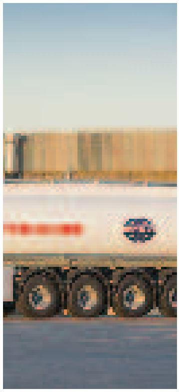
Audited results

for the year ended 30 June 2019





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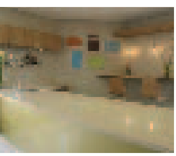
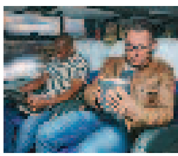




Financial highlights

Revenue up 12% to R25.6 billion

EBITDA* stable at R3.9 billion

Cash generated from operations up 22% to R4.0 billion

Free cash generation (before dividends) of R2.0 billion
(FY18: R594 million)

Gearing reduced from 47% to 35%

Dividend stable at 23 cents per share

Core headline earnings* per share down 14%

Headline earnings per share down 25% (impacted by the B-BBEE cost)

Revenue, EBITDA and headline earnings per share from continuing operations.

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

In previous financial years, the group embarked on a number of significant expansion projects at its operations and concluded a number of acquisitions, resulting in the **investment of R7.8 billion over the 24 months to 30 June 2018**. These investments have been comprehensively reported on in previous financial reports. In view of the scale and complexity of these investments, the strategy set by the board for the 2019 financial year was to ensure the completion of the expansion projects and the effective integration of the acquisitions into the group, with the focus on **market share growth, extraction of value and generation of cash** in order to **improve gearing** and to **strengthen the group's balance sheet**. Management have made good progress during the year in this regard. In view of the challenging and uncertain economic environment in South Africa, this has proven to be a prudent and responsible approach.

Operational review

for the year ended 30 June 2019

Diversified industrial

Integrated Timber

Revenue: R4 031 million (FY18: R3 612 million)
Operating profit: R806 million (FY18: R809 million)

The Integrated Timber division comprises forestry, sawmilling, pole manufacture, panel manufacture and upgrading operations. In line with international industry peers, the resin manufacturing and paper impregnation operations are now reported as part of this division (previously reported as part of the diversified chemical segment), as they represent strategic raw materials to the panel products operation and reflect the group's strategy of integration (prior year segmental analysis has been restated for comparative purposes).

The division's panel products operations performed well for the year, showing volume, revenue and operating profit growth. It continued to pursue its strategy of technology investments to reduce its cost of manufacture, increase the proportion of value-added products and grow market share. The division's performance was positively impacted by the postponement of certain plant maintenance shutdowns. The required maintenance activities will be completed in conjunction with plant expansions planned in F2020, thereby minimising overall production downtime. The division continued to drive exports to ensure process optimisation through its plants. It discontinued the sale and distribution of solid surfacing and high-pressure laminate products during the year in order to focus on its own manufactured products.

The resin operation performed well for the year with increased volume and improved sales mix.

The division's forestry, sawmilling and pole operations in the southern Cape were significantly impacted by the operational effects of the extensive fires experienced in the region during 2017 and 2018, which had a R68 million negative impact on the division's operating results compared to the prior year.

The division has initiated new projects to expand particleboard capacity and improve efficiencies at both its Ugie and Piet Retief plants, which will be commissioned in February and March 2020 respectively. An additional MFB (melamine-faced board) upgrading press at Piet Retief will be commissioned in August 2019. The combined cost of these investments will be approximately R200 million, the majority of which will be incurred in F2020.

Automotive Components

Revenue: R2 202 million (FY18: R1 853 million)
Operating profit: R266 million (FY18: R248 million)

An 11% increase in industry new vehicle assembly volumes over the prior comparative period supported the revenue, volume and profit growth of the division. The model replacements of the VW Polo and the BMW X3 introduced during the previous financial year were ramped up as planned. Efficiency improvement projects and new technologies associated with the new model introductions were successfully implemented during the second half of the year.

The aftermarket accessories business was rationalised during the year. In this regard, the Maxe operations, which are aligned with the strategy of the division and remain an area of potential expansion, performed well for the year in spite of subdued industry new vehicle sales volumes. A process for the disposal of the remaining aftermarket accessories operations was initiated during the year and will be completed during F2020. These operations, including closure costs, are reflected as discontinued operations in the company's income statement (prior year figures have been restated for comparative purposes).

The extension of the Automotive Production and Development Programme (APDP) to 2035 provides much-needed clarity and stability to the automotive sector, which management believes will lead to growth opportunities for the division. Production disruptions associated with the introduction of a replacement model are expected during F2020.

Integrated Bedding

Revenue: R1 551 million (FY18: R1 414 million)
Operating profit: R239 million (FY18: R224 million)

The Integrated Bedding division produced pleasing results for the year in the context of a depressed retail environment. The division continued to implement its strategy of technology investments to reduce its cost of manufacture, further integrate into the manufacture of its primary raw materials, develop its brands and grow market share. Following the acquisition of Support-a-Paedic during the previous financial year, the division continued to grow its market share and brand equity. It was able to grow volumes during the year in line with its strategy. This facilitated a 23% increase in intra-divisional revenue, which supported margins. The unexpected high volumes achieved during retail 'Black Friday' promotions impacted negatively on the division during the first half of the year. Excess volumes in this regard proved beneficial during the second half, which is traditionally a low demand period.

The mattress manufacturing and process automation investments associated with the R250 million Integrated Bedding plant in Johannesburg will be completed before the 2019 peak trading period, which will facilitate production efficiencies at higher production volumes. The division has made strong progress in adjusting its business model to support increased retail promotional activities.

Diversified chemical

Polymers

Revenue: R8 690 million (FY18: R7 117 million)
Operating profit: R751 million (FY18: R778 million)

A strong operational performance by the division was overshadowed by significant margin volatility during the year. This margin volatility, which was highlighted in the interim results announcement, resulted from new global monomer and polymer production capacity being commissioned, primarily in the United States. In spite of this, the division produced a stable performance for the year.

	PET		HDPE		PP	
	FY19	FY18	FY19	FY18	FY19	FY18
Revenue (Rm)	3 703	2 142	2 902	3 033	2 085	1 942
Sales volume (tonnes)	200 839	137 386	155 288	162 312	114 816	117 533
Production volume (tonnes)	212 318	104 479	162 445	160 121	117 230	119 452
Average R/USD exchange	14.19	12.84	14.19	12.84	14.19	12.84

PET – Polyethylene terephthalate | HDPE – High density polyethylene | PP – Polypropylene

The volatility of the raw material margin per tonne compared to the prior year is reflected as follows:

	Margin variance 1H19 vs 1H18	Margin variance 2H19 vs 2H18	Margin variance 1H19 vs 2H19	Margin variance FY19 vs FY18
PET	25%	3%	(31%)	18%
HDPE	35%	(35%)	(32%)	(6%)
PP	10%	(12%)	(13%)	(1%)

The recently expanded PET operation in Durban ran at an average of 93% of rated capacity for the year, excluding a post-commissioning shutdown during July 2018, which affected 14 days' production. Production yields improved from 92% to 96% during the year. The plant was also successfully tested to 108% of nameplate capacity and separately tested to 98% yield. Demand for the product was strong during the first half of the year, however demand weakened during the second half of the year, a traditionally slower period, which necessitated increased exports at lower margins.

HDPE operations ran above normal capacity for the year due to increased availability of ethylene raw material, which was consistent with the prior year. While global and South African demand for HDPE remained stable, volumes were impacted by an industry strike in 1H19. Margins were particularly volatile during the year; the delayed commissioning of new ethylene capacity in the United States resulted in elevated margins during the first half, with significant margin weakness during the second half as this capacity was commissioned.

PP operations ran marginally below capacity as a result of two unscheduled shutdowns that affected five days' production during the first half of the year. Demand for the product remained buoyant and in excess of production capacity. Margins weakened during the second half as a result of increased global polypropylene capacity and aggressive competitor activity.

The division is expected to continue its strong operational performance in terms of production volumes and efficiency levels. The final debottlenecking project in the PET operations, which will cost R50 million, will improve the operational metrics of the plant and is scheduled to be completed over seven days during 2H20. Margins are expected to remain volatile, with some weakness, as the global monomer and polymer production capacity expansion activities take time to be absorbed by markets. The International Trade Administration Commission of South Africa (ITAC) instituted a provisional anti-dumping duty of 22.9% on imports of PET originating from China with effect from 2 August 2019. The division will continue to export polymers to supplement local demand in order to maximise operational efficiencies.

Diversified logistics

The group concluded a B-BBEE transaction, effective 3 September 2018, whereby 45% of its South African logistics operation, Unitrans Supply Chain Solutions Proprietary Limited (USCS), was disposed of. This transaction and the financial effects thereof have been comprehensively reported to shareholders through the Johannesburg Stock Exchange News Services (SENS).

Contractual Logistics – South Africa

Revenue: R5 144 million (FY18: R4 969 million)

Operating profit*: R161 million (FY18: R313 million)

**Excluding B-BBEE cost*

This division is now reported separately from the group's non-South African Contractual Logistics operations. A new executive management structure was implemented during the year to focus only on South African operations. The division's operations and support functions were significantly restructured during the second half of the year, with steady month-on-month improvements evident from January 2019. The division's operations in the Petroleum, Mining and General Freight sectors remained stable, while its activities in the Chemicals and Cement sectors were negatively impacted by lower customer volumes.

The performance in the division's Food-related activities was poor, primarily as a result of margin pressure in the poultry sector and a significant contractual dispute, for which the division has initiated arbitration proceedings. Operating profit was further negatively impacted by a R50 million non-operating provision for an onerous contract.

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

Contractual Logistics – Africa

Revenue: R2 011 million (FY18: R1 820 million)
Operating profit: R283 million (FY18: R268 million)

Contractual Logistics' operations in non-South African territories comprise mainly of activities in the Petrochemical and Agricultural sectors, with smaller operations in Mining and Cement, in southern and east African countries. Following the sale of 45% of USCS, the non-South African operations are managed and reported separately as Unitrans Africa Proprietary Limited. A new executive management structure was implemented on 1 December 2018 to focus only on non-South African operations.

The division performed well for the year, supported by stable volumes at its major operations and good operational execution.

The impact of Cyclone Idai on the division's Beira operations was effectively mitigated by management and insurance.

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

Passenger Transport

Revenue: R2 382 million (FY18: R2 228 million)
Operating profit: R217 million (FY18: R261 million)

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

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

Corporate activity

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

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

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

The disposal of Glodina, a division of Vitafoam Proprietary Limited (previously KAP Homeware Proprietary Limited), was concluded on 22 February 2018 for R101 million and became effective on 3 September 2018.

Financial review

Income statement

The effect of the International Financial Reporting Standards (IFRS) accounting treatment of the Unitrans B-BBEE transaction is a non-cash and non-trading B-BBEE cost of R196 million in the year (refer B-BBEE cost below). The impact on earnings is material and therefore the B-BBEE cost is disclosed separately in the financial results. Core headline earnings and core headline earnings per share referred to in these results exclude the B-BBEE cost.

Revenue from continuing operations increased by 12% to R25 602 million (FY18: R22 813 million).

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

Operating profit before B-BBEE cost and capital items ('Core operating profit') from continuing operations decreased by 6% to R2 723 million (FY18: R2 901 million). Core operating margin decreased to 10.6% (FY18: 12.7%).

Core headline earnings per share from continuing operations decreased by 14% to 53.2 cents (FY18: 61.6 cents) as a result of 6% lower core operating profit and a four-percentage point increase in the effective tax rate.

Taxation

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

B-BBEE cost

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

Statement of financial position

Consumable biological assets were affected by fires in the southern Cape region during November 2018, which resulted in damage to 845 hectares of plantations. As a result, the valuation of the plantations was reduced by R19 million. There was a R5 million fair value loss in the finalisation of the 2017 fires. The net effect of both fires on the period was therefore a downward revaluation of R24 million. Insurance income of R10 million was received in relation to the 2018 fires.

During the year, the group initiated a process to dispose of the Autovest operation, which forms part of the Automotive Components division and comprises the manufacture and distribution of various aftermarket accessories. This operation is accordingly disclosed as a discontinued operation in the company's income statement while the related assets and liabilities are shown as assets and liabilities held for sale. The Glodina operation, which was disposed of as a going concern on 3 September 2018, is also disclosed under discontinued operations.

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

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

Cash flow and working capital

The group's strategy for F2019 was to complete its various expansion projects and to fully integrate its recent acquisitions, with the focus on market share growth, extraction of value and generation of cash in order to improve gearing and to strengthen the company's balance sheet. This resulted in cash generated from operations increasing by 22% to R4 033 million (FY18: R3 308 million).

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

Capital expenditure

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

Capital structure

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

Financial review *continued*

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

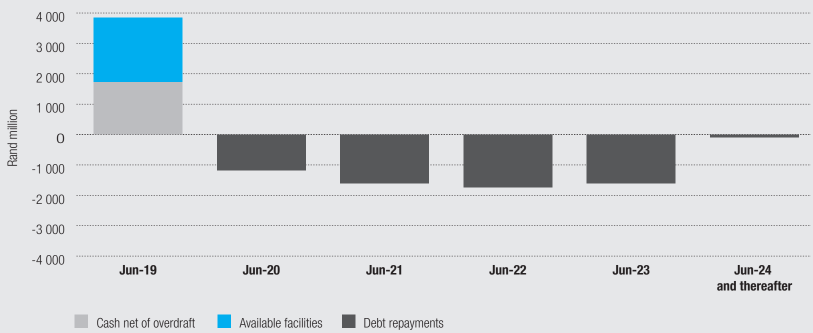
(*) *Prior period disclosure has been restated to reflect the Autovest discontinued operation.*
(**) *From continuing operations*

The following significant funding activities were concluded during the year:

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

These funding activities have resulted in an extended debt maturity profile, reflected as follows:

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



Global Credit Rating Co. Proprietary Limited reviewed KAP's credit rating in November 2018 and confirmed its rating as A+(za) with a stable outlook.

The company is well positioned in terms of funding future growth and expansion activities.

Dividend

The board of directors is pleased to announce that a gross dividend of 23 cents per share (FY18: 23 cents per share) for the financial year ended 30 June 2019 has been approved and declared.

Outlook

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

Various new capacity expansion projects and technology investments have been initiated that will be commissioned during F2020. Management continue to seek out further capacity expansion opportunities, in line with the group's strategy in order to grow earnings and enhance shareholder returns.

Acquisition opportunities that meet the group's strategic requirements and create shareholder value remain a key element of the growth objectives of management. It is anticipated that the current distressed economic environment will yield increased opportunities in this regard.

Appreciation

The board of directors records its appreciation for the continued support and loyalty of the group's employees, shareholders, customers and suppliers.

On behalf of the board

J de V du Toit	GN Chaplin	FH Olivier
Independent non-executive chairman	*Chief executive officer*	*Chief financial officer*

20 August 2019

Summarised consolidated income statement

	Notes	Year ended 30 Jun 2019 Audited Rm	Year ended 30 Jun 2018 Audited[*] Rm	% change
Revenue		**25 602**	22 813	12
Operating profit before depreciation, amortisation, B-BBEE cost and capital items		**3 909**	3 944	(1)
Depreciation and amortisation		**(1 186)**	(1 043)	
Operating profit before B-BBEE cost and capital items		**2 723**	2 901	(6)
B-BBEE cost		**(196)**	–	
Capital items	1	**(144)**	(65)	
Operating profit		**2 383**	2 836	(16)
Net finance costs		**(707)**	(697)	
Share of profit of associate and joint venture companies		**30**	23	
Profit before taxation		**1 706**	2 162	(21)
Taxation		**(533)**	(520)	
Profit for the year from continuing operations		**1 173**	1 642	(29)
Loss for the year from discontinued operations	2	**(83)**	(51)	
Profit for the year		**1 090**	1 591	(31)
Profit attributable to:				
Owners of the parent		**1 033**	1 540	(33)
Non-controlling interests		**57**	51	
Profit for the year		**1 090**	1 591	(31)
Headline earnings attributable to ordinary shareholders				
Earnings attributable to owners of the parent		**1 033**	1 540	(33)
Adjusted for:				
Capital items	1	**149**	66	
Taxation effects of capital items		**(26)**	(10)	
Headline earnings		**1 156**	1 596	(28)
B-BBEE cost (net of taxation)		**196**	–	
Core headline earnings		**1 352**	1 596	(15)
From continuing operations per ordinary share		**Cents**	Cents	
Basic earnings		**41.4**	59.6	(31)
Basic earnings – diluted		**41.3**	59.1	(30)

[*] Prior period disclosure has been restated to reflect the Autovest discontinued operation.

Summarised consolidated statement of financial position

	30 Jun 2019 Audited Rm	30 Jun 2018 Audited Rm
Assets		
Non-current assets		
Goodwill and intangible assets	**5 242**	5 392
Property, plant and equipment and investment property	**12 536**	12 513
Consumable biological assets	**1 900**	1 919
Investments in associate and joint venture companies	**75**	75
Investments and loans	**2**	13
Deferred taxation assets	**46**	68
Inventories	**62**	–
	19 863	19 980
Current assets		
Inventories	**2 376**	2 145
Trade and other receivables	**3 950**	4 053
Loans receivable	**13**	6
Taxation receivable	**49**	87
Cash and cash equivalents	**1 785**	2 151
	8 173	8 442
Assets held for sale	**68**	82
	8 241	8 524
Total assets	**28 104**	28 504
Equity and liabilities		
Capital and reserves		
Stated share capital	**8 908**	8 791
Reserves	**3 917**	3 364
Total equity attributable to equity holders of the parent	**12 825**	12 155
Non-controlling interests	**217**	322
Total equity	**13 042**	12 477
Non-current liabilities		
Loans and borrowings	**5 013**	6 960
Deferred taxation liabilities	**3 389**	3 141
Other liabilities and provisions	**66**	75
	8 468	10 176
Current liabilities		
Loans and borrowings	**1 298**	1 007
Trade and other payables	**4 809**	4 438
Other liabilities and provisions	**381**	355
Taxation payable	**60**	51
	6 548	5 851
Liabilities held for sale	**46**	–
	6 594	5 851
Total equity and liabilities	**28 104**	28 504

Summarised consolidated statement of cash flows

	Year ended 30 Jun 2019 Audited Rm	Year ended 30 Jun 2018 Audited(*) Rm
Operating profit before capital items	**2 527**	2 901
Depreciation and amortisation	**1 186**	1 043
B-BBEE cost	**196**	–
Operating loss before depreciation, amortisation and capital items from discontinued operations	**(78)**	(57)
Net fair value adjustments of consumable biological assets[(1)]	**20**	64
Other non-cash adjustments	**24**	38
Cash generated before working capital changes	**3 875**	3 989
Increase in inventories	**(315)**	(389)
Decrease/(increase) in trade and other receivables	**37**	(343)
Increase in trade and other payables	**436**	51
Changes in working capital	**158**	(681)
Cash generated from operations	**4 033**	3 308
Dividends received	**18**	10
Dividends paid	**(656)**	(630)
Net finance costs	**(717)**	(764)
Taxation paid	**(209)**	(237)
Net cash inflow from operating activities	**2 469**	1 687
Additions to property, plant and equipment and investment property[(2)]	**(1 231)**	(1 648)
Additions to intangible assets	**(14)**	(58)
Additions to consumable biological assets	**(1)**	(5)
Net cash inflow/(outflow) on disposal/acquisition of subsidiaries and businesses	**101**	(29)
Other investing activities	**3**	17
Net cash outflow from investing activities	**(1 142)**	(1 723)
Net cash inflow/(outflow) from operating and investing activities	**1 327**	(36)
Transactions with non-controlling interests	**(82)**	51
(Decrease)/increase in loans and borrowings	**(1 610)**	201
Decrease in bank overdrafts and short-term facilities	**–**	(74)
Net cash (outflow)/inflow from financing activities	**(1 692)**	178
Net (decrease)/increase in cash and cash equivalents	**(365)**	142
Cash and cash equivalents at beginning of year	**2 151**	2 009
Effects of exchange rate translations on cash and cash equivalents	**(1)**	–
Cash and cash equivalents at end of year	**1 785**	2 151

(1) Includes decrease due to harvesting and sale of livestock.
(2) Net of proceeds on disposal of property, plant and equipment and investment property, government grants received and insurance proceeds.
(*) Prior period disclosure has been restated to reflect the Autovest discontinued operation.

Summarised consolidated statement of comprehensive income

	Year ended 30 Jun 2019 Audited Rm	Year ended 30 Jun 2018 Audited Rm
Profit for the year	**1 090**	1 591
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(9)**	27
Deferred taxation	**–**	12
Total other comprehensive (loss)/income for the year	**(9)**	39
Total comprehensive income for the year	**1 081**	1 630
Total comprehensive income attributable to:		
Owners of the parent	**1 024**	1 579
Non-controlling interests	**57**	51
Total comprehensive income for the year	**1 081**	1 630

Summarised consolidated statement of changes in equity

	Year ended 30 Jun 2019 Audited Rm	Year ended 30 Jun 2018 Audited Rm
Balance at beginning of the year	**12 477**	11 348
Recognition of expected credit losses under IFRS 9	**(23)**	–
Adjusted balance at beginning of the year	**12 454**	11 348
Changes in stated share capital		
Net shares issued	**117**	17
Changes in reserves		
Total comprehensive income for the year attributable to owners of the parent	**1 024**	1 579
Dividends paid	**(618)**	(559)
Share-based payments	**5**	61
B-BBEE cost	**196**	–
Other reserve movements	**(31)**	22
Changes in non-controlling interests		
Total comprehensive income for the year attributable to non-controlling interests	**57**	51
Dividends paid	**(38)**	(71)
Shares issued to non-controlling interests	**–**	31
Shares bought from non-controlling interests	**(124)**	(2)
Balance at end of the year	**13 042**	12 477
Comprising:		
Stated share capital	**8 908**	8 791
Distributable reserves	**7 297**	6 905
Share-based payment reserve	**484**	292
Reverse acquisition reserve	**(3 952)**	(3 952)
Other reserves	**88**	119
Non-controlling interests	**217**	322
	13 042	12 477

Segmental analysis

	Year ended 30 Jun 2019 Audited Rm	Year ended 30 Jun 2018 Audited(*) Rm	% change
Revenue from continuing operations			
Diversified industrial	**7 777**	6 879	13
Integrated Timber	**4 031**	3 612	12
Automotive Components	**2 202**	1 853	19
Integrated Bedding	**1 551**	1 414	10
Interdivisional revenue eliminations	**(7)**	–	
Diversified chemical	**8 690**	7 117	22
Polymers	**8 690**	7 117	22
Diversified logistics	**9 433**	8 971	5
Contractual Logistics – South Africa	**5 144**	4 969	4
Contractual Logistics – Africa	**2 011**	1 820	10
Passenger Transport	**2 382**	2 228	7
Interdivisional revenue eliminations	**(104)**	(46)	
	25 900	22 967	13
Intersegmental revenue eliminations	**(298)**	(154)	
	25 602	22 813	12
Operating profit before depreciation, amortisation and capital items from continuing operations			
Diversified industrial	**1 574**	1 514	4
Integrated Timber	**962**	953	1
Automotive Components	**336**	303	11
Integrated Bedding	**276**	258	7
Diversified chemical	**910**	896	2
Polymers	**910**	896	2
Diversified logistics	**1 424**	1 534	(7)
Contractual Logistics – South Africa	**560**	669	(16)
Contractual Logistics – Africa	**465**	440	6
Passenger Transport	**399**	425	(6)
Corporate, consolidation and elimination	**1**	–	
	3 909	3 944	(1)
B-BBEE cost	**(196)**	–	
	3 713	3 944	(6)
Operating profit before capital items from continuing operations			
Diversified industrial	**1 311**	1 281	2
Integrated Timber	**806**	809	–
Automotive Components	**266**	248	7
Integrated Bedding	**239**	224	7
Diversified chemical	**751**	778	(3)
Polymers	**751**	778	(3)
Diversified logistics	**661**	842	(21)
Contractual Logistics – South Africa	**161**	313	(49)
Contractual Logistics – Africa	**283**	268	6
Passenger Transport	**217**	261	(17)
	2 723	2 901	(6)
B-BBEE cost	**(196)**	–	
	2 527	2 901	(13)

(*) Prior period disclosure has been restated to reflect the Autovest discontinued operation.

Segmental analysis *continued*

	30 Jun 2019 Audited Rm	30 Jun 2018 Audited Rm	% change
Total assets (note 5)			
Diversified industrial	**9 698**	9 813	(1)
Integrated Timber	**6 490**	6 510	–
Automotive Components	**1 698**	1 863	(9)
Integrated Bedding	**1 511**	1 440	5
Interdivisional eliminations	**(1)**	–	
Diversified chemical	**8 873**	8 896	–
Polymers	**8 873**	8 896	–
Diversified logistics	**7 549**	7 360	3
Contractual Logistics – South Africa	**4 233**	4 482	(6)
Contractual Logistics – Africa	**1 925**	1 519	27
Passenger Transport	**1 423**	1 439	(1)
Interdivisional eliminations	**(32)**	(80)	
Corporate, consolidation and elimination	**(42)**	(39)	
	26 078	26 030	–

Additional information

	Year ended 30 Jun 2019 Audited Rm	Year ended 30 Jun 2018 Audited(*) Rm
Note 1: Capital items		
From continuing operations:		
Loss on disposal of intangible assets	**–**	(1)
Loss on disposal of property, plant and equipment and investment property	**(13)**	(3)
Impairments[1]	**(131)**	(61)
	(144)	(65)
From discontinued operations:		
Profit on disposal of property, plant and equipment and investment property	**2**	–
Profit on disposal of subsidiaries and businesses	**25**	–
Impairments[1]	**(32)**	(1)
	(5)	(1)
	(149)	(66)

[1] *Impairment of goodwill, intangible assets and property, plant and equipment*

	Year ended 30 Jun 2019 Audited Rm	Year ended 30 Jun 2018 Audited(*) Rm
Note 2: Loss for the year from discontinued operations		
Revenue	**197**	259
Operating loss before depreciation, amortisation and capital items	**(78)**	(57)
Depreciation and amortisation	**(4)**	(2)
Operating loss before capital items	**(82)**	(59)
Capital items	**(5)**	(1)
Operating loss	**(87)**	(60)
Net finance costs	**(7)**	(10)
Loss before taxation	**(94)**	(70)
Taxation	**11**	19
Loss for the year from discontinued operations	**(83)**	(51)

	Cents	Cents(*)
Note 3: Earnings and headline earnings per ordinary share		
From continuing and discontinued operations:		
Basic earnings	**38.3**	57.7
Basic earnings – diluted	**38.2**	57.2
Headline earnings	**42.9**	59.8
Headline earnings – diluted	**42.8**	59.3
From continuing operations:		
Basic earnings	**41.4**	59.6
Basic earnings – diluted	**41.3**	59.1
Headline earnings	**45.9**	61.6
Headline earnings – diluted	**45.8**	61.2
Headline earnings – core(1)	**53.2**	61.6
Number of ordinary shares in issue (m)	**2 704**	2 678
Weighted average number of ordinary shares in issue (m)	**2 696**	2 671

(1) *Core headline earnings per share excludes the effect of the R196 million B-BBEE cost. This measure of earnings is specific to the group and is not required in terms of International Financial Reporting Standards or the JSE Listings Requirements.*
(*) *Prior period disclosure has been restated to reflect the Autovest discontinued operation.*

	Fair value as at 30 Jun 2019 Audited Rm	Fair value as at 30 Jun 2018 Audited Rm
Note 4: Fair values of financial instruments		
Derivative financial assets	**10**	58
Derivative financial liabilities	**(33)**	(2)

Level 2 financial instruments consist of foreign exchange contracts that are valued using techniques where all of the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data. These inputs include foreign exchange rates.

	30 Jun 2019 Audited Rm	30 Jun 2018 Audited Rm
Note 5: Reconciliation of total assets per statement of financial position to total assets per segmental analysis		
Total assets per statement of financial position	**28 104**	28 504
Less: Investments in associate and joint venture companies	**(75)**	(75)
Less: Interest-bearing long-term loans receivable	**(2)**	(6)
Less: Deferred taxation assets	**(46)**	(68)
Less: Interest-bearing short-term loans receivable	**(1)**	(5)
Less: Taxation receivable	**(49)**	(87)
Less: Cash and cash equivalents	**(1 785)**	(2 151)
Less: Assets classified as held for sale	**(68)**	(82)
Total assets per segmental analysis	**26 078**	26 030

Selected explanatory notes

Statement of compliance

The provisional summarised consolidated financial information has been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the financial pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited, the information as required by IAS 34 *Interim Financial Reporting* and the requirements of the South African Companies Act, No. 71 of 2008. The summarised consolidated financial information has been prepared using accounting policies that comply with IFRS, which are consistent with those applied in the consolidated financial statements for the year ended 30 June 2018.

Basis of preparation

The summarised consolidated financial statements are prepared in millions of South African rand (Rm) on the historical-cost basis, except for certain assets and liabilities, which are carried at amortised cost, and derivative financial instruments and consumable biological assets, which are stated at their fair values. The preparation of the summarised consolidated financial statements for the year ended 30 June 2019 was supervised by Frans Olivier CA(SA), the group's chief financial officer.

Changes to comparative results

The segmental analysis has been expanded to disclose the results of the group's seven operating divisions. The group's resin business, which was previously disclosed as part of the diversified chemical segment, is now included in the diversified industrial segment as part of the Integrated Timber division, as it forms part of the integrated raw material supply of Integrated Timber. The comparative information has been restated.

In addition to treating Glodina as a discontinued operation, the prior year's income statement has been restated to reflect the discontinued operations of the Autovest business, which forms part of the Automotive Components division.

Accounting policies

The accounting policies and methods of computation of the group have been applied consistently to the periods presented in the summarised consolidated financial statements.

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

New IFRS standards applied with material effect on the annual financial statements are as follows:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of goods or services.

The group selected the cumulative effect method, which requires the cumulative effect of initially applying IFRS 15 to be recognised as an adjustment to the opening balance of retained earnings of the 2019 annual reporting period, with no restatement of the comparative period. No material impact on the amount and timing of revenue recognition was identified upon adoption of IFRS 15. As a result, there is no effect on retained earnings at 1 July 2018.

IFRS 9 Financial Instruments

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

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

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

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

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2019, and have not been applied in preparing these financial statements.

IFRS 16 *Leases* sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor').

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The group plans to apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect on initial application will be recognised in retained earnings at 1 July 2019, with no restatement of comparative information. In addition, the transition option to recognise the right-of-use asset as equal to the lease liability at 1 July 2019, adjusted by the amount of any prepaid or accrued lease payments recognised in the statement of financial position immediately before the date of initial application will be applied.

The group also plans to elect the following practical expedients for leases in which it is the lessee at 1 July 2019:

- Leases with lease terms ending within 12 months will be accounted for in the same way as short-term leases.
- Leases of low-value items will not be capitalised.
- Reliance will be placed on the assessment for onerous lease contracts instead of performing impairment assessment, and right-of-use assets will be adjusted with any onerous lease provisions recognised in the statement of financial position immediately before the date of initial application.
- Initial direct costs will be excluded from the measurement of the right-of-use assets at the date of initial application.
- Hindsight will be applied in determining the lease term where contracts contain options to extend or terminate the lease.

Based on the information currently available, the group estimates that it will recognise right-of-use assets and additional lease liabilities of between R400 million and R500 million at 1 July 2019. The group does not expect the adoption of IFRS 16 to impact its ability to comply with loan covenant requirements.

Financial statements

The consolidated financial statements for the year, which have been audited by Deloitte & Touche, and their accompanying unmodified audit report as well as their unmodified audit report on this set of summarised financial information, are available for inspection at the company's registered office. Information included under the headings 'Outlook' and 'Operational review' and any reference to future financial information included in the summarised financial information, has not been audited or reviewed. The full consolidated financial statements are available at the issuer's office upon request. The auditor's report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office. The results were approved by the board of directors on 20 August 2019.

Post-balance sheet events

No significant events have occurred in the period between the end of the period under review and the date of this report.

Changes to the board/board committees

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

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

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

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

Dividend timetable

The timetable in respect of the dividend is as follows:

Day	Event
Tuesday, 20 August 2019	Distribution declared in the form of a dividend
Tuesday, 17 September 2019	Last day to trade
Wednesday, 18 September 2019	Shares trade *ex* dividend
Friday, 20 September 2019	Date to be recorded in the register to receive the dividend
Monday, 23 September 2019	Payment date

Share certificates may not be dematerialised or rematerialised between Wednesday, 18 September 2019, and Friday, 20 September 2019.

In terms of the taxation on dividends and the amendments to section 11.17 of the JSE Listings Requirements, the following additional information is disclosed:

(1) Local dividend tax rate is 20%.

(2) Dividends are to be paid from income reserves.

(3) The withholding tax, if applicable at the rate of 20%, will result in a net cash dividend per share of 18.4 cents.

(4) The issued ordinary share capital of KAP Industrial Holdings Limited is 2 704 137 238 shares at 20 August 2019.

(5) KAP Industrial Holdings Limited's tax reference number is 9999/509/71/5.

Corporate information

KAP Industrial Holdings Limited (‘KAP’ or ‘the company’ or ‘the group’)

Non-executive directors: J de V du Toit (Chairman)*, KJ Grové (Deputy chairman), IN Mkhari*, SH Müller*, SH Nomvete*, PK Quarmby*

Executive directors: GN Chaplin (Chief executive officer), FH Olivier (Chief financial officer)

Registration number: 1978/000181/06 **Share code:** KAP **ISIN:** ZAE000171963

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

Postal address: PO Box 2766, Edenvale 1610 **Telephone:** 010 005 3000 **Facsimile:** 010 005 3050 **E-mail:** info@kap.co.za

Transfer secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196

Company secretary: KAP Secretarial Services Proprietary Limited **Auditors:** Deloitte & Touche **Sponsor:** PSG Capital Proprietary Limited

** Independent*

KAP

www.kap.co.za