Unaudited results

for the six months ended 31 December 2019

INTEGRATED INTO EVERY DAY

Financial highlights

Revenue down 4%
to R12.6 billion
(1H19: R13.2 billion)

EBITDA down 4%
to R1.8 billion
(1H19: R1.9 billion)

Headline earnings per share down 6%

Cash generated from operations
R571 million

Net finance costs decreased by 6%

Gearing increased from 54% to 58%

Shares to the value of R373 million were repurchased to enhance shareholder value

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

The macroeconomic and socio-political environment in South Africa remained challenging during the period under review with limited real economic growth, subdued consumer spending, escalating electricity inconsistencies and increasing levels of unemployment. The global polymer industry is experiencing a significant cyclical downturn, which had a negative impact on KAP's Polymers division. The diversified nature of KAP's operations have, however, provided a degree of protection from this.

Diversified industrial

Integrated Timber

Revenue: R1 881 million (1H19: R1 960 million)
Operating profit: R364 million (1H19: R346 million)

The division's panel operations performed well for the period and continued to drive its strategy of investing in technology to reduce its cost of manufacture, increasing the proportion of value-added products and growing market share. Operating profit and margins were supported by production volume growth in anticipation of two upgrade projects, which are planned for January and February 2020. These projects will expand particleboard capacity and improve efficiencies at both the Ugie and Piet Retief plants and are scheduled to be commissioned in February and March 2020 respectively. The recently commissioned sixth MFB upgrading press performed above expectation, thereby supporting the division's strategy of increased value-added product sales.

The resin operations performed well for the period. However, production and sales volumes are likely to soften in the second half of the year due to the loss of a material contract.

Management in the division's forestry, sawmilling and pole operations in the southern Cape continued to successfully manage the impact of the 2017 and 2018 plantation fires, effectively completing the harvesting of all utilisable timber. A project to reconfigure the processing plants to better utilise the future available timber in the region will be completed in the second half of the year. Demand for structural timber and agricultural poles remained stable.

KAP released a SENS announcement on 6 February 2020 regarding a Competition Commission investigation into the activities of PG Bison and the referral of a complaint to the Competition Tribunal. This will be recorded as a contingent liability in the company's annual financial statements however, it is not possible at this stage to quantify this contingency. PG Bison has applied for immunity from prosecution in terms of the Commission's Corporate Leniency Policy, has cooperated fully with the Commission throughout its investigation, and is confident of its position.

Automotive Components

Revenue: R1 105 million (1H19: R1 107 million)
Operating profit: R128 million (1H19: R132 million)

Following a strong first quarter, new vehicle assembly volumes slowed significantly during the second quarter with certain automotive original equipment manufacturers (OEMs) closing during November for an extended annual shutdown. As a result, industry new vehicle assembly volumes decreased by 4% compared to the prior period. Assembly volumes for the full year are expected to remain below prior year levels as a result of subdued global vehicle demand and preparations for certain model replacements in South Africa.

The division's aftermarket accessories operations were successfully rationalised and restructured during the period. The Maxe operations continued to perform well, despite subdued domestic vehicle sales volumes. The remaining aftermarket accessories operations were successfully disposed of with effect from 1 December 2019.

The division achieved a level 4 B-BBEE rating during the period, in advance of the requirements of the Automotive Production and Development Programme (APDP).

Integrated Bedding

RESTONIC
CRAFTING QUALITY BEDS SINCE 1938

Revenue: R843 million (1H19: R854 million)
Operating profit: R134 million (1H19: R132 million)

The division operated well for the period despite the depressed retail environment. The Restonic mattress manufacturing operations were well prepared to manage and execute on elevated sales volumes during the Black Friday promotions, supported by increased production volumes. Vitafoam, incorporating the division's industrial foam operations, was negatively impacted by the lower volumes in the furniture sector, which was partly offset by new product introductions. The DesleeMattex mattress fabric operations showed improvement after a restructure in July 2019, with increased focus on customer service, product management and plant efficiencies.

Diversified chemical

Polymers

SAFRIPOL
preferred polymer partner

Revenue: R4 026 million (1H19: R4 423 million)
Operating profit: R145 million (1H19: R485 million)

The performance of the Polymers division continued to be adversely impacted by cyclical global polymer trade flows and subdued global demand, as well as by major production capacity expansions in the United States and changes to import duties. This placed enormous pressure on global raw material margins. The operational performance of the polymer plants remained strong, with stable production volumes and increased sales volumes for the period.

	PET		HDPE		PP	
	1H20	1H19	1H20	1H19	1H20	1H19
Sales volume (tonnes)	108 027	92 182	77 715	71 682	58 757	56 598
Production volume (tonnes)	103 572	102 597	79 074	83 173	59 825	60 065
Average R/USD exchange	14.69	14.18	14.69	14.18	14.69	14.18

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

The division follows globally indexed commodity prices in the purchase of its raw materials and the sale of its products. The continued variability in the raw material margins per ton as a result of the abovementioned factors is reflected as follows:

	Margin variance 1H20 vs 1H19	Margin variance 1H20 vs 2H19
PET	(45%)	(20%)
HDPE	(33%)	(1%)
PP	2%	17%

The PET operating profit was disappointing, taking into account a 1% increase in production volume, improved production yields and a 17% increase in volumes sold. Indexed margins, however collapsed further compared to both the comparative period (1H19) and the preceding period (2H19), which significantly impacted the profitability of the division. Strong progress was made in regaining local PET market share, resulting in a 50% increase in local sales volumes. PET exports were scaled back significantly during the period due to deteriorating global selling prices and margins. Export sales represented 21% of total volume for the period. Good progress was made in reducing inventory levels towards targeted levels.

HDPE operations continued to feel the effects of expanded US production capacity with resultant lower selling prices and margins. Although margins were 33% lower than the prior comparative period (1H19), they have stabilised compared to the preceding period (2H19). Demand for HDPE remained strong and sales volumes improved.

PP operations performed well for the period, showing increased sales volumes and improved margins. The operations produced increased volumes of copolymers for which there is strong demand and attractive margins.

Despite low global margins, the division remains profitable and cash generative and is well positioned to benefit from a cyclical upswing.

Diversified logistics

Contractual Logistics – South Africa

Revenue: R2 661 million (1H19: R2 673 million)

Operating profit*: R148 million (1H19: R 128 million)

* *Excluding B-BBEE cost*

The recent restructure of the division has delivered positive results for the period. All the operations performed ahead of the prior period except for the Petroleum operations, due to lower industry fuel volumes, and the Industrial operations, due to subdued cement and sugar activity. With the restructure completed and the cost base reduced, management is focused on growing the contractual revenue base of the business through market share gains. New contractual work to the value of R195 million (annualised revenue) was won and contract renewals to the value of R55 million (annualised revenue) were secured. Contracts lost totalled R25 million (annualised revenue). A historic dispute with a major retail customer was constructively settled during the period.

Contractual Logistics – Africa

Revenue: R1 034 million (1H19: R1 092 million)

Operating profit: R142 million (1H19: R179 million)

This was a challenging period for the division with multiple contract renewal negotiations taking place in an environment of lower demand and increased competition. The redesign of certain agricultural processes, the delay in certain client agricultural activities, the impact of cyclone Idai, lower margins on contract renewals, and border delays related to a SARS investigation into a client's cross border petroleum activities were the primary reasons for the division's disappointing performance. Growth in the rest of Africa territories remains a key priority for KAP. In line with this, the division renewed contractual work to the value of R749 million (annualised revenue), won new work to the value of R77 million (annualised revenue), and lost fuel distribution contracts to the value of R89 million (annualised revenue). These new contracts, together with new contracts secured after 31 December 2019, will allow the division to expand operations during the second half of the year.

Passenger Transport

Revenue: R1 256 million (1H19: R1 228 million)

Operating profit: R110 million (1H19: R122 million)

Escalating unemployment rates and subdued consumer spending have resulted in lower activity levels in the division. The commuter and personnel transport operations performed satisfactorily for the period. The intercity and tourism operations continued to experience low industry passenger numbers and aggressive competition. Renegotiation of onerous conditions and the restructure of operations in certain commuter contracts are ongoing. Operations in Mozambique performed well and continued to show growth. In spite of reduced profitability, the division continues to provide superior returns on capital employed.

Income statement

The effect of the International Financial Reporting Standards (IFRS) accounting treatment of the Unitrans B-BBEE transaction concluded in the prior year is that a non-cash and non-trading B-BBEE cost of R194 million was accounted for in the prior period. The impact on earnings is material and therefore the B-BBEE cost is disclosed separately in the financial results. Core headline earnings and core headline earnings per share referred to in these results exclude the B-BBEE cost.

Revenue from continuing operations decreased by 4% to R12 622 million (1H19: R13 208 million).

Operating profit before depreciation, amortisation, B-BBEE cost and capital items ('core EBITDA') from continuing operations decreased by 13% to R1 837 million (1H19: R2 109 million).

Operating profit before B-BBEE cost and capital items ('core operating profit') from continuing operations decreased by 23% to R1 171 million (1H19: R1 524 million).

Core operating margin decreased to 9.3% (1H19: 11.5%).

Core operating profit and margin %	**Six months ended 31 Dec 2019 Rm**	**31 Dec 2019 margin %**	Six months ended 31 Dec 2018(*) Rm	31 Dec 2018 margin(*) %	Operating profit change %	Margin change %
Diversified industrial	**626**	**16.4**	610	15.6	3	0.8
Integrated Timber	**364**	**19.4**	346	17.7	5	1.7
Automotive Components	**128**	**11.6**	132	11.9	(3)	(0.3)
Integrated Bedding	**134**	**15.9**	132	15.5	2	0.4
Diversified chemical	**145**	**3.6**	485	11.0	(70)	(7.4)
Polymers	**145**	**3.6**	485	11.0	(70)	(7.4)
Diversified logistics	**400**	**8.1**	429	8.6	(7)	(0.5)
Contractual Logistics – South Africa	**148**	**5.6**	128	4.8	16	0.8
Contractual Logistics – Africa	**142**	**13.7**	179	16.4	(21)	(2.7)
Passenger Transport	**110**	**8.8**	122	9.9	(10)	(1.1)
	1 171	**9.3**	1 524	11.5	(23)	(2.2)

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

Headline earnings per share from continuing operations decreased by 6% to 22.0 cents (1H19: 23.4 cents).

Core headline earnings per share from continuing operations decreased by 28% to 22.1 cents (1H19: 30.6 cents), mainly as a result of 23% lower core operating profit, which resulted from lower global polymer demand and polymer margin weakness.

The effect of the implementation of IFRS 16 – *Leases* resulted in the recognition of R395 million right-of-use assets and R406 million finance lease liabilities at 1 July 2019. Additional depreciation of R55 million, additional finance costs of R21 million and a reduction of operating lease expenses of R68 million were recognised compared to the prior period.

Taxation

The effective tax rate decreased to 26.5% (1H19: 32.8%), mainly due to R194 million B-BBEE cost in the prior period that is not deductible for income tax purposes. Excluding the B-BBEE cost the effective tax rate decreased to 26.5% (1H19: 27.4%).

Statement of financial position

The company's balance sheet remains strong in spite of the cyclical polymer downturn, with solid cash generative assets, reduced working capital and stable debt serviceability.

The salvage operations of the affected consumable biological assets in the southern Cape were concluded in the period. Management estimated that it would be able to salvage R20 million of standing timber at 30 June 2019. In finalising the salvage operations, R9 million was recovered as usable timber and R3 million was transferred back to growing compartments, resulting in a R8 million fair value loss on completion, which is not material compared to the extent of damage.

During the period, the group disposed of the low return Autovest operation, which formed part of the Automotive Components division and comprised the manufacture and distribution of various aftermarket accessories. This operation is accordingly disclosed as a discontinued operation in the company's income statement. The Glodina operation, which was disposed of as a going concern on 3 September 2018, is disclosed under discontinued operations in the prior period.

With global polymer margins in a cyclical downturn, the Polymers assets will be assessed for impairment before 30 June 2020 as part of KAP's annual impairment reviews.

The net asset value per share increased by 3% to 474 cents from 462 cents.

Cash flow and working capital

Cash generated from operations decreased by 35% to R571 million (1H19: R877 million) mainly as a result of R272 million reduction of core EBITDA, primarily emanating from lower polymer margins.

Net working capital decreased by R202 million to R2 396 million. Inventories decreased by R405 million, mainly due to decreased stockholding in the Polymers division resulting from a specific focus on reducing the inventory levels in the 'procurement to sales' cycle. Accounts receivable decreased by R355 million. This was offset by a decrease in accounts payable of R558 million.

Capital expenditure

Management remains focused on completing its various expansion projects with the objective of growing market share and generation of cash.

Replacement capital expenditure continues to be managed over time in relation to the annual depreciation charge. As planned, the replacement capital in this period exceeded depreciation mainly due to the high number of contract renewals in the logistics operations. Depreciation for the period amounted to R599 million, while replacement capital expenditure amounted to R868 million net of proceeds on disposal, insurance proceeds and government grants. Expansion capital expenditure of R320 million was invested in the group's asset base to drive growth and efficiency benefits.

Share buy-backs

In order to reduce the effects of dilution on shareholders resulting from the company's share rights scheme, the company procured shares for delivery to participants by acquiring 36 million ordinary shares in the market. These shares are accounted for as treasury shares. In addition, the company repurchased and cancelled 46 million ordinary shares during the period. The total value of the share buy-back transactions amounted to R373 million.

Capital structure

Net interest-bearing debt increased by R474 million to R7 161 million, including finance lease liabilities recognised in terms of IFRS 16 – *Leases* of R463 million at 31 December 2019. Excluding the impact of the IFRS 16 reporting requirements, net interest-bearing debt only increased by R11 million despite the company's share buy-back programme and increased capital expenditure. Both the net debt/EBITDA ratio and the EBITDA/interest cover ratio remained well within target levels at 2.0 times and 5.3 times respectively. The net debt/equity (gearing) ratio increased from 54% to 58%, mainly as a result of the adoption of IFRS 16 and the share buy-back transactions.

The debt structure and capacity ratios are reflected as follows:

	31 Dec 2019 Unaudited Rm	31 Dec 2018 Unaudited(#) Rm	30 Jun 2019 Audited Rm
Loans and borrowings long-term	**5 543**	5 640	5 013
Loans and borrowings short-term	**1 487**	2 400	1 298
Finance lease liabilities long-term	**359**	–	–
Finance lease liabilities short-term	**104**	–	–
Non-interest bearing loans and borrowings	**(39)**	(44)	(38)
Bank overdrafts and short-term facilities	**374**	1	–
Cash and cash equivalents	**(667)**	(1 310)	(1 785)
Net interest-bearing debt	**7 161**	6 687	4 488
EBITDA(*)	**1 835**	1 915	3 713
Net finance costs(*)	**340**	362	707
EBITDA: interest cover (times)(**)	**5.3**	5.3	5.3
Net debt: EBITDA (times)(**)	**2.0**	1.7	1.2
Gearing %	**58**	54	35

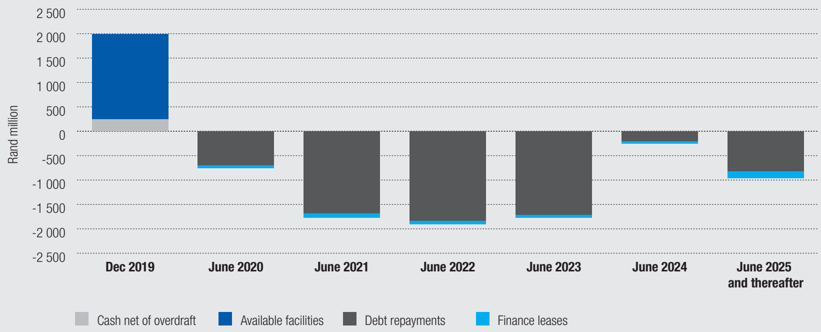
(#) *Prior period disclosure has been restated to reflect the Autovest discontinued operation*
(*) *From continuing operations*
(**) *Rolling 12 months*

The following significant funding activities were concluded during the period:

- R374 million bonds settled at maturity
- R750 million raised through bond issuances with a five-year tenure

These funding activities have resulted in an extended debt maturity profile, well within the company's capabilities, reflected as follows:

Maturity of net interest-bearing debt as at 31 December 2019



Global Credit Rating Co. Proprietary Limited reviewed KAP's credit rating in November 2019 and confirmed its rating as A+(za) with a stable outlook.

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

Dividend

In line with historic practice, the board of directors has not declared an interim dividend.

Outlook

The economic environment is expected to remain depressed for some time. Management therefore remains focused on the execution of the company's strategy, the optimisation of its operations, market share growth and generation of cash. The balance sheet of the company remains strong, with sufficient capacity and liquidity to facilitate further capacity expansion opportunities and acquisitions, in line with the company's strategy to grow earnings and enhance shareholder returns. Management will drive organic expansion activities and will remain very selective in terms of acquisition opportunities at this time, with a specific objective of optimising the allocation of the company's resources.

Appreciation

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

On behalf of the board

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

18 February 2020

Condensed consolidated income statement

	Notes	Six months ended 31 Dec 2019 Unaudited Rm	Six months ended 31 Dec 2018 Unaudited(*) Rm	% change	Year ended 30 Jun 2019 Audited Rm
Revenue	1	**12 622**	13 208	(4)	25 602
Operating profit before depreciation, amortisation, B-BBEE cost and capital items		**1 837**	2 109	(13)	3 909
Depreciation and amortisation		**(666)**	(585)		(1 186)
Operating profit before B-BBEE cost and capital items		**1 171**	1 524	(23)	2 723
B-BBEE cost		**(2)**	(194)		(196)
Capital items	2	**(3)**	2		(144)
Operating profit		**1 166**	1 332	(12)	2 383
Net finance costs		**(340)**	(362)		(707)
Share of profit of associate and joint venture companies		**16**	17		30
Profit before taxation		**842**	987	(15)	1 706
Taxation		**(224)**	(326)		(533)
Profit for the period from continuing operations		**618**	661	(7)	1 173
(Loss)/profit for the period from discontinued operations	3	**(14)**	5		(83)
Profit for the period		**604**	666	(9)	1 090
Profit attributable to:					
Owners of the parent		**575**	634	(9)	1 033
Non-controlling interests		**29**	32		57
Profit for the period		**604**	666	(9)	1 090
Headline earnings attributable to ordinary shareholders					
Earnings attributable to owners of the parent		**575**	634	(9)	1 033
Adjusted for:					
Capital items	2	**(3)**	(30)		149
Taxation effects of capital items		**–**	7		(26)
Non-controlling interests' portion of capital items (net of taxation)		**(1)**	1		–
Headline earnings		**571**	612	(7)	1 156
B-BBEE cost (net of taxation)		**2**	194		196
Core headline earnings		**573**	806	(29)	1 352
From continuing operations per ordinary share		**Cents**	Cents		Cents
Basic earnings		**22.0**	23.4	(6)	41.4
Basic earnings – diluted		**22.0**	23.2	(5)	41.3

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

Condensed consolidated statement of financial position

	31 Dec 2019 Unaudited Rm	31 Dec 2018 Unaudited Rm	30 Jun 2019 Audited Rm
Assets			
Non-current assets			
Goodwill and intangible assets	**5 244**	5 380	5 242
Property, plant and equipment and investment property	**13 152**	12 662	12 536
Right-of-use assets	**441**	–	–
Consumable biological assets	**1 922**	1 907	1 900
Investments in associate and joint venture companies	**89**	84	75
Investments and loans	**8**	7	2
Deferred taxation assets	**35**	89	46
Inventories	**49**	–	62
	20 940	20 129	19 863
Current assets			
Inventories	**2 437**	2 891	2 376
Trade and other receivables	**3 837**	4 192	3 950
Loans receivable	**17**	18	13
Taxation receivable	**59**	94	49
Cash and cash equivalents	**667**	1 310	1 785
	7 017	8 505	8 173
Assets held for sale	**–**	–	68
	7 017	8 505	8 241
Total assets	**27 957**	28 634	28 104
Equity and liabilities			
Capital and reserves			
Stated share capital	**8 535**	8 908	8 908
Reserves	**3 885**	3 590	3 917
Total equity attributable to equity holders of the parent	**12 420**	12 498	12 825
Non-controlling interests	**222**	197	217
Total equity	**12 642**	12 695	13 042
Non-current liabilities			
Loans and borrowings	**5 543**	5 640	5 013
Finance lease liabilities	**359**	–	–
Deferred taxation liabilities	**3 469**	3 365	3 389
Other liabilities and provisions	**45**	70	66
	9 416	9 075	8 468
Current liabilities			
Loans and borrowings	**1 487**	2 400	1 298
Finance lease liabilities	**104**	–	–
Trade and other payables	**3 548**	4 137	4 809
Other liabilities and provisions	**334**	278	381
Taxation payable	**52**	48	60
Bank overdrafts and short-term facilities	**374**	1	–
	5 899	6 864	6 548
Liabilities held for sale	**–**	–	46
	5 899	6 864	6 594
Total equity and liabilities	**27 957**	28 634	28 104

Condensed consolidated statement of cash flows

	Six months ended 31 Dec 2019 Unaudited Rm	Six months ended 31 Dec 2018 Unaudited(*) Rm	Year ended 30 Jun 2019 Audited Rm
Operating profit before capital items	**1 169**	1 330	2 527
Depreciation and amortisation	**666**	585	1 186
B-BBEE cost	**2**	194	196
Operating loss before depreciation, amortisation and capital items from discontinued operations	**(23)**	(18)	(78)
Net fair value adjustments of consumable biological assets[(1)]	**(19)**	13	20
Other non-cash adjustments	**13**	36	24
Cash generated before working capital changes	**1 808**	2 140	3 875
Increase in inventories	**(25)**	(739)	(315)
Decrease/(increase) in trade and other receivables	**153**	(138)	37
(Decrease)/increase in trade and other payables	**(1 365)**	(386)	436
Changes in working capital	**(1 237)**	(1 263)	158
Cash generated from operations	**571**	877	4 033
Dividends received	**–**	4	18
Dividends paid	**(647)**	(651)	(656)
Net finance costs	**(324)**	(369)	(717)
Taxation paid	**(154)**	(135)	(209)
Net cash (outflow)/inflow from operating activities	**(554)**	(274)	2 469
Additions to property, plant and equipment and investment property[(2)]	**(1 188)**	(702)	(1 231)
Additions to intangible assets	**(1)**	(5)	(14)
Additions to consumable biological assets	**(3)**	(1)	(1)
Net cash (outflow)/inflow on acquisition/disposal of subsidiaries and businesses	**(13)**	101	101
Other investing activities	**(4)**	1	3
Net cash outflow from investing activities	**(1 209)**	(606)	(1 142)
Net cash (outflow)/inflow from operating and investing activities	**(1 763)**	(880)	1 327
Shares repurchased	**(373)**	–	–
Transactions with non-controlling interests	**–**	(82)	(82)
Increase/(decrease) in loans and borrowings	**716**	118	(1 610)
Decrease in finance lease liabilities	**(68)**	–	–
Increase in bank overdrafts and short-term facilities	**374**	1	–
Net cash inflow/(outflow) from financing activities	**649**	37	(1 692)
Net decrease in cash and cash equivalents	**(1 114)**	(843)	(365)
Cash and cash equivalents at beginning of period	**1 785**	2 151	2 151
Effects of exchange rate translations on cash and cash equivalents	**(4)**	2	(1)
Cash and cash equivalents at end of period	**667**	1 310	1 785

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

Condensed consolidated statement of comprehensive income

	Six months ended 31 Dec 2019 Unaudited Rm	Six months ended 31 Dec 2018 Unaudited Rm	Year ended 30 Jun 2019 Audited Rm
Profit for the period	**604**	666	1 090
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**(1)**	11	(9)
Total other comprehensive (loss)/income for the period	**(1)**	11	(9)
Total comprehensive income for the period	**603**	677	1 081
Total comprehensive income attributable to:			
Owners of the parent	**574**	645	1 024
Non-controlling interests	**29**	32	57
Total comprehensive income for the period	**603**	677	1 081

Condensed consolidated statement of changes in equity

	Six months ended 31 Dec 2019 Unaudited Rm	Six months ended 31 Dec 2018 Unaudited Rm	Year ended 30 Jun 2019 Audited Rm
Balance at beginning of the period	**13 042**	12 477	12 477
Recognition of leases under IFRS 16	**–**	–	–
Recognition of expected credit losses under IFRS 9	**–**	–	(23)
Adjusted balance at beginning of the period	**13 042**	12 477	12 454
Changes in stated share capital			
Net shares (repurchased)/issued	**(373)**	117	117
Changes in reserves			
Total comprehensive income for the period attributable to owners of the parent	**574**	645	1 024
Dividends paid	**(619)**	(618)	(618)
Share-based payments	**11**	35	5
B-BBEE cost	**2**	194	196
Other reserve movements	**–**	(30)	(31)
Changes in non-controlling interests			
Total comprehensive income for the period attributable to non-controlling interests	**29**	32	57
Dividends paid	**(28)**	(33)	(38)
Shares purchased from non-controlling interests	**–**	(124)	(124)
Introduced on acquisition of subsidiaries	**4**	–	–
Balance at end of the period	**12 642**	12 695	13 042
Comprising:			
Stated share capital	**8 535**	8 908	8 908
Distributable reserves	**7 252**	6 900	7 297
Share-based payment reserve	**497**	522	484
Reverse acquisition reserve	**(3 952)**	(3 952)	(3 952)
Other reserves	**88**	120	88
Non-controlling interests	**222**	197	217
	12 642	12 695	13 042

Segmental analysis from continuing operations

	Notes	Six months ended 31 Dec 2019 Unaudited Rm	Six months ended 31 Dec 2018 Unaudited(*) Rm	% change	Year ended 30 Jun 2019 Audited Rm
Revenue					
Diversified industrial		**3 821**	3 919	(3)	7 777
Integrated Timber		**1 881**	1 960	(4)	4 031
Automotive Components		**1 105**	1 107	–	2 202
Integrated Bedding		**843**	854	(1)	1 551
Interdivisional revenue eliminations		**(8)**	(2)		(7)
Diversified chemical		**4 026**	4 423	(9)	8 690
Polymers		**4 026**	4 423	(9)	8 690
Diversified logistics		**4 944**	4 993	(1)	9 433
Contractual Logistics – South Africa		**2 661**	2 673	–	5 144
Contractual Logistics – Africa		**1 034**	1 092	(5)	2 011
Passenger Transport		**1 256**	1 228	2	2 382
Interdivisional revenue eliminations		**(7)**	–		(104)
		12 791	13 335	(4)	25 900
Intersegmental revenue eliminations		**(169)**	(127)		(298)
	1	**12 622**	13 208	(4)	25 602
Operating profit before depreciation, amortisation and capital items					
Diversified industrial		**778**	737	6	1 574
Integrated Timber		**445**	423	5	962
Automotive Components		**175**	163	7	336
Integrated Bedding		**158**	151	5	276
Diversified chemical		**237**	563	(58)	910
Polymers		**237**	563	(58)	910
Diversified logistics		**821**	809	1	1 424
Contractual Logistics – South Africa		**356**	325	10	560
Contractual Logistics – Africa		**256**	272	(6)	465
Passenger Transport		**209**	212	(1)	399
Corporate, consolidation and elimination		**1**	–		1
		1 837	2 109	(13)	3 909
B-BBEE cost		**(2)**	(194)		(196)
		1 835	1 915	(4)	3 713
Operating profit before capital items					
Diversified industrial		**626**	610	3	1 311
Integrated Timber		**364**	346	5	806
Automotive Components		**128**	132	(3)	266
Integrated Bedding		**134**	132	2	239
Diversified chemical		**145**	485	(70)	751
Polymers		**145**	485	(70)	751
Diversified logistics		**400**	429	(7)	661
Contractual Logistics – South Africa		**148**	128	16	161
Contractual Logistics – Africa		**142**	179	(21)	283
Passenger Transport		**110**	122	(10)	217
		1 171	1 524	(23)	2 723
B-BBEE cost		**(2)**	(194)		(196)
		1 169	1 330	(12)	2 527

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

	Notes	**31 Dec 2019 Unaudited Rm**	31 Dec 2018 Unaudited(*) Rm	% change	30 Jun 2019 Audited Rm
Operating assets					
Diversified industrial		**9 791**	9 665	1	9 686
Integrated Timber		**6 656**	6 480	3	6 481
Automotive Components		**1 609**	1 686	(5)	1 695
Integrated Bedding		**1 528**	1 500	2	1 511
Interdivisional eliminations		**(2)**	(1)		(1)
Diversified chemical		**8 953**	9 562	(6)	8 873
Polymers		**8 953**	9 562	(6)	8 873
Diversified logistics		**8 389**	7 820	7	7 549
Contractual Logistics – South Africa		**4 680**	4 579	2	4 015
Contractual Logistics – Africa		**2 218**	1 865	19	2 143
Passenger Transport		**1 509**	1 460	3	1 423
Interdivisional eliminations		**(18)**	(84)		(32)
Corporate, consolidation and elimination		**(51)**	(15)		(42)
	6	**27 082**	27 032	–	26 066
Operating liabilities					
Diversified industrial		**1 048**	1 056	(1)	1 575
Integrated Timber		**539**	474	14	822
Automotive Components		**296**	374	(21)	479
Integrated Bedding		**215**	209	3	275
Interdivisional eliminations		**(2)**	(1)		(1)
Diversified chemical		**1 570**	2 101	(25)	2 140
Polymers		**1 570**	2 101	(25)	2 140
Diversified logistics		**1 334**	1 329	–	1 474
Contractual Logistics – South Africa		**753**	799	(6)	866
Contractual Logistics – Africa		**244**	280	(13)	289
Passenger Transport		**355**	334	6	351
Interdivisional eliminations		**(18)**	(84)		(32)
Corporate, consolidation and elimination		**(25)**	(1)		67
	7	**3 927**	4 485	(12)	5 256
Net operating assets					
Diversified industrial		**8 743**	8 609	2	8 111
Integrated Timber		**6 117**	6 006	2	5 659
Automotive Components		**1 313**	1 312	–	1 216
Integrated Bedding		**1 313**	1 291	2	1 236
Diversified chemical		**7 383**	7 461	(1)	6 733
Polymers		**7 383**	7 461	(1)	6 733
Diversified logistics		**7 055**	6 491	9	6 075
Contractual Logistics – South Africa		**3 927**	3 780	4	3 149
Contractual Logistics – Africa		**1 974**	1 585	25	1 854
Passenger Transport		**1 154**	1 126	2	1 072
Corporate, consolidation and elimination		**(26)**	(14)		(109)
		23 155	22 547	3	20 810

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

Additional information

	Goods Rm	Services Rm	Total Rm
Note 1: Revenue			
31 Dec 2019			
Integrated Timber	**2 131**	**–**	**2 131**
Automotive Components	**1 105**	**–**	**1 105**
Integrated Bedding	**953**	**–**	**953**
Polymers	**4 061**	**–**	**4 061**
Contractual Logistics – South Africa	**39**	**2 622**	**2 661**
Contractual Logistics – Africa	**–**	**1 035**	**1 035**
Passenger Transport	**–**	**1 256**	**1 256**
Gross revenue	**8 289**	**4 913**	**13 202**
Variable consideration	**(396)**	**–**	**(396)**
Intergroup elimination	**(14)**	**(170)**	**(184)**
	7 879	**4 743**	**12 622**
31 Dec 2018(*)			
Integrated Timber	2 172	–	2 172
Automotive Components	1 108	–	1 108
Integrated Bedding	948	–	948
Polymers	4 470	–	4 470
Contractual Logistics – South Africa	–	2 673	2 673
Contractual Logistics – Africa	–	1 092	1 092
Passenger Transport	–	1 228	1 228
Gross revenue	8 698	4 993	13 691
Variable consideration	(354)	–	(354)
Intergroup elimination	(14)	(115)	(129)
	8 330	4 878	13 208
30 Jun 2019			
Integrated Timber	4 511	–	4 511
Automotive Components	2 203	–	2 203
Integrated Bedding	1 734	–	1 734
Polymers	8 764	–	8 764
Contractual Logistics – South Africa	90	5 054	5 144
Contractual Logistics – Africa	–	2 011	2 011
Passenger Transport	–	2 382	2 382
Gross revenue	17 302	9 447	26 749
Variable consideration	(738)	–	(738)
Intergroup elimination	(27)	(382)	(409)
	16 537	9 065	25 602

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

	Six months ended 31 Dec 2019 Unaudited Rm	Six months ended 31 Dec 2018 Unaudited(*) Rm	Year ended 30 Jun 2019 Audited Rm
South Africa	**10 801**	10 891	21 036
Rest of Africa	**1 498**	1 640	2 916
Americas	**277**	460	1 065
Europe	**33**	60	194
Middle East	**13**	26	174
Other	**–**	131	217
	12 622	13 208	25 602

	Six months ended 31 Dec 2019 Unaudited Rm	Six months ended 31 Dec 2018 Unaudited(*) Rm	Year ended 30 Jun 2019 Audited Rm
Note 2: Capital items			
From continuing operations:			
(Loss)/profit on disposal of property, plant and equipment and investment property	**(3)**	2	(13)
Impairments[1]	**–**	–	(131)
	(3)	2	(144)
From discontinued operations:			
Profit on disposal of property, plant and equipment and investment property	**1**	3	2
Profit on disposal of subsidiaries and businesses	**–**	25	25
Impairments[1]	**5**	–	(32)
	6	28	(5)
	3	30	(149)

[*] Prior period disclosure has been restated to reflect the Autovest discontinued operation.
[1] Impairment of goodwill, intangible assets and property, plant and equipment.

Additional information *continued*

	Six months ended 31 Dec 2019 Unaudited Rm	Six months ended 31 Dec 2018 Unaudited(*) Rm	Year ended 30 Jun 2019 Audited Rm
Note 3: (Loss)/profit for the period from discontinued operations			
Revenue	**59**	101	197
Operating loss before depreciation, amortisation and capital items	**(23)**	(18)	(78)
Depreciation and amortisation	**(2)**	(2)	(4)
Operating loss before capital items	**(25)**	(20)	(82)
Capital items	**6**	28	(5)
Operating (loss)/profit	**(19)**	8	(87)
Net finance costs	**(1)**	(4)	(7)
(Loss)/profit before taxation	**(20)**	4	(94)
Taxation	**6**	1	11
(Loss)/profit for the period from discontinued operations	**(14)**	5	(83)

	Cents	Cents	Cents
Note 4: Earnings and headline earnings per ordinary share			
From continuing and discontinued operations:			
Basic earnings	**21.5**	23.6	38.3
Basic earnings – diluted	**21.4**	23.4	38.2
Headline earnings	**21.3**	22.8	42.9
Headline earnings – diluted	**21.3**	22.6	42.8
From continuing operations:			
Basic earnings	**22.0**	23.4	41.4
Basic earnings – diluted	**22.0**	23.2	41.3
Headline earnings	**22.0**	23.4	45.9
Headline earnings – diluted	**22.0**	23.2	45.8
Headline earnings – core[1]	**22.1**	30.6	53.2

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

	Number of shares m	Number of shares m	Number of shares m
Ordinary shares in issue at beginning of the period	**2 704**	2 678	2 678
Shares issued	**–**	26	26
Shares repurchased and held as treasury shares	**(36)**	–	–
Shares repurchased and cancelled	**(46)**	–	–
Ordinary shares in issue	**2 622**	2 704	2 704
Weighted average ordinary shares in issue	**2 676**	2 688	2 696

	Fair value hierarchy	**Fair value as at 31 Dec 2019 Unaudited Rm**	Fair value as at 31 Dec 2018 Unaudited Rm	Fair value as at 30 Jun 2019 Audited Rm
Note 5: Fair values of financial instruments				
Derivative financial assets	Level 2	**5**	15	10
Derivative financial liabilities	Level 2	**(52)**	(24)	(33)

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

	31 Dec 2019 Unaudited Rm	31 Dec 2018 Unaudited Rm	30 Jun 2019 Audited Rm
Note 6: Operating assets per segmental analysis			
Goodwill and intangible assets	**5 244**	5 380	5 242
Property, plant and equipment and investment property	**13 152**	12 662	12 536
Right-of-use assets	**441**	–	–
Consumable biological assets	**1 922**	1 907	1 900
Inventories	**2 486**	2 891	2 438
Trade and other receivables	**3 837**	4 192	3 950
	27 082	27 032	26 066

	31 Dec 2019 Unaudited Rm	31 Dec 2018 Unaudited Rm	30 Jun 2019 Audited Rm
Note 7: Operating liabilities per segmental analysis			
Trade and other payables	**3 548**	4 137	4 809
Other liabilities and provisions	**379**	348	447
	3 927	4 485	5 256

Selected explanatory notes

Statement of compliance

The condensed consolidated interim financial information has been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the financial pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited, the information as required by IAS 34 – *Interim Financial Reporting* and the requirements of the South African Companies Act, No. 71 of 2008. The consolidated interim financial information has been prepared using accounting policies that comply with IFRS, which are consistent with those applied in the consolidated financial statements for the year ended 30 June 2019.

Basis of preparation

The condensed consolidated interim financial statements are prepared in millions of South African rand (Rm) on the historical-cost basis, except for certain assets and liabilities, which are carried at amortised cost, and derivative financial instruments and consumable biological assets, which are stated at their fair values. The preparation of the condensed consolidated interim financial statements for the six months ended 31 December 2019 was supervised by Frans Olivier CA(SA), the group's chief financial officer.

Changes to comparative results

The prior period's income statement has been re-presented to reflect the discontinued operations of the Autovest division that forms part of the Automotive Components division.

Accounting policies

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

During the current period, the group has adopted all the new and revised standards issued by the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2019.

New IFRS standards applied with a material effect on the summarised financial statements are as follow:

IFRS 16 – *Leases*

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

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

The group has elected to apply IFRS 16 using the modified retrospective approach whereby the cumulative effect of initial application is recognised in retained earnings at 1 July 2019, with no restatement of comparative information. The group has reassessed all leases to determine if it meets the definition of a lease in terms of IFRS 16. The lease liabilities were measured at the present value of the remaining lease payments discounted at the incremental borrowing rate as at 1 July 2019. The weighted average incremental borrowing rate applied to lease liabilities on 1 July 2019 was 9.66%. In addition, the group applied the transition option to recognise the right-of-use asset as equal to the lease liability at 1 July 2019, adjusted by any operating lease assets or liabilities recognised in the statement of financial position immediately before the date of initial application. There was therefore no adjustment to the group's opening retained earnings balance on 1 July 2019.

The group has elected the following practical expedients for leases in which it was the lessee at 1 July 2019:

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

Applying IFRS 16 for all leases, the group:

- recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- recognises depreciation on right-of-use assets on a straight-line basis over the shorter of the lease term or useful life of the underlying asset and interest on lease liabilities using the effective interest rate method in profit or loss; and
- lease payments are presented within financing activities in the consolidated statement of cash flows.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the group has opted to recognise a lease expense as permitted by IFRS 16.

The group does not separate lease and non-lease components, and accounts for both as a single lease component.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 – *Impairment of Asset*.

The following tables provides a summary of the effect of the adoption of IFRS 16 on the summarised financial statements:

	30 Jun 2019 Rm	IFRS 16 Rm	**1 Jul 2019 Rm**
Non-current assets			
Right-of-use assets	–	395	**395**
Non-current liabilities			
Finance lease liabilities	–	321	**321**
Operating lease liability	5	(5)	**–**
Provisions	16	(1)	**15**
Current liabilities			
Provisions	94	(1)	**93**
Trade and other payables	4 809	(4)	**4 805**
Finance lease liabilities	–	85	**85**

The movements in the right-of-use assets and finance lease liabilities are presented in the tables below:

	31 Dec 2019 Rm
Right-of-use assets	
Balance at 1 July 2019	**395**
Additions	**91**
Acquired on acquisition of subsidiaries	**3**
Remeasurement	**9**
Depreciation	**(55)**
Impairments	**(2)**
Balance at 31 December 2019	**441**
Finance lease liabilities	
Balance at 1 July 2019	**406**
Additions	**92**
Acquired on acquisition of subsidiaries	**3**
Remeasurement	**9**
Finance costs	**21**
Payments	**(68)**
Balance at 31 December 2019	**463**
Current liabilities	**104**
Non-current liabilities	**359**

The following table provides a reconciliation of the undiscounted operating lease commitments as at 30 June 2019 to the lease liability recognised on 1 July 2019 in terms of IFRS 16:

	1 Jul 2019 Rm
Operating lease commitments disclosed at 30 June 2019	**731**
Discounted using the incremental borrowing rate as at 1 July 2019	**532**
Less: Short-term leases	**(31)**
Less: Low value leases	**(1)**
Add: Non-lease components	**10**
Less: Adjustments related to the treatment of extension or termination options	**(41)**
Less: Adjustments relating to changes in the index or rate affecting variable payments	**(63)**
Lease liability recognised as at 1 July 2019	**406**
Current portion of lease liabilities	**84**
Non-current portion of lease liabilities	**322**

The group's key leases include leases of land and buildings (warehouses, distribution centres, depots and office space), as well as leases of vehicles and plant (long-haul vehicles, motor vehicles and equipment). The adoption of IFRS 16 had no impact on the group's ability to comply with loan covenants.

Financial statements

These results have not been reviewed or reported on by the group's auditors. The results were approved by the board of directors on 18 February 2020.

Business combinations

Effective 1 December 2019 the group acquired 75% of the shares and loan claims of Connacher (Natal) Proprietary Limited and Recyclotex Proprietary Limited for a purchase price of R31 million. Goodwill to the value of R12 million was recognised.

Post-balance sheet events

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

Changes to the board, board committees and reclassification of a director

At the company's annual general meeting in November 2019, shareholders resolved not to fill the vacancies left by Messrs TLR de Klerk and LJ du Preez who resigned from the board of KAP during April 2019, and the number of board members was reduced for the time being. Following a comprehensive identification, screening and selection process by the KAP nomination committee, the board appointed Mr KT Hopkins as an independent non-executive director and as a member of the KAP audit and risk committee with effect from 6 December 2019. In addition, on 12 December 2019, Mrs V McMenamin was appointed as an independent non-executive director and as a member of the KAP social and ethics committee. The aforementioned appointments are subject to shareholder endorsement at the annual general meeting in November 2020.

Following his retirement as a former executive director of KAP, Mr KJ Grové gained non-executive status in January 2017. Recently, a formal assessment was carried out by the KAP nomination committee, which confirmed that there was no observable interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, was likely to influence unduly or cause bias in Mr Grové's decision-making. Based thereon and on his actual impartial conduct at meetings, the board concluded that, with immediate effect, Mr KJ Grové may serve in an independent capacity on the KAP board and its committees.

Corporate information

KAP Industrial Holdings Limited ('KAP' or 'the company' or 'the group')

Independent non-executive directors: J de V du Toit (Chairman), KJ Grové (Deputy chairman), KT Hopkins, V McMenamin, IN Mkhari, SH Müller, SH Nomvete, PK Quarmby
Executive directors: GN Chaplin (Chief executive officer), FH Olivier (Chief financial officer)
Registration number: 1978/000181/06 **Share code:** KAP **ISIN:** ZAE000171963
Registered address: 3rd Floor, Building 2, The Views, Founders Hill Office Park, 18 Centenary Street, Modderfontein, Johannesburg 1645
Postal address: PO Box 2766, Edenvale 1610 **Telephone:** 010 005 3000 **Facsimile:** 010 005 3050 **E-mail:** info@kap.co.za
Transfer secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196
Company secretary: KAP Secretarial Services Proprietary Limited **Auditors:** Deloitte & Touche **Sponsor:** PSG Capital Proprietary Limited