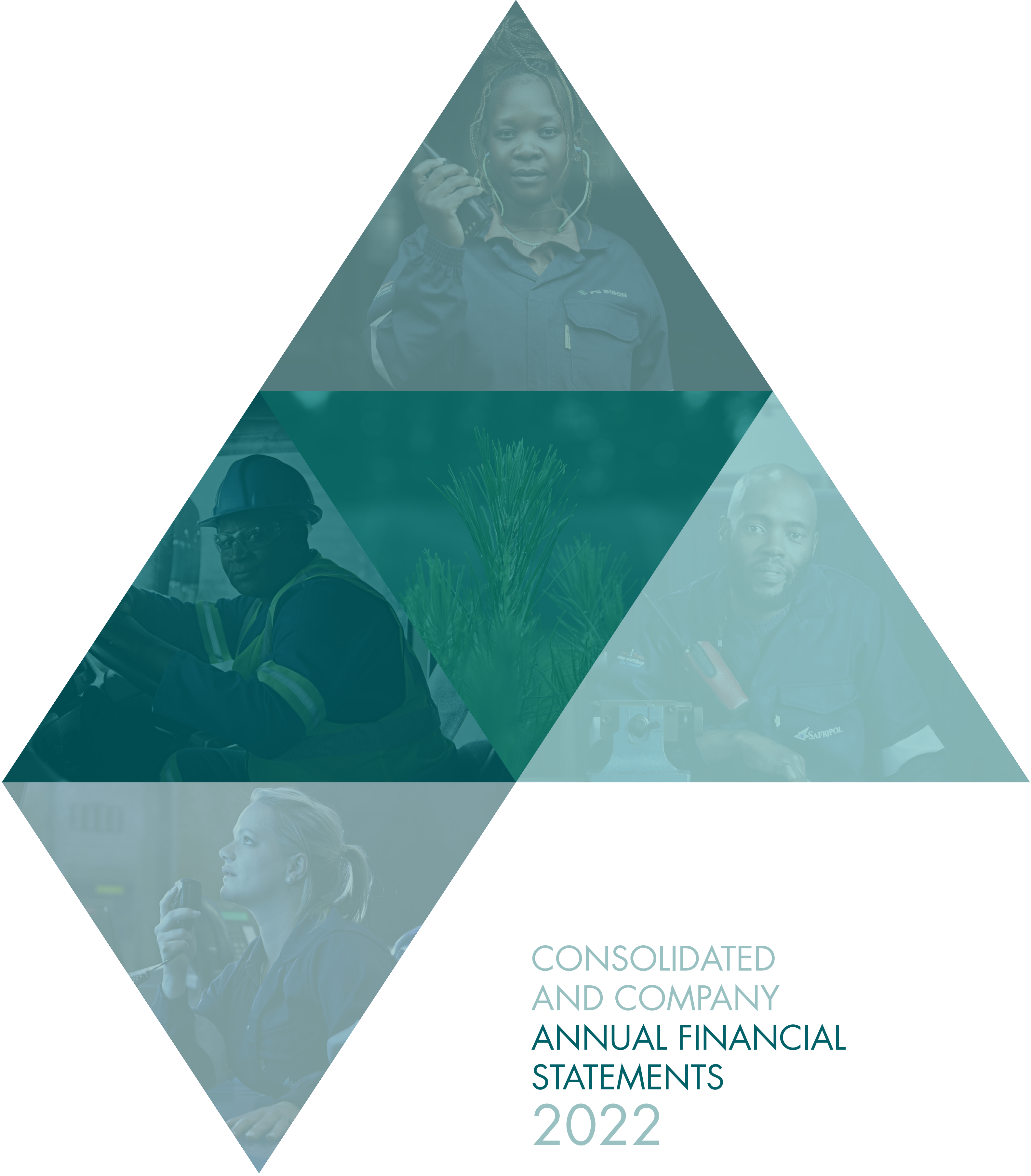

CONSOLIDATED AND COMPANY ANNUAL FINANCIAL STATEMENTS 2022

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The consolidated and company annual financial statements for KAP Industrial Holdings Limited have been prepared under the supervision of the chief financial officer, Frans Olivier CA(SA) and were published on 24 August 2022.

KAP Industrial Holdings Limited Group

DIRECTORS' RESPONSIBILITY AND APPROVAL

It is the directors' responsibility to ensure that the consolidated and company annual financial statements of KAP Industrial Holdings Limited ('the company') and its subsidiaries ('the group') fairly present the state of affairs of the group and company. The group's external auditors, KPMG, are engaged to express an independent opinion on these financial statements, which is presented on pages 5 to 9.

The directors are also responsible for the systems of internal controls. These are designed to provide reasonable, but not absolute, assurance on the reliability of the consolidated and company annual financial statements, to adequately safeguard, verify and maintain accountability of assets and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained employees 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 consolidated and company annual financial statements were prepared by management on the basis of appropriate accounting policies, which were consistently applied, except where stated otherwise. The consolidated and company annual 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 2022, 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 No. 71 of 2008 of South Africa.

The consolidated and company annual financial statements were prepared on the going concern basis since the directors have every reason to believe that the group and company have adequate resources in place to continue operating in the foreseeable future based on forecasts and available cash resources.

The consolidated and company annual financial statements for the year ended 30 June 2022 were approved by the board of directors on 23 August 2022, and are signed on its behalf by:

Patrick Quarmby	Gary Chaplin	Frans Olivier
Independent non-executive chairperson	Chief executive officer	Chief financial officer
23 August 2022		

KAP Industrial Holdings Limited Group

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER RESPONSIBILITY STATEMENT

In line with paragraph 3.84(k) of the JSE Listings Requirements, each of the directors whose names are stated below, hereby confirm that:

- the consolidated and company annual financial statements, set out on pages 10 to 94, fairly present in all material respects the financial position, financial performance and cash flows of KAP Industrial Holdings Limited and its subsidiaries in terms of IFRS;
- to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the consolidated and company annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the company and its consolidated subsidiaries has been provided to effectively prepare the financial statements of the group;
- the internal financial controls are adequate and effective and can be relied upon in compiling the consolidated and company annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls. Where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have remediated the deficiencies or taken steps to remedy the deficiencies; and
- we are not aware of any fraud involving directors.

Gary Chaplin
Chief executive officer

Frans Olivier
Chief financial officer

23 August 2022

KAP Industrial Holdings Limited Group

COMPANY SECRETARY'S CERTIFICATE

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

KAP Secretarial Services Proprietary Limited
Company secretary

23 August 2022

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

KAP Industrial Holdings Limited Group

INDEPENDENT AUDITOR'S REPORT

To the shareholders of KAP Industrial Holdings Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and company financial statements of KAP Industrial Holdings Limited ('the group' and 'company') set out on pages 17 to 94, which comprise:

- the group and company statements of financial position as at 30 June 2022;
- the group income statement for the year then ended;
- the group statement of comprehensive income for the year then ended;
- the company income statement and statement of comprehensive income for the year then ended;
- the group and company statements of changes in equity for the year then ended;
- the group and company statements of cash flows for the year then ended;
- the group segmental analysis for the year then ended;
- the group accounting policies for the year then ended; and
- the notes to the group financial statements and notes to the company financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of KAP Industrial Holdings Limited as at 30 June 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRS') 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 and separate financial statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* ('IRBA Code') and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).* 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 and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters set out below related to our audit of the consolidated financial statements. We have determined that there are no key audit matters to communicate in respect of the separate financial statements.

Key audit matter	How the matter was addressed in the audit
Impairment assessment of goodwill and intangible assets with indefinite useful lives *Refer to the goodwill accounting policy, the intangible assets accounting policy, and notes 1, 6, 13 and 14 to the consolidated financial statements.*	
As at 30 June 2022, the group held goodwill at a carrying value of R683 million, and patents and trademarks and supplier relationships at a carrying value of R1 249 million and R1 046 million respectively. Annual impairment tests are conducted to assess the recoverability of the carrying value of these assets. In performing the impairment tests, the carrying amount of each cash generating unit ('CGU'), including the related goodwill, is compared to the recoverable amount of the respective CGU. The recoverable amount of each CGU is determined based on a value-in-use calculation using the discounted cash flow method. Management has applied significant judgement, as there are a number of significant assumptions made in determining the inputs included in the value-in-use calculation of each CGU. These include: • discount rates applied to the projected future cash flows; • terminal growth rates; • polymer margins; and • royalty rates applicable to the trademark valuations.	Our audit procedures focused on evaluating the appropriateness of the key assumptions used in management's determination of the value-in-use of each CGU. We involved our internal valuation specialists, with specialised skills and knowledge, to assist with performing the audit procedures relating to the appropriateness of the valuation models and the evaluation of key assumptions. The primary procedures we performed to address this key audit matter included the following: • Gaining an understanding of the process followed by management to assess these intangible assets for impairment and testing the design and implementation of certain key controls related to this assessment, including management's controls related to the review of inputs included in the value-in-use calculations. • Critically evaluating whether the discounted cash flow models used by management to calculate the value-in-use of each CGU comply with acceptable industry standards and the requirements of IAS 36, *Impairment of Assets* ('IAS 36').

Key audit matter	How the matter was addressed in the audit
Impairment assessment of goodwill and intangible assets with indefinite useful lives (continued) *Refer to the goodwill accounting policy, the intangible assets accounting policy, and notes 1, 6, 13 and 14 to the consolidated financial statements.*	
As a result of the significant audit effort required to assess the judgements made by management with regard to the inputs into the discounted cash flows and the degree of complexity involved in determining the recoverable amounts of each CGU, the impairment of goodwill, patents and trademarks and supplier relationships, or potential reversal of previous impairments, was considered a key audit matter in our audit of the consolidated financial statements.	• Evaluating the appropriateness of the group's key assumptions used in calculating the discount rates, as well as independently recalculating these discount rates. • Evaluating the appropriateness of the group's royalty rates, by comparing these royalty rates against industry benchmarks within the particular industry in which the underlying CGU operates. • Assessing the appropriateness of the forecast cash flows by comparing the group's historical forecast performance with the actual results over the same period, approved budgets, and peer companies' benchmarking and industry data to determine whether they are reasonable and supportable. • Performing sensitivity analyses over management's key assumptions regarding the forecast cash flows, discount rates, terminal growth rates, polymer margins and royalty rates to assess the impact of changes in these key assumptions on the recoverable amount of each CGU. • Recalculating the value-in-use of the CGUs, and comparing the calculated recoverable amount against the carrying value of each CGU to confirm whether an impairment, or potential reversal of previous impairments, was required to be recognised. • Assessing the appropriateness of the disclosures included in the consolidated financial statements against the requirements of IAS 36.
Impairment assessment of the Safripol Durban polyethylene terephthalate ('PET') plant and equipment *Refer to the impairment of tangible and intangible assets other than goodwill accounting policy and notes 6 and 15 to the consolidated financial statements.*	
As at 30 June 2022, the group held the Safripol Durban polyethylene terephthalate plant and equipment at a carrying value of R1 287 million, included in the financial statement caption property, plant and equipment. The performance of the Safripol Durban PET plant and equipment is impacted by the cyclical nature of global supply and demand of polymers and associated raw materials. The long-term sustainability of polymer and associated raw materials pricing, margins and volumes is considered unpredictable; and therefore, an impairment assessment as required by IAS 36 was required, given the impact of global polymer pricing on the financial performance of the Durban Safripol PET plant and equipment. The recoverable amount of the Safripol Durban PET plant and equipment CGU ('the CGU') is determined based on a value-in-use calculation using the discounted cash flow method. Management has applied significant judgement, as there are a number of significant assumptions made in determining the inputs included in the value-in-use calculation of the CGU. These include: • discount rates applied to the projected future cash flows; • terminal growth rates; and • polymer margins.	Our audit procedures focused on evaluating the appropriateness of the key assumptions used in management's determination of the value-in-use of the CGU. We involved our internal valuation specialists, with specialised skills and knowledge, to assist with performing the audit procedures relating to the appropriateness of the valuation model and the evaluation of key assumptions. The procedures we performed to address this key audit matter included the following: • Gaining an understanding of the process followed by management to assess the CGU for impairment and testing the design and implementation of certain key controls related to this assessment, including management's controls related to the review of inputs included in the value-in-use calculation. • Critically evaluating whether the discounted cash flow model used by management to calculate the value-in-use of the CGU complies with acceptable industry standards and the requirements of IAS 36. • Evaluating the appropriateness of management's key assumptions used in calculating the discount rate, as well as independently recalculating the discount rate. • Assessing the appropriateness of the forecast cash flows by comparing the CGU's historical forecast performance with the actual results over the same period, approved budgets and industry data to determine whether they are reasonable and supportable.

Key audit matter	How the matter was addressed in the audit
Impairment assessment of the Safripol Durban polyethylene terephthalate ('PET') plant and equipment (continued) *Refer to the impairment of tangible and intangible assets other than goodwill accounting policy and notes 6 and 15 to the consolidated financial statements.*	
As a result of the significant audit effort required to assess the judgements made by management with regard to the inputs into the discounted cash flows, and the degree of complexity involved in determining the recoverable amount of the CGU, the impairment of the Safripol Durban PET plant and equipment, or potential reversal of previous impairments, was considered a key audit matter in our audit of the consolidated financial statements.	• Performing sensitivity analyses over management's key assumptions regarding the forecast cash flows, discount rate, terminal growth rate and polymer margins to assess the impact of changes in these key assumptions on the recoverable amount of the CGU. • Recalculating the value-in-use of the CGU, and comparing the calculated recoverable amount against the carrying value of the CGU to confirm whether an impairment, or potential reversal of previous impairments, was required to be recognised. • Assessing the appropriateness of the disclosures included in the consolidated financial statements against the requirements of IAS 36.
Valuation of timber plantations *Refer to the consumable biological assets accounting policy and note 17 to the consolidated financial statements.*	
As at 30 June 2022, the group held timber plantations at a carrying value of R1 438 million, included in the financial statement caption consumable biological assets. Timber plantations are measured at fair value less estimated costs to sell in accordance with IAS 41, *Agriculture* ('IAS 41') and IFRS 13, *Fair Value Measurement* ('IFRS 13'). The valuation of the group's timber plantations has been carried out by management. During the year ended 30 June 2022, a fair value gain of R125 million was recognised in profit or loss relating to timber plantations. The fair value of younger standing timber is determined using the discounted cash flow method using a risk-adjusted discount rate. The principal assumptions consistently applied in the current and prior year include a discount rate, standing volumes, market prices and operating costs, with the following key considerations: • As the timber plantations mature over an extended period of time, management has determined that the 10-year Government Bond Yield Curve ('GSAB10YR') represents a suitable fit for the period under consideration. • The expected yields per log class are calculated with reference to standard industry growth models relevant to the planted area and tree species. • Operating costs are based on the forest management activities required for the trees to reach the age of felling, and includes the current costs of maintenance and risk management as well as fixed overhead costs. As a result of the significant audit effort required to assess the judgements made by management with regard to the inputs into the discounted cash flows, and the degree of complexity involved in determining the carrying value of timber plantations, the valuation of timber plantations was considered a key audit matter in our audit of the consolidated financial statements.	Our audit procedures focused on evaluating the appropriateness of the key assumptions used in management's determination of the fair value of younger standing timber. We involved our internal valuation specialists, with specialised skills and knowledge, to assist with performing the audit procedures relating to the appropriateness of the valuation models and the evaluation of key assumptions. The procedures we performed to address this key audit matter included the following: • Critically evaluating whether the valuation methodology applied by management to calculate the fair value of the timber plantations complies with acceptable industry standards and the requirements of IAS 41 and IFRS 13. • Challenging management with respect to the expected yields per log class, operating costs and forecast sales prices underlying the cash flow forecasts by comparing these inputs against external, observable industry data, where applicable, as well as comparing the group's historical forecast measurements with the actual results over the same period to determine whether they are consistent, reasonable and supportable. • Assessing the reasonableness of the group's fair value estimates and the related sensitivity analysis disclosures included in the consolidated financial statements by independently performing our own sensitivity analyses over the timber plantation valuations. • Assessing the appropriateness of the disclosures included in the consolidated financial statements against the requirements of IAS 41 and IFRS 13.

Other matter

The consolidated and separate financial statements of the group and company as at and for the year ended 30 June 2021, were audited by another auditor who expressed an unmodified opinion on those consolidated and separate financial statements on 19 August 2021 and 20 October 2021 respectively.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "KAP Industrial Holdings Limited consolidated and company annual financial statements 2022", which includes the Company secretary's certificate, Report of the audit and risk committee, and the Directors' report, as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the 2022 Integrated annual report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate 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 and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS 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 and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 and separate 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 and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate 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 and/or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate 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 KPMG Inc. has been the auditor of KAP Industrial Holdings Limited for one year.

KPMG Inc.
Registered auditor

Per IM Engels
Chartered accountant (SA)
Registered auditor
Director
23 August 2022

The Halyard
4 Christiaan Barnard Street
Foreshore
Cape Town
8001

KAP Industrial Holdings Limited Group

REPORT OF THE AUDIT AND RISK COMMITTEE

Introduction

The audit and risk committee ('the committee') of KAP Industrial Holdings Limited ('the company' or 'KAP') is pleased to present its report for the financial year ended 30 June 2022, as recommended by the King IV Report on Corporate Governance™ for South Africa, 2016 ('King IV™')*, the Companies Act No. 71 of 2008 of South Africa ('the Companies Act'), and the JSE Limited ('JSE') Listings Requirements.

The committee is an independent statutory committee, whose duties are guided by a formal charter that is in line with the Companies Act, the JSE Listings Requirements and the recommendations of King IV™. The charter was reviewed and updated during August 2021, and the revised charter was subsequently approved by the board of directors ('the board'). The committee has discharged all its responsibilities as contained in the charter.

This report aims to provide details on how the committee satisfied its various statutory obligations during the year, and addressed significant matters that arose, to assist in ensuring the integrity of the group's financial reporting.

Composition and governance

Throughout the financial year, the committee comprised at least four independent non-executive directors, all of whom satisfied the independence requirements of section 94(4) of the Companies Act and King IV™. The committee members for the 2022 financial year are set out below:

- KT Hopkins (chairperson)
- TC Esau-Isaacs
- Z Fuphe
- SH Müller
- PK Quarmby (committee member until 18 November 2021)^

The nomination committee of the company 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, to serve on an audit committee of a public, listed company. On recommendation by the nomination committee, the committee members have been nominated by the board for election by shareholders at the company's forthcoming annual general meeting ('AGM').

The committee met on four scheduled occasions in line with its charter. Further meetings were scheduled to review the progress and implementation of the KAP corporate governance framework and combined assurance model, to oversee the external quality assessment review ('EQAR') of the internal audit function in line with the standards issued by the Institute of Internal Auditors ('IIA') and to consider the outsourcing of the company's internal audit function to an independent external service provider.

The chief executive officer ('CEO'), the chief financial officer ('CFO'), the executive: enterprise risk management, the chief audit executive ('CAE'), the executive: information, communication and technology ('ICT'), the executive: treasury and legal, as well as the group financial manager are permanent invitees to the committee in terms of our charter. The company secretary acts as secretary for the committee.

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^ PK Quarmby was appointed as the chairperson of the board effective 18 November 2021. Consequently, he was not reappointed to the committee. This is in line with King IV™, which stipulates that the chairperson should not be a member of the audit and risk committee.

The chairperson has regular contact with the KAP management team to discuss relevant matters directly. The CAE and the external auditors have direct access to the committee on any matter that they regard as relevant to the fulfilment of the committee's responsibilities. The chairperson will meet independently with the CAE and the external auditors as required and at times considered necessary by either party. In addition, the committee meeting agenda allows for a meeting without the presence of management.

The committee is supported by various corporate committees that deal with combined assurance, compliance, ICT and tax compliance.

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 granting unrestricted access to the external auditors.

Subsidiary companies and divisions

The committee is supported by nine divisional subcommittees, in place for all subsidiary companies to assist the committee in fulfilling its functions, duties and obligations.

The members of the divisional subcommittees include divisional executives responsible for assurance. Certain KAP corporate services executives and the external auditors attend by invitation. These divisional subcommittees meet quarterly and deal with all audit and risk matters arising at divisional level. The divisional subcommittees escalate any unresolved matters of concern to the committee. The committee retains ultimate accountability for all statutory and other formal obligations of the company and its subsidiaries. Each divisional subcommittee met four times during the year under review.

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 annual financial statements of companies in the group and to ensure that the annual financial statements and any other formal announcements relating to the financial performance comply with all applicable statutory and regulatory requirements.
- To ensure that the interim condensed financial statements, the consolidated and company annual financial statements and the annual integrated report comply with all applicable statutory and regulatory requirements.
- To ensure that all financial information contained in any consolidated submissions to the board is accurate and complete.
- To assess annually the appointment of the external auditors and confirm their independence, recommend their appointment at the AGM 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 oversee the appropriateness of the governance structures relating to ICT, in its support of the business to execute the business strategy and day-to-day operations.
- To ensure that appropriate financial reporting controls and procedures exist and are effective for the company and its subsidiaries.
- To ensure that the directors have access to all the financial information of the group to allow them to approve the consolidated and company annual financial statements.
- To perform duties that are attributed to it by its mandate from the board, the Companies Act, the JSE Listings Requirements, King IV™ and other applicable regulatory requirements.

During the year under review, the committee:

- Received and reviewed reports from the internal 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 from their audits and requested appropriate responses from management to ensure that their concerns were addressed.
- Made appropriate recommendations to the board regarding the corrective actions to be taken as a result of audit findings.
- Considered the independence and objectivity of the external auditors and ensured that the scope of any additional services provided was not of such a nature that they could be seen to have impaired their independence.
- Reviewed and recommended, for adoption by the board, such financial information that is publicly disclosed which, for the year, included:
  - the consolidated and company annual financial statements for the year ended 30 June 2022; and
  - the interim results for the six months ended 31 December 2021.
- Considered the JSE's monitoring activities reports listed below and took appropriate action to apply the findings and improve disclosures where required:
  - reporting back on proactive monitoring of financial statements in 2021; and
  - combined findings of the JSE proactive monitoring of financial statements (2011 to 2020).
- Considered the effectiveness of internal audit, approved the one-year internal audit plan and monitored the adherence of internal audit to its annual plan.
- Oversaw the EQAR of the internal audit department.
- Reviewed reports of the ICT steering committee and executive: ICT concerning the effectiveness, suitability and reliability of the ICT 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 applicable legal and regulatory requirements, environmental compliance, as well as open legal matters, to ensure that all matters which could have a material impact on the group have been reported to the board.
- Considered and, where required, investigated information received via the group's fraud reporting service.

The committee is of the opinion that the objectives were met during the year under review and that the committee operated effectively.

Specific 2022 focus areas

During the year under review, the committee focused specifically on the following areas:

- Review of the group's going concern assessment and solvency and liquidity position.
- Impairment assessment of goodwill, indefinite useful life intangible assets and property, plant and equipment.
- The Competition Commission matter regarding PG Bison Proprietary Limited.
- Improvement of the combined assurance framework, model and processes.
- Oversight of the internal financial controls, effectiveness thereof and remedial actions implemented by management.
- Oversight of ICT risks, the ICT internal control framework and the ICT assurance plan.
- Improvement in the quality of the integrated report with a strong focus on materiality.
- Improvement of enterprise risk management by the recommendation to the board of a new risk management policy and the approval of a revised enterprise risk management framework.
- Ensuring effectiveness of internal audit function and the EQAR process.

Internal audit

The group's internal auditors operate in terms of an internal audit charter 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 the identified internal control deficiencies.

During the year under review, the committee implemented the execution of the mandatory five-yearly EQAR in line with the IIA standards. While certain areas were highlighted for improvement, the committee is satisfied with the effectiveness and performance of the internal auditors and that they fulfilled their mandate during the year. The committee is also satisfied that the internal auditors, and the CAE, had the necessary resources, budget, standing and authority to enable them to discharge their functions effectively.

After careful consideration, taking into account escalating regulatory and reporting requirements, the speed of technological advancement, the increasingly specialised nature of internal audit and the scale and complexity of the group, the committee decided during the year to outsource the internal audit function to an independent specialist. An extensive closed tender process was conducted during the year and concluded in July 2022, with the appointment of Deloitte as the company's independent internal audit service provider, effective 1 September 2022, for a period of five years.

External audit

KPMG Inc. ('KPMG'), a registered and accredited auditor, was appointed as the independent auditor of the group at the company's AGM on 18 November 2021. Mr IM Engels, a registered and accredited auditor and member of KPMG, was appointed to lead the audit for the financial year ending 30 June 2022. This was in line with the decision by the committee to appoint a new audit firm ahead of the mandatory audit firm rotation, in order to coincide with the five-year rotation of the previous audit firm's lead audit partner.

The committee has satisfied itself through enquiry that the external auditors of the company and its subsidiaries are independent as defined by the Companies Act and other applicable legislation. The committee assessed the suitability of KPMG, in terms of paragraph 22.15(h) of the JSE Listings Requirements. After consideration of the inspection reports and ancillary documentation, as well as confirmation of their independence, accreditation and eligibility to serve as auditors, it was confirmed that KPMG as the audit firm and Mr IM Engels as the lead audit partner, were considered to be fit, proper and suitable to be appointed as KAP's external auditors. The committee has satisfied itself that the audit firm and designated auditor do not appear on the JSE list of disqualified auditors.

The committee, in consultation with executive management, has agreed to the audit fee for the 2022 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 7 to the consolidated annual financial statements.

There is a formal policy that governs the process whereby the external auditor is considered for the provision of non-audit services. Each engagement letter for such work is reviewed in accordance with this set policy and attendant procedures. The fees for non-audit services rendered were insignificant in value and did not affect the independence of the external auditor.

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

The committee has reviewed and was satisfied with the performance of the external auditor.

Key audit matters
The committee noted the key audit matters set out in the independent auditor's report:

- Impairment assessment of goodwill and indefinite useful life intangible assets;
- Impairment assessment of the Safripol Durban polyethylene terephthalate ('PET') plant and equipment; and
- Valuation of timber plantation biological assets.

The committee has considered and evaluated these matters and is satisfied that they are represented correctly in the annual financial statements.

Accounting practices and internal controls

Internal controls and systems have been designed to provide reasonable assurance as to the integrity and reliability of the financial information presented in the consolidated and company annual 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. Internally, the CEO, the CFO and the internal auditors have reviewed the controls over financial reporting and presented their findings to the committee. Where weaknesses were identified in specific controls, management undertook to implement appropriate corrective actions to address these, as well as to ensure that weaknesses identified previously had been corrected.

All significant deficiencies either had alternative mitigating controls or were remediated by year-end. Other remedial actions are expected to be completed in accordance with a formalised plan. The committee further considered the written assessment prepared by the internal auditors, which provided reasonable assurance that the overall system of internal controls in the group is acceptable. The committee believes the group's internal controls can be relied on as a reasonable basis for the preparation of the consolidated and company annual financial statements.

Fraud prevention

The group's anonymous and confidential fraud reporting service was efficient in identifying fraud at an early stage. No significant fraud was identified.

Risk management

The committee received regular reports provided as part of the company's enterprise risk management framework and effectively monitored those risks that fell within its mandate. Furthermore, the committee also noted the risk registers of the different divisions.

The committee recognises that, in order to derive value from enterprise risk management processes, risk management needs to be integrated into the company's business and strategic processes. This will enable management to take appropriate risks to create value, as well as to respond to and mitigate risks appropriately. In line with this, the committee recommended the risk management policy to the board for approval and approved the enterprise risk management framework.

Combined assurance

The committee understands that a well-executed combined assurance approach helps to optimise and maximise the level of governance and control oversight over the risk landscape, therefore providing stakeholders with an increased level of confidence and assurance.

The committee focused on improvement of the combined assurance framework, model and processes. A special meeting was held where the combined assurance model and its underlying governance elements were unpacked. As a result, oversight was strengthened.

The committee will continue to play a strategic oversight role to ensure that the advantages of combined assurance are leveraged.

Evaluation of chief financial officer

As required by paragraph 3.84(g) of the JSE Listings Requirements, as well as the recommended practices as per King IV™, the committee has assessed the competence and performance of the CFO and believes that he possesses the appropriate expertise and experience to meet the responsibilities of his 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.

Performance assessment of the committee

During the year under review, the committee concluded a performance self-assessment. No matters of material concern were identified and the committee was assessed to be effective in rendering its oversight service to the board.

Annual financial statements

The committee has evaluated the consolidated and company annual financial statements for the year ended 30 June 2022 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 consolidated and company annual financial statements to the board for approval. The board has subsequently approved the consolidated and company annual financial statements, which will be presented to shareholders at the forthcoming AGM.

Ken Hopkins
Audit and risk committee chairperson

23 August 2022

KAP Industrial Holdings Limited Group

DIRECTORS' REPORT

The directors are pleased to present the audited consolidated and company annual financial statements for KAP Industrial Holdings Limited ('KAP' or 'the company') and its subsidiaries ('the group') for the year ended 30 June 2022.

Nature of business

KAP Industrial Holdings Limited is incorporated in South Africa and is the ultimate holding company of the group. The company's shares are listed on the JSE Limited. KAP is a diversified group consisting of leading industrial, chemical and logistics businesses. The group operates in the below-mentioned six divisions:

PG Bison	PG Bison produces wood-based decorative panels, which are used for interior applications to inspire and enable beautiful living spaces.
Restonic	Restonic is an integrated manufacturer of sleep products under the Restonic, iDream and Green Coil brands, as well as retail house brands for major South African furniture and bedding retailers.
Feltex	Feltex manufactures automotive components designed and applied to enhance the comfort and style of new vehicles.
Safripol	Safripol produces polymers which are used in a broad range of applications in sectors such as packaging, infrastructure, agriculture and homeware. Safripol is leading the 'Let's plastic responsibly' campaign, which is directed toward preventing plastics from entering the environment.
Unitrans	Unitrans is a supply chain and operational services business providing customised solutions to clients in a diverse range of sectors, including food, agriculture, petrochemical, mining, and commuter transport.
DriveRisk	DriveRisk utilises leading global video telematics and predictive analytics to prevent road accidents and improve road safety in 37 countries. Its unique user interfaces provide real-time event-based interventions, business intelligence tools and driver support to improve fleet efficiency and reduce risk.

During the current financial year, the group acquired the DriveRisk business as described under corporate activities below. There have been no other material changes to the group's business from the prior year.

The group closed its Intercity and Tourism operations, which formed part of the Unitrans Passenger division, in the prior year. Accordingly, these results are disclosed as discontinued operations in the annual financial statements. The remaining assets related to these discontinued operations were disclosed as assets held for sale.

Financial results

The year under review was characterised by continued sociopolitical and macroeconomic volatility and uncertainty, with the following main themes evident:

- global supply chain disruptions;
- global commodity price volatility;
- rising global inflation;
- civil unrest in South Africa during July 2021;
- floods in KwaZulu-Natal during April and May 2022; and
- subdued economic growth and softening consumer demand.

KAP's diversified business model proved resilient under these circumstances, with the group producing a strong set of results for the year through a focus on market share gains, operational efficiencies, cash generation and capital efficiency. The results are underpinned by robust performances by Safripol and PG Bison.

The group increased revenue by 17% to R27 979 million (2021: R23 956 million) and operating profit before capital items by 40% to R2 936 million (2021: R2 102 million) for the year. Cash generated from operations increased by 17% to R4 081 million (2021: R3 485 million).

Headline earnings per share from continuing operations increased by 73% to 74.4 cents per share (2021: 43.0 cents per share), while earnings per share from continuing operations increased by 60% to 70.3 cents per share (2021: 44.0 cents per share).

The group invested R2 194 million (2021: R1 817 million) in the replacement and expansion of operational assets[1] and repurchased 65 million (2021: 40 million) of its own shares during the year.

The group's balance sheet remains strong with debt levels comfortably within targeted debt serviceability ratios.

The results for the year under review are disclosed comprehensively in the consolidated and company annual financial statements.

Impairments of goodwill, intangible assets and property, plant and equipment

The group performs annual impairment assessments on all assets in terms of the requirements of IFRS. In line with this assessment, an R80 million impairment of goodwill relating to the Maxe business unit, which forms part of the Feltex division, was recognised in the current year. This resulted from an anticipated slower recovery post-Covid than previously estimated, due to the further impact of the civil unrest and the impact of the flooding in KwaZulu-Natal, which affected a key customer's operations. Refer to note 13 in the consolidated annual financial statements.

Stated share capital

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

At the annual general meeting ('AGM') held on 18 November 2021, shareholders placed 126 000 000 cumulative, non-redeemable,

[1] *Net of proceeds on disposal of property, plant and equipment and investment property, insurance proceeds and government grants received.*

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. Shareholders did not place any of the company's unissued ordinary shares under the control of the directors for purposes of a cash issue.

Shareholders approved the repurchase of up to 10% of the company's own shares of any class. The company repurchased 65 000 000 of its own ordinary shares between August 2021 and October 2021 (equating to 2.5% of shares in issue at the date of the 2020 AGM). These shares were cancelled and delisted as issued shares. At the AGM held on 14 November 2012, the shareholders approved the adoption of the KAP Performance Share Rights Scheme. In accordance with the mandate from the human capital and remuneration committee, it was determined that 5 899 101 rights to KAP shares vested on 1 November 2021. Refer to notes 24 and 25 in the consolidated annual financial statements for further details in this regard.

Borrowing facilities and liquidity

Net interest-bearing debt of R7 459 million increased by R929 million (2021: R6 530 million) as planned, resulting in a marginal increase in the net interest-bearing debt to equity (gearing) ratio to 65% from 64% in the prior year. Debt serviceability ratios for the year of net debt/EBITDA at 1.7 times and EBITDA/interest cover at 8.2 times remained well within the group's financial covenants of < 3.2 times and > 3.5 times, respectively. Net debt/EBITDA of 1.7 times improved as planned and is well within the board's internal target of < 2.5 times.

The group's financial and cash flow forecasts continue to indicate that it will remain within its existing banking facilities and will not breach relevant financial covenant ratios for the foreseeable future.

The group's borrowing facilities and usage thereof are set out in note 27 to the consolidated annual financial statements. In terms of the memoranda of incorporation of the company and its subsidiaries, there is no limitation on the group's borrowing powers.

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 concluded the following transactions during the year:

- Effective 31 August 2021, KAP Automotive Proprietary Limited ('KAP Automotive') acquired the tufting carpet business from its equity-accounted joint venture company, Auria Feltex Proprietary Limited, for a total consideration of R13 million.
- Effective 30 November 2021, Unitrans Supply Chain Solutions Proprietary Limited acquired a minority 30% non-controlling interest in Ubunye Mining Services Proprietary Limited for a consideration of R20 million.
- Effective 1 December 2021, the group acquired an effective 90% interest in DriveRisk Holdings Proprietary Limited and SingRisk Services Private Limited (together with the underlying subsidiaries, collectively referred to as 'DriveRisk') for a purchase consideration of R404 million. This resulted in intangible assets of R241 million, net of deferred taxation being recognised and goodwill of R122 million being raised. The remaining 10% shareholding is retained by management.
- Effective 26 February 2022, KAP Automotive acquired a 48.95% shareholding in Auria South Africa Proprietary Limited ('Auria SA') for R46 million. The investment is treated as an associate and is accounted using the equity method. In addition, KAP Automotive advanced a loan of R50 million to Auria SA.

Subsidiary companies

The material subsidiaries of the group are reflected in note 37 to the consolidated annual financial statements.

Dividends

The board of directors ('the board') declared an ordinary dividend of 29.0 cents per share (2021: 15 cents per share), payable from income reserves on 26 September 2022, to shareholders registered on 23 September 2022. The dividend withholding tax of 20%, if applicable, will result in a net cash dividend of 23.2 cents per share.

Contingent liability

The group has a contingent liability relating to a Competition Commission ('the Commission') investigation into the activities of PG Bison Proprietary Limited ('PG Bison') and the referral of a complaint to the Competition Tribunal. PG Bison has applied for immunity from prosecution in terms of the Commission's Corporate Leniency Policy and has cooperated fully with the Commission throughout its investigation. While the Commission has declined PG Bison's application for immunity, the directors are of the opinion that PG Bison has a compelling case. As a result, PG Bison has taken the Commission's decision on review to the High Court. There has been no material development on this matter since the previous year. Refer to note 32 in the consolidated annual financial statements for further detail in this regard.

Events after reporting date

The board declared a dividend of 29.0 cents per share on 23 August 2022. The directors are not aware of any other significant events after the reporting date that will have a material effect on the group or company's results or financial position as presented in the consolidated and company annual financial statements.

Directorate

Following 17 years of service on the board, IN Mkhari decided to retire and did not make herself available for re-election as a director at the company's AGM held on 18 November 2021. She was consequently not reappointed as a director on the board and retired on the same date. On 18 November 2021, SP Lunga, the company's human capital executive, was appointed as an executive director on the board.

The following board committee and director role changes were approved and implemented by the board on 18 November 2021:

- J de V du Toit stepped down as chairperson of both the board and the nomination committee, but continues to serve on the board and the nomination committee as an independent non-executive director.
- PK Quarmby, the lead independent non-executive director, was appointed as the chairperson of the board and the nomination committee. As a consequence, he was not reappointed to the audit and risk committee.
- KJ Grové, the independent non-executive deputy chairperson, was appointed as the lead independent non-executive director. The deputy chairperson position on the board fell away.
- V McMenamin became a member of the human capital and remuneration committee.
- TC Esau-Isaacs became a member of the investment committee.
- Z Fuphe was appointed as the chairperson of the social and ethics committee and as a new member of the nomination committee.
- SH Müller was appointed the chairperson of the investment committee in place of PK Quarmby.

At 30 June 2022, the directors of the company are as follows:

Directors	Committee membership
Executive directors	
GN Chaplin (chief executive officer)	Social and ethics committee, Investment committee
FH Olivier (chief financial officer)	Investment committee
SP Lunga	
Non-executive independent directors	
PK Quarmby (chairperson of the board)	Nomination committee (chairperson), Investment committee
KJ Grové (lead independent)	Human capital and remuneration committee, Investment committee
J de V du Toit	Nomination committee
TC Esau-Isaacs	Audit and risk committee, Social and ethics committee, Investment committee
Z Fuphe	Audit and risk committee, Social and ethics committee (chairperson), Nomination committee
KT Hopkins	Audit and risk committee (chairperson)
V McMenamin	Human capital and remuneration committee, Social and ethics committee
SH Müller	Human capital and remuneration committee (chairperson), Audit and risk committee, Social and ethics committee, Investment committee (chairperson)

Directors' shareholding (including their associates)

As at 30 June 2022, the directors of the company held no direct or indirect interests in the company's issued ordinary shares other than:

	2022 Number of shares	2021 Number of shares
GN Chaplin	3 497 039	3 063 010
FH Olivier	480 000	–
SP Lunga[2]	327 406	–
J de V du Toit	1 040 368	1 040 368
KJ Grové	4 500 000	4 862 828
SH Müller	225 004	225 004
PK Quarmby	500 000	500 000
	10 569 817	9 691 210

[2] *SP Lunga was appointed as a director with effect from 18 November 2021.*

In aggregate, the directors of the company and its subsidiaries held 57 455 188 (2021: 66 983 525) of the company's ordinary shares at 30 June 2022, equating to 2.32% (2021: 2.65%) of the ordinary shares in issue.

The details of the number of shares that vested in terms of the KAP Performance Share Rights Scheme relating to executive directors are disclosed in note 38.2 in the consolidated annual financial statements. 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 2022 to the date of approval of the company's annual financial statements, there were no dealings by directors in the company's ordinary shares.

Directors' declarations of personal financial interests

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 were not disclosed. In the course of business, the directors have disclosed their personal financial interests (including intergroup directorships) and, where any conflict of interests was identified, the conflicted director did not participate in the decision-making process.

Disclosure of beneficial interest of major shareholders

	2022 %	2021 %
Shareholders with a beneficial interest above 5%		
Government Employees Pension Fund	18.63	14.56
Allan Gray	16.73	17.71
Old Mutual Limited	5.94	6.46
Sanlam[3]	5.28	n/a

[3] *The shareholding in 2021 was less than 5%.*

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 of South Africa, is set out on pages 10 to 12 of these annual financial statements. The audit and risk committee is satisfied that it has fulfilled its statutory and other prescribed obligations for the financial year under review.

External auditors

KPMG Inc. ('KPMG') was appointed as the independent auditor of the group on 18 November 2021, at the company's AGM. Mr IM Engels, a registered and accredited auditor and director of KPMG, was appointed to lead the audit for the financial year ended 30 June 2022.

Patrick Quarmby
Independent non-executive chairperson

23 August 2022

KAP Industrial Holdings Limited Group

INCOME STATEMENT

for the year ended 30 June 2022

	Notes	2022 Rm	2021 Rm
Continuing operations			
Revenue	3	27 979	23 956
Cost of revenue		(22 465)	(19 526)
Gross profit		5 514	4 430
Selling and distribution expenses		(727)	(688)
Administrative and other expenses		(2 097)	(1 738)
Other income	4	158	122
Other net gains/(losses)	5	88	(24)
Operating profit before capital items		2 936	2 102
Capital items	6	(109)	32
Operating profit	7	2 827	2 134
Finance costs	8	(527)	(486)
Finance income	9	28	20
Share of profit of associate and joint venture companies	18	19	28
Profit before taxation		2 347	1 696
Taxation	10	(578)	(506)
Profit for the year from continuing operations		1 769	1 190
Discontinued operations			
Loss for the year from discontinued operations	11	(3)	(132)
Profit for the year		1 766	1 058
Profit attributable to:			
Owners of the parent		1 746	991
Profit for the year from continuing operations		1 749	1 123
Loss for the year from discontinued operations		(3)	(132)
Non-controlling interests	26	20	67
Profit for the year from continuing operations		20	67
Profit for the year		1 766	1 058

Earnings per share attributable to owners of the parent		Cents	Cents
Basic earnings	12	70.2	38.8
Diluted earnings	12	68.5	38.3
Basic earnings from continuing operations	12	70.3	44.0
Diluted earnings from continuing operations	12	68.6	43.4

KAP Industrial Holdings Limited Group

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2022

	2022 Rm	2021 Rm
Profit for the year	1 766	1 058
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain on defined benefit plans	2	–
Gross obligation revaluation	(10)	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	144	(233)
Total other comprehensive income/(loss) for the year, net of taxation	136	(233)
Total comprehensive income for the year, net of taxation	1 902	825
Total comprehensive income attributable to:		
Owners of the parent	1 878	765
Non-controlling interests	24	60
Profit for the year	20	67
Foreign currency translation reserve transferred to non-controlling interests	4	(7)
Total comprehensive income for the year	1 902	825

KAP Industrial Holdings Limited Group

STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

	Notes	2022 Rm	2021 Rm
Assets			
Non-current assets			
Goodwill	13	683	641
Intangible assets	14	2 363	2 028
Property, plant and equipment	15	14 130	12 957
Right-of-use assets	16	426	358
Consumable biological assets	17	1 491	1 565
Investments in associate and joint venture companies	18	183	78
Investments and loans receivable	19	25	1
Deferred taxation assets	20	48	33
Derivative financial instruments	36	55	–
		19 404	17 661
Current assets			
Inventories	21	3 411	2 593
Trade and other receivables*	22	4 794	4 170
Derivative financial instruments*	36	50	10
Loans receivable	19	6	8
Taxation receivable		63	42
Cash and cash equivalents		1 730	751
		10 054	7 574
Assets held for sale	23	47	159
		10 101	7 733
Total assets		29 505	25 394
Equity and liabilities			
Capital and reserves			
Total equity attributable to owners of the parent		11 531	10 250
Non-controlling interests	26	219	199
Total equity		11 750	10 449
Non-current liabilities			
Loans and borrowings	27	6 681	5 360
Lease liabilities	28	372	311
Employee benefits	29	15	24
Provisions	30	–	2
Deferred taxation liabilities	20	2 641	2 637
Derivative financial instruments	36	60	–
		9 769	8 334
Current liabilities			
Loans and borrowings	27	2 049	1 526
Lease liabilities	28	106	86
Employee benefits	29	473	456
Provisions	30	89	77
Trade and other payables*	31	5 197	4 265
Derivative financial instruments*	36	14	24
Taxation payable		20	132
Bank overdrafts		38	45
		7 986	6 611
Total equity and liabilities		29 505	25 394

** Derivative financial instruments were previously included in trade and other receivables and trade and other payables. The current year reflects them separately.*

KAP Industrial Holdings Limited Group

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2022

	Notes	Stated share capital[1] (note 24) Rm	Distributable reserves Rm	Share-based payment reserve Rm	Reverse acquisition reserve Rm	Other reserves[2] Rm	Total equity attributable to owners of the parent Rm	Non-controlling interests Rm	Total Rm
Balance at 1 July 2020		8 364	4 493	457	(3 952)	204	9 566	204	9 770
Ordinary shares repurchased and cancelled		(158)	–	–	–	–	(158)	–	(158)
Total comprehensive income for the year		–	991	–	–	(226)	765	60	825
Profit for the year		–	991	–	–	–	991	67	1 058
Other comprehensive loss for the year		–	–	–	–	(226)	(226)	(7)	(233)
Ordinary dividends paid		–	–	–	–	–	–	(27)	(27)
Share-based payments		–	–	61	–	–	61	–	61
Share-based payments	25	–	–	56	–	–	56	–	56
Deferred taxation	20.1	–	–	5	–	–	5	–	5
Transfer between reserves		–	(2)	–	–	2	–	–	–
Net effect of shares bought from non-controlling shareholder		–	16	–	–	–	16	(38)	(22)
Balance at 30 June 2021		8 206	5 498	518	(3 952)	(20)	10 250	199	10 449
Ordinary shares repurchased and cancelled		(310)	–	–	–	–	(310)	–	(310)
Total comprehensive income for the year		–	1 746	–	–	132	1 878	24	1 902
Profit for the year		–	1 746	–	–	–	1 746	20	1 766
Other comprehensive income for the year		–	–	–	–	132	132	4	136
Ordinary dividends paid		–	(378)	–	–	–	(378)	(16)	(394)
Share-based payments		–	–	101	–	–	101	–	101
Share-based payments	25	–	–	93	–	–	93	–	93
Deferred taxation	20.1	–	–	8	–	–	8	–	8
Transfer between reserves		–	(3)	–	–	(3)	(6)	6	–
Arising on the acquisition of subsidiaries	34	–	–	–	–	–	–	22	22
Net effect of shares bought from non-controlling shareholder	26.2	–	(4)	–	–	–	(4)	(16)	(20)
Balance at 30 June 2022		7 896	6 859	619	(3 952)	109	11 531	219	11 750

[1] *Net of treasury shares.*
[2] *Mainly comprising of foreign currency translation reserve and actuarial reserve.*

KAP Industrial Holdings Limited Group

STATEMENT OF CASH FLOWS

for the year ended 30 June 2022

	Notes	2022 Rm	2021* Rm
Cash flows from operating activities			
Cash generated from operations	33.1	4 081	3 485
Dividends received		9	9
Finance income received		27	16
Finance costs paid		(556)	(498)
Dividends paid		(394)	(27)
Taxation paid	33.2	(803)	(395)
Net cash inflow from operating activities		2 364	2 590
Cash flows from investing activities			
Additions to property, plant and equipment	15	(2 492)	(1 973)
Additions to intangible assets	14	(17)	(6)
Additions to consumable biological assets	17	(3)	(1)
Proceeds on disposal of intangible assets		2	–
Proceeds from disposal of property, plant and equipment		262	103
Proceeds from disposal of investment property		–	8
Acquisition of subsidiaries and businesses, net of cash	34	(392)	–
Net (increase)/decrease in investments in associate and joint venture companies		(96)	10
Proceeds from disposal of associate company		–	8
Increase in investments and loans receivable		(36)	(1)
Government grants received		–	1
Insurance proceeds		36	44
Net cash outflow from investing activities		(2 736)	(1 807)
Cash flows from financing activities			
Ordinary shares repurchased		(310)	(158)
Transactions with non-controlling interests	26.2	(20)	(22)
Loans and borrowings received	27.4	3 792	1 190
Loans and borrowings repaid	27.4	(2 032)	(1 910)
Lease liabilities capital repayments	28	(93)	(109)
Net cash inflow/(outflow) from financing activities		1 337	(1 009)
Net increase/(decrease) in cash and cash equivalents		965	(226)
Net cash and cash equivalents at beginning of the year		706	984
Effects of exchange rate translations on net cash and cash equivalents		21	(52)
Net cash and cash equivalents at end of the year	33.3	1 692	706

** The cash flows have been restated to offset the bank overdrafts against cash and cash equivalents as it forms an integral part of the group's cash management. The increase in bank overdrafts of R28 million was previously reflected as cash flows from financing activities.*

SEGMENTAL ANALYSIS

for the year ended 30 June 2022

Basis for segmentation

The group operates businesses within the industrial, chemical, logistics, and road safety segments in sub-Saharan Africa. The segments reflect how the results are reported to the executive directors.

During the year, the group changed the names of the divisions to refer to the brand names as follows: Integrated Timber to PG Bison, Integrated Bedding to Restonic, Automotive Components to Feltex, Polymers to Safripol, Contractual Logistics – South Africa to Unitrans South Africa, Contractual Logistics – Africa to Unitrans Africa, and Passenger Transport to Unitrans Passenger. This, however, did not result in the restatement of the amounts presented.

Operational segments

Diversified industrial

This segment comprises PG Bison, Restonic and Feltex. PG Bison contains the group's forestry and timber manufacturing operations and incorporates timber plantations, a sawmill, a pole plant and production facilities for panel products. Restonic manufactures bed bases, foam and sprung mattresses, together with mattress fabric and a range of industrial foams. Feltex manufactures automotive components used primarily in new vehicle assembly and manufactures aftermarket accessories.

Diversified chemical

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

Diversified logistics

This segment comprises Unitrans South Africa, Unitrans Africa and Unitrans Passenger. The Unitrans South Africa and Unitrans Africa divisions design, implement and manage supply chain, warehousing and logistics services. The divisions service the petroleum, chemical, food, agriculture, mining, cement, general freight and warehousing sectors in sub-Saharan Africa. Unitrans Passenger provides personnel and commuter transport services.

Road safety

This segment comprises DriveRisk, which provides technology-enabled driver behaviour management solutions.

Segment performance

Segment revenue includes the elimination of interdivisional revenue. Intersegmental sales are made on a commercial basis and are eliminated for group revenue. Segment operating profit before capital items represents segment revenue less segment expenses, excluding capital items included in note 6. Segment expenses include selling and distribution expenses, administrative and other expenses and other net gains or losses. Depreciation and amortisation have been allocated to the segments to which they relate.

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

The segment operating liabilities comprise all liabilities of the different segments that are used in the operations of the segment and that are either directly attributable to the segment, or can be allocated to the segment on a reasonable basis.

	2022 Rm	2021 Rm
Continuing operations		
Revenue		
Diversified industrial	8 259	7 927
PG Bison	4 876	4 197
Restonic	1 612	1 731
Feltex	1 809	2 033
Interdivisional eliminations	(38)	(34)
Diversified chemical	10 120	7 509
Safripol	10 120	7 509
Diversified logistics	9 757	8 828
Unitrans South Africa	5 754	5 207
Unitrans Africa	2 147	2 010
Unitrans Passenger	1 895	1 647
Interdivisional eliminations	(39)	(36)
Road safety	242	–
DriveRisk	242	–
	28 378	24 264
Intersegmental eliminations	(399)	(308)
	27 979	23 956

KAP Industrial Holdings Limited Group

SEGMENTAL ANALYSIS continued

for the year ended 30 June 2022

	2022 Rm	2021 Rm
Operating profit before depreciation, amortisation and capital items		
Diversified industrial	1 243	1 344
PG Bison	1 007	786
Restonic	120	307
Feltex	116	251
Diversified chemical	1 590	584
Safripol	1 590	584
Diversified logistics	1 464	1 485
Unitrans South Africa	836	701
Unitrans Africa	341	468
Unitrans Passenger	287	316
Road safety	38	–
DriveRisk	38	–
Corporate, consolidation and eliminations	5	6
	4 340	3 419
Operating profit before capital items		
Diversified industrial	936	1 025
PG Bison	831	615
Restonic	69	254
Feltex	36	156
Diversified chemical	1 400	428
Safripol	1 400	428
Diversified logistics	578	649
Unitrans South Africa	382	249
Unitrans Africa	48	211
Unitrans Passenger	148	189
Road safety	22	–
DriveRisk	22	–
	2 936	2 102
Operating assets		
Diversified industrial	10 805	9 886
PG Bison	7 381	6 705
Restonic	1 774	1 623
Feltex	1 656	1 561
Interdivisional eliminations	(6)	(3)
Diversified chemical	7 054	6 313
Safripol	7 054	6 313
Diversified logistics	8 949	8 166
Unitrans South Africa	4 994	4 530
Unitrans Africa	2 772	2 489
Unitrans Passenger	1 191	1 153
Interdivisional eliminations	(8)	(6)
Road safety	683	–
DriveRisk	683	–
Corporate, consolidation and eliminations	(88)	(43)
	27 403	24 322

KAP Industrial Holdings Limited Group

SEGMENTAL ANALYSIS continued

for the year ended 30 June 2022

	2022 Rm	2021 Rm
Operating liabilities		
Diversified industrial	1 697	1 399
PG Bison	1 045	713
Restonic	246	283
Feltex	412	406
Interdivisional eliminations	(6)	(3)
Diversified chemical	2 263	1 945
Safripol	2 263	1 945
Diversified logistics	1 628	1 324
Unitrans South Africa	935	775
Unitrans Africa	388	312
Unitrans Passenger	313	243
Interdivisional eliminations	(8)	(6)
Road safety	78	–
DriveRisk	78	–
Corporate, consolidation and eliminations	182	180
	5 848	4 848
Net operating assets/(liabilities)[1]		
Diversified industrial	9 108	8 487
PG Bison	6 336	5 992
Restonic	1 528	1 340
Feltex	1 244	1 155
Diversified chemical	4 791	4 368
Safripol	4 791	4 368
Diversified logistics	7 321	6 842
Unitrans South Africa	4 059	3 755
Unitrans Africa	2 384	2 177
Unitrans Passenger	878	910
Road safety	605	–
DriveRisk	605	–
Corporate, consolidation and eliminations	(270)	(223)
	21 555	19 474
Operating assets includes the following:		
Goodwill	683	641
Intangible assets	2 363	2 028
Property, plant and equipment	14 130	12 957
Right-of-use assets	426	358
Consumable biological assets	1 491	1 565
Inventories	3 411	2 593
Trade and other receivables	4 794	4 170
Derivative financial instruments	105	10
	27 403	24 322
Operating liabilities includes the following:		
Employee benefits	488	480
Provisions	89	79
Trade and other payables	5 197	4 265
Derivative financial instruments	74	24
	5 848	4 848

[1]Net operating assets/(liabilities) comprise of operating assets less operating liabilities.

KAP Industrial Holdings Limited Group

SEGMENTAL ANALYSIS continued

for the year ended 30 June 2022

	2022 Rm	2021 Rm
Net working capital		
Diversified industrial	1 271	1 166
PG Bison	911	933
Restonic	203	93
Feltex	157	141
Interdivisional eliminations	–	(1)
Diversified chemical	964	604
Safripol	964	604
Diversified logistics	425	389
Unitrans South Africa	232	104
Unitrans Africa	99	148
Unitrans Passenger	95	137
Interdivisional eliminations	(1)	–
Road safety	81	–
DriveRisk	81	–
Corporate, consolidation and eliminations	(274)	(234)
	2 467	1 925
Net working capital includes the following:		
Inventories	3 411	2 593
Trade and other receivables	4 794	4 170
Employee benefits	(488)	(480)
Provisions	(89)	(79)
Trade and other payables	(5 197)	(4 265)
Net current derivative financial instruments	36	(14)
	2 467	1 925
Replacement capital expenditure[2]		
Diversified industrial	361	336
PG Bison	237	313
Restonic	28	6
Feltex	96	17
Diversified chemical	147	78
Safripol	147	78
Diversified logistics	559	511
Unitrans South Africa	480	223
Unitrans Africa	77	190
Unitrans Passenger	2	98
Corporate, consolidation and eliminations	–	(7)
	1 067	918
Expansion capital expenditure[3]		
Diversified industrial	485	413
PG Bison	360	86
Restonic	78	110
Feltex	47	217
Diversified chemical	110	–
Safripol	110	–
Diversified logistics	515	486
Unitrans South Africa	104	255
Unitrans Africa	375	218
Unitrans Passenger	36	13
Road safety	17	–
DriveRisk	17	–
	1 127	899

[2] Net of proceeds on disposal of property, plant and equipment and investment property, government grants received and insurance proceeds.
[3] Net of government grants received.

KAP Industrial Holdings Limited Group

SEGMENTAL ANALYSIS continued

for the year ended 30 June 2022

	2022 Rm	2021 Rm
Total capital expenditure[4]		
Diversified industrial	846	749
PG Bison	597	399
Restonic	106	116
Feltex	143	234
Diversified chemical	257	78
Safripol	257	78
Diversified logistics	1 074	997
Unitrans South Africa	584	478
Unitrans Africa	452	408
Unitrans Passenger	38	111
Road safety	17	–
DriveRisk	17	–
Corporate, consolidation and eliminations	–	(7)
	2 194	1 817
Total capital expenditure includes the following:		
Additions to property, plant and equipment	2 492	1 973
Proceeds from disposal of property, plant and equipment	(262)	(103)
Proceeds from disposal of investment property	–	(8)
Government grants received	–	(1)
Insurance proceeds	(36)	(44)
	2 194	1 817

[4] *Net of proceeds on disposal of property, plant and equipment and investment property, government grants received and insurance proceeds.*

KAP Industrial Holdings Limited Group

ACCOUNTING POLICIES

for the year ended 30 June 2022

The consolidated financial statements of KAP Industrial Holdings Limited ('the company') for the year ended 30 June 2022 comprise the company, its subsidiaries and the group's interest in associate and joint venture companies (collectively referred to as 'the group').

Statement of compliance

The consolidated and company 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 2022, 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 Companies Act No. 71 of 2008 of South Africa, the Listings Requirements of the JSE Limited as required for financial statements, and have been audited in compliance with all the requirements of section 29(1) of the Companies Act, as required.

Basis of preparation

The consolidated and company financial statements for the year ended 30 June 2022 were authorised for issue by the board of directors on 23 August 2022.

The consolidated and company 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 the consolidated and company 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 and company financial statements and estimates with a significant risk of material adjustment in the next financial year are included in note 1.

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 considers 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 the consolidated and company 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 IFRS 16 – *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 the consolidated and company financial statements, except where stated otherwise.

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

Basis of consolidation

Business combinations

Acquisition of businesses is accounted for using the acquisition method. In determining whether a particular set of activities and assets is a business, the group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the consideration transferred over the net acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement-period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

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.

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

Subsequently, any losses applicable to the NCI are allocated to the NCI, even if this results in the NCI having deficit balances.

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 NCI are adjusted to reflect the changes in their relative interests in the subsidiaries. Any differences between the amount by which the NCI is adjusted and the fair value of the consideration paid or received are recognised directly in equity and attributed to owners of the company.

When the group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

All intra-group transactions and balances are eliminated on consolidation. Unrealised profits that arise between group entities are also eliminated.

Investment in associate and joint venture 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. A joint venture 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.

Interests in associates and joint venture companies are accounted using the equity method. On acquisition of the investment in an associate or a joint venture company, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included in the carrying amount of the investment. The interest is initially measured at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate or joint venture company. Distributions received from associates and joint venture companies reduce the carrying amount of the investment.

If the ownership interest in associate or joint venture companies is reduced, but significant influence is retained, the proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss.

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

Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

On disposal of a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The group's policy for goodwill arising on the acquisition of associate and joint venture companies is described under the 'Investment in associate and joint venture companies' policy.

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 on the acquisition date.

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Subsequent expenditure

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

Amortisation

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

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

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 that are directly attributable to bringing an asset to use, such as the cost of materials, direct labour, an appropriate proportion of production overheads and borrowing costs capitalised. Capitalisation of costs ceases when the assets are substantially ready for their intended use 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.

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 carrying amount 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.

Leases
At inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group as lessee
The group recognises a right-of-use asset and a corresponding lease liability with regard to all lease arrangements in which it is the lessee, except short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the group recognises the lease payment as an operating expense over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, or if the group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is recognised when the asset is available for use and comprises the initial measurement of the corresponding lease liability, less any lease incentives received and including any initial direct costs. The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset on a straight-line basis. The depreciation starts at the commencement date of the lease.

The group applies IAS 36 – *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment of tangible and intangible assets other than goodwill' policy.

Variable lease payments, other than those that depend on an index or rate, are excluded from the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

The group has elected to apply the following practical expedients:

- Lease and associated non-lease components are not separated, but accounted for as a single arrangement.
- The group has elected not to treat the rent concession received as a result of the Covid-19 pandemic as a modification, but to recognise it in profit or loss.

The group as lessor
Leases for which the group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Rental income for transactions that are part of the group's ordinary activities (primarily leases of video telematics devices) is recognised as other revenue. The group uses IFRS 15 – *Revenue from Contracts with Customers* to allocate the consideration in contracts between any lease and non-lease components. Rental income that does not form part of the group's ordinary activities is recognised as other income. Initial direct costs incurred in negotiating and arranging an operating lease are expensed as incurred.

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 net gains and losses in profit or loss. At point of harvest, the carrying value of forestry assets is transferred to inventory and recorded as a decrease in fair value of the timber plantation biological assets.

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. Borrowing costs directly attributable to these qualifying assets are capitalised as part of the costs of the 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.

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 as capital items in profit or loss.

Calculation of recoverable amount

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

Reversal of impairment losses

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

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 with a primary condition 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 this case, the grant is recognised in profit or 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 recognised in profit or loss in the period in which they become receivable.

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 that case, it is recognised directly in other comprehensive income or equity.

Current taxation

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 are determined on either a first-in, first-out 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. On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss.

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 on 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 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 on which the instruments are granted. The amount recognised as an expense is adjusted to reflect the actual number of the share rights that vest.

Broad-based black economic empowerment ('B-BBEE') transactions

To the extent that the group 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 profit or loss in the period in which the transaction becomes effective. Where the B-BBEE transaction includes service conditions, the difference will be charged to profit or loss over the period of these service conditions.

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

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.

The amount recognised as a provision is the best estimate of the full consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. 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.

Foreign currency

Foreign currency transactions

Transactions in currencies other than the functional currency of entities within the group 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 at 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 on disposal of that foreign operation. If the group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount of FCTR is reattributed to non-controlling interests.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement

Financial assets and financial liabilities are recognised on the consolidated and company's statement of financial position when the entity becomes a party to the contractual provisions of the instrument. All financial instruments are initially measured 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 ('FVTPL'), where the transaction costs are recognised immediately in profit or loss. A trade receivable without a significant financing component is initially measured at the transaction price.

ACCOUNTING POLICIES continued

for the year ended 30 June 2022

Financial assets
Financial assets are classified as either amortised cost or at FVTPL. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing it. The group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows or selling the financial assets.

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.

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

Financial liabilities
Financial liabilities are classified as either measured at amortised cost or FVTPL. Financial liabilities are classified at FVTPL when the financial liability is:

- held for trading;
- a derivative; or
- designated at FVTPL.

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

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.

Fair value through profit or loss
Financial instruments classified as at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains and losses recognised in profit or loss. For financial assets, the net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and short-term bank deposits and bank overdrafts with an original maturity of three months or less.

Impairment of financial assets
The group recognises a loss allowance for expected credit losses ('ECL') on financial assets that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments. 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 PD and LGD is based on historical data adjusted by forward-looking information. The EAD for financial assets 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.

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 sales taxes, returns, discounts and other allowances and after eliminating sales within the group.

The group bases its estimates of variable consideration such as settlement discounts and other allowances 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

Sale of goods relates to both local sales and export sales and comprises mainly the sale 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 are satisfied at the point in time when control is transferred. 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. The revenue from these transport services is therefore recognised at the net amount of consideration retained after paying the service provider, 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 above). 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.

Sale of goods and related services

In addition, the group sells goods to customers with related services included. Depending on the nature of the contract, the group applies its judgement to conclude whether the goods and services should be treated as a single performance obligation or as two or more separate performance obligations. Where the group sells goods and related services to customers and these goods and services are not distinct, i.e. not separately identifiable, the contracts are treated as a single performance obligation. However, where the goods and services are distinct, i.e. separately identifiable, and the customer can benefit from the goods and services either on its own or together with other resources that are readily available, then the goods and services are treated as separate performance obligations. The sale of goods is recognised when the group has delivered the goods to the customer and the customer has accepted delivery. The related services sold, when considered to be distinct, are recognised over time when the services are rendered to the customer.

Interest

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

Dividend income

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

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 executive directors review the information.

The basis of segmental allocation is determined as follows:

- Segmental revenue includes 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.
- Segmental liabilities are those liabilities 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 liabilities exclude loans and borrowings, lease liabilities, deferred taxation liabilities, taxation payable and bank overdrafts and short-term facilities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

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

Impairment of goodwill, intangible assets and property, plant and equipment

The carrying amounts of assets, other than assets carried at fair value, are assessed for impairment when there is an indication of impairment. Goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet ready for use are assessed for impairment annually. The significant assumptions and estimates used in the determination of the recoverable amount are detailed in notes 13 to 15.

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 method. The key assumptions used in the calculation of the fair value is detailed in note 17.

1.2 Other judgements and estimates

Useful lives and residual values

The depreciation methods, estimated remaining useful lives and residual values are reviewed at least annually. The estimation of the useful lives is based on historic performance as well as expectations about future use and therefore requires a degree of judgement to be applied by management. The estimated useful lives for intangible assets with a finite life and property, plant and equipment are detailed in notes 14 to 15.

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 used in the valuation model are detailed in note 25.

Control

Management assesses whether it controls an entity based on whether the investor has power over the relevant activities of the investee. Relevant activities include 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; and the investor is able to use its power to affect its returns from the investee. Control is reassessed if the facts and circumstances impacting the assessment change.

2. New or 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 2021.

2.1 New or revised IFRS Standards applied with no material effect on the financial statements

- Interest rate benchmark reform phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Amendment to IFRS 16 – Covid-19-related rent concessions beyond 30 June 2021

2.2 Standards and interpretations in issue but not yet effective

A number of amendments to standards are effective for annual periods beginning on or after 1 July 2021 and earlier application is permitted. However, the group has not early adopted the amended standards in preparing these financial statements. The following amended standards are not expected to have a material impact on the financial statements:

- Annual improvements to IFRS Standards (2018 – 2020) (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)
- IAS 16 amendment – Proceeds before intended use
- Amendment to IAS 37 – Clarification of the cost of fulfilling a contract
- IFRS 3 amendment – Reference to the conceptual framework
- Amendments to IAS 8 – Definition of accounting estimates
- Disclosure Initiative: Accounting Policies – Amendments to IAS 1 and IFRS Practice statement 2 *Making Materiality Judgements*
- Amendment to IAS 1 – Classification of Liabilities as Current and Non-current
- Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction

3. Revenue

	Goods Rm	Services Rm	Rentals Rm	Total Rm
Continuing operations				
2022				
PG Bison	5 472	–	–	5 472
Restonic	1 793	–	–	1 793
Feltex	1 810	–	–	1 810
Safripol	10 202	–	–	10 202
Unitrans South Africa	111	5 643	–	5 754
Unitrans Africa	–	2 147	–	2 147
Unitrans Passenger	–	1 895	–	1 895
DriveRisk	58	131	–	189
Gross revenue	19 446	9 816	–	29 262
Variable consideration	(860)	–	–	(860)
Intergroup elimination	(52)	(419)	–	(471)
Revenue from contracts with customers	18 534	9 397	–	27 931
DriveRisk	–	–	53	53
Intergroup eliminations	–	–	(5)	(5)
	18 534	9 397	48	27 979
2021				
PG Bison	4 724	–	–	4 724
Restonic	1 907	–	–	1 907
Feltex	2 034	–	–	2 034
Safripol	7 571	–	–	7 571
Unitrans South Africa[1]	56	5 151	–	5 207
Unitrans Africa	–	2 010	–	2 010
Unitrans Passenger	–	1 647	–	1 647
Gross revenue	16 292	8 808	–	25 100
Variable consideration	(766)	–	–	(766)
Intergroup eliminations	(49)	(329)	–	(378)
Revenue from contracts with customers	15 477	8 479	–	23 956

[1] *The disclosure has been restated to reallocate R277 million from goods to services.*

The following customer 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 Geographic distribution

	2022 Rm	2021 Rm
South Africa	24 050	20 693
Rest of Africa	3 254	2 970
Americas	309	225
Europe	161	32
Middle East	129	22
Australasia	76	14
	27 979	23 956

	Notes	2022 Rm	2021 Rm

3. Revenue (continued)

3.2 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:

	2022 Rm	2021 Rm
Services		
Next year	1 270	1 252
Within two to five years	1 404	2 195
Thereafter	23	498
	2 697	3 945

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.

4. Other income

	2022 Rm	2021 Rm
Continuing operations		
Insurance income	63	46
Rental of properties	36	26
Government grants	26	16
Scrap sales	16	14
Bad debts recovered	5	7
Rebates received	4	4
Other	8	9
	158	122

5. Other net gains/(losses)

	Notes	2022 Rm	2021 Rm
Continuing operations			
Net (impairment)/reversal of impairment of financial assets		(23)	6
(Impairment)/reversal of impairment of loans receivable	36.2.2	(19)	4
(Impairment)/reversal of impairment of trade and other receivables	36.2.2	(4)	2
Net fair value gain on consumable biological assets		135	7
Fair value gain/(loss) on timber plantations	17	125	(12)
Fair value gain on livestock	17	10	19
Net foreign exchange losses		(24)	(35)
Net gains/(losses) on foreign currency derivative financial instruments		33	(40)
Net (losses)/gains on conversion of monetary assets and liabilities – realised		(10)	11
Net losses on conversion of monetary assets and liabilities – unrealised		(47)	(6)
Other losses		–	(2)
		88	(24)

	Notes	2022 Rm	2021 Rm
6. Capital items			
Continuing operations			
Items of a capital nature are included in the 'capital items' line in the income statement. These (expense)/income items are:			
(Impairment)/reversal of impairment of:		(111)	4
Goodwill	13	(80)	–
Intangible assets	14	–	3
Property, plant and equipment	15	(31)	1
Gain on bargain purchase	34	2	–
(Loss)/profit on disposal of:		(36)	(16)
Property, plant and equipment		(36)	(17)
Investment property		–	1
Insurance income		36	44
		(109)	32

Capital items reflect and affect the resources committed in producing operating performance and are not the performance itself. These items deal with the capital base of the entity.

7. Operating profit

Continuing operations

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

	Notes	2022 Rm	2021 Rm
7.1 Amortisation and depreciation			
Amortisation	14	33	38
Depreciation		1 371	1 279
Property, plant and equipment	15	1 265	1 170
Right-of-use assets	16	106	109
		1 404	1 317
Recognised in:			
Cost of revenue		1 294	1 200
Selling and distribution expenses		15	17
Administrative and other expenses		95	100
		1 404	1 317
7.2 Auditor's remuneration			
Audit fees		31	26
Fees for other services		1	2
		32	28
7.3 Personnel expenses			
Salaries and wages		4 688	4 448
Retirement benefit contributions		337	297
Defined contribution plans		325	288
State-managed plans		12	9
Share-based payments – equity-settled	25.1	80	53
		5 105	4 798
Recognised in:			
Cost of revenue		3 743	3 612
Selling and distribution expenses		173	169
Administrative and other expenses		1 189	1 017
		5 105	4 798
7.4 Lease expenses			
Short-term leases		145	205
Low value assets		3	2
Variable lease payments		1	–
		149	207

		Notes	2022 Rm	2021 Rm
8.	**Finance costs**			
	Continuing operations			
	Bank overdraft and short-term facilities		13	13
	Lease liabilities	28	35	37
	Senior unsecured listed notes		345	303
	Syndicated revolving credit loan		5	30
	Term loans		51	28
	Vehicle and asset finance		86	70
	Related-party	35	2	2
	Other		20	12
	Less: Borrowing cost capitalised	15	(30)	(9)
			527	486
9.	**Finance income**			
	Continuing operations			
	Bank balances and short-term deposits		16	13
	Related-party	35	1	–
	Other		11	7
			28	20
10.	**Taxation**			
	Continuing operations			
	10.1 Taxation expense			
	South African normal taxation		581	385
	Current year		583	385
	Prior year		(2)	–
	Foreign and withholding taxation		89	109
	Current year		90	111
	Prior year		(1)	(2)
			670	494
	Deferred taxation			
	Current year		1	10
	Prior year		(2)	2
	Attributable to change in taxation rate		(91)	–
		20	(92)	12
			578	506

On 24 February 2022, the South African Minister of Finance announced a reduction in the South African corporate income tax rate from 28% to 27% for companies with years of assessment commencing on or after 1 April 2022. This change resulted in a net gain of R91 million related to the remeasurement of deferred tax assets and liabilities of the group's South African operations being recognised at 30 June 2022.

10. Taxation (continued)

10.2 Reconciliation of rate of taxation

	2022 %	2021 %
South African normal tax rate	28.0	28.0
Foreign rate differential	0.2	0.2
Reduction in rate of taxation	(7.8)	(1.8)
Share of profits of equity accounted investments	(0.2)	(0.5)
Change in taxation rate	(3.9)	–
Prior year adjustments	(0.2)	–
Tax-exempt income	(0.3)	(0.5)
Government grants[1]	(2.9)	(0.1)
Learnership allowances	(0.3)	(0.5)
Utilisation of taxation losses not previously recognised	–	(0.2)
Increase in rate of taxation	4.2	3.4
Withholding taxes	0.6	0.8
Disallowed expenditure	1.1	0.7
Impairment of goodwill	0.9	–
Impairment of loans receivable	0.3	–
B-BBEE costs	0.2	0.1
Donations	0.3	–
Taxation losses not recognised	0.8	0.2
Other[2]	–	1.6
Effective rate of taxation	24.6	29.8

[1] *Included in the current year is a reversal of a provision of R68 million raised in a previous financial year related to the possible disallowance of government grants claimed.*
[2] *Included in other in the prior year is a provision of R38 million raised in relation to a previously utilised capital loss.*

For detail on deferred taxation assets/(liabilities) refer to note 20.

10.3 Taxation losses

	2022 Rm	2021 Rm
Taxation losses available for offset against future taxable income:		
South African taxation losses	1 516	1 557
Foreign taxation losses	345	105
	1 861	1 662
Taxation losses recognised	1 466	1 320
Taxation losses unrecognised	395	342
	1 861	1 662

The taxation losses do not expire under current taxation legislation, except for Zambia where taxation losses expire after five years. Losses of R10 million expired in the current year. At 30 June 2022, Zambia had estimated tax losses of R37 million, of which R12 million expires in 2023 and the remaining R25 million by 2027.

Deferred taxation assets have not been recognised in respect of unrecognised taxation losses 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 level.

11. Discontinued operations

11.1 Discontinuation of the Intercity and Tourism operations

A formal sale process for Unitrans Passenger's loss-making Intercity and Tourism operations conducted during the previous financial year proved unsuccessful and as a result, these operations were discontinued effective 13 April 2021. The results of these operations were therefore disclosed as discontinued operations and assets held for sale (refer note 23).

	Notes	2022 Rm	2021 Rm
11.2 Analysis of loss for the year			
The results of the discontinued operations included in the income statement are set out below:			
Revenue		–	179
Cost of revenue		10	(225)
Gross profit/(loss)		10	(46)
Administrative and other expenses		–	(124)
Operating profit/(loss) before capital items		10	(170)
Capital items	11.3	(20)	(2)
Operating loss	11.4	(10)	(172)
Finance costs	11.5	(1)	(12)
Loss before taxation		(11)	(184)
Taxation	11.6	8	52
Loss for the year		(3)	(132)
Loss attributable to:			
Owners of the parent		(3)	(132)
11.3 Capital items			
Items of a capital nature are included in the 'capital items' line in the income statement. These expense items are:			
Impairment of right-of-use asset		–	(1)
Loss on disposal of property, plant and equipment		(20)	(1)
		(20)	(2)
Capital items reflect and affect the resources committed in producing operating performance and are not the performance itself. These items deal with the capital base of the entity.			
11.4 Operating loss from discontinued operations			
Operating loss is stated after taking account of the following expense items:			
Depreciation			
Property, plant and equipment		–	18
Right-of-use assets		–	9
		–	27
Recognised in:			
Cost of revenue		–	25
Administrative and other expenses		–	2
		–	27
Personnel expenses			
Salaries and wages		–	92
Retirement benefit contributions		–	9
Defined contribution plans		–	9
		–	101
Recognised in:			
Cost of revenue		–	80
Administrative and other expenses		–	21
		–	101
Lease expenses			
Short-term leases		–	9

		2022 Rm	2021 Rm
11.	**Discontinued operations (continued)**		
11.5	Finance cost		
	Bank overdraft and short-term facilities	1	6
	Lease liabilities	–	2
	Intercompany	–	4
		1	12
11.6	Taxation		
	Taxation benefit		
	Deferred taxation		
	Current year	(3)	(51)
	Prior year	(5)	(1)
		(8)	(52)
11.7	Cash inflow/(outflow) from discontinued operations		
	Net cash outflow from operating activities	–	(318)
	Net cash inflow from investing activities	92	30
	Net cash (outflow)/inflow from financing activities	(88)	251
	Net cash inflow/(outflow)	4	(37)

		2022 Cents	2021 Cents
12.	**Earnings/(loss)**		
	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	70.2	38.8
	Continuing operations	70.3	44.0
	Discontinued operations	(0.1)	(5.2)
	Diluted earnings/(loss) per share	68.5	38.3
	Continuing operations	68.6	43.4
	Discontinued operations	(0.1)	(5.1)
	Headline earnings/(loss) per share	75.1	37.9
	Continuing operations	74.4	43.0
	Discontinued operations	0.7	(5.1)
	Diluted headline earnings/(loss) per share	73.3	37.4
	Continuing operations	72.6	42.4
	Discontinued operations	0.7	(5.0)
	Net asset value per share	466	405

Basic earnings per share are calculated by dividing the basic earnings attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share are calculated by dividing the diluted earnings attributable to owners of the parent by the diluted weighted average number of ordinary shares in issue during the year. The calculation assumes conversion of all dilutive potential shares.

Headline earnings per share are calculated by dividing the headline earnings by the weighted average number of ordinary shares in issue during the year.

Diluted headline earnings per share are calculated by dividing the diluted headline earnings by the diluted weighted average number of shares in issue during the year. The calculation assumes conversion of all dilutive potential shares.

Net asset value per share is calculated by dividing the net asset value attributable to owners of the parent by the number of ordinary shares in issue at year-end.

	Notes	2022 million	2021 million
12. Earnings/(loss) (continued)			
12.1 Weighted average number of ordinary shares			
Issued ordinary shares at beginning of the year		2 531	2 571
Effect of shares repurchased and cancelled		(48)	(16)
Effect of shares issued		4	–
Weighted average number of ordinary shares		2 487	2 555
Potential dilutive effect of share rights granted		62	34
Diluted weighted average number of ordinary shares		2 549	2 589

	Notes	2022 Rm	2021 Rm
12.2 Basic and diluted earnings/(losses) attributable to owners of the parent			
Continuing operations		1 749	1 123
Discontinued operations		(3)	(132)
		1 746	991
12.3 Headline and diluted headline earnings attributable to owners of the parent			
Continuing operations			
Basic and diluted earnings attributable to owners of the parent		1 749	1 123
Adjusted for:			
Capital items	6	109	(32)
Taxation effects of capital items		(6)	8
Non-controlling interests' portion of capital items, net of taxation		(1)	–
		1 851	1 099
Discontinued operations			
Basic and diluted losses attributable to owners of the parent		(3)	(132)
Adjusted for:			
Capital items	11.3	20	2
Taxation effects of capital items		(3)	–
		14	(130)
		1 865	969
12.4 Net asset value			
Attributable to owners of the parent		11 531	10 250

13. Goodwill

	Notes	2022 Rm	2021 Rm
Carrying amount at beginning of the year		641	641
Arising on business combinations	34	122	–
Impairments		(80)	–
Carrying amount at end of the year		683	641

Goodwill impairment testing

Goodwill is allocated to the cash-generating unit ('CGU') that is expected to benefit from that business and is assessed for impairment annually, unless an impairment indicator exists, in which case it will be assessed when the impairment indicator arises.

The impairment test compares the carrying amount of the CGU, including goodwill, to the recoverable amount of the CGU. The recoverable amount of the CGU is determined based on a value in use calculation using the discounted cash flow method. The cash flow projections are derived from the most recent financial budgets approved for the next year and detailed forecasts prepared by management for the following four years. Cash flows beyond the period covered by the budgets and forecasts are extrapolated using the terminal growth rate. The specific forecast assumptions relating to sales and direct costs are unique for each CGU. Selling prices and direct costs are based on historical experience and expectations of future changes in the market. Key assumptions used in the value in use calculation include those regarding the discount rates and terminal growth rates.

Key assumptions	Approach used to determine values
Discount rates	Discount rates are based on a weighted average pre-tax cost of capital, incorporating the specific risks applicable to the CGU.
Terminal growth rates	Terminal growth rates are based on management's experience and expectations, taking into consideration the industry trends and opportunities. Growth rates used do not exceed the long-term average growth rate for the area in which the CGU operates.

All impairment testing was consistent with valuation methods applied as at 30 June 2021.

13. Goodwill (continued)

The table below reflects the carrying amount per division and the key assumptions applied for the impairment testing.

	Pre-tax discount rate		Terminal growth rate		Carrying amount	
Divisions	2022 %	2021 %	2022 %	2021 %	2022 Rm	2021 Rm
DriveRisk	23.14 to 23.97	–	4.00	–	122	–
Feltex	26.27	20.24	1.97	2.00	–	80
PG Bison	20.00	17.74	4.50	2.00	123	123
Restonic	22.31 to 23.58	19.13	4.00	2.00	387	387
Unitrans South Africa	20.59	18.67	5.00	2.00	51	51
Carrying amount at end of the year					683	641

An impairment charge is required for goodwill when the carrying amount exceeds the recoverable amount. An impairment of R80 million relating to the Maxe business unit, which forms part of the Feltex division, was recognised in the current year and is included with capital items (note 6). This resulted from an anticipated slower recovery post-Covid than previously estimated, due to the further impact of the civil unrest and the impact of the flooding in KwaZulu-Natal, which affected a key customer's operations.

No impairment was required for the year ended 30 June 2021.

14. Intangible assets

	Patents and trademarks Rm	Supplier relationships Rm	Software Rm	Contracts with customers Rm	Capital work-in-progress Rm	Total Rm
Balance at 1 July 2020	1 247	708	67	24	–	2 046
Additions	–	–	6	–	–	6
Reversal of impairment	3	–	–	–	–	3
Amortisation	(1)	–	(26)	(11)	–	(38)
Reclassify from property, plant and equipment (note 15)	–	–	11	–	–	11
Balance at 30 June 2021	1 249	708	58	13	–	2 028
Additions	–	–	15	–	2	17
Amortisation	–	–	(24)	(9)	–	(33)
Disposals	–	–	–	(2)	–	(2)
Reclassify from property, plant and equipment (note 15)	–	–	5	7	1	13
Acquired on acquisition of subsidiaries (note 34)	–	338	2	–	–	340
Balance at 30 June 2022	1 249	1 046	56	9	3	2 363
Cost	1 850	2 148	190	45	–	4 233
Accumulated amortisation and impairment	(601)	(1 440)	(132)	(32)	–	(2 205)
Carrying amount at 30 June 2021	1 249	708	58	13	–	2 028
Cost	1 765	2 486	180	44	3	4 478
Accumulated amortisation and impairment	(516)	(1 440)	(124)	(35)	–	(2 115)
Carrying amount at 30 June 2022	1 249	1 046	56	9	3	2 363

Patents and trademarks and supplier relationships are considered to have indefinite useful lives. Supplier relationships for Safripol relate to evergreen contracts which are in place with its major supplier for the supply of raw materials used in its manufacturing processes. Supplier relationships recognised during the current year relate to DriveRisk's exclusive supplier contracts and were recognised at fair value as part of the acquisition.

14. Intangible assets (continued)

Intangible asset impairment testing

Indefinite useful life intangible assets and intangible assets that are not yet available for use, are tested for impairment annually, unless an impairment indicator exists, in which case it will be assessed when the impairment indicator arises. Finite intangible assets are tested for impairment when there is an indication of impairment.

Supplier relationships are tested for impairment as part of the applicable CGU. The recoverable amount of the CGU is determined based on a value in use calculation using the discounted cash flow method. The cash flow projections are derived from the most recent financial budgets approved for the next year and detailed forecasts prepared by management for the following four years. Cash flows beyond the period covered by the budgets and forecasts are extrapolated using the terminal growth rate. The specific forecast assumptions relating to sales and direct costs are unique for each CGU. Selling prices and direct costs are based on historical experience and expectations of future changes in the market. Patents and trademarks are tested for impairment as separate assets using the relief of royalty method. Key assumptions used in the value in use calculation include those regarding the discount rates, terminal growth rates, polymer margins and royalty rates.

Key assumptions	Approach used to determine values
Discount rates	Discount rates are based on a weighted average pre-tax cost of capital, incorporating the specific risks applicable to the CGU.
Terminal growth rates	Terminal growth rates are based on management's experience and expectations, taking into consideration the industry trends and opportunities. Growth rates used do not exceed the long-term average growth rate for the area in which the CGU operates.
Polymer margins	The polymer margin inputs are driven by forecast US dollar margins and a forecast rand exchange rate. In determining sustainable 'through-the-cycle'[1] margins to be used in the terminal value cash flow, the previous seven to ten year historic average US dollar margins were considered.
Royalty rates	Royalty rates used are determined with reference to industry benchmarks.

[1] *The results of Safripol are impacted by the cyclical nature of global supply and demand of polymers and associated raw materials. Sustainable 'through-the-cycle' refers to margins which can be expected as an average through a seven to ten year global polymer's cycle.*

All impairment testing was consistent with valuation methods applied as at 30 June 2021.

The table below reflects the carrying amount of indefinite useful life intangible assets per division and the key assumptions applied for the impairment testing.

		Pre-tax discount rate		Terminal growth rate		Carrying amount	
Divisions	Category	2022 %	2021 %	2022 %	2021 %	2022 Rm	2021 Rm
DriveRisk	Supplier relationships	23.14 to 23.97	–	1.70 to 4.00	–	338	–
Feltex	Patents and trademarks	26.27	20.24	1.97	2.00	57	57
PG Bison	Patents and trademarks	20.00	17.74	4.50	2.00	207	207
Restonic	Patents and trademarks	22.86	19.13	2.00	2.00	9	9
Safripol	Patents and trademarks	22.60	19.31	3.00	2.00	266	266
Safripol	Supplier relationships	22.60	19.31	3.00	2.00	708	708
Unitrans South Africa	Patents and trademarks	19.4 to 20.59	18.67	5.00	2.00	662	662
Unitrans Passenger	Patents and trademarks	22.25	19.78	2.00	2.00	49	49
Carrying amount at end of the year						2 296	1 958

All patents and trademarks are tested using the relief of royalty method. The royalty rates used in the determination of the recoverable amount for the current year ranged between 0.5% to 4.3% (2021: between 0.5% to 4.5%).

An impairment charge is required for intangible assets when the carrying amount exceeds the recoverable amount. No impairment was recognised in profit or loss for the year (2021: R3 million reversal of impairment).

Sensitivity analysis

The recoverable amount of the Safripol supplier relationships approximates its carrying amount. Therefore, any adverse movement in a key assumption would lead to an impairment. The table below illustrates the impact that a 50 basis point increase or decrease in the key assumptions would have on the (impairment)/reversal of impairment recognised in profit or loss.

	Discount rate Rm	Terminal growth rate Rm
50 basis points – increase	(75)	41
50 basis points – decrease	81	(37)

14. Intangible assets (continued)

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.

Patents and trademarks and supplier relationships are classified as indefinite useful life assets. 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 patents and trademarks are long established relative to the market and have been in existence for a long time.
- The intangible assets relate to patents and trademarks 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.
- The supplier relationships relate to evergreen contracts which are in place with major suppliers, and supplier arrangements that provide exclusive rights in their respective markets.

The classification as indefinite useful life 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.

The estimated useful lives for intangible assets with a finite life are:

Software	1 – 3 years
Contracts with customers	Over the term of the contract

15. Property, plant and equipment

	Notes	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
Balance at 1 July 2020		2 380	4 944	4 820	394	20	65	12 623
Additions		234	227	796	681	3	32	1 973
Government grants received		–	(1)	–	–	–	–	(1)
Assets held for sale	23	–	–	(159)	–	–	–	(159)
Depreciation		(33)	(442)	(674)	–	(9)	(30)	(1 188)
Disposals		–	(22)	(95)	(3)	–	(1)	(121)
Reversal of impairment/(impairment)		–	1	1	–	(1)	–	1
Reclassification		–	181	94	(288)	3	10	–
Borrowing cost capitalised		–	–	–	9	–	–	9
Reclassify to intangible assets	14	–	–	–	(7)	–	(4)	(11)
Exchange differences on translation of foreign operations		–	(32)	(99)	(37)	(1)	–	(169)
Balance at 30 June 2021		2 581	4 856	4 684	749	15	72	12 957
Additions		186	473	1 042	738	15	38	2 492
Transfer back from assets held for sale	23	–	–	8	–	–	–	8
Depreciation		(35)	(502)	(691)	–	(6)	(31)	(1 265)
Disposals		(6)	(31)	(176)	–	(2)	–	(215)
Reversal of impairment/(impairment)		3	(30)	(6)	–	2	–	(31)
Acquired on acquisition of subsidiaries	34	–	50	7	–	–	1	58
Reclassification		32	604	41	(684)	–	7	–
Borrowing cost capitalised		–	–	–	30	–	–	30
Reclassify to intangible assets	14	–	–	–	(13)	–	–	(13)
Exchange differences on translation of foreign operations		1	31	65	10	1	1	109
Balance at 30 June 2022		2 762	5 451	4 974	830	25	88	14 130
Cost		2 938	8 891	8 096	758	57	235	20 975
Accumulated depreciation and impairment		(357)	(4 035)	(3 412)	(9)	(42)	(163)	(8 018)
Carrying amount at 30 June 2021		2 581	4 856	4 684	749	15	72	12 957
Cost		3 149	9 909	8 854	839	55	262	23 068
Accumulated depreciation and impairment		(387)	(4 458)	(3 880)	(9)	(30)	(174)	(8 938)
Carrying amount at 30 June 2022		2 762	5 451	4 974	830	25	88	14 130

	Notes	2022 Rm	2021 Rm
15. Property, plant and equipment (continued)			
Encumbered assets			
Carrying amount of encumbered assets	27.3	1 687	1 415
Borrowing cost			
Borrowing cost capitalised	8	30	9
Capitalisation rates used		5.73% to 6.19%	5.85% to 6.40%

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.

Impairments

A net impairment of R31 million was recognised for the year ended 30 June 2022 (2021: R1 million net reversal of impairment) and is included in capital items (note 6).

Impairment test of the Safripol Durban polyethylene terephthalate ('PET') plant and equipment

The recoverable amount of the CGU is determined based on a value in use calculation using the discounted cash flow method. The cash flow projections are derived from the most recent financial budgets approved for the next year and detailed forecasts prepared by management for the following four years. Cash flows beyond the period covered by the budgets and forecasts are extrapolated using the terminal growth rate. Key assumptions used in the value in use calculation include the pre-tax discount rate of 21.30% (2021: 19.31%), terminal growth rate of 3.00% (2021: 2.00%) and polymer margins.

Key assumptions	Approach used to determine values
Discount rate	The discount rate is based on a weighted average pre-tax cost of capital, incorporating the specific risks applicable to the CGU.
Terminal growth rate	The terminal growth rate is based on management's experience and expectations, taking into consideration the industry trends and opportunities. Growth rates used do not exceed the long-term average growth rate for the area in which the CGU operates.
Polymer margins	The polymer margin inputs are driven by forecast US dollar margins and a forecast rand exchange rate. In determining sustainable 'through-the-cycle'[1] margins, to be used in the terminal value cash flow, the previous seven to ten year historic average US dollar margins were considered.

[1] *The results of Safripol are impacted by the cyclical nature of global supply and demand of polymers and associated raw materials. Sustainable 'through-the-cycle' refers to margins which can be expected as an average through a seven to ten year global polymer's cycle.*

No impairment or reversal of impairment was required on the PET plant and equipment for the current or prior year.

Sensitivity analysis

The estimated recoverable amount of the PET plant and equipment exceeded its carrying amount of R1 287 million by approximately R9 million. Management has identified that a reasonable possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	2022 %
Discount rate	0.17
Terminal growth rate	(0.30)

Useful lives

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

Straight-line basis

Buildings	5 – 60 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

	Land and buildings Rm	Plant and machinery Rm	Long-haul vehicles Rm	Total Rm
16. Right-of-use assets				
Balance at 1 July 2020	197	170	71	438
Additions	19	8	–	27
Remeasurement	5	6	1	12
Impairment	(1)	–	–	(1)
Depreciation	(76)	(25)	(17)	(118)
Balance at 30 June 2021	144	159	55	358
Additions	97	19	–	116
Remeasurement	40	9	4	53
Acquired on acquisition of subsidiaries (note 34)	5	–	–	5
Depreciation	(64)	(24)	(18)	(106)
Balance at 30 June 2022	222	163	41	426
Cost	243	198	85	526
Accumulated depreciation and impairment	(99)	(39)	(30)	(168)
Carrying amount at 30 June 2021	144	159	55	358
Cost	375	225	88	688
Accumulated depreciation and impairment	(153)	(62)	(47)	(262)
Carrying amount at 30 June 2022	222	163	41	426

The group's key leases include leases of land and buildings (warehouses, distribution centres, depots and office space), leases of plant and machinery (storage tanks, equipment and forklifts) as well as leases of long-haul vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

	Notes	2022 Rm	2021 Rm
17. Consumable biological assets			
Timber plantations			
Carrying amount at beginning of the year		1 518	1 722
Additions		2	–
Decrease due to harvesting		(207)	(192)
Fair value gain/(loss)	5	125	(12)
Carrying amount at end of the year		1 438	1 518
Livestock			
Carrying amount at beginning of the year		47	32
Additions		1	1
Decrease due to disposals		(5)	(5)
Fair value gain	5	10	19
Carrying amount at end of the year		53	47
		1 491	1 565

In terms of IAS 41 – *Agriculture*, the timber 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 principal assumptions consistently applied in the current and prior year include a discount rate, standing volumes, market prices and operating costs.

The group owns and manages timber plantations for use in the manufacturing of 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 2022, consumable biological assets were valued by management at R1 491 million (2021: R1 565 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.

17. Consumable biological assets (continued)

17.1 Quantities of timber plantations

	2022 Hectares	2021 Hectares
Pine	31 566	32 634
Eucalyptus	8 925	8 191
Temporary unplanted areas	3 264	2 992
	43 755	43 817

17.2 Reconciliation of standing volume

	2022 m^3	2021 m^3
Opening balance	5 374 043	5 504 307
Increase due to growth	666 210	507 078
Decrease due to harvesting	(664 290)	(637 342)
	5 375 963	5 374 043

17.3 Key assumptions

	2022 %	2021 %
Discount rate		
Risk-free rate[1]	11.00	9.32
Pre-tax discount rate	17.89	16.03

[1] *The timber plantations mature over an extended period of time and therefore the 10-year Government Bond Yield Curve (GSAB10YR) represents a suitable fit for the period under consideration.*

Standing volumes

The expected yields per log class are calculated with reference to standard industry growth models relevant to the planted area and tree species. 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.

	2022 R/m^3	2021 R/m^3
Market prices		
The price per cubic metre per log class is based on current market prices per log class.		
Log prices		
Pine	244 to 1 087	235 to 1 047
Eucalyptus	395	380
Harvesting costs		
Pine	141 to 233	121 to 203
Eucalyptus	245	213

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.

17.4 Sensitivity analysis

The sensitivity analysis shows how the present value of the discounted cash flows would be affected if the key valuation parameters were changed as indicated below:

	2022 Rm	2021 Rm
Current log price – 100 basis point increase	24	26
Forecast log price inflation rate – 25 basis point increase	9	16
Forecast cost inflation rate – 25 basis point increase	(1)	(2)
Pre-tax discount rate – 25 basis point increase	(6)	(9)
Volume – 100 basis point increase	12	11

A decrease by the same percentage in the above categories would have had an equal, but opposite effect on fair value.

17. Consumable biological assets (continued)

17.5 Northeastern Cape plantation fire

Consumable biological assets were affected by a fire in the northeastern Cape region during August 2021, which resulted in damage to 3 174 hectares of plantations. The value of the affected plantations is R164 million and it is estimated that this entire value will be recovered through salvage operations and insurance proceeds. This was fully accounted for in the current financial year.

17.6 Risk management

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 ('FSC') 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.

17.7 Encumbered consumable biological assets

None of the group's consumable biological assets are encumbered.

17.8 Commitments

There are no amounts committed for the development and acquisition of consumable biological assets.

18. Investments in associate and joint venture companies

18.1 Shareholding in associate and joint venture companies

	Nature of business	2022 % shareholding	2021 % shareholding
Associate companies			
PG Bison (Kenya) Limited	Retail of wood-based decorative panel products	50.0	50.0
Auria South Africa Proprietary Limited	Manufacturing of automotive components	49.0	–
Joint venture companies			
Auria Feltex Proprietary Limited	Manufacturing of automotive components	49.0	49.0
Autoneum Feltex Proprietary Limited	Manufacturing of automotive components	49.0	49.0

Effective 26 February 2022, the KAP Automotive Proprietary Limited ('KAP Automotive') acquired 48.95% of the shareholding in Auria South Africa Proprietary Limited for R46 million. The group has significant influence over this investment and therefore accounts for it as an investment in an associate. KAP Automotive also advanced a loan of R50 million which bears interest at 3-month JIBAR +2%.

18.2 Summarised aggregate information in respect of individually immaterial associate and joint venture companies

	Carrying amount 2022 Rm	Carrying amount 2021 Rm	Profit or loss 2022 Rm	Profit or loss 2021 Rm
Associate companies	161	53	12	17
Joint venture companies	22	25	7	11
	183	78	19	28

19. Investments and loans receivable

	Notes	2022 Rm	2021 Rm
Unlisted investments		1	1
Loans receivable (carried at amortised cost)		60	39
Less: Loss allowance	36.2.2	(30)	(31)
Total investments and loans receivable		31	9
Less: Loans receivable included in current assets		(6)	(8)
Non-current investments and loans receivable		25	1

The loans receivable consist of various loans bearing interest at market-related interest rates as well as interest-free loans.

The fair value of investments and loans is disclosed in note 36.1.

Credit risk related to loans receivable and the management thereof is disclosed in note 36.2.2.

20. Deferred taxation assets/(liabilities)

20.1 Deferred taxation movement

	Notes	2022 Rm	2021 Rm
Balance at beginning of the year		(2 604)	(2 666)
Deferred taxation of subsidiaries acquired	34	(97)	–
Amounts charged directly to equity			
Share-based payments		8	5
Current year charge per the income statement			
Continuing operations[1]		92	(12)
Discontinued operations		8	52
Exchange differences on translation of foreign operations		–	17
		(2 593)	(2 604)
Comprising:			
Deferred taxation assets		48	33
Deferred taxation liabilities		(2 641)	(2 637)
		(2 593)	(2 604)

[1] Includes a R91 million benefit resulting from the remeasurement of the deferred taxation assets and liabilities following the reduction in the South African corporate tax rate from 28.0% to 27.0%.

20.2 Analysis of deferred taxation balances

	2022 Rm	2021 Rm
Deferred taxation assets		
Property, plant and equipment	(43)	(33)
Right-of-use assets	(6)	(2)
Prepayments and provisions or allowances	31	21
Share-based payments	15	8
Taxation losses	48	37
Other temporary differences	3	2
	48	33
Deferred taxation liabilities		
Intangible assets	(560)	(468)
Property, plant and equipment	(2 198)	(2 220)
Right-of-use assets	(109)	(97)
Consumable biological assets	(388)	(425)
Share-based payments	30	15
Lease liabilities	123	108
Prepayments and provisions or allowances	99	104
Taxation losses	351	335
Other temporary differences	11	11
	(2 641)	(2 637)

Realisation of the deferred taxation assets 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.

Deferred taxation has been calculated at the standard corporate and capital gains tax rates substantially enacted as at the reporting date of 27.0% and 21.6% (2021: 28.0% and 22.4%), respectively. The rate used is based on management's expected manner of recovery of the carrying value of assets and settlement of the carrying amount of liabilities.

		Notes	2022 Rm	2021 Rm
21.	**Inventories**			
	Finished goods		1 028	903
	Raw materials		1 687	1 097
	Work in process		125	116
	Consumables		571	477
			3 411	2 593
22.	**Trade and other receivables**			
	Trade receivables		4 010	3 481
	Related-party receivables	35	22	32
	Deposits paid		37	38
	Insurance claims receivable		73	59
	Other amounts due		212	148
	Less: Loss allowance	36.2.2	(52)	(49)
	Trade and other receivables (financial assets)		4 302	3 709
	Prepayments		362	302
	Value added taxation receivable		130	159
			4 794	4 170

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.

Trade receivables to the amount of R9 million were written off during the current year (2021: R3 million) 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 36.2.1.

Credit risk related to trade and other receivables and the related management thereof is disclosed in note 36.2.2.

23. Assets held for sale

As disclosed in note 11, the Intercity and Tourism operations which formed part of the Unitrans Passenger division, were terminated during the previous financial year and the related assets were classified as held for sale at 30 June 2021. Covid-19 ('Covid') had a significant impact on the passenger transport industry, which affected the profitably during the Covid lockdown period. With the easing of lockdown restrictions, Intercity was the first to recover, which created a market for the Greyhound and Citiliner assets which were disposed during the year. The proceeds of R84 million were R20 million lower than the impaired carrying amount. The tourism industry remains under pressure, which resulted in a delay in the sale of the tourism coaches. The remaining tourism coaches of R47 million were tested for impairment at year end with no further impairment required. Tourism coaches of R8 million that could be utilised in normal operations were transferred back to property, plant and equipment (note 15). Management remains committed to disposing the remaining assets.

All the requirements in terms of IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations* to disclose the assets as held for sale were met and the assets have been measured at fair value less cost to sell in line with the measurement principles of IFRS 5.

	2022 Rm	2021 Rm
The carrying amount of total assets held for sale		
Property, plant and equipment	47	159

	2022 Number of shares	2021 Number of shares	2022 Rm	2021 Rm
24. Stated share capital				
24.1 Share capital				
Authorised				
Ordinary shares of no par value	6 000 000 000	6 000 000 000	–	–
Cumulative, non-redeemable, non-participating preference shares of no par value	1 000 000 000	1 000 000 000	–	–
Perpetual preference shares of no par value	50 000 000	50 000 000	–	–
Issued				
Ordinary shares in issue at beginning of the year	2 531 201 473	2 607 137 238	8 206	8 540
Ordinary shares issued during the year	5 899 101	–	–	–
Ordinary shares repurchased and cancelled during the year[1]	(65 000 000)	(39 935 765)	(310)	(158)
Ordinary shares cancelled during the year	–	(36 000 000)	–	(176)
Ordinary shares in issue at end of the year	2 472 100 574	2 531 201 473	7 896	8 206
24.2 Treasury shares				
Treasury shares in issue at beginning of the year	–	(36 000 000)	–	(176)
Ordinary shares cancelled during the year	–	36 000 000	–	176
Treasury shares in issue at end of the year	–	–	–	–

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. Dividends received on treasury shares are eliminated on consolidation.

24.3 Dividends per share

	2022 Rm	2021 Rm
The following dividends were declared and paid by the company during the year:		
15.00 cents per ordinary share (2021: nil cents)	378	–

[1] *Shares were repurchased during the current financial year at an average price of R4.75 per share (2021: R3.92 per share).*

25. Share-based payments

25.1 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 maximum number of ordinary shares that may be used for the continued implementation of the scheme may not exceed 366 274 533 ordinary shares. The share rights granted annually since this meeting are subject to the following scheme rules:

- Rights are granted to qualifying senior executives on an annual basis.
- Vesting of rights 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.
- 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.

	Number of share rights
Reconciliation of the number of shares available for allocation	
Shares authorised for purposes of KAP Performance Share Right Scheme	366 274 533
Cumulative share rights granted[1]	(166 691 412)
Shares available for allocation	199 583 121

[1] *The cumulative share rights granted are net of grants which lapsed or were forfeited.*

25. Share-based payments (continued)

25.1 KAP Performance Share Rights Scheme (continued)

	2022 Rights	2021 Rights
Reconciliation of rights granted		
Balance at beginning of the year	73 708 195	16 521 487
Forfeited during the year	(6 829 157)	(2 227 570)
Exercised during the year	(5 899 101)	–
Granted during the year	37 217 789	59 414 278
Balance at end of the year	98 197 726	73 708 195

	2022 Rm	2021 Rm
Charged to profit or loss (note 7.3)	80	53

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.

	2021 Grant	2020 Grant	2019 Grant	2018 Grant	2017 Grant
Fair value of KAP share rights and assumptions					
Fair value at measurement date	R3.46	R2.48	R3.73	R7.43	R8.05
Share price at grant date	R4.23	R2.95	R4.15	R8.05	R8.70
Exercise price	R0.00	R0.00	R0.00	R0.00	R0.00
Dividend yield	6.65%	5.42%	3.63%	2.71%	2.63%
Risk-free interest rate	5.98%	4.22%	6.80%	7.77%	7.67%
Life of share right	3 years	3 years	3 years	3 years	3 years

25.2 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 Unitrans South Africa operations, through 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. During the previous financial year, Sakhumzi disposed of its investment in its wholly owned subsidiary to the Unitrans Empowerment Trust ('the Unitrans Trust').
- 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 the Unitrans Trust, 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 of the acquiring entities and is therefore required to consolidate both acquiring entities. There was no change in terms of IFRS 10 due to the change in control in shareholding from Sakhumzi to the Unitrans Trust.

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). The remaining value of R13 million was expensed during the current year (2021: R3 million).

The share-based payment relating to the Pieters Trust was measured at the fair value of the equity instruments at the grant date and 80% of this amount was 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% was recognised over a seven year vesting period. This vesting condition is no longer applicable and therefore the remaining value was expensed in full during the current year. The share-based payment relating to Sakhumzi was measured at the fair value of the equity instruments at the grant date and was recognised immediately in profit or loss at grant date as there was no implicit service condition.

	2022 Rm	2021 Rm
Charged to profit or loss	13	3

25. Share-based payments (continued)

25.2 Broad-based black economic empowerment ('B-BBEE') transactions (continued)

The valuation of the share-based payment expense required 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 was 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 was 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 was determined by applying the geometric Brownian motion model using KAP's historical volatility as proxy for USCS.

26. Non-controlling interests

26.1 Details of subsidiaries that have non-controlling interests

	Non-controlling shareholding		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2022 %	2021 %	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Bapotrans Proprietary Limited	50.0	50.0	4	13	30	26
DesleeMattex Proprietary Limited	40.0	40.0	10	16	45	35
Feltex Fehrer Proprietary Limited	49.0	49.0	(3)	15	90	93
Mega Express Proprietary Limited	35.0	35.0	12	11	16	13
Khuthaza Holdings Proprietary Limited	10.0	–	1	–	10	–
SingRisk Services Private Limited	10.0	–	1	–	13	–
Southern Star Logistics Proprietary Limited	50.0	50.0	(15)	(5)	(34)	(19)
Ubunye Mining Services Proprietary Limited	–	30.0	3	6	–	12
UniMat Logistics SA	40.0	40.0	11	13	42	32
Unitrans Namibia Proprietary Limited	25.0	25.0	–	–	10	11
Individually immaterial subsidiaries with non-controlling interest	24.5 to 50.0	25.0 to 50.0	(4)	(2)	(3)	(4)
			20	67	219	199

	2022 Rm
26.2 Net effect of shares bought from non-controlling shareholder	
Effective 30 November 2021, the group purchased the 30.0% non-controlling interest in Ubunye Mining Services Proprietary Limited for a consideration of R20 million.	
Carrying amount of non-controlling interest acquired	16
Total consideration paid	(20)
Decrease in equity attributable to owners of the parent	(4)

		Notes	2022 Rm	2021 Rm
27.	**Loans and borrowings**			
27.1	Analysis of closing balance			
	Secured financing		1 577	1 246
	Vehicle and asset finance		1 537	1 207
	Term loans		40	39
	Unsecured financing covered by intergroup cross-guarantees		7 067	5 570
	Term loans		802	801
	Senior unsecured listed notes		6 265	4 769
	Unsecured financing		86	70
	Related-party loan payable	35	69	60
	Other loans		17	10
	Total loans and borrowings		8 730	6 886
	Portion payable within the next 12 months included in current liabilities		(2 049)	(1 526)
	Non-current loans and borrowings		6 681	5 360
27.2	Analysis of repayment			
	Next year		2 049	1 526
	Within two to five years		6 681	5 359
	Thereafter		–	1
			8 730	6 886

All loans and borrowings are carried at amortised cost. The fair values of loans and borrowings are disclosed in note 36.1.

		Notes	Current year interest rate	2022 Rm	2021 Rm
27.3	Loans and borrowings details				
	Secured[1]				
	Variable interest rates				
	Vehicle and asset finance[2]		5.50% to 9.37%	1 537	1 207
	Term loans[3]		8.00% to 9.25%	29	39
	Term loans[4]		17.60% to 19.60%	11	–
	Unsecured financing covered by intergroup cross-guarantees				
	Variable interest rates				
	Term loans[5]		5.68% to 7.21%	800	800
	Senior unsecured listed notes[6]		5.08% to 7.11%	6 206	4 306
	Fixed interest rates				
	Senior unsecured listed notes[6]		–	–	420
	Interest due				
	Term loans			2	1
	Senior unsecured listed notes			59	43
	Unsecured				
	Variable interest rates				
	Related-party loan payable	35	7.25% to 12.25%	29	20
	Fixed interest rates				
	Other loans		7.00%	–	3
	Interest free				
	Related-party loan payable	35	–	40	40
	Other loans		–	17	7
	Total loans and borrowings			8 730	6 886

[1] The carrying amount of assets encumbered in favour of the secured loans amounts to R1 687 million (2021: R1 415 million).
[2] The vehicle and asset finance bears interest linked to SA prime and repayable in monthly instalments over 60 months.
[3] The term loan bears interest linked to SA prime and is repayable monthly ending June 2025.
[4] The term loan is denominated in Mozambican metical (MZN) with its interest linked to the Mozambican prime lending rate and is repayable monthly ending February 2027.
[5] The term loans bear interest linked to 3-month JIBAR and are repayable on maturity in March 2024 and June 2026.
[6] The senior unsecured listed notes bear interest linked to 3-month JIBAR and the maturity dates are publicly available.

27. Loans and borrowings (continued)

27.3 Loans and borrowings details (continued)

The group complied with all the financial covenants during the 2022 and 2021 financial years. The capital risk management and financial covenant triggers are disclosed in note 36.3.

Global Credit Rating Co. Proprietary Limited reviewed the company's credit rating in November 2021 and affirmed its long-term national scale issuer rating of KAP as A+(za) and its short-term national scale issuer 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 company's term loans and its syndicated revolving credit facility:

- KAP Automotive Proprietary Limited
- PG Bison Proprietary Limited
- Restonic Proprietary Limited
- Safripol Proprietary Limited
- Unitrans Passenger Proprietary Limited
- Unitrans Supply Chain Solutions Proprietary Limited

The following companies participate in the guarantee (jointly and severally) in respect of the notes issued by the company under its domestic medium term note programme:

- KAP Automotive Proprietary Limited
- PG Bison Proprietary Limited
- Restonic Proprietary Limited
- Safripol Proprietary Limited
- Unitrans Passenger Proprietary Limited
- Unitrans Supply Chain Solutions Proprietary Limited

27.4 Reconciliation of movements in loans and borrowings

	Loans and borrowings Rm
Balance at 1 July 2020	7 604
Changes from financing cash flows	(720)
Loans and borrowings received	1 190
Loans and borrowings repaid	(1 910)
Other non-cash adjustments	2
Balance at 30 June 2021	6 886
Changes from financing cash flows	1 760
Loans and borrowings received	3 792
Loans and borrowings repaid	(2 032)
Acquired on acquisition of subsidiaries (note 34)	74
Other non-cash adjustments	10
Balance at 30 June 2022	8 730

27.5 Available borrowing facilities

	2022 Rm	2021 Rm
Committed		
Syndicated revolving credit facility	750	1 500
Uncommitted		
Call loan and overdraft facilities	1 620	1 664
	2 370	3 164

In addition, the group has access to available facilities for guarantees, letters of credit, foreign exchange contracts, cards and vehicle and asset financing.

In terms of the memorandum of incorporation, the borrowing powers of the company are unlimited.

28. Lease liabilities

	2022 Rm	2021 Rm
Balance at beginning of the year	397	466
Additions	115	27
Remeasurements	52	13
Acquired on acquisition of subsidiaries (note 34)	7	–
Capital repayments	(93)	(109)
Finance costs	35	39
Payments	(128)	(148)
Total lease liabilities	478	397
Portion payable within the next 12 months included in current liabilities	(106)	(86)
Non-current lease liabilities	372	311

The contractual maturity for lease liabilities is included in the liquidity risk section in note 36.2.3.

The lease payments are discounted using the incremental borrowing rate. The incremental borrowing rate for leases is determined based on the company borrowing rate, as the group utilises a central treasury function. Adjustments for the underlying group divisional credit risk and asset classes are not considered to give rise to a material impact on the accounting for right-of-use assets and lease liabilities. Interest is based on incremental borrowing rates ranging between 5.73% and 12.25% (2021: between 5.85% and 12.25%).

29. Employee benefits

	2022 Rm	2021 Rm
Performance-based bonus	256	272
Wage/13th cheque bonus	56	58
Leave pay	157	130
Post-retirement medical benefits	3	5
Other	16	15
Total employee benefits	488	480
Transferred to current employee benefits	(473)	(456)
Non-current employee benefits	15	24

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.

Post-retirement medical benefits

Certain companies in the group have an obligation to fund post-retirement medical benefits. These funds are closed to new entrants.

	2022 Rm	2021 Rm
Balance at beginning and end of the year	5	5
Actuarial gain	(2)	–
Balance at end of the year	3	5

The principal actuarial assumptions applied in determination of fair value of all the obligations include:

	2022	2021
Healthcare cost inflation	7.7%	6.5%
Discount rate	9.6%	8.0%
Percentage married at retirement	85.9%	78.9%
Retirement age	65 years	65 years

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.

30. Provisions

	Accident and insurance fund provisions Rm	Lease restoration provision Rm	Contract dispute provision Rm	Other[1] Rm	Total Rm
Balance at 1 July 2020	37	5	–	30	72
Additional provision raised	89	–	13	5	107
Amounts unused reversed	(40)	(2)	–	(4)	(46)
Amounts utilised	(51)	(1)	–	(2)	(54)
Balance at 30 June 2021	35	2	13	29	79
Additional provision raised	135	2	–	34	171
Amounts unused reversed	(79)	(2)	(13)	(13)	(107)
Amounts utilised	(52)	–	–	(4)	(56)
Acquired through business combinations (note 34)	–	2		–	2
Balance at 30 June 2022	39	4	–	46	89

	2022 Rm	2021 Rm
Total provisions	89	79
Transferred to current provisions	(89)	(77)
Non-current provisions	–	2

[1] *Other provisions include legal and labour-related matters, amongst others.*

Accident and insurance fund provisions

The fund relates to accidents that occurred but were not settled at the reporting date.

Lease restoration 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 R4 million. These amounts have not been discounted for the purpose of measuring the provision for restoration work as the effect is not material.

Contract dispute provision

The provision relates to contract disputes with customers. A provision of R13 million was raised in the prior year. The dispute with the customer was resolved in the current year resulting in the reversal of the provision.

31. Trade and other payables

	Notes	2022 Rm	2021 Rm
Trade payables		4 469	3 590
Accruals		350	281
Rebates payable		191	193
Other payables and amounts due		65	63
Related-party payables	35	19	36
Trade and other payables (financial liabilities)		5 094	4 163
Value added taxation payable		103	102
		5 197	4 265

The fair value of trade and other payables is disclosed in note 36.1.

	2022 Rm	2021 Rm
32. Commitments and contingencies		
32.1 Capital expenditure		
Contracts for capital expenditure authorised	822	299

Capital expenditure will be financed from cash and existing borrowing facilities.

32.2 Contingent liabilities

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.

The Competition Commission of South Africa ('the Commission') initiated an investigation into alleged price fixing and collusion by PG Bison Proprietary Limited ('PG Bison'), a subsidiary of the company, in March 2016. As a result of internal investigations, PG Bison discovered certain conduct, which it considered may have been in contravention of the Competition Act, 89 of 1998. PG Bison notified the Commission thereof through the Commission's corporate leniency policy and, in April 2018, applied to the Commission for immunity against prosecution. In October 2019, the Commission informed PG Bison that its immunity application had been declined. PG Bison launched a review application in the High Court, on 7 November 2019, to review and set aside the Commission's refusal to grant it immunity ('the review application'). On 13 November 2019, the Commission referred a complaint against PG Bison to the Competition Tribunal, alleging collusive conduct for the period 2009 to 2016 ('the complaint referral') and requesting a penalty of 10% of PG Bison's annual turnover. On 11 December 2019, PG Bison filed a stay application with the Competition Tribunal to suspend the hearing of the complaint referral, pending the outcome of PG Bison's review application, which the Commission has not opposed. The directors are of the opinion that PG Bison has a compelling case and that the review application will be successful.

There are no other litigation or legislative compliance matters, 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.

33. Cash flow information

33.1 Cash generated from operations

	Notes	2022 Rm	2021 Rm
Operating profit from continuing operations		2 827	2 134
Operating loss from discontinued operations	11.2	(10)	(172)
Adjusted for:			
Capital items			
Continuing operations	6	109	(32)
Discontinued operations	11.3	20	2
Depreciation and amortisation		1 404	1 344
Net fair value adjustments of consumable biological assets[1]		77	190
Share-based payment expense[2]		93	56
Impairment/(reversal of impairment) loans receivable		19	(4)
Other non-cash adjustments		5	10
Cash generated before working capital changes		4 544	3 528
Working capital changes			
Increase in inventories		(776)	(305)
Increase in trade and other receivables		(488)	(887)
(Increase)/decrease in current derivative financial assets		(34)	22
Increase in provisions		8	8
(Decrease)/increase in employee benefits		(2)	280
Increase in trade and other payables		839	838
(Decrease)/increase in current derivative financial liabilities		(10)	1
Changes in working capital		(463)	(43)
Cash generated from operations		4 081	3 485

[1] *Includes fair value (gain)/loss and decrease due to harvesting and sale of livestock.*
[2] *Includes both the KAP Performance Share Right Scheme and the B-BBEE cost.*

33.2 Taxation paid

	Notes	2022 Rm	2021 Rm
Net taxation payable/(receivable) at beginning of the year		90	(22)
Current year charge through the income statement	10	670	494
Acquired through acquisition of businesses	34	1	–
Interest and penalties (paid)/accrued		(3)	14
Exchange differences on translation of foreign operations		2	(1)
Net taxation receivable/(payable) at end of the year		43	(90)
Taxation receivable		63	42
Taxation payable		(20)	(132)
Taxation paid		803	395

33.3 Net cash and cash equivalents

	Notes	2022 Rm	2021 Rm
Cash and cash equivalents		1 730	751
Bank overdrafts		(38)	(45)
		1 692	706

34. Acquisition of subsidiaries and businesses, net of cash acquired

Effective 1 December 2021, the group acquired 80.39% of the shares and loan claims of Khuthaza Holdings Proprietary Limited for R105 million and 49% of the shares and loan claims of DriveRisk Holdings Proprietary Limited for a purchase price of R125 million. The total consideration amounted to R230 million and resulted in an effective holding of 90% in DriveRisk Holdings Proprietary Limited. In addition, the group also acquired 90% of the shares of SingRisk Services Private Limited for a purchase price of R174 million. These companies, together with the underlying subsidiaries, are collectively referred to as DriveRisk. The total consideration paid for the DriveRisk acquisition was R404 million.

Effective 31 August 2021, KAP Automotive Proprietary Limited acquired the tufting carpet business from its equity-accounted joint venture company, Auria Feltex Proprietary Limited, for a total consideration of R13 million.

	DriveRisk Rm	Tufting carpet business Rm	Total Rm
The fair value of assets and liabilities assumed at date of acquisition			
Assets			
Intangible assets	340	–	340
Property, plant and equipment	55	3	58
Right-of-use assets	5	–	5
Investments and loans receivable	4	–	4
Inventories	22	14	36
Trade and other receivables[1]	95	–	95
Derivative financial instruments	6	–	6
Short-term loans receivable	1	–	1
Taxation receivable	1	–	1
Cash on hand	25	–	25
Liabilities			
Loans and borrowings	(74)	–	(74)
Shareholder loans	(83)	–	(83)
Lease liabilities	(7)	–	(7)
Deferred taxation liabilities	(97)	–	(97)
Provisions	–	(2)	(2)
Employee benefits	(9)	–	(9)
Trade and other payables	(62)	–	(62)
Taxation payable	(1)	–	(1)
Total assets and liabilities acquired	221	15	236
Less: Non-controlling interests' portion of assets and liabilities acquired	(22)	–	(22)
Total assets and liabilities acquired	199	15	214
Gain on bargain purchase	–	(2)	(2)
Goodwill	122	–	122
Consideration paid for equity interest	321	13	334
Consideration paid for shareholder claims	83	–	83
Cash and cash equivalents on hand at acquisition	(25)	–	(25)
Net cash outflow on acquisition of subsidiaries	379	13	392

[1] *The fair value and gross contractual value of receivables acquired (which principally comprised trade receivables) is R95 million. All estimated contractual cash flows are expected to be collected.*

The goodwill arising on the acquisition of DriveRisk is attributable to the strategic business advantages acquired, as well as knowledgeable employees and management strategies that did not meet the criteria for recognition as identifiable intangible assets on the date of acquisition. This acquisition serves as KAP's entry point into an exciting new space with global leading technology and significant growth prospects. The goodwill arising on the DriveRisk acquisition will not be deductible for tax purposes.

Included within the group's results is revenue of R242 million and net profit after tax of R13 million resulting from the acquisitions. The revenue of the group would have increased by R162 million if the businesses had been acquired on 1 July 2021, with a R5 million increase in the net profit after tax for the year.

35. 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 during the year and the balances of receivables and payables at year-end:

	2022 Rm	2021 Rm
Related-party loans payable		
Freight-X Proprietary Limited	56	57
GW Erasmus	3	3
Steve Ford Solutions Proprietary Limited	10	–
	69	60
Related-party loans receivable		
Associate and joint venture companies	50	–
Related-party receivables		
Associate and joint venture companies	22	32
Related-party payables		
Associate and joint venture companies	–	10
Bekaert Deslee N.V. and its subsidiaries	13	18
F.S. Fehrer Automotive GmBH	6	8
	19	36
Dividends received from:		
Associate and joint venture companies	9	9
Dividends paid to:		
Bekaert Deslee N.V. and its subsidiaries	–	15
Mauritius Automotive Trading Company SARL	6	–
Talama Fleet Logistics Investments Proprietary Limited	10	10
	16	25
Sales to:		
Associate and joint venture companies	112	136
Net rebates and settlement discounts paid to:		
Associate and joint venture companies	–	1
Purchases from:		
Associate and joint venture companies	7	79
Bekaert Deslee N.V. and its subsidiaries	66	66
	73	145
Net administrative and other expenses, including management fees (paid to)/received from:		
Associate and joint venture companies	3	6
Bekaert Deslee N.V. and its subsidiaries	(4)	(4)
Freight-X Proprietary Limited	(3)	(3)
F.S. Fehrer Automotive GmBH	(10)	(10)
Mauritius Automotive Trading Company SARL	1	1
	(13)	(10)
Finance income received from		
Associate and joint venture companies	1	–
Finance costs paid to:		
Freight-X Proprietary Limited	1	2
Steve Ford Solutions Proprietary Limited	1	–
	2	2

For details of material related parties where control exists, refer to note 37.

Directors of the company are considered to be key management personnel. For details in respect of key management compensation, refer to note 38.

36. Financial instruments and risk management

36.1 Financial instruments

The following table summarises the group's classification of the carrying values of financial instruments and their fair values.

	At fair value through profit or loss Rm	At amortised cost Rm	Total carrying values Rm	Total fair values Rm
2022				
Financial assets				
Investments and loans receivable	–	31	31	31
Trade and other receivables (financial assets)	–	4 302	4 302	4 302
Derivative financial assets	105	–	105	105
Cash and cash equivalents	–	1 730	1 730	1 730
	105	6 063	6 168	6 168
Financial liabilities				
Loans and borrowings	–	(8 730)	(8 730)	(8 769)
Lease liabilities	–	(478)	(478)	(478)
Trade and other payables (financial liabilities)	–	(5 094)	(5 094)	(5 094)
Derivative financial liabilities	(74)	–	(74)	(74)
Bank overdrafts	–	(38)	(38)	(38)
	(74)	(14 340)	(14 414)	(14 453)
Net financial instruments	31	(8 277)	(8 246)	(8 285)
Net (gains)/losses recognised in profit or loss	(33)	57	24	
Net interest expense	–	522	522	
2021				
Financial assets				
Investments and loans receivable	–	9	9	9
Trade and other receivables (financial assets)	–	3 709	3 709	3 709
Derivative financial assets	10	–	10	10
Cash and cash equivalents	–	751	751	751
	10	4 469	4 479	4 479
Financial liabilities				
Loans and borrowings	–	(6 886)	(6 886)	(7 217)
Lease liabilities	–	(397)	(397)	(397)
Trade and other payables (financial liabilities)	–	(4 163)	(4 163)	(4 163)
Derivative financial liabilities	(24)	–	(24)	(24)
Bank overdrafts	–	(45)	(45)	(45)
	(24)	(11 491)	(11 515)	(11 846)
Net financial instruments	(14)	(7 022)	(7 036)	(7 367)
Net losses/(gains) recognised in profit or loss	40	(5)	35	
Net interest expense	–	481	481	

Fair values

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

Trade and other receivables and loans receivable

The fair values of trade and other receivables and 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 2022.

Derivative financial instruments

The fair values of forward exchange contracts and currency options 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).

Financial liabilities at amortised cost

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The fair values are not necessarily indicative of the amounts the group could realise in the normal course of business.

The carrying amount of short-term financial liabilities reasonably approximates the fair value at 30 June 2022.

36. Financial instruments and risk management (continued)

36.1 Financial instruments (continued)

Fair value hierarchy

Financial instruments measured at fair value are grouped into the following levels based on the significance of the inputs used in determining fair value:

- 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 table below categorises the group's financial instruments measured at fair value into the applicable level:

	2022 Level 2 Rm	2021 Level 2 Rm
Derivative financial assets	105	10
Derivative financial liabilities	(74)	(24)
	31	(14)

There were no Level 1 or Level 3 financial assets or financial liabilities as at 30 June 2022 or 30 June 2021.

36.2 Financial risk management

The group's activities expose it to a variety of financial risks including:

- market risk arising from foreign currency risk and interest rate risk;
- credit risk; and
- liquidity risk.

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 group operates a central treasury function that manages the funding and liquidity risks and requirements of the group's operations. 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. Currency volatility is closely managed by the central treasury office to mitigate foreign exchange risk. 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 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. These contracts are not designated as effective hedging instruments and therefore hedge accounting is not applied.

36. Financial instruments and risk management (continued)

36.2 Financial risk management (continued)

36.2.1 Market risk

Market risk is the risk arising from adverse changes in market rates.

The group does not enter into any derivative or other financial instruments to hedge price risk.

Foreign currency risk

Risk exposure	The group interacts with international customers and suppliers and is exposed to foreign currency risk arising from these exposures. The group's operating costs, however, are principally incurred in South African rand. The differences resulting from the translation of foreign operations into the presentation currency of the group is not taken into account when considering foreign currency risk.
How the risk arises	Foreign currency risk 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. Foreign currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.
Objectives, policies and processes for managing risk	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.

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
Foreign currency denominated monetary assets and liabilities		
2022		
Trade and other receivables	9	53
Cash and cash equivalents	17	89
Trade and other payables	(287)	(1 057)
Pre-derivative position	(261)	(915)
Derivative effect	1 059	932
Open position	798	17
2021		
Trade and other receivables	5	117
Cash and cash equivalents	6	79
Trade and other payables	(228)	(911)
Pre-derivative position	(217)	(715)
Derivative effect	400	729
Open position	183	14

The following significant exchange rates applied during the year and were used in calculating sensitivities:

Rand	Forecast rate[1] 30 June 2023	Forecast rate[1] 30 June 2022	Reporting date spot rate 30 June 2022	Reporting date spot rate 30 June 2021
Euro	16.90	17.65	17.13	16.93
US dollar	15.60	14.55	16.39	14.28

[1] *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.*

36. Financial instruments and risk management (continued)

36.2 Financial risk management (continued)

36.2.1 Market risk (continued)

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 2021.

The impact on the reported numbers of using the forecast rates as opposed to the reporting-date spot rates is set out below:

Impact on loss or (profit) before taxation	2022 Rm	2021 Rm
Euro weakened by 1.3% (2021: strengthened by 4.3%) to the rand	11	(8)
US dollar weakened by 4.8% (2021: strengthened by 1.9%) to the rand	1	–

If the foreign currencies were to strengthen/weaken 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 before taxation.

Foreign currency derivative financial instruments

The group uses forward exchange contracts ('FEC's) and currency options to hedge its foreign currency risk against change in foreign currency denominated assets and liabilities. FEC's have maturities of less than one year after reporting date. Currency options were entered into to hedge the foreign currency risk on future capital purchases and have maturities between one and three years. As a matter of policy, the group does not enter into derivative instruments for speculative purposes. The fair values of such contracts at year-end, by currency, were:

	Derivative financial assets Rm	Derivative financial liabilities Rm	Net derivative financial assets/ (liabilities) Rm
Derivative financial instruments			
2022			
Euro	64	(69)	(5)
US dollar	41	(5)	36
	105	(74)	31
Current	50	(14)	36
Non-current	55	(60)	(5)
	105	(74)	31
2021			
Euro	1	(9)	(8)
US dollar	9	(15)	(6)
	10	(24)	(14)
Current	10	(24)	(14)

The group does not apply hedge accounting to FEC's and currency options. Changes in the fair value of derivative instruments of economically hedged monetary assets and liabilities in foreign currencies are recognised in profit or loss.

Interest rate risk

Risk exposure	The group is exposed to interest rate risk on cash and cash equivalents, loans receivable and interest-bearing borrowings. Financial instruments with variable rates expose the group to cash flow interest rate risk, while those linked to fixed rates economically expose the group to fair value interest rate risk.
How the risk arises	The group's interest rate risk primarily arises from the impact of movements in market rates (mainly JIBAR and SA prime) on the value of the group's interest-bearing borrowings and receivables.
Objectives, policies and processes for managing 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. The group has a central treasury function that manages funding and monitors market conditions to achieve the best funding rates. Interest rate exposure is managed through the use of a mix of fixed and variable borrowings, as appropriate.

The interest and related terms of the group's interest-bearing loans are disclosed in note 27.

36. Financial instruments and risk management (continued)

36.2 Financial risk management (continued)

36.2.1 Market risk (continued)

At the reporting date the interest rate profile of the group's financial instruments was:

	Variable JIBAR and SA prime Rm	Variable other[2] Rm	Fixed rate Rm	Non-interest bearing Rm	Total Rm
2022					
Investments and loans receivable	–	–	–	31	31
Trade receivables	–	–	–	4 302	4 302
Derivative financial assets	–	–	–	105	105
Cash and cash equivalents	1 319	286	4	121	1 730
Loans and borrowings	(8 642)	(31)	–	(57)	(8 730)
Lease liabilities	–	–	(478)	–	(478)
Trade and other payables	–	–	–	(5 094)	(5 094)
Derivative financial liabilities	–	–	–	(74)	(74)
Bank overdrafts	(38)	–	–	–	(38)
	(7 361)	255	(474)	(666)	(8 246)
2021					
Investments and loans receivable	–	–	–	9	9
Trade receivables	–	–	–	3 709	3 709
Derivative financial assets	–	–	–	10	10
Cash and cash equivalents	447	177	48	79	751
Loans and borrowings	(6 388)	(20)	(430)	(48)	(6 886)
Lease liabilities	–	–	(397)	–	(397)
Trade payables	–	–	–	(4 163)	(4 163)
Derivative financial liabilities	–	–	–	(24)	(24)
Bank overdrafts	(45)	–	–	–	(45)
	(5 986)	157	(779)	(428)	(7 036)

[2] *Variable other refers to any financial instruments with interest rates linked to a variable rate other than JIBAR or SA prime, mainly related to entities operating outside of South Africa.*

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.

Impact on (profit) or loss before taxation	2022 Rm	2021 Rm
JIBAR and SA prime – 100 basis point increase	74	60

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

36. Financial instruments and risk management (continued)

36.2 Financial risk management (continued)

36.2.2 Credit risk

Risk exposure	Credit risk arises mainly from short-term cash and cash equivalent investments, trade and other receivables, and loans receivable. 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. At 30 June 2022, 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 the loss allowance.
How the risk arises	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.
Objectives, policies and processes for managing risk	The group deposits short-term cash surpluses with major banks of high-quality credit standing. 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 are taken into consideration in calculating the loss allowance. 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. Companies within the group perform ongoing credit evaluations on the financial condition of their customers. This process is supported by the divisional audit and risk subcommittees, which are in place for all operating divisions. Reports on the credit quality and exposures are provided to the divisional subcommittees for review. These subcommittees meet quarterly and deal with all issues arising at the operational division or subsidiary level. 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.

Exposure to credit risk

The carrying amounts of financial assets represent the maximum credit exposure.

	2022 Rm	2021 Rm
Maximum exposure to credit risk[3]		
Investments and loans receivable	31	9
Trade and other receivables	4 302	3 709
Derivative financial assets	105	10
Cash and cash equivalents	1 730	751
	6 168	4 479
Maximum exposure to credit risk by segment[4]		
Diversified industrial	2 353	1 831
Diversified chemical	1 733	1 316
Diversified logistics	2 629	2 255
Road safety	132	–
Corporate	(679)	(923)
	6 168	4 479

[3] *Excluding the value of collateral obtained.*
[4] *Includes account balances on accounts participating in cash management arrangements with the group's bankers.*

36. Financial instruments and risk management (continued)

36.2 Financial risk management (continued)

36.2.2 Credit risk (continued)

	2022 Rm	2021 Rm
Maximum exposure to credit risk by geographical region		
South Africa	5 315	3 679
Rest of Africa	777	715
Australasia	42	–
Americas	23	83
Europe	8	2
Asia	2	–
Middle East	1	–
	6 168	4 479
Carrying amount of financial assets		
Gross carrying amount	6 250	4 559
12-month ECL (Not credit impaired)	2 009	1 023
Lifetime ECL (Not credit impaired)	4 189	3 490
Lifetime ECL (Credit impaired)	52	46
Less: Loss allowance	(82)	(80)
12-month ECL (Not credit impaired)	(12)	(5)
Lifetime ECL (Not credit impaired)	(45)	(45)
Lifetime ECL (Credit impaired)	(25)	(30)
	6 168	4 479

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 ('ECL') 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 take into account forward looking information, including the current view of economic conditions, difficulty experienced in specific industries and sectors and country risk. The group also considers customer specific risks such as the payment history of customers, extended credit terms or financial support that is provided by its holding company.

36. Financial instruments and risk management (continued)

36.2 Financial risk management (continued)

36.2.2 Credit risk (continued)

At the reporting date the segment risk profile of the group's financial instruments was:

	Weighted average loss rate %	Gross carrying amount Rm	Loss allowance Rm	Net carrying amount Rm
Segment				
2022				
General	4.4	226	(10)	216
Large and corporate enterprises	0.6	2 556	(15)	2 541
Public sector entities	0.0	23	–	23
Local government and municipalities	0.0	103	–	103
National government	0.0	14	–	14
Banks and financial institutions	0.0	1 911	–	1 911
Small and medium enterprises	2.3	1 321	(30)	1 291
Micro enterprises	28.1	96	(27)	69
		6 250	(82)	6 168
2021				
General	3.8	78	(3)	75
Large and corporate enterprises	0.5	2 260	(12)	2 248
Public sector entities	0.0	4	–	4
Local government and municipalities	0.9	112	(1)	111
National government	0.0	9	–	9
Banks and financial institutions	0.0	821	–	821
Small and medium enterprises	3.9	1 187	(46)	1 141
Micro enterprises	20.5	88	(18)	70
		4 559	(80)	4 479

Movement in the loss allowance

The movement in the loss allowance in respect of trade receivables, other receivables and loans receivable during the year is indicated in the table below.

	12-month ECL (Not credit impaired) Rm	Lifetime ECL (Not credit impaired) Rm	Lifetime ECL (Credit impaired) Rm	Total Rm
Movement in the loss allowance for loans receivables				
Balance at 1 July 2020	(9)	–	(27)	(36)
Net reversal of impairment recognised in profit or loss	4	–	–	4
Amounts unused reversed	4	–	–	4
Reclassify to trade and other receivables	–	–	1	1
Balance at 30 June 2021	(5)	–	(26)	(31)
Net impairment recognised in profit or loss	(7)	(3)	(9)	(19)
Additional provision raised	(8)	(3)	(10)	(21)
Amounts unused reversed	1	–	1	2
Amounts utilised during the year	–	–	20	20
Balance at 30 June 2022	(12)	(3)	(15)	(30)

36. Financial instruments and risk management (continued)

36.2 Financial risk management (continued)

36.2.2 Credit risk (continued)

	12-month ECL (Not credit impaired) Rm	Lifetime ECL (Not credit impaired) Rm	Lifetime ECL (Credit impaired) Rm	Total Rm
Movement in the loss allowance for trade and other receivables				
Balance at 1 July 2020	1	(44)	(15)	(58)
Net reversal of impairment recognised in profit or loss	(1)	1	2	2
Additional provision raised	(1)	(15)	(1)	(17)
Amounts unused reversed	–	16	3	19
Amounts utilised during the year	–	6	1	7
Amounts reclassified from loans receivable	–	(1)	–	(1)
Reclassify between categories	–	(8)	8	–
Exchange differences on translation of foreign operations	–	1	–	1
Balance at 30 June 2021	–	(45)	(4)	(49)
Net impairment recognised in profit or loss	–	2	(6)	(4)
Additional provision raised	–	(20)	(7)	(27)
Amounts unused reversed	–	22	1	23
Amounts utilised during the year	–	2	–	2
Acquired on acquisition of subsidiary companies	–	(1)	–	(1)
Balance at 30 June 2022	–	(42)	(10)	(52)

36.2.3 Liquidity risk

Risk exposure	The group is exposed to liquidity risk through financial liabilities that have contractual cash flows and maturity dates.
How the risk arises	Liquidity risk arises should the group not be able to meet its obligations as they become due.
Objectives, policies and processes for managing risk	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 group has sufficient available borrowing facilities that can be utilised to service short-term commitments. Refer to note 27.

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:

36. Financial instruments and risk management (continued)

36.2 Financial risk management (continued)

36.2.3 Liquidity risk (continued)

	0 to 3 months Rm	4 to 12 months Rm	Year 2 Rm	Years 3 to 5 Rm	After 5 years Rm	Total Rm
Contractual maturity						
2022						
Loans and borrowings	275	2 188	2 372	5 210	–	10 045
Lease liabilities	34	103	131	183	147	598
Trade and other payables	4 974	120	–	–	–	5 094
Derivative financial liabilities	10	4	54	6	–	74
Bank overdrafts	38	–	–	–	–	38
	5 331	2 415	2 557	5 399	147	15 849
2021						
Loans and borrowings	261	1 558	2 547	3 139	1	7 506
Lease liabilities	29	87	104	160	135	515
Trade and other payables	4 039	123	–	–	–	4 162
Derivative financial liabilities	24	–	–	–	–	24
Bank overdrafts	45	–	–	–	–	45
	4 398	1 768	2 651	3 299	136	12 252

36.3 Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue on the going concern basis, while maximising the return to stakeholders through the optimisation of the debt and equity balances.

The capital structure of the group consists of borrowings disclosed in note 27, cash and cash equivalents, and equity attributable to owners of the parent, comprising issued share capital and reserves as disclosed in the statement of changes in equity.

In order to maintain or adjust the capital structure, the group may adjust the amount of distribution paid to shareholders, return capital to the shareholders, repurchase shares currently in issue, issue new shares, issue new debt to replace existing debt with different terms, and or sell assets to reduce debt.

The group monitors the following debt serviceable ratios:

	2022 Rm	2021 Rm
Loans and borrowings	8 730	6 886
Lease liabilities	478	397
Non-interest bearing loans and borrowings	(57)	(47)
Bank overdrafts	38	45
Cash and cash equivalents	(1 730)	(751)
Net interest-bearing debt	7 459	6 530
EBITDA[5&6]	4 340	3 419
Net finance costs[6]	529	466
EBITDA interest cover (times) > 3.5[7]	8.2	7.3
Net debt to EBITDA (times) < 3.2[7]	1.7	1.9
Gearing (%)	65	64

[5] *Operating profit before depreciation, amortisation and capital items.*
[6] *From continuing operations.*
[7] *Financial covenant triggers.*

The group complied with all the financial covenants during the 2022 and 2021 financial years.

KAP Industrial Holdings Limited Group

NOTES TO THE FINANCIAL STATEMENTS continued

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37. Material subsidiaries

	Principal activity	Place of incorporation	Ownership 2022 %	Ownership 2021 %
PG Bison Proprietary Limited	Integrated forestry, timber and resin manufacturing	South Africa	100	100
KAP Automotive Proprietary Limited	Vehicle retail accessories and components used in new vehicle assembly	South Africa	100	100
Restonic Proprietary Limited	Manufacture of foam, fabrics, springs, bases and branded mattresses	South Africa	100	100
Safripol Proprietary Limited	Manufacturing of polyethylene terephthalate ('PET'), high-density polyethylene ('HDPE') and polypropylene ('PP')	South Africa	100	100
Unitrans Holdings Proprietary Limited	Holding company of Unitrans Supply Chain Solutions Proprietary Limited and Unitrans Africa Proprietary Limited	South Africa	100	100
Unitrans Supply Chain Solutions Proprietary Limited[1]	Provision of integrated supply chain solutions in South Africa	South Africa	55	55
Unitrans Africa Proprietary Limited	Provision of integrated supply chain solutions together with various subsidiaries in Sub-Saharan African countries outside South Africa	South Africa	100	100
Unitrans Passenger Proprietary Limited	Provision of personnel and commuter transport services	South Africa	100	100

[1] *Unitrans Supply Chain Solutions Proprietary Limited ('USCS') is party to the group's broad-based black economic empowerment ('B-BBEE') transaction whereby a 45% ownership in USCS is held by B-BBEE partners. Refer to note 25.2 for a detailed explanation of the transaction.*

38. Directors' remuneration

38.1 Remuneration

Executive directors	Basic R	Company contributions R	Bonuses R	Total R
2022				
GN Chaplin	9 810 487	479 513	15 688 000	25 978 000
FH Olivier	6 059 417	440 583	9 540 000	16 040 000
SP Lunga[1]	2 418 294	248 372	–	2 666 666
	18 288 198	1 168 468	25 228 000	44 684 666
2021				
GN Chaplin	7 442 993	401 007	–	7 844 000
FH Olivier	4 421 548	348 452	–	4 770 000
	11 864 541	749 459	–	12 614 000

[1] *SP Lunga was appointed as an executive director to the board effective 18 November 2021 and, as a result, the remuneration disclosed only includes eight months. His full year total remuneration including bonuses was R7 200 000.*

Non-executive directors	2022 R	2021 R
J de V du Toit	642 168	1 347 685
TC Esau-Isaacs[2]	1 079 182	939
Z Fuphe	945 407	868 736
KJ Grové	1 083 437	1 112 165
KT Hopkins	1 371 941	1 238 159
V McMenamin	581 151	539 300
IN Mkhari[3]	150 645	729 100
SH Müller	1 422 887	1 231 375
SH Nomvete[4]	–	179 400
PK Quarmby	1 557 518	1 351 192
	8 834 336	8 598 051

[2] *TC Esau-Isaacs was appointed as non-executive director on 30 June 2021.*
[3] *Resigned effective 18 November 2021.*
[4] *Resigned effective 18 November 2020.*

All remuneration disclosed above was paid to directors in respect of services rendered as directors of the company.

Executive directors of the company are considered to be key management personnel.

38. Directors' remuneration (continued)

38.2 Share rights

	Offer date	Number of rights as at 30 June 2021	Number of rights awarded during the year	Number of rights exercised or expired during the year	Number of rights as at 30 June 2022
Executive directors					
GN Chaplin	November 2018	789 144	–	(789 144)	–
	December 2019	1 013 892	–	–	1 013 892
	December 2020	5 137 051	–	–	5 137 051
	December 2021	–	3 914 419	–	3 914 419
		6 940 087	3 914 419	(789 144)	10 065 362
FH Olivier	November 2018	479 885	–	(479 885)	–
	December 2019	616 556	–	–	616 556
	December 2020	3 123 882	–	–	3 123 882
	December 2021	–	2 472 665	–	2 472 665
		4 220 323	2 472 665	(479 885)	6 213 103
SP Lunga[5]	November 2018	198 056	–	(198 056)	–
	December 2019	288 236	–	–	288 236
	December 2020	1 669 020	–	–	1 669 020
	December 2021	–	1 211 845	–	1 211 845
		2 155 312	1 211 845	(198 056)	3 169 101
		13 315 722	7 598 929	(1 467 085)	19 447 566

[5] SP Lunga was appointed as an executive director to the board effective 18 November 2021.

Value of share rights exercised during the year	Number of rights exercised	Value of rights exercised R
Executive directors[6]		
2022		
GN Chaplin	789 144	3 724 764
FH Olivier	479 885	2 265 057
	1 269 029	5 989 821

[6] The market price of share rights exercised was R4.72 on 1 November 2021. SP Lunga's share rights were exercised before his appointment as executive director.

No share rights were exercised during the previous financial year.

39. Going concern

The annual financial statements are prepared on a going concern basis. The assessment of going concern included the consideration of current economic conditions as well as all available information about future risks and uncertainties.

Projections for the group, based on various financial analyses, have been prepared, covering its future performance, capital and liquidity for a period of 12 months subsequent to the approval date of the financial statements.

The group's forecasts and projections of its current and expected profitability, taking account of reasonably possible changes in trading performance, show that the group will be able to operate within the limits of its existing banking facilities for at least 12 months from the approval date of the financial statements.

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

40. Events after reporting date

The board of directors declared an ordinary dividend of 29.0 cents per share on 23 August 2022. The directors are not aware of any other 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.

KAP Industrial Holdings Limited Company

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2022

	Notes	2022 Rm	2021 Rm
Revenue	4	594	481
Administrative and other expenses		(12)	(13)
Other net gains	5	208	1 409
Operating profit before capital items		790	1 877
Capital items	6	941	(901)
Operating profit		1 731	976
Finance costs	7	(449)	(414)
Finance income	8	10	2
Profit before taxation		1 292	564
Taxation	9	(1)	(15)
Profit for the year		1 291	549
Other comprehensive income for the year		–	–
Total comprehensive income for the year		1 291	549

KAP Industrial Holdings Limited Company

STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

	Notes	2022 Rm	2021 Rm
Assets			
Non-current assets			
Investments in subsidiary companies	10	8 263	7 325
Related-party loans receivable	18	9 858	8 694
		18 121	16 019
Current assets			
Trade and other receivables	11	10	5
Share scheme settlement asset	13	165	83
Related-party loans receivable	18	200	400
Cash and cash equivalents		1 043	76
		1 418	564
Total assets		19 539	16 583
Equity and liabilities			
Capital and reserves			
Stated share capital	12	7 896	8 206
Reserves		2 697	1 704
		10 593	9 910
Non-current liabilities			
Loans and borrowings	14	5 502	4 406
		5 502	4 406
Current liabilities			
Loans and borrowings	14	1 565	1 164
Trade and other payables	15	4	19
Bank overdrafts		1 875	1 084
		3 444	2 267
Total equity and liabilities		19 539	16 583

KAP Industrial Holdings Limited Company

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2022

	Stated share capital Rm	Distributable reserves Rm	Share-based payment reserve Rm	Total Rm
Balance at 1 July 2020	8 540	831	271	9 642
Ordinary shares repurchased and cancelled	(334)	–	–	(334)
Total comprehensive income for the year	–	549	–	549
Profit for the year	–	549	–	549
Other comprehensive income for the year	–	–	–	–
Share-based payments movement through reserve accounting	–	–	53	53
Balance at 30 June 2021	8 206	1 380	324	9 910
Ordinary shares repurchased and cancelled	(310)	–	–	(310)
Total comprehensive income for the year	–	1 291	–	1 291
Profit for the year	–	1 291	–	1 291
Other comprehensive income for the year	–	–	–	–
Ordinary dividends paid	–	(378)	–	(378)
Share-based payments movement through reserve accounting	–	–	80	80
Balance at 30 June 2022	7 896	2 293	404	10 593

KAP Industrial Holdings Limited Company

STATEMENT OF CASH FLOWS

for the year ended 30 June 2022

	Notes	2022 Rm	Restated* 2021 Rm
Cash flows from operating activities			
Cash generated from operations	17.1	563	467
Finance income received		10	2
Finance costs paid		(449)	(414)
Dividends paid		(378)	–
Taxation paid		(1)	(15)
Net cash (outflow)/inflow from operating activities		(255)	40
Cash flows from investing activities			
Cash inflow on return of capital invested in subsidiary companies		–	120
Related-party loans advanced		(1 411)	(443)
Related-party loans repayments received		655	771
Net cash (outflow)/inflow from investing activities		(756)	448
Cash flows from financing activities			
Ordinary shares repurchased	12.1	(310)	(158)
Loans and borrowings received	14.4	3 100	1 202
Loans and borrowings repaid	14.4	(1 603)	(1 941)
Net cash inflow/(outflow) from financing activities		1 187	(897)
Net increase/(decrease) in cash and cash equivalents		176	(409)
Net cash and cash equivalents at beginning of the year		(1 008)	(599)
Net cash and cash equivalents at end of the year	17.2	(832)	(1 008)

**Refer to note 17.3 for details of the restatement.*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

1. Accounting policies

The accounting policies of the company are the same as those of the group, where applicable (refer to the consolidated financial statements). The accounting policies applied by the company have been applied consistently to the periods presented in these financial statements, except where stated otherwise. The policies detailed below are those specifically applicable to the company.

1.1 Investments in subsidiary companies

Investments in subsidiaries are stated at cost less impairment losses.

1.2 Share-based payment transactions

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 liability at fair value, using cash-settled share-based payment principles, and a corresponding adjustment against equity for the capital contribution recognised in respect of the share-based payment.
- The parent recognises a corresponding 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 recognised as dividend income by the parent in profit or loss.

1.3 Revenue recognition

Interest income

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

Dividend income

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

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

Impairment of investments in subsidiary companies

Investments are assessed annually for impairment by considering the recoverable amount of subsidiary companies. Also refer to notes 10.

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 used in the valuation model are detailed in note 13.

Calculation of the loss allowance

Significant judgement is required to determine the loss allowance which is processed against trade and other receivables and loans receivable in terms of the requirements of IFRS 9 – *Financial Instruments*, relating to expected credit losses ('ECL'). The significant judgements applied in determining the loss allowance 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')). The method and assumptions used to calculate the ECL is detailed in note 19.

3. New or revised accounting pronouncements

During the current year, the company 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 2021. The standards had no or minimal impact on the presentation, recognition and measurement of financial information. Refer to note 2 in the consolidated financial statements for the details on the new or revised IFRS standards applied during the year and for standards and interpretations in issue but not yet effective.

			2022 Rm	2021 Rm
4.	**Revenue**			
	Dividend income			
	Related-party	18	100	–
	Excess of recharge over share-based payment		41	–
			141	–
	Interest income			
	Related-party	18	453	481
			594	481
5.	**Other net gains**			
	Reversal of impairment of related-party loans receivable		208	1 409
6.	**Capital items**			
	Items of a capital nature are included in the 'capital items' line in the income statement. These income/(expense) items are:			
	Reversal of impairment/(impairment) of investments in subsidiary companies		941	(901)
	Capital items reflect and affect the resources committed in producing operating performance and are not the performance itself. These items deal with the capital base of the entity.			
7.	**Finance costs**			
	Bank overdraft and short-term facilities		45	51
	Senior unsecured listed notes		345	303
	Syndicated revolving credit loan		5	30
	Term loans		49	28
	Credit facilities arranging fees		5	2
			449	414
8.	**Finance income**			
	Bank balances and short-term deposits		10	2

9. Taxation

	2022 Rm	2021 Rm
9.1 Taxation expense		
South African normal taxation		
Current year	1	15

	2022 %	2021 %
9.2 Reconciliation of rate of taxation		
South African normal tax rate	28.0	28.0
Dividend income	(3.1)	–
(Reversal of impairment)/impairment of investments in subsidiary companies	(20.4)	44.7
Reversal of impairment of related-party loans receivable	(4.4)	(70.0)
Effective rate of taxation	0.1	2.7
9.3 Taxation losses		
Unrecognised taxation losses available for offset against future taxable income		
South African taxation losses	14	14

The taxation losses do not expire under current taxation legislation. No deferred taxation asset has been recognised in respect of taxation losses because it is not yet certain that future taxable profits will be available against which the company can realise the benefits therefrom.

	2022	2021
9.4 Unrecognised temporary differences		
Investments in subsidiary companies	803	1 556
Related-party loans receivable	1	167
	804	1 723

No deferred taxation asset has been recognised in respect of these temporary differences because it is improbable that the temporary differences will reverse in the foreseeable future and that the company will realise the benefits therefrom.

10. Investments in subsidiary companies

	2022 Rm	2021 Rm
Shares at cost	9 267	9 270
Accumulated impairment	(1 004)	(1 945)
	8 263	7 325

	Holding		Carrying amount	
	2022 %	2021 %	2022 Rm	2021 Rm
DriveRisk International Proprietary Limited	100	–	–	–
fairtech products Proprietary Limited	100	100	–	–
PG Bison Proprietary Limited	100	100	900	900
Restonic Proprietary Limited	100	100	888	900
KAP Automotive Proprietary Limited	100	100	220	220
KAP Corporate Services Proprietary Limited	100	100	–	–
KAP Investments Proprietary Limited	–	100	–	–
KAP Secretarial Services Proprietary Limited	100	100	–	–
KAP South Africa Holdings Proprietary Limited	100	100	–	–
Safripol Proprietary Limited	100	100	1 209	297
Unitrans Holdings Proprietary Limited	100	100	4 878	4 837
Unitrans Passenger Proprietary Limited	100	100	106	106
Share-based payments			62	65
			8 263	7 325

The company reversed R41 million of the impairment previously recognised on Unitrans Holdings Proprietary Limited (2021: R203 million impairment) and R912 million of the impairment previously recognised on Safripol Proprietary Limited (2021: R698 million impairment). Based on the results of the value in use calculations performed on the underlying operating assets, the impairment was partially reversed in this current financial year. The company recognised an impairment loss of R12 million against the investment in Restonic Proprietary Limited in the current financial year.

KAP Investments Proprietary Limited was liquidated in the current financial year.

	2022 Rm	2021 Rm
11. Trade and other receivables		
Related-party receivables (note 18)	3	–
Other amounts due	1	–
Trade and other receivables (financial assets)	4	–
Prepayments	6	5
	10	5

The company's exposure to credit risk related to trade and other receivables is disclosed in note 19.2.2.

	2022 Number of shares	2021 Number of shares	2022 Rm	2021 Rm
12. Stated share capital				
12.1 Share capital				
Authorised				
Ordinary shares of no par value	6 000 000 000	6 000 000 000	–	–
Cumulative, non-redeemable, non-participating preference shares of no par value	1 000 000 000	1 000 000 000	–	–
Perpetual preference shares of no par value	50 000 000	50 000 000	–	–
Issued				
Ordinary shares in issue at beginning of the year	2 531 201 473	2 607 137 238	8 206	8 540
Ordinary shares issued during the year	5 899 101	–	–	–
Ordinary shares repurchased and cancelled during the year[1]	(65 000 000)	(75 935 765)	(310)	(334)
Ordinary shares in issue at end of the year	2 472 100 574	2 531 201 473	7 896	8 206

[1] *The company repurchased shares at an average price of R4.75 during the current year. During the prior financial year, the company repurchased 36 000 000 shares from KAP Corporate Services Proprietary Limited ('KCS') at an average price of R4.90 per share and 39 935 765 shares at an average price of R3.92 per share. The purchase price of R176 million for the shares bought from KCS was settled via a loan account.*

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.

	2022 Rm	2021 Rm
12.2 Dividends per share		
The following dividends were declared and paid by the company during the year:		
15.00 cents per ordinary share (2021: nil cents)	378	–

13. 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 maximum number of ordinary shares that may be used for the continued implementation of the scheme may not exceed 366 274 533 ordinary shares. The share rights granted annually since this meeting are subject to the following scheme rules:

- Rights are granted to qualifying senior executives on an annual basis.
- Vesting of rights 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.
- 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.

	Number of share rights
Reconciliation of the number of shares available for allocation	
Shares authorised for purposes of KAP Performance Share Right Scheme	366 274 533
Cumulative share rights granted[1]	(166 691 412)
Shares available for allocation	199 583 121

[1] *The cumulative share rights granted are net of grants which lapsed or were forfeited.*

13. Share-based payments (continued)

	2022 Rights	2021 Rights
Reconciliation of rights granted		
Balance at beginning of the year	73 708 195	16 521 487
Forfeited during the year	(6 829 157)	(2 227 570)
Exercised during the year	(5 899 101)	–
Granted during the year	37 217 789	59 414 278
Balance at end of the year	98 197 726	73 708 195

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.

	2021 Grant	2020 Grant	2019 Grant	2018 Grant	2017 Grant
Fair value of KAP share rights and assumptions					
Fair value at measurement date	R3.46	R2.48	R3.73	R7.43	R8.05
Share price at grant date	R4.23	R2.95	R4.15	R8.05	R8.70
Exercise price	R0.00	R0.00	R0.00	R0.00	R0.00
Dividend yield	6.65%	5.42%	3.63%	2.71%	2.63%
Risk-free interest rate	5.98%	4.22%	6.80%	7.77%	7.67%
Life of share right	3 years	3 years	3 years	3 years	3 years

KAP share scheme settlement asset

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

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

	2021 grant	2020 grant	2020 grant	2019 grant	2019 grant	2018 grant
	2022	2022	2021	2022	2021	2021
Share price	R3.54	R3.82	R3.72	R4.10	R3.85	R3.99
Exercise price	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00
Term	29 months	17 months	29 months	5 months	17 months	4 months
Dividend yield	9.00%	9.88%	4.21%	16.56%	4.81%	10.06%
Risk-free interest rate	7.46%	6.89%	4.92%	5.49%	4.39%	3.72%

	2022 Rm	2021 Rm
Reconciliation of share scheme settlement asset		
Balance at beginning of the year	83	12
Increase in fair value for the year	110	71
Share scheme settlement received during the year	(28)	–
Balance at end of the year	165	83

14. Loans and borrowings

	Current year interest rate	2022 Rm	2021 Rm
14.1 Analysis of closing balance			
Unsecured financing covered by intergroup cross-guarantees			
Term loans		802	801
Senior unsecured listed notes		6 265	4 769
Total loans and borrowings		7 067	5 570
Portion payable within the next 12 months included in current liabilities		(1 565)	(1 164)
Non-current loans and borrowings		5 502	4 406
14.2 Analysis of repayment			
Next year		1 565	1 164
Within two to five years		5 502	4 406
		7 067	5 570

All loans and borrowings are carried at amortised cost. The fair values of loans and borrowings are disclosed in note 19.1.

	Current year interest rate	2022 Rm	2021 Rm
14.3 Loans and borrowings details			
Unsecured financing covered by intergroup cross-guarantees			
Variable interest rates			
Term loans[1]	5.68% to 7.21%	800	800
Senior unsecured listed notes[2]	5.08% to 7.11%	6 206	4 306
Fixed interest rates			
Senior unsecured listed notes[2]		–	420
Interest due			
Term loans		2	1
Senior unsecured listed notes		59	43
Total loans and borrowings		7 067	5 570

[1] *The term loans bear interest linked to 3-month JIBAR and are repayable on maturity in March 2024 and June 2026.*
[2] *The senior unsecured listed notes bear interest linked to 3-month JIBAR and the maturity dates are publicly available.*

Global Credit Rating Co. Proprietary Limited reviewed the company's credit rating in November 2021 and affirmed its long-term national scale issuer rating of KAP as A+(za) and its short-term national scale issuer 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 company's term loans and its syndicated revolving credit facility:

- KAP Automotive Proprietary Limited
- PG Bison Proprietary Limited
- Restonic Proprietary Limited
- Safripol Proprietary Limited
- Unitrans Passenger Proprietary Limited
- Unitrans Supply Chain Solutions Proprietary Limited

The following companies participate in the guarantee (jointly and severally) in respect of the notes issued by the company under its note programme:

- KAP Automotive Proprietary Limited
- Restonic Proprietary Limited
- PG Bison Proprietary Limited
- Safripol Proprietary Limited
- Unitrans Passenger Proprietary Limited
- Unitrans Supply Chain Solutions Proprietary Limited

14. Loans and borrowings (continued)

14.4 Reconciliation of movements in loans and borrowings

	Loans and borrowings Rm
Balance at 1 July 2020	6 309
Changes from financing cash flows	(739)
Loans and borrowings received	1 202
Loans and borrowings repaid	(1 941)
Balance at 30 June 2021	5 570
Changes from financing cash flows	1 497
Loans and borrowings received	3 100
Loans and borrowings repaid	(1 603)
Balance at 30 June 2022	7 067

14.5 Available borrowing facilities

	2022 Rm	2021 Rm
Committed		
Syndicated revolving credit facility	750	1 500
Uncommitted		
Call loan and overdraft facilities	1 581	1 634
	2 331	3 134

In terms of the memorandum of incorporation, the borrowing powers of the company are unlimited.

15. Trade and other payables

	2022 Rm	2021 Rm
Trade payables	–	1
Other payables and amounts due	4	18
Trade and other payables (financial liabilities)	4	19

The fair value of trade and other payables is disclosed in note 19.1.

16. Commitments and contingencies

16.1 Capital expenditure

The company is not committed to any capital expenditure.

16.2 Contingent liabilities

There are no litigation or legislative compliance matters, current or pending, which are considered likely to have a material adverse effect on the company.

The company has a number of guarantees and suretyships outstanding at year-end. However, the directors are confident that no material liability will arise as a result of these guarantees and suretyships. These guarantees and suretyships include but are not limited to the following:

Parental/performance guarantees have been provided for the obligations of subsidiaries to, inter alia, suppliers of goods or services in the ordinary course of business in an aggregate amount of ca. R2 536 million.

Parental guarantee has been provided in favour of Daimler Truck Financial Services South Africa Proprietary Limited, for vehicle and asset financing facility, to the value of R50 million as at 30 June 2022.

Limited suretyship has been provided in favour of Scania Finance Southern Africa Proprietary Limited, for vehicle and asset financing facility, to the value of R550 million as at 30 June 2022.

Limited suretyship has been provided in favour of Volvo Financial Services Southern Africa Proprietary Limited, for vehicle and asset financing facility, to the value of R400 million as at 30 June 2022.

Cross-guarantee has been provided in favour of ABSA Bank Limited, for general banking facilities, to the value of R1 780 million as at 30 June 2022.

Unlimited cross-guarantee has been provided in favour of Nedbank Limited, for general banking facilities, to the value of R950 million as at 30 June 2022.

16. Commitments and contingencies (continued)

16.2 Contingent liabilities (continued)

Unlimited cross-guarantee has been provided in favour of Standard Bank of South Africa Limited, for general banking facilities, to the value of R1 214 million as at 30 June 2022.

Cross-guarantee has been provided in favour of Standard Bank of South Africa Limited, for the cash management facility as at 30 June 2022.

Unlimited cross-suretyship has been provided in favour of FirstRand Bank Limited, for general banking facilities, to the value of R2 221 million as at 30 June 2022.

Unlimited cross-suretyship has been provided in favour of FirstRand Bank Limited, for the cash management facility as at 30 June 2022.

The following loan amounts have been subordinated in favour of the other creditors until that company's assets, fairly valued, exceeded the liabilities:

- DriveRisk International Proprietary Limited for R88 million (2021: Rnil);
- fairtech products Proprietary Limited for R6 million (2021: Rnil); and
- KAP Corporate Services Proprietary Limited for Rnil (2021: R208 million).

Letters of support have been issued in favour of:

- DriveRisk International Proprietary Limited for R231 million (2021: Rnil);
- fairtech products Proprietary Limited for R60 million (2021: R35 million);
- PG Bison Proprietary Limited for R741 million (2021: R1 106 million);
- KAP Automotive Proprietary Limited for R971 million (2021: R792 million);
- KAP Corporate Services Proprietary Limited for R1 216 million (2021: R1 003 million);
- Restonic Proprietary Limited for R110 million (2021: R374 million);
- Safripol Proprietary Limited for R1 639 million (2021: R2 393 million);
- Sakhumzi Empowerment Proprietary Limited for R1 million (2021: R1 million);
- Unitrans Holdings Proprietary Limited for R193 million (2021: R831 million); and
- Unitrans Passenger Proprietary Limited for R359 million (2021: R460 million).

17. Cash flow information

	2022 Rm	2021 Rm
17.1 Cash generated from operations		
Operating profit	1 731	976
Adjusted for:		
(Reversal of impairment)/impairment of investments in subsidiary companies	(941)	901
Reversal of impairment of related-party loans receivable	(208)	(1 409)
Dividend – excess of recharge over share-based payment	(41)	–
Cash generated before working capital changes	541	468
Working capital changes		
Increase in trade and other receivables	(5)	–
Decrease in trade and other payables	(1)	(1)
Settlement of share scheme asset	28	–
Changes in working capital	22	(1)
Cash generated from operations	563	467
17.2 Net cash and cash equivalents		
Cash and cash equivalents	1 043	76
Bank overdraft	(1 875)	(1 084)
	(832)	(1 008)

17. Cash flow information (continued)

17.3 Restatement of statement of cash flows

The statement of cash flows has been restated to offset the bank overdrafts against cash and cash equivalents as it forms an integral part of the company's cash management. Bank overdrafts were previously reflected as cash flows from financing activities. Related-party loans receivable have also been restated to reflect the gross cash inflows and outflows. The impact of the error is disclosed in the table below.

The changes had no impact on profit or loss or the statement of financial position of the company at 30 June 2021.

	As previously stated Rm	Adjustment Rm	Restated Rm
2021			
Cash flows from operating activities	40	–	40
Cash flows from investing activities	448	–	448
Cash inflow on return of capital invested in subsidiary companies	120	–	120
Related-party loans advanced	–	(443)	(443)
Related-party loan repayments received	328	443	771
Cash flows from financing activities	(700)	(197)	(897)
Net decrease in cash and cash equivalents	**(212)**	**(197)**	**(409)**
Cash and cash equivalents at beginning of the year	288	(887)	(599)
Cash and cash equivalents at end of the year	**76**	**(1 084)**	**(1 008)**

18. Related-party balances and transactions

Related-party relationships exist between shareholders, subsidiaries, associate and joint venture companies within the KAP Industrial Holdings Limited group of companies.

These transactions are concluded in the normal course of business.

The following is a summary of material balances of receivables and payables at year-end:

	2022 Rm	2021 Rm
Related-party loans receivable		
DriveRisk International Proprietary Limited	478	–
fairtech products Proprietary Limited	158	35
KAP Automotive Proprietary Limited	991	895
KAP Corporate Services Proprietary Limited	1 211	1 211
PG Bison Proprietary Limited	2 603	2 100
Restonic Proprietary Limited	430	468
Safripol Proprietary Limited	3 000	3 200
Sakhumzi Empowerment Proprietary Limited	1	1
Unitrans Africa Proprietary Limited	144	–
Unitrans Holdings Proprietary Limited	190	190
Unitrans Passenger Proprietary Limited	500	650
Unitrans Supply Chain Solutions Proprietary Limited	353	553
	10 059	9 303
Loss allowance	(1)	(209)
Total related-party loans receivable	10 058	9 094
Portion payable within the next 12 months included in current assets	(200)	(400)
Non-current related-party loans receivable	9 858	8 694

The related-party loans are unsecured. Loans other than the Unitrans Supply Chain Solutions Proprietary Limited ('USCS') loan bears interest between 0% and prime (2021: 0% and prime) and have no fixed repayment terms. The USCS loan bears interest of JIBAR plus 3.95% and is repayable by 29 February 2024.

A reversal of impairment of R208 million (2021: R517 million) for KAP Corporate Services Proprietary Limited was recorded during the year.

Refer to note 16.2 for details of which loan amounts have been subordinated.

	2022 Rm	2021 Rm
Related-party receivables		
Restonic Proprietary Limited	3	–

18. Related-party balances and transactions (continued)

The following is a summary of material transactions with related parties during the year:

	Interest income Rm	Dividend income Rm
2022		
DriveRisk International Proprietary Limited	(4)	–
fairtech products Proprietary Limited	(6)	–
KAP Automotive Proprietary Limited	(58)	–
PG Bison Proprietary Limited	(134)	(100)
Restonic Proprietary Limited	(26)	–
Safripol Proprietary Limited	(141)	–
Unitrans Africa Proprietary Limited	(11)	–
Unitrans Passenger Proprietary Limited	(37)	–
Unitrans Supply Chain Solutions Proprietary Limited	(36)	–
Total 30 June 2022	(453)	(100)
2021		
KAP Automotive Proprietary Limited	(62)	–
PG Bison Proprietary Limited	(147)	–
Restonic Proprietary Limited	(33)	–
Safripol Proprietary Limited	(154)	–
Unitrans Passenger Proprietary Limited	(35)	–
Unitrans Supply Chain Solutions Proprietary Limited	(50)	–
Total 30 June 2021	(481)	–

Directors of the company are considered to be key management personnel. For details in respect of directors remuneration, refer to note 38 of the consolidated financial statements.

19. Financial instruments and risk management

19.1 Financial instruments

The following table summarises the company's classification of financial instruments and the fair values.

	Total carrying values at amortised cost Rm	Total fair values Rm
2022		
Financial assets		
Related-party loans receivable	10 058	10 058
Trade and other receivables (financial assets)	4	4
Cash and cash equivalents	1 043	1 043
	11 105	11 105
Financial liabilities		
Loans and borrowings	(7 067)	(7 106)
Trade and other payables (financial liabilities)	(4)	(4)
Bank overdrafts	(1 875)	(1 875)
	(8 946)	(8 985)
Net financial instruments	2 159	2 120
Net interest income		
Interest income	463	
Interest expense	(449)	
	14	
2021		
Financial assets		
Related-party loans receivable	9 094	9 094
Cash and cash equivalents	76	76
	9 170	9 170
Financial liabilities		
Loans and borrowings	(5 570)	(5 901)
Trade and other payables (financial liabilities)	(19)	(19)
Bank overdrafts	(1 084)	(1 084)
	(6 673)	(7 004)
Net financial instruments	2 497	2 166
Net interest income		
Interest income	483	
Interest expense	(414)	
	69	

Fair values

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

Trade and other receivables and loans receivable

The fair values of trade and other receivables and 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 2022.

Financial liabilities at amortised cost

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The fair values are not necessarily indicative of the amounts the company could realise in the normal course of business.

The carrying amount of short-term financial liabilities reasonably approximates the fair value at 30 June 2022.

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

19. Financial instruments and risk management (continued)

19.2 Financial risk management

The company's activities expose it to a variety of financial risks including:

- market risk arising from foreign currency and interest rate risk;
- credit risk; and
- liquidity risk.

The executive team is responsible for implementing the risk management strategy to ensure that an appropriate risk management framework is operating effectively across the company, embedding a risk management culture throughout the company. The board and 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.

19.2.1 Market risk

Market risk is the risk arising from adverse changes in market rates.

Foreign currency risk

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

Interest rate risk

Risk exposure	The company is exposed to interest rate risk on cash and cash equivalents, loans receivables and interest-bearing borrowings. Financial instruments with variable rates expose the company to cash flow interest rate risk, while those linked to fixed rates economically expose the company to fair value interest rate risk.
How the risk arises	The company's interest rate risk primarily arises from the impact of movements in market rates (mainly JIBAR and SA prime) on the value of the company's interest-bearing current and non-current borrowings and receivables.
Objectives, policies and processes for managing risk	As part of the process of managing the company's borrowings mix, the interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates. Interest rate exposure is managed through the use of a mix of fixed and variable borrowings, as appropriate.

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

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

	Variable JIBAR and SA prime Rm	Fixed rate Rm	Non-interest bearing Rm	Total Rm
2022				
Related-party loans receivable	8 252	–	1 806	10 058
Trade and other receivables	–	–	4	4
Cash and cash equivalents	1 043	–	–	1 043
Loans and borrowings	(7 067)	–	–	(7 067)
Trade and other payables	–	–	(4)	(4)
Bank overdrafts	(1 875)	–	–	(1 875)
	353	–	1 806	2 159
2021				
Related-party loans receivable	6 901	–	2 193	9 094
Cash and cash equivalents	76	–	–	76
Loans and borrowings	(5 142)	(428)	–	(5 570)
Trade and other payables	–	–	(19)	(19)
Bank overdrafts	(1 084)	–	–	(1 084)
	751	(428)	2 174	2 497

19. Financial instruments and risk management (continued)

19.2 Financial risk management (continued)

19.2.1 Market risk (continued)

Sensitivity analysis

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

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

Impact on (profit) or loss before taxation	2022 Rm	2021 Rm
JIBAR and SA prime – 100 basis point increase	(4)	(8)

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

19.2.2 Credit risk

Risk exposure	Credit risk arises mainly from short-term cash and cash equivalent and related-party loans. At 30 June 2022, the company 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 the loss allowance.
How the risk arises	Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.
Objectives, policies and processes for managing risk	The company deposits short-term cash surpluses with major banks of high-quality credit standing. The company aims to minimise loss caused by default of related-parties through specific company-wide policies and procedures. Compliance with these policies and procedures is the responsibility of central office management. Monitoring of compliance with these policies is done by internal audit. All known risks are required to be fully disclosed and are taken into consideration in calculating the loss allowance.

Exposure to credit risk

The carrying amounts of financial assets represent the maximum credit exposure.

	2022 Rm	2021 Rm
Maximum exposure to credit risk[1]		
Related-party loans receivable	10 058	9 094
Trade and other receivables	4	–
Cash and cash equivalents	1 043	76
	11 105	9 170
Maximum exposure to credit risk by geographical region		
South Africa	11 105	9 170
Carrying amount of financial assets		
Gross carrying amount:		
12-month ECL (Not credit impaired)	11 106	9 379
Less: Loss allowance		
12-month ECL (Not credit impaired)	(1)	(209)
	11 105	9 170

[1] *Excluding the value of collateral obtained.*

19. Financial instruments and risk management (continued)

19.2 Financial risk management (continued)

19.2.2 Credit risk (continued)

The company'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 company has no realistic prospect of recovery	Amount is written off

Expected credit loss ('ECL') assessment for financial assets

The company 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 take into account forward looking information, including the current view of economic conditions, difficulty experienced in specific industries and sectors and country risk. The company also considers customer specific risks such as the payment history of customers, extended credit terms or financial support that is provided by its holding company.

At the reporting date the segment risk profile of the company's financial instruments was:

	Weighted average loss rate %	Gross carrying amount Rm	Loss allowance Rm	Net carrying amount Rm
Segment				
2022				
Large and corporate enterprises[2]	0.0	10 063	(1)	10 062
Banks and financial institutions	0.0	1 043	–	1 043
		11 106	(1)	11 105
2021				
Large and corporate enterprises[2]	2.2	9 303	(209)	9 094
Banks and financial institutions	0.0	76	–	76
		9 379	(209)	9 170

[2] *Mainly related-party loans receivable.*

Movement in the loss allowance

The movement in the loss allowance in respect of related-party loans receivable during the year is indicated in the table below.

	12-month ECL (Not credit -impaired) Rm
Movement in the loss allowance for related-party loans receivable	
Balance at 1 July 2020	(1 618)
Additional unused reversed through profit or loss	1 409
Balance at 30 June 2021	(209)
Amounts unused reversed through profit or loss	208
Balance at 30 June 2022	(1)

19. Financial instruments and risk management (continued)

19.2 Financial risk management (continued)

19.2.3 Liquidity risk

Risk exposure	The company is exposed to liquidity risk through financial liabilities that have contractual cash flows and maturity dates.
How the risk arises	Liquidity risk arises should the company not be able to meet its obligations as they become due.
Objectives, policies and processes for managing risk	The company 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 company 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 company has sufficient available borrowing facilities that can be utilised to service short-term commitments. Refer to note 14.

The following table details the company'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 company can be required to pay. The table includes both interest and principal cash flows:

	0 to 3 months Rm	4 to 12 months Rm	Year 2 Rm	Years 3 to 5 Rm	Total Rm
Contractual maturity					
2022					
Loans and borrowings	114	1 781	1 864	4 294	8 053
Trade and other payables	4	–	–	–	4
Bank overdrafts	1 875	–	–	–	1 875
	1 993	1 781	1 864	4 294	9 932
2021					
Loans and borrowings	71	1 341	2 187	2 550	6 149
Trade and other payables	19	–	–	–	19
Bank overdrafts	1 084	–	–	–	1 084
	1 174	1 341	2 187	2 550	7 252

19.3 Capital risk management

The company manages its capital to ensure that it will be able to continue on the going concern basis, while maximising the return to stakeholders through the optimisation of the debt and equity balances.

The capital structure of the company consists of borrowings, cash and cash equivalents, and equity attributable to owners of the parent, comprising issued share capital and reserves as disclosed in the statement of changes in equity.

In order to maintain or adjust the capital structure, the company may adjust the amount of distribution paid to shareholders, return capital to the shareholders, repurchase shares currently in issue, issue new shares, issue new debt to replace existing debt with different terms, and or sell assets to reduce debt.

20. Going concern

The financial statements are prepared on a going concern basis. The assessment of going concern included the consideration of current economic conditions as well as all available information about future risks and uncertainties.

Projections for the company, based on various financial analyses, have been prepared, covering its future performance, capital and liquidity for a period of 12 months subsequent to the approval date of the financial statements.

The company's forecasts and projections of its current and expected profitability, taking account of reasonably possible changes in trading performance, show that the company will be able to operate within the limits of its existing banking facilities for at least 12 months from the approval date of the financial statements.

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

21. Events after reporting date

The board of directors declared an ordinary dividend of 29.0 cents per share on 23 August 2022. The directors are not aware of any other significant events after the reporting date that will have a material effect on the company's results or financial position as presented in these financial statements.

ANALYSIS OF SHAREHOLDING

for the year ended 30 June 2022

	2022			
	Number of shareholders	%	Number of shares	%
Shareholder spread				
1 – 1 000 shares	7 839	67.66	872 099	0.04
1 001 – 10 000 shares	1 964	16.95	8 272 123	0.33
10 001 – 100 000 shares	1 055	9.11	37 498 918	1.52
100 001 – 1 000 000 shares	490	4.23	171 875 199	6.95
1 000 001 – 10 000 000 shares	201	1.73	617 121 985	24.96
10 000 001 shares and over	37	0.32	1 636 460 250	66.20
	11 586	100.00	2 472 100 574	100.00
Resident/non-resident split				
Resident	11 350	97.96	1 981 231 586	80.14
Non-resident	236	2.04	490 868 988	19.86
	11 586	100.00	2 472 100 574	100.00

	2022		2021	
	Number of shares	%	Number of shares	%
Shares held by directors of the company				
GN Chaplin	3 497 039	0.14	3 063 010	0.12
FH Olivier	480 000	0.02	–	0.00
SP Lunga[1]	327 406	0.01	–	0.00
J de V du Toit	1 040 368	0.04	1 040 368	0.04
KJ Grové	4 500 000	0.18	4 862 828	0.19
SH Müller	225 004	0.01	225 004	0.01
PK Quarmby	500 000	0.02	500 000	0.02
	10 569 817	0.42	9 691 210	0.38
Shares held by directors of group subsidiaries	46 885 371	1.90	57 292 315	2.26
Shares held by management of the company and its group subsidiaries	7 676 496	0.31	2 829 734	0.11
	65 131 684	2.63	69 813 259	2.75
Public/non-public shareholdings				
Government Employees Pension Fund[2]	460 584 055	18.63	368 421 642	14.56
Allan Gray[2]	413 456 260	16.73	448 391 830	17.71
Directors (and associates) of the company and its subsidiaries	57 455 188	2.32	66 983 525	2.65
Management of the company and its subsidiaries	7 676 496	0.31	2 829 734	0.11
Non-public shareholders[3]	939 171 999	37.99	886 626 731	35.03
Public shareholders[4]	1 532 928 575	62.01	1 644 574 742	64.97
	2 472 100 574	100.00	2 531 201 473	100.00

[1] *SP Lunga became an executive director of the company effective 18 November 2021.*
[2] *Beneficial shareholder holding more than 10% of the shares of the company at year-end.*
[3] *There were 32 (2021: 31) non-public shareholders at year-end.*
[4] *There were 11 554 (2021: 10 629) public shareholders at year-end.*

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