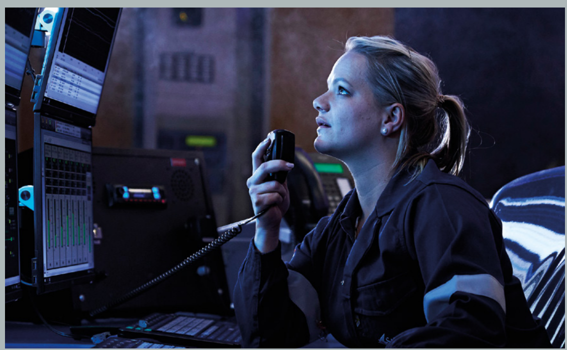
BEING THE CHANGE

CONSOLIDATED AND COMPANY ANNUAL FINANCIAL STATEMENTS 2023





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The consolidated and company annual financial statements for KAP Limited have been prepared under the supervision of the chief financial officer, Frans Olivier CA(SA) and were published on 30 August 2023.

KAP Limited Group

DIRECTORS' RESPONSIBILITY AND APPROVAL

It is the directors' responsibility to ensure that the consolidated and company annual financial statements of KAP 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 Inc., are engaged to express an independent opinion on these financial statements which is presented on pages 5 to 8.

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 2023, 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 2023 were approved by the board of directors on 29 August 2023 and are signed on its behalf by:

Patrick Quarmby
Independent non-executive chairperson
29 August 2023

Gary Chaplin
Chief executive officer

Frans Olivier
Chief financial officer

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER RESPONSIBILITY STATEMENT

In line with paragraph 3.84(k) of the JSE Limited 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 9 to 94, fairly present in all material respects the financial position, financial performance and cash flows of KAP 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 prepare effectively the financial statements of the group;
- the internal financial controls are adequate and effective and can be relied on 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 and risk committee and the auditors the 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
29 August 2023

Frans Olivier
Chief financial officer

COMPANY SECRETARY'S CERTIFICATE

The company secretary certified, in accordance with section 88(2)(e) of the Companies Act, that the company has 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

29 August 2023

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

KAP Limited Group

INDEPENDENT AUDITOR'S REPORT

To the shareholders of KAP Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of KAP Limited ('the group' and 'company') set out on pages 16 to 94, which comprise:

- the group and company statements of financial position as at 30 June 2023;
- 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;
- segmental analysis for the year then ended;
- accounting policies for the year then ended; and
- the notes to the group and company financial statements.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of KAP Limited as at 30 June 2023, 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') as issued by the International Accounting Standards Board ('IASB') 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 relate 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, the impairment of tangible and intangible assets other than goodwill accounting policy, and notes 1, 6, 13 and 14 to the consolidated financial statements.*	
As at 30 June 2023, the group held goodwill of R662 million, and the indefinite useful life patents and trademarks and supplier relationships of R587 million and R1 058 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 the higher of fair value less estimated cost to sell and value in use calculation using the discounted cash flow method. Management has applied significant judgement in determining the recoverable amount given the key assumptions applied in performing the impairment assessments. Key assumptions include: • projected future cash flows; • 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 recoverable amount 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 applied. 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 the goodwill and intangible assets for impairment and testing the design and implementation of key controls related to this assessment, including management's controls related to the review of inputs included in the fair value less estimated cost to sell or value in use calculations. • Critically evaluating whether the discounted cash flow models used by management to calculate the fair value less estimated cost to sell or value in use of each CGU comply with acceptable industry standards and the requirements of IAS 36: *Impairment of Assets* ('IAS 36') and IFRS 13: *Fair Value Measurement* ('IFRS 13'). • Evaluating the appropriateness of the group's key assumptions used in calculating the discount rates by independently recalculating these discount rates.

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, the impairment of tangible and intangible assets other than goodwill 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 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 fair value less estimated cost to sell or 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.
Valuation of timber plantations *Refer to the consumable biological assets accounting policy and notes 1 and 17 to the consolidated financial statements.*	
As at 30 June 2023, the group held timber plantations of R1 480 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. During the year ended 30 June 2023, R21 million was acquired, a fair value gain of R223 million was recognised in profit or loss relating to timber plantations, while R202 million was harvested, resulting in an overall increase in the value of the biological assets of R42 million year on year. The fair value of younger standing timber is determined using the discounted cash flow method using a risk-adjusted discount rate. The fair value of mature timber is based on the estimated market value of recoverable timber volumes, net of harvesting costs. The principal assumptions in respect of the fair values, consistently applied in the current and prior year, include the discount rate, standing volumes, market prices and operating 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 in respect of younger standing timber, and the fair value of the mature timber, 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 timber plantations. 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 utilised 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. • Assessing the appropriateness of accounting treatment of the plantation acquired during the current financial year. • 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. • Comparing the actual harvested volumes for the year against the anticipated volumes in order to assess the reasonability of the forecast growth rates applied by management. • Assessing the reasonability of the underlying forestry data used in the valuation models. • Assessing the appropriateness of the disclosures included in the consolidated financial statements against the requirements of IAS 41 and IFRS 13.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled 'KAP Limited consolidated and company annual financial statements 2023', 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 2023 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 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 as issued by the IASB 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 and separate 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 Limited for two years.

KPMG Inc.

Per IM Engels
Chartered accountant (SA)
Registered auditor
Director
29 August 2023

The Halyard
4 Christiaan Barnard Street
Foreshore
Cape Town
8001

KAP Limited Group

REPORT OF THE AUDIT AND RISK COMMITTEE

Introduction

The audit and risk committee ('the committee') of KAP Limited ('the company' or 'KAP') is pleased to present its report for the financial year ended 30 June 2023, as recommended by the King IV Report on Corporate Governance™ for South Africa, 2016 ('King IV™')[1], 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 in May 2023, 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 and the group's control environment.

Composition and governance

Throughout the financial year, the committee comprised 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 2023 financial year are set out below:

- KT Hopkins (chairperson)
- TC Esau-Isaacs
- Z Fuphe
- SH Müller

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. Two special meetings were scheduled to appoint the outsourced internal audit service provider, to consider the format, materiality and duplication of reporting between the board and the committee, and to discuss the potential need for a separate, standalone risk committee. The committee's conclusion was to retain the current combined committee configuration.

The chief audit executive ('CAE') is the lead partner of the outsourced internal audit function. The CAE, representatives from the external auditors, other assurance providers and professional advisors may attend the committee meetings by invitation only. All directors who are not members of the committee have a standing invitation to attend meetings of the committee as observers. The chief executive officer ('CEO'), the chief financial officer ('CFO') and other executives attend as permanent invitees. The company secretary acts as secretary for the 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 their duties in relation to 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 meetings without the presence of management.

The committee is supported by various corporate committees that deal with combined assurance, compliance, information and technology ('IT') and tax compliance, among others.

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 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 internal and 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. From time to time, the committee chairperson and other committee members attend these divisional subcommittee meetings as observers to gain a full understanding of the business and to substantiate the assurance measures that are applied at operational level.

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 and the consolidated and company annual financial statements 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 IT, 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.

[1] *Copyright and trade marks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.*

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 reviewed the 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 2023; and
  - the interim results for the six months ended 31 December 2022.
- Considered the JSE's monitoring activities reports listed below and took appropriate action to apply the findings and improve disclosures where required:
  - cash flow information and disclosures of liquidity and going concern;
  - reporting back on proactive monitoring of financial statements in 2022; and
  - combined findings of the JSE proactive monitoring of financial statements (issued October 2022).
- Considered the effectiveness of internal audit, approved the one-year internal audit plan and monitored the adherence of internal audit to its annual plan.
- Reviewed reports of the IT steering committee and IT executive concerning the effectiveness, suitability and reliability of the IT 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 2023 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.
- Outsourcing of the internal audit function to an independent, external specialist, including the review and approval of the internal audit charter.
- 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 IT risks, the IT internal control framework and the IT assurance plan and review of the IT charter and recommended it to the board for approval.
- Improvement of enterprise risk management through implementing a revised methodology, while specific attention was focused on emerging risks, electricity interruption and other infrastructure failures.
- Ensuring the effectiveness of the external audit following its first year-end audit.

Internal audit

The group's internal audit function was outsourced to Deloitte, as an independent specialist, effective 1 September 2022. The group's internal auditors operate 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, internal audit findings were reported on against an approved internal audit coverage plan. The roll out of the internal audit finding tracker (a digital platform) across the group was completed for reporting at the May 2023 committee meeting. The internal audit finding tracker monitors unresolved significant internal audit findings with management's proposed corrective actions.

External audit

KPMG Inc. ('KPMG'), a registered and accredited auditor, was appointed as the independent auditor of the group (2nd term) from 21 November 2022 and IM Engels, a registered and accredited auditor and member of KPMG, was appointed to lead the audit for the financial year ended 30 June 2023 (2nd term).

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 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.

In consultation with executive management, the committee approved the audit fee for the 2023 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 in place that governs the process to approve the appointment of the external auditor for the provision of non-audit services. This policy was reviewed and updated during the year and a lower non-audit services threshold was approved. 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 external auditor's independence.

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 intangible assets with indefinite useful lives; and
- Valuation of timber plantations.

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 specifically designed to address risks related to 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 material 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 cases of suspected fraud at an early stage. No significant fraud was identified.

Risk management

The committee received quarterly 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 was satisfied that the enterprise risk management processes were integrated into the company's business and strategic processes, and that KAP accordingly derived appropriate value from this approach. This enables 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 progressed with the improvement of the combined assurance model and process. The combined assurance framework and model were reviewed and approved during the year under review.

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, and the recommended practices of 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 staff in this function.

Performance assessment of the committee

During the year under review, the committee received feedback on the performance self-assessment carried out in the prior year, and reflected on the committee's current operations. No matters of material concern were identified, and the committee was assessed to be effective in rendering its oversight service to the board in terms of its charter and the prescriptive statutory obligations.

Annual financial statements

The committee has evaluated the consolidated and company annual financial statements for the year ended 30 June 2023, 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

29 August 2023

KAP Limited Group

DIRECTORS' REPORT

for the year ended 30 June 2023

The directors are pleased to present the audited consolidated and company annual financial statements for KAP Limited ('KAP' or 'the company') and its subsidiaries ('the group') for the year ended 30 June 2023.

Nature of business

KAP 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 to enhance the comfort and style of new vehicles.
Safripol	Safripol produces polymers that 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 aims to prevent plastics 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 passenger transport.
Optix[1]	Optix utilises leading global video telematics and predictive analytics to prevent road accidents and improve road safety in over 40 countries. Its unique user interfaces provide real-time event-based interventions, business intelligence tools and driver support to improve fleet efficiency and reduce risk.

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

Financial results

During the past year, the South African operating environment was characterised by rising interest rates and inflation, subdued consumer confidence and continued infrastructure disruptions, including increased levels of electricity loadshedding, all of which led to slower economic growth. These factors affected the group's performance in the following ways:

- lower domestic sales volumes, as the frequency of loadshedding beyond Stage 4 contributed to lower customer and consumer demand;
- increased export sales at lower margins required to normalise inventories;
- equipment damage due to unplanned infrastructure disruptions; and
- increased finance costs.

Following the record result achieved in the previous year, the group delivered a lower result for FY23, with improved performances from PG Bison, Restonic and Feltex insufficient to offset lower performances from Safripol and Unitrans.

Group revenue increased by 6% to R29 628 million (2022: R27 979 million), with price increases adequately offsetting raw material cost escalations. Operating profit before depreciation, amortisation and capital items ('EBITDA') decreased by 11% to R3 864 million (2022: R4 340 million), while operating profit before capital items decreased by 19% to R2 367 million (2022: R2 936 million) for the year.

Headline earnings per share from continuing operations decreased by 43% to 42.7 cents per share (2022: 74.4 cents per share), primarily due to the decline in operating profit before capital items and a 59% increase in net finance costs relating mainly to increased interest rates. Earnings per share from continuing operations decreased by 76% to 16.7 cents per share (2022: 70.3 cents per share) largely due to a R570 million non-cash impairment of Unitrans' goodwill and intangible assets, net of taxation.

Cash generated from operations decreased by 5% to R3 889 million (2022: R4 081 million) with a lower investment in working capital partly offsetting the reduced EBITDA. The cash conversion ratio of EBITDA to cash flow from operations ended at 101%, above our internal target of 90%.

Net interest-bearing debt increased by R568 million to R8 027 million (2022: R7 459 million), due primarily to lower earnings, increased dividends related to the prior year earnings and capital expenditure to complete committed expansion projects. The group invested R2 197 million (2022: R2 194 million) in the replacement and expansion of operational assets[2] during the year. Net debt to EBITDA increased from 1.7 times to 2.1 times. The group remained within its financial covenant ratios during the year.

While we expect the trading environment to remain challenging over the near term, we are confident that the diversity, scale and positioning of the group will continue to prove resilient. We have made significant progress during the year to rationalise and restructure underperforming operations, with further benefits expected in FY24. We anticipate that this, together with the completion of our major capital projects and our initiatives to outperform the sectors we operate in, will support improved returns and a reduction in debt from FY25.

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

[1] The group changed the name of the DriveRisk division to Optix during the year.
[2] Net of proceeds on disposal of property, plant and equipment, insurance proceeds and government grants received.

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 R51 million impairment of goodwill and R662 million impairment of trademarks were recognised relating to the Unitrans division. This is the result of the muted outlook for South African economic growth, structural changes in the South African logistics industry, the loss of a major food retail contract and the resultant decline in Unitrans' performance. In addition, in terms of the rationalisation process taking place in Unitrans involving the closure of underperforming operations and contracts and the disposal of related assets, Unitrans impaired affected logistics assets in property, plant and equipment by R74 million. Refer to notes 13 to 15 in the consolidated annual financial statements.

The prior year impairment comprises mainly an R80 million impairment of goodwill relating to the Maxe business unit, which forms part of the Feltex division.

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 21 November 2022, shareholders placed 123 000 000 cumulative, non-redeemable, non-participating preference shares of no par value and 50 000 000 perpetual preference shares of no par value (collectively, 'the preference shares'), each equating to less than 5% of the company's ordinary shares in issue at the date of the AGM, 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 ordinary shares. The company did not make use of this mandate and did not repurchase any of its own ordinary shares during the financial year. In the prior year, the company repurchased and cancelled 65 million ordinary shares. The total value of the share buy-back transactions amounted to R310 million. Refer to note 25 in the consolidated annual financial statements.

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 9 079 812 rights to KAP shares vested on 1 December 2022. Refer to note 26 in the consolidated annual financial statements for further details in this regard.

Borrowing facilities and liquidity

Net interest-bearing debt of R8 027 million increased by R568 million (2022: R7 459 million) compared to the prior year, resulting in an increase in the net interest-bearing debt to equity (gearing) ratio to 70% from 65% in the prior year. Debt serviceability ratios for the year of net debt/EBITDA at 2.1 times and EBITDA/interest cover at 4.5 times remained within the group's financial covenants of < 3.2 times and > 3.5 times, and within our internal targets of < 2.5 times and > 4.5 times, respectively.

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 28 to the consolidated annual financial statements. In terms of the memorandum 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 1 July 2022, Safripol Proprietary Limited acquired 51% of the shares and loan claims in Xuba Compounders Proprietary Limited ('Xuba') for R13 million. Xuba is a manufacturer and compounder of polymer materials that are supplied to the automotive, appliance and electrical components sectors. The acquisition is in line with Safripol's strategy to develop higher-margin, higher-specification polymers.
- Effective 1 July 2022, Optix Africa Proprietary Limited acquired a 100% shareholding in Viewmetrics Proprietary Limited for R14 million and a 100% shareholding in Vantage Soft Proprietary Limited for R14.5 million. Also effective 2 December 2022, SingRisk Services Private Limited acquired a 100% shareholding of AVT Cabling Solutions Proprietary Limited for a consideration of R13 million. These small bolt-on acquisitions will support the development and deployment of Optix's technology solutions.
- Effective 1 July 2022, Restonic Proprietary Limited ('Restonic') acquired 50% of the shareholding in iDream Limited ('iDream') for R10 million. On 31 October 2022, both shareholders subscribed for additional shares in equal proportions. Restonic paid a subscription price of R13 million for the additional shares. The group assessed that, as it has significant influence over this investment, it therefore accounts for this as an investment in an associate.

Refer to note 35 in the consolidated annual financial statements for more details on the acquisition of subsidiaries and businesses.

Subsidiary companies

The material subsidiaries of the group are reflected in note 38 of the consolidated annual financial statements.

Dividends

In view of the current economic environment, interest rates, net debt levels and committed capital projects, the board has decided not to declare a dividend for the current reporting period. In the prior year, a dividend of 29 cents per share was declared and paid to shareholders on 26 September 2022.

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 33 in the consolidated annual financial statements for further detail in this regard.

Events after the reporting date

PG Bison's northeastern Cape forest experienced plantation fires, which commenced on 23 August 2023, caused by lightning and extreme weather. While it will take several weeks to properly assess the extent of damage, a high level analysis indicates that approximately 2 600 hectares, 6% of total plantations, were affected. The estimated value of these affected plantations will be quantified in due course. The timber plantations are insured for fire damage, which will compensate the group for any difference between the value affected and the value that can be salvaged and utilised in normal operations.

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 annual financial statements.

Directorate

At the conclusion of the company's AGM held on 21 November 2022, J de V du Toit retired and stepped down from his position as an independent non-executive director on the board. JA Holtzhausen was appointed as an independent non-executive director on the board on 1 March 2023. He also serves as a member of the human capital and remuneration, the nomination and the investment committees. Following this appointment, the nomination committee has reviewed the composition of the board and its committees, and is satisfied that the board and its committees are well-balanced, and collectively comprise individuals with the necessary skills, expertise and diversity to fulfil their obligations effectively.

At 30 June 2023, 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	n/a
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
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
JA Holtzhausen	Investment committee, Nomination committee, Human capital and remuneration 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 2023, the directors of the company held no direct or indirect interests in the company's issued ordinary shares other than:

	2023 Number of shares	2022 Number of shares
GN Chaplin	4 054 679	3 497 039
FH Olivier	819 105	480 000
SP Lunga	485 935	327 406
J de V du Toit[3]	–	1 040 368
TC Esau-Isaacs	22 000	–
Z Fuphe	111 100	–
KJ Grové	4 500 000	4 500 000
SH Müller	225 004	225 004
PK Quarmby	500 000	500 000
	10 717 823	10 569 817

[3] *Resigned effective 21 November 2022.*

In aggregate, the directors of the company and its subsidiaries held 27 489 716 (2022: 57 455 188) of the company's ordinary shares at 30 June 2023, equating to 1.11% (2022: 2.32%) 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 39.2 to 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 2023 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' REPORT continued

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

	2023 %	2022 %
Shareholders with a beneficial interest above 5%		
Government Employees Pension Fund	19.13	18.63
Allan Gray	16.88	16.73
Sanlam[4]	n/a	5.28
Old Mutual Limited[5]	n/a	5.94

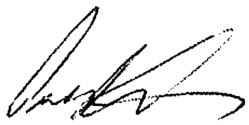
[4] Sanlam's shareholding was below 5% at 30 June 2023.
[5] Old Mutual Limited's shareholding was below 5% at 30 June 2023.

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 9 to 11 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 re-appointed as the independent auditor of the group for their second term on 21 November 2022, at the company's AGM (2nd term). IM Engels, a registered and accredited auditor and director of KPMG, was appointed to lead the audit for the financial year ended 30 June 2023 (2nd term).



Patrick Quarmby
Independent non-executive chairperson

29 August 2023

KAP Limited Group

INCOME STATEMENT

for the year ended 30 June 2023

	Notes	2023 Rm	2022 Rm
Continuing operations			
Revenue	3	29 628	27 979
Cost of revenue		(24 702)	(22 465)
Gross profit		4 926	5 514
Selling and distribution expenses		(891)	(727)
Administrative and other expenses		(2 270)	(2 097)
Other income	4	430	158
Other net gains	5	172	88
Operating profit before capital items		2 367	2 936
Capital items	6	(816)	(109)
Operating profit	7	1 551	2 827
Finance costs	8	(833)	(527)
Finance income	9	39	28
Share of profit of associate and joint venture companies	18	39	19
Profit before taxation		796	2 347
Taxation	10	(310)	(578)
Profit for the year from continuing operations		486	1 769
Discontinued operations			
Loss for the year from discontinued operations	11	–	(3)
Profit for the year		486	1 766
Profit attributable to:			
Owners of the parent		414	1 746
Profit for the year from continuing operations		414	1 749
Loss for the year from discontinued operations		–	(3)
Non-controlling interests	27	72	20
Profit for the year from continuing operations		72	20
Profit for the year		486	1 766

	Notes		
Earnings per share attributable to owners of the parent	12	Cents	Cents
Basic earnings		16.7	70.2
Diluted earnings		16.4	68.5
Basic earnings from continuing operations		16.7	70.3
Diluted earnings from continuing operations		16.4	68.6

KAP Limited Group

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2023

	2023 Rm	2022 Rm
Profit for the year	486	1 766
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain on defined benefit plans	–	2
Gross obligation under non-controlling interest put option	–	(10)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	230	144
Total other comprehensive income for the year, net of taxation	230	136
Total comprehensive income for the year, net of taxation	716	1 902
Total comprehensive income attributable to:		
Owners of the parent	639	1 878
Non-controlling interests	77	24
Profit for the year	72	20
Foreign currency translation reserve transferred to non-controlling interests	5	4
Total comprehensive income for the year	716	1 902

KAP Limited Group

STATEMENT OF FINANCIAL POSITION

as at 30 June 2023

	Notes	2023 Rm	2022 Rm
Assets			
Non-current assets			
Goodwill	13	662	683
Intangible assets	14	1 728	2 363
Property, plant and equipment	15	15 094	14 130
Right-of-use assets	16	390	426
Consumable biological assets	17	1 536	1 491
Investments in associate and joint venture companies	18	237	183
Investments and loans receivable	19	16	25
Deferred taxation assets	20	89	48
Derivative financial instruments	21	57	55
		19 809	19 404
Current assets			
Inventories	22	3 474	3 411
Trade and other receivables	23	4 814	4 794
Derivative financial instruments	21	111	50
Loans receivable	19	13	6
Taxation receivable		50	63
Cash and cash equivalents		1 453	1 730
		9 915	10 054
Assets held for sale	24	53	47
		9 968	10 101
Total assets		29 777	29 505
Equity and liabilities			
Capital and reserves			
Total equity attributable to owners of the parent		11 428	11 531
Non-controlling interests	27	277	219
Total equity		11 705	11 750
Non-current liabilities			
Loans and borrowings	28	6 849	6 681
Lease liabilities	29	323	372
Employee benefits	30	20	15
Provisions	31	2	–
Deferred taxation liabilities	20	2 533	2 641
Derivative financial instruments	21	8	60
		9 735	9 769
Current liabilities			
Loans and borrowings	28	2 247	2 049
Lease liabilities	29	126	106
Employee benefits	30	430	473
Provisions	31	41	89
Trade and other payables	32	5 387	5 197
Derivative financial instruments	21	80	14
Taxation payable		26	20
Bank overdrafts		–	38
		8 337	7 986
Total equity and liabilities		29 777	29 505

KAP Limited Group

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2023

	Notes	Stated share capital (note 25) Rm	Distributable reserves Rm	Share-based payment reserve Rm	Reverse acquisition reserve Rm	Other reserves[1] Rm	Total equity attributable to owners of the parent Rm	Non-controlling interests Rm	Total Rm
Balance at 1 July 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 payment expense	26	–	–	93	–	–	93	–	93
Deferred taxation	20	–	–	8	–	–	8	–	8
Transfer between reserves		–	(3)	–	–	(3)	(6)	6	–
Arising on the acquisition of subsidiaries		–	–	–	–	–	–	22	22
Transactions with non-controlling interests		–	(4)	–	–	–	(4)	(16)	(20)
Balance at 30 June 2022		7 896	6 859	619	(3 952)	109	11 531	219	11 750
Total comprehensive income for the year		–	414	–	–	225	639	77	716
Profit for the year		–	414	–	–	–	414	72	486
Other comprehensive income for the year		–	–	–	–	225	225	5	230
Ordinary dividends paid		–	(717)	–	–	–	(717)	(34)	(751)
Share-based payments		–	–	19	–	–	19	–	19
Share-based payment expense	26	–	–	34	–	–	34	–	34
Deferred taxation	20	–	–	(15)	–	–	(15)	–	(15)
Transfer between reserves		–	16	(16)	–	–	–	–	–
Gross obligation under non-controlling put option		–	–	–	–	4	4	–	4
Transactions with non-controlling interests	27	–	(30)	–	–	–	(30)	15	(15)
Other movements		–	–	(18)	–	–	(18)	–	(18)
Balance at 30 June 2023		7 896	6 542	604	(3 952)	338	11 428	277	11 705

[1] *Mainly comprising foreign currency translation reserve and actuarial reserve.*

KAP Limited Group

STATEMENT OF CASH FLOWS

for the year ended 30 June 2023

	Notes	2023 Rm	2022 Rm
Cash flows from operating activities			
Cash generated from operations	34	3 889	4 081
Dividends received		10	9
Finance income received		39	27
Finance costs paid		(847)	(556)
Dividends paid		(751)	(394)
Taxation paid	34	(467)	(803)
Other		(18)	–
Net cash inflow from operating activities		1 855	2 364
Cash flows from investing activities			
Additions to property, plant and equipment	15	(2 557)	(2 492)
Additions to intangible assets	14	(19)	(17)
Additions to consumable biological assets	17	(21)	(3)
Proceeds from disposal of intangible assets		–	2
Proceeds from disposal of property, plant and equipment		300	262
Acquisition of subsidiaries and businesses, net of cash acquired	35	(37)	(392)
Increase in investments in associate and joint venture companies		(23)	(96)
Increase in investments and loans receivable		(1)	(36)
Government grants received	15	15	–
Insurance proceeds		45	36
Net cash outflow from investing activities		(2 298)	(2 736)
Cash flows from financing activities			
Ordinary shares repurchased		–	(310)
Transactions with non-controlling interests	27	(22)	(20)
Loans and borrowings received	28	2 612	3 792
Loans and borrowings repaid	28	(2 303)	(2 032)
Lease liabilities capital repayments	29	(120)	(93)
Net cash inflow from financing activities		167	1 337
Net (decrease)/increase in cash and cash equivalents		(276)	965
Net cash and cash equivalents at beginning of the year		1 692	706
Effects of exchange rate translations on net cash and cash equivalents		37	21
Net cash and cash equivalents at end of the year	34	1 453	1 692

KAP Limited Group

SEGMENTAL ANALYSIS

for the year ended 30 June 2023

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 name of the DriveRisk division to Optix. However, this 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 wood-based decorative panel products. Restonic is an integrated manufacturer of sleep products, including 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 are supply chain and operational services businesses providing customised solutions to clients in a diverse range of sectors, including food, agriculture, petrochemical and mining in sub-Saharan Africa. Unitrans Passenger provides personnel and commuter transport services.

Road safety

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

The group mainly operates in South Africa, with the exception of Unitrans Africa, which operates businesses in the rest of sub-Saharan Africa and the Optix division, which also has operations in Australasia. The geographic distribution of revenue is disclosed in note 3.1.

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.

	2023 Rm	2022 Rm
Operating assets include the following:		
Goodwill	662	683
Intangible assets	1 728	2 363
Property, plant and equipment	15 094	14 130
Right-of-use assets	390	426
Consumable biological assets	1 536	1 491
Inventories	3 474	3 411
Trade and other receivables	4 814	4 794
Derivative financial instruments	168	105
	27 866	27 403
Operating liabilities include the following:		
Employee benefits	450	488
Provisions	43	89
Trade and other payables	5 387	5 197
Derivative financial instruments	88	74
	5 968	5 848

KAP Limited Group

SEGMENTAL ANALYSIS continued

for the year ended 30 June 2023

	2023 Rm	2022# Rm
Net working capital includes the following:		
Inventories	3 474	3 411
Trade and other receivables	4 814	4 794
Employee benefits	(450)	(488)
Provisions	(43)	(89)
Trade and other payables	(5 387)	(5 197)
Net derivative financial instruments	80	31
	2 488	2 462
Total capital expenditure includes the following:		
Additions to property, plant and equipment	2 557	2 492
Proceeds from disposal of property, plant and equipment	(300)	(262)
Government grants received	(15)	–
Insurance proceeds	(45)	(36)
	2 197	2 194

 # Prior year segmental net working capital has been represented to include non-current derivative financial instruments to reflect more accurately the nature thereof.

KAP Limited Group

SEGMENTAL ANALYSIS continued

for the year ended 30 June 2023

	Revenue		Personnel expenses		Operating profit before depreciation, amortisation and capital items		Amortisation and depreciation		Operating profit before capital items		Capital items		Operating profit	
Continuing operations	2023 Rm	2022 Rm	2023 Rm	2022 Rm	2023 Rm	2022 Rm	2023 Rm	2022 Rm	2023 Rm	2022 Rm	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Diversified industrial	9 235	8 259	(1 452)	(1 305)	1 585	1 243	(360)	(307)	1 225	936	(16)	(89)	1 209	847
PG Bison	5 349	4 876	(615)	(567)	1 139	1 007	(206)	(176)	933	831	13	(8)	946	823
Restonic	1 632	1 612	(368)	(331)	140	120	(59)	(51)	81	69	(27)	1	54	70
Feltex	2 301	1 809	(469)	(407)	306	116	(95)	(80)	211	36	(2)	(82)	209	(46)
Interdivisional eliminations	(47)	(38)	–	–	–	–	–	–	–	–	–	–	–	–
Diversified chemical	10 310	10 120	(359)	(349)	943	1 590	(179)	(190)	764	1 400	(4)	(31)	760	1 369
Safripol	10 310	10 120	(359)	(349)	943	1 590	(179)	(190)	764	1 400	(4)	(31)	760	1 369
Diversified logistics	10 052	9 757	(3 048)	(3 236)	1 294	1 464	(909)	(886)	385	578	(795)	11	(410)	589
Unitrans South Africa	5 383	5 754	(1 664)	(1 932)	581	836	(435)	(454)	146	382	(524)	12	(378)	394
Unitrans Africa	2 433	2 147	(638)	(627)	364	341	(335)	(293)	29	48	(272)	–	(243)	48
Unitrans Passenger	2 271	1 895	(746)	(677)	349	287	(139)	(139)	210	148	1	(1)	211	147
Interdivisional eliminations	(35)	(39)	–	–	–	–	–	–	–	–	–	–	–	–
Road safety	523	242	(125)	(48)	35	38	(42)	(16)	(7)	22	(1)	–	(8)	22
Optix	523	242	(125)	(48)	35	38	(42)	(16)	(7)	22	(1)	–	(8)	22
Corporate, consolidation and eliminations	–	–	(130)	(167)	7	5	(7)	(5)	–	–	–	–	–	–
	30 120	28 378	(5 114)	(5 105)	3 864	4 340	(1 497)	(1 404)	2 367	2 936	(816)	(109)	1 551	2 827
Intersegmental eliminations	(492)	(399)	–	–	–	–	–	–	–	–	–	–	–	–
	29 628	27 979	(5 114)	(5 105)	3 864	4 340	(1 497)	(1 404)	2 367	2 936	(816)	(109)	1 551	2 827

	Operating assets		Operating liabilities		Net operating assets/(liabilities)[1]		Net working capital[2]		Replacement capital expenditure[3]		Expansion capital expenditure[4]		Total capital expenditure[3]	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm	2023 Rm	2022 Rm	2023 Rm	2022 Rm	2023 Rm	2022 Rm	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Diversified industrial	12 007	10 805	1 910	1 697	10 097	9 108	1 311	1 266	204	361	996	485	1 200	846
PG Bison	8 261	7 381	1 124	1 045	7 137	6 336	970	906	98	237	733	360	831	597
Restonic	1 890	1 774	238	246	1 652	1 528	164	203	16	28	224	78	240	106
Feltex	1 860	1 656	552	412	1 308	1 244	183	157	90	96	39	47	129	143
Interdivisional eliminations	(4)	(6)	(4)	(6)	–	–	(6)	–	–	–	–	–	–	–
Diversified chemical	7 285	7 054	2 337	2 263	4 948	4 791	920	964	271	147	61	110	332	257
Safripol	7 285	7 054	2 337	2 263	4 948	4 791	920	964	271	147	61	110	332	257
Diversified logistics	7 775	8 949	1 372	1 628	6 403	7 321	427	425	386	559	224	515	610	1 074
Unitrans South Africa	4 109	4 994	782	935	3 327	4 059	147	232	130	480	180	104	310	584
Unitrans Africa	2 581	2 772	292	388	2 289	2 384	291	99	173	77	40	375	213	452
Unitrans Passenger	1 118	1 191	331	313	787	878	(15)	95	83	2	4	36	87	38
Interdivisional eliminations	(33)	(8)	(33)	(8)	–	–	4	(1)	–	–	–	–	–	–
Road safety	813	683	104	78	709	605	99	81	10	–	44	17	54	17
Optix	813	683	104	78	709	605	99	81	10	–	44	17	54	17
Corporate, consolidation and eliminations	(14)	(88)	245	182	(259)	(270)	(269)	(274)	–	–	1	–	1	–
	27 866	27 403	5 968	5 848	21 898	21 555	2 488	2 462	871	1 067	1 326	1 127	2 197	2 194

[1] *Net operating assets/(liabilities) comprise operating assets less operating liabilities.*
[2] *Prior year has been represented to include non-current derivative financial instruments to reflect more accurately the nature thereof.*
[3] *Net of proceeds from disposal of property, plant and equipment, government grants received and insurance proceeds.*
[4] *Net of government grants received.*

ACCOUNTING POLICIES

for the year ended 30 June 2023

The consolidated annual financial statements of KAP Limited ('the company') for the year ended 30 June 2023 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 annual 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 2023, 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 annual 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 2023 were authorised for issue by the board of directors on 29 August 2023.

The consolidated and company annual 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 annual 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 annual 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 annual 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.

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') are measured initially at their proportionate share of the acquiree's identifiable assets at the date of acquisition. NCI consist 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 the 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 intragroup 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 has 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 for 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 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. The gain or loss arising from the derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is 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 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 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 recognised 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. Gains and losses arising from changes in the fair value of the assets less estimated costs to sell are recognised in other net gains and losses in profit or loss. At point of harvest, the carrying value of timber plantations is transferred to inventory and recognised as a decrease in fair value of the 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 is 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 an 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 are 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.

Cash-settled

The cost of cash-settled transactions is measured initially at fair value at the grant date. This fair value is expensed over the period in which the employees become unconditionally entitled to payment with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in profit or loss.

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.

The amount disclosed as 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 recognised 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.

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 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 the time value of money.

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 amount 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 2023

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 are 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 of property, plant and equipment, and the useful lives of finite intangible assets are reviewed at least annually. The estimation of the useful lives is based on historical 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 either equity-settled or cash-settled 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 26.

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 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 2022.

2.1 New or revised IFRS Standards applied with no material effect 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

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 2023 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:

- 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 1 – Non-current liabilities with covenants
- Amendments to IAS 8 – Definition of accounting estimates
- Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction
- Amendment to IAS 12 – International tax reform – Pillar Two model rules
- Amendment to IFRS 16 – Lease liability in a sale and leaseback
- Amendments to IAS 7 and IFRS 7 – Supplier finance arrangements

KAP Limited Group

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

		Goods Rm	Services Rm	Rentals Rm	Total Rm
3.	**Revenue**				
	Continuing operations				
	2023				
	PG Bison	6 010	–	–	6 010
	Restonic	1 806	–	–	1 806
	Feltex	2 303	–	–	2 303
	Safripol	10 431	–	–	10 431
	Unitrans South Africa	66	5 317	–	5 383
	Unitrans Africa	–	2 433	–	2 433
	Unitrans Passenger	–	2 271	–	2 271
	Optix	132	322	–	454
	Gross revenue	20 748	10 343	–	31 091
	Variable consideration	(958)	–	–	(958)
	Intergroup elimination	(57)	(511)	–	(568)
	Revenue from contracts with customers	19 733	9 832	–	29 565
	Optix	–	–	69	69
	Intergroup eliminations	–	–	(6)	(6)
		19 733	9 832	63	29 628
	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
	Optix	58	131	–	189
	Gross revenue	19 446	9 816	–	29 262
	Variable consideration	(860)	–	–	(860)
	Intergroup eliminations	(52)	(419)	–	(471)
	Revenue from contracts with customers	18 534	9 397	–	27 931
	Optix	–	–	53	53
	Intergroup eliminations	–	–	(5)	(5)
		18 534	9 397	48	27 979

The following customer payment terms are generally applicable in the group:

Sale of goods: 0 to 90 days; and

Sale of services: 0 to 60 days.

		2023 Rm	2022 Rm
3.1	Geographic distribution		
	South Africa	24 290	24 050
	Rest of Africa	3 886	3 254
	Americas	599	309
	Middle East	370	129
	Europe	254	161
	Australasia	227	76
	Asia	2	–
		29 628	27 979

	Notes	2023 Rm	2022 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:			
Services			
Next year		857	1 270
Within two to five years		832	1 404
Thereafter		–	23
		1 689	2 697

In the event that consideration from long-term contracts comprises 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. The group does not disclose information about remaining performance obligations that have original expected durations of one year or less.

	Notes	2023 Rm	2022 Rm
4. Other income			
Continuing operations			
Insurance income[1]		343	63
Government grants		26	26
Rental of properties		21	36
Scrap sales		13	16
Bad debts recovered		7	5
Rebates received		4	4
Other		16	8
		430	158
5. Other net gains			
Continuing operations			
Net impairment of financial assets	37.2.2	(38)	(23)
Impairment of loans receivable		(2)	(19)
Impairment of trade and other receivables		(36)	(4)
Net fair value gain on consumable biological assets		237	135
Fair value gain on timber plantations	17	223	125
Fair value gain on livestock	17	14	10
Net foreign exchange gains/(losses)		44	(24)
Net gains on foreign currency derivative financial instruments		36	33
Net losses on conversion of monetary assets and liabilities – realised		(13)	(10)
Net gains/(losses) on conversion of monetary assets and liabilities – unrealised		21	(47)
Net fair value loss on equity derivatives		(71)	–
		172	88

[1] *The 2023 insurance income can be attributed to PG Bison (R4 million), Restonic (R10 million), Feltex (R80 million), Safripol (R216 million) and Unitrans South Africa (R33 million), and comprises mainly R178 million related to the business interruption caused by the KwaZulu-Natal floods in April 2022 and R148 million related to plant stoppages at Safripol Durban in January and February 2022.*

	Notes	2023 Rm	2022 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 of:		(813)	(111)
Goodwill	13	(51)	(80)
Intangible assets	14	(665)	–
Property, plant and equipment	15	(97)	(31)
Gain on bargain purchase		–	2
Loss on disposal of property, plant and equipment		(48)	(36)
Insurance income		45	36
		(816)	(109)

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 group.

7. Operating profit

Continuing operations

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

	Notes	2023 Rm	2022 Rm
7.1 Amortisation and depreciation			
Amortisation	14	27	33
Depreciation		1 470	1 371
Property, plant and equipment	15	1 343	1 265
Right-of-use assets	16	127	106
		1 497	1 404
Recognised in:			
Cost of revenue		1 377	1 294
Selling and distribution expenses		17	15
Administrative and other expenses		103	95
		1 497	1 404
7.2 Auditor's remuneration			
Audit fees		36	31
Fees for other services		1	1
		37	32
7.3 Personnel expenses			
Salaries and wages		4 730	4 688
Retirement benefit contributions		342	337
Defined contribution plans		325	325
State-managed plans		17	12
Share-based payments – equity-settled	26.1	34	80
Share-based payments – cash-settled	26.2	8	–
		5 114	5 105
Recognised in:			
Cost of revenue		3 646	3 743
Selling and distribution expenses		194	173
Administrative and other expenses		1 274	1 189
		5 114	5 105
7.4 Lease expenses			
Short-term leases		194	145
Low-value assets		8	3
Variable lease payments		1	1
		203	149

		Notes	2023 Rm	2022 Rm
8.	**Finance costs**			
	Continuing operations			
	Bank overdraft and short-term facilities		56	13
	Lease liabilities	29	38	35
	Senior unsecured listed notes		543	345
	Syndicated revolving credit loan		26	5
	Term loans		69	51
	Vehicle and asset finance		144	86
	Related-party	36	5	2
	Other		9	20
	Less: Borrowing cost capitalised	15	(57)	(30)
			833	527
9.	**Finance income**			
	Continuing operations			
	Bank balances and short-term deposits		23	16
	Related-party	36	5	1
	Other		11	11
			39	28
10.	**Taxation**			
	Continuing operations			
	10.1 Taxation expense			
	South African normal taxation		416	581
	Current year		415	583
	Prior year		1	(2)
	Foreign and withholding taxation		74	89
	Current year		75	90
	Prior year		(1)	(1)
			490	670
	Deferred taxation			
	Current year		(177)	1
	Prior year		(3)	(2)
	Attributable to change in taxation rate		–	(91)
		20	(180)	(92)
			310	578

10. Taxation (continued)

10.2 Reconciliation of rate of taxation

	2023 %	2022 %
South African normal tax rate	27.0	28.0
Foreign rate differential	(0.2)	0.2
Reduction in rate of taxation	(6.5)	(7.8)
Utilisation of taxation losses not previously recognised	(2.0)	–
Share of profits of equity-accounted investments	(1.4)	(0.2)
Learnership allowances	(1.2)	(0.3)
Tax-exempt income	(1.2)	(0.3)
Prior year adjustments	(0.4)	(0.2)
Utilisation of foreign tax credits	(0.3)	–
Change in taxation rate	–	(3.9)
Government grants[1]	–	(2.9)
Increase in rate of taxation	18.6	4.2
Impairment of goodwill and intangible assets	6.2	0.9
Disallowed expenditure	4.3	1.4
Taxation losses not recognised	2.7	0.8
Withholding taxes	2.6	0.6
Net fair value loss on equity derivatives	2.4	–
Other	0.4	–
Impairment of loans receivable	–	0.3
B-BBEE costs	–	0.2
Effective rate of taxation	38.9	24.6

[1] *Included in the prior 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.*

The South African normal tax rate applicable for the current year was 27% following the reduction in the South African corporate income tax rate announced by the South African Minister of Finance on 23 February 2022.

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

10.3 Taxation losses

	2023 Rm	2022 Rm
Taxation losses available for offset against future taxable income:		
South African taxation losses	1 543	1 516
Foreign taxation losses	381	345
	1 924	1 861
Taxation losses recognised	1 602	1 466
Taxation losses unrecognised	322	395
	1 924	1 861

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. Deferred taxation assets are assessed at each statutory entity level.

The taxation losses do not expire under current taxation legislation, except in Zambia, where taxation losses expire after five years. Losses of R13 million expired in the current year. At 30 June 2023, Zambia had estimated losses of R41 million; R9 million expires in 2024 and the remaining R32 million by 2028.

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 2021 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 (note 24).

		Notes	2023 Rm	2022 Rm
11.2	**Analysis of loss for the year**			
	The results of the discontinued operations included in the income statement are set out below:			
	Cost of revenue		–	10
	Operating profit before capital items		–	10
	Capital items	11.3	–	(20)
	Operating loss		–	(10)
	Finance costs	11.4	–	(1)
	Loss before taxation		–	(11)
	Taxation	11.5	–	8
	Loss for the year		–	(3)
	Loss attributable to:			
	Owners of the parent		–	(3)
11.3	**Capital items**			
	Items of a capital nature are included in the 'capital items' line in the income statement. These expense items are:			
	Loss on disposal of property, plant and equipment		–	(20)
	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	**Finance cost**			
	Bank overdraft and short-term facilities		–	1
11.5	**Taxation**			
	Taxation benefit			
	Deferred taxation			
	Current year		–	(3)
	Prior year		–	(5)
			–	(8)
11.6	**Cash inflow from discontinued operations**			
	Net cash inflow from investing activities		–	92
	Net cash outflow from financing activities		–	(88)
	Net cash inflow		–	4

	2023 Cents	2022 Cents
12. Earnings		
The calculation of per share numbers uses the exact unrounded numbers, which may result in differences when compared to calculating the numbers using the rounded number of shares and earnings as disclosed below.		
Basic earnings/(loss) per share	16.7	70.2
Continuing operations	16.7	70.3
Discontinued operations	–	(0.1)
Diluted earnings/(loss) per share	16.4	68.5
Continuing operations	16.4	68.6
Discontinued operations	–	(0.1)
Headline earnings per share	42.7	75.1
Continuing operations	42.7	74.4
Discontinued operations	–	0.7
Diluted headline earnings per share	41.9	73.3
Continuing operations	41.9	72.6
Discontinued operations	–	0.7
Net asset value per share	461	466

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.

	2023 million	2022 million
12.1 Weighted average number of ordinary shares		
Issued ordinary shares at beginning of the year	2 472	2 531
Effect of shares repurchased and cancelled	–	(48)
Effect of shares issued	3	4
Weighted average number of ordinary shares	2 475	2 487
Potential dilutive effect of share rights granted	44	62
Diluted weighted average number of ordinary shares	2 519	2 549

	2023 Rm	2022 Rm
12.2 Basic and diluted earnings/(losses) attributable to owners of the parent		
Continuing operations	414	1 749
Discontinued operations	–	(3)
	414	1 746

		Notes	2023 Rm	2022 Rm
12.	**Earnings (continued)**			
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		414	1 749
	Adjusted for:			
	Capital items	6	816	109
	Taxation effects of capital items		(174)	(6)
	Non-controlling interests' portion of capital items, net of taxation		–	(1)
			1 056	1 851
	Discontinued operations			
	Basic and diluted losses attributable to owners of the parent		–	(3)
	Adjusted for:			
	Capital items	11.3	–	20
	Taxation effects of capital items		–	(3)
			–	14
			1 056	1 865
12.4	Net asset value			
	Attributable to owners of the parent		11 428	11 531
13.	**Goodwill**			
	Carrying amount at beginning of the year		683	641
	Arising on business combinations	35	21	122
	Impairments		(51)	(80)
	Exchange differences on translation of foreign operations		9	–
	Carrying amount at end of the year		662	683

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 or fair value less estimated cost to sell 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 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 industry in which the CGU operates.

All impairment testing was consistent with valuation methods applied as at 30 June 2022.

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	2023 %	2022 %	2023 %	2022 %	2023 Rm	2022 Rm
PG Bison	21.00	20.00	4.50	4.50	123	123
Restonic	23.75 to 23.81	22.31 to 23.58	4.50	4.00	387	387
Unitrans South Africa	21.15	20.59	4.50	5.00	–	51
Optix	24.15 to 28.61	23.14 to 23.97	1.97 to 4.50	4.00	152	122
Carrying amount at end of the year					662	683

An impairment charge is required for goodwill when the carrying amount exceeds the recoverable amount. An impairment of R51 million (2022: R80 million) was recognised in the current year and is included with capital items (note 6).

Due to the muted outlook for South African economic growth, structural changes in the South African logistics industry, the loss of a major food contract and the resultant decline in Unitrans South Africa's performance, an impairment of the goodwill relating to the Unitrans South Africa CGU was recognised.

Sensitivity analysis

The Restonic CGU forms part of the Restonic division. The estimated recoverable amount of the Restonic CGU exceeded the carrying amount of the CGU by approximately R15 million. Management has identified that a change in two key assumptions could cause the recoverable amount to be lower than the carrying amount of the CGU, resulting in an impairment. 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, and any further adverse change would result in an impairment:

	2023 %
Pre-tax discount rate	0.30
Terminal growth rate	(0.63)

14. Intangible assets

	Notes	Patents and trademarks Rm	Supplier relationships Rm	Software Rm	Contracts with customers Rm	Capital work-in-progress Rm	Total Rm
Balance at 1 July 2021		1 249	708	58	13	–	2 028
Additions		–	–	15	–	2	17
Amortisation		–	–	(24)	(9)	–	(33)
Disposals		–	–	–	(2)	–	(2)
Reclassified from property, plant and equipment	15	–	–	5	7	1	13
Acquisition of subsidiaries and businesses		–	338	2	–	–	340
Balance at 30 June 2022		1 249	1 046	56	9	3	2 363
Additions		–	–	10	–	9	19
Impairment		(662)	–	(3)	–	–	(665)
Amortisation		–	–	(23)	(4)	–	(27)
Reclassified from property, plant and equipment	15	–	–	2	–	5	7
Reclassified between categories		–	–	10	–	(10)	–
Acquisition of subsidiaries and businesses	35	–	–	19	–	–	19
Exchange differences on translation of foreign operations		–	12	–	–	–	12
Balance at 30 June 2023		587	1 058	71	5	7	1 728
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
Cost		1 765	2 498	208	44	7	4 522
Accumulated amortisation and impairment		(1 178)	(1 440)	(137)	(39)	–	(2 794)
Carrying amount at 30 June 2023		587	1 058	71	5	7	1 728

Supplier relationships relate to Safripol's evergreen contracts which are in place with its major supplier for the supply of raw materials used in its manufacturing processes as well as Optix's exclusive supplier contracts.

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

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. Patents and trademarks are tested using the relief of royalty method, however they are also tested for impairment as part of the applicable CGU. The recoverable amount of the CGU is determined based on a value in use or fair value less estimated cost to sell 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 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 industry 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 historical 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 cycle.*

All impairment testing was consistent with valuation methods applied as at 30 June 2022.

14. Intangible assets (continued)

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	2023 %	2022 %	2023 %	2022 %	2023 Rm	2022 Rm
PG Bison	Patents and trademarks	21.00	20.00	4.50	4.50	207	207
Restonic	Patents and trademarks	24.23	22.86	4.50	2.00	9	9
Feltex	Patents and trademarks	25.66	26.27	4.50	1.97	57	57
Safripol	Patents and trademarks	23.30	22.60	3.00	3.00	266	266
Safripol	Supplier relationships	23.30	22.60	3.00	3.00	708	708
Unitrans[1]	Patents and trademarks	21.11	19.4 to 20.59	5.80	5.00	–	662
Unitrans Passenger	Patents and trademarks	22.51	22.25	4.50	2.00	49	49
Optix	Supplier relationships	24.15 to 26.40	23.14 to 23.97	2.00 to 4.50	1.70 to 4.00	349	338
Carrying amount at end of the year						1 645	2 296

[1] *The Unitrans CGU comprises of the Unitrans South Africa and Unitrans Africa divisions.*

The royalty rates used in the determination of the recoverable amount for the current year ranged between 0.5% to 4.3% (2022: between 0.5% to 4.3%).

An impairment charge is required for intangible assets when the carrying amount exceeds the recoverable amount. The following impairment were recognised in the current year:

	2023 Rm	2022 Rm
Indefinite life intangible assets	(662)	–
Finite life intangible assets	(3)	–
	(665)	–

Due to the muted outlook for South African economic growth, structural changes in the South African logistics industry, the loss of a major food contract and the resultant decline in Unitrans' performance, an impairment of the trademark related to the Unitrans CGU was recognised.

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 represents the impact that a change in one of 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	(89)	50
50 basis points – decrease	95	(47)

15. Property, plant and equipment

	Notes	Land and buildings Rm	Plant and machinery Rm	Renewable energy 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 2021		2 581	4 856	–	4 684	749	15	72	12 957
Additions		186	473	–	1 042	738	15	38	2 492
Transfer from assets held for sale		–	–	–	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)
Acquisition of subsidiaries and businesses		–	50	–	7	–	–	1	58
Reclassified between categories		32	604	–	41	(684)	–	7	–
Borrowing cost capitalised		–	–	–	–	30	–	–	30
Reclassified 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
Additions		85	399	1	783	1 247	4	38	2 557
Government grants received		–	(15)	–	–	–	–	–	(15)
Transfer to assets held for sale	24	–	–	–	(53)	–	–	–	(53)
Transfer from assets held for sale	24	–	–	–	47	–	–	–	47
Depreciation		(41)	(573)	(1)	(684)	–	(7)	(37)	(1 343)
Disposals		–	(16)	–	(330)	(1)	–	(1)	(348)
Impairment		–	(24)	–	(73)	–	–	–	(97)
Acquisition of subsidiaries and businesses	35	–	10	–	–	–	–	1	11
Reclassified between categories		62	354	145	72	(642)	(1)	10	–
Borrowing cost capitalised		–	–	–	–	57	–	–	57
Reclassified to intangible assets	14	–	–	–	–	(7)	–	–	(7)
Written off		–	–	–	–	(5)	–	–	(5)
Exchange differences on translation of foreign operations		2	38	–	112	7	–	1	160
Balance at 30 June 2023		2 870	5 624	145	4 848	1 486	21	100	15 094
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
Cost		3 298	10 584	146	8 608	1 495	58	288	24 477
Accumulated depreciation and impairment		(428)	(4 960)	(1)	(3 760)	(9)	(37)	(188)	(9 383)
Carrying amount at 30 June 2023		2 870	5 624	145	4 848	1 486	21	100	15 094

		Notes	2023 Rm	2022 Rm
15.	**Property, plant and equipment (continued)**			
	Encumbered assets			
	Carrying amount of encumbered assets	28.3	1 830	1 687
	Borrowing cost			
	Borrowing cost capitalised	8	57	30
	Capitalisation rates used		6.86% to 9.70%	5.73% to 6.19%

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.

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
Renewable energy	20 years

Impairments

An impairment of R97 million (2022: R31 million) was recognised in the current year and is included with capital items (note 6).

The Unitrans South Africa and Unitrans Africa divisions recognised an impairment of R28 million and R46 million respectively related to long-haul vehicles (including rail assets). Rail assets of R53 million were transferred to assets held for sale in the current financial year.

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 23.30% (2022: 21.30%), terminal growth rate of 3.00% (2022: 3.00%) 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 industry 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 historical average US dollar margins were considered.

[1] *Safripol's results 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 cycle.*

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

Sensitivity analysis

The recoverable amount of the Safripol Durban CGU, which is used for the PET plant and equipment impairment test, approximates its carrying amount. Therefore, any adverse movement in one of the key assumptions would lead to an impairment. The table below represents the impact that a change in one of 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 point – increase	(36)	19
50 basis point – decrease	39	(18)

16. Right-of-use assets

	Land and buildings Rm	Plant and machinery Rm	Long-haul vehicles Rm	Total Rm
Balance at 1 July 2021	144	159	55	358
Additions	97	19	–	116
Remeasurement	40	9	4	53
Acquisition of subsidiaries and businesses	5	–	–	5
Depreciation	(64)	(24)	(18)	(106)
Balance at 30 June 2022	222	163	41	426
Additions	41	21	1	63
Remeasurement	9	17	2	28
Depreciation	(76)	(32)	(19)	(127)
Balance at 30 June 2023	196	169	25	390
Cost	375	225	88	688
Accumulated depreciation and impairment	(153)	(62)	(47)	(262)
Carrying amount at 30 June 2022	222	163	41	426
Cost	406	255	91	752
Accumulated depreciation and impairment	(210)	(86)	(66)	(362)
Carrying amount at 30 June 2023	196	169	25	390

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.

17. Consumable biological assets

	2023 Rm	2022 Rm
Timber plantations		
Carrying amount at beginning of the year	1 438	1 518
Additions	21	2
Decrease due to harvesting	(202)	(207)
Fair value gain	223	125
Carrying amount at end of the year	1 480	1 438
Livestock		
Carrying amount at beginning of the year	53	47
Additions	–	1
Decrease due to disposals	(11)	(5)
Fair value gain	14	10
Carrying amount at end of the year	56	53
	1 536	1 491

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 wool-based panel products and timber products and for sale 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 2023, consumable biological assets were valued by management at R1 536 million (2022: R1 491 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.

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for the year ended 30 June 2023

17. Consumable biological assets (continued)

17.1 Quantities of timber plantations

	2023 Hectares	2022 Hectares
Pine	32 394	31 566
Eucalyptus	9 687	8 925
Temporary unplanted areas	2 666	3 264
	44 747	43 755

17.2 Reconciliation of standing volume

	2023 m^3	2022 m^3
Opening balance	5 375 963	5 374 043
Increase due to growth	534 017	666 210
Decrease due to harvesting	(599 907)	(664 290)
Additions	73 591	–
	5 383 664	5 375 963

17.3 Key assumptions

	2023 %	2022 %
Discount rate		
Risk-free rate[1]	11.76	11.00
Pre-tax discount rate	19.63	17.89

[1] *The timber plantations mature over an extended period of time and therefore the ten-year Government Bond Yield Curve ('GSAB10YR') represents a suitable fit for the year 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 collect regularly more accurate information about the rate of growth and stocking of trees in the plantations.

	2023 R/m^3	2022 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	307 to 1 153	244 to 1 087
Eucalyptus	496	395
Harvesting costs		
Pine	145 to 264	141 to 233
Eucalyptus	201	245

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:

	2023 Rm	2022 Rm
Current log price – 100 basis point increase	25	24
Forecast log price inflation rate – 25 basis point increase	6	9
Forecast cost inflation rate – 25 basis point increase	(1)	(1)
Pre-tax discount rate – 25 basis point increase	(4)	(6)
Volume – 100 basis point increase	13	12

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 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 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.

17.6 Encumbered consumable biological assets

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

17.7 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

	Place of business	Nature of business	2023 % shareholding	2022 % shareholding
Associate companies				
Auria South Africa Proprietary Limited	South Africa	Manufacturing of automotive components	49.0	49.0
PG Bison (Kenya) Limited	Kenya	Retail of wood-based decorative panel products	50.0	50.0
iDream Limited	New Zealand	Retail of sleep products	50.0	–
Joint venture companies				
Auria Feltex Proprietary Limited	South Africa	Manufacturing of automotive components	49.0	49.0
Autoneum Feltex Proprietary Limited	South Africa	Manufacturing of automotive components	49.0	49.0

Effective 1 July 2022, Restonic Proprietary Limited ('Restonic') acquired 50% of the shareholding in iDream Limited for R10 million. On 31 October 2022, both shareholders subscribed for additional shares in equal proportions. Restonic paid a subscription price of R13 million for the additional shares. The group assessed that, as it has significant influence over this investment it therefore accounts for this as an investment in an associate.

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

	Carrying amount 2023 Rm	Carrying amount 2022 Rm	Profit or loss 2023 Rm	Profit or loss 2022 Rm
Associate companies	209	161	24	12
Joint venture companies	28	22	15	7
	237	183	39	19

	Notes	2023 Rm	2022 Rm
19. Investments and loans receivable			
Unlisted investments		1	1
Loans receivable (carried at amortised cost)		58	60
Less: Loss allowance	37.2.2	(30)	(30)
Total investments and loans receivable		29	31
Less: Loans receivable included in current assets		(13)	(6)
Non-current investments and loans receivable		16	25

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 37.1.

Credit risk related to loans receivable and the management thereof is disclosed in note 37.2.2.

20. Deferred taxation assets/(liabilities)

20.1 Deferred taxation movement

	Notes	2023 Rm	2022 Rm
Balance at beginning of the year		(2 593)	(2 604)
Deferred taxation of subsidiaries acquired	35	(5)	(97)
Amounts charged directly to equity			
Share-based payments		(15)	8
Current year charge per the income statement			
Continuing operations[1]		180	92
Discontinued operations		–	8
Exchange differences on translation of foreign operations		(11)	–
		(2 444)	(2 593)
Comprising:			
Deferred taxation assets		89	48
Deferred taxation liabilities		(2 533)	(2 641)
		(2 444)	(2 593)

[1] *The prior year includes 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

	2023 Rm	2022 Rm
Deferred taxation assets		
Property, plant and equipment	(84)	(43)
Right-of-use assets	(6)	(6)
Prepayments and provisions or allowances	30	31
Share-based payments	11	15
Taxation losses	130	48
Other temporary differences	8	3
	89	48
Deferred taxation liabilities		
Intangible assets	(422)	(560)
Property, plant and equipment	(2 147)	(2 198)
Right-of-use assets	(96)	(109)
Consumable biological assets	(410)	(388)
Share-based payments	16	30
Lease liabilities	108	123
Prepayments and provisions or allowances	96	99
Taxation losses	306	351
Other temporary differences	16	11
	(2 533)	(2 641)

Realisation of the deferred taxation assets is expected from 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. 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.

		2023 Assets Rm	2023 Liabilities Rm	2022 Assets Rm	2022 Liabilities Rm
21.	**Derivative financial instruments**				
	Non-current				
	Equity derivatives	47	–	–	–
	Foreign currency derivatives	10	(8)	55	(60)
		57	(8)	55	(60)
	Current				
	Foreign currency derivatives	111	(80)	50	(14)
		168	(88)	105	(74)

Equity derivatives

In November 2022, the group entered into an equity derivative transaction for a total amount of R117 million to hedge the cash impact of a long-term incentive scheme (note 26.2). The vesting dates of the long-term incentive scheme coincide with the vesting dates of the hedge instruments on 2 November 2026, 1 November 2027 and 31 October 2028 respectively.

The fair value of the equity derivatives is based on the forward pricing methodology. The inputs used in the valuation include the current spot price and the present value of assumed dividends which are calculated using a risk-free rate.

Foreign currency derivatives

The group uses forward exchange contracts and currency options to hedge its foreign currency risk against change in foreign currency denominated assets and liabilities. Fair values are calculated using standard market calculation conventions with reference to the relevant closing market spot rates and forward foreign exchange rates. Refer to note 37.2.1 for more details.

		Notes	2023 Rm	2022 Rm
22.	**Inventories**			
	Finished goods		1 305	1 028
	Raw materials		1 396	1 687
	Work in process		153	125
	Consumables		620	571
			3 474	3 411
23.	**Trade and other receivables**			
	Trade receivables		3 866	4 010
	Deposits paid		42	37
	Insurance claims receivable		258	73
	Related-party receivables	36	29	22
	Other amounts due		129	212
	Less: Loss allowance	37.2.2	(82)	(52)
	Trade and other receivables (financial assets)		4 242	4 302
	Prepayments		430	362
	Value added taxation receivable		142	130
			4 814	4 794

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 R20 million were written off during the current year (2022: R9 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 37.2.1.

Credit risk related to trade and other receivables and the related management thereof is disclosed in note 37.2.2.

24. Assets held for sale

In the current financial year, a decision was taken to close the loss-making rail business which forms part of the Unitrans Africa division. On 31 May 2023, a sale agreement was signed, subject to certain conditions precedent. The sale is expected to be finalised within 12 months from the signature date. Accordingly, the rail assets have been classified as assets held for sale at 30 June 2023.

As disclosed in note 11, the Intercity and Tourism operations, which formed part of the Unitrans Passenger division, were terminated during the 2021 financial year and the related assets were classified as held for sale at 30 June 2021. The Greyhound and Citiliner assets were disposed of during the prior year for proceeds of R84 million. The remaining tourism coaches of R47 million, which were classified as held for sale at the end of 2022, were transferred back to the passenger business to be used in normal operations. Refer to the note on property, plant and equipment (note 15).

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.

	2023 Rm	2022 Rm
The carrying amount of total assets held for sale		
Property, plant and equipment	53	47

25. Stated share capital

	2023 Number of shares	2022 Number of shares	2023 Rm	2022 Rm
25.1 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	2 472 100 574	2 531 201 473	7 896	8 206
Ordinary shares issued during the year	4 993 874	5 899 101	–	–
Ordinary shares repurchased and cancelled during the year[1]	–	(65 000 000)	–	(310)
Ordinary shares in issue at end of the year	2 477 094 448	2 472 100 574	7 896	7 896

[1] *Shares were repurchased during the previous financial year at an average price of R4.75 per share.*

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.

	2023 Rm	2022 Rm
25.2 Dividends per share		
The following dividends were declared and paid by the company during the year:		
29 cents per ordinary share (2022: 15 cents)	717	378

26. Share-based payments

26.1 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]	(161 445 328)
Shares available for allocation	204 829 205

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

26. Share-based payments (continued)

26.1 KAP Performance Share Rights Scheme (continued)

	2023 Rights	2022 Rights
Reconciliation of rights granted		
Balance at beginning of the year	98 197 726	73 708 195
Forfeited during the year	(43 547 908)	(6 829 157)
Exercised during the year	(9 079 812)	(5 899 101)
Granted during the year	42 387 762	37 217 789
Balance at end of the year	87 957 768	98 197 726

	2023 Rm	2022 Rm
Charged to profit or loss	34	80

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 fair value at measurement date is determined using a present value methodology whereby the unconditional fair value is equal to the share price at the grant date, less the present value of estimated dividends paid prior to time of exercise.

	2022 Grant	2021 Grant	2020 Grant	2019 Grant	2018 Grant
Fair value of KAP share rights and assumptions					
Fair value at measurement date	R3.56	R3.46	R2.48	R3.73	R7.43
Share price at grant date	R4.30	R4.23	R2.95	R4.15	R8.05
Exercise price	R0.00	R0.00	R0.00	R0.00	R0.00
Risk-free interest rate	8.09%	5.98%	4.22%	6.80%	7.77%
Expected dividend yield	6.28%	6.65%	5.42%	3.63%	2.71%
Expected forfeiture rate	0.00%	0.00%	0.00%	0.00%	0.00%
Life of share right	3 years	3 years	3 years	3 years	3 years

The risk-free interest rates were obtained from the swap yield curve on the valuation date. The swap yield curve was independently constructed using a bootstrapping methodology together with a combination of traded money-market, forward rate agreement ('FRA') and swap rate inputs.

The dividend forecasts were estimated using a combination of broker consensus forecasts, historical dividend data, and/or management's view of the future dividends. The dividend per share forecasts and the projected forward share prices (calculated under the risk-neutral framework), at the estimated ex-dividend dates, were used to determine simple periodic dividend yields over the period of the scheme.

26.2 KAP Executive Retention Scheme

Effective 1 November 2022, the group issued 34 million cash-settled share appreciation rights to executive management. The value of these share appreciation rights are linked to the KAP share price over a three-year vesting period. These share appreciation rights are classified as cash-settled share-based payment benefits.

	2023 Options
Details of share option allocations	
Option price	R0.00
Granted during the year	34 000 000
Balance at end of the year	34 000 000

26. Share-based payments (continued)

26.2 KAP Executive Retention Scheme (continued)

No share appreciation rights were granted in prior years, and none of the share appreciation rights have vested as at 30 June 2023.

	2023 Rm	2022 Rm
Charged to profit or loss	8	–

Assumptions

The cash-settled share-based payment liability is measured at the fair value of the share appreciation rights, taking into account the terms and conditions on which the rights were granted and the extent to which the employees have rendered service to date. The fair value is determined using a present value methodology whereby the fair value is equal to the share price at the measurement date, less the present value of estimated dividends paid prior to time of exercise. The liability is included with employee benefits in note 30.

The assumptions used in estimating the fair value at year-end are listed below:

Vesting period	31 October 2026	31 October 2027	31 October 2028
Share price at 30 June 2023	R2.70	R2.70	R2.70
Risk-free interest rate	8.40%	8.54%	8.75%
Expected dividend yield	10.32%	10.23%	10.16%
Expected forfeiture rate	0.00%	0.00%	0.00%
Option value at 30 June 2023	R1.91	R1.73	R1.57

The risk-free interest rates were obtained from the swap yield curve on the valuation date. The swap yield curve was independently constructed using a bootstrapping methodology together with a combination of traded money-market, FRA and swap rate inputs.

The dividend forecasts were estimated using a combination of broker consensus forecasts and historical dividend data. The dividend per share forecasts and the projected forward share prices (calculated under the risk-neutral framework), at the estimated ex-dividend dates, were used to determine simple periodic dividend yields over the period of the scheme.

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

Effective 3 September 2018, the group 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.
- The subscription of new USCS shares was funded by the group, through the issue of an equivalent value of preference shares by the two wholly owned subsidiaries of the Pieters Trust and Sakhumzi, to a KAP-owned subsidiary.

Subsequent to the initial transaction, ownership in the structure changed as follows:

- During the 2021 financial year, Sakhumzi disposed of its investment in its wholly owned subsidiary to the Unitrans Empowerment Trust ('the Unitrans Trust').
- During the current financial year, the Pieters Trust disposed of its investment in its wholly owned subsidiary to Unitrans Holdings Proprietary Limited ('Holdings') for R 30 million. Following these changes, the Unitrans Trust acquired 50% of this investment from Holdings.
- Following the changes in ownership, the effective interest held by the group in USCS was 66.51% (2022: 55.00%) with 33.49% (2022: 45.00%) held by the B-BBEE partners.

26. Share-based payments (continued)

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

In terms of IFRS 10 – *Consolidated Financial Statements*, KAP is deemed, through the funding structure of the B-BBEE transaction, to control both the acquiring entities and is therefore required to consolidate these entities. There was no change in the control assessment in terms of IFRS 10 due to the change in control.

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 expense was fully recognised by the 2022 financial year.

	2023 Rm	2022 Rm
Charged to profit or loss	–	13

27. Non-controlling interests

27.1 Details of subsidiaries that have non-controlling interests

	Non-controlling shareholding		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2023 %	2022 %	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Bapotrans Proprietary Limited	50.0	50.0	2	4	19	30
Connacher (Natal) Proprietary Limited	25.0	25.0	2	2	10	8
DesleeMattex Proprietary Limited	40.0	40.0	7	10	52	45
Feltex Fehrer Proprietary Limited	49.0	49.0	22	(3)	111	90
Iqhaue Proprietary Limited	49.9	–	14	–	14	–
Mega Express Proprietary Limited	35.0	35.0	17	12	22	16
Optix Holdings Proprietary Limited[1]	13.6	10.0	(5)	1	12	10
SingRisk Services Private Limited	13.6	10.0	2	1	26	13
Southern Star Logistics Proprietary Limited	50.0	50.0	(14)	(15)	(49)	(34)
UniMat Logistics SA	40.0	40.0	18	11	52	42
Unitrans Namibia Proprietary Limited	25.0	25.0	(1)	–	10	10
Individually immaterial subsidiaries with non-controlling interest	24.5 to 50.0	24.5 to 50.0	8	(3)	(2)	(11)
			72	20	277	219

[1] *Previously Khuthaza Holdings Proprietary Limited.*

27.2 Net effect of shares bought from non-controlling shareholder

Effective 3 September 2018, the group 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 transaction included the effective sale of 23.02% of USCS to a wholly owned subsidiary of the FWG Pieters Trust ('the Pieters Trust'). During the current financial year, the Pieters Trust disposed of its investment in its wholly owned subsidiary to Unitrans Holdings Proprietary Limited for R30 million. Refer to note 26.3 for more details.

	2023 Rm
Carrying amount of non-controlling interest acquired	–
Total consideration paid	(30)
Decrease in equity attributable to owners of the parent	(30)

	2023 Rm

27. Non-controlling interests (continued)

27.3 Net effect of shares issued to non-controlling shareholders

Effective 1 July 2022, Optix Africa Proprietary Limited ('Optix Africa') acquired a 100% shareholding in Viewmetrics Proprietary Limited for R14 million and a 100% shareholding in Vantage Soft Proprietary Limited for R14.5 million. As part of the consideration paid for the equity purchase, shares in Optix Africa's holding company, Optix Holdings Proprietary Limited ('Optix Holdings'), were issued to the value of R7 million resulting in an increase in the non-controlling interests in Optix Holdings to 13.6% (2022: 10.0%). Effective 1 July 2022, SingRisk Services Proprietary Limited ('SingRisk') issued new shares to a minority shareholder for R8 million, resulting in an increase in the non-controlling interest of SingRisk to 13.6% (2022: 10.0%).

	2023 Rm
Shares issued for cash	8
Shares issued as settlement for acquisition of subsidiaries (note 35)	7
Increase in non-controlling interests	15

27.4 Transactions with non-controlling interests

	2023 Rm
Total consideration received in cash	8
Total consideration settled in cash	(30)
Net cash outflow	(22)

28. Loans and borrowings

28.1 Analysis of closing balance

	Note	2023 Rm	2022 Rm
Secured financing		1 605	1 577
Vehicle and asset finance		1 577	1 537
Term loans		28	40
Unsecured financing covered by intergroup cross-guarantees		7 390	7 067
Term loans		802	802
Senior unsecured listed notes		6 588	6 265
Unsecured financing		101	86
Related-party loan payable	36	88	69
Other loans		13	17
Total loans and borrowings		9 096	8 730
Portion payable within the next 12 months included in current liabilities		(2 247)	(2 049)
Non-current loans and borrowings		6 849	6 681

28. Loans and borrowings (continued)

28.2 Analysis of repayment

	2023 Rm	2022 Rm
Next year	2 247	2 049
Within two to five years	6 849	6 681
	9 096	8 730

All loans and borrowings are carried at amortised cost. The fair values of loans and borrowings are disclosed in note 37.1.

28.3 Loans and borrowings details

	Current year interest rate	2023 Rm	2022 Rm
Secured[1]			
Variable interest rates			
Vehicle and asset finance[2]	6.25% to 10.75%	1 577	1 537
Term loans[3]	9.25% to 12.75%	17	29
Term loans[4]	16.60% to 22.50%	11	11
Unsecured financing covered by intergroup cross-guarantees			
Variable interest rates			
Term loans[5]	7.21% to 10.70%	800	800
Senior unsecured listed notes[6]	7.11% to 10.60%	6 502	6 206
Interest due			
Term loans		2	2
Senior unsecured listed notes		86	59
Unsecured			
Variable interest rates			
Related-party loan payable	7.25% to 12.25%	36	29
Interest free			
Related-party loan payable	–	52	40
Other loans	–	13	17
Total loans and borrowings		9 096	8 730

[1] The carrying amount of assets encumbered in favour of the secured loans amounts to R1 830 million (2022: R1 687 million).
[2] The vehicle and asset finance bears interest linked to SA prime and is repayable in monthly instalments up to 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.

The group complied with all the financial covenants during the 2023 and 2022 financial years. The capital risk management and financial covenant triggers are disclosed in note 37.3.

Global Credit Rating Co. Proprietary Limited reviewed the company's credit rating in November 2022 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 cross-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

28. Loans and borrowings (continued)

28.3 Loans and borrowings details (continued)

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

	Loans and borrowings Rm
28.4 Reconciliation of movements in loans and borrowings	
Balance at 1 July 2021	6 886
Changes from financing cash flows	1 760
Loans and borrowings received	3 792
Loans and borrowings repaid	(2 032)
Acquisition of subsidiaries and businesses	74
Other non-cash adjustments	10
Balance at 30 June 2022	8 730
Changes from financing cash flows	309
Loans and borrowings received	2 612
Loans and borrowings repaid	(2 303)
Acquisition of subsidiaries and businesses (note 35)	16
Other non-cash adjustments	39
Exchange differences on translation of foreign operations	2
Balance at 30 June 2023	9 096

	2023 Rm	2022 Rm
28.5 Available borrowing facilities		
Committed		
Syndicated revolving credit facility	750	750
Uncommitted		
Call loan and overdraft facilities	2 050	1 620
	2 800	2 370

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.

29. Lease liabilities

	2023 Rm	2022 Rm
Balance at beginning of the year	478	397
Additions	63	115
Remeasurements	28	52
Acquisition of subsidiaries and businesses	–	7
Capital repayments	(120)	(93)
Finance costs	38	35
Payments	(158)	(128)
Total lease liabilities	449	478
Portion payable within the next 12 months included in current liabilities	(126)	(106)
Non-current lease liabilities	323	372

The contractual maturity for lease liabilities is included in the liquidity risk section in note 37.2.3.

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% (2022: between 5.73% and 12.25%).

	2023 Rm	2022 Rm
30. Employee benefits		
Performance-based bonus	201	256
Cash-settled share-based payment	8	–
Wage/13th cheque bonus	57	56
Leave pay	169	157
Post-retirement medical benefits	2	3
Other	13	16
Total employee benefits	450	488
Transferred to current employee benefits	(430)	(473)
Non-current employee benefits	20	15

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 employees' 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.

	2023 Rm	2022 Rm
Balance at beginning of the year	3	5
Actuarial gain	(1)	(2)
Balance at end of the year	2	3

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

	2023	2022
Healthcare cost inflation	8.4%	7.7%
Discount rate	11.0%	9.6%
Percentage married at retirement	83.6%	85.9%
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.

31. Provisions

	Accident and insurance fund provisions Rm	Lease restoration provision Rm	Contract dispute provision Rm	Other[1] Rm	Total Rm
Balance at 1 July 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)
Acquisition of subsidiaries and businesses	–	2	–	–	2
Balance at 30 June 2022	39	4	–	46	89
Additional provision raised	110	–	–	25	135
Amounts unused reversed	(78)	–	–	(11)	(89)
Amounts utilised	(40)	–	–	(52)	(92)
Balance at 30 June 2023	31	4	–	8	43

	2023 Rm	2022 Rm
Total provisions	43	89
Transferred to current provisions	(41)	(89)
Non-current provisions	2	–

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

Accident and insurance fund provisions

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

Lease restoration provision

The provision relates to the estimated cost in terms of contractual lease agreements for the rectification of properties that 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 as the effect is not material.

32. Trade and other payables

	Note	2023 Rm	2022 Rm
Trade payables		4 666	4 469
Accruals		322	350
Rebates payable		213	191
Related-party payables	36	32	19
Other payables and amounts due		61	65
Trade and other payables (financial liabilities)		5 294	5 094
Value added taxation payable		93	103
		5 387	5 197

The fair value of trade and other payables is disclosed in note 37.1.

33. Commitments and contingencies

33.1 Capital expenditure

	2023 Rm	2022 Rm
Contracts for capital expenditure authorised	1 001	822

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

33.2 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.

33. Commitments and contingencies (continued)

33.2 Contingent liabilities (continued)

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.

34. Cash flow information

	Notes	2023 Rm	2022 Rm
34.1 Cash generated from operations			
Operating profit from continuing operations		1 551	2 827
Operating loss from discontinued operations	11	–	(10)
Adjusted for:			
Capital items			
Continuing operations		816	109
Discontinued operations	11	–	20
Amortisation and depreciation		1 497	1 404
Net fair value adjustments of consumable biological assets[1]		(24)	77
Share-based payment expense[2]		34	93
Impairment of loans receivable		2	19
Other non-cash adjustments		1	5
Cash generated before working capital changes		3 877	4 544
Working capital changes			
Increase in inventories		(44)	(776)
Decrease/(increase) in trade and other receivables		60	(488)
Increase in derivative financial assets[3]		(63)	(34)
(Decrease)/increase in provisions		(47)	8
Decrease in employee benefits		(43)	(2)
Increase in trade and other payables		135	839
Increase/(decrease) in derivative financial liabilities		14	(10)
Changes in working capital		12	(463)
Cash generated from operations		3 889	4 081

[1] *Includes fair value gains and decrease due to harvesting and sale of livestock.*
[2] *Includes the KAP Performance Share Right Scheme and the B-BBEE cost.*
[3] *Included in the movement is an amount of R117 million paid for the purchase of equity derivatives.*

	Notes	2023 Rm	2022 Rm
34.2 Taxation paid			
Net taxation (receivable)/payable at beginning of the year		(43)	90
Current year charge through the income statement	10	490	670
Acquisition of subsidiaries and businesses		–	1
Interest and penalties paid		(1)	(3)
Exchange differences on translation of foreign operations		(3)	2
Net taxation receivable at end of the year		24	43
Taxation receivable		50	63
Taxation payable		(26)	(20)
Taxation paid		467	803

	Notes	2023 Rm	2022 Rm
34.3 Net cash and cash equivalents			
Call notice deposits		153	1 158
Current accounts and petty cash		1 300	572
Cash and cash equivalents		1 453	1 730
Bank overdrafts		–	(38)
		1 453	1 692

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

Effective 1 July 2022, Safripol Proprietary Limited acquired 51% of the shares and loan claims in Xuba Compounders Proprietary Limited ('Xuba') for R13 million. Xuba is a manufacturer and compounder of polymer materials that are supplied to the automotive, appliance and electrical components sectors. The acquisition is in line with Safripol's strategy to develop higher-margin, higher-specification polymers.

Effective 1 July 2022, Optix Africa Proprietary Limited acquired a 100% shareholding in Viewmetrics Proprietary Limited ('Viewmetrics') for R14 million and a 100% shareholding in Vantage Soft Proprietary Limited ('Vantage') for R14.5 million.

Effective 2 December 2022, SingRisk Services Private Limited acquired a 100% shareholding of AVT Cabling Solutions Proprietary Limited ('AVT') for a consideration of R13 million.

The acquisition of Viewmetrics, Vantage and AVT will support the development and deployment of Optix's technology solutions.

The fair value of assets and liabilities assumed at the date of acquisition is disclosed collectively as the individual amounts are immaterial.

	2023 Rm
The fair value of assets and liabilities assumed at date of acquisition	
Assets	
Intangible assets	19
Property, plant and equipment	11
Inventories	4
Trade and other receivables[1]	19
Cash on hand	6
Liabilities	
Shareholder loans	(12)
Deferred taxation liabilities	(5)
Employee benefits	(1)
Trade and other payables	(8)
Total assets and liabilities acquired	33
Goodwill	21
Consideration paid for equity interest	54
Paid via issue of shares to non-controlling interest	(7)
Settled via loan account	(4)
Cash and cash equivalents on hand at acquisition	(6)
Net cash outflow on acquisition of subsidiaries and businesses	37

[1] *The fair value and gross contractual value of receivables acquired (which principally comprised trade receivables) is R19 million. All estimated contractual cash flows are expected to be collected.*

The goodwill arising on the acquisition of Vantage (R11 million) and AVT (R10 million) is attributable to the strategic business advantages acquired, expected synergies, 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.

Included within the group's results is revenue of R106 million and net profit after tax of R1 million resulting from the acquisitions. The revenue of the group would have increased by R7 million if the businesses had been acquired on 1 July 2022, with a R2 million increase in the net profit after tax for the year.

36. 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:

	2023 Rm	2022 Rm
36. Related-party balances and transactions (continued)		
Related-party loans payable		
Autoist Proprietary Limited	5	–
Freight-X Proprietary Limited	56	56
GW Erasmus	3	3
Rhidan Investments 94 Proprietary Limited	13	–
Steve Ford Solutions Proprietary Limited	11	10
	88	69
Related-party loans receivable		
Associate and joint venture companies	50	50
Related-party receivables		
Associate and joint venture companies	29	22
Related-party payables		
Bekaert Deslee N.V. and its subsidiaries	27	13
F.S. Fehrer Automotive GmBH	5	6
	32	19
Dividends received from:		
Associate and joint venture companies	10	9
Dividends paid to:		
Mauritius Automotive Trading Company SARL	10	6
Talama Fleet Logistics Investments Proprietary Limited	24	10
	34	16
Sales to:		
Associate and joint venture companies	118	112
Purchases from:		
Associate and joint venture companies	–	7
F.S. Fehrer Automotive GmBH	9	–
Bekaert Deslee N.V. and its subsidiaries	71	66
	80	73
Net administrative and other expenses, including management fees (paid to)/received from:		
Associate and joint venture companies	3	3
Bekaert Deslee N.V. and its subsidiaries	(4)	(4)
Freight-X Proprietary Limited	(3)	(3)
F.S. Fehrer Automotive GmBH	(9)	(10)
Mauritius Automotive Trading Company SARL	2	1
Pamue Investments Corporation Proprietary Limited	(1)	–
Rhidan Investments 94 Proprietary Limited and its subsidiaries	(2)	–
Rogers Capital Corporate Services Limited	(1)	–
	(15)	(13)
Finance income received from		
Associate and joint venture companies	5	1
Finance costs paid to:		
Autoist Proprietary Limited	1	–
Freight-X Proprietary Limited	2	1
Steve Ford Solutions Proprietary Limited	2	1
	5	2

For details of material related parties where control exists, refer to note 38.

Directors of the company are considered to be key management personnel. For details in respect of key management compensation, refer to note 39.

37. Financial instruments and risk management

37.1 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
2023				
Financial assets				
Investments and loans receivable	–	29	29	29
Trade and other receivables	–	4 242	4 242	4 242
Derivative financial instruments	168	–	168	168
Cash and cash equivalents	–	1 453	1 453	1 453
	168	5 724	5 892	5 892
Financial liabilities				
Loans and borrowings	–	(9 096)	(9 096)	(9 165)
Lease liabilities	–	(449)	(449)	(449)
Trade and other payables	–	(5 294)	(5 294)	(5 294)
Derivative financial instruments	(88)	–	(88)	(88)
	(88)	(14 839)	(14 927)	(14 996)
Net financial instruments	80	(9 115)	(9 035)	(9 104)
Net losses/(gains) recognised in profit or loss	35	(8)	27	
Net interest expense	–	853	853	
2022				
Financial assets				
Investments and loans receivable	–	31	31	31
Trade and other receivables	–	4 302	4 302	4 302
Derivative financial instruments	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	–	(5 094)	(5 094)	(5 094)
Derivative financial instruments	(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	

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 2023.

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).

The fair value of the equity derivatives is based on the forward pricing methodology. The inputs used in the valuation includes the current spot price and the present value of assumed dividends which are calculated using a risk-free rate.

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 2023.

37. Financial instruments and risk management (continued)

37.1 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 group's derivative financial instruments are classified as Level 2. Refer to note 21 for details on the inputs used in determining fair value.

There were no Level 1 or Level 3 financial assets or financial liabilities as at 30 June 2023 or 30 June 2022.

37.2 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.

37. Financial instruments and risk management (continued)

37.2 Financial risk management (continued)

37.2.1 Market risk

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

Price risk

The group's exposure to price risk relates to fluctuations in the share price of the company as a result of the share appreciation rights that have been granted to employees in terms of the long-term incentive scheme (refer to note 26.2). Sufficient equity derivatives were purchased in order to settle the total expected future obligation. The movements in the company share price will not have a material impact on either profit or loss or equity of the group over time.

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:

	US dollar Rm	Euro Rm	AU dollar Rm
Foreign currency denominated monetary assets and liabilities			
2023			
Trade and other receivables	137	15	66
Cash and cash equivalents	208	2	–
Trade and other payables	(1 178)	(256)	–
Pre-derivative position	(833)	(239)	66
Derivative effect	893	953	(52)
Open position	60	714	14
2022			
Trade and other receivables	53	9	–
Cash and cash equivalents	89	17	–
Trade and other payables	(1 057)	(287)	–
Pre-derivative position	(915)	(261)	–
Derivative effect	932	1 059	–
Open position	17	798	–

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

Rand	Forecast rate[1] 30 June 2024	Forecast rate[1] 30 June 2023	Reporting date spot rate 30 June 2023	Reporting date spot rate 30 June 2022
Euro	20.75	16.90	20.59	17.13
US dollar	18.75	15.60	18.86	16.39
AU dollar	13.05	11.35	12.55	11.27

[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.*

37. Financial instruments and risk management (continued)

37.2 Financial risk management (continued)

37.2.1 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 2022.

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	2023 Rm	2022 Rm
Euro strengthened by 0.8% (2022: weakened by 1.3%) to the rand	(6)	11
US dollar weakened by 0.6% (2022: weakened by 4.8%) to the rand	–	1
AU dollar strengthened by 4.0% (2022 strengthened by 0.7%) to the rand	(3)	–

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 ('FECs') and currency options to hedge its foreign currency risk against change in foreign currency denominated assets and liabilities. FECs 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 two 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			
2023			
Euro	106	(70)	36
US dollar	15	(17)	(2)
AU dollar	–	(1)	(1)
	121	(88)	33
2022			
Euro	64	(69)	(5)
US dollar	41	(5)	36
	105	(74)	31

The group does not apply hedge accounting to FECs 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 expose the group economically 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 28.

37. Financial instruments and risk management (continued)

37.2 Financial risk management (continued)

37.2.1 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
2023					
Financial assets					
Investments and loans receivable	–	–	–	29	29
Trade receivables	–	–	–	4 242	4 242
Derivative financial instruments	–	–	–	168	168
Cash and cash equivalents	908	396	49	100	1 453
	908	396	49	4 539	5 892
Financial liabilities					
Loans and borrowings	(9 000)	(31)	–	(65)	(9 096)
Lease liabilities	–	–	(449)	–	(449)
Trade and other payables	–	–	–	(5 294)	(5 294)
Derivative financial instruments	–	–	–	(88)	(88)
	(9 000)	(31)	(449)	(5 447)	(14 927)
	(8 092)	365	(400)	(908)	(9 035)
2022					
Financial assets					
Investments and loans receivable	–	–	–	31	31
Trade receivables	–	–	–	4 302	4 302
Derivative financial instruments	–	–	–	105	105
Cash and cash equivalents	1 319	286	4	121	1 730
	1 319	286	4	4 559	6 168
Financial liabilities					
Loans and borrowings	(8 642)	(31)	–	(57)	(8 730)
Lease liabilities	–	–	(478)	–	(478)
Trade payables	–	–	–	(5 094)	(5 094)
Derivative financial instruments	–	–	–	(74)	(74)
Bank overdrafts	(38)	–	–	–	(38)
	(8 680)	(31)	(478)	(5 225)	(14 414)
	(7 361)	255	(474)	(666)	(8 246)

[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 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	2023 Rm	2022 Rm
JIBAR and SA prime – 100 basis point increase	81	74

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

37. Financial instruments and risk management (continued)

37.2 Financial risk management (continued)

37.2.2 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 2023, 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.

	2023 Rm	2022 Rm
Maximum exposure to credit risk[3]		
Investments and loans receivable	**29**	31
Trade and other receivables	**4 242**	4 302
Derivative financial instruments	**168**	105
Cash and cash equivalents	**1 453**	1 730
	5 892	6 168
Maximum exposure to credit risk by segment[4]		
Diversified industrial	**2 337**	2 353
Diversified chemical	**1 676**	1 733
Diversified logistics	**2 414**	2 629
Road safety	**149**	132
Corporate	**(684)**	(679)
	5 892	6 168

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

37. Financial instruments and risk management (continued)

37.2 Financial risk management (continued)

37.2.2 Credit risk (continued)

	2023 Rm	2022 Rm
Maximum exposure to credit risk by geographical region		
South Africa	4 698	5 315
Rest of Africa	974	777
Australasia	100	42
Americas	64	23
Europe	39	8
Asia	15	2
Middle East	2	1
	5 892	6 168
Carrying amount of financial assets		
Gross carrying amount	6 004	6 250
12-month ECL (Not credit impaired)	2 047	2 009
Lifetime ECL (Not credit impaired)	3 890	4 189
Lifetime ECL (Credit impaired)	67	52
Less: Loss allowance	(112)	(82)
12-month ECL (Not credit impaired)	(20)	(12)
Lifetime ECL (Not credit impaired)	(73)	(45)
Lifetime ECL (Credit impaired)	(19)	(25)
	5 892	6 168

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 are > 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.

37. Financial instruments and risk management (continued)

37.2 Financial risk management (continued)

37.2.2 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				
2023				
General	7.3	164	(12)	152
Large and corporate enterprises	1.6	2 538	(40)	2 498
Public sector entities	0.0	2	–	2
Local government and municipalities	1.4	69	(1)	68
National government	0.0	18	–	18
Banks and financial institutions	0.0	1 886	–	1 886
Small and medium enterprises	2.5	1 196	(30)	1 166
Microenterprises	22.1	131	(29)	102
		6 004	(112)	5 892
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
Microenterprises	28.1	96	(27)	69
		6 250	(82)	6 168

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 receivable				
Balance at 1 July 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)
Net impairment recognised in profit or loss	(2)	–	–	(2)
Additional provision raised	(3)	–	–	(3)
Amounts unused reversed	1	–	–	1
Amounts utilised during the year	–	2	–	2
Reclassified between categories	–	(8)	8	–
Balance at 30 June 2023	(14)	(9)	(7)	(30)

37. Financial instruments and risk management (continued)

37.2 Financial risk management (continued)

37.2.2 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 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
Acquisition of subsidiaries and businesses	–	(1)	–	(1)
Balance at 30 June 2022	–	(42)	(10)	(52)
Net impairment recognised in profit or loss	(6)	(20)	(10)	(36)
Additional provision raised	(6)	(43)	(13)	(62)
Amounts unused reversed	–	23	3	26
Amounts utilised during the year	–	–	8	8
Exchange differences on translation of foreign operations	–	(2)	–	(2)
Balance at 30 June 2023	(6)	(64)	(12)	(82)

37.2.3 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 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 28.

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:

37. Financial instruments and risk management (continued)

37.2 Financial risk management (continued)

37.2.3 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						
2023						
Loans and borrowings	(356)	(2 524)	(3 036)	(4 686)	–	(10 602)
Lease liabilities	(43)	(111)	(99)	(196)	(116)	(565)
Trade and other payables	(5 069)	(225)	–	–	–	(5 294)
Derivative financial instruments	(88)	–	–	–	–	(88)
	(5 556)	(2 860)	(3 135)	(4 882)	(116)	(16 549)
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 instruments	(10)	(4)	(54)	(6)	–	(74)
Bank overdrafts	(38)	–	–	–	–	(38)
	(5 331)	(2 415)	(2 557)	(5 399)	(147)	(15 849)

37.3 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 28, 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:

	2023 Rm	2022 Rm
Loans and borrowings	9 096	8 730
Lease liabilities	449	478
Non-interest bearing loans and borrowings	(65)	(57)
Bank overdrafts	–	38
Cash and cash equivalents	(1 453)	(1 730)
Net interest-bearing debt	8 027	7 459
EBITDA[5&6]	3 864	4 340
Net finance costs[6]	851	529
EBITDA interest cover (times) > 3.5[7]	4.5	8.2
Net debt to EBITDA (times) < 3.2[7]	2.1	1.7
Gearing (%)	70	65

[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 2023 and 2022 financial years.

	Principal activity	Place of incorporation	Ownership 2023 %	Ownership 2022 %
38. Material subsidiaries				
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	67	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 is party to the group's broad-based black economic empowerment ('B-BBEE') transaction whereby a 33% (2022: 45%) ownership in the company is held by B-BBEE partners. Refer to note 26.3 for a detailed explanation of the transaction.*

39. Directors' remuneration

39.1 Remuneration

	Basic R	Company contributions R	Bonuses[1] R	Total R
Executive directors				
2023				
GN Chaplin	10 225 789	681 211	20 580 000	31 487 000
FH Olivier	6 400 111	489 889	13 000 000	19 890 000
SP Lunga	4 458 193	439 140	4 233 333	9 130 666
	21 084 093	1 610 240	37 813 333	60 507 666
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[2]	2 418 294	248 372	–	2 666 666
	18 288 198	1 168 468	25 228 000	44 684 666

[1] *Bonuses paid in the current year relate to the performance of the previous financial year.*
[2] *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 for 2022 including bonuses was R7 200 000.*

	2023 R	2022 R
Non-executive directors		
J de V du Toit[3]	215 829	642 168
TC Esau-Isaacs	1 227 855	1 079 182
Z Fuphe	1 326 120	945 407
KJ Grové	1 091 092	1 083 437
JA Holtzhausen[4]	383 159	–
KT Hopkins	1 385 904	1 371 941
V McMenamin	765 258	581 151
IN Mkhari[5]	–	150 645
SH Müller	1 482 664	1 422 887
PK Quarmby	1 521 964	1 557 518
	9 399 845	8 834 336

[3] *Resigned effective 21 November 2022.*
[4] *Appointed effective 1 March 2023.*
[5] *Resigned effective 18 November 2021.*

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

Directors of the company are considered to be key management personnel.

39. Directors' remuneration (continued)

39.2 Share rights

	Offer date	Number of rights as at 30 June 2022	Number of rights awarded during the year	Number of rights exercised during the year	Number of rights expired during the year	Number of rights as at 30 June 2023
Executive directors						
GN Chaplin	December 2019	1 013 892	–	(1 013 892)	–	–
	December 2020	5 137 051	–	–	(1 926 394)	3 210 657
	December 2021	3 914 419	–	–	(1 467 907)	2 446 512
	December 2022	–	4 020 903	–	–	4 020 903
		10 065 362	4 020 903	(1 013 892)	(3 394 301)	9 678 072
FH Olivier	December 2019	616 556	–	(616 556)	–	–
	December 2020	3 123 882	–	–	(1 171 455)	1 952 427
	December 2021	2 472 665	–	–	(927 249)	1 545 416
	December 2022	–	2 540 022	–	–	2 540 022
		6 213 103	2 540 022	(616 556)	(2 098 704)	6 037 865
SP Lunga	December 2019	288 236	–	(288 236)	–	–
	December 2020	1 669 020		–	(625 882)	1 043 138
	December 2021	1 211 845	–	–	(454 441)	757 404
	December 2022	–	1 369 342	–	–	1 369 342
		3 169 101	1 369 342	(288 236)	(1 080 323)	3 169 884
		19 447 566	7 930 267	(1 918 684)	(6 573 328)	18 885 821

	Number of rights exercised	Value of rights exercised R
Value of share rights exercised		
Executive directors		
2023[6]		
GN Chaplin	1 013 892	4 532 097
FH Olivier	616 556	2 756 005
SP Lunga	288 236	1 288 415
	1 918 684	8 576 517
2022[7]		
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 R4.47 on 1 December 2022.

[7] 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.

40. 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 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.

Given the difficult operating environment, management will focus on cost reductions and optimisation of net working capital levels to improve the group's operating cash flows. Committed capital projects will be completed and thereafter management will focus on reducing net debt levels and the related interest expense. Management believes that the refinancing of the maturing debt will materialise within the 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.

41. Events after reporting date

PG Bison's northeastern Cape forest experienced plantation fires, which commenced on 23 August 2023, caused by lightning and extreme weather. While it will take several weeks to properly assess the extent of damage, a high level analysis indicates that approximately 2 600 hectares, 6% of total plantations, were affected. The estimated value of these affected plantations will be quantified in due course. The timber plantations are insured for fire damage, which will compensate the group for any difference between the value affected and the value that can be salvaged and utilised in normal operations.

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 Limited Company

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2023

	Notes	2023 Rm	2022* Rm
Revenue	4	1 506	553
Administrative and other expenses		(41)	(12)
Other (expenses)/income	5	(33)	41
Other net (losses)/gains	6	(675)	208
Operating profit before capital items		757	790
Capital items	7	(1 486)	941
Operating (loss)/profit		(729)	1 731
Finance costs	8	(731)	(449)
Finance income	9	22	10
(Loss)/profit before taxation		(1 438)	1 292
Taxation	10	(25)	(1)
(Loss)/profit for the year		(1 463)	1 291
Other comprehensive income for the year		–	–
Total comprehensive (loss)/income for the year		(1 463)	1 291

* *The share scheme recharge distribution which was included in revenue in the prior year has been reclassified to other income in line with the current year classification.*

KAP Limited Company

STATEMENT OF FINANCIAL POSITION

as at 30 June 2023

	Notes	2023 Rm	2022 Rm
Assets			
Non-current assets			
Investments in subsidiary companies	11	6 800	8 263
Related-party loans receivable	19	9 610	9 858
		16 410	18 121
Current assets			
Trade and other receivables	12	6	10
Share scheme settlement asset	14	102	165
Related-party loans receivable	19	152	200
Cash and cash equivalents		63	1 043
		323	1 418
Total assets		16 733	19 539
Equity and liabilities			
Capital and reserves			
Stated share capital	13	7 896	7 896
Reserves		533	2 697
		8 429	10 593
Non-current liabilities			
Loans and borrowings	15	5 750	5 502
		5 750	5 502
Current liabilities			
Loans and borrowings	15	1 640	1 565
Trade and other payables	16	36	4
Bank overdrafts		878	1 875
		2 554	3 444
Total equity and liabilities		16 733	19 539

KAP Limited Company

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2023

	Stated share capital (note 13) Rm	Distributable reserves Rm	Share-based payment reserve Rm	Total Rm
Balance at 1 July 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
Total comprehensive income for the year		(1 463)	–	(1 463)
Loss for the year	–	(1 463)	–	(1 463)
Other comprehensive income for the year	–	–	–	–
Ordinary dividends paid	–	(717)	–	(717)
Share-based payments movement through reserve accounting	–	–	34	34
Other movements	–	–	(18)	(18)
Balance at 30 June 2023	7 896	113	420	8 429

KAP Limited Company

STATEMENT OF CASH FLOWS

for the year ended 30 June 2023

	Notes	2023 Rm	2022 Rm
Cash flows from operating activities			
Cash generated from operations	18	1 536	563
Finance income received		21	10
Finance costs paid		(704)	(449)
Dividends paid	13	(717)	(378)
Taxation paid		(25)	(1)
Other		(18)	–
Net cash inflow/(outflow) from operating activities		93	(255)
Cash flows from investing activities			
Related-party loans advanced		(1 256)	(1 411)
Related-party loans repayments received		884	655
Net cash outflow from investing activities		(372)	(756)
Cash flows from financing activities			
Ordinary shares repurchased	13	–	(310)
Loans and borrowings received	15	2 300	3 100
Loans and borrowings repaid	15	(2 004)	(1 603)
Net cash inflow from financing activities		296	1 187
Net increase in cash and cash equivalents		17	176
Net cash and cash equivalents at beginning of the year		(832)	(1 008)
Net cash and cash equivalents at end of the year	18	(815)	(832)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

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 in this regard. 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 annual financial statements of the subsidiary, provided the share-based payment is classified as equity-settled in the consolidated annual 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 on 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 liability 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 a share scheme recharge distribution 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 amount 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. Refer to note 11.

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 14.

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 are detailed in note 20.

3. New or revised accounting pronouncements

During the current year, the company 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 2022. 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.

	Note	2023 Rm	2022 Rm
4. Revenue			
Related-party	19		
Dividends income		700	100
Interest income		806	453
		1 506	553
5. Other (expenses)/income			
Share scheme recharge distribution		(33)	41
6. Other net (losses)/gains			
(Impairment)/reversal of impairment of related-party loans receivable		(675)	208
7. Capital items			
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 investments in subsidiary companies		(1 486)	941
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 company.			
8. Finance costs			
Bank overdraft and short-term facilities		89	45
Senior unsecured listed notes		543	345
Syndicated revolving credit loan		26	5
Term loans		69	49
Credit facilities arranging fees		4	5
		731	449
9. Finance income			
Bank balances and short-term deposits		22	10
10. Taxation			
10.1 Taxation expense			
South African normal taxation			
Current year		25	1

	2023 %	2022 %
10.2 Reconciliation of rate of taxation		
South African normal tax rate	(27.0)	28.0
Dividend income	(13.1)	(2.2)
Share scheme recharge distribution	0.6	(0.9)
Disallowed expenditure	0.8	–
Impairment/(reversal of impairment) of investments in subsidiary companies	27.9	(20.4)
Impairment/(reversal of impairment) of related-party loans receivable	12.7	(4.4)
Effective rate of taxation	1.9	0.1

		2023 Rm	2022 Rm
10.	**Taxation (continued)**		
10.3	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.

		2023 Rm	2022 Rm
10.4	Unrecognised temporary differences		
	Investments in subsidiary companies	1 992	803
	Related-party loans receivable	541	1
		2 533	804

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.

		2023 Rm	2022 Rm
11.	**Investments in subsidiary companies**		
	Shares at cost	9 290	9 267
	Accumulated impairment	(2 490)	(1 004)
		6 800	8 263

	Holding		Carrying amount	
	2023 %	2022 %	2023 Rm	2022 Rm
fairtech products Proprietary Limited	100	100	–	–
KAP Automotive Proprietary Limited	100	100	220	220
KAP Corporate Services Proprietary Limited	100	100	–	–
KAP Energy Proprietary Limited[1]	100	100	–	–
KAP Secretarial Services Proprietary Limited	100	100	–	–
Optix International Proprietary Limited[2]	100	100	–	–
PG Bison Proprietary Limited	100	100	900	900
Restonic Proprietary Limited	100	100	830	888
Safripol Proprietary Limited	100	100	1 255	1 209
Unitrans Holdings Proprietary Limited	100	100	3 404	4 878
Unitrans Passenger Proprietary Limited	100	100	106	106
Share-based payments			85	62
			6 800	8 263

[1] *Previously KAP South Africa Holdings Proprietary Limited.*
[2] *Previously DriveRisk International Proprietary Limited.*

During the year, the company reversed R46 million (2022: R912 million) of the impairment previously recognised on Safripol Proprietary Limited. Based on the results of the value in use calculations performed on the underlying operating assets, the impairment was partially reversed in this financial year. The company recognised impairment losses of R58 million (2022: R12 million) on Restonic Proprietary Limited and R1 474 million on Unitrans Holdings Proprietary Limited ('Unitrans Holdings') (2022: R41 million reversal of impairment) during the year. The value attributable to the shareholding in Unitrans Holdings was calculated with reference to the expected future cash flows of Unitrans Holdings and a forward EV/EBITDA multiple of 4.5. The multiple is determined with reference to a range of between 4.5 and 6.5 based on similar businesses and industries and taking into account enterprise risk.

12. Trade and other receivables

	Note	2023 Rm	2022 Rm
Related-party receivables	19	–	3
Other amounts due		1	1
Trade and other receivables (financial assets)		1	4
Prepayments		5	6
		6	10

The company's exposure to credit risk related to trade and other receivables is disclosed in note 20.2.2.

13. Stated share capital

13.1 Share capital

	2023 Number of shares	2022 Number of shares	2023 Rm	2022 Rm
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	2 472 100 574	2 531 201 473	7 896	8 206
Ordinary shares issued during the year	4 993 874	5 899 101	–	–
Ordinary shares repurchased and cancelled during the year[1]	–	(65 000 000)	–	(310)
Ordinary shares in issue at end of the year	2 477 094 448	2 472 100 574	7 896	7 896

[1] *Share were repurchased during the previous financial year at an average price of R4.75 per share.*

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.

13.2 Dividends per share

	2023 Rm	2022 Rm
The following dividends were declared and paid by the company during the year:		
29 cents per ordinary share (2022: 15 cents)	717	378

14. Share-based payments

14.1 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]	(161 445 328)
Shares available for allocation	204 829 205

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

	2023 Rights	2022 Rights
14. Share-based payments (continued)		
14.1 KAP Performance Share Rights Scheme (continued)		
Reconciliation of rights granted		
Balance at beginning of the year	98 197 726	73 708 195
Forfeited during the year	(43 547 908)	(6 829 157)
Exercised during the year	(9 079 812)	(5 899 101)
Granted during the year	42 387 762	37 217 789
Balance at end of the year	87 957 768	98 197 726

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 fair value at measurement date is determined using a present value methodology whereby the unconditional fair value is equal to the share price at the grant date, less the present value of estimated dividends paid prior to time of exercise.

	2022 Grant	2021 Grant	2020 Grant	2019 Grant	2018 Grant
Fair value of KAP share rights and assumptions					
Fair value at measurement date	R3.56	R3.46	R2.48	R3.73	R7.43
Share price at grant date	R4.30	R4.23	R2.95	R4.15	R8.05
Exercise price	R0.00	R0.00	R0.00	R0.00	R0.00
Risk-free interest rate	8.09%	5.98%	4.22%	6.80%	7.77%
Expected dividend yield	6.28%	6.65%	5.42%	3.63%	2.71%
Expected forfeiture rate	0.00%	0.00%	0.00%	0.00%	0.00%
Life of share right	3 years	3 years	3 years	3 years	3 years

The risk-free interest rates were obtained from the swap yield curve on the valuation date. The swap yield curve was independently constructed using a bootstrapping methodology together with a combination of traded money-market, forward rate agreement ('FRA') and swap rate inputs.

The dividend forecasts were estimated using a combination of broker consensus forecasts, historical dividend data, and/or management's view of the future dividends. The dividend per share forecasts and the projected forward share prices (calculated under the risk-neutral framework), at the estimated ex-dividend dates, were used to determine simple periodic dividend yields over the period of the scheme.

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 using a present value methodology whereby the unconditional fair value is equal to the share price at the grant date, less the present value of estimated dividends paid prior to time of exercise. The fair value of the share scheme settlement asset is remeasured at each statement of financial position date and settlement date.

	2022 grant	2021 grant	2021 grant	2020 grant	2020 grant	2019 grant
	2023	2023	2022	2023	2022	2022
Share price	R2.11	R2.33	R3.54	R2.52	R3.82	R4.10
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	5 months
Risk-free interest rate	8.38%	8.49%	7.46%	8.49%	6.89%	5.49%
Expected dividend yield	10.17%	10.46%	9.00%	15.43%	9.88%	16.56%
Expected forfeiture rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

14. Share-based payments (continued)

14.1 KAP Performance Share Rights Scheme (continued)

KAP share scheme settlement asset (continued)

The risk-free interest rates were obtained from the swap yield curve on the valuation date. The swap yield curve was independently constructed using a bootstrapping methodology together with a combination of traded money-market, FRA and swap rate inputs.

The dividend forecasts were estimated using a combination of broker consensus forecasts and historical dividend data. The dividend per share forecasts and the projected forward share prices (calculated under the risk-neutral framework), at the estimated ex-dividend dates, were used to determine simple periodic dividend yields over the period of the scheme.

	2023 Rm	2022 Rm
Reconciliation of share scheme settlement asset		
Balance at beginning of the year	165	83
(Decrease)/increase in fair value	(22)	110
Share scheme settlement received	(41)	(28)
Balance at end of the year	102	165

15. Loans and borrowings

15.1 Analysis of closing balance

	2023 Rm	2022 Rm
Unsecured financing covered by intergroup cross-guarantees		
Term loans	802	802
Senior unsecured listed notes	6 588	6 265
Total loans and borrowings	7 390	7 067
Portion payable within the next 12 months included in current liabilities	(1 640)	(1 565)
Non-current loans and borrowings	5 750	5 502

15.2 Analysis of repayment

	2023 Rm	2022 Rm
Next year	1 640	1 565
Within two to five years	5 750	5 502
	7 390	7 067

All loans and borrowings are carried at amortised cost. The fair values of loans and borrowings are disclosed in note 20.1.

15.3 Loans and borrowings details

	Current year interest rate	2023 Rm	2022 Rm
Unsecured financing covered by intergroup cross-guarantees			
Variable interest rates			
Term loans[1]	7.21% – 10.70%	800	800
Senior unsecured listed notes[2]	7.11% – 10.60%	6 502	6 206
Interest due			
Term loans		2	2
Senior unsecured listed notes		86	59
Total loans and borrowings		7 390	7 067

[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.*

15. Loans and borrowings (continued)

15.3 Loans and borrowings details (continued)

Global Credit Rating Co. Proprietary Limited reviewed the company's credit rating in November 2022 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 cross-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
- PG Bison Proprietary Limited
- Restonic Proprietary Limited
- Safripol Proprietary Limited
- Unitrans Passenger Proprietary Limited
- Unitrans Supply Chain Solutions Proprietary Limited

	Loans and borrowings Rm
15.4 Reconciliation of movements in loans and borrowings	
Balance at 1 July 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
Changes from financing cash flows	296
Loans and borrowings received	2 300
Loans and borrowings repaid	(2 004)
Other non-cash adjustments	27
Balance at 30 June 2023	7 390

	Note	2023 Rm	2022 Rm
15.5 Available borrowing facilities			
Committed			
Syndicated revolving credit facility		750	750
Uncommitted			
Call loan and overdraft facilities		2 014	1 581
		2 764	2 331

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

16. Trade and other payables

	Note	2023 Rm	2022 Rm
Accruals		4	–
Related-party payables	19	23	–
Other payables and amounts due		9	4
Trade and other payables (financial liabilities)		36	4

The fair value of trade and other payables is disclosed in note 20.1.

17. Commitments and contingencies

17.1 Capital expenditure

The company is not committed to any capital expenditure.

17.2 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/services in the ordinary course of business in an aggregate amount of c. R2 727 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 2023.

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 2023.

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 R522 million as at 30 June 2023.

Cross-guarantee has been provided in favour of Absa Bank Limited, for general banking facilities, to the value of R1 880 million as at 30 June 2023.

Unlimited cross-guarantee has been provided in favour of Nedbank Limited, for general banking facilities, to the value of R1 159 million as at 30 June 2023.

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 2023.

Cross-guarantee has been provided in favour of Standard Bank of South Africa Limited, for cash management facility as at 30 June 2023.

Unlimited cross-suretyship has been provided in favour of FirstRand Bank Limited, for general banking facilities, to the value of R2 395 million as at 30 June 2023.

Unlimited cross-suretyship has been provided in favour of FirstRand Bank Limited, for cash management facility as at 30 June 2023.

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

- fairtech products Proprietary Limited for R7 million (2022: R6 million); and
- KAP Corporate Services Proprietary Limited for R668 million (2022: Rnil).
- Optix International Proprietary Limited (previously DriveRisk International Proprietary Limited) for R92 million (2022: R88 million);

Letters of support have been issued in favour of:

- fairtech products Proprietary Limited for R59 million (2022: R60 million);
- KAP Automotive Proprietary Limited for R960 million (2022: R971 million);
- KAP Corporate Services Proprietary Limited for R573 million (2022: R1 216 million);
- Optix International Proprietary Limited (previously DriveRisk International Proprietary Limited) for R321 million (2022: R231 million);
- PG Bison Proprietary Limited for R1 126 million (2022: R741 million);
- Restonic Proprietary Limited for R308 million (2022: R110 million);
- Safripol Proprietary Limited for R1 750 million (2022: R1 639 million);
- Sakhumzi Empowerment Proprietary Limited for R1 million (2022: R1 million);
- Unitrans Holdings Proprietary Limited for R223 million (2022: R193 million); and
- Unitrans Passenger Proprietary Limited for R403 million (2022: R359 million).

	2023 Rm	2022 Rm
18. Cash flow information		
18.1 Cash generated from operations		
Operating (loss)/profit	(729)	1 731
Adjusted for:		
Impairment/(reversal of impairment) of investments in subsidiary companies	1 486	(941)
Impairment/(reversal of impairment) of related-party loans receivable	675	(208)
Share scheme recharge distribution	33	(41)
Other non-cash adjustments	(5)	–
Cash generated before working capital changes	1 460	541
Working capital changes		
Decrease/(increase) in trade and other receivables	3	(5)
Increase/(decrease) in trade and other payables	32	(1)
Settlement of share scheme asset	41	28
Changes in working capital	76	22
Cash generated from operations	1 536	563
18.2 Net cash and cash equivalents		
Call notice deposits	63	1 043
Bank overdraft	(878)	(1 875)
	(815)	(832)

19. Related-party balances and transactions

Related-party relationships exist between shareholders, subsidiaries, associate and joint venture companies within the KAP 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:

	2023 Rm	2022 Rm
Related-party loans receivable		
fairtech products Proprietary Limited	120	158
KAP Automotive Proprietary Limited	1 191	991
KAP Corporate Services Proprietary Limited	1 211	1 211
Optix International Proprietary Limited[1]	574	478
PG Bison Proprietary Limited	2 651	2 603
Restonic Proprietary Limited	702	430
Safripol Proprietary Limited	3 000	3 000
Sakhumzi Empowerment Proprietary Limited	1	1
Unitrans Africa Proprietary Limited	166	144
Unitrans Holdings Proprietary Limited	220	190
Unitrans Passenger Proprietary Limited	450	500
Unitrans Supply Chain Solutions Proprietary Limited	152	353
	10 438	10 059
Less: Loss allowance	(676)	(1)
Total related-party loans receivable	9 762	10 058
Portion payable within the next 12 months included in current assets	(152)	(200)
Non-current related-party loans receivable	9 610	9 858

The related-party loans are unsecured. Loans other than the USCS loan bear interest between 0% and prime (2022: 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.

Impairments R668 million (2022: R208 million reversal of impairment) for KAP Corporate Services Proprietary Limited and R7 million (2022: Rnil) for fairtech products Proprietary Limited were recognised during the year.

Refer to note 17.2 for details of which loan amounts have been subordinated.

	2023 Rm	2022 Rm
Related-party receivables		
Restonic Proprietary Limited	–	3
Related-party payables		
KAP Corporate Services Proprietary Limited	(23)	–

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

	Interest income Rm	Dividend income Rm
2023		
fairtech products Proprietary Limited	10	–
Optix International Proprietary Limited[1]	17	–
PG Bison Proprietary Limited	260	300
KAP Automotive Proprietary Limited	106	–
Restonic Proprietary Limited	45	–
Safripol Proprietary Limited	278	300
Unitrans Africa Proprietary Limited	17	–
Unitrans Passenger Proprietary Limited	46	100
Unitrans Supply Chain Solutions Proprietary Limited	27	–
	806	700

[1] *Previously DriveRisk International Proprietary Limited.*

19. Related-party balances and transactions (continued)

	Interest income Rm	Dividend income Rm
2022		
fairtech products Proprietary Limited	6	–
KAP Automotive Proprietary Limited	58	–
Optix International Proprietary Limited[2]	4	–
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	–
	453	100

[2] *Previously DriveRisk International Proprietary Limited.*

Directors of the company are considered to be key management personnel. For details in respect of directors' remuneration, refer to note 39 of the consolidated financial statements.

20. Financial instruments and risk management

20.1 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
2023		
Financial assets		
Related-party loans receivable	9 762	9 762
Trade and other receivables	1	1
Cash and cash equivalents	63	63
	9 826	9 826
Financial liabilities		
Loans and borrowings	(7 390)	(7 459)
Trade and other payables	(36)	(36)
Bank overdrafts	(878)	(878)
	(8 304)	(8 373)
Net financial instruments	1 522	1 453
Net finance income		
Finance income	828	
Finance expense	(731)	
	97	
2022		
Financial assets		
Related-party loans receivable	10 058	10 058
Trade and other receivables	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	(4)	(4)
Bank overdrafts	(1 875)	(1 875)
	(8 946)	(8 985)
Net financial instruments	2 159	2 120
Net finance income		
Finance income	463	
Finance expense	(449)	
	14	

20. Financial instruments and risk management (continued)

20.1 Financial instruments (continued)

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 2023.

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 2023.

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

20.2 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.

20.2.1 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 expose the company economically 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 15.

20. Financial instruments and risk management (continued)

20.2 Financial risk management (continued)

20.2.1 Market risk (continued)

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

	Variable JIBAR and SA prime Rm	Non-interest bearing Rm	Total Rm
2023			
Related-party loans receivable	8 420	1 342	9 762
Trade and other receivables	–	1	1
Cash and cash equivalents	63	–	63
Loans and borrowings	(7 390)	–	(7 390)
Trade and other payables	–	(36)	(36)
Bank overdrafts	(878)	–	(878)
	215	1 307	1 522
2022			
Related-party loans receivable	8 252	1 806	10 058
Trade 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

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	2023 Rm	2022 Rm
JIBAR and SA prime – 100 basis point increase	(2)	(4)

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

20.2.2 Credit risk

Risk exposure	Credit risk arises mainly from short-term cash and cash equivalent and related-party loans. At 30 June 2023, 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.

20. Financial instruments and risk management (continued)

20.2 Financial risk management (continued)

20.2.2 Credit risk (continued)

Exposure to credit risk

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

	2023 Rm	2022 Rm
Maximum exposure to credit risk[1]		
Related-party loans receivable	9 762	10 058
Trade and other receivables	1	4
Cash and cash equivalents	63	1 043
	9 826	11 105
Maximum exposure to credit risk by geographical region		
South Africa	9 826	11 105
Carrying amount of financial assets		
Gross carrying amount:		
12-month ECL (Not credit impaired)	10 502	11 106
Less: Loss allowance		
12-month ECL (Not credit impaired)	(676)	(1)
	9 826	11 105

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

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 are > 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 and extended credit terms.

20. Financial instruments and risk management (continued)

20.2 Financial risk management (continued)

20.2.2 Credit risk (continued)

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				
2023				
Large and corporate enterprises[2]	6.5	10 438	(676)	9 762
Banks and financial institutions	0.0	64	–	64
		10 502	(676)	9 826
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

[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 2021	(209)
Additional unused reversed through profit or loss	208
Balance at 30 June 2022	(1)
Additional provision raised through profit or loss	(675)
Balance at 30 June 2023	(676)

20.2.3 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 note15.5.

20. Financial instruments and risk management (continued)

20.2 Financial risk management (continued)

20.2.3 Liquidity risk (continued)

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					
2023					
Loans and borrowings	182	2 033	2 501	4 184	8 900
Trade and other payables	36	–	–	–	36
Bank overdrafts	878	–	–	–	878
	1 096	2 033	2 501	4 184	9 814
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

20.3 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.

21. 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.

As at 30 June 2023, the company was solvent but not liquid due to its current liabilities exceeding its current assets. The majority of the company's loans provided to its subsidiaries are classified as non-current assets as the company does not intend to request settlement of the loans for a period of 12 months subsequent to the reporting date. However, the loans are payable on demand.

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.

22. Events after reporting date

The directors are not aware of any significant events after the reporting date that will have a material effect on the company's results or financial position as presented in these financial statements.

ANALYSIS OF SHAREHOLDING

for the year ended 30 June 2023

	2023			
	Number of shareholders	%	Number of shares	%
Shareholder spread				
1 – 1 000 shares	7 444	64.78	872 408	0.04
1 001 – 10 000 shares	2 062	17.94	8 926 269	0.36
10 001 – 100 000 shares	1 213	10.56	42 664 239	1.72
100 001 – 1 000 000 shares	522	4.54	172 247 716	6.95
1 000 001 – 10 000 000 shares	215	1.87	639 932 778	25.83
10 000 001 shares and over	36	0.31	1 612 451 038	65.10
	11 492	100.00	2 477 094 448	100.00
Resident/non-resident split				
Resident	11 266	98.03	1 994 812 153	80.53
Non-resident	226	1.97	482 282 295	19.47
	11 492	100.00	2 477 094 448	100.00

	2023		2022	
	Number of shares	%	Number of shares	%
Shares held by directors of the company				
GN Chaplin	4 054 679	0.16	3 497 039	0.14
FH Olivier	819 105	0.03	480 000	0.02
SP Lunga	485 935	0.02	327 406	0.01
J de V du Toit[1]	–	0.00	1 040 368	0.04
TC Esau-Isaacs	22 000	0.00	–	0.00
Z Fuphe	111 100	0.01	–	0.00
KJ Grové	4 500 000	0.18	4 500 000	0.18
SH Müller	225 004	0.01	225 004	0.01
PK Quarmby	500 000	0.02	500 000	0.02
	10 717 823	0.43	10 569 817	0.42
Shares held by directors of group subsidiaries	16 771 893	0.68	46 885 371	1.90
Shares held by management of the company and its group subsidiaries	3 892 046	0.16	7 676 496	0.31
	31 381 762	1.27	65 131 684	2.63
Public/non-public shareholdings				
Government Employees Pension Fund[2]	473 836 738	19.13	460 584 055	18.63
Allan Gray[2]	418 053 354	16.88	413 456 260	16.73
Directors (and associates) of the company and its subsidiaries	27 489 716	1.11	57 455 188	2.32
Management of the company and its subsidiaries	3 892 046	0.16	7 676 496	0.31
Non-public shareholders[3]	923 271 854	37.28	939 171 999	37.99
Public shareholders[4]	1 553 822 594	62.72	1 532 928 575	62.01
	2 477 094 448	100.00	2 472 100 574	100.00

[1] *Effective 21 November 2022, J de V du Toit retired as non-executive director.*
[2] *Beneficial shareholder holding more than 10% of the shares of the company at year-end.*
[3] *There were 38 (2022: 32) non-public shareholders at year-end.*
[4] *There were 11 454 (2022: 11 554) public shareholders at year-end.*

CORPORATE INFORMATION

KAP Limited

Business address
Unit G7
Stellenpark Business Park
Cnr R44 and School Road
Jamestown
Stellenbosch 7600

Postal address
PO Box 18
Stellenbosch 7599

Telephone
+27 21 808 0900

Facsimile
+27 21 808 0901

E-mail
investors@kap.co.za

Website
www.kap.co.za

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

PO Box 2766
Edenvale 1610

Registration number
1978/000181/06

Share code
KAP

ISIN
ZAE000171963

LEI code
3789001F51BC0045FD42

Company secretary
KAP Secretarial Services Proprietary Limited

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

PO Box 2766
Edenvale 1610

External auditor
KPMG Inc.

Equity sponsor
Stellenbosch office
PSG Capital Proprietary Limited
First Floor, Ou Kollege Building
35 Church Street
Stellenbosch 7600

PO Box 7403
Stellenbosch 7599

Telephone
+27 21 887 9602

Facsimile
+27 21 887 9624

Johannesburg office
Second Floor, Building 3
11 Alice Lane
Sandhurst
Sandton 2196

PO Box 650957
Benmore 2010

Debt sponsor
Nedbank Limited
135 Rivonia Road
Sandton 2196

PO Box 1144
Johannesburg 2000

Telephone
+27 10 234 8710

Debt officer
RH Louw
Treasury and legal executive
Unit G7
Stellenpark Business Park
Cnr R44 and School Road
Jamestown
Stellenbosch 7600

Bankers
Absa Bank Limited
FirstRand Bank Limited
Investec Bank Limited
Nedbank Limited
The Standard Bank of South Africa Limited

Transfer secretary
Computershare Investor
Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196

Private Bag X9000
Saxonwold 2132

Telephone
+27 11 370 5000

Facsimile
+27 11 688 7710