked management's main assumptions used in the USCS Group fair value calculation against third-party data and found management's assumptions to be consistent with such third-party data; and • Assessed the mathematical accuracy of the USCS Group valuation model and agreed relevant data to the latest budgets used by management to manage and monitor the performance of the USCS Group. Management engaged an external expert to calculate the USCS B-BBEE transaction share-based payment expense. We placed reliance on the external expert engaged by management and assessed their objectivity, competence, experience and adequacy of the work they performed.

Independent auditor's report

To the shareholders of KAP Industrial Holdings Limited (continued)

Key audit matter	How the matter was addressed in the audit
Accounting for the Broad-Based Black Economic Empowerment ('B-BBEE') transaction within Unitrans Supply Chain Solutions Proprietary Limited ('USCS') ('USCS B-BBEE transaction') (continued)	
	With the assistance of our financial modelling valuation experts, we performed the following procedures in relation to the share-based payment valuation: • Tested management's internal controls over the review of the USCS B-BBEE transaction share-based payment calculation; • Independently calculated the USCS B-BBEE transaction share-based payment expense; • Considered the appropriateness of the valuation methodology and valuation models used by management; and • Assessed the reasonability of assumptions used by management in determining the USCS B-BBEE transaction share-based payment expense against third-party data and industry benchmarks, noting no significant differences. With the assistance of our IFRS technical specialists: • Determined that the USCS B-BBEE transaction should be accounted for as a share-based payment transaction in accordance with IFRS 2 and that the special purpose entities should be consolidated in accordance with *IFRS 10 – Consolidated Financial Statements*. • Assessed the adequacy of the Group's disclosures relating to the USCS B-BBEE transaction in note 22.4 of the consolidated financial statements and considered it appropriate.
Valuation of timber plantation biological assets and wet-deck timber stockpile	
As disclosed in note 15 of the consolidated financial statements, the valuation of timber plantation biological assets amounted to R1 870 million (2018: R1 881 million) for the year. The net fair value adjustment for the year ended 30 June 2019 amounted to a decrease in profit of R11 million (2018: decrease of R69 million). The value of timber plantation biological assets is measured at fair value less estimated costs to sell. The fair value is determined using discounted cash flows based on sustainable forest management plans taking into account the growth potential of one cycle. One cycle varies depending on the geographic location and species. These discounted cash flows require estimates of growth, harvesting, sales price and costs. A fire that occurred in November 2018 in the southern Cape region, affected in excess of 845 hectares, the third fire that occurred in the region in the past two years. Significant estimates and assumptions were made by the directors in determining the impact of the damage to the timber plantation in order to determine the value of the biological asset at 30 June 2019 as well as an estimate of the cover provided by insurance over the biological asset.	The valuation of timber plantation biological assets involves a significant degree of estimation. Our assessment of the valuation of timber plantation biological assets included the following: • Testing the effective design and implementation of key controls including management monitoring controls in respect of the determination of inputs into the timber plantation biological assets fair value model; • Assessing the method of valuation used by the directors for consistency with prior years, alignment to industry practice and compliance with the requirements of *IAS 41 – Biological Assets* and the Group's accounting policy; • Assessing the key assumptions contained within the fair value calculations such as sales prices, harvesting, growth and discount rates; • The use of our specialists to assist in assessing the key assumptions; and • Performing analytics and sensitivity analysis on the valuation results in order to highlight outliers which warranted performing further audit procedures.

Key audit matter	How the matter was addressed in the audit
Valuation of timber plantation biological assets and wet-deck timber stockpile (continued)	
During the current financial year, a significant portion of the affected plantations has been felled. Timber with an estimated value of R108 million (2018: R92 million) is currently stored in a wet-deck stockpile ('wet-deck') and is recognised as inventory as at 30 June 2019. Furthermore, an estimated R20 million (2018: R35 million) worth of timber is yet to be harvested as at 30 June 2019. Due to the level of judgement involved in the valuation of timber plantation biological assets and wet-deck inventory, as well as the significance of timber plantation biological assets to the Group's financial position, this is considered to be a key audit matter.	Our audit procedures performed on the valuation of the wet-deck included the following: • We met with management and local foresters to understand the process followed to determine the grade of damaged product; • Developed an understanding for the basis of determining the salvage values of different grade of product with different level of fire damage; • Assessed the process followed to determine the quantum of damage to timber plantation biological assets and the methods used to determine possible salvage volumes per product; and • Performed an assessment of the reasonableness of sales prices used in the calculations. We noted that: • The judgements made by the directors and the key assumptions appear to be reasonable; and • We concur with the appropriateness of the presentation in note 15 and 19 of the consolidated financial statements of matters relating to the timber plantation biological assets, and wet-deck inventory.

Other information

The directors are responsible for the other information. The other information comprises the directors' Report, the Report of the Audit and Risk Committee and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate

Independent auditor's report

To the shareholders of KAP Industrial Holdings Limited (continued)

in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in *Government Gazette* Number 39475 dated 4 December 2015, we report that Deloitte has been the auditor of KAP Industrial Holdings Limited for 16 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per: DA Steyn
Partner

20 August 2019

1st Floor The Square
Cape Quarter
27 Somerset Road
Green Point
8005
Western Cape

Directors' report

for the year ended 30 June 2019

The directors are pleased to present the audited consolidated financial statements for KAP Industrial Holdings Limited ('KAP' or 'the company') and its subsidiaries ('the group') for the year ended 30 June 2019.

Financial results

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

Distribution

The board of directors ('the board') has approved a dividend of 23 cents per share (2018: 23 cents per share) payable from income reserves on 23 September 2019 to shareholders registered on 20 September 2019. The dividend withholding tax of 20% (2018: 20%), if applicable, will result in a net cash dividend of 18.4 cents per share (2018: 18.4 cents per share).

Stated share capital

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

At the annual general meeting ('AGM') held on 13 November 2018, shareholders placed 1 000 000 000 cumulative, non-redeemable, non-participating preference shares of no par value and 50 000 000 perpetual preference shares of no par value (collectively, 'the preference shares'), under the control of the directors. No preference shares have been issued as at the date of this report.

During the year under review, the issued share capital of the company increased to 2 704 137 238 (2018: 2 677 874 340) ordinary shares by the allotment and issue of the following new ordinary shares:

- On 4 September 2018, 10 075 886 ordinary shares were allotted and issued in respect of the acquisition of an additional 46.9% interest in Xinergistix Proprietary Limited ('Xinergistix') (see 'Corporate activity' below).
- On 2 November 2018, 10 484 529 ordinary shares were allotted and issued in settlement of the company's obligation to participants under the KAP Performance Share Rights Scheme.
- On 18 December 2018, 5 702 483 ordinary shares were allotted and issued in respect of the settlement of the outstanding purchase consideration relating to the acquisition of Lucerne Transport Proprietary Limited, which was acquired effective 1 September 2016.

Subsidiary companies

The material subsidiaries of the group are reflected in note 34 to the financial statements.

Nature of business

KAP is a diversified industrial group, operating in southern and East Africa, with leading industry positions in the wood-based panel, automotive components, bedding, polymers, logistics and passenger transport sectors. The group operates in the segments mentioned below:

- Diversified industrial segment: comprises the Integrated Timber division, Automotive Components division and Integrated Bedding division;
- Diversified chemical segment: comprises the Polymers division; and
- Diversified logistics segment: comprises the Contractual Logistics (South Africa) division, Contractual Logistics (Africa) division and Passenger Transport division.

There have been no material changes to the nature of the group's business from the prior year.

Further detail regarding segmental analysis is set out on pages 118 to 120 of these financial statements.

Corporate activity

The group continued with strategic corporate activities to enhance the group's quality of earnings and its sustainability into the future. In line with its key investment criteria, the group entered into the following transactions:

In the diversified industrial segment

- The disposal of Glodina, a division of Vitafoam Proprietary Limited (previously KAP Homeware Proprietary Limited), was concluded on 22 February 2018 for R101 million and became effective on 3 September 2018.
- Effective 30 June 2019, PG Bison, a division of KAP Diversified Industrial Proprietary Limited disposed of its 44.33% interest in Manica Boards & Doors (Private) Limited to Takura Ventures (Private) Limited for a total purchase consideration of US$500 000.
- On 22 May 2019, the board resolved to proceed with the intended disposal of the Autovest business, which is anticipated to be finalised in the following year. Autovest manufactures and retails various aftermarket vehicle accessories.

In the diversified logistics segment

- Effective 3 September 2018, the company concluded a series of transactions and funding arrangements in order to facilitate greater than 51% 'black ownership' and greater than 30% 'black-women ownership' of its South African contractual logistics operations, Unitrans Supply Chain Solutions Proprietary Limited ('USCS'). This series of transactions resulted in the following:
  - Effective sale of 23.02% of USCS to a wholly owned subsidiary of the FWG Pieters Trust ('the Pieters Trust') to the value of R620 million; and
  - Effective sale of 21.98% of USCS to a wholly owned subsidiary of the Sakhumzi Foundation Empowerment Trust ('Sakhumzi') to the value of R591 million.
  - The subscription of new USCS shares was funded by the group, through the issue of an equivalent value of preference shares by the two wholly owned subsidiaries of the Pieters Trust and Sakhumzi, to a KAP-owned subsidiary.
  - USCS acquired an additional 46.9% interest in Xinergistix, for a consideration of R145 million, from an entity associated with the Pieters Trust, being the CGL Custodian Trust No 124 (collectively, the 'Xinergistix Transaction'). The remaining 3% which was held by a non-controlling shareholder was repurchased by Xinergistix for a consideration of R10 million as part of the Xinergistix Transaction, resulting in USCS owning 100% of the equity of Xinergistix.

Directors' report

for the year ended 30 June 2019 (continued)

Directorate

A new board committee was formed to assist the board in assessing corporate actions and related risks, namely the investment committee, to which the following directors were appointed: Messrs PK Quarmby (chairman), GN Chaplin, FH Olivier, KJ Grové, TLR de Klerk and SH Müller.

With effect from 14 August 2018, Mr DM van der Merwe resigned from the nomination committee and the human resources and remuneration committee and Mr SH Müller resigned from the nomination committee. Mrs IN Mkhari and Mr PK Quarmby were appointed as members of the nomination committee and Mr KJ Grové was appointed as a member of the human resources and remuneration committee.

Messrs DM van der Merwe and CJH van Niekerk did not make themselves available for re-election at the company's annual general meeting on 13 November 2018. They were consequently not re-appointed to the board and the board, based on the recommendation of the nomination committee, resolved to not fill the vacancies and reduced the number of board members for the time being.

Following the disposal of all its interests in the ordinary shares of KAP by Ainsley Holdings Proprietary Limited, a wholly owned indirect subsidiary of Steinhoff International Holdings N.V., Messrs TLR de Klerk and LJ du Preez, both Steinhoff executives, resigned from the board with effect from 3 April 2019. As a consequence, Mr de Klerk's membership on the investment committee also terminated on this date.

At the date of this report, the directors of the company are as follows:

Executive directors
Gary Noel Chaplin (*chief executive officer*)
Frans Hendrik Olivier (*chief financial officer*)

Non-executive director
Karel Johan Grové (deputy chairperson: board)

Independent non-executive directors
Jacob de Vos du Toit (*chairperson: board, chairperson: nomination committee*)
Ipeleng Nonkululeko Mkhari (*chairperson: social and ethics committee*)
Stephanus Hilgard Müller (*chairperson: human resources and remuneration committee*)
Sandile Hopeson Nomvete
Patrick Keith Quarmby (*chairperson: audit and risk committee, chairperson: investment committee*)

Directors' shareholding

As at 30 June 2019, the present directors of the company held no direct or indirect interests in the company's issued ordinary shares other than:

	2019 Number of shares	2018 Number of shares
Gary Noel Chaplin	**2 511 110**	1 877 592
Frans Hendrik Olivier	**1 050 000**	1 050 000
Karel Johan Grové	**4 862 828**	4 407 487
Theodore le Roux de Klerk[1]	**–**	20 000
Louis Jacobus du Preez[1]	**–**	20 000
Jacob de Vos du Toit	**540 368**	540 368
Stephanus Hilgard Müller	**225 004**	225 004

[1] *On 3 April 2019, Messrs TLR de Klerk and LJ du Preez resigned as non-executive directors from the board.*

In aggregate, the directors of the company and its subsidiaries held 70 677 104 (2018: 65 215 836) of the company's ordinary shares at 30 June 2019, equating to 2.6% (2018: 2.4%) of the ordinary shares in issue.

Other than the above movements in shareholdings, there were no dealings in the company's ordinary shares by directors during the year under review. From 1 July 2019 to the date of approval of the company's consolidated financial statements, there were no dealings by directors in the company's ordinary shares.

Directors' contracts declarations

No contracts were entered into during the year in which any director and/or officer of the company had an interest and which significantly affected the affairs and business of the group, which was not disclosed.

Disclosure of beneficial interest of major shareholders

	2019 %	2018 %
Shareholders with a beneficial interest above 5%:		
Steinhoff International Holdings N.V.[2]	**–**	25.92
Allan Gray	**17.68**	13.19
Government Employees Pension Fund	**10.28**	8.21
Old Mutual	**9.19**	5.26

[2] *Effective 27 March 2019, Ainsley Holdings Proprietary Limited, an indirectly owned subsidiary of Steinhoff International Holdings N.V., disposed of all the ordinary shares held in the company.*

Borrowing facilities and limits

The group's borrowing facilities and usage thereof are set out in notes 24 and 28 to the financial statements. In terms of the memoranda of incorporation of the company and its subsidiaries, there is no limitation on the various companies' borrowing powers.

Subsequent events

No significant events occurred between 30 June 2019 and the date of this report.

Corporate governance

The directors subscribe to the principles incorporated in the King Code of Practices and Conduct as set out in the King IV Report on Corporate Governance™ for South Africa, 2016 ('King IV'™)* and the company has applied these principles. Details of the application of King IV™ are provided in the company's integrated report and in a separate corporate governance report that is published on the company's website.

Share incentive scheme

The company operates a performance-based share incentive scheme, namely the KAP Performance Share Rights Scheme ('the Scheme'), which was approved by shareholders on 14 November 2012. The maximum number of ordinary shares in the company that may be used for the continued implementation of the Scheme may not exceed 366 274 533 ordinary shares.

Rights in respect of 16 001 157 (2018: 11 402 604) ordinary shares in the company were granted to participating employees on 1 November 2018 (2018: 1 December 2017).

The share rights in respect of the allocation made on 1 December 2015, vested on 1 November 2018 and, to fulfil its obligations in accordance with the rules of the Scheme, the company listed 10 484 529 new ordinary shares on 2 November 2018 and allotted and issued these ordinary shares to the qualifying Scheme participants.

Report of the audit and risk committee

The report of the audit and risk committee, as required in terms of section 94(7)(f) of the Companies Act, No. 71 of 2008 ('the Companies Act'), is set out on pages 109 to 111 of these financial statements.

Auditor

It is recommended, subject to the approval thereof by the shareholders at the company's next AGM, that Deloitte & Touche continues in office as the group's external auditor.

Responsibility of directors

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

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

The financial statements set out in this report were prepared by management on the basis of appropriate accounting policies, which were consistently applied, except where stated otherwise. The financial statements were prepared in accordance with International Financial Reporting Standards ('IFRS') and its interpretations adopted by the International Accounting Standards Board ('IASB') in issue and effective for the group at 30 June 2019, *SAICA Financial Reporting Guides* as issued by the Accounting Practices Committee, financial pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act.

Going concern

The consolidated financial statements were prepared on the going concern basis since the directors have every reason to believe that the group has adequate resources in place to continue operating for the foreseeable future.

Approval of financial statements

The consolidated financial statements for the year ended 30 June 2019, set out on pages 105 to 191, were approved by the board of directors on 20 August 2019 and signed on its behalf by:

J de V du Toit
Independent non-executive chairman

20 August 2019

GN Chaplin
Chief executive officer

20 August 2019

FH Olivier
Chief financial officer

20 August 2019

Company secretary's certificate

for the year ended 30 June 2019

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

For: KAP Secretarial Services Proprietary Limited
Company secretary

20 August 2019

3rd Floor, Building 2
The Views
Founders Hill Office Park
18 Centenary Street
Modderfontein
Johannesburg
1645

Report of the audit and risk committee

for the year ended 30 June 2019

Background

The audit and risk committee's ('the committee's') operation is guided by a formal charter that is in line with the Companies Act, No 71 of 2008 ('the Companies Act') and the King IV Report on Corporate Governance™ for South Africa, 2016 ('King IV™') and has been approved by the board. The committee has discharged all its responsibilities as contained in the charter.

Membership

The committee consisted of the following three independent, non-executive directors throughout the period:

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

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

The company secretary is the secretary of the committee.

Meetings

The committee held two formal meetings during the year under review in line with the requirements of its charter, which meetings were attended by all members. The chief executive officer ('CEO'), chief financial officer ('CFO'), chief audit executive ('CAE'), other assurance providers and the external auditors attend meetings by invitation.

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

Subsidiary companies and divisions

The committee is supported by the divisional audit and risk subcommittees ('divisional subcommittees'), which are in place for all subsidiary companies or operating divisions, to assist the committee in fulfilling its functions, duties and obligations.

The divisional subcommittees' members include divisional executives responsible for assurance as well the external auditors by invitation. These divisional subcommittees meet quarterly and deal with all issues arising at the subsidiary or divisional level. The divisional subcommittees escalate any unresolved issues of concern to the committee.

Reporting

The committee is pleased to present its report for the financial year ended 30 June 2019 as recommended by King IV™ and in line with the Companies Act and the Listings Requirements of the JSE Limited.

Objective and scope

The overall objectives of the committee are as follows:

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

During the year under review, the committee:

- Received and reviewed reports from both internal and external auditors concerning the effectiveness of the internal control environment, systems and processes.
- Reviewed the reports of both internal and external auditors detailing their concerns arising out of their audits and requested appropriate responses from management to ensure that their concerns were being addressed.
- Made appropriate recommendations to the board regarding the corrective actions to be taken as a consequence of audit findings.
- Considered the independence and objectivity of the external auditors and ensured that the scope of any additional services provided was not such that it could be seen to have impaired their independence.
- Reviewed and recommended, for adoption by the board, such financial information that is publicly disclosed, which for the year included:
  - the consolidated annual financial statements for the year ended 30 June 2019; and
  - the consolidated interim results for the six months ended 31 December 2018.

Report of the audit and risk committee

for the year ended 30 June 2019 (continued)

- Considered the JSE's 2018 report back on proactive monitoring of financial statements, as well as the reports of previous periods and has taken appropriate action to apply the findings.
- Considered the effectiveness of internal audit, approved the one-year internal audit plan and monitored the adherence of internal audit to its annual plan.
- Held meetings with the internal and external auditors where management was not present, and no matters of concern were raised.
- Reviewed reports from the information and communication technology ('ICT') steering committee and group ICT executive concerning the effectiveness, suitability and reliability of the information and technology systems and processes and made appropriate recommendations to the board regarding the corrective actions to be taken.
- Considered reports provided by management regarding compliance with legal and regulatory requirements, environmental compliance as well as open legal matters, to ensure all matters that could have a material impact on the group have been reported to the board.
- Considered complaints received via the group's whistle-blowing service.

The committee is of the opinion that the objectives were met during the year under review. Where weaknesses in specific controls were identified, management undertook to implement appropriate corrective actions to address these, as well as ensuring previous weaknesses identified were successfully corrected.

Internal audit

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

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

The committee is satisfied with the effectiveness and performance of the internal auditors, as well as the CAE, and that the internal auditors followed their mandate.

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

External audit

The committee has satisfied itself through enquiry that the auditors of KAP Industrial Holdings Limited and its subsidiaries are independent as defined by the Companies Act. The committee, in consultation with executive management, has agreed to the audit fee for the 2019 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Audit fees are disclosed in note 6 to the financial statements.

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

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

The committee has requested, from the external auditor, the information detailed in paragraph 22.15(h) of the JSE Listings Requirement, as it is required to do annually for every re-appointment. The committee has reviewed the performance of the external auditors and has nominated, for approval by shareholders at the forthcoming AGM, Deloitte & Touche ('Deloitte'), an eligible registered auditor, as the external auditor for the 2020 financial year, with Dr Dirk Steyn, a registered auditor and member of Deloitte, as the individual who will undertake the audit. Upon appointment at the forthcoming AGM, this will be Dr Steyn's fourth year of performing the external audit of the company. Deloitte has been the auditor of the group for some years and the committee will give the matter of audit firm rotation in-depth consideration in due course, to comply with the 2023 deadline in this regard.

The committee has satisfied itself that the audit firm and designated auditor are accredited and do not appear on the JSE List of Disqualified Auditors. The committee further satisfied itself that Deloitte was independent of the company, which includes consideration of compliance with criteria relating to independence proposed by the Independent Regulatory Board for Auditors.

Key audit matters

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

- Impairment of goodwill and indefinite useful life intangible assets;
- Accounting for the Broad-Based Black Economic Empowerment transaction; and
- Valuation of timber plantation biological assets and wet-deck timber stockpile.

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

Accounting practices and internal control

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

Financial statements

The committee has evaluated the consolidated annual financial statements for the year ended 30 June 2019 and considers that they comply, in all material aspects, with the requirements of the Companies Act, IFRS and the JSE Listings Requirements. The committee has therefore recommended the financial statements for approval to the board. The board has subsequently approved the financial statements, which will be open for discussion at the forthcoming AGM.

Evaluation of chief financial officer

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

PK Quarmby
Audit and risk committee chairman

20 August 2019

Income statement

for the year ended 30 June 2019

	Notes	2019 Rm	2018[1] Rm
Continuing operations			
Revenue	3	**25 602**	22 813
Cost of revenue		**(20 906)**	(18 324)
Gross profit		**4 696**	4 489
Distribution expenses		**(700)**	(696)
Other operating expenses		**(1 575)**	(1 420)
Other income	4	**302**	528
Operating profit before B-BBEE cost and capital items		**2 723**	2 901
B-BBEE cost	22	**(196)**	–
Capital items	5	**(144)**	(65)
Operating profit	6	**2 383**	2 836
Finance costs	7	**(770)**	(738)
Income from investments	7	**63**	41
Share of profit of associate and joint venture companies	16	**30**	23
Profit before taxation		**1 706**	2 162
Taxation	8	**(533)**	(520)
Profit for the year from continuing operations		**1 173**	1 642
Discontinued operations			
Loss for the year from discontinued operations	9	**(83)**	(51)
Profit for the year		**1 090**	1 591
Profit attributable to:			
Owners of the parent		**1 033**	1 540
Profit for the year from continuing operations		**1 116**	1 591
Loss for the year from discontinued operations		**(83)**	(51)
Non-controlling interests	23	**57**	51
Profit for the year from continuing operations		**57**	51
Loss for the year from discontinued operations		**–**	–
Profit for the year		**1 090**	1 591

	Notes	cents	cents
Earnings per share attributable to equity holders of the company[2]			
Basic earnings	10	**41.4**	59.6
Basic earnings – diluted	10	**41.3**	59.1

[1] *Prior year disclosure has been restated to reflect the Autovest discontinued operation.*
[2] *From continuing operations.*

Statement of comprehensive income

for the year ended 30 June 2019

	2019 Rm	2018 Rm
Profit for the year	**1 090**	1 591
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(9)**	27
Deferred taxation	**–**	12
Total other comprehensive (loss)/income for the year, net of taxation	**(9)**	39
Total comprehensive income for the year, net of taxation	**1 081**	1 630
Total comprehensive income attributable to:		
Owners of the parent	**1 024**	1 579
Non-controlling interests	**57**	51
Total comprehensive income for the year	**1 081**	1 630

Statement of changes in equity

for the year ended 30 June 2019

	Notes	Stated share capital Rm
Balance at 1 July 2017		8 774
Net shares issued		17
Total comprehensive income for the year		–
Profit for the year		–
Other comprehensive income for the year		–
Ordinary dividends paid		–
Share-based payments expense	22	–
Share-based payments movement through reserve accounting: deferred taxation	18.1	–
Transfer between reserves		–
Net effect of shares sold to non-controlling shareholder		–
Net effect of shares bought from non-controlling shareholder		–
Balance at 30 June 2018		**8 791**
Recognition of expected credit losses under IFRS 9		**–**
Adjusted balance at 1 July 2018		**8 791**
Net shares issued		**117**
Total comprehensive income for the year		**–**
Profit for the year		**–**
Other comprehensive loss for the year		**–**
Ordinary dividends paid		**–**
Share-based payments expense	22	**–**
Share-based payments movement through reserve accounting: deferred taxation	18.1	**–**
Transfer between reserves		**–**
Net effect of shares bought from non-controlling shareholder	23.2	**–**
Balance at 30 June 2019		**8 908**

Distributable reserves Rm	Share-based payment reserve Rm	Reverse acquisition reserve Rm	Other reserves Rm	Total equity attributable to owners of the parent Rm	Non-controlling interests Rm	Total Rm
5 915	274	(3 952)	24	11 035	313	11 348
–	–	–	–	17	–	17
1 540	–	–	39	1 579	51	1 630
1 540	–	–	–	1 540	51	1 591
–	–	–	39	39	–	39
(559)	–	–	–	(559)	(71)	(630)
–	65	–	–	65	–	65
–	(4)	–	–	(4)	–	(4)
9	(43)	–	34	–	–	–
–	–	–	27	27	31	58
–	–	–	(5)	(5)	(2)	(7)
6 905	**292**	**(3 952)**	**119**	**12 155**	**322**	**12 477**
(23)	**–**	**–**	**–**	**(23)**	**–**	**(23)**
6 882	**292**	**(3 952)**	**119**	**12 132**	**322**	**12 454**
–	**–**	**–**	**–**	**117**	**–**	**117**
1 033	**–**	**–**	**(9)**	**1 024**	**57**	**1 081**
1 033	**–**	**–**	**–**	**1 033**	**57**	**1 090**
–	**–**	**–**	**(9)**	**(9)**	**–**	**(9)**
(618)	**–**	**–**	**–**	**(618)**	**(38)**	**(656)**
–	**205**	**–**	**–**	**205**	**–**	**205**
–	**(4)**	**–**	**–**	**(4)**	**–**	**(4)**
31	**(9)**	**–**	**(22)**	**–**	**–**	**–**
(31)	**–**	**–**	**–**	**(31)**	**(124)**	**(155)**
7 297	**484**	**(3 952)**	**88**	**12 825**	**217**	**13 042**

Statement of financial position

as at 30 June 2019

	Notes	2019 Rm	2018 Rm
Assets			
Non-current assets			
Goodwill	11	**1 246**	1 283
Intangible assets	12	**3 996**	4 109
Property, plant and equipment	13	**12 524**	12 497
Investment property	14	**12**	16
Consumable biological assets	15	**1 900**	1 919
Investments in associate and joint venture companies	16	**75**	75
Investments and loans	17	**2**	13
Deferred taxation assets	18	**46**	68
Inventories	19	**62**	–
		19 863	19 980
Current assets			
Inventories	19	**2 376**	2 145
Trade and other receivables	20	**3 950**	4 053
Loans receivable	17	**13**	6
Taxation receivable		**49**	87
Cash and cash equivalents		**1 785**	2 151
		8 173	8 442
Assets held for sale	21	**68**	82
		8 241	8 524
Total assets		**28 104**	28 504
Equity and liabilities			
Capital and reserves			
Stated share capital	22	**8 908**	8 791
Reserves		**3 917**	3 364
Total equity attributable to equity holders of the parent		**12 825**	12 155
Non-controlling interests	23	**217**	322
Total equity		**13 042**	12 477
Non-current liabilities			
Loans and borrowings	24	**5 013**	6 960
Operating lease liability		**5**	10
Employee benefits	25	**45**	37
Provisions	26	**16**	28
Deferred taxation liabilities	18	**3 389**	3 141
		8 468	10 176
Current liabilities			
Loans and borrowings	24	**1 298**	1 007
Employee benefits	25	**287**	295
Provisions	26	**94**	60
Trade and other payables	27	**4 809**	4 438
Taxation payable		**60**	51
		6 548	5 851
Liabilities held for sale	21	**46**	–
		6 594	5 851
Total equity and liabilities		**28 104**	28 504

Statement of cash flows

for the year ended 30 June 2019

	Notes	2019 Rm	2018 Rm
Cash flows from operating activities			
Cash generated from operations	29	**4 033**	3 308
Dividends received		**18**	10
Income from investments		**63**	41
Finance costs		**(780)**	(805)
Dividends paid		**(656)**	(630)
Taxation paid		**(209)**	(237)
Net cash inflow from operating activities		**2 469**	1 687
Cash flows from investing activities			
Additions to property, plant and equipment		**(1 415)**	(1 857)
Government grants received		**29**	29
Insurance proceeds		**9**	–
Proceeds on disposal of property, plant and equipment		**143**	119
Additions to intangible assets		**(14)**	(58)
Proceeds on disposal of investment property		**3**	61
Additions to consumable biological assets		**(1)**	(5)
Net cash outflow on acquisition of subsidiaries and businesses[1]		**–**	(29)
Net cash inflow on disposal of subsidiaries and businesses	31	**101**	–
Decrease in investments and loans		**9**	6
Increase in short-term loans receivable		**(19)**	(5)
Net decrease in investments in associate and joint venture companies		**13**	16
Net cash outflow from investing activities		**(1 142)**	(1 723)
Cash flows from financing activities			
Transactions with non-controlling interests	23	**(82)**	51
Decrease in bank overdrafts and short-term facilities	30	**–**	(74)
Increase in long-term loans and borrowings	30	**870**	342
Decrease in short-term loans and borrowings	30	**(2 480)**	(141)
Net cash (outflow)/inflow from financing activities		**(1 692)**	178
Net (decrease)/increase in cash and cash equivalents		**(365)**	142
Cash and cash equivalents at beginning of the year		**2 151**	2 009
Effects of exchange rate translations on cash and cash equivalents		**(1)**	–
Cash and cash equivalents at end of the year		**1 785**	2 151

[1] *In the prior year, the acquisition of 100% of the shares and claims of Support-a-Paedic Proprietary Limited and RME Components Proprietary Limited was concluded, for a total consideration of R48 million, and a net cash outflow of R29 million.*

Segmental analysis

for the year ended 30 June 2019

	2019 Rm	2018 Rm
Continuing operations		
Revenue		
Diversified industrial	**7 777**	6 879
Integrated Timber	**4 031**	3 612
Automotive Components	**2 202**	1 853
Integrated Bedding	**1 551**	1 414
Interdivisional revenue eliminations	**(7)**	–
Diversified chemical	**8 690**	7 117
Polymers	**8 690**	7 117
Diversified logistics	**9 433**	8 971
Contractual Logistics (South Africa)	**5 144**	4 969
Contractual Logistics (Africa)	**2 011**	1 820
Passenger Transport	**2 382**	2 228
Interdivisional revenue eliminations	**(104)**	(46)
	25 900	22 967
Intersegmental revenue eliminations	**(298)**	(154)
	25 602	22 813
Operating profit before depreciation, amortisation and capital items from continuing operations		
Diversified industrial	**1 574**	1 514
Integrated Timber	**962**	953
Automotive Components	**336**	303
Integrated Bedding	**276**	258
Diversified chemical	**910**	896
Polymers	**910**	896
Diversified logistics	**1 424**	1 534
Contractual Logistics (South Africa)	**560**	669
Contractual Logistics (Africa)	**465**	440
Passenger Transport	**399**	425
Corporate, consolidation and elimination	**1**	–
	3 909	3 944
B-BBEE cost	**(196)**	–
	3 713	3 944
Operating profit before capital items from continuing operations		
Diversified industrial	**1 311**	1 281
Integrated Timber	**806**	809
Automotive Components	**266**	248
Integrated Bedding	**239**	224
Diversified chemical	**751**	778
Polymers	**751**	778
Diversified logistics	**661**	842
Contractual Logistics (South Africa)	**161**	313
Contractual Logistics (Africa)	**283**	268
Passenger Transport	**217**	261
	2 723	2 901
B-BBEE cost	**(196)**	–
	2 527	2 901

	2019 Rm	2018 Rm
Segmental assets		
Diversified industrial	**9 698**	9 813
Integrated Timber	**6 490**	6 510
Automotive Components	**1 698**	1 863
Integrated Bedding	**1 511**	1 440
Interdivisional eliminations	**(1)**	–
Diversified chemical	**8 873**	8 896
Polymers	**8 873**	8 896
Diversified logistics	**7 549**	7 360
Contractual Logistics (South Africa)	**4 233**	4 482
Contractual Logistics (Africa)	**1 925**	1 519
Passenger Transport	**1 423**	1 439
Interdivisional eliminations	**(32)**	(80)
Corporate, consolidation and elimination	**(42)**	(39)
	26 078	26 030
Reconciliation between total assets per statement of financial position and segmental assets		
Total assets per statement of financial position	**28 104**	28 504
Less: Investments in associate and joint venture companies	**(75)**	(75)
Less: Interest-bearing long-term loans receivable	**(2)**	(6)
Less: Deferred taxation assets	**(46)**	(68)
Less: Interest-bearing short-term loans receivable	**(1)**	(5)
Less: Taxation receivable	**(49)**	(87)
Less: Cash and cash equivalents	**(1 785)**	(2 151)
Less: Assets classified as held for sale	**(68)**	(82)
Segmental assets	**26 078**	26 030

Basis of segmental presentation

The segmental information has been prepared in accordance with IFRS 8 – *Operating Segments* ('IFRS 8'), which defines requirements for the disclosure of financial information of an entity's operating segments. The standard requires segmentation based on the group's internal organisation and reporting of revenue and operating income based upon internal accounting methods.

Identification of segments

The group discloses its operating segments according to the entity components regularly reviewed by the chief operating decision-makers. The components comprise various operating segments located in southern and East Africa. Segmental information is prepared in conformity with the measure that is reported to the chief operating decision-makers. These values have been reconciled to the consolidated financial statements. The measures reported by the group are in accordance with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Segment revenue excludes value added taxation and includes the elimination of interdivisional revenue. Net revenue represents segment revenue from which intersegment revenue has been eliminated. Sales between segments are made on a commercial basis. Segment operating profit before capital items represents segment revenue less segment expenses, excluding capital items included in note 5. Segment expenses include distribution expenses and other operating expenses. Depreciation and amortisation have been allocated to the segments to which they relate.

The segment assets comprise all assets of the different segments that are employed by the segment and that either are directly attributable to the segment, or can be allocated to the segment on a reasonable basis.

Operational segments

Diversified industrial

This segment comprises an Integrated Timber division, Automotive Components division and Integrated Bedding division. The Integrated Timber division houses the group's forestry and timber manufacturing operations and incorporates timber plantations, sawmills and production facilities for panel products. The Automotive Components division manufactures automotive components used primarily in new vehicle assembly and manufactures aftermarket accessories. The Integrated Bedding division manufactures bed bases, foam and sprung mattresses, together with mattress fabric and a range of industrial foams.

Segmental analysis

for the year ended 30 June 2019 (continued)

Diversified chemical

This segment comprises the Polymers division, which manufactures polyethylene terephthalate ('PET'), high-density polyethylene ('HDPE') and polypropylene ('PP').

Diversified logistics

This segment comprises a Contractual Logistics (South Africa) division and Contractual Logistics (Africa) division and a Passenger Transport division. The Contractual Logistics divisions design, implement and manage supply chain, warehousing and logistics services. The divisions service the petroleum, chemical, food, agriculture, mining, cement and general freight and warehousing sectors in southern and East Africa. The Passenger Transport division provides personnel, tourist, intercity and commuter transport services.

Major customers

No single customer contributes 10% or more of the group's revenue.

Accounting policies

for the year ended 30 June 2019

KAP is a South African registered company. The consolidated financial statements of KAP, for the year ended 30 June 2019, comprise KAP and its subsidiaries (together referred to as 'the KAP group') and the group's interest in associate companies and joint venture companies.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International *Financial Reporting Standards* ('IFRS') and its interpretations adopted by the International Accounting Standards Board ('IASB') in issue and effective for the group at 30 June 2019, SAICA *Financial Reporting Guides* as issued by the Accounting Practices Committee, financial pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act, No. 71 of 2008, the Listings Requirements of the JSE Limited as required for annual financial statements, and have been audited in compliance with all the requirements of section 29(1) of the South African Companies Act, as required.

Basis of preparation

The consolidated financial statements are prepared in millions of South African rand ('Rm') on the historical-cost basis, except for certain assets and liabilities, which are carried at amortised cost, and derivative financial instruments and consumable biological assets, which are stated at their fair value at the end of each reporting period, as explained in the accounting policies below.

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

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

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

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

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

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

The material accounting policies applied by the group, as well as accounting policies where IFRS allows choice, are set out below and have been applied consistently to the periods presented in these consolidated financial statements, except where stated otherwise.

The accounting policies have been applied consistently by all group entities.

Basis of consolidation

Subsidiaries

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

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any difference between the cost of acquisition and the group's share of the net identifiable assets, liabilities and contingent liabilities, fairly valued, is recognised and treated in terms of the group's accounting policy for goodwill.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

Subsequently, any losses applicable to the non-controlling interests are allocated to the non-controlling interests even if this results in the non-controlling interests having deficit balances.

Associate companies

An associate company is an entity over which the group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the entity, but which it does not control or jointly control. The group applies equity accounting to its associates.

Accounting policies

for the year ended 30 June 2019 (continued)

Dilution gains and losses arising on the investment in associate companies are recognised in other comprehensive income.

The profit or loss on transactions with associate companies is not eliminated.

Joint arrangements
A joint arrangement is defined as an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. There are two types of joint arrangements, namely joint operation and joint venture.

Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognise and measure the assets and liabilities (and recognise the related revenues and expenses) in relation to its interest in the arrangement in accordance with the relevant IFRS applicable to the particular assets, liabilities, revenues and expenses.

A joint venture is a joint arrangement whereby the parties that have control of the arrangement have rights to the net assets of the arrangement. A joint venturer recognises an investment and accounts for that investment using the equity method.

Common control transactions and premiums and discounts arising on subsequent purchases from, or sales to non-controlling interests in subsidiaries
When a purchase price allocation has been performed for separate financial statements it is reversed for group consolidated accounts. Any increases or decreases in ownership interest in subsidiaries without a change in control are recognised as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received are recognised directly in equity and attributed to owners of the company.

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill arising on the acquisition of a subsidiary, associate company or joint venture company represents the excess of the aggregate consideration transferred, non-controlling interest in the acquiree and in business combinations achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate company or joint venture company recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. An impairment loss in respect of goodwill is not reversed.

Goodwill is allocated to cash-generating units ('CGUs') and is tested annually for impairment, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary, associate company or joint venture company, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Gains on bargain purchases arising on acquisition are recognised directly as capital items in profit or loss.

Intangible assets

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

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

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

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

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

Property, plant and equipment

Owned assets
Property, plant and equipment are stated at cost to the group, less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the costs of materials, direct labour, the initial estimate, where relevant, of the cost of dismantling and removing the items and restoring the site on which they are located, borrowing costs capitalised and an appropriate proportion of production overheads. Capitalisation of costs ceases when the assets are substantially ready for their intended use or sale and in their intended location.

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

Leased assets
Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease.

The capital element of future obligations under the leases is included as a liability in the statement of financial position. Lease payments are allocated using the effective interest method to determine the lease finance costs, which are charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

Subsequent costs

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

Depreciation

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

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

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

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

Investment property

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

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

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

Consumable biological assets

The group's timber plantations and livestock are classified as consumable biological assets. These assets are measured on initial recognition and at each reporting date at their fair value less estimated costs to sell. Costs to sell include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to the market. Gains and losses arising from changes in the fair value of the assets less estimated costs to sell are recorded in other operating income in profit or loss.

Borrowing costs

Borrowing cost is recognised as an expense in the period in which it is incurred, except to the extent that it is directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period to prepare for their intended use or sale. Borrowing costs directly attributable to these qualifying assets are capitalised as part of the costs of those assets.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs capitalised are the actual borrowing costs incurred on that borrowing during the period, less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purposes of obtaining a qualifying asset, the amount of borrowing costs capitalised is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate applied is the weighted average of the borrowing costs applicable to the borrowings of the group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

Capitalisation of borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Impairment of tangible and intangible assets other than goodwill

The carrying amounts of the group's assets, other than assets carried at fair value, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. For intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated annually and when there is an indication of impairment.

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

Calculation of recoverable amount

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

Reversal of impairment losses

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

Accounting policies

for the year ended 30 June 2019 (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are recognised by deducting the grant in calculating the carrying amount of the asset, in which case the grant is recognised in profit and loss over the life of the depreciable asset by way of a reduced depreciation expense.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future-related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Current taxation

Income taxation on the profit or loss for the year comprises current and deferred taxation. Income taxation is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised directly in other comprehensive income or equity.

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

Deferred taxation

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

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs is determined on either a first-in, first-out ('FIFO') method or weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling and distribution expenses.

The cost of harvested timber is its fair value less estimated costs to sell at the date of harvest, determined in accordance with the accounting policy for consumable biological assets. Any change in fair value at the date of harvest is recognised in profit or loss. The cost of other inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in process, cost includes an appropriate share of overheads based on normal operating capacity.

Where necessary, the carrying amounts of inventory are adjusted for obsolete, slow-moving and defective inventories.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. These assets may be a component of an entity, a disposal group or an individual non-current asset. Upon initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Remeasurements from carrying amount to the lower of fair value less costs are recognised in profit or loss upon initial classification as held for sale.

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operation or a subsidiary acquired exclusively with a view to resell. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale.

Share-based payment transactions

Equity-settled

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

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

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

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

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

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

Broad-Based Black Economic Empowerment ('B-BBEE') transactions
To the extent that the entity grants shares or share options in a B-BBEE transaction and the fair value of the cash and other assets received is less than the fair value of the shares or share options granted, such difference is charged to the income statement in the period in which the transaction becomes effective. Where the B-BBEE transaction includes service conditions, the difference will be charged to the income statement over the period of these service conditions.

Provisions and contingent liabilities

Provisions are recognised when the group has a present constructive or legal obligation as a result of a past event, and when it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

If the effect is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A contingent liability is a possible obligation depending on whether some uncertain future event occurs, or a present obligation, but payment is not probable or the amount cannot be measured reliably.

Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting the obligation under the contract.

Foreign currency

Foreign currency transactions
Transactions in currencies other than the functional currency of entities are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates ruling on the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at rates ruling at the dates the fair value was determined.

Financial statements of foreign operations
The assets and liabilities of all foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at rates of exchange ruling at the reporting date. The revenues and expenses of foreign operations are translated at rates approximating the foreign exchange rates ruling at the date of the transactions.

Foreign exchange differences arising on translation are recognised in other comprehensive income and aggregated in the 'foreign currency translation reserve' ('FCTR'). The FCTR applicable to a foreign operation is released to profit or loss as a capital item upon disposal of that foreign operation.

Financial instruments

Classification
The group classifies financial assets and financial liabilities into the following categories:

- amortised cost;
- fair value through other comprehensive income ('FVTOCI'); and
- fair value through profit and loss ('FVTPL').

Initial recognition and measurement
Financial assets and financial liabilities are recognised on the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument. All financial instruments are initially recognised at fair value, including transaction costs that are incremental to the group and directly attributable to the acquisition or issue of the financial asset or financial liability, except for those classified as fair value through profit or loss where the transaction costs are recognised immediately in profit or loss.

Accounting policies

for the year ended 30 June 2019 (continued)

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise to cash flows on specific dates that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVTOCI if it meets both the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is achieved both by holding assets to collect contractual cash flows and selling financial assets; and
- its contractual terms give rise to cash flows on specific dates that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVTOCI are measured at FVTPL.

Subsequent measurement

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities are classified at FVTPL when the financial liability is:

- held for trading; or
- it is designated at FVTPL.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets

The group recognises a loss allowance for expected credit losses ('ECL') on financial assets that are measured at amortised cost or at FVTOCI. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The group considers the use of reasonable and supportable information that is relevant and available without undue cost or effort when assessing whether the credit risk of a financial asset has increased. This includes both quantitative and qualitative information based on the group's historical experience as well as forward-looking information. Where the group concludes that the credit risk of a financial instrument has not increased significantly since initial recognition, the loss allowance is measured using a 12-month ECL. The group recognises lifetime ECL for trade receivables.

Write-off policy

The group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the group's recovery procedures, considering legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default ('PD'), loss given default ('LGD') (i.e. the magnitude of the loss if there is a default) and the exposure at default ('EAD'). The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the group expects to receive.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Derecognition

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

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

Revenue recognition

Revenue comprises income arising in the course of the group's ordinary activities. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control of a product or service to a customer as the transfer of control coincides with the fulfilment of performance obligations. Revenue is disclosed net of value added tax, returns, rebates, discounts and other allowances and after eliminating sales within the group.

The group bases its estimates of variable consideration such as rebates and settlement discounts on historical experience and it is calculated by applying percentages determined to actual sales for the period.

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. Therefore, the group does not adjust any of the transaction prices for time value of money (i.e. the group has elected to apply the practical expedient for significant financing components where available).

Sale of goods
Sales of goods relates to both local sales and export sales and comprise mainly of the sales of manufactured goods, goods purchased for resale and farming produce. Each item sold represents a separate performance obligation. Revenue from the sale of goods is recognised only when the performance obligations arising from the contract with a customer is satisfied at the point in time when control transfers. Goods sold generally include delivery and each of these sales is identified as being a single performance obligation which is satisfied when the group has delivered the goods to the customer and the customer has accepted delivery. To the extent that the group acts as an agent and the group makes use of a transport provider, transport is regarded as a separate performance obligation and the revenue from these transport services is therefore recognised at the net amount, if any.

Services provided
Services comprise mainly transport of goods or passengers, warehousing services, mining services and agricultural services. These services represent separate performance obligations (except for delivery services included in sale of goods as referred to under the sale of goods policy). Revenue from services is recognised over time as services are rendered. In the event that services comprise a fixed and variable portion, the variable portion is recognised when the performance obligations arising from the contract with a customer are satisfied.

Unsatisfied performance obligations
The group has elected not to disclose the transaction price allocated to unsatisfied performance obligations relating to contracts with customers with an original expected duration of one year or less.

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

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

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

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

Segmental reporting
A segment is a distinguishable component of the group that is engaged in providing products or services that are subject to risks and rewards that are different from those of other segments. The basis of segmental reporting is representative of the internal structure used for management reporting as well as the structure in which the chief operating decision-makers review the information.

The basis of segmental allocation is determined as follows:
- Revenue that can be directly attributed to a segment and the relevant portion of the profit that can be allocated on a reasonable basis to a segment.
- Segmental assets are those assets that are employed by a segment in its operating activities and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segmental assets exclude investments in equity-accounted companies, interest-bearing investments and loans, cash and cash equivalents, assets held for sale, deferred taxation assets and taxation assets.

Notes to the financial statements

for the year ended 30 June 2019

1. Judgements made by management and key sources of estimation uncertainty

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

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next financial year are discussed below.

1.1 Significant judgements and estimates

Consumable biological assets

The fair value of standing timber, which has become marketable, is based on the market price of the estimated recoverable timber volumes, net of harvesting costs. The fair value of younger standing timber is determined using a discounted cash flow.

Accounting for the Broad-Based Black Economic Empowerment transaction

The significant assumptions and estimates are detailed in note 22.

Impairment of assets

Goodwill, property, plant and equipment, investment property, investments and intangible assets that have an indefinite useful life, and intangible assets that are not yet ready for use are assessed annually for impairment. The significant assumptions and estimates are detailed in notes 11 to 14.

1.2 Other judgements and estimates

Useful lives and residual values

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

Intangible assets

Customer relationships	10 – 20 years
Contracts and licences	Over the term of the contract or project
Software	1 – 3 years

Supplier relationships and patents and trademarks, which are considered to be well-established growing brands and product lines for which there is no foreseeable limit to the period in which these assets are expected to generate cash flows are classified as indefinite useful life assets. The classification of such assets is reviewed annually.

Indefinite useful life intangible assets, excluding goodwill, recognised at fair value in business combinations, are expected to generate cash flows indefinitely and the carrying value would only be recovered through use. Accordingly, deferred taxation is raised at the normal taxation rate on the fair value of such assets exceeding its taxation base.

Property, plant and equipment

Straight-line basis:	
Buildings	5 – 80 years
Bus fleet	4 – 8 years
Computer equipment	2 – 5 years
Long-haul vehicles	5 – 15 years
Motor vehicles	3 – 10 years
Office equipment and furniture	3 – 16 years
Plant and machinery	3 – 60 years
Units-of-production basis:	
Long-haul vehicles	Kilometres
Plant and machinery	Hours

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

Valuation of equity compensation benefits

Management classifies its share-based payment scheme as an equity-settled scheme based on the assessment of its role and that of the employees in the transaction. In applying its judgement, management consulted with external expert advisors in the accounting and share-based payment advisory industry. The critical assumptions, as used in the valuation model, are detailed in note 22.

Post-employment benefit obligations

In applying its judgement to defined benefit plans, management consulted with external expert advisors in the accounting and post-employment benefit obligation industry. The critical estimates, as used in each benefit plan, are detailed in note 25.

Credit impairment against advances and IFRS 9 ECL

Significant judgement is required in assessing the impairment processed against advances in terms of the new requirements of IFRS 9 relating to expected credit loss. The significant judgements applied in determining the impairment include the expected realisable value of the collateral securing the advance, the probability that an advance will default (probability of default ('PD')), credit risk changes (significant increase in credit risk ('SICR')), the size of credit exposures (exposure at default ('EAD')), and the expected loss on default (loss given default ('LGD')).

Control

Management assesses whether it controls an entity based on the following factors: the investor has power over the relevant activities of the investee. Relevant activities are the activities of the investee that significantly affect the investee's returns; the investor is exposed to variable returns from its involvement with the investee; the investor is able to use its power to affect its returns from the investee; among others. Control is reassessed if the facts and circumstances impacting the assessment change.

Notes to the financial statements

for the year ended 30 June 2019 (continued)

2. New/revised accounting pronouncements

During the current year, the group has adopted all the new and revised standards issued by the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2018.

2.1 New IFRS® Standards applied with no material effect on the annual financial statements

IFRIC 22	Foreign currency transactions and advance consideration
Amendments to IAS 40	Transfers of Investment Property

2.2 New IFRS® Standards applied with a material effect on the annual financial statements

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 – *Revenue*, IAS 11 – *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The group selected the cumulative effect method, which requires the cumulative effect of initially applying IFRS 15 to be recognised as an adjustment to the opening balance of retained earnings of the 2019 annual reporting period, with no restatement of the comparative period.

No material impact on the amount and timing of revenue recognition was identified upon adoption of IFRS 15. As a result, there is no effect on retained earnings at 1 July 2018. The disclosure of revenue for the prior year was, however, aligned with the 2019 disclosure with regard to showing a more detailed revenue disaggregation.

IFRS 9 – Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces IAS 39 – *Financial Instruments: Recognition and Measurement*.

The transition provisions of IFRS 9 allow an entity not to restate comparatives. The group has elected not to restate comparative information for prior periods with regard to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 July 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The following table summarises the impact, net of tax, of the transition to IFRS 9 on opening balances of retained earnings:

	Net impact on retained earnings Rm
Increase in loss allowance	**30**
Related deferred taxation	**(7)**
Net impact on retained earnings	**23**

Additionally, the group has adopted consequential amendments to IFRS 7 – *Financial Instruments: Disclosure* that are applied to disclosures about 2019 but have not been generally applied to comparative information.

Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (‘ECL’) model. The new impairment model applies to financial assets measured at amortised cost.

The group has determined that the application of IFRS 9’s impairment requirements at 1 July 2018 result in an additional allowance for impairments as indicated in the table below:

	Loss allowance under IAS 39 Rm	IFRS 9 adjustments Rm	Loss allowance under IFRS 9 Rm
Loans receivable	**4**	**4**	**8**
Trade receivables	**40**	**18**	**58**
Other receivables	**–**	**8**	**8**
	44	**30**	**74**

2.2 New IFRS® Standards applied with a material effect on the annual financial statements (continued)

Financial instrument classification

The revised standard requires that all financial assets be classified either at FVTPL, FVTOCI or amortised cost based on the entity's business model for managing the financial assets and the contractual cash flows of the financial asset. Financial liabilities are classified at amortised cost or FVTPL.

The table below details the classification of the group's financial instruments under IFRS 9 as well as the previous classification under IAS 39. The classification of financial instruments under IFRS 9 did not have an impact on the measurement of the financial instruments for the current financial period. The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 July 2018 relates solely to the new impairment requirements.

Financial instrument	Classification under IAS 39	Classification under IFRS 9	Carrying amount under IAS 39 Rm	Carrying amount under IFRS 9 Rm
Financial assets				
Unlisted investments	Available for sale	FVTPL	1	1
Loans receivable	Loans and receivables	Amortised cost	18	14
Trade and other receivables	Loans and receivables	Amortised cost	3 695	3 669
Derivative instruments	Held for trading	FVTPL	58	58
Cash and cash equivalents	Loans and receivables	Amortised cost	2 151	2 151
			5 923	5 893
Financial liabilities				
Borrowings	Amortised cost	Amortised cost	(7 967)	(7 967)
Trade payables	Amortised cost	Amortised cost	(4 348)	(4 348)
Derivative instruments	Held for trading	FVTPL	(2)	(2)
Bank overdraft	Amortised cost	Amortised cost	–	–
			(12 317)	(12 317)

2.3 New and revised standards and interpretations in issue but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2019, and have not been applied in preparing these financial statements. These standards, amendments and interpretations are set out below. The group does not plan to early adopt these standards. These will be adopted in the period that they become mandatory unless otherwise indicated.

Effective date[1]	Standard	Summary of the standard and impact assessment
1 July 2019	IFRS 16	IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces existing leases guidance, including IAS 17 – *Leases*, IFRIC 4 – *Determining whether an Arrangement* contains a Lease, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 introduces a single, on-balance-sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.

Notes to the financial statements

for the year ended 30 June 2019 (continued)

2. New/revised accounting pronouncements (continued)

2.3 New and revised standards and interpretations in issue but not yet effective (continued)

Effective date[1]	Standard	Summary of the standard and impact assessment
		Leases in which the group is a lessee The group made significant progress in determining the impact of IFRS 16 on the financial statements. In this regard, the group has nearly finalised the process of enhancing its lease register and assessing the register for completeness. Preliminary results indicate that IFRS 16 is expected to have a significant impact on the financial statements of the group, both quantitatively and qualitatively, due to the quantum of leases entered into by the group's operations. Key leases that are expected to impact the financial statements on adoption of IFRS 16 include leases of land and buildings (warehouses, distribution centres, depots and office space) as well as leases of vehicles and plant (long-haul vehicles, fleet vehicles and equipment). The group will recognise new right-of-use assets and lease liabilities for the above leases. The nature of expenses related to these leases will change as the group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the group recognised operating lease expenses on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. The group plans to apply the available lessee recognition exemptions so as not to capitalise leases with a lease term of 12 months or less (short-term leases) and leases of low-value items. A lease expense will be recognised on a straight-line basis for these leases. The group also plans to elect the practical expedient which allows it not to separate non-lease components where lease payments consist of both lease and non-lease components. Based on the information currently available, the group estimates that it will recognise right-of-use assets and additional lease liabilities of between R400 million and R500 million at 1 July 2019. The group does not expect the adoption of IFRS 16 to impact its ability to comply with loan covenant requirements. **Leases in which the group is a lessor** No significant impact is expected for existing leases in which the group is a lessor. However, the group is in the process of assessing the impact of applying the new IFRS 16 lease definition to certain transport contracts from the perspective of a lessor. Depending on the outcome of these assessments, some additional leases may be identified that need to be accounted for under IFRS 16 going forward. **Transition** The group plans to apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect on initial application will be recognised in retained earnings at 1 July 2019, with no restatement of comparative information. In addition, the transition option to recognise the right-of-use asset as equal to the lease liability at 1 July 2019, adjusted by the amount of any prepaid or accrued lease payments recognised in the statement of financial position immediately before the date of initial application will be applied.

Effective date[1]	Standard	Summary of the standard and impact assessment
		The group also plans to elect following practical expedients for leases in which it is the lessee at 1 July 2019: • Leases with lease terms ending within 12 months will be accounted for in the same way as short-term leases; • Leases of low-value items will not be capitalised; • Reliance will be placed on the assessment for onerous lease contracts instead of performing impairment assessment and right-of-use assets will be adjusted with any onerous lease provisions recognised in the statement of financial position immediately before the date of initial application; • Initial direct costs will be excluded from the measurement of the right-of-use assets at the date of initial application; and • Hindsight will be applied in determining the lease term where contracts contain options to extend or terminate the lease.
1 July 2019	IFRIC 23	IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements. IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about: • Judgements made; • Assumptions and other estimates used; and • The potential impact of uncertainties that are not reflected. This clarification is not expected to have a significant quantitative or qualitative impact on the group. Any disclosure enhancements required will be included in the financial statements of the period where this clarification becomes effective.
1 July 2019	Amendments to IAS 12	The amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits, – i.e. in profit or loss, OCI or equity.
1 July 2019	Amendments to IAS 23	The amendment clarifies that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments. The amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The above amendments are not expected to have a material impact on the group.

Notes to the financial statements

for the year ended 30 June 2019 (continued)

2. New/revised accounting pronouncements (continued)

2.3 New and revised standards and interpretations in issue but not yet effective (continued)

Effective date[1]	Standard	Summary of the standard and impact assessment
1 July 2020	Amendments to Conceptual Framework	The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes: • A new chapter on measurement; • Guidance on reporting financial performance; • Improved definitions of an asset and a liability, and guidance supporting these definitions; and • Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The IASB also updated references to the Conceptual Framework in IFRS® Standards by issuing Amendments to References to the Conceptual Framework in IFRS® Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. The above amendments to the Conceptual Framework are not expected to have a material impact on the group.
1 July 2020	Amendments to IAS 1 and IAS 8	The IASB refined its definition of 'material' to make it easier to understand. It is now aligned across IFRS® Standards and the Conceptual Framework. The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments: 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The IASB has also removed the definition of material omissions or misstatements from IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments are effective from 1 January 2020 but may be applied earlier. However, the IASB does not expect significant change – the refinements are not intended to alter the concept of materiality. The above amendments to the conceptual framework are not expected to have a material impact on the group.

[1] Annual periods beginning on or after for the group.

	Goods Rm	Services Rm	Total Rm
3. Revenue			
Continuing operations			
2019			
Integrated Timber	**4 511**	**–**	**4 511**
Automotive Components	**2 203**	**–**	**2 203**
Integrated Bedding	**1 734**	**–**	**1 734**
Polymers	**8 764**	**–**	**8 764**
Contractual Logistics (South Africa)	**90**	**5 054**	**5 144**
Contractual Logistics (Africa)	**–**	**2 011**	**2 011**
Passenger Transport	**–**	**2 382**	**2 382**
Gross revenue	**17 302**	**9 447**	**26 749**
Variable consideration	**(738)**	**–**	**(738)**
Intergroup elimination	**(27)**	**(382)**	**(409)**
	16 537	**9 065**	**25 602**
South Africa			**21 036**
Rest of Africa			**2 916**
Europe			**194**
Middle East			**174**
Asia			**89**
Americas			**1 065**
Other			**128**
			25 602
2018			
Integrated Timber	4 013	–	4 013
Automotive Components	1 854	–	1 854
Integrated Bedding	1 556	–	1 556
Polymers	7 176	–	7 176
Contractual Logistics (South Africa)	208	4 763	4 971
Contractual Logistics (Africa)	–	1 818	1 818
Passenger Transport	–	2 228	2 228
Gross revenue	14 807	8 809	23 616
Variable consideration	(603)	–	(603)
Intergroup elimination	–	(200)	(200)
	14 204	8 609	22 813
South Africa			19 514
Rest of Africa			2 815
Europe			86
Middle East			37
Asia			5
Americas			239
Other			117
			22 813

Notes to the financial statements

for the year ended 30 June 2019 (continued)

3. Revenue (continued)

The following payment terms are generally applicable in the group:

Sale of goods: 0 to 90 days; and

Sale of services: 0 to 30 days.

3.1 Unsatisfied performance obligations

The following table includes revenue expected to be recognised within the next year and thereafter relating to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date:

	Goods Rm	Services Rm	Total Rm
2019			
Next year	**–**	**1 169**	**1 169**
Within two to five years	**–**	**2 527**	**2 527**
Thereafter	**–**	**697**	**697**
Total	**–**	**4 393**	**4 393**

In the event that consideration from long-term contracts comprise a fixed and variable portion, the fixed portion of the consideration is included in the amounts presented above. The variable portion of these contracts depends on usage and is constrained. Where possible, the group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

		2019 Rm	2018 Rm
4.	**Other income**		
	Continuing operations		
4.1	**Net fair value gain on consumable biological assets (note 15)**		
	Fair value gain on timber plantations	**212**	188
	Fair value loss on timber plantations due to fire	**(24)**	(3)
	Fair value (loss)/gain on livestock	**(9)**	5
		179	190
4.2	**Net foreign exchange gains**		
	Net (loss)/gains on forward exchange contracts	**(24)**	49
	Net gains on conversion of monetary assets and liabilities – realised	**46**	16
	Net losses on conversion of monetary assets and liabilities – unrealised	**(9)**	(53)
		13	12
4.3	**Other**		
	Government grants received	**25**	21
	Insurance income	**40**	239
	Rental of properties	**16**	20
	Scrap sales	**14**	12
	Other	**15**	34
		110	326
		302	528

Notes to the financial statements

for the year ended 30 June 2019 (continued)

		Gross of taxation and non-controlling interests 2019 Rm	Net of taxation and non-controlling interests 2019 Rm	Gross of taxation and non-controlling interests 2018 Rm	Net of taxation and non-controlling interests 2018 Rm
5.	**Capital items**				
	Continuing operations				
	Expenses/(income) of a capital nature are included in the 'capital items' line in the income statement. These expense/(income) items are:				
	Impairments	**132**	**111**	61	50
	Goodwill	**37**	**37**	–	–
	Intangible assets	**74**	**59**	3	1
	Property, plant and equipment	**21**	**15**	32	23
	Investments in associate and joint venture companies	**–**	**–**	26	26
	Disposals	**21**	**15**	4	5
	Intangible assets	**–**	**–**	1	1
	Property, plant and equipment	**20**	**14**	6	6
	Investment property	**1**	**1**	(3)	(2)
	Other capital items	**(9)**	**(5)**	–	–
		144	**121**	65	55

Capital items reflect and affect the resources committed in producing operating/trading performance and are not the performance itself. These items deal with the platform/capital base of the entity.

		2019 Rm	2018 Rm
6.	**Operating profit**		
	Continuing operations		
	Operating profit is stated after taking account of the following items:		
6.1	**Amortisation and depreciation**		
	Amortisation	**34**	32
	Depreciation	**1 152**	1 011
		1 186	1 043
	Recognised in:		
	Cost of revenue	**1 096**	962
	Distribution expenses	**9**	9
	Other operating expenses	**81**	72
		1 186	1 043
6.2	**Auditor's remuneration**		
	Audit fees	**26**	23
	Fees for other services	**2**	2
		28	25
6.3	**Personnel expenses**		
	Retirement plans (note 6.4)	**296**	276
	Salaries and wages	**4 128**	3 933
	Share-based payments – equity-settled (note 22.3)	**9**	65
		4 433	4 274
6.4	**Post-retirement benefit expenses**		
	Contributions to defined benefit plans	**–**	4
	Contributions to defined contribution plans	**286**	265
	Contributions to state-managed plans	**10**	7
		296	276
6.5	**Operating lease charges**		
	Properties	**162**	131
	Plant and equipment	**110**	432
		272	563
6.6	**Impairment losses/(gains) on financial instruments**		
	Loss allowance reversed on loans receivable	**–**	(28)
	Loss allowance recognised on trade and other receivables	**6**	(10)
		6	(38)

Notes to the financial statements

for the year ended 30 June 2019 (continued)

	Expense Rm	Income Rm	Net Rm
7. Finance costs and income from investments			
Continuing operations			
2019			
Banks	**9**	**(49)**	**(40)**
Loans	**199**	**–**	**199**
Senior unsecured listed and unlisted notes	**539**	**–**	**539**
Other	**23**	**(13)**	**10**
Related-party (note 32)	**3**	**(1)**	**2**
Less: Borrowing cost capitalised	**(3)**	**–**	**(3)**
	770	**(63)**	**707**
2018			
Banks	14	(32)	(18)
Loans	253	–	253
Senior unsecured listed and unlisted notes	503	–	503
Other	23	(7)	16
Related-party (note 32)	2	(2)	–
Less: Borrowing cost capitalised	(57)	–	(57)
	738	(41)	697

8. Taxation

Continuing operations

8.1 Taxation charge

	2019 Rm	2018 Rm
Normal taxation		
South African normal taxation – current year	**131**	84
South African normal taxation – prior year adjustment	**(2)**	–
Foreign normal taxation – current year	**132**	141
Foreign normal taxation – prior year adjustment	**(2)**	(2)
	259	223
Deferred taxation		
South African deferred taxation – current year	**283**	301
South African deferred taxation – prior year adjustment	**(10)**	(5)
Foreign deferred taxation – current year	**(1)**	(1)
Foreign deferred taxation – prior year adjustment	**2**	1
	274	296
Capital gains taxation		
Current year	**–**	1
	533	520

8.2 Reconciliation of rate of taxation

	%	%
Standard rate of taxation	**28.0**	28.0
Effect of different statutory taxation rates of subsidiaries in other jurisdictions	**(0.6)**	(0.4)
Effect of profit of associate and joint venture companies	**(0.5)**	(0.3)
Prior year adjustments	**(0.7)**	(0.3)
Withholding taxes	**1.1**	0.9
Utilisation of previously unrecognised tax losses and temporary differences	**(0.4)**	(0.6)
Current year losses and deductible temporary differences for which no deferred tax asset is recognised	**0.1**	1.3
Tax-exempt income	**(0.7)**	(0.4)
Non-deductible expenditure	**2.6**	2.0
B-BBEE cost	**3.2**	–
Government incentives	**(0.1)**	(4.3)
Learnership allowances	**(0.6)**	(0.4)
Other	**(0.2)**	(1.5)
Effective rate of taxation	**31.2**	24.0

For detail on deferred taxation assets/(liabilities) refer to note 18.

Notes to the financial statements

for the year ended 30 June 2019 (continued)

	Notes	2019 Rm	2018 Rm
9. Discontinued operations			
9.1 Discontinuation of Glodina and Autovest division			
On 22 May 2019, the board resolved to proceed with the intended disposal of the Autovest business, which is anticipated to be finalised in the following year. Autovest manufactures and retails various aftermarket vehicle accessories.			
In the prior year, Glodina, a division of Vitafoam Proprietary Limited (previously KAP Homeware Proprietary Limited) ('Glodina') was reported as a discontinued operation. On 3 September 2018, KAP concluded the disposal of Glodina.			
9.2 Analysis of loss for the year from discontinued operations			
The results of the discontinued operations included in the income statement are set out below:			
Revenue		**197**	259
Cost of revenue		**(204)**	(249)
Gross (loss)/profit		**(7)**	10
Distribution expenses		**(35)**	(40)
Other operating expenses		**(50)**	(39)
Other income		**10**	10
Operating profit before capital items		**(82)**	(59)
Capital items	9.3	**(5)**	(1)
Operating loss	9.4	**(87)**	(60)
Net finance costs		**(7)**	(10)
Loss before taxation		**(94)**	(70)
Taxation		**11**	19
Loss for the year from discontinued operations		**(83)**	(51)
Loss from discontinued operations attributable to:			
Owners of the parent		**(83)**	(51)

For detail on deferred taxation assets/(liabilities) refer to note 18.

	Gross of taxation and non-controlling interests 2019 Rm	Net of taxation and non-controlling interests 2019 Rm	Gross of taxation and non-controlling interests 2018 Rm	Net of taxation and non-controlling interests 2018 Rm
9.3 Capital items for the year from discontinued operations				
Impairments	**31**	**22**	1	1
Impairment of intangible assets	**24**	**17**	1	1
Impairment of property, plant and equipment	**7**	**5**	–	–
Disposals	**(26)**	**(20)**	–	–
Property, plant and equipment	**(1)**	**–**	–	–
Subsidiaries and businesses	**(25)**	**(20)**	–	–
	5	**2**	1	1

		2019 Rm	2018 Rm
9.4	**Operating loss from discontinued operations**		
	Operating loss is stated after taking account of the following items:		
9.4.1	**Other income**		
	Government grants received	**2**	2
	Scrap sales	**1**	–
	Other	**7**	8
		10	10
9.4.2	**Amortisation and depreciation**		
	Amortisation	**1**	–
	Depreciation	**3**	2
		4	2
	Recognised in:		
	Cost of revenue	**2**	1
	Other operating expenses	**2**	1
		4	2
9.4.3	**Auditor's remuneration**		
	Audit fees	**–**	1
9.4.4	**Personnel expenses**		
	Retirement plans (note 9.4.5)	**3**	6
	Salaries and wages	**51**	88
		54	94
9.4.5	**Post-retirement benefit expenses**		
	Contributions to defined contribution plans	**3**	1
	Contributions to state-managed plans	**–**	5
		3	6
9.4.6	**Operating lease charges**		
	Properties	**7**	7
	Plant and equipment	**–**	2
		7	9
9.4.7	**Impairment losses on financial instruments**		
	Loss allowance recognised on loans receivable	**11**	–
	Loss allowance recognised on trade and other receivables	**15**	–
		26	–
9.5	**Cash flows from discontinued operations**		
	Net cash (outflow)/inflow from operating activities	**(154)**	227
	Net cash inflow from investing activities	**93**	5
	Net cash inflow/(outflow) from financing activities	**63**	(259)
	Net cash inflow/(outflow)	**2**	(27)

Notes to the financial statements

for the year ended 30 June 2019 (continued)

	2019 cents	2018 cents
10. Earnings		
The calculation of per share numbers uses the exact unrounded numbers, which may result in differences when compared to calculating the numbers using the rounded number of shares and earnings as disclosed below.		
Basic earnings/(loss) per share		
Basic earnings per share are calculated by dividing the net earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.		
From continuing operations	**41.4**	59.6
From discontinued operations	**(3.1)**	(1.9)
Basic earnings per share	**38.3**	57.7
Diluted earnings/(loss) per share		
Diluted earnings per share are calculated by dividing the diluted earnings attributable to ordinary shareholders by the diluted weighted average number of ordinary shares in issue during the year. The calculation assumes conversion of all dilutive potential shares.		
From continuing operations	**41.3**	59.1
From discontinued operations	**(3.1)**	(1.9)
Diluted earnings per share	**38.2**	57.2
Headline earnings/(loss) per share		
Headline earnings per share are calculated by dividing the headline earnings by the weighted average number of ordinary shares in issue during the year.		
From continuing operations	**45.9**	61.6
From discontinued operations	**(3.0)**	(1.8)
Headline earnings per share	**42.9**	59.8
Diluted headline earnings/(loss) per share		
Diluted headline earnings per share are calculated by dividing the headline earnings by the diluted weighted average number of shares in issue during the year.		
From continuing operations	**45.8**	61.2
From discontinued operations	**(3.0)**	(1.9)
Diluted headline earnings per share	**42.8**	59.3
Core headline earnings per share from continuing operations		
Core headline earnings per share are calculated by dividing the headline earnings, adjusted for B-BBEE cost, by the weighted average number of shares in issue during the year. Core headline earnings are specific to the group and are not required in terms of IFRS or the JSE Listings Requirements.		
Headline earnings per share	**45.9**	61.6
B-BBEE cost	**7.3**	–
Core headline earnings per share	**53.2**	61.6
Net asset value per ordinary share		
Net asset value per ordinary share is calculated by dividing the ordinary shareholders' equity by the number of ordinary shares in issue at year-end.	**474**	454

		2019 million	2018 million
10.1	**Weighted average number of ordinary shares**		
	Issued ordinary shares at beginning of the year	**2 678**	2 662
	Effect of shares issued	**18**	9
	Weighted average number of ordinary shares at end of the year for the purpose of basic earnings per share and headline earnings per share	**2 696**	2 671
	Effect of dilutive potential ordinary shares – KAP share rights granted	**7**	19
	Weighted average number of ordinary shares for the purpose of diluted earnings per share and diluted headline earnings per share	**2 703**	2 690

		Rm	Rm
10.2	**Earnings and diluted earnings attributable to owners of the parent**		
	Earnings and diluted earnings from continuing operations attributable to owners of the parent	**1 116**	1 591
	Losses and diluted losses from discontinued operations attributable to owners of the parent	**(83)**	(51)
	Earnings and diluted earnings attributable to owners of the parent	**1 033**	1 540
10.3	**Reconciliation between earnings and headline earnings and diluted headline earnings**		
	Earnings and diluted earnings from continuing operations attributable to owners of the parent	**1 116**	1 591
	Adjusted for:		
	Capital items attributable to continuing operations (note 5)	**144**	65
	Taxation effects of capital items	**(23)**	(10)
	Headline earnings and diluted headline earnings from continuing operations attributable to owners of the parent	**1 237**	1 646
	Losses and diluted losses from discontinued operations attributable to owners of the parent	**(83)**	(51)
	Adjusted for:		
	Capital items attributable to discontinued operations (note 9)	**5**	1
	Taxation effects of capital items	**(3)**	–
	Headline earnings and diluted headline earnings attributable to owners of the parent	**1 156**	1 596
10.4	**Net asset value**		
	Attributable to ordinary shareholders	**12 825**	12 155

Notes to the financial statements

for the year ended 30 June 2019 (continued)

		2018 Rm	2019 Rm
11.	**Goodwill**		
	Carrying amount at beginning of the year	**1 283**	1 251
	Arising on business combinations	**–**	32
	Impairments	**(37)**	–
	Carrying amount at end of the year	**1 246**	1 283

When the group acquires a business that qualifies as a business combination in respect of IFRS 3 – *Business combinations*, the group allocates the purchase price paid to the assets acquired, including identifiable intangible assets, and the liabilities assumed. Any excess of the aggregate of the consideration transferred, non-controlling interest in the acquiree, and for a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of those net assets, is considered to be goodwill. The goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit ('CGU') that is expected to benefit from that business. Goodwill is assessed for impairment annually, irrespective of whether there is any indication of impairment.

Review of impairment

The impairment test compares the carrying amount of the unit, including goodwill, to the recoverable amount of the unit. The recoverable amount of the CGU is determined from the value-in-use calculation. The key assumptions for the value-in-use calculation are those regarding the discount rates, growth rates and the expected changes to the selling prices and the direct costs during the period. The discount rates are based on a weighted average post-tax cost of capital, while growth rates are based on management's experience and expectations. Growth rates used do not exceed the long-term average growth rate for the area in which the CGU operates. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market, and are derived from the most recent financial budgets and forecasts that have been prepared by management.

Where an intangible asset, such as a trademark and/or patent, has been assessed as having an indefinite useful life (see note 12), the cash flow of the CGU, supporting the goodwill and driven by the trademark or patent is also assumed to be indefinite.

An impairment charge is required for both goodwill and other indefinite life intangible assets when the carrying amount exceeds the recoverable amount. An impairment charge of R37 million was recorded for the year ended 30 June 2019 (2018: Rnil).

The group prepared cash flow forecasts derived from the most recent financial budgets approved by management for the next year and extrapolated cash flows for the next ten years based on an estimated growth rate as set out below.

All impairment testing was consistent with methods applied as at 30 June 2018.

Impairment tests for CGUs containing goodwill

The following divisions have significant carrying amounts of goodwill:

		Post-tax discount rate			
	Basic principles of forecasted cash flows	**2019**	2018	**2019 Rm**	2018 Rm
Integrated Timber	Budget year 1, thereafter a 3% annual growth rate	**14.30%**	14.40%	**123**	123
Automotive Components	Budget year 1, thereafter 4.5% annual growth rate	**16.10%**	16.20%	**397**	397
Integrated Bedding	Budget year 1, thereafter between a 3% and 4% annual growth rate	**16.00%**	16.10%	**375**	375
Polymers[1]	Budget year 1, thereafter a 4% annual growth rate	**15.00%**	15.50%	**241**	241
Contractual Logistics	Budget year 1, thereafter 3% annual growth rate	**14.10%**	14.00%	**110**	147
Carrying amount at end of the year				**1 246**	1 283

[1] *Forecasts include best available external data relating to commodity prices and margins.*

	Patents and trademarks Rm	Supplier relationships Rm	Software Rm	Other[1] Rm	Total Rm
12. Intangible assets					
Balance at 1 July 2017	1 850	2 148	47	37	4 082
Additions	–	–	11	47	58
Impairment	(1)	–	(3)	–	(4)
Amortisation	(1)	–	(13)	(18)	(32)
Disposals	–	–	(1)	–	(1)
Reclassify to property, plant and equipment	–	–	6	–	6
Balance at 30 June 2018	**1 848**	**2 148**	**47**	**66**	**4 109**
Additions	**–**	**–**	**8**	**6**	**14**
Impairment	**(78)**	**–**	**(3)**	**(17)**	**(98)**
Amortisation	**(2)**	**–**	**(13)**	**(20)**	**(35)**
Reclassify from property, plant and equipment	**–**	**–**	**7**	**–**	**7**
Assets held for sale (note 21)	**–**	**–**	**(1)**	**–**	**(1)**
Balance at 30 June 2019	**1 768**	**2 148**	**45**	**35**	**3 996**
Cost	1 872	2 148	143	122	4 285
Accumulated amortisation and impairment	(24)	–	(96)	(56)	(176)
Net book value at 30 June 2018	1 848	2 148	47	66	4 109
Cost	**1 850**	**2 148**	**140**	**55**	**4 193**
Accumulated amortisation and impairment	**(82)**	**–**	**(95)**	**(20)**	**(197)**
Net book value at 30 June 2019	**1 768**	**2 148**	**45**	**35**	**3 996**

[1] *Other intangible assets include contracts with customers and licence agreements.*

Patents and trademarks and supplier relationships are considered to have indefinite useful lives. However, included under patents and trademarks is an immaterial amount of design registrations and technology licences, which have finite useful lives and are amortised accordingly. In accordance with the group's accounting policy, an impairment test was performed on the carrying values of intangible assets with indefinite useful lives at year-end, as set out below.

Supplier relationships were acquired as part of the Safripol acquisition and are recognised at fair value. Safripol has evergreen contracts in place with its major supplier for the supply of raw materials used in its manufacturing processes.

Notes to the financial statements

for the year ended 30 June 2019 (continued)

12. Intangible assets (continued)

Review of impairment

IAS 38 – *Intangible Assets* ('IAS 38') gives guidance on how the fair value of intangible assets can be determined. The guidance has been applied throughout the valuation of the patents and trademarks and supplier relationships. The impairment test compares the carrying amount of the unit to the recoverable amount of the unit. The recoverable amount of the CGU is determined from the value-in-use calculation. The key assumptions for the value-in-use calculation are those regarding the discount rates, growth rates and royalty rates. The discount rates are based on a weighted average post-tax cost of capital, while growth rates are based on management's experience and expectations. Growth rates used do not exceed the long-term average growth rate for the area in which the CGU operates. Royalty rates used are determined with reference to industry benchmarks.

An impairment charge is required for indefinite life intangible assets when the carrying amount exceeds the recoverable amount . An impairment charge of R78 million was recorded for the year ended 30 June 2019 (2018: Rnil) due to the subdued economic environment in both the motor retail and passenger transport industries.

The group prepared cash flow forecasts derived from the most recent financial budgets approved by management for the next year and extrapolated cash flows for the next ten years based on an estimated growth rate as set out below.

All impairment testing was consistent with methods applied as at 30 June 2018.

Impairment tests of indefinite life intangible assets

The following divisions have significant carrying amounts of intangible assets:

	Basic principles of forecasted cash flows	Post-tax discount rate 2019	Post-tax discount rate 2018	2019 Rm	2018 Rm
Integrated Timber patents and trademarks	Budget year 1, thereafter a 3% annual growth rate	**14.30%**	14.40%	**207**	207
Automotive Components patents and trademarks	Budget year 1, thereafter 4.5% annual growth rate	**16.10%**	16.20%	**57**	78
Integrated Bedding patents and trademarks	Budget year 1, thereafter a 3% annual growth rate	**16.00%**	16.10%	**59**	59
Polymers patents and trademarks[1]	Budget year 1, thereafter a 4% annual growth rate	**15.00%**	15.50%	**731**	731
Polymers supplier relationships[1]	Budget year 1, thereafter a 4% annual growth rate	**15.00%**	15.50%	**2 148**	2 148
Contractual Logistics patents and trademarks	Budget year 1, thereafter a 3% annual growth rate	**14.10%**	14.00%	**711**	768
Carrying amount at end of the year				**3 913**	3 991

[1]*Forecasts include best available external data relating to commodity prices and margins.*

Impairment of finite life intangible assets

Refer to 'Capital items' (notes 5 and 9) for the impairment charge of finite life intangible assets.

Useful lives

Under IAS 38, the useful life of an asset is either finite or indefinite. An indefinite life does not mean an infinite useful life, but rather that there is no foreseeable limit to the period over which the asset can be expected to generate cash flows for the entity. Intangible assets with an indefinite useful life are not amortised; an impairment test is performed at least annually as well as an annual review of the assumptions used to determine the useful life.

The majority of the group's patents and trademarks and supplier relationships have been assessed as having an indefinite useful life. The majority of these patents and trademarks and supplier relationships were assessed independently at the time of the acquisitions, and the indefinite useful life assumptions were supported by the following evidence:

- The industry is a mature, well-established industry.
- The patents and trademarks and supplier relationships are long established relative to the market and have been in existence for a long time.
- The intangible assets relate to patents and trademarks and supplier relationships rather than products and are therefore not vulnerable to typical product life cycles or to the technical, technological, commercial or other types of obsolescence that can be seen to limit the useful lives of other intangible assets.

	Land and buildings Rm	Plant and machinery Rm	Long-haul vehicles, motor vehicles and equipment Rm	Capital work in progress Rm	Leasehold improvements Rm	Office and computer equipment, furniture and other assets Rm	Total Rm
13. Property, plant and equipment							
Balance at 1 July 2017	2 120	4 026	4 090	1 383	85	53	11 757
Additions	20	233	768	804	9	23	1 857
Government grants received	–	(29)	–	–	–	–	(29)
Depreciation	(30)	(363)	(587)	1	(12)	(22)	(1 013)
Disposals	(6)	(13)	(88)	(15)	(2)	–	(124)
Impairment	–	(31)	(1)	–	–	–	(32)
Acquired on acquisition of subsidiaries	–	2	–	–	–	1	3
Reclassification	137	1 526	174	(1 822)	(37)	22	–
Borrowing cost capitalised	3	14	–	40	–	–	57
Reclassify to intangible assets	–	–	–	(6)	–	–	(6)
Exchange differences on translation of foreign operations	–	2	25	–	–	–	27
Balance at 30 June 2018	**2 244**	**5 367**	**4 381**	**385**	**43**	**77**	**12 497**
Additions	**20**	**226**	**931**	**201**	**10**	**27**	**1 415**
Government grants received	**–**	**(29)**	**–**	**–**	**–**	**–**	**(29)**
Assets held for sale (note 21)	**–**	**(1)**	**–**	**–**	**–**	**(2)**	**(3)**
Depreciation	**(32)**	**(431)**	**(652)**	**–**	**(12)**	**(28)**	**(1 155)**
Disposals	**(2)**	**(17)**	**(142)**	**–**	**–**	**(1)**	**(162)**
Impairment	**(3)**	**(10)**	**(1)**	**(9)**	**–**	**(5)**	**(28)**
Reclassification	**61**	**224**	**97**	**(392)**	**9**	**1**	**–**
Borrowing cost capitalised	**–**	**–**	**–**	**3**	**–**	**–**	**3**
Reclassify from/(to) intangible assets	**9**	**2**	**26**	**(31)**	**(10)**	**(3)**	**(7)**
Exchange differences on translation of foreign operations	**–**	**–**	**(6)**	**(1)**	**–**	**–**	**(7)**
Balance at 30 June 2019	**2 297**	**5 331**	**4 634**	**156**	**40**	**66**	**12 524**
Cost	2 480	7 886	7 655	385	102	220	18 728
Accumulated depreciation and impairment	(236)	(2 519)	(3 274)	–	(59)	(143)	(6 231)
Net book value at 30 June 2018	2 244	5 367	4 381	385	43	77	12 497
Cost	**2 570**	**8 268**	**8 064**	**165**	**93**	**216**	**19 376**
Accumulated depreciation and impairment	**(273)**	**(2 937)**	**(3 430)**	**(9)**	**(53)**	**(150)**	**(6 852)**
Net book value at 30 June 2019	**2 297**	**5 331**	**4 634**	**156**	**40**	**66**	**12 524**

Notes to the financial statements

for the year ended 30 June 2019 (continued)

		2019 Rm	2018 Rm
13.	**Property, plant and equipment (continued)**		
	Encumbered assets		
	Book value of encumbered assets as set out in note 24	**757**	582
	Borrowing cost		
	Borrowing cost capitalised to qualifying assets	**3**	57
	Capitalisation rates used to determine the amount of borrowing cost eligible for capitalisation	**9.39% to 9.51%**	9.33% to 9.66%

Land and buildings

Details of land and buildings are available for inspection by shareholders on request at the various registered offices of the company and its subsidiaries.

Insurance

Property, plant and equipment, with the exception of land and certain long-haul vehicles are insured at approximate cost of replacement. Motor vehicles are insured at market value. The remaining long-haul vehicles are self-insured.

Impairment

Refer to ‘Capital items’ (notes 5 and 9).

Useful lives

The estimated useful lives are reflected under ‘Judgements and estimates’ (note 1).

		2019 Rm	2018 Rm
14.	**Investment property**		
	Carrying amount at beginning of the year	**16**	75
	Disposals	**(4)**	(59)
	Balance at end of the year	**12**	16

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

At 30 June 2019, investment property was valued by management at R15 million (2018: R17 million). The fair value was based on the income approach whereby the market-related net income of the property is discounted at the market yield for a similar property. The market yield used in the valuation was 11% (2018: 11%). In estimating the fair value of investment properties, the highest and best use for the majority of the properties is their current use. The valuation technique is consistent with the method applied as at 30 June 2018.

No restrictions exist on the sale of investment property.

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

Rental income from investment properties of R1 million was recognised through profit or loss for the year ended 30 June 2019 (2018: R5 million).

Notes to the financial statements

for the year ended 30 June 2019 (continued)

		2019 Rm	2018 Rm
15.	**Consumable biological assets**		
	Timber plantations		
	Carrying amount at beginning of the year	**1 881**	1 950
	Decrease due to harvesting	**(199)**	(254)
	Fair value adjustment (note 4.1)	**212**	188
	Fair value adjustment due to fire damage (note 4.1)	**(24)**	(3)
	Carrying amount at end of the year	**1 870**	1 881
	Livestock	**30**	38
		1 900	1 919

In terms of IAS 41 – *Agriculture*, the plantations are valued at fair value less estimated costs to sell. The fair value of mature standing timber, being the age at which it becomes marketable, is based on the market price of the estimated recoverable timber volumes, net of harvesting costs. The fair value of younger standing timber is determined using the discounted cash flow method using a risk-adjusted discount rate. The Faustmann Model, utilised in the prior year to guide the discounted cash flow valuation of younger standing timber, was no longer utilised in the current year. The principal assumptions consistently applied in the current and prior year include a discount rate, standing volumes, sales prices and operating costs.

The group owns and manages timber plantations for use in manufacturing timber products and for sales to external parties. The plantations comprise pulpwood and sawlogs and are managed on a sustainable basis. As such, once in rotation, increases by means of growth are negated by fellings over the rotation period.

At 30 June 2019, consumable biological assets were valued by management at R1 900 million (2018: R1 919 million). The valuation of the group's consumable biological assets has been carried out by management. The fair value of consumable biological assets is classified as Level 3 based on the fair value hierarchy. There were no transfers between the levels during the year.

		2019 Hectares	2018 Hectares
15.1	**Quantities of biological assets**		
	Pine	**32 581**	33 724
	Eucalyptus	**6 972**	6 710
	Temporary unplanted areas	**4 339**	3 658
		43 892	44 092

		m^3	m^3
15.2	**Reconciliation of standing volume**		
	Opening balance	**5 417 681**	5 675 542
	Increase due to growth[1]	**621 941**	456 354
	Decrease due to harvesting	**(627 203)**	(714 215)
		5 412 419	5 417 681

[1] *Included in the growth amounts are the decreases due to fire damage.*

15.3 Key assumptions

Discount rate

A discount rate of 12.75% was applied to the pre-taxation net cash flows. An increase by 25 basis points will result in a R22 million decrease in the fair value of the plantation. A decrease by the same percentage would have had an equal, but opposite effect on fair value.

Volumes

The expected yields per log class are calculated with reference to standard industry growth models relevant to the planted area and tree specie. Growth models are updated regularly with enumeration data. Enumerations involve processes to regularly collect more accurate information about the rate of growth and stocking of trees in the plantations.

Market prices

The price per cubic metre per log class is based on current market prices per log class. It was assumed that prices will increase by 6% over the long term. An increase in the forecast log price inflation rate by 25 basis points will result in a R43 million increase in the fair value of the plantation. A decrease by the same percentage would have had an equal, but opposite effect on fair value.

Operating costs

The costs are based on the forest management activities required for the trees to reach the age of felling. The costs include the current costs of maintenance and risk management as well as an appropriate amount of fixed overhead costs. A long-term inflation rate of 6% was used. An increase in the forecast cost inflation rate by 25 basis points will result in a R17 million decrease in the fair value of the plantation. A decrease by the same percentage would have had an equal, but opposite effect on fair value.

	2019 Rm^3	2018 Rm^3
Log prices		
Pine	**274-1 003**	230-910
Eucalyptus	**438**	370
Harvesting costs		
Pine	**104-183**	97-177
Eucalyptus	**189**	162

15.4 Sensitivity analysis

The sensitivity analysis shows how the present value of the discounted cash flows would be affected if the key valuation parameters were attributed other values than those that form the basis of the current valuation of the discounted cash flows.

	2019 Rm	2018 Rm
Current log price – 100 basis point increase	**33**	15
Volume – 100 basis point increase	**10**	12

A decrease by the same percentage in the above categories would have had an equal, but opposite effect on fair value.

Notes to the financial statements

for the year ended 30 June 2019 (continued)

15. Consumable biological assets (continued)

15.5 Southern Cape plantation fire

The southern Cape region experienced devastating fires during June 2017 that resulted in damage to 4 456 hectares of the group's plantations. The effect of these fires was accounted for in the 2017 year based on estimates. There was an additional R5 million (2018: R3 million) fair value loss accounted for in the year, in finalising the 2017 fires. This region experienced further fires during November 2018, which resulted in damage to 845 hectares of plantations. As a result, the valuation of the plantations was reduced by R19 million in the current year. The net effect of both fires on the period was therefore a downward revaluation of R24 million. During the 2019 year, the group salvaged timber to the value of R24 million from the affected areas.

In total, timber to the value of R248 million was damaged by fire, of which R146 million had been salvaged up to 30 June 2019 and of which R74 million (2018: R65 million) remains preserved under irrigation for future use at 30 June 2019. Subsequent to the original assessment, timber to the value of R15 million has recovered from mild damage and has been transferred back to growing compartments. Management estimates that it will be able to salvage and utilise a further R20 million of standing timber.

The timber plantations are insured for fire damage and during the current year, insurance income of R10 million (2018: R17 million) was recognised, which related to the damaged plantations. A further R4 million (2018: R20 million) was received for additional costs incurred due to harvesting and replanting of the affected area, as well as for costs associated with the preservation of timber. The insurance claim was finalised and settled in the current year.

The group is exposed to a number of risks regarding its timber plantations:

- **Regulatory and environmental risks**
  The group's timber plantation operations are subject to laws and regulations. The group has established environmental policies and procedures aimed at compliance with local environmental and other laws. The northeastern Cape forest is managed in compliance with the requirements of the Forestry Stewardship Council and are FSC certified. The southern Cape forests are also managed according to FSC principles. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.
- **Supply and demand risks**
  For sale of timber to external parties, the group is exposed to risks arising from the fluctuations of price and sales volumes of timber. Where possible, the group manages these risks by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.
- **Climate and other risks**
  The group's timber plantations are exposed to the risk of damage from climate changes, disease, forest fires and other natural forces. The group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry and pest disease surveys. The group also insures itself, where cost effective, against natural disasters such as fire. Livestock was introduced to the plantations as part of the fire-prevention strategy of the group.

Encumbered consumable biological assets

None of the group's consumable biological assets are encumbered.

Commitments

There are no amounts committed for the development and acquisition of consumable biological assets.

		Nature of business	2019 % shareholding	2018 % shareholding
16.	**Investments in associate and joint venture companies**			
16.1	**Associate companies**			
	Various unlisted associate companies	Structural timber retail and the manufacturing of fibreboard	**50.0**	44.33 – 50.0
16.2	**Joint venture companies**			
	Various unlisted joint venture companies	Manufacturing of automotive components	**49.0**	49.0

		2019 Rm	2018 Rm
16.3	**Summarised information in respect of individually immaterial associate and joint venture companies**		
	Aggregate information of associate and joint venture companies that are individually not material		
	Aggregate carrying amount of the group's interests in these associate companies	**44**	42
	Aggregate carrying amount of the group's interests in these joint venture companies	**31**	33
		75	75
	Aggregate total comprehensive income from associate and joint venture companies		
	The group's share of profit for the year of associate companies	**10**	9
	The group's share of profit for the year of joint venture companies	**20**	14
	The group's share of total comprehensive income	**30**	23

Notes to the financial statements

for the year ended 30 June 2019 (continued)

		2019 Rm	2018 Rm
17.	**Investments and loans**		
	Long-term investments and loans		
	Unlisted investments	**1**	1
	Loans receivable (carried at amortised cost)	**11**	14
	Less: Loss allowance	**(8)**	(2)
		4	13
	Less: Assets held for sale (note 21)	**(2)**	–
		2	13
	Short-term loans receivable		
	Loans receivable (carried at amortised cost)	**27**	8
	Less: Loss allowance	**(11)**	(2)
		16	6
	Less: Assets held for sale (note 21)	**(3)**	–
		13	6

The loans receivable consist of various long-term and short-term loans bearing interest at market-related interest rates as well as interest-free loans.

A loss allowance was recognised for loans receivable carried at amortised cost at an amount equal to lifetime expected credit losses ('ECLs') when there has been a significant increase in credit risk since initial recognition. If credit risk has not increased significantly since initial recognition, the loss allowance is measured at 12-month ECLs. The loss allowance recognised at 30 June 2019 was R19 million (2018: R4 million).

In the Automotive Components division, a provision of R11 million was raised against loans receivable in the current year due to the general increase in industry and credit risk relating to the subdued motor retail environment.

The fair value of investments and loans is disclosed in note 33.1.

	2019 Rm	2018 Rm
18. Deferred taxation assets/(liabilities)		
18.1 Deferred taxation movement		
(Liabilities)/assets		
Balance at beginning of the year	**(3 073)**	(2 798)
Amounts charged directly to equity		
Share-based payments	**(4)**	(4)
Foreign currency translation reserve	**–**	12
Recognition of expected credit losses under IFRS 9	**7**	–
Current year charge		
From continuing operations	**(274)**	(296)
From discontinued operations	**1**	19
Exchange differences on translation of foreign operations	**–**	(6)
Balance at end of the year	**(3 343)**	(3 073)
18.2 Deferred taxation balances		
Assets		
Provision for taxation on temporary differences resulting from South African normal taxation rate (28%), South African capital gains taxation rate (22.4%) and foreign taxation rates:		
Property, plant and equipment (including consumable biological assets)	**(6)**	(40)
Prepayments and provisions or allowances	**15**	18
Share-based payments	**8**	2
Other	**–**	(1)
	17	(21)
Taxation losses		
Taxation losses	**29**	89
Total deferred taxation assets	**46**	68

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

	2019 Rm	2018 Rm
Liabilities		
Provision for taxation on temporary differences resulting from South African normal taxation rate (28%), South African capital gains taxation rate (22.4%) and foreign taxation rates:		
Intangible assets	**(1 003)**	(1 041)
Property, plant and equipment (including consumable biological assets)	**(2 662)**	(2 517)
Prepayments and provisions or allowances	**83**	59
Share-based payments	**3**	31
Other	**8**	13
	(3 571)	(3 455)
Taxation losses		
Taxation losses	**182**	314
Total deferred taxation liabilities	**(3 389)**	(3 141)

Notes to the financial statements

for the year ended 30 June 2019 (continued)

	2019 Rm	2018 Rm
18. Deferred taxation assets/(liabilities) (continued)		
18.3 Unrecognised deferred taxation assets		
Deferred taxation assets have not been recognised in respect of the following items:		
Temporary differences	**82**	62
Taxation losses	**244**	251
	326	313

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

	2019 Rm	2018 Rm
18.4 Taxation losses		
Estimated taxation losses available for offset against future taxable income	**868**	1 580
Taxation losses recognised	**738**	1 435
Taxation losses unrecognised	**130**	145
Estimated taxation losses available for offset against future taxable capital gains	**114**	106
Capital losses unrecognised	**114**	106
	982	1 686

		2019 Rm	2018 Rm
19.	**Inventories**		
	Inventories at cost less allowances		
	Consumables	**409**	430
	Finished goods	**1 094**	779
	Raw materials	**847**	871
	Work in process	**116**	102
		2 466	2 182
	Less: Assets held for sale (note 21)	**(28)**	(37)
	Less: Non-current portion[1]	**(62)**	–
		2 376	2 145

[1] *Timber salvaged from the areas affected by the fires (note 15) and which remains preserved for future use, are classified as non-current if the inventory will not be utilised in the group's normal operating activities within the next 12 months.*

Notes to the financial statements

for the year ended 30 June 2019 (continued)

	2019 Rm	2018 Rm
20. Trade and other receivables		
Trade receivables	**3 486**	3 463
Related-party receivables (note 32)	**37**	68
Other amounts due	**125**	204
Less: Loss allowance (note 33.5)	**(72)**	(40)
	3 576	3 695
Derivative financial assets (note 33)	**10**	58
Trade and other receivables (financial assets)	**3 586**	3 753
Prepayments	**272**	230
Value added taxation receivable	**123**	70
	3 981	4 053
Less: Assets held for sale (note 21)	**(31)**	–
	3 950	4 053

In terms of IFRS 9, the group has elected to apply the simplified approach for the calculation of expected credit losses ('ECL') on trade receivables and recognises lifetime ECL on these financial assets. In the instance where there is a lack of internally generated historical data, the ECL on these financial assets is estimated using best available external data. External benchmarking data was considered most appropriate where it aligned with the underlying characteristics of the financial assets. The external data was adjusted for forward-looking information, debtor-specific risk and general economic conditions, considering both the current as well as the forecast direction of factors and conditions at the reporting date.

The credit period on sales of goods and services varies based on industry norms. Where relevant, interest is charged at market-related rates on outstanding balances.

Given the diverse nature of the group's operations, it does not have significant concentration of credit risk in respect of trade receivables, with exposure spread over a large number of customers.

Credit risk related to trade and other receivables and credit risk management is disclosed in note 33.5.

In the Automotive Components division, a provision of R14 million was raised in the current year against trade and other receivables due to the general increase in industry and credit risk relating to the subdued motor retail environment.

Trade receivables to the amount of R13 million were written off during 2019 and are still subject to legal enforcement processes.

The group's exposure to foreign currency risk related to trade and other receivables is disclosed in note 33.3.

		2019 Rm	2018 Rm
21.	**Assets/(liabilities) held for sale**		
	The carrying amount of total assets/(liabilities) held for sale still carried in the statement of financial position is:		
	Assets		
	Intangible assets	**1**	–
	Property, plant and equipment	**3**	45
	Investments and loans	**5**	–
	Inventories	**28**	37
	Trade and other receivables	**31**	–
		68	82
	Liabilities		
	Employee benefits	**(9)**	–
	Provisions	**(11)**	–
	Trade and other payables	**(26)**	–
		(46)	–

As described in note 9, on 22 May 2019, the board resolved to proceed with the intended disposal of Autovest, a division of KAP Automotive Proprietary Limited ('Autovest') which is anticipated to be finalised in the following year. These assets are available for immediate sale in their present condition. Management is committed to the sale, which is expected to occur within 12 months of being classified as held for sale.

The disposal of Glodina, a division of Vitafoam Proprietary Limited (previously KAP Homeware Proprietary Limited), was concluded on 22 February 2018 for R101 million and became effective on 3 September 2018.

Notes to the financial statements

for the year ended 30 June 2019 (continued)

	2019 Number of shares	2018 Number of shares
22. Stated share capital		
22.1 Authorised		
Ordinary shares of no par value	**6 000 000 000**	6 000 000 000
Cumulative, non-redeemable, non-participating preference shares of no par value	**1 000 000 000**	1 000 000 000
Perpetual preference shares of no par value	**50 000 000**	50 000 000
22.2 Stated share capital		
Ordinary shares in issue at beginning of the year	**2 677 874 340**	2 662 199 369
Ordinary shares issued during the year	**26 262 898**	15 674 971
Ordinary shares in issue at end of the year	**2 704 137 238**	2 677 874 340

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the company.

22.3 Share-based payments

KAP Performance Share Rights Scheme

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

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

	2019 Rights	2018 Rights
Reconciliation of rights granted under the KAP Performance Share Rights Scheme		
Balance at beginning of the year	**34 207 012**	40 313 990
Forfeited during the year	**(16 079 548)**	(3 763 248)
Exercised during the year	**(10 484 529)**	(13 746 334)
Granted during the year	**16 001 157**	11 402 604
Balance at end of the year	**23 644 092**	34 207 012

	2019 Rm	2018 Rm
Charged to profit or loss (note 6.3)	**9**	65

Assumptions

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

Fair value of KAP share rights and assumptions	2018 Grant	2017 Grant	2016 Grant	2015 Grant	2014 Grant
Fair value at measurement date	**R7.43**	R8.05	R7.02	R6.62	R4.10
Share price at grant date	**R8.05**	R8.70	R7.59	R7.11	R4.64
Exercise price	**R0.00**	R0.00	R0.00	R0.00	R0.20
Expected volatility	**28.00%**	22.21%	25.58%	32.50%	31.88%
Dividend yield	**2.71%**	2.63%	2.63%	2.42%	2.90%
Risk-free interest rate	**7.77%**	7.67%	7.72%	7.48%	6.70%
Life of share right	**3 years**	3 years	3 years	3 years	3 years

22.4 Broad-Based Black Economic Empowerment ('B-BBEE') transactions

Effective 3 September 2018, the company concluded a series of transactions and funding arrangements in order to facilitate greater than 51% 'black ownership' and greater than 30% 'black-women ownership' of its South African contractual logistics operations, Unitrans Supply Chain Solutions Proprietary Limited ('USCS'). This series of transactions resulted in the following:

- Effective sale of 23.02% of USCS to a wholly owned subsidiary of the FWG Pieters Trust ('the Pieters Trust') to the value of R620 million; and
- Effective sale of 21.98% of USCS to a wholly owned subsidiary of the Sakhumzi Foundation Empowerment Trust ('Sakhumzi') to the value of R591 million.
- The subscription of new USCS shares was funded by the group, through the issue of an equivalent value of preference shares by the two wholly owned subsidiaries of the Pieters Trust and Sakhumzi, to a KAP-owned subsidiary.

In terms of IFRS 10 – *Consolidated Financial Statements*, KAP is deemed, through the funding structure of the B-BBEE transaction, to control both the acquiring entities and is therefore required to consolidate both acquiring entities.

The transaction is an equity-settled share-based payment in the scope of IFRS 2. The equity-settled share-based payment is not subsequently remeasured. The fair value of the equity instruments for both the acquiring entities at the grant date was actuarially valued at R215 million (B-BBEE cost). An amount of R193 million of the B-BBEE cost was expensed at the transaction date and the remaining R22 million will be expensed equally over the seven-year contract period.

The share-based payment relating to the Pieters Trust is measured at the fair value of the equity instruments at the grant date and 80% of this amount is recognised immediately in profit or loss. The share-based payment transaction includes an implicit service condition for 20% of the expense for a period of seven years. The remaining 20% will therefore be recognised over a seven year vesting period. The share-based payment relating to Sakhumzi is measured at the fair value of the equity instruments at the grant date and is recognised immediately in profit or loss at grant date as there is no implicit service condition.

	2019 Rm	2018 Rm
Charged to profit or loss	**196**	–

The valuation of the share-based payment expense requires a significant degree of judgement to be applied by management as there are a number of variables affecting the Monte-Carlo option pricing model used in the calculation of the share-based payment. The value of the share-based payment is determined with reference to the extent the fair value of USCS is expected to exceed any outstanding preference share funding at the end of the transaction period. The value attributable to the participants by virtue of their shareholding in USCS is calculated with reference to the expected future cash flows of USCS and a forward EV/EBITDA multiple. A rand interest rate swap and prime curve were constructed using swaps trading in the market and utilised as an appropriate representation of a risk-free and prime interest rate curves. A rand prime interest rate curve was estimated utilising the historical Rand Prime Index and the three-month Johannesburg Interbank Agreed Rate. The mark-to-market value is determined by applying the geometric Brownian motion model using KAP's historical volatility as proxy for USCS.

Notes to the financial statements

for the year ended 30 June 2019 (continued)

23. Non-controlling interests

	% shareholding		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2019 %	2018 %	2019 Rm	2018 Rm	2019 Rm	2018 Rm
23.1 Details of subsidiaries that have non-controlling interests						
Individually immaterial subsidiaries with non-controlling interests	**25.0 – 50.0**	25.0 – 50.0	**57**	51	**217**	322

	2019 Rm
23.2 Net effect of shares bought from non-controlling shareholder	
Effective 3 September 2018, the group acquired an additional 46.9% interest in Xinergistix Proprietary Limited ('Xinergistix'), for a consideration of R145 million. The remaining 3%, which was held by a non-controlling shareholder was repurchased by Xinergistix for a consideration of R10 million, resulting in the group owning 100% of the equity of Xinergistix.	
Carrying amount of non-controlling interest acquired	**124**
Total consideration paid	**(155)**
Decrease in equity attributable to owners of the parent	**(31)**
23.3 Transactions with non-controlling interests	
Total consideration settled in share issue	**(73)**
Total consideration settled in cash	**(82)**
	(155)

	2019 Rm	2018 Rm
24. Loans and borrowings		
24.1 Analysis of closing balance		
Secured financing		
Capitalised finance lease and instalment sale agreements	**651**	387
Term loans	**52**	72
	703	459
Unsecured financing covered by intergroup cross-guarantees		
Term loans	**639**	1 502
Senior unsecured listed and unlisted notes	**4 897**	5 876
	5 536	7 378
Unsecured financing		
Other loans	**13**	79
Total loans and borrowings	**6 252**	7 916
Portion payable before 30 June 2020 included in current liabilities	**(1 239)**	(956)
Total non-current loans and borrowings	**5 013**	6 960
Current loans and borrowings		
Portion of loans and borrowings payable before 30 June 2020	**1 239**	956
Related-party loan payable (note 32)	**36**	–
Other current loans payable	**23**	51
Total current loans and borrowings	**1 298**	1 007
24.2 Analysis of repayment		
Repayable within the next year and thereafter		
Next year	**1 298**	1 007
Within two to five years	**5 003**	6 941
Thereafter	**10**	19
	6 311	7 967

All loans and borrowings are carried at amortised cost. The fair values of loans and borrowings are disclosed in note 33.1.

Notes to the financial statements

for the year ended 30 June 2019 (continued)

	Facility Rm	Current year interest rate	2019 Rm	2018 Rm
24. Loans and borrowings (continued)				
24.3 Loan and borrowing details				
Secured				
Variable interest rates				
Capitalised finance lease and instalment sale agreements	651	8.25% to 11.25%	**651**	387
Term loans	52	11.00% to 11.25%	**52**	72
The book value of assets encumbered in favour of the above amounts to R757 million (2018: R582 million).				
Unsecured financing covered by intergroup cross-guarantees				
Variable interest rates				
Term loans	1 188	9.25% to 9.40%	**188**	250
Senior unsecured listed notes	4 418	8.50% to 9.40%	**4 418**	4 396
Fixed interest rates				
Term loans	450	10.94%	**450**	1 250
Senior unsecured listed and unlisted notes	420	10.23%	**420**	1 420
Interest due				
Term loans	–	–	**1**	2
Senior unsecured listed and unlisted notes	–	–	**59**	60
Unsecured				
Variable interest rates				
Related-party loan payable (note 32)	–	10.25%	**–**	24
Fixed interest rates				
Other loans	–	7.00%	**13**	17
Interest free				
Related-party loan payable (note 32)	–	–	**–**	36
Other loans	–	–	**–**	2
Total non-current loans and borrowings			**6 252**	7 916
Current loans and borrowings				
Variable interest rates				
Related-party loan payable (note 32)	–	10.25%	**23**	–
Interest free				
Related-party loan payable (note 32)	–	–	**36**	–
Other loans	–	–	**–**	51
Total current loans and borrowings			**59**	51
Total loans and borrowings			**6 311**	7 967

Global Credit Rating Co Proprietary Limited reviewed the company's credit rating in November 2018 and confirmed its long-term rating of KAP as A+(za) and its short-term rating as A1(za), with a stable rating outlook on both ratings.

Unsecured financing covered by intergroup guarantees
The following companies participate in the cross-guarantees (jointly and severally) in respect of the term loans together with KAP Industrial Holdings Limited:

- KAP Automotive Proprietary Limited
- KAP Bedding Proprietary Limited
- KAP Diversified Industrial Proprietary Limited
- Vitafoam Proprietary Limited
- Mvelatrans Proprietary Limited
- PG Bison Southern Cape Proprietary Limited
- Unitrans Holdings Proprietary Limited
- Unitrans Passenger Proprietary Limited
- Unitrans Supply Chain Solutions Proprietary Limited
- Safripol Proprietary Limited

The following companies participate in the guarantee (jointly and severally) in respect of the notes issued by KAP Industrial Holdings Limited under its note programme:

- KAP Automotive Proprietary Limited
- KAP Bedding Proprietary Limited
- KAP Diversified Industrial Proprietary Limited
- Unitrans Passenger Proprietary Limited
- Unitrans Supply Chain Solutions Proprietary Limited
- Safripol Proprietary Limited

Notes to the financial statements

for the year ended 30 June 2019 (continued)

		2019 Rm	2018 Rm
25.	**Employee benefits**		
	Performance-based bonus	**113**	120
	Wage/13th cheque bonus	**71**	65
	Leave pay	**134**	130
	Post-retirement medical benefits	**5**	5
	Other	**18**	12
	Total employee benefits	**341**	332
	Less: Liabilities held for sale (note 21)	**(9)**	–
	Transferred to short-term employee benefits	**(287)**	(295)
	Long-term employee benefits	**45**	37

25.1 Defined contribution plans

The group has various defined contribution plans, to which employees contribute. The assets of these schemes are held in administered trust funds separate from the group's assets.

25.2 Post-retirement medical benefits

	2019 Rm	2018 Rm
Balance at beginning of the year	**5**	8
Amounts unused reversed	**–**	(3)
Balance at end of the year	**5**	5

The principal actuarial assumptions applied in determination of fair value of all the obligations include:

	2019	2018
Healthcare cost inflation	**6.4%**	7.6%
Discount rate	**8.4%**	9.2%
Percentage married at retirement	**77.4%**	76.8%
Retirement age	**65 years**	65 years

Performance-based bonus

The bonus payable refers to various schemes across the group and is calculated based on the employee's achievement of performance targets.

Leave pay

The leave pay provision relates to vesting leave pay to which employees may become entitled on leaving the employment of the group. The provision arises as employees render a service that increases their entitlement to future compensated leave and is calculated based on employee's total cost of employment. The provision is utilised when employees become entitled to and are paid for the accumulated leave or utilise compensated leave due to them.

KAP

	Accident and insurance fund provisions Rm	Onerous contract provision Rm	Contingent liability provision Rm	Lease rectification provision Rm	Other[1] Rm	Total Rm
26. Provisions						
Balance at 1 July 2017	43	8	12	9	37	109
Additional provision raised	113	6	–	–	20	139
Amounts unused reversed	(90)	(1)	–	(6)	(1)	(98)
Amounts utilised	(36)	–	–	–	(27)	(63)
Reclassification from accruals	–	–	–	–	1	1
Balance at 30 June 2018	**30**	**13**	**12**	**3**	**30**	**88**
Additional provision raised	**113**	**55**	**–**	**2**	**8**	**178**
Amounts unused reversed	**(58)**	**(10)**	**–**	**–**	**(3)**	**(71)**
Amounts utilised	**(57)**	**(2)**	**–**	**–**	**(11)**	**(70)**
Liabilities held for sale (note 21)	**–**	**(5)**	**–**	**(4)**	**(2)**	**(11)**
Reclassification from accruals	**(1)**	**–**	**–**	**–**	**(3)**	**(4)**
Balance at 30 June 2019	**27**	**51**	**12**	**1**	**19**	**110**

	2019 Rm	2018 Rm
Total provisions	**110**	88
Transferred to short-term provisions	**(94)**	(60)
Long-term provisions	**16**	28

[1] *Other provisions include legal and labour-related matters, among others.*

Accident and insurance fund provisions
The fund relates to accidents that occurred but were not settled at reporting date.

Onerous contracts provision
Provision is made for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the lowest net cost of exiting from the contract, which is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract. Anticipated expenditure within the next year is R55 million and thereafter R1 million.

Contingent liability provision
IFRS 3 requires certain contingent liabilities of the acquiree to be recognised and measured in a business combination at acquisition date fair value. Therefore, contrary to IAS 37 – *Provision, Contingent Liabilities and Contingent Assets*, the acquirer recognises a contingent liability assumed in a business combination at the acquisition date even if it is not probable that an outflow of economic benefits will be required to settle the obligation. The provision was raised in respect of possible rehabilitation and legal liabilities, as part of the reverse acquisition transaction in 2012.

Lease rectification provision
The provision relates to the estimated cost in terms of contractual lease agreements for the rectification of properties, which are leased by the group. Anticipated expenditure within the next year is Rnil and thereafter R1 million. These amounts have not been discounted for the purpose of measuring the provision for rehabilitation work as the effect is not material.

Notes to the financial statements

for the year ended 30 June 2019 (continued)

	2019 Rm	2018 Rm
27. Trade and other payables		
Trade payables	**4 115**	3 645
Accruals	**291**	280
Other payables and amounts due	**242**	253
Related-party payables (note 32)	**41**	170
	4 689	4 348
Derivative financial liabilities (note 33)	**33**	2
Trade and other payables (financial liabilities)	**4 722**	4 350
Short-term operating lease liability	**4**	2
Value added taxation payable	**109**	86
	4 835	4 438
Less: Liabilities held for sale (note 21)	**(26)**	–
	4 809	4 438

The fair value of trade and other payables is disclosed in note 33.1.

	2019 Rm	2018 Rm
28. Commitments and contingencies		
28.1 Capital expenditure		
Contracts for capital expenditure authorised	**45**	52

Capital expenditure will be financed from cash and existing borrowing facilities.

28.2 Borrowing facilities

In terms of the memorandum of incorporation, the borrowing powers of the company are unlimited.

	2019 Rm	2018 Rm
28.3 Unutilised borrowing facilities at 30 June	**3 782**	4 346

28.4 Operating leases

	Property Rm	Plant and equipment Rm	2019 Total Rm	2018 Total Rm
Amounts outstanding under non-cancellable operating lease agreements payable within the next year and thereafter:				
Next year	**142**	**15**	**157**	134
Within two to five years	**282**	**17**	**299**	292
Thereafter	**275**	**–**	**275**	267
Total	**699**	**32**	**731**	693

Balances denominated in currencies other than South African rand were converted at the closing rates of exchange ruling at 30 June 2019 and 30 June 2018. The leases are generally subject to escalation clauses and also have renewal options. Operating lease agreements have been negotiated at market-related terms and rates with numerous suppliers.

28.5 Contingent liabilities

During the prior period, Unitrans Supply Chain Solutions Proprietary Limited ('USCS'), a subsidiary of the company entered into an agreement to lease Erf 244 Graceview Extension 3 ('the Property') from Investec Property Proprietary Limited ('Investec Property') for a period of 10 years. USCS also entered into an accompanying option agreement to purchase any unsold portion of the Property at the end of the lease period, which requires USCS to pay Investec Property an option premium on the expiry of the lease. Due to the uncertainties involved, the value of the option premium cannot be reliably measured at 30 June 2019. The option premium will be assessed annually to determine whether a liability may be recognised. The company is in the process of negotiating a settlement agreement with Investec Property, subject to certain conditions being fulfilled, for the termination of the lease agreement and a related termination provision of R50 million for the onerous contract has been raised in the current period.

Certain companies in the group are involved in disputes where the outcomes are uncertain. However, the directors, are confident that the potential impact on the group will not be material.

There are no legislative compliance matters or other litigation, current or pending, which are considered likely to have a material adverse effect on the group.

The group has issued guarantees and suretyships to various banking and financial institutions for the credit facilities available to the group, as well as to suppliers of goods and services to the group in the ordinary course of business. However, the directors, are confident that no material liability will arise as a result of these guarantees and suretyships.

Notes to the financial statements

for the year ended 30 June 2019 (continued)

		2019 Rm	2018 Rm
29.	**Cash generated from operations**		
	Operating profit	**2 383**	2 836
	Adjusted for:		
	Operating loss from discontinued operations	**(87)**	(60)
	Capital items	**149**	66
	Depreciation and amortisation	**1 190**	1 045
	Net of fair value adjustments of consumable biological assets[1]	**20**	64
	Share-based payment expense	**205**	65
	Impairment losses/(reversal) on loans receivable	**11**	(28)
	Other non-cash adjustments	**4**	1
	Cash generated before working capital changes	**3 875**	3 989
	Working capital changes		
	Increase in inventories	**(315)**	(389)
	Decrease/(increase) in trade and other receivables	**37**	(343)
	Increase/(decrease) in non-current and current provisions	**34**	(20)
	Increase/(decrease) in non-current and current employee benefits	**6**	(39)
	Increase in trade and other payables	**396**	110
	Net changes in working capital	**158**	(681)
	Cash generated from operations	**4 033**	3 308

[1] *Includes decreases due to harvesting and sale of livestock.*

		Long-term loans and borrowings Rm	Short-term loans and borrowings Rm	Bank overdrafts and short-term facilities Rm	Total Rm
30.	**Net increase/(decrease) in interest-bearing borrowings**				
	Balance at 1 July 2017	7 357	407	74	7 838
	Changes from financing cash flows	342	(141)	(74)	127
	Decrease in bank overdrafts and short-term facilities	–	–	(74)	(74)
	Increase in long-term loans and borrowings	342	–	–	342
	Decrease in short-term loans and borrowings	–	(141)	–	(141)
	Reclassification of loans and borrowings from long-term to short-term	(741)	741	–	–
	Acquired on acquisition of subsidiaries	2	–	–	2
	Balance at 30 June 2018	**6 960**	**1 007**	**–**	**7 967**
	Changes from financing cash flows	**870**	**(2 480)**	**–**	**(1 610)**
	Increase in long-term loans and borrowings	**870**	**–**	**–**	**870**
	Decrease in short-term loans and borrowings	**–**	**(2 480)**	**–**	**(2 480)**
	Reclassification of loans and borrowings from long-term to short-term	**(2 817)**	**2 817**	**–**	**–**
	Settlement of contingent consideration via issue of shares[1]	**–**	**(45)**	**–**	**(45)**
	Other non-cash adjustments	**–**	**(1)**	**–**	**(1)**
	Balance at 30 June 2019	**5 013**	**1 298**	**–**	**6 311**

[1] *The acquisition of 100% of the shares and claims of Lucerne Transport Proprietary Limited ('Lucerne') and its subsidiary was concluded on 1 September 2016. Included as part of the total consideration was a contingent consideration of R45 million, which was payable if Lucerne achieved certain profit warranties. The payment was discharged through the issuance of KAP shares.*

Notes to the financial statements

for the year ended 30 June 2019 (continued)

		2019 Rm	2018 Rm
31.	**Net cash flow on disposal of subsidiaries and businesses**		
	The disposal of Glodina, a division of Vitafoam Proprietary Limited (previously KAP Homeware Proprietary Limited), was concluded on 22 February 2018 for R101 million and became effective on 3 September 2018.		
	There were no disposals in the prior year.		
	The carrying value of assets disposed of at the date of disposal was:		
	Property, plant and equipment	**45**	–
	Inventories	**31**	–
	Carrying value of assets disposed	**76**	–
	Profit on disposal	**25**	–
	Proceeds on disposal	**101**	–
	Cash and cash equivalents on hand at disposal	**–**	–
	Net cash inflow on disposal of businesses	**101**	–

32. Related-party balances and transactions

Related-party relationships exist between shareholders, subsidiaries, associate and joint venture companies within the group.

These transactions are concluded in the normal course of business. All material intergroup transactions are eliminated on consolidation. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Trading balances and transactions

The following is a summary of material transactions with related parties, associate and joint venture companies during the year and the balances of receivables and payables at year-end:

	2019 Rm	2018 Rm
Related-party loans receivable		
Associate and joint venture companies	**14**	16
Related-party loans payable		
South Star Investments Proprietary Limited	**(59)**	(60)
Related-party receivables		
Steinhoff International Holdings N.V. and its subsidiaries[1]	**–**	18
Associate and joint venture companies	**37**	50
	37	68
Related-party payables		
Steinhoff International Holdings N.V. and its subsidiaries[1]	**–**	(128)
Associate and joint venture companies	**(29)**	(27)
Bekaert Deslee N.V. and its subsidiaries	**(12)**	(15)
	(41)	(170)
Dividends paid to:		
Steinhoff International Holdings N.V. and its subsidiaries[1]	**(160)**	(240)
Sales to:		
Steinhoff International Holdings N.V. and its subsidiaries[1]	**548**	743
Associate and joint venture companies	**142**	148
Bekaert Deslee N.V. and its subsidiaries	**1**	3
	691	894
Net rebates and settlement discounts paid to:		
Steinhoff International Holdings N.V. and its subsidiaries[1]	**(85)**	(115)
Associate and joint venture companies	**(2)**	(1)
	(87)	(116)
Purchases from:		
Steinhoff International Holdings N.V. and its subsidiaries[1]	**–**	(1)
Associate and joint venture companies	**(97)**	(86)
Bekaert Deslee N.V. and its subsidiaries	**(80)**	(36)
	(177)	(123)

Notes to the financial statements

for the year ended 30 June 2019 (continued)

	2019 Rm	2018 Rm
32. Related-party balances and transactions (continued)		
Net operating expenses, including management fees (paid to)/received from:		
Steinhoff International Holdings N.V. and its subsidiaries[1]	**–**	(31)
Associate and joint venture companies	**4**	4
Bekaert Deslee N.V. and its subsidiaries	**(3)**	(3)
	1	(30)
Net rent paid to:		
Steinhoff International Holdings N.V. and its subsidiaries[1]	**(16)**	(26)
Net finance costs (paid to)/received from:		
Steinhoff International Holdings N.V. and its subsidiaries[1]	**–**	1
Associate and joint venture companies	**–**	1
South Star Investments Proprietary Limited	**(2)**	(2)
	(2)	–
Asset purchases from:		
Steinhoff International Holdings N.V. and its subsidiaries[1]	**(97)**	(201)
Insurance proceeds received from:		
Steinhoff International Holdings N.V. and its subsidiaries[1&2]	**120**	120
Insurance premiums paid to:		
Steinhoff International Holdings N.V. and its subsidiaries[1&2]	**(72)**	(81)

[1] *Ainsley Holdings Proprietary Limited, a wholly owned indirect subsidiary of Steinhoff International Holdings N.V., disposed of all its interest in the ordinary shares of KAP Industrial Holdings Limited on 27 March 2019. On 3 April 2019, Messrs TLR de Klerk and LJ du Preez resigned as non-executive directors from the board. Steinhoff International Holdings N.V. is not considered to be a related party effective 3 April 2019, when common directorship ceased.*

[2] *Steinhoff International Holdings N.V., disposed of all its interest in the ordinary shares of Lyme Street Risk Proprietary Limited effective 1 March 2019.*

For details of material related parties where control exists, refer to note 34.

Directors of the company are considered to be key management personnel. For details in respect of key management compensation, refer to note 35.

33. Financial instruments

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

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

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

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

33.1 Total financial assets and liabilities

	At fair value through profit or loss[1] Rm	At amortised cost Rm	Total carrying values Rm	Total fair values Rm
2019				
Investments and loans	–	4	4	4
Non-current financial assets	–	4	4	4
Trade and other receivables (financial assets)	10	3 576	3 586	3 586
Short-term loans receivable	–	16	16	16
Cash and cash equivalents	–	1 785	1 785	1 785
Current financial assets	10	5 377	5 387	5 387
Long-term loans and borrowings	–	(5 013)	(5 013)	(5 080)
Non-current financial liabilities	–	(5 013)	(5 013)	(5 080)
Short-term loans and borrowings	–	(1 298)	(1 298)	(1 300)
Trade and other payables (financial liabilities)	(33)	(4 689)	(4 722)	(4 722)
Current financial liabilities	(33)	(5 987)	(6 020)	(6 022)
	(23)	(5 619)	(5 642)	(5 711)
Net losses/(gains) recognised in profit or loss	24	(37)	(13)	
Net interest expense	–	720	720	

Notes to the financial statements

for the year ended 30 June 2019 (continued)

	At fair value through profit or loss[1] Rm	Loans and receivables and other financial liabilities at amortised cost Rm	Total carrying values Rm	Total fair values Rm
33. Financial instruments (continued)				
33.1 Total financial assets and liabilities (continued)				
2018				
Investments and loans	–	13	13	13
Non-current financial assets	–	13	13	13
Trade and other receivables (financial assets)	58	3 695	3 753	3 753
Short-term loans receivable	–	6	6	6
Cash and cash equivalents	–	2 151	2 151	2 151
Current financial assets	58	5 852	5 910	5 910
Long-term loans and borrowings	–	(6 960)	(6 960)	(7 047)
Non-current financial liabilities	–	(6 960)	(6 960)	(7 047)
Short-term loans and borrowings	–	(1 007)	(1 007)	(1 014)
Trade and other payables (financial liabilities)	(2)	(4 348)	(4 350)	(4 350)
Current financial liabilities	(2)	(5 355)	(5 357)	(5 364)
	56	(6 450)	(6 394)	(6 488)
Net (gains)/losses recognised in profit or loss	(49)	37	(12)	
Net interest expense	–	706	706	

[1] *This category includes derivative financial instruments that are not designated as effective hedging instruments.*

No items were classified as 'at fair value through other comprehensive income ('OCI')' during the current period presented.

No items were classified as 'held to maturity' or 'available for sale' during the prior period presented.

33.2 Fair values

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

Trade and other receivables and long- and short-term loans receivable
The fair values of trade and other receivables and long- and short-term loans receivable are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The carrying amount reasonably approximates the fair value at 30 June 2019.

Derivatives
The fair values of forward exchange contracts are based on their listed market price, if available. If a listed market price is not available, then the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The carrying amount reasonably approximates the fair value at 30 June 2019.

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

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

- Level 1 – Unadjusted quoted prices for financial assets and financial liabilities traded in an active market for identical financial assets or financial liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the financial asset or financial liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs for the financial asset or financial liability that are not based on observable market data.

The fair values of the financial assets and liabilities as determined by the IFRS 7 hierarchy are as follows:

	2019 Level 2 Rm	2018 Level 2 Rm
Derivative financial assets	**10**	58
Derivative financial liabilities	**(33)**	(2)
	(23)	56

There were no Level 1 or Level 3 financial assets or financial liabilities as at 30 June 2019 or 30 June 2018.

Notes to the financial statements

for the year ended 30 June 2019 (continued)

33. Financial instruments (continued)

33.3 Foreign currency risk

The group's operating costs are principally incurred in South African rand.

It is group policy to hedge exposure to cash and future contracted transactions in foreign currencies for a range of forward periods, but not to hedge exposure for the translation of reported profits or reported assets and liabilities.

Exposure to currency risk

Currency risk (or foreign exchange risk), as defined by IFRS 7, arises on financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured. For the purpose of IFRS 7, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Differences resulting from the translation of foreign operations' financial statements into the group's presentation currency are not taken into consideration.

At reporting date, the carrying amounts of the group's material foreign currency denominated monetary assets and liabilities that will have an impact on profit or loss when exchange rates change, are as follows:

	Euro Rm	US dollar Rm	AU dollar Rm	MZ metical Rm
2019				
Trade and other receivables (financial assets excluding derivatives)	**20**	**217**	**3**	**39**
Cash and cash equivalents	**1**	**162**	**8**	**22**
Trade and other payables (financial liabilities excluding derivatives)	**(153)**	**(1 026)**	**(1)**	**(39)**
Pre-derivative position	**(132)**	**(647)**	**10**	**22**
Derivative effect	**211**	**716**	**(9)**	**–**
Open position	**79**	**69**	**1**	**22**
2018				
Trade and other receivables (financial assets excluding derivatives)	27	300	57	28
Cash and cash equivalents	2	29	–	63
Trade and other payables (financial liabilities excluding derivatives)	(140)	(847)	–	(41)
Pre-derivative position	(111)	(518)	57	50
Derivative effect	136	594	(36)	–
Open position	25	76	21	50

The following significant exchange rates applied during the year and were used in calculating sensitivities:

Rand	**Forecast rate[2] 30 June 2020**	Forecast rate[2] 30 June 2019	**Reporting-date spot rate 30 June 2019**	Reporting-date spot rate 30 June 2018
Euro	**16.93**	16.24	**16.01**	16.04
US dollar	**14.54**	12.88	**14.08**	13.73
AU dollar	**10.74**	10.10	**9.89**	10.16
Mozambique new metical	**0.23**	0.19	**0.23**	0.23

[2] *The forecast rates represent a weighting of foreign currency rates forecast by the major banks that the group transacts with regularly. These rates are not necessarily management's expectations of currency movements.*

Sensitivity analysis

The table below indicates the group's sensitivity at year-end to the movements in the major currencies that the group is exposed to on its financial instruments. The percentages given below represent a weighting of foreign currency rates forecast by the major banks that the group transacts with regularly. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis performed was consistent with methods applied as at 30 June 2018.

The impact on the reported numbers of using the forecast rates as opposed to the reporting-date spot rates is set out below:

Through loss/(profit)	**2019 Rm**	2018 Rm
Euro strengthening by 5.8% (2018: strengthening by 1.2%) to the rand	**5**	–
US dollar strengthening by 3.3% (2018: weakening by 6.2%) to the rand	**2**	(5)
AU dollar strengthening by 8.7% (2018: weakening by 0.6%) to the rand	**–**	–
Mozambique new metical strengthening by 3.5% (2018: weakening by 18.5%) to the rand	**1**	(9)

If the foreign currencies were to weaken/strengthen against the rand, by the same percentages as set out in the table above, it would have an equal, but opposite effect on profit or loss.

Foreign exchange contracts

The group uses forward exchange contracts to hedge its foreign currency risk against change in foreign currency denominated assets and liabilities. Most of the forward exchange contracts have maturities of less than one year after reporting date. As a matter of policy, the group does not enter into derivative contracts for speculative purposes. The fair values of such contracts at year-end, by currency, were:

	2019 Rm	2018 Rm
Short-term derivatives		
Assets		
Fair value of foreign exchange contracts		
Euro	**1**	7
US dollar	**9**	51
	10	58
Liabilities		
Fair value of foreign exchange contracts		
Euro	**(5)**	(2)
US dollar	**(28)**	–
	(33)	(2)
Net derivative liabilities	**(23)**	56

Changes in the fair value of forward exchange contracts of economically hedged monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied, are recognised in profit or loss.

Notes to the financial statements

for the year ended 30 June 2019 (continued)

33. Financial instruments (continued)

33.4 Interest rate risk

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

The interest and related terms of the group's interest-bearing loans are disclosed in note 24.

At the reporting date the interest rate profile of the group's financial instruments was:

	Variable JIBAR and SA prime Rm	Variable other Rm	Fixed rate Rm	Non-interest-bearing Rm	Total Rm
2019					
Non-current financial assets	**2**	**–**	**–**	**2**	**4**
Current financial assets	**1 503**	**249**	**–**	**3 635**	**5 387**
Non-current financial liabilities	**(4 135)**	**–**	**(878)**	**–**	**(5 013)**
Current financial liabilities	**(1 226)**	**(23)**	**(13)**	**(4 758)**	**(6 020)**
	(3 856)	**226**	**(891)**	**(1 121)**	**(5 642)**
2018					
Non-current financial assets	6	–	–	7	13
Current financial assets	1 881	235	–	3 794	5 910
Non-current financial liabilities	(4 218)	(24)	(2 682)	(36)	(6 960)
Current financial liabilities	(919)	–	(37)	(4 401)	(5 357)
	(3 250)	211	(2 719)	(636)	(6 394)

Sensitivity analysis

The group is sensitive to movements in the JIBAR and SA prime rates, which are the primary interest rates to which the group is exposed.

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

Through (profit)/loss	2019 Rm	2018 Rm
JIBAR and SA prime – 100 basis point increase	**39**	33

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

33.5 Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Potential concentration of credit risk consists principally of short-term cash and cash equivalent investments, trade and other receivables, and loans receivable. The group deposits short-term cash surpluses with major banks of high-quality credit standing. Trade receivables comprise a large and widespread customer base. At 30 June 2019, the group did not consider there to be any significant concentration of credit risk that had not been adequately provided for. The amounts presented in the statement of financial position are net of loss allowances for doubtful debts, estimated by the group companies' management based on prior experience and the current and future economic environment.

Credit risk management

Trade debtors

The group aims to minimise loss caused by default of customers through specific group-wide policies and procedures. Compliance with these policies and procedures is the responsibility of divisional management. Monitoring of compliance with these policies is done by internal audit. All known risks are required to be fully disclosed and accounted for and are provided against as doubtful debts. Certain divisions have obtained credit guarantee insurance cover to manage the risk of default by debtors.

Granting credit

The group assesses the creditworthiness of potential and existing customers by obtaining trade references and credit references and evaluating the business acumen of the client. Once this review has been performed, the applied credit limit is reviewed and approved. Group companies perform ongoing credit evaluations on the financial condition of their customers. This process is supported by the audit and risk subcommittees, which are in place for all operating divisions. Reports on the credit quality and exposures are provided to the subcommittees for review. These subcommittees meet regularly and deal with all issues arising at the operational division or subsidiary level.

Collateral

The group does not generally require collateral in respect of trade receivables and other receivables. The group does not have trade receivables for which no loss allowance is recognised because of collateral.

The group has liens over items sold until full payment has been received from customers. The fair value of collateral held against these loans and receivables is linked to the value of the liens. Furthermore, certain divisions in the group have credit insurance to partially cover its exposure to risk on receivables. In addition to the liens over inventories, the group has collateral over other assets of counterparties valued at R551 million (2018: R458 million).

Exposure to credit risk

The carrying amounts of financial assets represent the maximum credit exposure.

	2019 Rm	2018 Rm
The maximum exposure to credit risk at the reporting date, without taking account of the value of any collateral obtained, was:		
Non-current financial assets	**4**	13
Current financial assets	**5 387**	5 910
	5 391	5 923
The maximum exposure to credit risk at the reporting date by segment was (carrying amounts):		
Diversified industrial	**790**	1 647
Diversified chemical	**2 107**	2 041
Diversified logistics	**2 494**	2 235
	5 391	5 923

The transition provisions of IFRS 9 – *Financial Instruments* allow an entity not to restate comparatives. However, the group has adopted consequential amendments to IFRS 7 – *Financial Instruments: Disclosure* that are applied to 2019 disclosures below but have not been applied to comparative information.

Notes to the financial statements

for the year ended 30 June 2019 (continued)

33. Financial instruments (continued)

33.5 Credit risk (continued)

	2019 Rm
The maximum exposure to credit risk at the reporting date by geographical region was (carrying amounts):	
South Africa	**4 552**
Rest of Africa	**616**
Europe	**16**
Middle East	**15**
Asia	**12**
Australasia	**3**
Americas	**167**
	5 381
Gross carrying amount:	
12-month ECL (Not credit impaired)	**1 933**
Lifetime ECL (Not credit impaired)	**3 373**
Lifetime ECL (Credit impaired)	**165**
Less: Loss allowance	
12-month ECL (Not credit impaired)	**(3)**
Lifetime ECL (Not credit impaired)	**(27)**
Lifetime ECL (Credit impaired)	**(60)**
	5 381

The group's current credit risk grading framework comprises the following categories:

Category	Description	Credit risk
Performing	The counterparty has a low risk of default and does not have any past-due amounts	Not credit impaired
Doubtful	Amounts is > 30 days past due or there has been a significant increase in credit risk since initial recognition	Not credit impaired
In default	Amount is > 90 days past due or there is evidence indicating the asset is credit impaired	Credit impaired
Write-off	There is evidence indicating that the financial asset is in severe financial difficulty and the group has no realistic prospect of recovery	Amount is written off

Expected credit loss assessment for financial assets

The group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to best available external data where there is a lack of internal historical data. In some cases, external benchmarking data, adjusted for forward-looking information was considered most appropriate where it aligned with the underlying characteristics of the financial asset.

Exposures within each credit risk grade are segmented by industry and an ECL rate is calculated for each segment. These rates are adjusted to reflect the group's view of economic conditions over the expected lives of the receivables taking into account specific information available regarding the customer.

At the reporting date, the segment risk profile of the group's financial instruments was:

	Weighted average loss rate %	Gross carrying amount Rm	Impairment loss allowance Rm	Net carrying amount Rm
2019				
Segment				
General	**1.7**	**1 010**	**(17)**	**993**
Corporate	**0.8**	**2 336**	**(19)**	**2 317**
Public sector entities	**0.0**	**6**	**–**	**6**
Local government and municipalities	**2.1**	**48**	**(1)**	**47**
Sovereign	**0.0**	**9**	**–**	**9**
Banks	**0.0**	**1 802**	**–**	**1 802**
Securities firms	**0.0**	**6**	**–**	**6**
SME corporate	**3.6**	**111**	**(4)**	**107**
SME retail	**34.3**	**143**	**(49)**	**94**
		5 471	**(90)**	**5 381**

Movement in loss allowance

The movement in allowance for impairment in respect of trade receivables, other receivables and loans receivable during the year is indicated in the table below. Comparative amounts for 2018 represent the allowance for impairment losses under IAS 39.

Movement in loss allowance for trade receivables	12-month ECL (Not credit impaired) Rm	Lifetime ECL (Not credit impaired) Rm	Lifetime ECL (Credit impaired) Rm	**2019 Total Rm**	2018 Total Rm
Balance at beginning of the year under IAS 39				**(40)**	(71)
Adjustment on initial application of IFRS 9				**(18)**	–
Balance at beginning of the year under IFRS 9	–	(42)	(16)	**(58)**	(71)
Additional provision raised	–	(3)	(22)	**(25)**	(9)
Amounts unused reversed	–	6	–	**6**	28
Amounts utilised during the year	–	12	3	**15**	8
Reclassification to accruals and other provisions	–	–	–	**–**	4
Balance at end of the year	–	(27)	(35)	**(62)**	(40)
Movement in loss allowance for other receivables					
Balance at beginning of the year under IAS 39				**–**	–
Adjustment on initial application of IFRS 9				**(8)**	–
Balance at beginning of the year under IFRS 9	(6)	–	(2)	**(8)**	–
Additional provision raised	–	–	(3)	**(3)**	–
Amounts unused reversed	6	–	(5)	**1**	–
Balance at end of the year	–	–	(10)	**(10)**	–
Movement in loss allowance for loans receivables					
Balance at beginning of the year under IAS 39				**(4)**	(4)
Adjustment on initial application of IFRS 9				**(4)**	–
Balance at beginning of the year under IFRS 9	(2)	–	(6)	**(8)**	(4)
Additional provision raised	–	–	(11)	**(11)**	–
Balance at end of the year	(2)	–	(17)	**(19)**	(4)

Notes to the financial statements

for the year ended 30 June 2019 (continued)

33. Financial instruments (continued)

33.5 Credit risk (continued)

Comparative information under IAS 39

Ageing of financial assets	2018 Rm
Not past due or impaired	5 367
Past due 1 to 30 days but not impaired	322
Past due 31 to 60 days but not impaired	28
Past due 61 to 90 days but not impaired	34
Past due more than 90 days but not impaired	24
Past due but not impaired in full	148
Past due balance	188
Impairment allowance	(40)
	5 923

33.6 Liquidity risk

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

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

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

	2019 Rm	2018 Rm
0 to 3 months	**(4 570)**	(4 086)
4 to 12 months	**(1 893)**	(1 916)
Year 2	**(2 023)**	(3 424)
Years 3 to 5	**(3 746)**	(4 567)
After 5 years	**(12)**	(21)
	(12 244)	(14 014)

33.7 Treasury risk

Senior executives of the group meet on a regular basis to analyse currency and interest rate exposure and to review and, if required, adjust the group's treasury management strategies in the context of prevailing and forecast economic conditions.

33.8 Capital risk

The group manages its capital to ensure that entities in the group will be able to continue as going concerns, while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the group consists of debt, which includes the borrowings disclosed in note 24, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

KAP

34.		Principal activity	Place of incorporation	Ownership 2019 %	Ownership 2018 %
34.	**Material subsidiaries**				
	KAP Diversified Industrial Proprietary Limited	Integrated forestry, timber and resin manufacturing as well as polyethylene terephthalate ('PET'), high-density polyethylene ('HDPE') and polypropylene ('PP')	South Africa	**100**	100
	KAP Automotive Proprietary Limited	Vehicle retail accessories and components used in new vehicle assembly	South Africa	**100**	100
	KAP Bedding Proprietary Limited	Manufacture of foam, fabrics, springs, bases and branded mattresses	South Africa	**100**	100
	Unitrans Holdings Proprietary Limited	Holding company of Unitrans Supply Chain Solutions Proprietary Limited, Unitrans Africa Proprietary Limited and Unitrans Passenger Proprietary Limited	South Africa	**100**	100
	Unitrans Supply Chain Solutions Proprietary Limited	Provision of specialised contractual supply chain and logistics services	South Africa	**55**	100
	Unitrans Africa Proprietary Limited	Provision of specialised contractual supply chain and logistics services	South Africa	**100**	100
	Unitrans Passenger Proprietary Limited	Provision of personnel, commuter, intercity and tourism transport services	South Africa	**100**	100

Notes to the financial statements

for the year ended 30 June 2019 (continued)

	Basic R	Company contributions R	Bonuses R	Total R
35. Directors' remuneration				
35.1 Remuneration				
Executive directors				
2019				
Gary Noel Chaplin	**7 003 424**	**396 576**	**3 000 000**	**10 400 000**
Frans Hendrik Olivier	**4 163 108**	**336 892**	**1 850 000**	**6 350 000**
	11 166 532	**733 468**	**4 850 000**	**16 750 000**
2018				
Gary Noel Chaplin	5 640 063	359 937	5 250 000	11 250 000
Frans Hendrik Olivier	3 397 080	302 920	3 355 000	7 055 000
	9 037 143	662 857	8 605 000	18 305 000

	2019 R	2018 R
Non-executive directors		
Theodore le Roux de Klerk[1&2]	**367 161**	272 882
Louis Jacobus du Preez[1&2]	**367 161**	272 882
Jacob de Vos du Toit	**1 060 225**	796 910
Karel Johan Grové	**983 455**	532 288
Markus Johannes Jooste	**–**	87 030
Andries Benjamin la Grange	**–**	87 030
Ipeleng Nonkululeko Mkhari	**700 040**	346 301
Stephanus Hilgard Müller	**1 086 966**	642 438
Sandile Hopeson Nomvete	**660 307**	471 301
Patrick Keith Quarmby	**1 255 203**	717 077
Daniel Maree van der Merwe[2&3]	**183 479**	449 863
Christiaan Johannes Hattingh van Niekerk[3]	**226 644**	315 000
	6 890 641	4 991 002

[1] *On 3 April 2019, Messrs TLR de Klerk and LJ du Preez resigned as non-executive directors from the board.*
[2] *Paid to subsidiary companies of Steinhoff International Holdings N.V.*
[3] *Messrs DM van der Merwe and CJH van Niekerk did not make themselves available for re-election at the company's annual general meeting on 13 November 2018. They were consequently not re-appointed to the board.*

All remuneration disclosed above was paid to directors in respect of services rendered as directors of the company.

Directors of the company are considered to be key management personnel.

		Offer date	Number of rights as at 30 June 2018	Number of rights (exercised)/ (expired)/ awarded during the year	Number of rights as at 30 June 2019
35.2	**Share rights**				
	Executive directors				
	Gary Noel Chaplin	December 2015	1 151 851	(1 151 851)	**–**
		December 2016	1 401 589	(1 401 589)	**–**
		December 2017	1 198 565	–	**1 198 565**
		December 2018	–	1 578 289	**1 578 289**
			3 752 005	**(975 151)**	**2 776 854**
	Frans Hendrik Olivier	December 2015	486 191	(486 191)	**–**
		December 2016	713 328	(713 328)	**–**
		December 2017	588 636	–	**588 636**
		December 2018	–	959 770	**959 770**
			1 788 155	**(239 749)**	**1 548 406**
	Total executive directors		**5 540 160**	**(1 214 900)**	**4 325 260**
	Non-executive director				
	Karel Johan Grové[1]	December 2015	827 893	(827 893)	**–**
	Total non-executive director		**827 893**	**(827 893)**	**–**
	Total directors		**6 368 053**	**(2 042 793)**	**4 325 260**

[1] *Share rights of KJ Grové were adjusted to reflect the pro rata entitlement as per rules of the share scheme in terms of retirement.*

	Number of rights exercised	Value of rights exercised R
Value of share rights exercised during the year		
2019		
Executive directors[3]		
Gary Noel Chaplin	**1 151 851**	**8 984 438**
Frans Hendrik Olivier	**486 191**	**3 792 290**
	1 638 042	**12 776 728**
Non-executive director[3]		
Karel Johan Grové	**827 893**	**6 457 565**
	2 465 935	**19 234 293**
2018		
Executive directors[2]		
Gary Noel Chaplin	1 543 470	13 536 232
Frans Hendrik Olivier	507 466	4 450 477
	2 050 936	17 986 709
Non-executive director[2]		
Karel Johan Grové	1 825 967	16 013 731
	3 876 903	34 000 440

[2] *The market price of share rights exercised was R8.77 for 1 December 2017.*
[3] *The market price of share rights exercised was R7.80 for 1 November 2018.*

Notes to the financial statements

for the year ended 30 June 2019 (continued)

36. Events after reporting date

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

Analysis of shareholding

for the year ended 30 June 2019

	2019			
	Number of shareholders	%	Number of shares	%
Shareholder spread				
1 – 1 000 shares	**4 083**	**34.49**	**751 128**	**0.03**
1 001 – 10 000 shares	**4 846**	**40.93**	**21 936 249**	**0.81**
10 001 – 100 000 shares	**2 074**	**17.52**	**60 175 438**	**2.23**
100 001 – 1 000 000 shares	**548**	**4.63**	**196 725 373**	**7.27**
1 000 001 – 10 000 000 shares	**242**	**2.04**	**700 217 183**	**25.89**
10 000 001 shares and over	**46**	**0.39**	**1 724 331 867**	**63.77**
	11 839	**100.00**	**2 704 137 238**	**100.00**
Resident/non-resident split				
Resident	**11 626**	**98.20**	**2 144 914 099**	**79.32**
Non-resident	**213**	**1.80**	**559 223 139**	**20.68**
	11 839	**100.00**	**2 704 137 238**	**100.00**

	2019		2018	
	Number of shares	%	Number of shares	%
Shares held by directors of the company				
Gary Noel Chaplin	**2 511 110**	**0.093**	1 877 592	0.070
Frans Hendrik Olivier	**1 050 000**	**0.039**	1 050 000	0.039
Karel Johan Grové	**4 862 828**	**0.180**	4 407 487	0.165
Theodore le Roux de Klerk	**–**	**0.000**	20 000	0.001
Louis Jacobus du Preez	**–**	**0.000**	20 000	0.001
Jacob de Vos du Toit	**540 368**	**0.020**	540 368	0.020
Stephanus Hilgard Müller	**225 004**	**0.008**	225 004	0.008
	9 189 310	**0.340**	8 140 451	0.304
Shares held by directors of group subsidiaries	**61 487 794**	**2.275**	57 075 385	2.131
Shares held by management of the company and its group subsidiaries	**5 706 136**	**0.211**	5 038 199	0.188
	76 383 240	**2.825**	70 254 035	2.623
Public/non-public shareholdings				
Steinhoff International Holdings N.V.	**–**	**0.00**	694 206 661	25.92
Allan Gray[1]	**478 135 864**	**17.68**	353 183 098	13.19
Directors (and associates) of the company and its subsidiaries	**70 677 104**	**2.61**	65 215 836	2.44
Management of the company and its subsidiaries	**5 706 136**	**0.21**	5 038 199	0.19
Non-public shareholders[2]	**554 519 104**	**20.51**	1 117 643 794	41.74
Public shareholders[3]	**2 149 618 134**	**79.49**	1 560 230 546	58.26
	2 704 137 238	**100.00**	2 677 874 340	100.00

[1] *Allan Gray is a beneficial shareholder holding more than 10% of the shares of the company at year-end.*
[2] *There were 66 (2018: 70) non-public shareholders at year-end.*
[3] *There were 11 773 (2018: 9 929) public shareholders at year-end.*

SHAREHOLDERS' DIARY

Annual general meeting 2019	Wednesday, 13 November 2019
Announcement of interim results	Third week of February 2020
Announcement of year-end results and anticipated declaration of dividend/distribution	Third week of August 2020
Annual general meeting 2020	November 2020

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