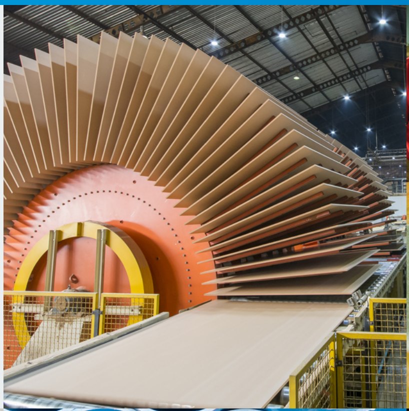
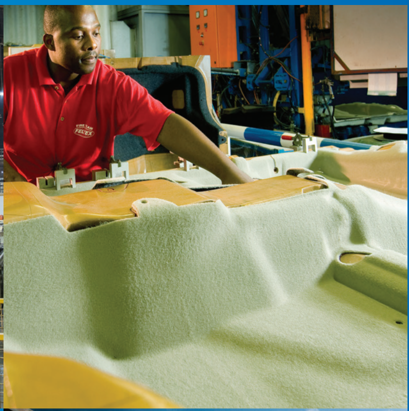
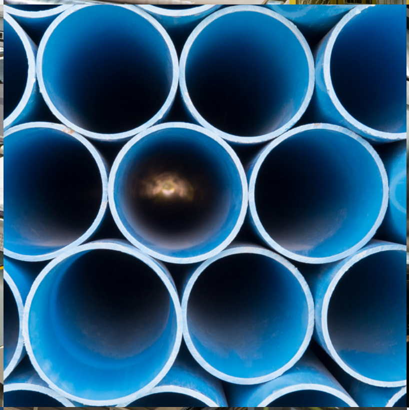
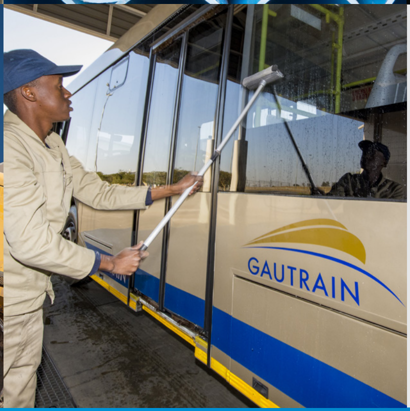
KAP.

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS 2020









INTEGRATED INTO EVERY DAY

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The consolidated annual financial statements for KAP Industrial Holdings Limited have been prepared under the supervision of the chief financial officer, Frans Olivier CA(SA) and were published on 20 August 2020.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of KAP Industrial Holdings Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of KAP Industrial Holdings Limited ('the group') set out on pages 15 to 82, which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of KAP Industrial Holdings Limited and its subsidiaries as at 30 June 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs'). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the 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' ('IESBA') *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matter	How the matter was addressed in the audit
Impairment of goodwill and indefinite useful life intangible assets	
Goodwill and indefinite useful life intangible assets comprise 11% (2019: 19%) of the total assets of the group. These assets have been recognised in the consolidated statement of financial position as a result of business acquisitions. The directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill and indefinite useful life intangible assets. This is performed by calculating the value-in-use for the cash generating units. There are a number of significant assumptions made in determining the inputs to be included in the value-in-use calculations which include: • Revenue volumes and price forecasts; • Operating margin forecasts; • Capital expenditure and working capital forecasts; • The discount rates applied to the projected future cash flows; and • Royalty rates applicable to the trademark valuations.	Our audit procedures focused on the valuation of the key estimates used in the directors' determination of the value-in-use calculations. We involved our internal valuation specialists in the audit procedures undertaken with respect to valuation models and all of the key estimates. Our audit procedures included: • Testing the controls designed and implemented by the group to provide assurance that the assumptions used in preparing the impairment calculations are regularly updated, reviewed and approved by the directors. These include controls implemented by those charged with governance to understand the appropriateness of key assumptions used. • Critically evaluating whether the models used by the directors to calculate the value-in-use of the individual cash generating units comply with International Accounting Standard 36 – *Impairment of Assets* ('IAS 36'); • Validating the assumptions used against available external benchmarks to calculate the discount rates and recalculating the discount rates; • Evaluating the directors royalty rates against similar observed licencing transactions within the particular industry in which the underlying cash generating unit operates; • Assessing the reasonableness of the forecast cash flows against historic performance, approved budgets, peer companies benchmarking and industry data which also involved the performance of sensitivity analyses with regard to key estimates; • Recalculating the value in use of the cash generating units; and • Subjecting the key assumptions and inputs to sensitivity analyses.

Key audit matter	How the matter was addressed in the audit
Impairment of goodwill and indefinite useful life intangible assets (continued)	
In light of the use of more significant estimates as noted above, we consider the valuation of goodwill and indefinite useful life intangible assets as a key audit matter. The disclosures around goodwill and intangible assets are set out in note 12 and 13 of the consolidated financial statements respectively.	We noted that: • Based on the audit procedures performed, the carrying value of goodwill and indefinite useful life intangible assets are considered to be appropriate. • We consider the disclosure of the accounting policy and estimates used with regard to goodwill and intangible assets that are set out in note 12 and 13 of the consolidated financial statements respectively to be reasonable.
Impairment of the Safripol Durban polyethylene terephthalate ('PET') plant and equipment	
Due to the impact of global polymer pricing on the financial performance of the PET plant and considering the significant overspend on the plant upgrade in the 2018 financial year, we have identified the valuation of the Safripol Durban PET plant and equipment as a key audit matter. In order to perform the impairment tests required by IAS 36 it is necessary to determine cash generating units ('CGU's'). A CGU is the smallest group of assets that independently generates cash inflows. The impairment tests applied to the carrying values of the assets in the CGU entailed calculating a discounted cash flow model. This is performed by calculating the value-in-use for the CGU. There are a number of significant assumptions and estimates that were made when performing the calculation to determine whether an impairment were required which include: • Allocation of the property, plant and equipment ('PPE') to the relevant cash generating unit ('CGU'); • The selection of the appropriate impairment model to be used, in this case the discounted cash flow model was utilised by the directors; • Assessment and determination of the expected cash flows from the operations, particularly with regards to assumptions related to projected revenue, global polymer prices, material margins, foreign exchange rates, expenditure and working capital and capital expenditure forecasts; and • Selection of the appropriate discount rate.	The calculation of the recoverable amount of the PET plant and equipment involve a significant degree of estimation. Our assessment of the valuation of the PET plant and equipment included the following: • Testing the effective design and implementation of key controls including management review controls in respect of the determination of inputs into the impairment model; • We concluded on the appropriate application of IAS 36 in determining the CGU used in the impairment assessment; • Critically evaluating whether the discounted cash flow models used in managements' valuation comply with the requirements of IAS 36; • Assessed the key assumptions used in calculating the discount rates and recalculating these rates; • We used our internal valuation specialists to assess the appropriateness of the discounted cash flow model used by the directors and discount rate utilised to present value the future cash flows; • We assessed the reasonableness of the key assumptions used with reference to market data in respect of sales volumes and prices; • We used an internal technical expert in the global polymer market who reviewed the terminal period material margin assumptions which are used in the directors' impairment model; • We critically assessed the future projected cash flows used in the model to determine whether they are reasonable and supportable, given the current global polymer market and expected future performance of the individual CGU; • We assessed the allocation of identified impairments to underlying assets in accordance with the requirements of IAS 36; and • Subjected the key judgements in the valuation model to sensitivity analyses. We noted that: • Based on the procedures above, we found that the recoverable amount of the CGU, as calculated by management based on the assumptions, to be reasonable within our range of acceptable results. • We assessed the appropriateness of the disclosures in note 14 to the consolidated financial statements in terms of the requirements of IAS 36 and noted no material exceptions.

Key audit matter	How the matter was addressed in the audit
Valuation of timber plantation biological assets	
As disclosed in note 17 of the consolidated financial statements, the valuation of timber plantation biological assets amounted to R1 722 million (2019: R1 870 million) at the year-end. The net fair value adjustment for the year ended 30 June 2020 amounted to a decrease in profit of R148 million (2019: decrease of R11 million). The value of timber plantation biological assets is measured at fair value less estimated costs to sell. The fair value is determined using discounted cash flows based on sustainable forest management plans taking into account the growth potential of one cycle which varies depending on the geographic location and species. These discounted cash flows require estimates of growth, harvesting, selling prices and growing costs. Due to the level of judgement involved in the valuation of timber plantation biological assets, as well as the significance of timber plantation biological assets to the group's financial position, this is considered to be a key audit matter.	The valuation of timber plantation biological assets involve a significant degree of estimation. Our assessment of the valuation of timber plantation biological assets included the following: • Testing the effective design and implementation of key controls including management monitoring controls in respect of the determination of inputs into the timber plantation biological assets fair value model; • Assessing the method of valuation used by the directors for consistency with prior years, alignment to industry practice and compliance with the requirements of IAS 41 – *Biological Assets* and the group's accounting policy; • Assessing the key assumptions contained within the fair value calculations such as sales prices, harvesting, growth and discount rates; • The use of our specialists to assist in assessing the key assumptions; and • Performed analytics on the valuation results in order to highlight outliers when assessing the key assumptions. We noted that: • The judgements made by the directors and the key assumptions appear to be reasonable; and • We concur with the appropriateness of the disclosure in note 17 of the consolidated financial statements of matters relating to the timber plantation biological assets.
Transition from International Accounting Standard 17 – Leases ('IAS 17') to International Financial Reporting Standards 16 – Leases ('IFRS 16')	
IFRS 16 became effective for annual reporting periods beginning on or after 1 January 2019. The application of the new standard gave rise to a right-of-use asset and a corresponding increase in lease liabilities. The group elected to apply the modified retrospective approach at the transition date of 1 July 2019. The assessment of the impact of the new standard is significant to our audit, as the balances recorded are material and: • The update of the accounting policy requires policy elections; • The implementation process to identify and process all relevant data associated with the leases is complex; and • The measurement of the right-of-use asset and lease liability is based on various significant assumptions and estimates such as determining which contractual arrangements are required to be treated as leasing arrangements, discount rates and the assessment of lease terms including the treatment of contractual renewal options. Accordingly, the transition to IFRS 16 is considered to be a key audit matter.	Our assessment of the transition to IFRS 16 included: • Testing the effective design and implementation of controls including management's review controls in respect of the determination of the IFRS 16 accounting entries and disclosures; • We evaluated management implementation process, including the completeness and accuracy of the lease contracts identified and recorded in the lease registers and calculation of the right-of-use asset and lease liability; • We reviewed the updated accounting policy and policy elections to be in accordance with IFRS 16; • We performed independent testing on a sample basis of the accuracy of the lease contracts input in the lease registers and completeness of the identified lease contracts, with the support of the local component teams; • We assessed management assumptions, specifically on the assumptions used to determine the discount rates and the assessment of renewal options; • We recalculated the right-of-use asset and lease liability calculated by the management for each material type lease contract; • We made use of technical accounting specialists as part of our audit to provide a technical view on using the group quarterly weighted average cost of debt rate as the incremental borrowing rate ('IBR') within the group; and • We concur with the appropriateness of the disclosure in note 16 and 28 of the consolidated financial statements of matters relating to the right-of-use assets and lease liabilities.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled 'Audited consolidated annual financial statements 30 June 2020', which includes the directors' report, the report of the audit and risk committee and the company secretary's certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the annual report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We 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 to 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte has been the auditor of KAP Industrial Holdings Limited for 17 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per: D A Steyn
Partner

19 August 2020

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

DIRECTORS' RESPONSIBILITY AND APPROVAL

for the year ended 30 June 2020

Responsibility of the directors

It is the directors' responsibility to ensure that the annual consolidated financial statements of KAP Industrial Holdings Limited ('KAP' or 'the company') and its subsidiaries ('the group') fairly present the state of affairs of the group. The external auditor is responsible for independently auditing and reporting on the annual financial statements.

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 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 annual financial statements set out in this report were prepared by management on the basis of appropriate accounting policies, which were consistently applied, except where stated otherwise. The 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 2020, *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.

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

Approval of financial statements

The annual financial statements for the year ended 30 June 2020, set out on pages 8 to 83, were approved by the board of directors on 19 August 2020 and are signed on its behalf by:

Jaap du Toit
Independent non-executive chairman

Gary Chaplin
Chief executive officer

Frans Olivier
Chief financial officer

19 August 2020

COMPANY SECRETARY'S CERTIFICATE

for the year ended 30 June 2020

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

KAP Secretarial Services Proprietary Limited
Company secretary

19 August 2020

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

DIRECTORS' REPORT

for the year ended 30 June 2020

The directors are pleased to present the audited consolidated annual financial statements for KAP Industrial Holdings Limited ('KAP' or 'the company') and its subsidiaries ('the group') for the year ended 30 June 2020.

Nature of business

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

Diversified industrial	
Integrated Timber	Integrated forestry and timber manufacturing with primary and secondary upgrading processes
Automotive Components	Manufacture of vehicle retail accessories and components used in new vehicle assembly
Integrated Bedding	Manufacture of foam, fabrics, springs, bases and branded mattresses
Diversified chemical	
Polymers	Manufacture of polyethylene terephthalate ('PET'), high-density polyethylene ('HDPE') and polypropylene ('PP')
Diversified logistics	
Contractual Logistics – South Africa	Provision of integrated supply chain solutions to clients in South Africa
Contractual Logistics – Africa	Provision of integrated supply chain solutions to clients in sub-Saharan African countries outside South Africa
Passenger Transport	Provision of personnel, commuter, intercity and tourism transport services

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

Covid-19 pandemic

The Covid-19 pandemic has had a devastating effect on the global economy and society in general. The South African government imposed national lockdown regulations with effect from 27 March 2020. Since March 2020, the board and management have addressed the impact of the pandemic with a risk-based approach. This included identifying the following key risk categories, and designing and implementing mitigating actions and controls to protect the company and its various stakeholders:

- immediate and medium-term liquidity;
- corporate funding capacity and financial covenants;
- sustainability of revenue;
- sustainability of customers and associated credit risk;
- sustainability of suppliers and potential supply chain interruptions; and
- sustainability of operations, including the effect on employees.

KAP is a diversified business in terms of the sectors which it services and the geographies in which it operates. KAP's strategy is to operate in non-discretionary goods and services and to backward integrate its supply chains. Although the impact of Covid-19 on the group has been significant, KAP's business model has proven to be resilient during this crisis.

The group implemented various measures to reduce its operating costs and to optimise cash flows in order to ensure continued liquidity during the lockdown period and thereafter. These measures included the suspension of all non-essential operating expenditure and uncommitted capital expenditure, and an optimisation of working capital. The company also implemented specific salary and wage cost reduction measures throughout its operations.

Financial results

The macroeconomic and socio-political environment in South Africa was challenging during the year under review with limited real economic growth, subdued consumer spending, increasingly unreliable electricity supply, and increasing levels of unemployment. This depressed economic environment was significantly exacerbated by the Covid-19 pandemic and the consequent lockdown during the fourth quarter. These factors, together with a severe cyclical imbalance in global polymer supply and demand, had a material impact on the operational and financial performance of the group, including the impairments of goodwill, intangible assets and property, plant and equipment.

Revenue from continuing operations decreased by 13% to R22 166 million (2019: R25 602 million). Operating profit before capital items from continuing operations decreased by 47% to R1 344 million (2019: R2 527 million), while headline earnings per share from continuing operations decreased by 68% to 14.8 cents per share (2019: 45.9 cents per share). Earnings per share from continuing operations were impacted by the impairment of assets amounting to R2 537 million net of taxation during the year, resulting in a loss of 82.5 cents per share (2019: 41.4 cents profit per share).

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

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

The group performs annual impairment assessments on all assets in line with the requirements of International Financial Reporting Standards ('IFRS'). Due primarily to the effects of the Covid-19 pandemic and the continued imbalance in global polymer supply and demand and the impact thereof on expected future cash flows, the following significant impairments were accounted for during the current financial year, the detail of which is disclosed in notes 12, 13 and 14 to the annual financial statements:

- In the Automotive Components division, the goodwill and intangible assets recognised on the Maxe business unit, as part of the Autovest acquisition effective 1 April 2016, was impaired by an amount of R320 million. This was a result of the disruptions caused by the Covid-19 pandemic in the global and South African automotive sector and the resultant subdued outlook for automotive retail.
- In the Polymers division, the goodwill and intangible assets recognised as part of the Safripol acquisition effective 1 January 2017, were impaired by an amount of R2 147 million. This was a result of the cyclical imbalance in global polymer supply and demand, further impacted by the Covid-19 pandemic, which now indicates that the cyclical polymer recovery could be slower than previously anticipated.
- In the Polymers division, the PET plant and equipment was impaired by an amount of R472 million. This was mainly a result of capital expenditure overruns on the recent expansion of the plant and the continued imbalance in global polymer supply and demand, exacerbated by a collapse in the oil price and the Covid-19 pandemic.
- In the Passenger Transport division, the intercity and tourism fleets were impaired by an amount of R179 million. This was a result of the impact of the Covid-19 pandemic and the expected negative impact on international tourism and intercity travel.

Stated share capital and treasury shares

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 13 November 2019, shareholders placed 133 000 000 cumulative, non-redeemable, non-participating preference shares of no par value or 133 000 000 perpetual preference shares of no par value (collectively, 'the preference shares'), under the control of the directors. No preference shares have been issued as at the date of this report. Shareholders did not place any of the company's unissued ordinary shares under the control of the directors for purposes of a cash issue.

Shareholders approved the repurchase of up to 10% of the company's own shares of any class. Prior to the 2019 AGM, and under a 2018 AGM mandate, KAP Corporate Services Proprietary Limited, a wholly owned subsidiary of the company, acquired 36 000 000 ordinary shares in the market (equating to 1.33% of shares in issue at the date of the 2018 AGM) for future delivery in terms of the KAP Performance Share Rights Scheme. These shares are accounted for as treasury shares. The company further repurchased 97 000 000 of its own ordinary shares between November 2019 and February 2020 (equating to 3.59% of shares in issue at the date of the 2019 AGM). These shares were cancelled and delisted as issued shares. In aggregate, over the past financial year, 133 000 000 of the company's ordinary shares (equating to 4.92% of shares in issue at the date of the 2019 AGM) were repurchased. As a result, the number of issued ordinary shares of the company, net of treasury shares, reduced to 2 571 137 238 (2019: 2 704 137 238). Refer to note 24 in the annual financial statements.

Borrowing facilities and liquidity

The Covid-19 pandemic negatively affected the group's debt levels. Net interest-bearing debt increased by R2 553 million to R7 041 million. Notwithstanding this impact, both the net debt/EBITDA ratio and the EBITDA/interest cover ratio remained within target levels at 2.6 times and 4.0 times respectively. The net debt/equity (gearing) ratio increased from 35% to 74% as a result of increased net interest-bearing debt and decreased equity (due to impairments and share buy-backs).

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

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

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 in the diversified industrial segment:

- Effective 1 December 2019, KAP Bedding Proprietary Limited acquired 75% of the shares and loan claims of Connacher (Natal) Proprietary Limited and Recyclotex Proprietary Limited (collectively 'Connacher') for a purchase consideration of R31 million. This acquisition serves as KAP's entry point into the recycling sector. Both the Integrated Bedding division and the Automotive Components division are making use of recycled material produced by Connacher in the production of their products, thereby supporting the group's integration strategy.
- Effective 1 December 2019, KAP Automotive Proprietary Limited disposed of the Autovest operations, which manufactured and retailed various aftermarket vehicle accessories.

Subsidiary companies

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

Dividends

In view of the Covid-19 pandemic and the impact thereof on the economy, the company and its employees, the board of directors ('the board') has decided not to declare a dividend for the current financial year. The board has taken the decision to preserve cash in light of the current uncertain economic environment resulting from the pandemic. In the prior year, a dividend of 23 cents per share was declared and paid to shareholders on 23 September 2019.

Contingent liability

The group has a contingent liability relating to the Competition 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 the investigation. The directors are of the opinion that PG Bison has a compelling case and that the review application will be successful. Refer to note 32 in the annual financial statements.

Subsequent events

No event which is material to the understanding of the annual financial statements has occurred between year-end and the approval date of the annual financial statements.

Directorate

At the 2019 AGM, shareholders resolved not to fill the vacancies left by TLR de Klerk and LJ du Preez, who resigned from the board during April 2019, and the number of board members was temporarily reduced to eight.

Following a comprehensive identification, screening and selection process by the nomination committee, the board appointed three new directors, improving the race and gender representation. KT Hopkins was appointed as an independent non-executive director and a member of the audit and risk committee with effect from 6 December 2019. On 12 December 2019, V McMenamin was appointed as an independent non-executive director and a member of the social and ethics committee. Z Fuphe was appointed as an independent non-executive director and a member of the social and ethics and audit and risk committees, with effect from 1 March 2020. These appointments are subject to shareholder endorsement at the AGM in November 2020.

Following a three-year cooling-off period after his retirement, a formal reclassification assessment was carried out on KJ Grové's non-executive status. The nomination committee found that there was no material 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 KJ Grové's decision-making. Based thereon and on his actual impartial conduct at meetings and in the decision-making process, the board concluded on 19 May 2020 that KJ Grové may henceforth serve in an independent capacity on the board and its committees.

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
Non-executive independent directors	
J de V du Toit (chairman of the board)	Nomination committee (chairperson)
Z Fuphe	Audit and risk committee, Social and ethics committee
KJ Grové (deputy chairman of the board)	Human capital and remuneration committee, Investment committee
KT Hopkins	Audit and risk committee
V McMenamin	Social and ethics committee
IN Mkhari	Social and ethics committee (chairperson), Human capital and remuneration committee, Nomination committee
SH Müller	Human capital and remuneration committee (chairperson), Audit and risk committee, Social and ethics committee, Investment committee
SH Nomvete	Audit and risk committee
PK Quarmby	Audit and risk committee (chairperson), Investment committee (chairperson), Nomination committee

Directors' shareholding (including their associates)

As at 30 June 2020, the directors of the company held no direct or indirect interests in the company's issued ordinary shares other than:

	2020 Number of shares	2019 Number of shares
GN Chaplin[1]	3 063 010	2 511 110
FH Olivier[2]	1 050 000	1 050 000
KJ Grové	4 862 828	4 862 828
J de V du Toit	540 368	540 368
SH Müller	225 004	225 004

[1] *On 17 March 2020, an associate of GN Chaplin acquired 551 900 shares.*
[2] *These shares have been pledged as security for funding transactions (591 003 shares for a transaction maturing on 28 September 2020 and 458 997 shares for a transaction maturing on 16 February 2021).*

In aggregate, the directors of the company and its subsidiaries held 68 183 279 (2019: 70 677 104) of the company's ordinary shares at 30 June 2020, equating to 2.65% (2019: 2.61%) of the ordinary shares (net of treasury shares) in issue.

Other than the above movements in shareholdings, there were no dealings in the company's ordinary shares by directors during the year under review. From 1 July 2020 to the date of approval of the company's annual financial statements, there were no dealings by directors in the company's ordinary shares.

Directors' declarations of personal financial interests

No contracts were entered into during the year in which any director and/or officer of the company had an interest and which significantly affected the affairs and business of the group, which were not disclosed. In the course of business, the directors have disclosed their personal financial interests (including intergroup directorships) and, where any conflict of interests was identified, the conflicted director did not participate in the decision-making process.

Disclosure of beneficial interest of major shareholders

	2020 %	2019 %
Shareholders with a beneficial interest above 5%		
Allan Gray	19.01	17.68
Government Employees Pension Fund	11.42	10.28
Old Mutual Limited	6.60	9.19

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 ('the Companies Act'), is set out on pages 12 to 14 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.

Auditor

The audit and risk committee recommended, subject to the approval thereof by the shareholders at the company's AGM in November 2020, that Deloitte & Touche continues in office as the group's external auditor.

The audit and risk committee considered and agreed to embark on a tender process for external audit services during the 2021 financial year, with a view to change the company's external auditor for the 2022 financial year, ahead of the mandatory auditor rotation date in 2023.

Jaap du Toit
Independent non-executive chairman

19 August 2020

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 30 June 2020

Introduction

The audit and risk committee ('the committee') of KAP Industrial Holdings Limited ('the company') is pleased to present its report for the financial year ended 30 June 2020, as recommended by the King IV Report on Corporate Governance™ for South Africa, 2016 ('King IV™'), the Companies Act, No. 71 of 2008 of South Africa, and the Listings Requirements of the JSE Limited.

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™ and which has been approved by the board of directors ('the board') of the company. The committee has discharged all its responsibilities as contained in the charter.

Membership

The committee consists of the following five independent, non-executive directors of the company:

- PK Quarmby (chairman)
- SH Müller
- SH Nomvete
- KT Hopkins (appointed 6 December 2019)
- Z Fuphe (appointed 1 March 2020)

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, in order to serve on an audit committee of a public company. All members of the committee continue to meet the independence requirements of the Companies Act and King IV™. 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 company secretary acts as secretary for the committee.

Meetings

The committee held two formal meetings during the year under review in line with the requirements of its charter, as well as a special meeting convened after year-end. All the meetings were attended by all members. The chief executive officer, chief financial officer ('CFO'), chief audit executive ('CAE'), other assurance providers and the external auditors attend meetings by invitation.

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

Subsidiary companies and divisions

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

The divisional subcommittees' members include divisional executives responsible for assurance, and the external auditors attend by invitation. These divisional subcommittees meet quarterly and deal with all issues arising at divisional level. The divisional subcommittees escalate any unresolved issues of concern to the committee. The committee retains ultimate accountability for all statutory and other formal obligations of the company and its subsidiaries. The divisional subcommittees met three times during the financial year.

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 of the group and any other formal announcements relating to the financial performance comply with all statutory and regulatory requirements as may be applicable.
- To ensure that the interim condensed financial statements, the period-end annual financial statements and the annual integrated report comply with all statutory and regulatory requirements.
- To ensure that all financial information contained in any consolidated submissions to the board is suitable for inclusion in the company's annual financial statements in respect of any reporting period.
- 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 information and communication technology ('ICT'), in its support of the business, to execute the business strategy and day-to-day operations.
- To ensure that appropriate financial reporting 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 the company to prepare the 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 regulatory requirements.

During the year under review, the committee:

- Received and reviewed reports from internal auditors concerning the effectiveness of the internal control environment, systems and processes.
- Reviewed the reports of both internal and external auditors detailing their concerns arising from their audits and

requested appropriate responses from management to ensure that their concerns were addressed.
- Made appropriate recommendations to the board regarding the corrective actions to be taken as a result of audit findings.
- Considered the independence and objectivity of the external auditors and ensured that the scope of any additional services provided was not of such a nature that they could be seen to have impaired their independence.
- Reviewed and recommended, for adoption by the board, such financial information that is publicly disclosed which, for the year, included:
  - the annual financial statements for the year ended 30 June 2020; and
  - the interim results for the six months ended 31 December 2019.
- Considered the JSE's monitoring activities reports listed below and took appropriate action to apply the findings and improve disclosures where required:
  - Report back on proactive monitoring of financial statements in 2019;
  - Combined findings of monitoring of financial statements;
  - Activities of the Financial Reporting Investigation Panel in 2019; and
  - Thematic review for compliance with IFRS 9 and 15.
- Considered the effectiveness of internal audit, approved the one-year internal audit plan and monitored the adherence of internal audit to its annual plan.
- Held meetings with the internal and external auditors where management was not present, as well as with the CAE. No matters of concern were raised.
- Reviewed reports of the ICT steering committee and group ICT executive concerning the effectiveness, suitability and reliability of the information and technology systems and processes and made appropriate recommendations to the board regarding the corrective actions to be taken.
- Considered reports provided by management regarding compliance with legal and regulatory requirements, environmental compliance, as well as open legal matters, to ensure that all matters which could have a material impact on the group have been reported to the board.
- Considered complaints 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 operates efficiently. Where weaknesses were identified in specific controls, management undertook to implement appropriate corrective actions to address this, as well as to ensure that weaknesses identified previously had been corrected.

Specific 2020 focus areas

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

- Considered the financial implications of the depressed economic environment and the effects of Covid-19, as well as the cyclical imbalance in global polymer supply and demand. This included the review of the following:
  - the group's going concern assessment;
  - solvency and liquidity impact of the group's debt serviceability ratios, as well as the projected net debt levels relative to available facilities; and
  - consideration of Covid-19 impact on accounting treatments.
- Impairment of goodwill, indefinite useful life intangible assets and property, plant and equipment.
- The Competition Commission matter regarding PG Bison Proprietary Limited.
- Review of new and amended accounting standards, including the adoption and application of IFRS 16 – *Leases*.

Internal audit

The group's internal auditors operate in terms of an internal audit charter under the direction of the committee, which approves the scope of the work to be performed. The internal audit charter was refined during the year under review, with a focus on role clarification, as well as the responsibilities and authority of the internal audit function.

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

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

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

External audit

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, in consultation with executive management, has agreed to the audit fee for the 2020 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Audit fees are disclosed in note 6 to the annual financial statements.

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

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

The committee assessed the suitability of Deloitte & Touche ('Deloitte') in terms of paragraph 22.15(h) of the JSE Listings Requirements. The committee has satisfied itself that the audit firm and designated auditor are accredited and do not appear on the JSE list of disqualified auditors. An overall satisfactory finding was recorded for both Deloitte and the designated auditor relating to the System of Quality Control External Inspection conducted by the Independent Regulatory Board for Auditors ('IRBA').

The committee further satisfied itself that Deloitte was independent of the company, which includes consideration of compliance with criteria relating to independence proposed by IRBA.

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

The committee was of the opinion that Deloitte and the designated auditor had fulfilled all prerequisites for re-appointment and recommended that Deloitte be re-appointed as the independent external audit firm of the group (17th term) and that Dr D Steyn be appointed as the audit engagement partner responsible to lead the audit (5th term) for the 2021 financial year, subject to shareholder approval at the company's forthcoming AGM.

Audit firm rotation

The committee considered and agreed to embark on a tender process for external audit services during the 2021 financial year, with a view to change the company's external auditor for the 2022 financial year ahead of the mandatory auditor rotation date in 2023.

Key audit matters

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

- Impairment of goodwill and indefinite useful life intangible assets;
- Impairment of the Safripol Durban polyethylene terephthalate ('PET') plant;
- Valuation of timber plantation biological assets; and
- Transition from IAS 17 – *Leases* to IFRS 16 – *Leases*.

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 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. The committee further considered the written assessment prepared by the CAE, which provided reasonable assurance that the overall system of internal controls in the group is acceptable. The committee considers the group's accounting policies, practices and annual financial statements to be appropriate.

Fraud prevention

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

Annual financial statements

The committee has evaluated the annual financial statements for the year ended 30 June 2020 and considers that it complies, in all material aspects, with the requirements of the Companies Act, International Financial Reporting Standards and the JSE Listings Requirements. The committee has therefore recommended the annual financial statements to the board for approval. The board has subsequently approved the annual financial statements, which will be presented to shareholders at the forthcoming AGM.

Evaluation of chief financial officer

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

Performance assessment of the committee

During the year under review, the committee reflected on the results of its prior year performance self-assessments. No material concerns were identified except succession planning, which has since been addressed by the appointment of two new members.

Patrick Quarmby
Audit and risk committee chairman

19 August 2020

INCOME STATEMENT

for the year ended 30 June 2020

	Notes	2020 Rm	2019 Rm
Continuing operations			
Revenue	3	**22 166**	25 602
Cost of revenue		**(18 892)**	(20 906)
Gross profit		**3 274**	4 696
Selling and distribution expenses		**(580)**	(700)
Other operating expenses		**(1 414)**	(1 575)
Other income	4	**67**	302
Operating profit before B-BBEE[1] cost and capital items		**1 347**	2 723
B-BBEE[1] cost	25.2	**(3)**	(196)
Operating profit before capital items		**1 344**	2 527
Capital items	5	**(3 284)**	(144)
Operating (loss)/profit	6	**(1 940)**	2 383
Finance costs	7	**(699)**	(770)
Income from investments	8	**23**	63
Share of profit of associate and joint venture companies	18	**21**	30
(Loss)/profit before taxation		**(2 595)**	1 706
Taxation	9	**471**	(533)
(Loss)/profit for the year from continuing operations		**(2 124)**	1 173
Discontinued operations			
Loss for the year from discontinued operations	10	**(21)**	(83)
(Loss)/profit for the year		**(2 145)**	1 090
(Loss)/profit attributable to:			
Owners of the parent		**(2 190)**	1 033
(Loss)/profit for the year from continuing operations		**(2 169)**	1 116
Loss for the year from discontinued operations		**(21)**	(83)
Non-controlling interests	26	**45**	57
Profit for the year from continuing operations		**45**	57
(Loss)/profit for the year		**(2 145)**	1 090

(Loss)/earnings per share attributable to equity holders of the company[2]	Notes	cents	cents
Basic (loss)/earnings per share	11	**(82.5)**	41.4
Diluted (loss)/earnings per share	11	**(82.4)**	41.3

[1] *Broad-based black economic empowerment.*
[2] *From continuing operations.*

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2020

	2020 Rm	2019 Rm
(Loss)/profit for the year	**(2 145)**	1 090
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**119**	(9)
Total other comprehensive income/(loss) for the year, net of taxation	**119**	(9)
Total comprehensive (loss)/income for the year, net of taxation	**(2 026)**	1 081
Total comprehensive (loss)/income attributable to:		
Owners of the parent	**(2 074)**	1 024
Non-controlling interests	**48**	57
Profit for the year	**45**	57
Foreign currency translation reserve transferred to non-controlling interests	**3**	–
Total comprehensive (loss)/income for the year	**(2 026)**	1 081

STATEMENT OF FINANCIAL POSITION

for the year ended 30 June 2020

	Notes	2020 Rm	2019 Rm
ASSETS			
Non-current assets			
Goodwill	12	**641**	1 246
Intangible assets	13	**2 046**	3 996
Property, plant and equipment	14	**12 623**	12 524
Investment property	15	**7**	12
Right-of-use assets	16	**438**	–
Consumable biological assets	17	**1 754**	1 900
Investments in associate and joint venture companies	18	**77**	75
Investments and loans receivable	19	**1**	2
Deferred taxation assets	20	**49**	46
Inventories	21	**35**	62
		17 671	19 863
Current assets			
Inventories	21	**2 262**	2 376
Trade and other receivables	22	**3 367**	3 950
Loans receivable	19	**2**	13
Taxation receivable		**58**	49
Cash and cash equivalents		**1 001**	1 785
		6 690	8 173
Assets held for sale	23	**–**	68
		6 690	8 241
Total assets		**24 361**	28 104
EQUITY AND LIABILITIES			
Capital and reserves			
Stated share capital[1]	24	**8 364**	8 908
Reserves		**1 202**	3 917
Total equity attributable to owners of the parent		**9 566**	12 825
Non-controlling interests	26	**204**	217
Total equity		**9 770**	13 042
Non-current liabilities			
Loans and borrowings	27	**5 309**	5 013
Lease liabilities	28	**363**	–
Operating lease liabilities		**–**	5
Employee benefits	29	**30**	45
Provisions	30	**2**	16
Deferred taxation liabilities	20	**2 715**	3 389
		8 419	8 468
Current liabilities			
Loans and borrowings	27	**2 295**	1 298
Lease liabilities	28	**103**	–
Employee benefits	29	**175**	287
Provisions	30	**70**	94
Trade and other payables	31	**3 476**	4 809
Taxation payable		**36**	60
Bank overdrafts and short-term facilities		**17**	–
		6 172	6 548
Liabilities held for sale	23	**–**	46
		6 172	6 594
Total equity and liabilities		**24 361**	28 104

[1] *Net of treasury shares.*

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2020

	Notes	Stated share capital[1] Rm	Distributable reserves Rm	Share-based payment reserve Rm	Reverse acquisition reserve Rm	Other reserves Rm	Total equity attributable to owners of the parent Rm	Non-controlling interests Rm	Total Rm
Balance at 30 June 2018		8 791	6 905	292	(3 952)	119	12 155	322	12 477
Recognition of expected credit losses under IFRS 9		–	(23)	–	–	–	(23)	–	(23)
Adjusted balance at 1 July 2018		8 791	6 882	292	(3 952)	119	12 132	322	12 454
Ordinary shares issued		117	–	–	–	–	117	–	117
Total comprehensive income for the year		–	1 033	–	–	(9)	1 024	57	1 081
Profit for the year		–	1 033	–	–	–	1 033	57	1 090
Other comprehensive loss for the year		–	–	–	–	(9)	(9)	–	(9)
Ordinary dividends paid		–	(618)	–	–	–	(618)	(38)	(656)
Share-based payments expense	25	–	–	205	–	–	205	–	205
Deferred taxation	20.1	–	–	(4)	–	–	(4)	–	(4)
Transfer between reserves		–	31	(9)	–	(22)	–	–	–
Net effect of shares bought from non-controlling shareholder		–	(31)	–	–	–	(31)	(124)	(155)
Balance at 30 June 2019		**8 908**	**7 297**	**484**	**(3 952)**	**88**	**12 825**	**217**	**13 042**
Recognition of leases under IFRS 16		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Adjusted balance at 1 July 2019		**8 908**	**7 297**	**484**	**(3 952)**	**88**	**12 825**	**217**	**13 042**
Ordinary shares repurchased and held as treasury shares		**(176)**	**–**	**–**	**–**	**–**	**(176)**	**–**	**(176)**
Ordinary shares repurchased and cancelled		**(368)**	**–**	**–**	**–**	**–**	**(368)**	**–**	**(368)**
Total comprehensive (loss)/income for the year		**–**	**(2 190)**	**–**	**–**	**116**	**(2 074)**	**48**	**(2 026)**
(Loss)/income for the year		**–**	**(2 190)**	**–**	**–**	**–**	**(2 190)**	**45**	**(2 145)**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**116**	**116**	**3**	**119**
Ordinary dividends paid		**–**	**(619)**	**–**	**–**	**–**	**(619)**	**(55)**	**(674)**
Share-based payments expense	25	**–**	**–**	**(28)**	**–**	**–**	**(28)**	**–**	**(28)**
Deferred taxation	20.1	**–**	**–**	**1**	**–**	**–**	**1**	**–**	**1**
Net effect of shares bought from non-controlling shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**(9)**	**(9)**
Other reserve movements		**–**	**5**	**–**	**–**	**–**	**5**	**3**	**8**
Balance at 30 June 2020		**8 364**	**4 493**	**457**	**(3 952)**	**204**	**9 566**	**204**	**9 770**

[1] *Net of treasury shares.*

STATEMENT OF CASH FLOWS

for the year ended 30 June 2020

	Notes	2020 Rm	2019 Rm
Cash flows from operating activities			
Cash generated from operations	33	**2 076**	4 033
Dividends received		**16**	18
Income from investments		**25**	63
Finance costs paid		**(710)**	(780)
Dividends paid		**(674)**	(656)
Taxation paid		**(259)**	(209)
Net cash inflow from operating activities		**474**	2 469
Cash flows from investing activities			
Additions to property, plant and equipment		**(2 048)**	(1 415)
Additions to intangible assets		**(14)**	(14)
Additions to consumable biological assets		**(3)**	(1)
Proceeds on disposal of property, plant and equipment		**122**	143
Proceeds on disposal of investment property		**–**	3
Net cash outflow on acquisition of businesses	34	**(30)**	–
Net cash inflow on disposal of subsidiaries and businesses	35	**17**	101
Net decrease in investments in associate and joint venture companies		**3**	13
Decrease in long-term investments and loans receivable		**7**	9
Increase in short-term loans receivable		**(7)**	(19)
Government grants received		**9**	29
Insurance proceeds		**5**	9
Net cash outflow from investing activities		**(1 939)**	(1 142)
Cash flows from financing activities			
Shares repurchased		**(544)**	–
Transactions with non-controlling interests		**–**	(82)
Increase in long-term loans and borrowings	27	**1 651**	870
Decrease in short-term loans and borrowings	27	**(367)**	(2 480)
Decrease in lease liabilities	28	**(101)**	–
Increase in bank overdrafts and short-term facilities	27	**17**	–
Net cash inflow/(outflow) from financing activities		**656**	(1 692)
Net decrease in cash and cash equivalents		**(809)**	(365)
Cash and cash equivalents at beginning of the year		**1 785**	2 151
Effects of exchange rate translations on cash and cash equivalents		**25**	(1)
Cash and cash equivalents at end of the year		**1 001**	1 785

SEGMENTAL ANALYSIS
for the year ended 30 June 2020

Basis of segmental presentation

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

Identification of segments

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

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

Operational segments

Diversified industrial

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

Diversified chemical

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

Diversified logistics

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

Major customers

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

SEGMENTAL ANALYSIS continued

for the year ended 30 June 2020

	2020 Rm	2019 Rm
Continuing operations		
Revenue		
Diversified industrial	**6 205**	7 777
Integrated Timber	**3 208**	4 031
Automotive Components	**1 725**	2 202
Integrated Bedding	**1 286**	1 551
Interdivisional revenue eliminations	**(14)**	(7)
Diversified chemical	**7 301**	8 690
Polymers	**7 301**	8 690
Diversified logistics	**8 967**	9 433
Contractual Logistics – South Africa	**4 954**	5 144
Contractual Logistics – Africa	**1 865**	2 011
Passenger Transport	**2 179**	2 382
Interdivisional revenue eliminations	**(31)**	(104)
	22 473	25 900
Intersegmental revenue eliminations	**(307)**	(298)
	22 166	25 602
Operating profit before depreciation, amortisation and capital items		
Diversified industrial	**894**	1 574
Integrated Timber	**488**	962
Automotive Components	**184**	336
Integrated Bedding	**222**	276
Diversified chemical	**344**	910
Polymers	**344**	910
Diversified logistics	**1 467**	1 424
Contractual Logistics – South Africa	**654**	560
Contractual Logistics – Africa	**444**	465
Passenger Transport	**369**	399
Corporate, consolidation and elimination	**5**	1
	2 710	3 909
B-BBEE cost	**(3)**	(196)
	2 707	3 713
Operating profit before capital items		
Diversified industrial	**582**	1 311
Integrated Timber	**323**	806
Automotive Components	**88**	266
Integrated Bedding	**171**	239
Diversified chemical	**160**	751
Polymers	**160**	751
Diversified logistics	**605**	661
Contractual Logistics – South Africa	**225**	161
Contractual Logistics – Africa	**214**	283
Passenger Transport	**166**	217
	1 347	2 723
B-BBEE cost	**(3)**	(196)
	1 344	2 527

SEGMENTAL ANALYSIS continued

for the year ended 30 June 2020

	2020 Rm	2019 Rm
Operating assets		
Diversified industrial	**9 176**	9 686
Integrated Timber	**6 382**	6 481
Automotive Components	**1 304**	1 695
Integrated Bedding	**1 491**	1 511
Interdivisional eliminations	**(1)**	(1)
Diversified chemical	**5 935**	8 873
Polymers	**5 935**	8 873
Diversified logistics	**8 153**	7 549
Contractual Logistics – South Africa	**4 452**	4 015
Contractual Logistics – Africa	**2 413**	2 143
Passenger Transport	**1 320**	1 423
Interdivisional eliminations	**(32)**	(32)
Corporate, consolidation and elimination	**(91)**	(42)
	23 173	26 066
Operating liabilities		
Diversified industrial	**1 039**	1 575
Integrated Timber	**561**	822
Automotive Components	**293**	479
Integrated Bedding	**186**	275
Interdivisional eliminations	**(1)**	(1)
Diversified chemical	**1 474**	2 140
Polymers	**1 474**	2 140
Diversified logistics	**1 121**	1 474
Contractual Logistics – South Africa	**678**	866
Contractual Logistics – Africa	**249**	289
Passenger Transport	**226**	351
Interdivisional eliminations	**(32)**	(32)
Corporate, consolidation and elimination	**119**	67
	3 753	5 256

SEGMENTAL ANALYSIS continued

for the year ended 30 June 2020

	2020 Rm	2019 Rm
Net operating assets		
Diversified industrial	**8 137**	8 111
Integrated Timber	**5 821**	5 659
Automotive Components	**1 011**	1 216
Integrated Bedding	**1 305**	1 236
Diversified chemical	**4 461**	6 733
Polymers	**4 461**	6 733
Diversified logistics	**7 032**	6 075
Contractual Logistics – South Africa	**3 774**	3 149
Contractual Logistics – Africa	**2 164**	1 854
Passenger Transport	**1 094**	1 072
Corporate consolidation and elimination	**(210)**	(109)
	19 420	20 810
Operating assets includes the following:		
Goodwill	**641**	1 246
Intangible assets	**2 046**	3 996
Property plant and equipment	**12 623**	12 524
Investment property	**7**	12
Right–of–use assets	**438**	–
Consumable biological assets	**1 754**	1 900
Inventories	**2 297**	2 438
Trade and other receivables	**3 367**	3 950
Operating assets	**23 173**	26 066
Operating liabilities includes the following:		
Operating lease liabilities	**–**	5
Employee benefits	**205**	332
Provisions	**72**	110
Trade and other payables	**3 476**	4 809
Operating liabilities	**3 753**	5 256

ACCOUNTING POLICIES

for the year ended 30 June 2020

KAP is a South African registered company. The consolidated annual financial statements of KAP Industrial Holdings Limited ('KAP' or 'the company') for the year ended 30 June 2020, comprise KAP, its subsidiaries and the group's interest in associate companies and joint venture companies ('the group').

Statement of compliance

The consolidated 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 2020, SAICA *Financial Reporting Guides* as issued by the Accounting Practices Committee, financial pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act, No. 71 of 2008, the Listings Requirements of the JSE Limited as required for annual financial statements, and have been audited in compliance with all the requirements of section 29(1) of the South African Companies Act, as required.

Basis of preparation

The consolidated 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 consolidated 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 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 takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated 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 IAS 17 – *Leases* (applicable before 1 July 2019), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 – *Inventories* or value in use in IAS 36 – *Impairment of Assets*.

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

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

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

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

Basis of consolidation

Subsidiaries

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

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

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

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

Associate companies

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

If the ownership interest in an associate 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 companies is not eliminated.

Joint arrangements

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

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

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

Common control transactions and premiums and discounts arising on subsequent purchases from, or sales to non-controlling interests in subsidiaries

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

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill arising on the acquisition of a subsidiary, associate company or joint venture company represents the excess of:

- the aggregate consideration transferred,
- non-controlling interest in the acquiree and in business combinations achieved in stages, and
- the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree,

over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate company or joint venture company recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. An impairment loss in respect of goodwill is not reversed.

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

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

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

Intangible assets

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

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

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 of materials, direct labour, the initial estimate, where relevant, of the cost of dismantling and removing the items and restoring the site on which they are located, borrowing costs capitalised and an appropriate proportion of production overheads that is directly attributable to bringing the asset in use. Capitalisation of costs ceases when the assets are substantially ready for their intended use or sale and in their intended location.

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

Subsequent costs

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

Depreciation

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

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

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

Investment property

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

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

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

Leases

Leases recognised under IFRS 16 (applicable from 1 July 2019)

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 respect to all lease arrangements in which it is the lessee, except for 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 payments 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 is unpaid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

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

The right-of-use asset is recognised when the asset is available for use and comprises the initial measurement of the corresponding lease liability, less any lease incentives received and any initial direct costs. They are 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 – *Impairments* 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 that do not depend on an index or rate are not included in 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.

- For rent concessions received as a result of the Covid-19 pandemic, the group has elected not to treat the rent concessions 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 and loss on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are expenses as incurred.

Leases recognised under IAS 17 (applicable before 1 July 2019)

The group as lessee

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

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

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

All other leases were classified as operating leases. Payments under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease.

The group as lessor

Leases for which the group is a lessor were 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 was classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases was recognised in profit and loss on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease were expenses as incurred.

Consumable biological assets

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

Borrowing costs

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

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

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

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

Impairment of tangible and intangible assets other than goodwill

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

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

Calculation of recoverable amount

The recoverable amount is the greater of an asset's fair value less costs to sell and value in use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a 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 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 whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are recognised by deducting the grant in calculating the carrying amount of the asset, in which case the grant is recognised in profit and loss over the life of the depreciable asset by way of a reduced depreciation expense.

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

Taxation

Current taxation

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

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

Deferred taxation

Deferred taxation is provided for using the statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used in the computation of taxable income. The following temporary differences are not provided for:

- goodwill not deductible for taxation purposes;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

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

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

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

Inventories

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

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

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

Non-current assets held for sale and discontinued operations

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

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

Treasury shares

Shares in the company held by wholly owned group companies are classified as treasury shares. These shares are treated as a deduction from the issued and weighted average number of shares and the cost price of the shares is deducted from group equity. Dividends received on treasury shares are eliminated on consolidation. No gains or losses are recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

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 upon which the instruments are granted. The amount recognised as an expense is adjusted to reflect the actual number of the share rights that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

Group share-based payment transactions

Transactions in which a parent grants rights to its equity instruments directly to the employees of its subsidiaries are classified as equity-settled in the 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 upon initial recognition:

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

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

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

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

Provisions and contingent liabilities

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

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

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

Onerous contracts

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

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

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

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

Financial instruments

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 group's statement of financial position when the group becomes a party to the contractual provisions of the instrument. All financial instruments are initially recognised at fair value, including transaction costs that are incremental to the group and directly attributable to the acquisition or issue of the financial asset or financial liability, except for those classified as fair value through profit or loss ('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 either at amortised cost or 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, selling the financial assets, or both.

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 amortise cost or FVTPL. Financial liabilities are classified at FVTPL when the financial liability is:

- held for trading; or
- designated at FVTPL.

Subsequent measurement

Financial assets

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

Financial liabilities

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

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest 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 or losses recognised in profit or loss to the extent that they are not part of a designated hedging relationship. For financial assets, the net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets

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

Write-off policy

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

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default ('PD'), loss given default ('LGD') (i.e. the magnitude of the loss if there is a default) and the exposure at default ('EAD'). The assessment of the 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 value added tax, returns, rebates, discounts and other allowances and after eliminating sales within the group.

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

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

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

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

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

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

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

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

The basis of segmental allocation is determined as follows:

- Segment 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 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.

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 assets

Goodwill, property, plant and equipment, investment property, right-of-use assets and intangible assets that have an indefinite useful life and intangible assets that are not yet ready for use are assessed annually for impairment. The significant assumptions and estimates used in the determination of the recoverable amount are detailed in notes 12 to 16.

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

Accounting for the Broad-based black economic empowerment transaction

The significant assumptions and estimates are detailed in note 25.

1.2 Other judgements and estimates

Useful lives and residual values

The estimated useful lives and residual values are reviewed annually, taking cognisance of the forecasted commercial and economic realities, by benchmarking accounting treatments in the specific industries where these assets are used. The estimated useful lives for intangible assets with a finite life and property, plant and equipment are detailed in notes 13 and 14.

Leases

In determining the lease term, the group considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included if the lease is reasonably certain to be extended.

Lease payments are discounted using the incremental borrowing rate. The incremental borrowing rate for leases is determined based on the KAP 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. The incremental borrowing rates are detailed in note 28.

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 external expert advisors in the accounting and share-based payment advisory industry. The critical assumptions used in the valuation model are detailed in note 25.

Post-employment benefit obligations

In applying its judgement to defined benefit plans, management consulted external expert advisors in the accounting and post-employment benefit obligation industry. The critical estimates used in each benefit plan are detailed in note 29.

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

1.2 Other judgements and estimates (continued)

Credit impairment against advances and IFRS 9 – estimate credit losses ('ECL')

Significant judgement is required in assessing the impairment of trade and other receivables in terms of the new requirements of IFRS 9 relating to expected credit loss. The significant judgements applied in determining the impairment include the expected realisable value of the collateral securing the advance, the probability that an advance will default (probability of default ('PD')), credit risk changes (significant increase in credit risk ('SICR')), the size of credit exposures (exposure at default ('EAD')), and the expected loss on default (loss given default ('LGD')). The method and assumptions used to calculate the ECL are detailed in note 37.

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/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 2019.

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

IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IAS 12	Recognition of income tax consequences of dividends
Amendments to IAS 23	Clarification on what is included in the general borrowings pool used to calculate eligible borrowings

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

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. There was no adjustment to the group's opening retained earnings balance on 1 July 2019. The group has reassessed all leases to determine if it meets the definition of a lease in terms of IFRS 16.

At transition, the group recognised a lease liability and a corresponding right-of-use asset for leases that were previously classified as operating leases under IAS 17. 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 incremental borrowing rates applied to lease liabilities on 1 July 2019 ranged between 8.50% and 12.25%. In addition, the transition option to recognise the right-of-use asset as equal to the lease liability at 1 July 2019, adjusted by any prepaid or accrued lease payments recognised in the statement of financial position immediately before the date of initial application, has been applied.

In applying IFRS 16 for the first time, the group has elected the following practical expedients permitted by the standard:

- Leases with lease terms ending within 12 months have 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.
- The group does not separate lease and non-lease components, and accounts for both as a single lease component.

2. New/revised accounting pronouncements (continued)

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

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 on a straight-line basis as permitted by IFRS 16.

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

Until 30 June 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date when the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period which results in a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

	30 June 2019 Rm	IFRS 16 take-on adjustment Rm	1 July 2019 Rm
Non-current assets			
Right-of-use assets	–	395	**395**
Non-current liabilities			
Lease liabilities	–	322	**322**
Operating lease liabilities	5	(5)	**–**
Provisions	16	(1)	**15**
Current liabilities			
Provisions	94	(1)	**93**
Trade and other payables	4 809	(4)	**4 805**
Lease liabilities	–	84	**84**

Applying IFRS 16, the group:

- recognised right-of-use assets and the related lease liabilities;
- derecognised the operating lease liabilities of R9 million, of which R4 million was included in trade and other payables; and
- derecognised the onerous lease provisions of R2 million related to the leases capitalised.

The adoption of IFRS 16 had no impact on the group's ability to comply with financial covenants.

Lessor accounting remains unchanged following the adoption of IFRS 16.

The right-of-use asset recognised on 1 July 2019 per class of asset and segment is presented below.

	Land and buildings Rm	Plant and machinery Rm	Total 1 Jul 2019 Rm
Right-of-use assets			
Diversified industrial	45	12	**57**
Integrated Timber	1	8	**9**
Automotive Components	32	2	**34**
Integrated Bedding	12	2	**14**
Diversified chemical	51	133	**184**
Polymers	51	133	**184**
Diversified logistics	126	11	**137**
Contractual Logistics – South Africa	57	11	**68**
Contractual Logistics – Africa	10	–	**10**
Passenger Transport	59	–	**59**
Corporate, consolidation and elimination	17	–	**17**
	239	156	**395**

2. New/revised accounting pronouncements (continued)

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

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 July 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 proportion of lease liabilities	**322**

2.3 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 2020 and earlier application is permitted. However, the company has not early adopted the amended standards in preparing these annual financial statements. The following amended standards are not expected to have a material impact on the annual financial statements due to the nature of the group's business:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 – Definition of a Business
- Amendments to IAS 1 and 8 – Definition of Material
- Amendments to IAS 1 – Classification of Liabilities as Current and Non-current
- Amendment to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

3. Revenue

	Goods Rm	Services Rm	Total Rm
Continuing operations			
2020			
Integrated Timber	**3 617**	**–**	**3 617**
Automotive Components	**1 725**	**–**	**1 725**
Integrated Bedding	**1 446**	**–**	**1 446**
Polymers	**7 381**	**–**	**7 381**
Contractual Logistics – South Africa	**98**	**4 856**	**4 954**
Contractual Logistics – Africa	**–**	**1 865**	**1 865**
Passenger Transport	**–**	**2 179**	**2 179**
Gross revenue	**14 267**	**8 900**	**23 167**
Variable consideration	**(649)**	**–**	**(649)**
Intergroup elimination	**(30)**	**(322)**	**(352)**
	13 588	**8 578**	**22 166**
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

3. Revenue (continued)

The following payment terms are generally applicable in the group:

- Sale of goods: 0 to 90 days; and
- Sale of services: 0 to 30 days.

		2020 Rm	2019 Rm
3.1	**Geographic distribution of the group's revenue**		
	South Africa	**18 590**	21 036
	Rest of Africa	**2 838**	2 916
	Europe	**126**	194
	Middle East	**94**	174
	Asia	**1**	89
	Australasia	**8**	128
	Americas	**509**	1 065
		22 166	25 602
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	**1 426**	1 169
	Within two to five years	**2 475**	2 527
	Thereafter	**578**	697
		4 479	4 393

In the event that consideration from long-term contracts comprise a fixed and variable portion, the fixed portion of the consideration is included in the amounts presented above. The variable portion of these contracts depends on usage and is constrained. Where possible, the group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

	2020 Rm	2019 Rm
4. Other income		
Continuing operations		
4.1 Net fair value gain on consumable biological assets (note 17)		
Fair value gain on timber plantations	**6**	212
Fair value loss on timber plantations due to fire	**(8)**	(24)
Fair value gain/(loss) on livestock	**8**	(9)
	6	179
4.2 Net foreign exchange (losses)/gains		
Net gains/(losses) on forward exchange contracts	**11**	(24)
Net (losses)/gains on conversion of monetary assets and liabilities – realised	**(11)**	46
Net losses on conversion of monetary assets and liabilities – unrealised	**(12)**	(9)
	(12)	13
4.3 Other		
Government grants received	**17**	25
Insurance income	**14**	40
Rental of properties	**18**	16
Scrap sales	**10**	14
Other	**14**	15
	73	110
	67	302

	Gross 2020 Rm	Net[1] 2020 Rm	Gross 2019 Rm	Net[1] 2019 Rm
5. 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:				
Impairments	**3 255**	**2 537**	132	111
Goodwill	**617**	**617**	37	37
Intangible assets	**1 959**	**1 425**	74	59
Property, plant and equipment	**674**	**490**	21	15
Investment property	**5**	**5**	–	–
Disposals	**34**	**24**	21	15
Property, plant and equipment	**34**	**24**	20	14
Investment property	**–**	**–**	1	1
Other	**(5)**	**(4)**	(9)	(5)
	3 284	**2 557**	144	121

[1] *Net is the value after the impact of taxation and non-controlling interest.*

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.

	Notes	2020 Rm	2019 Rm
6. Operating (loss)/profit			
Continuing operations			
Operating (loss)/profit is stated after taking account of the following items:			
6.1 Amortisation and depreciation			
Amortisation	13	**28**	34
Depreciation		**1 335**	1 152
Property, plant and equipment	14	**1 217**	1 152
Right-of-use-assets	16	**118**	–
		1 363	1 186
Recognised in:			
Cost of revenue		**1 242**	1 096
Selling and distribution expenses		**19**	9
Other operating expenses		**102**	81
		1 363	1 186
6.2 Auditor's remuneration			
Audit fees		**28**	26
Fees for other services		**3**	2
		31	28
6.3 Personnel expenses			
Retirement benefit contributions		**278**	296
Defined contribution plans		**268**	286
State-managed plans		**10**	10
Salaries and wages		**4 005**	4 128
Share-based payments – equity-settled	25.1	**(31)**	9
		4 252	4 433
6.4 Operating lease charges			
Properties		**–**	162
Plant and equipment		**–**	110
		–	272
6.5 Lease expenses			
Short-term leases		**287**	–
Low value assets		**3**	–
Variable lease payments[1]		**(1)**	–
		289	–
6.6 Impairment losses on financial instruments			
Loss allowance reversed on loans receivable	37.2.2	**7**	–
Loss allowance recognised on trade and other receivables	37.2.2	**16**	6
		23	6

[1] *Includes R1 million savings resulting from Covid-19 rent concessions received.*

	2020 Rm	2019 Rm
7. Finance costs		
Continuing operations		
Bank overdraft and short-term facilities	**25**	9
Lease liabilities	**43**	–
Senior unsecured listed notes	**463**	539
Syndicated revolving credit loan	**5**	–
Term loans	**70**	150
Vehicle and asset finance	**79**	49
Related-party (note 36)	**2**	3
Other	**19**	23
Less: Borrowing cost capitalised (note 14)	**(7)**	(3)
	699	770

	2020 Rm	2019 Rm
8. Income from investments		
Continuing operations		
Bank balances and short-term deposits	**13**	49
Related-party (note 36)	**–**	1
Other	**10**	13
	23	63

	2020 Rm	2019 Rm
9. Taxation		
Continuing operations		
9.1 Taxation (benefit)/expense		
Normal taxation		
South African normal taxation – current year	**154**	131
South African normal taxation – prior year	**(10)**	(2)
Foreign normal taxation – current year	**82**	132
South African normal taxation – prior year	**–**	(2)
	226	259
Deferred taxation		
South African deferred taxation – current year	**(705)**	283
South African deferred taxation – prior year	**3**	(10)
Foreign deferred taxation – current year	**6**	(1)
Foreign deferred taxation – prior year	**(1)**	2
	(697)	274
	(471)	533

	%	%
9.2 Reconciliation of rate of taxation		
Standard rate of taxation	**(28.0)**	28.0
Effect of different statutory taxation rates of subsidiaries in other jurisdictions	**–**	(0.6)
Effect of profit of associate and joint venture companies	**(0.2)**	(0.5)
Prior year adjustments	**(0.3)**	(0.7)
Withholding taxes	**0.5**	1.1
Tax-exempt income	**–**	(0.7)
Non-deductible expenditure	**0.9**	1.5
Impairments	**7.4**	1.1
B-BBEE cost[1]	**–**	3.2
Government incentives	**(0.2)**	(0.1)
Learnership allowances	**(0.3)**	(0.6)
Other[2]	**2.0**	(0.5)
Effective rate of taxation	**(18.2)**	31.2

[1] *The current year taxation impact of the B-BBEE cost of R3 million does not reflect due to rounding (2019: R196 million).*
[2] *Included in other is a provision of R68 million raised as a result of the possible disallowance of government grants claimed in prior years.*

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

10. Discontinued operations

10.1 Discontinuation of Glodina and Autovest division

Effective 1 December 2019, KAP Automotive Proprietary Limited disposed of the Autovest division, which manufactures and retails various aftermarket vehicle accessories. Autovest previously formed part of the Automotive Component division in the segmental analysis.

In the prior year, Glodina a division of Vitafoam Proprietary Limited ('Glodina') was reported as a discontinued operation. KAP concluded the disposal of Glodina on 3 September 2018.

10.2 Analysis of loss for the year from discontinued operations

The results of the discontinued operations included in the income statement are set out below:

	Notes	2020 Rm	2019 Rm
Revenue		**60**	197
Cost of revenue		**(59)**	(204)
Gross profit/(loss)		**1**	(7)
Selling and distribution expenses		**(11)**	(35)
Other operating expenses		**(22)**	(50)
Other income		**2**	10
Operating loss before capital items		**(30)**	(82)
Capital items	10.3	**8**	(5)
Operating loss	10.4	**(22)**	(87)
Finance costs		**(4)**	(9)
Income from investments		**2**	2
Loss before taxation		**(24)**	(94)
Taxation		**3**	11
Loss for the year from discontinued operations		**(21)**	(83)
Loss from discontinued operations attributable to:			
Owners of the parent		**(21)**	(83)

10.3 Capital items for the year from discontinued operations

Items of a capital nature are included in the 'capital items' line. These expense/(income) items are:

	Gross 2020 Rm	Net[1] 2020 Rm	Gross 2019 Rm	Net[1] 2019 Rm
Impairments	**(5)**	**(4)**	31	22
Intangible assets	**(6)**	**(5)**	24	17
Property, plant and equipment	**(1)**	**–**	7	5
Right-of-use assets	**2**	**1**	–	–
Disposals	**(2)**	**(1)**	(26)	(20)
Property, plant and equipment	**(2)**	**(1)**	(1)	–
Subsidiaries and businesses	**–**	**–**	(25)	(20)
Other	**(1)**	**(1)**	–	–
	(8)	**(6)**	5	2

[1] *Net is the value after the impact of taxation and non-controlling interest.*

	2020 Rm	2019 Rm
10. Discontinued operations (continued)		
10.4 Operating loss from discontinued operations		
Operating loss is stated after taking account of the following items:		
Other income		
Government grants received	–	2
Scrap sales	–	1
Other	2	7
	2	10
Amortisation and depreciation		
Amortisation	–	1
Depreciation	2	3
Property, plant and equipment	1	3
Right-of-use-assets	1	–
	2	4
Recognised in:		
Cost of revenue	1	2
Other operating expenses	1	2
	2	4
Personnel expenses		
Retirement benefit contributions	1	3
Defined contribution plans	1	3
Salaries and wages	20	51
	21	54
Operating lease charges		
Properties	–	7
Lease expenses		
Short-term leases	2	–
Impairment losses on financial instruments		
Loss allowance recognised on loans receivable	10	11
Loss allowance (reversed)/recognised on trade and other receivables	(7)	15
	3	26
10.5 Cash (outflow)/inflow from discontinued operations		
Net cash outflow from operating activities	(19)	(154)
Net cash inflow from investing activities	14	93
Net cash inflow from financing activities	2	63
	(3)	2

		2020 cents	2019 cents
11.	**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 (loss)/earnings per share	**(83.3)**	38.3
	From continuing operations	**(82.5)**	41.4
	From discontinued operations	**(0.8)**	(3.1)
	Diluted (loss)/earnings per share	**(83.2)**	38.2
	From continuing operations	**(82.4)**	41.3
	From discontinued operations	**(0.8)**	(3.1)
	Headline earnings per share	**13.7**	42.9
	From continuing operations	**14.8**	45.9
	From discontinued operations	**(1.1)**	(3.0)
	Diluted headline earnings per share	**13.7**	42.8
	From continuing operations	**14.7**	45.8
	From discontinued operations	**(1.0)**	(3.0)
	Core headline earnings per share from continuing operations	**14.9**	53.2
	Headline earnings per share	**14.8**	45.9
	B-BBEE cost	**0.1**	7.3
	Net asset value per share	**372**	474

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.

Core headline earnings per share are calculated by dividing the headline earnings, adjusted for B-BBEE cost, by the weighted average number of shares in issue during the year. Core headline earnings are specific to the group and are not required in terms of IFRS or the JSE Listings Requirements.

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.

		2020 million	2019 million
11.1	**Weighted average number of ordinary shares**		
	Issued ordinary shares at beginning of the year	**2 704**	2 678
	Effect of shares repurchased and cancelled	**(47)**	–
	Effect of shares repurchased and held as treasury shares	**(27)**	–
	Effect of shares issued	**–**	18
	Weighted average number of ordinary shares	**2 630**	2 696
	Potential dilutive effect of share rights granted	**2**	7
	Diluted weighted average number of ordinary shares	**2 632**	2 703

	2020 Rm	2019 Rm
11. Earnings (continued)		
11.2 Basic and diluted (losses)/earnings attributable to owners of the parent		
Basic and diluted (losses)/earnings from continuing operations	**(2 169)**	1 116
Basic and diluted losses from discontinued operations	**(21)**	(83)
	(2 190)	1 033
11.3 Headline and diluted headline earnings attributable to owners of the parent		
Continuing operations		
Basic and diluted (losses)/earnings	**(2 169)**	1 116
Adjusted for:		
Capital items (note 5)	**3 284**	144
Taxation effects of capital items	**(726)**	(23)
Non-controlling interest's portion of capital items	**(1)**	–
	388	1 237
Discontinued operations		
Basic and diluted losses	**(21)**	(83)
Adjusted for:		
Capital items (note 10.3)	**(8)**	5
Taxation effects of capital items	**2**	(3)
	(27)	(81)
	361	1 156
11.4 Net asset value		
Attributable to owners of the parent	**9 566**	12 825

	2020 Rm	2019 Rm
12. Goodwill		
Carrying amount at beginning of the year	**1 246**	1 283
Arising on business combinations (note 34)	**12**	–
Impairments	**(617)**	(37)
Carrying amount at end of the year	**641**	1 246

Goodwill impairment testing

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

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

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 managements 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 the forecast rand exchange rate. In determining sustainable 'through-the-cycle'[1] margins, to be used in the terminal value cash flow, the previous seven to ten year historic average US dollar margins were considered.

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

12. Goodwill (continued)

Goodwill impairment testing (continued)

All impairment testing was consistent with methods applied as at 30 June 2019.

The following divisions have significant carrying amounts of goodwill:

	Pre-tax discount rate		Terminal growth rate		Goodwill carrying amount	
	2020 %	2019 %	**2020 %**	2019 %	**2020 Rm**	2019 Rm
Integrated Timber	**18.96**	19.86	**2.00**	3.00	**123**	123
Automotive Components	**20.81**	22.36	**2.00**	4.50	**80**	397
Integrated Bedding	**20.81**	22.22	**2.00 to 5.00**	3.00 to 4.00	**387**	375
Polymers	**20.25**	20.83	**2.00**	4.00	**–**	241
Contractual Logistics – South Africa	**20.35**	19.58	**2.00 to 4.30**	3.00	**51**	110
					641	1 246

Impairment charge

An impairment charge is required for goodwill when the carrying amount exceeds the recoverable amount. An impairment charge of R617 million was recorded for the year ended 30 June 2020 (2019: R37 million) and is included in capital items (note 5). The most significant impairments are discussed below:

- In the Automotive Components division, the goodwill recognised on the Maxe business unit, as part of the Autovest acquisition effective 1 April 2016, was impaired by an amount of R317 million. This was a result of the disruptions caused by the Covid-19 pandemic in the global and South African automotive sector and the resultant subdued outlook for automotive retail. The recoverable amount determined for the impairment testing was R243 million.
- In the Polymers division, the goodwill recognised as part of the Safripol acquisition effective 1 January 2017, was impaired by an amount of R241 million. This was a result of the cyclical imbalance in global polymer supply and demand, further impacted by the Covid-19 pandemic, which now indicate that the cyclical polymer recovery could be slower than previously anticipated. Goodwill and intangible assets were tested together as part of the Safripol CGU for impairment. The recoverable amount determined for the impairment testing amounted to R2 737 million. The impairment was first allocated to goodwill.

Sensitivity analysis

Management has considered the sensitivity of the impairment calculations to changes in the key assumptions such as the discount rate and terminal growth rate. The sensitivities outcome reflected below would result in an (increase)/decrease in the impairment charge.

	Discount rate Rm	Terminal growth rate Rm
100 Basis point – increase	(146)	61
100 Basis point – decrease	85	(70)

13. Intangible assets

	Patents and trademarks Rm	Supplier relationships Rm	Software Rm	Other[1] Rm	Total Rm
Balance at 1 July 2018	1 848	2 148	47	66	4 109
Additions	–	–	8	6	14
Impairment	(78)	–	(3)	(17)	(98)
Amortisation	(2)	–	(13)	(20)	(35)
Reclassify to property, plant and equipment	–	–	7	–	7
Assets held for sale (note 23)	–	–	(1)	–	(1)
Balance at 30 June 2019	**1 768**	**2 148**	**45**	**35**	**3 996**
Additions	**–**	**–**	**14**	**–**	**14**
Impairment	**(519)**	**(1 440)**	**–**	**–**	**(1 959)**
Amortisation	**(2)**	**–**	**(15)**	**(11)**	**(28)**
Reclassify from property, plant and equipment	**–**	**–**	**23**	**–**	**23**
Balance at 30 June 2020	**1 247**	**708**	**67**	**24**	**2 046**
Cost	1 850	2 148	140	55	4 193
Accumulated amortisation and impairment	(82)	–	(95)	(20)	(197)
Net book value at 30 June 2019	1 768	2 148	45	35	3 996
Cost	**1 850**	**2 148**	**176**	**55**	**4 229**
Accumulated amortisation and impairment	**(603)**	**(1 440)**	**(109)**	**(31)**	**(2 183)**
Net book value at 30 June 2020	**1 247**	**708**	**67**	**24**	**2 046**

[1] *Other intangible assets include contracts with customers and licence agreements.*

Patents and trademarks and supplier relationships are considered to have indefinite useful lives. However, included under patents and trademarks is an immaterial amount of design registrations and technology licences, which have finite useful lives and are amortised accordingly. In accordance with the group's accounting policy, an impairment test was performed on the carrying values of intangible assets with indefinite useful lives at year-end.

Supplier relationships relate to Safripol and were recognised at fair value as part of the acquisition. Safripol has evergreen contracts in place with its major supplier for the supply of raw materials used in its manufacturing processes. These supplier relationships were assessed for impairment in the current year and an impairment charge of R1 440 million was recognised in profit or loss.

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

13. Intangible assets (continued)

Intangible asset impairment testing (continued)

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 managements 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 the forecast rand exchange rate. In determining sustainable 'through-the-cycle'[1] margins', to be used in the terminal value cash flow, the previous seven to ten year historic average US dollar margins were considered.
Royalty rates	Royalty rates used are determined with reference to industry benchmarks.

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

All impairment testing was consistent with methods applied as at 30 June 2019.

The following divisions have significant carrying amounts of indefinite life intangible assets:

		Pre-tax discount rate		Terminal growth rate		Carrying amount	
		2020 %	2019 %	**2020 %**	2019 %	**2020 Rm**	2019 Rm
Integrated Timber	Patents and trademarks	**18.96**	19.86	**2.00**	3.00	**207**	207
Automotive Components	Patents and trademarks	**20.81**	22.36	**2.00**	4.50	**54**	57
Integrated Bedding	Patents and trademarks	**20.81**	22.22	**2.00**	3.00	**9**	59
Polymers	Patents and trademarks	**20.25**	20.83	**2.00**	4.00	**266**	731
Polymers	Supplier relationships	**20.25**	20.83	**2.00**	4.00	**708**	2 148
Contractual Logistics – South Africa	Patents and trademarks	**20.35**	19.58	**2.00 to 4.33**	3.00	**662**	662
Passenger Transport	Patents and trademarks	**20.35**	18.33	**2.00**	3.00	**49**	49
						1 955	3 913

In the current year the group tested all patents and trademarks using the relief of royalty method. The royalty rates used in the determination of the recoverable amount for the current year ranged between 0.5% to 5.0%.

Impairment charge

An impairment charge is required for intangible assets when the carrying amount exceeds the recoverable amount. The following impairment charge was recorded in profit or loss and included with capital items (notes 5 and 10.3):

	2020 Rm	2019 Rm
Indefinite life intangible assets	**1 959**	57
Finite life intangible assets	**–**	41
	1 959	98

The most significant impairments related to the Polymer division's supplier relationships and patents and trademarks which were recognised as part of the Safripol acquisition effective 1 January 2017. The supplier relationships were impaired by an amount of R1 440 million and the patents and trademarks by an amount of R466 million. This was a result of the cyclical imbalance in global polymer supply and demand, further impacted by the Covid-19 pandemic, which now indicate that the cyclical polymer recovery could be slower than previously anticipated. Goodwill and the intangible assets were tested together as part of the Safripol CGU for impairment. The recoverable amount determined for the impairment testing amounted to R2 737 million. The impairment was first allocated to the goodwill and thereafter to the intangible assets. Included in the recoverable amount was R266 million for patents and trademarks.

13. Intangible assets (continued)

Sensitivity analysis

Management has considered the sensitivity of the impairment calculations to changes in the key assumptions such as the discount rate and terminal growth rate. The sensitivities outcome reflected below would result in an (increase)/decrease in the impairment charge.

	Discount rate Rm	Terminal growth rate Rm
100 Basis point – increase	(253)	177
100 Basis point – decrease	299	(147)

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 which are considered to be well-established brands and product lines for which there is no foreseeable limit to the period in which these assets are expected to generate cash flows and supplier relationships with evergreen arrangements, 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.

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 was 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
Other	
Customer relationships	10 – 20 years
Contracts and licences	Over the term of the contract

14. Property, plant and equipment

	Land and buildings Rm	Plant and machinery Rm	Long-haul vehicles, motor vehicles and equipment Rm	Capital work-in-progress Rm	Leasehold improve-ments Rm	Office and computer equipment, furniture and other assets Rm	Total Rm
Balance at 1 July 2018	2 244	5 367	4 381	385	43	77	12 497
Additions	20	226	931	201	10	27	1 415
Government grants received	–	(29)	–	–	–	–	(29)
Assets held for sale (note 23)	–	(1)	–	–	–	(2)	(3)
Depreciation	(32)	(431)	(652)	–	(12)	(28)	(1 155)
Disposals	(2)	(17)	(142)	–	–	(1)	(162)
Impairment	(3)	(10)	(1)	(9)	–	(5)	(28)
Reclassification	61	224	97	(392)	9	1	–
Borrowing cost capitalised	–	–	–	3	–	–	3
Reclassify from/(to) intangible assets	9	2	26	(31)	(10)	(3)	(7)
Exchange differences on translation of foreign operations	–	–	(6)	(1)	–	–	(7)
Balance at 30 June 2019	**2 297**	**5 331**	**4 634**	**156**	**40**	**66**	**12 524**
Additions	**147**	**390**	**1 014**	**456**	**3**	**38**	**2 048**
Government grants received	**–**	**(9)**	**–**	**–**	**–**	**–**	**(9)**
Depreciation	**(33)**	**(453)**	**(694)**	**–**	**(10)**	**(28)**	**(1 218)**
Disposals	**(3)**	**(26)**	**(125)**	**–**	**–**	**–**	**(154)**
Impairment	**–**	**(470)**	**(196)**	**–**	**(8)**	**–**	**(674)**
Acquired on acquisition of subsidiaries (note 34)	**–**	**19**	**–**	**–**	**4**	**–**	**23**
Reclassification	**(25)**	**149**	**104**	**(225)**	**(9)**	**6**	**–**
Borrowing cost capitalised	**–**	**–**	**–**	**7**	**–**	**–**	**7**
Reclassify to intangible assets	**(3)**	**–**	**–**	**(3)**	**–**	**(17)**	**(23)**
Exchange differences on translation of foreign operations	**–**	**13**	**83**	**3**	**–**	**–**	**99**
Balance at 30 June 2020	**2 380**	**4 944**	**4 820**	**394**	**20**	**65**	**12 623**
Cost	2 570	8 268	8 064	165	93	216	19 376
Accumulated depreciation and impairment	(273)	(2 937)	(3 430)	(9)	(53)	(150)	(6 852)
Net book value at 30 June 2019	2 297	5 331	4 634	156	40	66	12 524
Cost	**2 696**	**8 728**	**8 384**	**403**	**76**	**224**	**20 511**
Accumulated depreciation and impairment	**(316)**	**(3 784)**	**(3 564)**	**(9)**	**(56)**	**(159)**	**(7 888)**
Net book value at 30 June 2020	**2 380**	**4 944**	**4 820**	**394**	**20**	**65**	**12 623**

		2020 Rm	2019 Rm
14.	**Property, plant and equipment (continued)**		
	Encumbered assets		
	Book value of encumbered assets (note 27)	**1 256**	757
	Borrowing cost		
	Borrowing cost capitalised	**7**	3
	Capitalisation rates used	**7.90% to 9.23%**	9.39% to 9.51%

Land and buildings

Details of land and buildings are available for inspection by shareholders on request at the various registered offices of the company and its subsidiaries.

Insurance

Property, plant and equipment, with the exception of land and certain long-haul vehicles are insured at approximate cost of replacement. Motor vehicles are insured at market value. The remaining long-haul vehicles are self-insured.

Impairment

An impairment charge of R674 million was recorded for the year ended 30 June 2020 (2019: R28 million) and is included in capital items (notes 5 and 10.3). The most significant impairments are discussed below:

- In the Polymers division, the PET plant and equipment was impaired by an amount of R472 million. This was mainly as a result of capital expenditure overruns on the recent expansion of the plant and the continued imbalance in global polymer supply and demand, exacerbated by a collapse in the oil price and the Covid-19 pandemic. The recoverable amount was based on value-in-use, using a discounted cash flow model. 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. Key assumptions used in the value-in-use calculation include the pre-tax discount rate of 20.25% and terminal growth rate of 2.0%. The recoverable amount determined for the impairment testing was R1 370 million.

  Management has considered the sensitivity of the impairment calculation of the PET plant and equipment to changes in the key assumptions such as the discount rate and terminal growth rate. An increase of 1% in the discount rate would result in a R75 million additional impairment charge; a decrease of 1% in the discount rate would result in a R88 million reduction in the impairment charge; an increase of 1% in the terminal growth rate would result in a R48 million reduction in the impairment charge; and a decrease of 1% in the terminal growth rate would result in a R41 million additional impairment charge.

- In the Passenger Transport division, the intercity and tourism fleets were impaired by an amount of R179 million. This was a result of the impact of the Covid-19 pandemic and the expected negative impact on international tourism and intercity travel. The recoverable amount was based on the fair value less cost to sell, taking into account the vehicle model, kilometres travelled and overall condition of the fleet. The recoverable amount determined for the impairment testing was R184 million.

Useful lives

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

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

15. Investment property

	2020 Rm	2019 Rm
Carrying amount at beginning of the year	**12**	16
Disposals	**–**	(4)
Impairments (note 5)	**(5)**	–
Carrying amount at end of the year	**7**	12

No depreciation was recognised on investment property in the current or prior years as the residual values exceeded the carrying values of all properties classified as investment property.

At 30 June 2020, investment property was valued by management at R7 million (2019: R15 million). The fair value for the current year was based on the current market value as determined by an external property expert. In the prior year, fair value was determined using an income approach whereby the market-related net income of the property is discounted at the market yield for a similar property. The market yield used in the valuation was 11%. In estimating the fair value of investment properties, the highest and best use for the majority of the properties is their current use.

No restrictions exist on the sale of investment property.

There are no material contractual obligations to purchase, construct or develop investment property. There are, however, service level agreements and building maintenance contracts in place with third-party contractors for security, repairs, maintenance and minor enhancements.

Rental income from investment properties of R1 million was recognised through profit or loss for the year ended 30 June 2020 (2019: R1 million).

16. Right-of-use assets

	Land and buildings Rm	Plant and machinery Rm	Long-haul vehicles Rm	Total Rm
Recognised on initial application of IFRS 16 – 1 July 2019	**239**	**156**	**–**	**395**
Additions	**47**	**30**	**83**	**160**
Remeasurement	**(5)**	**6**	**–**	**1**
Impairment	**(2)**	**–**	**–**	**(2)**
Acquired on acquisition of subsidiaries (note 34)	**2**	**1**	**–**	**3**
Depreciation	**(84)**	**(23)**	**(12)**	**(119)**
Balance at 30 June 2020	**197**	**170**	**71**	**438**
Cost	**286**	**193**	**83**	**562**
Accumulated depreciation and impairment	**(89)**	**(23)**	**(12)**	**(124)**
Net book value at 30 June 2020	**197**	**170**	**71**	**438**

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.

	2020 Rm	2019 Rm
17. Consumable biological assets		
Timber plantations		
Carrying amount at beginning of the year	**1 870**	1 881
Decrease due to harvesting	**(146)**	(199)
Fair value adjustment (note 4.1)	**6**	212
Fair value adjustment due to fire damage (note 4.1)	**(8)**	(24)
Carrying amount at end of the year	**1 722**	1 870
Livestock	**32**	30
	1 754	1 900

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, sales prices and operating costs.

The group owns and manages timber plantations for use in manufacturing timber products and for sale to external parties. The timber 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 2020, consumable biological assets were valued by management at R1 754 million (2019: R1 900 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.

	2020 Hectares	2019 Hectares
17.1 Quantities of timber plantations		
Pine	**32 436**	32 581
Eucalyptus	**7 782**	6 972
Temporary unplanted areas	**3 618**	4 339
	43 836	43 892

	m^3	m^3
17.2 Reconciliation of standing volume		
Opening balance	**5 412 419**	5 417 681
Increase due to growth[1]	**527 363**	621 941
Decrease due to harvesting	**(435 475)**	(627 203)
	5 504 307	5 412 419

[1] *Included in the growth amounts are the decreases due to fire damage.*

17.3 Key assumptions

Discount rate

	2020 %	2019 %
Risk-free rate[2]	**9.27**	8.01
Discount rate	**14.72**	12.75

[2] *In the current year, the R2030 South African government bond, maturing in ten years, was used (2019: R186 South African government bond). The reason for the change in the referenced risk-free rate is due to the volatility in the R186 bond as well as the bond maturing in December 2026. The timber plantations mature over an extended period of time and therefore the risk-free rate used represents a suitable fit for the period under consideration.*

17. Consumable biological assets (continued)

17.3 Key assumptions (continued)

Volumes

The expected yields per log class are calculated with reference to standard industry growth models relevant to the planted area and tree specie. Growth models are updated regularly with enumeration data. Enumerations involve processes to regularly collect more accurate information about the rate of growth and stocking of trees in the plantations.

Market prices

The price per cubic metre per log class is based on current market prices per log class.

	2020 Rm^3	2019 Rm^3
Log prices		
Pine	**239-1 047**	274-1 003
Eucalyptus	**385**	438
Harvesting costs		
Pine	**114-194**	104-183
Eucalyptus	**201**	189

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:

	2020 Rm	2019 Rm
Current log price – 100 basis point increase	**29**	33
Forecast log price inflation rate – 25 basis point increase	**18**	43
Forecast cost inflation rate – 25 basis point increase	**(3)**	(17)
Discount rate – 25 basis point increase	**(11)**	(22)
Volume – 100 basis point increase	**13**	10

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

17.5 Southern Cape plantation fire

The southern Cape region experienced devastating fires during June 2017 and November 2018 that resulted in damage to 4 456 hectares and 845 hectares respectively of the group's plantations. The salvage operations of the affected timber plantations were concluded in the current financial year. Management estimated at 30 June 2019 that it would be able to salvage R20 million of usable timber from the remaining affected compartments. 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.

In total, timber to the value of R248 million was damaged by the fires, of which R162 million has been salvaged and R50 million (2019: R74 million) remains preserved under irrigation for future use.

The timber plantations are insured for fire damage and insurance income of R10 million was recognised in the prior year, which related to the damaged plantations. A further R4 million was received for additional costs incurred due to harvesting of the affected area, as well as for costs associated with the preservation of timber. The insurance claim was finalised and settled in the prior year.

17. Consumable biological assets (continued)

17.6 Risks

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 plantations is managed in compliance with the requirements of the Forestry Stewardship Council ('FSC') and are FSC certified. The southern Cape plantations are also managed according to FSC principles. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.
- **Supply and demand risks**
  For sale of timber to external parties, the group is exposed to risks arising from the fluctuations of price and sales volumes of timber. Where possible, the group manages these risks by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.
- **Climate and other risks**
  The group's timber plantations are exposed to the risk of damage from climate changes, disease, fires and other natural forces. The group has extensive processes in place aimed at monitoring and mitigating those risks, including regular plantations health inspections and industry and pest disease surveys. The group also insures itself, where cost effective, against natural disasters such as fire. Livestock was introduced to the plantations as part of the fire-prevention strategy of the group.

17.7 Encumbered consumable biological assets

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

17.8 Commitments

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

18. Investments in associate and joint venture companies

18.1 Shareholding in associate and joint venture companies

	Nature of business	2020 % shareholding	2019 % shareholding
Associate companies			
Various unlisted associate companies	Structural timber retail and the manufacturing of fibreboard	**50.0**	50.0
Joint venture companies			
Various unlisted joint venture companies	Manufacturing of automotive components	**49.0**	49.0

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

	Carrying amount		Comprehensive income	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Associate companies	**48**	44	**7**	10
Joint venture companies	**29**	31	**14**	20
	77	75	**21**	30

	2020 Rm	2019 Rm
19. Investments and loans receivable		
Unlisted investments	**1**	1
Loans receivable (carried at amortised cost)	**38**	38
Less: Loss allowance (note 37.2.2)	**(36)**	(19)
	3	20
Less: Assets held for sale (note 23)	**–**	(5)
Total investments and loans receivable	**3**	15
Less: Loans receivable included in current assets	**(2)**	(13)
Total non-current investments and loans receivable	**1**	2

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

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.

	2020 Rm	2019 Rm
20. Deferred taxation assets/(liabilities)		
20.1 Deferred taxation movement		
Balance at beginning of the year	**(3 343)**	(3 073)
Deferred taxation of subsidiaries acquired (note 34)	**(6)**	–
Amounts charged directly to equity		
Share-based payments	**1**	(4)
Recognition of expected credit losses under IFRS 9	**–**	7
Current year charge		
From continuing operations	**697**	(274)
From discontinued operations	**3**	1
Exchange differences on translation of foreign operations	**(18)**	–
	(2 666)	(3 343)
Comprising:		
Deferred tax assets	**49**	46
Deferred tax liabilities	**(2 715)**	(3 389)
	(2 666)	(3 343)

20. Deferred taxation assets/(liabilities) (continued)

20.2 Deferred taxation balances

	2020 Rm	2019 Rm
Deferred taxation assets		
Provision for taxation on temporary differences resulting from South African normal taxation rate (28%), South African capital gains taxation rate (22.4%) and foreign taxation rates:		
Property, plant and equipment (including consumable biological assets)	**(20)**	(6)
Right-of-use assets	**(4)**	–
Prepayments and provisions or allowances	**10**	15
Share-based payments	**2**	8
Other	**5**	–
	(7)	17
Taxation losses	**56**	29
	49	46

Realisation of the deferred taxation assets are expected out of future taxable income, which is based on the assessment by management of future plans and forecasts, and is assessed and deemed to be reasonable.

	2020 Rm	2019 Rm
Deferred taxation liabilities		
Provision for taxation on temporary differences resulting from South African normal taxation rate (28%), South African capital gains taxation rate (22.4%) and foreign taxation rates:		
Intangible assets	**(467)**	(1 003)
Property, plant and equipment (including consumable biological assets)	**(2 621)**	(2 662)
Right-of-use assets	**(117)**	–
Prepayments and provisions or allowances	**54**	83
Share-based payments	**1**	3
Other	**129**	8
	(3 021)	(3 571)
Taxation losses	**306**	182
	(2 715)	(3 389)

20.3 Unrecognised deferred taxation assets

	2020 Rm	2019 Rm
Deferred taxation assets have not been recognised in respect of the following items:		
Temporary differences	**48**	82
Taxation losses	**420**	244
	468	326

The taxation losses and temporary differences do not expire under current taxation legislation, except for Zambia where taxation losses expire after five years. Losses of R10 million expired in the current year and losses of R4 million will expire in 2021. The remaining reported losses which will expire by 2025 amount to R58 million. Deferred taxation assets have not been recognised in respect of these items because it is not yet certain that future taxable profits will be available against which the group can realise the benefits therefrom. Deferred taxation assets are assessed at each statutory entity individually.

20.4 Taxation losses

	2020 Rm	2019 Rm
Estimated taxation losses available for offset against future taxable income	**1 410**	868
Taxation losses recognised	**1 286**	738
Taxation losses unrecognised	**124**	130
Estimated taxation losses available for offset against future taxable capital gains	**296**	114
Capital losses unrecognised	**296**	114
	1 706	982

		2020 Rm	2019 Rm
21.	**Inventories**		
	Inventories at cost less allowances		
	Finished goods	**918**	1 094
	Raw materials	**826**	847
	Work-in-process	**119**	116
	Consumables	**434**	409
		2 297	2 466
	Less: Assets held for sale (note 23)	**–**	(28)
	Less: Non-current portion[1]	**(35)**	(62)
		2 262	2 376

[1] *Timber salvaged from the areas affected by the fires (note 17) and which remains preserved for future use, are classified as non-current if the inventory will not be utilised in the group's normal operating activities within the next 12 months.*

		2020 Rm	2019 Rm
22.	**Trade and other receivables**		
	Trade receivables	**2 847**	3 486
	Related-party receivables (note 36)	**19**	37
	Other amounts due	**185**	125
	Less: Loss allowance (note 37.2.2)	**(58)**	(72)
		2 993	3 576
	Derivative financial assets (note 37.1)	**32**	10
	Trade and other receivables (financial assets)	**3 025**	3 586
	Prepayments	**223**	272
	Value added taxation receivable	**119**	123
		3 367	3 981
	Less: Assets held for sale (note 23)	**–**	(31)
		3 367	3 950

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 R11 million were written off during the year (2019: R13 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.

23. Assets/(liabilities) held for sale

As described in note 10, on 22 May 2019, the board resolved to proceed with the intended disposal of Autovest, a division of KAP Automotive Proprietary Limited ('Autovest'). The effective date of the disposal was 1 December 2019. The business met all the requirements in terms of IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations* to disclose it as held for sale in the prior year.

	2019 Rm
Carrying amount of total assets/(liabilities) held for sale	
Assets	
Intangible assets	1
Property, plant and equipment	3
Investments and loans receivable	5
Inventories	28
Trade and other receivables	31
	68
Liabilities	
Employee benefits	(9)
Provisions	(11)
Trade and other payables	(26)
	(46)

24. Stated share capital

	2020 Number of shares	2019 Number of shares	2020 Rm	2019 Rm
Share capital	**2 607 137 238**	2 704 137 238	**8 540**	8 908
Treasury shares	**(36 000 000)**	–	**(176)**	–
	2 571 137 238	2 704 137 238	**8 364**	8 908
24.1 Share capital				
Authorised				
Ordinary shares of no par value	**6 000 000 000**	6 000 000 000	**–**	–
Cumulative, non-redeemable, non-participating preference shares of no par value	**1 000 000 000**	1 000 000 000	**–**	–
Perpetual preference shares of no par value	**50 000 000**	50 000 000	**–**	–
Issued				
Ordinary shares in issue at beginning of the year	**2 704 137 238**	2 677 874 340	**8 908**	8 791
Ordinary shares issued during the year	**–**	26 262 898	**–**	117
Ordinary share repurchased and cancelled during the year[1]	**(97 000 000)**	–	**(368)**	–
Ordinary shares in issue at end of the year	**2 607 137 238**	2 704 137 238	**8 540**	8 908
24.2 Treasury shares				
Treasury shares in issue at beginning of the year	**–**	–	**–**	–
Ordinary shares purchased during the year and retained as treasury shares[2]	**(36 000 000)**	–	**(176)**	–
Treasury shares in issue at end of the year	**(36 000 000)**	–	**(176)**	–

[1] Shares were repurchased during the current financial year at an average price of R3.79 per share, including costs.
[2] Shares were repurchased during the current financial year at an average price of R4.88 per share, including costs.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the company. Dividends received on treasury shares are eliminated on consolidation.

25. Share-based payments

25.1 KAP Performance Share Rights Scheme

At the annual general meeting of KAP on 14 November 2012, a share incentive scheme was approved and implemented. The maximum number of ordinary shares that may be used for the continued implementation of the scheme may not exceed 366 274 533 ordinary shares. The share rights granted annually since this meeting are subject to the following scheme rules:

a) Rights are granted to qualifying senior executives on an annual basis.
b) Vesting of rights occurs on the third anniversary of grant date, provided performance criteria, as set by KAP's remuneration committee at or about the time of the grant date, have been achieved.
c) In the event of performance criteria not being satisfied by the third anniversary of the relevant annual grant, all rights attaching to the particular grant will lapse.

	Number of share rights
Reconciliation of the number of shares available for allocation	
Shares authorised for purposes of KAP Performance Share Rights Scheme	**366 274 533**
Cumulative share rights granted[1]	**(79 116 072)**
Shares available for allocation	**287 158 461**

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

	2020 Rights	2019 Rights
Reconciliation of rights granted		
Balance at beginning of the year	**23 644 092**	34 207 012
Forfeited during the year[2]	**(27 660 299)**	(16 079 548)
Exercised during the year	**–**	(10 484 529)
Granted during the year	**20 537 694**	16 001 157
Balance at end of the year	**16 521 487**	23 644 092

[2] Share rights forfeited during the current financial year include share rights granted to participants during 2017 and a portion of the share rights granted during 2018, which have lapsed as the performance criteria were not, or is expected to not be achieved. The prior year includes the forfeiture of the share options granted during 2016.

	Rm	Rm
(Credited)/charged to profit or loss (note 6.3)	**(31)**	9

Assumptions

The fair value of services received in return for share rights granted is measured by reference to the fair value of the share rights granted. The estimated fair value of the services received is measured based on the assumption that all vesting conditions are met and all employees remain in service. The pricing model used was the Black-Schöles model. The volatility was estimated using the KAP daily closing share price over a rolling three-year period.

Fair value of share rights and assumptions	2019 Grant	2018 Grant	2017 Grant	2016 Grant	2015 Grant
Fair value at measurement date	**R3.73**	R7.43	R8.05	R7.02	R6.62
Share price at grant date	**R4.15**	R8.05	R8.70	R7.59	R7.11
Exercise price	**R0.00**	R0.00	R0.00	R0.00	R0.00
Expected volatility	**39.55%**	28.00%	22.21%	25.58%	32.50%
Dividend yield	**3.63%**	2.71%	2.63%	2.63%	2.42%
Risk-free interest rate	**6.80%**	7.77%	7.67%	7.72%	7.48%
Life of share right	**3 years**	3 years	3 years	3 years	3 years

25. Share-based payments (continued)

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

Effective 3 September 2018, the company concluded a series of transactions and funding arrangements in order to facilitate greater than 51% 'black ownership' and greater than 30% 'black-women ownership' of its South African contractual logistics operations, Unitrans Supply Chain Solutions Proprietary Limited ('USCS'). This series of transactions resulted in the following:

- Effective sale of 23.02% of USCS to a wholly owned subsidiary of the FWG Pieters Trust ('the Pieters Trust') to the value of R620 million; and
- Effective sale of 21.98% of USCS to a wholly owned subsidiary of the Sakhumzi Foundation Empowerment Trust ('Sakhumzi') to the value of R591 million.
- The subscription of new USCS shares was funded by the group, through the issue of an equivalent value of preference shares by the two wholly owned subsidiaries of the Pieters Trust and Sakhumzi, to a KAP-owned subsidiary.

In terms of IFRS 10 – *Consolidated Financial Statements*, KAP is deemed, through the funding structure of the B-BBEE transaction, to control both of the acquiring entities and is therefore required to consolidate both acquiring entities.

The transaction is an equity-settled share-based payment in the scope of IFRS 2. The equity-settled share-based payment is not subsequently remeasured. The fair value of the equity instruments for both the acquiring entities at the grant date was actuarially valued at R215 million (B-BBEE cost). An amount of R193 million of the B-BBEE cost was expensed at the transaction date and the remaining R22 million will be expensed equally over the seven-year contract period.

The share-based payment relating to the Pieters Trust is measured at the fair value of the equity instruments at the grant date and 80% of this amount is recognised immediately in profit or loss. The share-based payment transaction includes an implicit service condition for 20% of the expense for a period of seven years. The remaining 20% is therefore recognised over a seven year vesting period. The share-based payment relating to Sakhumzi is measured at the fair value of the equity instruments at the grant date and is recognised immediately in profit or loss at grant date as there is no implicit service condition.

	2020 Rm	2019 Rm
Charged to profit or loss	**3**	196

The valuation of the share-based payment expense requires a significant degree of judgement to be applied by management as there are a number of variables affecting the Monte-Carlo option pricing model used in the calculation of the share-based payment. The value of the share-based payment is determined with reference to the extent the fair value of USCS is expected to exceed any outstanding preference share funding at the end of the transaction period. The value attributable to the participants by virtue of their shareholding in USCS is calculated with reference to the expected future cash flows of USCS and a forward EV/EBITDA multiple. A rand interest rate swap and prime curve were constructed using swaps trading in the market and utilised as an appropriate representation of a risk-free and prime interest rate curves. A rand prime interest rate curve was estimated utilising the historical Rand Prime Index and the three-month Johannesburg Interbank Agreed Rate. The mark-to-market value is determined by applying the geometric Brownian motion model using KAP's historical volatility as proxy for USCS.

26. Non-controlling interests

	% shareholding		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2020 %	2019 %	**2020 Rm**	2019 Rm	**2020 Rm**	2019 Rm
Individually immaterial subsidiaries with non-controlling interests	**25.0 – 50.0**	25.0 – 50.0	**45**	57	**204**	217

27. Loans and borrowings

	2020 Rm	2019 Rm
27.1 Analysis of closing balance		
Secured financing		
Vehicle and asset finance	**1 175**	651
Term loans	**46**	52
	1 221	703
Unsecured financing covered by intergroup cross-guarantees		
Term loans	**554**	639
Senior unsecured listed notes	**5 252**	4 897
Syndicated revolving credit loan	**503**	–
	6 309	5 536
Unsecured financing		
Related-party loan payable (note 36)	**58**	59
Other loans	**16**	13
	74	72
Total loans and borrowings	**7 604**	6 311
Portion payable within the next twelve months included in current liabilities	**(2 295)**	(1 298)
Long-term loans and borrowings	**5 309**	5 013
27.2 Analysis of repayment		
Repayable within the next year and thereafter		
Next year	**2 295**	1 298
Within two to five years	**5 309**	5 003
Thereafter	**–**	10
	7 604	6 311

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

27. Loans and borrowings (continued)

27.3 Loan and borrowing details

	Current year interest rate	2020 Rm	2019 Rm
Secured[1]			
Variable interest rates			
Vehicle and asset finance[2]	5.25% to 10.25%	1 175	651
Term loans[3]	8.25% to 11.25%	46	52
Unsecured financing covered by intergroup cross-guarantees			
Variable interest rates			
Term loans[4]	6.16% to 9.05%	104	188
Senior unsecured listed notes[5]	5.41% to 9.05%	4 794	4 418
Syndicated revolving credit loan[6]	5.41%	500	–
Fixed interest rates			
Term loans[7]	10.94%	450	450
Senior unsecured listed notes[5]	10.23%	420	420
Interest due			
Term loans	–	–	1
Senior unsecured listed notes	–	38	59
Syndicated revolving credit loan	–	3	–
Unsecured			
Variable interest rates			
Related-party loan payable (note 36)	7.50% to 10.25%	21	23
Fixed interest rates			
Other loans	7.00%	8	13
Interest free			
Related-party loan payable (note 36)	–	37	36
Other loans	–	8	–
Total loans and borrowings		**7 604**	6 311

[1] The book value of assets encumbered in favour of the secured loans amounts to R1 256 million (2019: R757 million).
[2] The vehicle and asset finance is repayable in monthly instalments over 60 months.
[3] Repayable monthly ending June 2025.
[4] Repayable quarterly ending September 2021.
[5] The maturity dates of the senior unsecured listed notes are publicly available.
[6] The syndicated revolving credit loan is repayable in August 2020.
[7] Repayable on maturity in June 2022.

Global Credit Rating Co Proprietary Limited reviewed the company's credit rating in November 2019 and confirmed its long-term rating of KAP as A+(za) and its short-term rating as A1(za), with a stable rating outlook on both ratings.

27. Loans and borrowings (continued)

27.3 Loan and borrowing details (continued)

Unsecured financing covered by intergroup cross-guarantees

The following companies participate in the cross-guarantees (jointly and severally) in respect of KAP's term loans and syndicated revolving credit loan:

- KAP Automotive Proprietary Limited
- KAP Bedding Proprietary Limited
- Mvelatrans Proprietary Limited
- PG Bison Proprietary Limited
- PG Bison Southern Cape Proprietary Limited
- Safripol Proprietary Limited
- Unitrans Holdings 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 KAP under its note programme:

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

	Long-term loans and borrowings Rm	Short-term loans and borrowings Rm	Bank overdrafts and short-term facilities Rm	Total Rm
27.4 Reconciliation of movements in interest-bearing borrowings				
Balance at 1 July 2018	6 960	1 007	–	7 967
Changes from financing cash flows	870	(2 480)	–	(1 610)
Increase in long-term loans and borrowings	870	–	–	870
Decrease in short-term loans and borrowings	–	(2 480)	–	(2 480)
Reclassification of loans and borrowings from long-term to short-term	(2 817)	2 817	–	–
Settlement of contingent consideration via issue of shares[1]	–	(45)	–	(45)
Other non-cash adjustments	–	(1)	–	(1)
Balance at 30 June 2019	**5 013**	**1 298**	**–**	**6 311**
Changes from financing cash flows	**1 651**	**(367)**	**17**	**1 301**
Increase in long-term loans and borrowings	**1 651**	**–**	**–**	**1 651**
Decrease in short-term loans and borrowings	**–**	**(367)**	**–**	**(367)**
Increase in bank overdrafts and short-term facilities	**–**	**–**	**17**	**17**
Reclassification of loans and borrowings from long-term to short-term	**(1 365)**	**1 365**	**–**	**–**
Acquired on acquisition of subsidiaries (note 34)	**8**	**–**	**–**	**8**
Other non-cash adjustments	**2**	**(1)**	**–**	**1**
Balance at 30 June 2020	**5 309**	**2 295**	**17**	**7 621**

[1] *The acquisition of 100% of the shares and claims of Lucerne Transport Proprietary Limited ('Lucerne') and its subsidiary was concluded on 1 September 2016. Included as part of the total consideration was a contingent consideration of R45 million, which was payable if Lucerne achieved certain profit warranties. The payment was discharged through the issuance of KAP shares.*

27. Loans and borrowings (continued)

27.5 Available borrowing facilities

	2020 Rm	2019 Rm
Committed	**1 100**	1 000
Syndicated revolving credit facility	**1 000**	1 000
Call loan facility	**100**	–
Uncommitted	**1 691**	1 122
Call loan and overdraft facilities	**1 691**	1 122
	2 791	**2 122**

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

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

28. Lease liabilities

	2020 Rm
Recognised on initial application of IFRS 16 – 1 July 2019	**406**
Additions	**159**
Acquired on acquisition of subsidiaries (note 34)	**3**
Remeasurements	**(1)**
Capital repayments	**(101)**
Finance costs	**43**
Payments	**(144)**
Balance at 30 June 2020	**466**
Non-current liabilities	**363**
Current liabilities	**103**
Balance at 30 June 2020	**466**

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

Interest is based on incremental borrowing rates ranging between 7.90% and 12.25%.

29. Employee benefits

	Notes	2020 Rm	2019 Rm
Performance-based bonus	29.1	**27**	113
Wage/13th cheque bonus		**57**	71
Leave pay	29.2	**77**	134
Post-retirement medical benefits	29.3	**5**	5
Other		**39**	18
Total employee benefits		**205**	341
Less: Liabilities held for sale	23	**–**	(9)
Transferred to short-term employee benefits		**(175)**	(287)
Long-term employee benefits		**30**	45

29.1 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.

29.2 Leave pay

The leave pay provision relates to vesting leave pay to which employees may become entitled on leaving the employment of the group. The provision arises as employees render a service that increases their entitlement to future compensated leave and is calculated based on employee's total cost of employment. The provision is utilised when employees become entitled to and are paid for the accumulated leave or utilise compensated leave due to them.

29.3 Post-retirement medical benefits

	2020 Rm	2019 Rm
Balance at beginning and end of the year	**5**	5

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

	2020	2019
Healthcare cost inflation	**5.5%**	6.4%
Discount rate	**8.6%**	8.4%
Percentage married at retirement	**78.3%**	77.4%
Retirement age	**65 years**	65 years

29.4 Defined contribution plans

The group has various defined contribution plans, to which employees contribute. The assets of these schemes are held in administered trust funds separate from the group's assets.

30. Provisions

	Accident and insurance fund provisions Rm	Onerous contract provision Rm	Contingent liability provision Rm	Lease rectification provision Rm	Other[1] Rm	Total Rm
Balance at 1 July 2018	30	13	12	3	30	88
Additional provision raised	113	55	–	2	8	178
Amounts unused reversed	(58)	(10)	–	–	(3)	(71)
Amounts utilised	(57)	(2)	–	–	(11)	(70)
Liabilities held for sale (note 23)	–	(5)	–	(4)	(2)	(11)
Reclassification from accruals	(1)	–	–	–	(3)	(4)
Balance at 30 June 2019	**27**	**51**	**12**	**1**	**19**	**110**
Additional provision raised	**106**	**–**	**–**	**3**	**13**	**122**
Amounts unused reversed	**(43)**	**(1)**	**(12)**	**–**	**(2)**	**(58)**
Amounts utilised	**(53)**	**(50)**	**–**	**–**	**(2)**	**(105)**
Transfer from liabilities held for sale	**–**	**–**	**–**	**1**	**2**	**3**
Balance at 30 June 2020	**37**	**–**	**–**	**5**	**30**	**72**

	2020 Rm	2019 Rm
Total provisions	**72**	110
Transferred to short-term provisions	**(70)**	(94)
Long-term provisions	**2**	16

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

Accident and insurance fund provisions

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

Onerous contracts provision

Provision is made for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the lowest net cost of exiting from the contract, which is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract.

During the 2018 financial year, Unitrans Supply Chain Solutions Proprietary Limited ('USCS'), a subsidiary of the company entered into an agreement to lease Erf 244 Graceview Extension 3 from Investec Property Proprietary Limited ('Investec Property') for a period of 10 years. During the 2019 financial year the company entered into negotiations for a settlement agreement with Investec Property, for the termination of the lease agreement and a related termination provision of R50 million for the onerous contract was recognised. This amount was settled during the current year.

Contingent liability provision

IFRS 3 requires certain contingent liabilities of the acquiree to be recognised and measured in a business combination at acquisition date fair value. Therefore, contrary to IAS 37 – *Provision, Contingent Liabilities and Contingent Assets*, the acquirer recognises a contingent liability assumed in a business combination at the acquisition date even if it is not probable that an outflow of economic benefits will be required to settle the obligation. The provision was raised in respect of possible rehabilitation and legal liabilities, as part of the reverse acquisition transaction in 2012. An amount of R12 million was reversed during the current year.

Lease rectification provision

The provision relates to the estimated cost in terms of contractual lease agreements for the rectification of properties, which are leased by the group. Anticipated expenditure within the next year is R5 million. These amounts have not been discounted for the purpose of measuring the provision for rehabilitation work as the effect is not material.

31. Trade and other payables

	2020 Rm	2019 Rm
Trade payables	**2 860**	4 115
Accruals	**239**	291
Other payables and amounts due	**270**	242
Related-party payables (note 36)	**23**	41
	3 392	4 689
Derivative financial liabilities (note 37)	**23**	33
Trade and other payables (financial liabilities)	**3 415**	4 722
Short-term operating lease liability	**–**	4
Value added taxation payable	**61**	109
	3 476	4 835
Less: Liabilities held for sale (note 23)	**–**	(26)
	3 476	4 809

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

32. Commitments and contingencies

32.1 Capital expenditure

	2020 Rm	2019 Rm
Contracts for authorised capital expenditure	**17**	45

Non-essential capital expenditure has been suspended due to the Covid-19 pandemic. Capital expenditure will be financed from cash and existing borrowing facilities.

32.2 Operating leases

	Property Rm	Plant and equipment Rm	2019 Total Rm
Amounts outstanding under non-cancellable operating lease agreements payable within the next year and thereafter:			
Next year	142	15	157
Within two to five years	282	17	299
Thereafter	275	–	275
	699	32	731

Balances denominated in currencies other than South African rand were converted at the closing rates of exchange ruling at 30 June 2019. The leases are generally subject to escalation clauses and also have renewal options. Operating lease agreements have been negotiated at market-related terms and rates with numerous suppliers.

32.3 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.

One such matter relates to the Competition Commission of South Africa's ('the Commission's') investigation into alleged price fixing and collusion by PG Bison Proprietary Limited ('PG Bison'), a subsidiary of the company, initiated by the Commission 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.

32. Commitments and contingencies (continued)

32.3 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 and property sellers, in the ordinary course of business. However, the directors are confident that no material liability will arise as a result of these guarantees and suretyships.

33. Cash generated from operations

	2020 Rm	2019 Rm
Operating (loss)/profit from continuing operations	**(1 940)**	2 383
Operating loss from discontinued operations	**(22)**	(87)
Adjusted for:		
Capital items	**3 276**	149
Depreciation and amortisation	**1 365**	1 190
Net of fair value adjustments of consumable biological assets[1]	**149**	20
Share-based payment (reversal)/expense[2]	**(28)**	205
Impairment losses on loans receivable	**18**	11
Other non-cash adjustments	**(1)**	4
Cash generated before working capital changes	**2 817**	3 875
Working capital changes		
Decrease/(increase) in inventories	**170**	(315)
Decrease in trade and other receivables	**649**	37
(Decrease)/increase in non-current and current provisions	**(49)**	34
(Decrease)/increase in non-current and current employee benefits	**(137)**	6
(Decrease)/increase in trade and other payables	**(1 374)**	396
Changes in working capital	**(741)**	158
Cash generated from operations	**2 076**	4 033

[1] *Includes decreases due to harvesting and sale of livestock.*
[2] *Includes both the KAP Performance Share Right Scheme and the B-BBEE costs.*

34. Net cash flow on acquisition of businesses

Effective 1 December 2019, KAP Bedding Proprietary Limited acquired 75% of the shares and loan claims of Connacher (Natal) Proprietary Limited ('Connacher') and Recyclotex Proprietary Limited ('Recyclotex') for a purchase consideration of R31 million.

	Connacher Rm	Recyclotex Rm	Total Rm
Fair values of assets and liabilities assumed at the date of acquisition			
Assets			
Property, plant and equipment	**23**	**–**	**23**
Right-of-use assets	**3**	**–**	**3**
Intergroup loans	**–**	**1**	**1**
Inventories	**5**	**–**	**5**
Trade and other receivables[1]	**8**	**–**	**8**
Cash on hand	**1**	**–**	**1**
Liabilities			
Loans and borrowings[2]	**(8)**	**–**	**(8)**
Lease liabilities	**(3)**	**–**	**(3)**
Deferred taxation liabilities	**(6)**	**–**	**(6)**
Intergroup loans	**(1)**	**–**	**(1)**
Trade and other payables	**(2)**	**–**	**(2)**
Taxation payable	**(2)**	**–**	**(2)**
Total assets and liabilities acquired	**18**	**1**	**19**
Goodwill at acquisition	**12**	**–**	**12**
Total consideration	**30**	**1**	**31**
Cash and cash equivalents on hand at acquisition	**(1)**	**–**	**(1)**
Net cash outflow on acquisition of subsidiaries	**29**	**1**	**30**

[1] The fair value and gross contractual value of receivables acquired (which principally comprised trade receivables) is R8 million. All estimated contractual cash flows are expected to be collected.

[2] The amount arising on acquisition includes the valuation of the irrevocable option that The Gary Erasmus Trust has to sell its shares to KAP on the 5th anniversary of the effective date. An amount of R4 million relating to this option is included in loans and borrowings and it resulted in no minorities being recognised.

The goodwill arising on the acquisition of these companies 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. This acquisition serves as KAP's entry point into the recycling sector. Both the Integrated Bedding division and the Automotive Components division are making use of recycled material produced by Connacher in the production of their products, thereby supporting the group's strategy of integration.

None of the goodwill arising on these acquisitions are expected to be deductible for tax purposes.

Included within the group's revenue for the year is R15 million resulting from the acquisition with breakeven net profit. The increase in the revenue of the group would have been R36 million if the business had been acquired on 1 July 2019, with a R4 million increase in the net profit for the year.

35. Net cash flow on disposal of subsidiaries and businesses

Effective 1 December 2019, KAP Automotive Proprietary Limited disposed of the Autovest operations, which manufactured and retailed various aftermarket vehicle accessories.

	2020 Rm
Carrying value of assets disposed of at the date of disposal	
Assets	
Intangible assets	**6**
Property, plant and equipment	**1**
Inventories	**11**
Liabilities	
Employee benefits	**(1)**
Carrying value of assets disposed	**17**
Profit on disposal	**–**
Proceeds on disposal	**17**
Cash and cash equivalents on hand at disposal	**–**
Net cash inflow on disposal of businesses	**17**

During the prior year, the group disposed of Glodina, a division of Vitafoam Proprietary Limited, for R101 million. The effective date of the disposal was 3 September 2018.

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, associate and joint venture companies during the year and the balances of receivables and payables at year-end:

	2020 Rm	2019 Rm
Related-party loans receivable		
Associate and joint venture companies	**11**	14
Related-party loans payable		
South Star Investments Proprietary Limited	**58**	59
Related-party receivables		
Associate and joint venture companies	**19**	37
Related-party payables		
Associate and joint venture companies	**8**	29
Bekaert Deslee N.V. and its subsidiaries	**11**	12
F.S. Fehrer Automotive GmBH	**4**	–
	23	41
Dividends paid to:		
Steinhoff International Holdings N.V. and its subsidiaries[1]	**–**	160
Sales to:		
Steinhoff International Holdings N.V. and its subsidiaries[1]	**–**	548
Associate and joint venture companies	**85**	142
Bekaert Deslee N.V. and its subsidiaries	**–**	1
	85	691
Net rebates and settlement discounts paid to:		
Steinhoff International Holdings N.V. and its subsidiaries[1]	**–**	85
Associate and joint venture companies	**1**	2
	1	87
Purchases from:		
Associate and joint venture companies	**69**	97
Bekaert Deslee N.V. and its subsidiaries	**64**	80
	133	177

	2020 Rm	2019 Rm
36. Related-party balances and transactions (continued)		
Net operating expenses, including management fees (paid to)/received from:		
Associate and joint venture companies	**5**	4
Bekaert Deslee N.V. and its subsidiaries	**(3)**	(3)
F.S. Fehrer Automotive GmBH	**(11)**	–
	(9)	1
Net rent paid to:		
Steinhoff International Holdings N.V. and its subsidiaries[1]	**–**	16
Finance costs paid to:		
South Star Investments Proprietary Limited	**2**	3
Income from investments received from:		
South Star Investments Proprietary Limited	**–**	1
Asset purchases from:		
Steinhoff International Holdings N.V. and its subsidiaries[1]	**–**	97
Insurance proceeds received from:		
Steinhoff International Holdings N.V. and its subsidiaries[1&2]	**–**	120
Insurance premiums paid to:		
Steinhoff International Holdings N.V. and its subsidiaries[1&2]	**–**	72

[1] Ainsley Holdings Proprietary Limited, a wholly-owned indirect subsidiary of Steinhoff International Holdings N.V., disposed of all its interest in the ordinary shares of KAP Industrial Holdings Limited on 27 March 2019. On 3 April 2019, TLR de Klerk and LJ du Preez resigned as non-executive directors from the board. Steinhoff International Holdings N.V. is not considered to be a related party effective 3 April 2019, when common directorship ceased.

[2] Steinhoff International Holdings N.V. disposed of all its interest in the ordinary shares of Lyme Street Risk Proprietary Limited effective 1 March 2019.

For details of material related parties where control exists, refer to note 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 financial instruments and the fair values.

	At fair value through profit or loss[1] Rm	At amortised cost Rm	Total carrying values Rm	Total fair values Rm
Total financial assets and liabilities				
2020				
Investments and loans receivable	**–**	**3**	**3**	**3**
Trade and other receivables (financial assets)	**32**	**2 993**	**3 025**	**3 025**
Cash and cash equivalents	**–**	**1 001**	**1 001**	**1 001**
Financial assets	**32**	**3 997**	**4 029**	**4 029**
Loans and borrowings	**–**	**(7 604)**	**(7 604)**	**(7 591)**
Lease liabilities	**–**	**(466)**	**(466)**	**(466)**
Bank overdrafts and short-term facilities	**–**	**(17)**	**(17)**	**(17)**
Trade and other payables (financial liabilities)	**(23)**	**(3 392)**	**(3 415)**	**(3 415)**
Financial liabilities	**(23)**	**(11 479)**	**(11 502)**	**(11 489)**
Net financial instruments	**9**	**(7 482)**	**(7 473)**	**(7 460)**
Net (gains)/losses recognised in profit or loss	**(11)**	**23**	**12**	
Net interest expense	**–**	**685**	**685**	

	At fair value through profit or loss[1] Rm	At amortised cost Rm	Total carrying values Rm	Total fair values Rm
Total financial assets and liabilities				
2019				
Investments and loans receivable	–	20	20	20
Trade and other receivables (financial assets)	10	3 576	3 586	3 586
Cash and cash equivalents	–	1 785	1 785	1 785
Financial assets	10	5 381	5 391	5 391
Loans and borrowings	–	(6 311)	(6 311)	(6 380)
Trade and other payables (financial liabilities)	(33)	(4 689)	(4 722)	(4 722)
Financial liabilities	(33)	(11 000)	(11 033)	(11 102)
Net financial instruments	(23)	(5 619)	(5 642)	(5 711)
Net losses/(gains) recognised in profit or loss	24	(37)	(13)	
Net interest expense	–	720	720	

[1] *This category includes derivative financial instruments that are not designated as effective hedging instruments.*

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 2020.

Derivatives

The fair values of forward exchange contracts are based on their listed market price, if available. If a listed market price is not available, then the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

37. Financial instruments and risk management (continued)

37.1 Financial instruments (continued)

Fair values (continued)

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 carrying amount reasonably approximates the fair value at 30 June 2020.

The fair values are not necessarily indicative of the amounts the group could realise in the normal course of business.

Fair value hierarchy

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

- Level 1 – Unadjusted quoted prices for financial assets and financial liabilities traded in an active market for identical financial assets or financial liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the financial asset or financial liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs for the financial asset or financial liability that are not based on observable market data.

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

	2020 Level 2 Rm	2019 Level 2 Rm
Derivative financial assets	**32**	10
Derivative financial liabilities	**(23)**	(33)
	9	(23)

There were no Level 1 or Level 3 financial assets or financial liabilities as at 30 June 2020 or 30 June 2019.

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 treasury 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 instruments 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.

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

Foreign currency risk

Risk exposure	The group interacts with international customers and suppliers and is exposed to foreign currency risk arising from these exposures. The group's operating costs, however, are principally incurred in South African rand. The differences resulting from the translation of foreign operations into the presentation currency of the group is not taken into account when considering foreign currency risk.
How the risk arises	Foreign currency risk arises on financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured. Foreign currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.
Objectives, policies and processes for managing risk	It is group policy to hedge exposure to cash and future contracted transactions in foreign currencies for a range of forward periods, but not to hedge exposure for the translation of reported profits or reported assets and liabilities.

At reporting date, the carrying amounts of the group's material foreign currency denominated monetary assets and liabilities that will have an impact on profit or loss when exchange rates change, are as follows:

	Euro Rm	US dollar Rm	AU dollar Rm	MZ metical Rm
Foreign currency denominated monetary assets and liabilities				
2020				
Trade and other receivables (financial assets excluding derivatives)	**4**	**184**	**3**	**–**
Cash and cash equivalents	**–**	**67**	**–**	**–**
Trade and other payables (financial liabilities excluding derivatives)	**(132)**	**(620)**	**–**	**–**
Pre-derivative position	**(128)**	**(369)**	**3**	**–**
Derivative effect	**301**	**426**	**(3)**	**–**
Open position	**173**	**57**	**–**	**–**

	Euro Rm	US dollar Rm	AU dollar Rm	MZ metical Rm
Foreign currency denominated monetary assets and liabilities				
2019				
Trade and other receivables (financial assets excluding derivatives)	20	217	3	39
Cash and cash equivalents	1	162	8	22
Trade and other payables (financial liabilities excluding derivatives)	(153)	(1 026)	(1)	(39)
Pre-derivative position	(132)	(647)	10	22
Derivative effect	211	716	(9)	–
Open position	79	69	1	22

37. Financial instruments and risk management (continued)

37.2 Financial risk management (continued)

37.2.1 Market risk (continued)

Foreign currency risk (continued)

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

Rand	**Forecast rate[2] 30 June 2021**	Forecast rate[2] 30 June 2020	**Reporting date spot rate 30 June 2020**	Reporting date spot rate 30 June 2019
Euro	**18.50**	16.93	**19.46**	16.01
US dollar	**16.60**	14.54	**17.33**	14.08
Mozambique metical	**0.23**	0.23	**0.25**	0.23

[2] *The forecast rates represent a weighting of foreign currency rates forecasted by the major banks that the group transacts with regularly. These rates are not necessarily management's expectations of currency movements.*

Sensitivity analysis

The table below indicates the group's sensitivity at year-end to the movements in the major currencies that the group is exposed to on its financial instruments. The percentages given below represent a weighting of foreign currency rates forecasted 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 2019.

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 (profit) or loss	**2020 Rm**	2019 Rm
Euro weakening by 4.9% (2019: strengthening by 5.8%) to the rand	**(9)**	5
US dollar weakening by 4.2% (2019: strengthening by 3.3%) to the rand	**(2)**	2
Mozambique metical weakening by 6.4% (2019: strengthening by 3.5%) to the rand	**–**	1

If the foreign currencies were to strengthen/weaken against the rand, by the same percentages as set out in the table above, it would have an equal, but opposite effect on profit or loss.

Foreign exchange contracts

The group uses forward exchange contracts to hedge its foreign currency risk against change in foreign currency denominated assets and liabilities, net of derivative contracts. Most of the forward exchange contracts have maturities of less than one year after reporting date. As a matter of policy, the group does not enter into derivative contracts for speculative purposes. The fair values of such contracts at year-end, by currency, were:

	2020 Rm	2019 Rm
Short-term derivatives		
Assets		
Fair value of foreign exchange contracts		
Euro	**18**	1
US dollar	**14**	9
	32	10
Liabilities		
Fair value of foreign exchange contracts		
Euro	**(1)**	(5)
US dollar	**(22)**	(28)
	(23)	(33)
Net derivative liabilities	**9**	(23)

The group does not apply hedge accounting to forward exchange contracts. Changes in the fair value of forward exchange contracts of economically hedged monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied, are recognised in profit or loss.

37. Financial instruments and risk management (continued)

37.2 Financial risk management (continued)

37.2.1 Market risk (continued)

Interest rate risk

Risk exposure	The group is exposed to interest rate risk on cash and cash equivalents, loans receivables and interest-bearing borrowings. Financial instruments with variable rates expose the group to cash flow interest rate risk, while those linked to fixed rates economically expose the group to fair value interest rate risk.
How the risk arises	The group's interest rate risk primarily arises from the impact of movements in market rates (mainly JIBAR and SA prime) on the value of the group's interest-bearing short and long-term 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, within limits agreed by the board.

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

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

	Variable JIBAR and SA prime Rm	Variable other Rm	Fixed rate Rm	Non-interest bearing Rm	Total Rm
Interest rate profile					
2020					
Investments and loans receivable	**1**	**–**	**–**	**2**	**3**
Trade receivables	**6**	**79**	**–**	**2 940**	**3 025**
Cash and cash equivalents	**661**	**166**	**22**	**152**	**1 001**
Loans and borrowings	**(6 653)**	**(21)**	**(885)**	**(45)**	**(7 604)**
Lease liabilities	**–**	**–**	**(466)**	**–**	**(466)**
Bank overdrafts and short-term facilities	**(17)**	**–**	**–**	**–**	**(17)**
Trade and other payables	**–**	**–**	**–**	**(3 415)**	**(3 415)**
	(6 002)	**224**	**(1 329)**	**(366)**	**(7 473)**
Interest rate profile					
2019					
Investments and loans receivable	4	–	–	16	20
Trade receivables	4	–	–	3 582	3 586
Cash and cash equivalents	1 497	249	–	39	1 785
Loans and borrowings	(5 361)	(23)	(891)	(36)	(6 311)
Trade payables	–	–	–	(4 722)	(4 722)
	(3 856)	226	(891)	(1 121)	(5 642)

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	**2020 Rm**	2019 Rm
JIBAR and SA prime – 100 basis point increase	**60**	39

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

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 2020, the group did not consider there to be any significant concentration of credit risk that had not been adequately provided for. The amounts presented in the statement of financial position are net of loss allowances for doubtful debts, estimated by the group companies' management based on prior experience and the current and future economic environment.
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. Group companies 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 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 certain customers. The fair value of collateral held against these loans and receivables is linked to the value of the liens. Furthermore, certain divisions in the group have credit insurance to partially cover its exposure to risk on receivables. In addition to the liens over inventories, the group has collateral over other assets of counterparties valued at R456 million (2019: R551 million).

37. Financial instruments and risk management (continued)

37.2 Financial risk management (continued)

37.2.2 Credit risk (continued)

Exposure to credit risk

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

	2020 Rm	2019 Rm
Maximum exposure to credit risk[3]		
Investments and loans receivable	**3**	20
Trade and other receivables	**3 025**	3 586
Cash and cash equivalents	**1 001**	1 785
	4 029	5 391
Maximum exposure to credit risk by segment[4]		
Diversified industrial	**1 246**	2 543
Diversified chemical	**1 254**	2 107
Diversified logistics	**2 333**	2 494
Corporate	**(804)**	(1 753)
	4 029	5 391

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

	2020 Rm	2019 Rm
Maximum exposure to credit risk by geographical region		
South Africa	**3 185**	4 552
Rest of Africa	**685**	616
Europe	**3**	16
Middle East	**20**	15
Australasia	**3**	3
Asia	**–**	12
Americas	**133**	167
	4 029	5 381
Carrying amount of financial assets		
Gross carrying amount:		
12-month ECL (Not credit impaired)	**1 172**	1 933
Lifetime ECL (Not credit impaired)	**2 798**	3 373
Lifetime ECL (Credit impaired)	**153**	165
Less: Loss allowance		
12-month ECL (Not credit impaired)	**(8)**	(3)
Lifetime ECL (Not credit impaired)	**(44)**	(27)
Lifetime ECL (Credit impaired)	**(42)**	(60)
	4 029	5 381

The group's current credit risk grading framework comprises the following categories:

Category	Description	Credit risk
Performing	The counterparty has a low risk of default and does not have any past-due amounts	Not credit impaired
Doubtful	Amounts is > 30 days past due or there has been a significant increase in credit risk since initial recognition	Not credit impaired
In default	Amount is > 90 days past due or there is evidence indicating the asset is credit impaired	Credit impaired
Write-off	There is evidence indicating that the financial asset is in severe financial difficulty and the group has no realistic prospect of recovery	Amount is written off

37. Financial instruments and risk management (continued)

37.2 Financial risk management (continued)

37.2.2 Credit risk (continued)

Expected credit loss assessment for financial assets

The group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to best available external data where there is a lack of internal historical data. In some cases, external benchmarking data, adjusted for forward-looking information was considered most appropriate where it aligned with the underlying characteristics of the financial asset.

Exposures within each credit risk grade are segmented by industry and an ECL rate is calculated for each segment. These rates are adjusted to 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

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

	Weighted average loss rate %	Gross carrying amount Rm	Impairment loss allowance Rm	Net carrying amount Rm
2020				
Segment risk profile				
General	**1.9**	**159**	**(3)**	**156**
Large and corporate enterprises	**1.2**	**1 913**	**(23)**	**1 890**
Public sector entities	**0.0**	**5**	**–**	**5**
Local government and municipalities	**0.0**	**74**	**–**	**74**
National government	**0.0**	**15**	**–**	**15**
Banks and financial institutions	**0.0**	**1 034**	**–**	**1 034**
Small and medium enterprises	**5.5**	**831**	**(46)**	**785**
Micro enterprises	**23.9**	**92**	**(22)**	**70**
		4 123	**(94)**	**4 029**
2019				
Segment risk profile				
General	1.7	1 010	(17)	993
Large and corporate enterprises	0.8	2 336	(19)	2 317
Public sector entities	0.0	6	–	6
Local government and municipalities	2.1	48	(1)	47
National government	0.0	9	–	9
Banks and financial institutions	0.0	1 808	–	1 808
Small and medium enterprises	3.6	111	(4)	107
Micro enterprises	34.3	143	(49)	94
		5 471	(90)	5 381

37. Financial instruments and risk management (continued)

37.2 Financial risk management (continued)

37.2.2 Credit risk (continued)

Movement in loss allowance

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

	12-month ECL (Not credit impaired) Rm	Lifetime ECL (Not credit impaired) Rm	Lifetime ECL (Credit impaired) Rm	Total Rm
Movement in loss allowance for trade and other receivables				
Balance at 1 July 2018	(6)	(42)	(18)	(66)
Additional provision raised	–	(3)	(25)	(28)
Amounts unused reversed	6	6	(5)	7
Amounts utilised during the year	–	12	3	15
Balance at 30 June 2019	**–**	**(27)**	**(45)**	**(72)**
Additional provision raised	**–**	**(29)**	**(3)**	**(32)**
Amounts unused reversed	**–**	**11**	**11**	**22**
Amounts utilised during the year	**1**	**1**	**22**	**24**
Balance at 30 June 2020	**1**	**(44)**	**(15)**	**(58)**
Movement in loss allowance for loans receivable				
Balance at 1 July 2018	(2)	–	(6)	(8)
Additional provision raised	–	–	(11)	(11)
Balance at 30 June 2019	**(2)**	**–**	**(17)**	**(19)**
Additional provision raised	**(7)**	**–**	**(10)**	**(17)**
Balance at 30 June 2020	**(9)**	**–**	**(27)**	**(36)**

In the Automotive Components division, the following additional increase in the loss allowance has been raised in 2019 due to the general increase in industry and credit risk relating to the subdued motor retail environment:

- Trade and other receivables – R14 million
- Loans receivable – R11 million

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 by ensuring that adequate borrowing facilities are available. Cash surpluses and short-term financing needs of the group are mainly centralised in the central treasury office. The central treasury office invests the net cash reserves and borrows the net cash deficits from the financial markets, mainly in short-term instruments linked to variable interest rates. The group has sufficient available bank facilities that can be utilised to service short-term commitments. Refer to note 27.

37. Financial instruments and risk management (continued)

37.2 Financial risk management (continued)

37.2.3 Liquidity risk (continued)

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:

	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						
2020						
Trade and other payables	**(3 219)**	**(173)**	**–**	**–**	**–**	**(3 392)**
Derivative financial liabilities	**(23)**	**–**	**–**	**–**	**–**	**(23)**
Lease liabilities	**(40)**	**(106)**	**(111)**	**(211)**	**(153)**	**(621)**
Loans and borrowings	**(1 293)**	**(1 365)**	**(2 183)**	**(3 645)**	**(37)**	**(8 523)**
	(4 575)	**(1 644)**	**(2 294)**	**(3 856)**	**(190)**	**(12 559)**
Contractual maturity						
2019						
Trade and other payables	(4 294)	(395)	–	–	–	(4 689)
Derivative financial liabilities	(33)	–	–	–	–	(33)
Loans and borrowings	(243)	(1 498)	(2 023)	(3 746)	(12)	(7 522)
	(4 570)	(1 893)	(2 023)	(3 746)	(12)	(12 244)

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 loans and borrowings disclosed in note 27, cash and cash equivalents and equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings 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 serviceability ratios:

	2020	2019
Loans and borrowings	**7 604**	6 311
Lease liabilities	**466**	–
Non-interest bearing loans and borrowings	**(45)**	(36)
Bank overdrafts and short-term facilities	**17**	–
Cash and cash equivalents	**(1 001)**	(1 785)
Net interest-bearing debt	**7 041**	4 490
EBITDA[1]	**2 707**	3 713
Net finance costs[2]	**676**	707
Net debt: EBITDA (times)	**2.6**	1.2
EBITDA interest cover (times)	**4.0**	5.3
Gearing (%)	**74**	35

[1] Operating profit before depreciation, amortisation and capital items.
[2] From continuing operations.

The group complied with all financial covenants during the 2020 and 2019 financial years.

38. Material subsidiaries

	Principal activity	Place of incorporation	Ownership 2020 %	Ownership 2019 %
PG Bison Proprietary Limited (previously KAP Diversified Industrial 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
KAP Bedding 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	Provision of integrated supply chain solutions in South Africa	South Africa	**55**	55
Unitrans Africa Proprietary Limited	Provision of integrated supply chain solutions together with various subsidiaries in Sub-Saharan African countries outside South Africa	South Africa	**100**	100
Unitrans Passenger Proprietary Limited	Provision of personnel, commuter, intercity and tourism transport services	South Africa	**100**	100

39. Directors' remuneration

39.1 Remuneration

	Basic R	Company contributions R	Bonuses R	Total R
Executive directors				
2020				
GN Chaplin	**7 117 447**	**334 352**	**925 000**	**8 376 799**
FH Olivier	**4 196 425**	**335 075**	**562 500**	**5 094 000**
	11 313 872	**669 427**	**1 487 500**	**13 470 799**
2019				
GN Chaplin	7 003 424	396 576	3 000 000	10 400 000
FH Olivier	4 163 108	336 892	1 850 000	6 350 000
	11 166 532	733 468	4 850 000	16 750 000

	2020 R	2019 R
Non-executive directors		
TLR de Klerk[1&2]	**–**	367 161
LJ du Preez[1&2]	**–**	367 161
J de V du Toit	**1 077 068**	1 060 225
Z Fuphe	**284 082**	–
KJ Grové	**1 100 181**	983 455
KT Hopkins	**662 947**	–
V McMenamin	**317 046**	–
IN Mkhari	**532 127**	700 040
SH Müller	**1 056 791**	1 086 966
SH Nomvete	**538 491**	660 307
PK Quarmby	**1 256 110**	1 255 203
DM van der Merwe[2&3]	**–**	183 479
CJH van Niekerk[3]	**–**	226 644
	6 824 843	6 890 641

[1] On 3 April 2019, TLR de Klerk and LJ du Preez resigned as non-executive directors from the board.
[2] Paid to subsidiary companies of Steinhoff International Holdings N.V.
[3] DM van der Merwe and CJH van Niekerk did not make themselves available for re-election at the company's annual general meeting on 13 November 2018. They were consequently not re-appointed to the board.

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

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

39. Directors' remuneration (continued)

39.2 Share rights

	Offer date	Number of rights as at 30 June 2019	Number of rights (exercised)/ (forfeited)/ awarded during the year	Number of rights as at 30 June 2020
Executive directors				
GN Chaplin	December 2017	1 198 565	**(1 198 565)**	**–**
	December 2018	1 578 289	**(789 145)**	**789 144**
	December 2019	–	**1 013 892**	**1 013 892**
		2 776 854	**(973 818)**	**1 803 036**
FH Olivier	December 2017	588 636	**(588 636)**	**–**
	December 2018	959 770	**(479 885)**	**479 885**
	December 2019	–	**616 556**	**616 556**
		1 548 406	**(451 965)**	**1 096 441**
		4 325 260	**(1 425 783)**	**2 899 477**

Value of share rights exercised during the year

No share rights were exercised during the current financial year.

	Number of rights exercised	Value of rights exercised R
2019		
Executive directors[1]		
GN Chaplin	1 151 851	8 984 438
FH Olivier	486 191	3 792 290
	1 638 042	12 776 728
Non-executive director[1]		
KJ Grové	827 893	6 457 565
	2 465 935	19 234 293

[1] The market price of share rights exercised was R7.80 for 1 November 2018.

40. Going concern

The annual financial statements are prepared on a going concern bases. 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 annual financial statements. These analyses have been updated to include the ongoing developments relating to the Covid-19 pandemic. These pandemic scenarios continue to evolve as the effects of the pandemic continue to extend.

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 annual financial statements.

The annual 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, even considering the severe impacts of the Covid-19 pandemic.

41. Events after reporting date

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

ANALYSIS OF SHAREHOLDING

for the year ended 30 June 2020

	2020 Number of shares	2019 Number of shares
Stated share capital		
Ordinary shares in issue	**2 607 137 238**	2 704 137 238
Treasury shares held by KAP Corporate Services Proprietary Limited	**(36 000 000)**	–
	2 571 137 238	2 704 137 238

	2020 Number of shareholders	2020 %	2020 Number of shares	2020 %
Shareholder spread				
1 – 1 000 shares	**5 641**	**55.80**	**748 422**	**0.03**
1 001 – 10 000 shares	**2 474**	**24.47**	**10 782 000**	**0.42**
10 001 – 100 000 shares	**1 257**	**12.43**	**41 142 072**	**1.60**
100 001 – 1 000 000 shares	**450**	**4.45**	**160 340 378**	**6.24**
1 000 001 – 10 000 000 shares	**242**	**2.40**	**689 929 835**	**26.83**
10 000 001 shares and over	**45**	**0.45**	**1 668 194 531**	**64.88**
	10 109	**100.00**	**2 571 137 238**	**100.00**
Resident/non-resident split				
Resident	**9 911**	**98.04**	**2 077 915 098**	**80.82**
Non-resident	**198**	**1.96**	**493 222 140**	**19.18**
	10 109	**100.00**	**2 571 137 238**	**100.00**

	2020 Number of shares	%	2019 Number of shares	%
Shares held by directors of the company				
GN Chaplin[1]	**3 063 010**	**0.119**	2 511 110	0.093
FH Olivier[2]	**1 050 000**	**0.041**	1 050 000	0.039
KJ Grové	**4 862 828**	**0.189**	4 862 828	0.180
J de V du Toit	**540 368**	**0.021**	540 368	0.020
SH Müller	**225 004**	**0.009**	225 004	0.008
	9 741 210	**0.379**	9 189 310	0.340
Shares held by directors of group subsidiaries	**58 442 069**	**2.274**	61 487 794	2.274
Shares held by management of the company and its group subsidiaries	**3 348 662**	**0.130**	5 706 136	0.211
	71 531 941	**2.783**	76 383 240	2.825
Public/non-public shareholdings				
Allan Gray[3]	**488 806 200**	**19.01**	478 135 864	17.68
Directors (and associates) of the company and its subsidiaries	**68 183 279**	**2.65**	70 677 104	2.61
Management of the company and its subsidiaries	**3 348 662**	**0.13**	5 706 136	0.21
Non-public shareholders[4]	**560 338 141**	**21.79**	554 519 104	20.51
Public shareholders[5]	**2 010 799 097**	**78.21**	2 149 618 134	79.49
	2 571 137 238	**100.00**	2 704 137 238	100.00

[1] *On 17 March 2020, an associate of GN Chaplin acquired 551 900 shares.*
[2] *These shares have been pledged as security for funding transactions (591 003 shares for a transaction maturing on 28 September 2020 and 458 997 shares for a transaction maturing on 16 February 2021).*
[3] *Allan Gray is a beneficial shareholder holding more than 10% of the shares of the company at year-end.*
[4] *There were 31 (2019: 66) non-public shareholders at year-end.*
[5] *There were 10 078 (2019: 11 773) public shareholders at year-end.*

CORPORATE INFORMATION

KAP Industrial Holdings 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
info@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

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 auditors
Deloitte & Touche

Sponsor
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

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

Transfer secretaries
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

WWW.KAP.CO.ZA