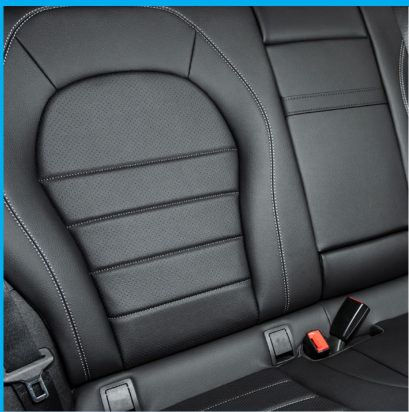

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CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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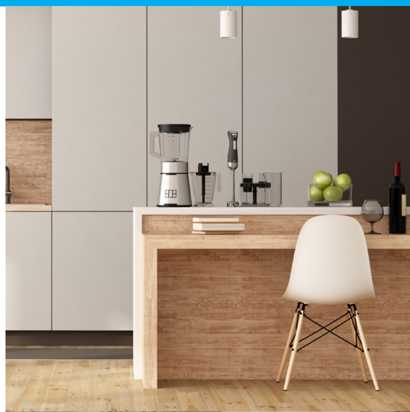

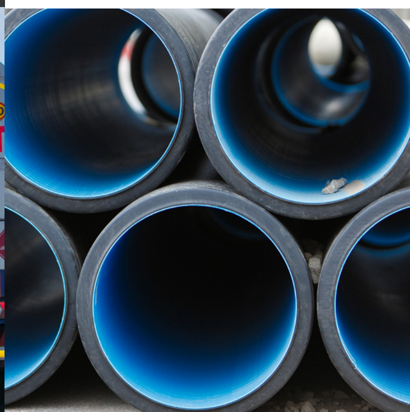

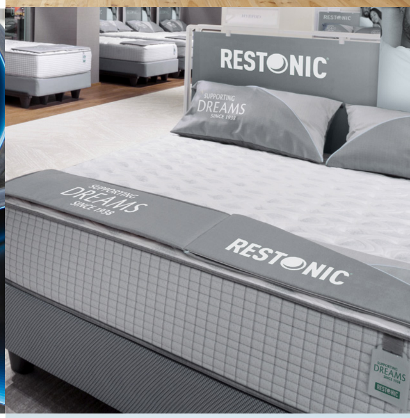

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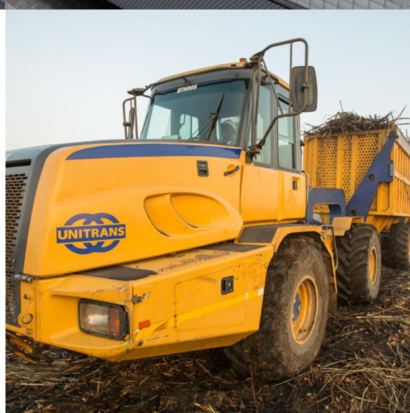

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The consolidated annual financial statements for KAP Industrial Holdings Limited have been prepared under the supervision of the chief financial officer, Frans Olivier CA(SA) and were published on 20 August 2021.

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 14 to 69, which comprise the consolidated statement of financial position as at 30 June 2021, 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 2021, 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 assessment of goodwill and indefinite useful life intangible assets	
Goodwill and indefinite useful life intangible assets comprise 10% (2020: 11%) 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. 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 13 and 14 of the consolidated financial statements respectively.	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 licensing transactions within the particular industry in which the underlying cash-generating unit operates; • Assessing the reasonableness of the forecasted cash flows against historic performance, approved budgets, peer companies benchmarking and industry data which also involved the performance of sensitivity analyses with regards to key estimates; • Recalculating the value-in-use of the cash generating units; and • Subjecting the key assumptions and inputs to sensitivity analyses. 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, despite certain individual assumptions not being within our independently generated ranges. • We consider the disclosure of the accounting policy and estimates used with regard to goodwill and intangible assets that are set out in note 13 and 14 of the consolidated financial statements respectively to be reasonable.

Key audit matter	How the matter was addressed in the audit
Impairment assessment 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 ('CGUs'). 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 was required which include: • 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, 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 management's 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, material margins, prices and foreign exchange rates; • 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; 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, despite certain individual assumptions not being within our independently generated ranges. • We assessed the appropriateness of the disclosures in note 15 to the consolidated financial statements in terms of the requirements of IAS 36 and noted no material exceptions.
Valuation of timber plantation biological assets	
As disclosed in note 18 of the consolidated financial statements, the valuation of timber plantation biological assets amounted to R1 518 million (2020: R1 722 million). The net fair value adjustment for the year ended 30 June 2021 amounted to a decrease in profit of R204 million (2020: R148 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 involves 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; • Testing a selection of data inputs used against directors' financial and operational information and external sources, to assess the accuracy, reliability and completeness thereof; • 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 • Performing 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 18 of the consolidated financial statements of matters relating to the timber plantation biological assets.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled 'KAP Industrial Holdings Limited audited consolidated annual financial statements 30 June 2021', 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, the chief executive officer and chief financial officer responsibility statement which we obtained prior to the date of this report, and the integrated 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 our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte has been the auditor of KAP Industrial Holdings Limited for 18 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per: DA Steyn
Partner

19 August 2021

The Ridge Building
6 Marina Road
Portswood District
V&A Waterfront
Cape Town
8000

DIRECTORS' RESPONSIBILITY AND APPROVAL

for the year ended 30 June 2021

Responsibility of the directors

It is the directors' responsibility to ensure that the consolidated annual 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 2021, 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 the annual financial statements

The annual financial statements for the year ended 30 June 2021, set out on pages 7 to 70, were approved by the board of directors on 19 August 2021 and are signed on its behalf by:

Jaap du Toit
Independent non-executive chairperson

Gary Chaplin
Chief executive officer

Frans Olivier
Chief financial officer

19 August 2021

Chief executive officer and chief financial officer responsibility statement

The executive directors, whose names are stated below, hereby confirm that:

- the annual financial statements set out on pages 7 to 70, fairly present in all material respects the financial position, financial performance and cash flows of the group in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the company and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the group; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit and risk committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

Gary Chaplin
Chief executive officer

Frans Olivier
Chief financial officer

19 August 2021

COMPANY SECRETARY'S CERTIFICATE

for the year ended 30 June 2021

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 2021

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

DIRECTORS' REPORT

for the year ended 30 June 2021

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 2021.

Nature of business

KAP Industrial Holdings Limited is incorporated in South Africa and the ultimate holding company of the group. The company's shares are listed on the JSE Limited ('JSE'). KAP is a diversified group, operating in sub-Saharan Africa, with leading industry positions in the wood-based decorative panel, automotive components, sleep, polymers, logistics and passenger transport sectors. The group operates in the below-mentioned segments:

Diversified industrial	
Integrated Timber	Integrated forestry and timber manufacturing primarily into wood-based decorative panels
Automotive Components	Manufacture of vehicle retail accessories and components used in new vehicle assembly
Integrated Bedding	Manufacture of foam, fabrics, springs, bases and branded sleep products
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 and commuter transport services

During the current financial year the group closed its Intercity and Tourism operations which formed part of the Passenger Transport segment, and accordingly disclosed these as discontinued operations in the annual financial statements. The remaining assets related to these discontinued operations are disclosed as assets held for sale. There have been no other material changes to the nature of the group's business from the prior year.

Financial results

The year under review was dominated by Covid-19 ('Covid'), which created an extremely complex and uncertain environment, from global sociopolitical and macroeconomic dynamics down to impacting on the daily transactional execution related to the products and services that we produce and deliver to our customers and on the personal safety and wellbeing of our employees. The variability in the necessary levels of restrictions imposed by our government and significant disruptions in global supply chains throughout the year resulted in volatility in the demand for our products, access to key raw materials and commodity prices. This created enormous challenges in running our various operations.

The KAP business model proved resilient throughout this period, with operations diversified across various sectors supplying primarily non-discretionary goods and services. Our decentralised management structures supported rapid decision-making and provided the agility to adapt quickly to this challenging environment. Management were effective in rapidly optimising the company's operations to meet these challenges, resulting in a very pleasing set of results.

Revenue from continuing operations increased by 11% to R23 956 million (2020: R21 591 million). Operating profit before capital items from continuing operations increased by 48% to R2 102 million (2020: R1 419 million), while headline earnings per share from continuing operations increased by 146% to 43.0 cents per share (2020: 17.5 cents per share). Earnings per share from continuing operations increased to a profit of 44.0 cents per share (2020: 74.8 cents loss per share). The loss per share in the prior period was primarily due to impairments of goodwill, intangible assets and property, plant and equipment required in terms of IFRS, which were comprehensively reported in the prior year.

The results for the year under review are comprehensively disclosed 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 IFRS. In terms of this assessment, there is no material impairment or reversal of impairment for the current financial year.

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 18 November 2020, shareholders placed 128 500 000 cumulative, non-redeemable, non-participating preference shares of no par value and 50 000 000 perpetual preference shares of no par value (collectively, 'the preference shares'), under the control of the directors. No preference shares have been issued as at the date of this report. Shareholders did not place any of the company's unissued ordinary shares under the control of the directors for purposes of a cash issue.

Shareholders approved the repurchase of up to 10% of the company's own shares of any class. The company repurchased 39 935 765 of its own ordinary shares between January 2021 and February 2021 (equating to 1.53% of shares in issue at the date of the 2020 AGM). These shares were cancelled and delisted as issued shares. In the 2019 financial year, under a shareholders' mandate obtained at the 2018 AGM, KAP Corporate Services Proprietary Limited ('KAP

Corporate'), 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 were accounted for as treasury shares. Following approval from the JSE in June 2021, these shares were transferred between KAP Corporate and the company through a share repurchase and were subsequently cancelled and delisted as issued shares. As a result of the share repurchases, the number of issued ordinary shares of the company reduced to 2 531 201 473. Refer to note 25 in the annual financial statements for further details in this regard.

Borrowing facilities and liquidity

Net interest-bearing debt decreased by R511 million to R6 530 million. The net debt/EBITDA ratio decreased to 1.9 times from 2.6 times while the EBITDA/interest cover ratio improved to 7.3 times from 4.1 times as a result of lower debt levels and improved profitability. The net debt/equity (gearing) ratio decreased to 64% from 74%.

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

The group's borrowing facilities and usage thereof are set out in note 28 to the annual financial statements. In terms of the memoranda of incorporation of the company and its subsidiaries, there is no limitation on the group's borrowing powers.

Corporate activity

The group continued with strategic corporate activities to enhance the group's quality of earnings and its sustainability into the future. In line with its key investment criteria, the group concluded the following non-material transactions during the year:

- Effective 1 September 2020, Unitrans Supply Chain Solutions Proprietary Limited acquired the remaining 36% minority share in Klipstone Transport Proprietary Limited.
- Effective 30 June 2021, PG Bison Southern Cape Proprietary Limited disposed of its investment in the associate, The Peter Allan Building Materials Trust.

Subsidiary companies

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

Dividends

In view of the resilience that the company's business has displayed though the recent global pandemic, the strength of its balance sheet, the rapid recovery in performance and expected future prospects, the board of directors ('the board') has decided to declare a dividend of 15 cents per share payable from income reserves on 20 September 2021 to shareholders registered on 14 September 2021. The dividend withholding tax of 20%, if applicable, will result in a net cash dividend of 12 cents per share. No dividend was paid in the current year.

Contingent liability

The group has a contingent liability relating to the Competition Commission ('the Commission') investigation into the activities of PG Bison Proprietary Limited ('PG Bison') and the referral of a complaint to the Competition Tribunal. PG Bison has applied for immunity from prosecution in terms of the Commission's Corporate Leniency Policy and has cooperated fully with the Commission throughout the investigation. The directors are of the opinion that PG Bison has a compelling case and that the review application will be successful. There has been no development on this matter since the previous year. Refer to note 33 in the annual financial statements for further detail in this regard.

Subsequent events

Subsequent to 30 June 2021, negotiations with a supplier were concluded, resulting in a retrospective price adjustment of R91 million which will be recognised as income in the 2022 financial year.

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

The social unrest experienced in our country during July 2021, while extremely disturbing, did not have a material impact on the group's operations.

Directorate

At the 2020 AGM, shareholders resolved not to fill the vacancy left by NH Nomvete, following his resignation by rotation on 18 November 2020, and the number of board members was temporarily reduced to 10.

Following a comprehensive identification, screening and selection process by the nomination committee, the board has appointed one new director, and in the process, further improved the race and gender representation of the board. TC Esau-Isaacs was appointed as an independent non-executive director and a member of the audit and risk committee and social and ethics committee with effect from 30 June 2021. Her appointment is subject to shareholder confirmation at the November 2021 AGM. KT Hopkins replaced PK Quarmby as chairperson of the audit and risk committee with effect from 1 September 2020. PK Quarmby remained a member of the audit and risk committee and was appointed in the role of lead independent non-executive director, effective 18 November 2020.

At 30 June 2021, 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 (chairperson of the board)	Nomination committee (chairperson)
KJ Grové (deputy chairperson of the board)	Human capital and remuneration committee, Investment committee
PK Quarmby (lead independent)	Investment committee (chairperson), Audit and risk committee, Nomination committee
TC Esau-Isaacs	Audit and risk committee, Social and ethics committee
Z Fuphe	Audit and risk committee, Social and ethics committee
KT Hopkins	Audit and risk committee (chairperson)
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

Directors' shareholding (including their associates)

As at 30 June 2021, the directors of the company held no direct or indirect interests in the company's issued ordinary shares other than:

	2021 Number of shares	2020 Number of shares
GN Chaplin	**3 063 010**	3 063 010
FH Olivier[1]	**–**	1 050 000
KJ Grové	**4 862 828**	4 862 828
J de V du Toit[2]	**1 040 368**	540 368
SH Müller	**225 004**	225 004
PK Quarmby[3]	**500 000**	–

[1] An associate of FH Olivier disposed of 591 003 shares in September 2020 and 458 997 shares in February 2021 due to funding transactions that matured in September 2020 and February 2021.
[2] An associate of J de V du Toit acquired 500 000 ordinary shares during August 2020.
[3] An associate of PK Quarmby acquired 500 000 shares during September 2020.

In aggregate, the directors of the company and its subsidiaries held 66 983 525 (2020: 68 183 279) of the company's ordinary shares at 30 June 2021, equating to 2.65% (2020: 2.65%) 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 2021 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

	2021 %	2020 %
Shareholders with a beneficial interest above 5%		
Allan Gray	**17.71**	19.01
Government Employees Pension Fund	**14.56**	11.42
Old Mutual Limited	**6.46**	6.60

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 11 to 13 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

Following the conclusion of a comprehensive and closely contested tender process, the audit and risk committee has recommended and the board has endorsed the appointment of KPMG as the external audit firm of the group for the financial year ending 30 June 2022. While Deloitte conducted the 2021 audit, approval will be sought from shareholders at the company's AGM in November 2021 for the appointment of KPMG as the company's external auditor for 2022.

Jaap du Toit
Independent non-executive chairperson

19 August 2021

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 30 June 2021

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 2021, 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™. The charter was reviewed and updated during the year and has been approved by the board of directors of the company ('the board'). 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:

- KT Hopkins (appointed as chairperson on 1 September 2020)
- Z Fuphe
- SH Müller
- PK Quarmby
- TC Esau-Isaacs (appointed 30 June 2021)*

* TC Esau-Isaacs was appointed to the committee on the last day of the financial year and accordingly did not take part in any of the committee's operations.

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, listed 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 four formal meetings during the year under review in line with the requirements of its charter. All the meetings were attended by all members. The chief executive officer ('CEO'), 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 four times during the year under review.

Objective and scope

The overall objectives of the committee are as follows:

- To review the principles, policies and practices adopted in the preparation of the annual financial statements of companies in the group and to ensure that the annual financial statements of the group and any other formal announcements relating to the financial performance comply with all applicable statutory and regulatory requirements.
- To ensure that the interim condensed financial statements, the period-end annual financial statements and the annual integrated report comply with all applicable statutory and regulatory requirements.
- To ensure that all financial information contained in any consolidated submissions to the board is suitable for inclusion in the company's financial statements in respect of any reporting period.
- To annually assess 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 controls and procedures exist and are effective for the company and its subsidiaries.
- To ensure that the directors have access to all the financial information of the group to allow the directors to approve 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 applicable regulatory requirements.

During the year under review, the committee:

- Received and reviewed reports from the internal auditors concerning the effectiveness of the internal control environment, systems and processes.
- Reviewed the reports of both internal and external auditors detailing their concerns arising from their audits and requested appropriate responses from management to ensure that their concerns were addressed.
- Made appropriate recommendations to the board regarding the corrective actions to be taken as a result of audit findings.
- Considered the independence and objectivity of the external auditors and ensured that the scope of any additional services provided was not of such a nature that they could be seen to have impaired their independence.
- Reviewed and recommended, for adoption by the board, such financial information that is publicly disclosed which, for the year, included:
  - the annual financial statements for the year ended 30 June 2021; and
  - the interim results for the six months ended 31 December 2020.

- Considered the JSE's monitoring activities reports listed below and took appropriate action to apply the findings and improve disclosures where required:
  - reporting back on proactive monitoring of financial statements in 2020; and
  - combined findings report of monitoring of financial statements.
- 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 applicable legal and regulatory requirements, environmental compliance, as well as open legal matters, to ensure that all matters which could have a material impact on the group have been reported to the board.
- Considered 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 effectively. Where weaknesses were identified in specific controls, management undertook to implement appropriate corrective actions to address these, as well as to ensure that weaknesses identified previously had been corrected.

Specific 2021 focus areas

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

- Review of the group's going concern assessment and solvency and liquidity position.
- Impairment assessment of goodwill, indefinite useful life intangible assets and property, plant and equipment.
- The Competition Commission matter regarding PG Bison Proprietary Limited.
- Combined assurance framework.
- Overview of the internal financial controls, effectiveness thereof and remedial actions implemented by management.
- Mandatory audit firm rotation and appointment of a new audit firm.
- Improvement in the quality of the integrated report.
- Considered the findings of the JSE's proactive review of the annual financial statements of the group for the year ended 30 June 2020 and the interim results for the six months ended 31 December 2020, together with management's responses.

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 updated during the prior year, 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 control 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 2021 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Audit fees are disclosed in note 7 to the 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. The committee has assessed the accreditation documents including inspection documents from IRBA and Deloitte's responses thereto including remediation plans and is satisfied that the systems of quality control are appropriate and support a high quality audit. Deloitte was appointed as the independent external audit firm of the group (18th term) and Dr D Steyn was appointed as the audit engagement partner responsible to lead the audit (5th term) for the 2021 financial year.

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

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

Audit firm rotation and appointment of new external audit firm

The committee recommended and the board endorsed the appointment of KPMG as the external audit firm of the group for the financial year ending 30 June 2022. The early adoption of the mandatory audit firm rotation process and change in external auditor was amicably agreed with Deloitte to correspond with the five-year rotation of the existing lead audit engagement partner, Dr D Steyn. The timely decision in respect of the change affords the group the opportunity to minimise the risks and disruptions of the transition to a new auditor.

Key audit matters

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

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

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

Accounting practices and internal controls

Internal controls and systems have been designed to provide reasonable assurance as to the integrity and reliability of the financial information presented in the annual financial statements, and to safeguard, verify and maintain the assets of the group.

Nothing has come to the attention of the committee to indicate that any material breakdown in the functioning of the group's key internal control systems has occurred during the year under review. Internally, the CEO, the CFO and the internal auditors have reviewed the controls over financial reporting and presented its findings to the audit and risk committee. Where control deficiencies were identified, appropriate remedial action was taken. All significant deficiencies were remediated by year-end. Other remedial actions are expected to be completed in accordance with a formalised plan. The committee further considered the written assessment prepared by the CAE, which provided reasonable assurance that the overall system of internal controls in the group is acceptable. The committee believes the group's internal controls can be relied upon as a reasonable basis for the preparation of the annual financial statements.

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 2021 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 concluded a performance self-assessment. No matters of material concern were identified and the committee was assessed to be effective in rendering its oversight service to the board.

Ken Hopkins
Audit and risk committee chairperson

19 August 2021

INCOME STATEMENT

for the year ended 30 June 2021

	Notes	2021 Rm	2020* Rm
Continuing operations			
Revenue	3	**23 956**	21 591
Cost of revenue		**(19 526)**	(18 352)
Gross profit		**4 430**	3 239
Selling and distribution expenses		**(688)**	(580)
Administrative and other expenses		**(1 738)**	(1 284)
Other income	4	**122**	73
Other net gains/(losses)	5	**(24)**	(29)
Operating profit before capital items		**2 102**	1 419
Capital items	6	**32**	(3 103)
Operating profit/(loss)	7	**2 134**	(1 684)
Finance costs	8	**(486)**	(681)
Income from investments	9	**20**	27
Share of profit of associate and joint venture companies	19	**28**	21
Profit/(loss) before taxation		**1 696**	(2 317)
Taxation	10	**(506)**	395
Profit/(loss) for the year from continuing operations		**1 190**	(1 922)
Discontinued operations			
Loss for the year from discontinued operations	11	**(132)**	(223)
Profit/(loss) for the year		**1 058**	(2 145)
Profit/(loss) attributable to:			
Owners of the parent		**991**	(2 190)
Profit/(loss) for the year from continuing operations		**1 123**	(1 967)
Loss for the year from discontinued operations		**(132)**	(223)
Non-controlling interests	27	**67**	45
Profit for the year from continuing operations		**67**	45
Profit/(loss) for the year		**1 058**	(2 145)

Earnings/(loss) per share attributable to equity holders of the company	Notes	cents	cents
Basic earnings/(loss) per share	12	**38.8**	(83.3)
Diluted earnings/(loss) per share	12	**38.3**	(83.2)
Basic earnings/(loss) per share from continuing operations	12	**44.0**	(74.8)
Diluted earnings/(loss) per share from continuing operations	12	**43.4**	(74.7)

**Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.*

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2021

	2021 Rm	2020 Rm
Profit/(loss) for the year	**1 058**	(2 145)
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(233)**	119
Total other comprehensive (loss)/income for the year, net of taxation	**(233)**	119
Total comprehensive income/(loss) for the year, net of taxation	**825**	(2 026)
Total comprehensive income/(loss) attributable to:		
Owners of the parent	**765**	(2 074)
Non-controlling interests	**60**	48
Profit for the year	**67**	45
Foreign currency translation reserve transferred to non-controlling interests	**(7)**	3
Total comprehensive income/(loss) for the year	**825**	(2 026)

STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

	Notes	2021 Rm	2020 Rm
Assets			
Non-current assets			
Goodwill	13	**641**	641
Intangible assets	14	**2 028**	2 046
Property, plant and equipment	15	**12 957**	12 623
Investment property	16	**–**	7
Right-of-use assets	17	**358**	438
Consumable biological assets	18	**1 565**	1 754
Investments in associate and joint venture companies	19	**78**	77
Investments and loans receivable	20	**1**	1
Deferred taxation assets	21	**33**	49
Inventories	22	**–**	35
		17 661	17 671
Current assets			
Inventories	22	**2 593**	2 262
Trade and other receivables	23	**4 180**	3 367
Loans receivable	20	**8**	2
Taxation receivable		**42**	58
Cash and cash equivalents		**751**	1 001
		7 574	6 690
Assets held for sale	24	**159**	–
		7 733	6 690
Total assets		**25 394**	24 361
Equity and liabilities			
Capital and reserves			
Stated share capital[1]	25	**8 206**	8 364
Reserves		**2 044**	1 202
Total equity attributable to owners of the parent		**10 250**	9 566
Non-controlling interests	27	**199**	204
Total equity		**10 449**	9 770
Non-current liabilities			
Loans and borrowings	28	**5 360**	5 309
Lease liabilities	29	**311**	363
Employee benefits	30	**24**	30
Provisions	31	**2**	2
Deferred taxation liabilities	21	**2 637**	2 715
		8 334	8 419
Current liabilities			
Loans and borrowings	28	**1 526**	2 295
Lease liabilities	29	**86**	103
Employee benefits	30	**456**	175
Provisions	31	**77**	70
Trade and other payables	32	**4 289**	3 476
Taxation payable		**132**	36
Bank overdrafts and short-term facilities		**45**	17
		6 611	6 172
Total equity and liabilities		**25 394**	24 361

[1] *Net of treasury shares.*

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2021

	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 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 for the year		–	(2 190)	–	–	–	(2 190)	45	(2 145)
Other comprehensive profit for the year		–	–	–	–	116	116	3	119
Ordinary dividends paid		–	(619)	–	–	–	(619)	(55)	(674)
Share-based payments		–	–	(27)	–	–	(27)	–	(27)
Share-based payments expense	26	–	–	(28)	–	–	(28)	–	(28)
Deferred taxation	21.1	–	–	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**
Ordinary shares repurchased and cancelled		**(158)**	**–**	**–**	**–**	**–**	**(158)**	**–**	**(158)**
Total comprehensive income/(loss) for the year		**–**	**991**	**–**	**–**	**(226)**	**765**	**60**	**825**
Profit for the year		**–**	**991**	**–**	**–**	**–**	**991**	**67**	**1 058**
Other comprehensive loss for the year		**–**	**–**	**–**	**–**	**(226)**	**(226)**	**(7)**	**(233)**
Ordinary dividends paid		**–**	**–**	**–**	**–**	**–**	**–**	**(27)**	**(27)**
Share-based payments		**–**	**–**	**61**	**–**	**–**	**61**	**–**	**61**
Share-based payments expense	26	**–**	**–**	**56**	**–**	**–**	**56**	**–**	**56**
Deferred taxation	21.1	**–**	**–**	**5**	**–**	**–**	**5**	**–**	**5**
Transfer between reserves		**–**	**(2)**	**–**	**–**	**2**	**–**	**–**	**–**
Net effect of shares bought from non-controlling shareholders		**–**	**16**	**–**	**–**	**–**	**16**	**(38)**	**(22)**
Balance at 30 June 2021		**8 206**	**5 498**	**518**	**(3 952)**	**(20)**	**10 250**	**199**	**10 449**

[1]*Net of treasury shares.*

STATEMENT OF CASH FLOWS

for the year ended 30 June 2021

	Notes	2021 Rm	2020 Rm
Cash flows from operating activities			
Cash generated from operations	34	**3 485**	2 076
Dividends received		**9**	16
Income from investments		**16**	25
Finance costs paid		**(498)**	(710)
Dividends paid		**(27)**	(674)
Taxation paid		**(395)**	(259)
Net cash inflow from operating activities		**2 590**	474
Cash flows from investing activities			
Additions to property, plant and equipment		**(1 973)**	(2 048)
Additions to intangible assets		**(6)**	(14)
Additions to consumable biological assets		**(1)**	(3)
Proceeds on disposal of property, plant and equipment		**103**	122
Proceeds on disposal of investment property		**8**	–
Net cash outflow on acquisition of subsidiaries		**–**	(30)
Net cash inflow on disposal of businesses		**–**	17
Net decrease in investments in associate and joint venture companies		**10**	3
Proceeds on disposal of associate company		**8**	–
Decrease in long-term investments and loans receivable		**–**	7
Increase in short-term loans receivable		**(1)**	(7)
Government grants received		**1**	9
Insurance proceeds		**44**	5
Net cash outflow from investing activities		**(1 807)**	(1 939)
Cash flows from financing activities			
Shares repurchased		**(158)**	(544)
Transactions with non-controlling interests		**(22)**	–
Increase in long-term loans and borrowings	28	**1 190**	1 651
Decrease in short-term loans and borrowings	28	**(1 910)**	(367)
Decrease in lease liabilities	29	**(109)**	(101)
Increase in bank overdrafts and short-term facilities	28	**28**	17
Net cash (outflow)/inflow from financing activities		**(981)**	656
Net decrease in cash and cash equivalents		**(198)**	(809)
Cash and cash equivalents at beginning of the year		**1 001**	1 785
Effects of exchange rate translations on cash and cash equivalents		**(52)**	25
Cash and cash equivalents at end of the year		**751**	1 001

SEGMENTAL ANALYSIS

for the year ended 30 June 2021

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 executive directors. The components comprise various operating segments located in sub-Saharan Africa. Segmental information is prepared in conformity with the measure that is reported to the executive directors. This information has been reconciled to the consolidated 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 intersegmental 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 6. Segment expenses include selling and distribution expenses and administrative and other 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 either are directly attributable to the segment, or can be allocated to the segment on a reasonable basis.

The segment operating liabilities comprise all liabilities of the different segments that are used in the operations of the segment and that either 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 sub-Saharan Africa. The Passenger Transport division provides personnel and commuter transport services.

Major customers

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

for the year ended 30 June 2021

	2021 Rm	2020* Rm
Continuing operations		
Revenue		
Diversified industrial	**7 927**	6 205
Integrated Timber	**4 197**	3 208
Automotive Components	**2 033**	1 725
Integrated Bedding	**1 731**	1 286
Interdivisional revenue eliminations	**(34)**	(14)
Diversified chemical	**7 509**	7 301
Polymers	**7 509**	7 301
Diversified logistics	**8 828**	8 392
Contractual Logistics – South Africa	**5 207**	4 954
Contractual Logistics – Africa	**2 010**	1 865
Passenger Transport	**1 647**	1 604
Interdivisional revenue eliminations	**(36)**	(31)
	24 264	21 898
Intersegmental revenue eliminations	**(308)**	(307)
	23 956	21 591
Operating profit before depreciation, amortisation and capital items		
Diversified industrial	**1 344**	894
Integrated Timber	**786**	488
Automotive Components	**251**	184
Integrated Bedding	**307**	222
Diversified chemical	**584**	344
Polymers	**584**	344
Diversified logistics	**1 485**	1 460
Contractual Logistics – South Africa	**701**	651
Contractual Logistics – Africa	**468**	444
Passenger Transport	**316**	365
Corporate, consolidation and eliminations	**6**	5
	3 419	2 703
Operating profit before capital items		
Diversified industrial	**1 025**	582
Integrated Timber	**615**	323
Automotive Components	**156**	88
Integrated Bedding	**254**	171
Diversified chemical	**428**	160
Polymers	**428**	160
Diversified logistics	**649**	677
Contractual Logistics – South Africa	**249**	222
Contractual Logistics – Africa	**211**	214
Passenger Transport	**189**	241
	2 102	1 419

**Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.*

SEGMENTAL ANALYSIS continued

for the year ended 30 June 2021

	2021 Rm	2020 Rm
Operating assets		
Diversified industrial	**9 886**	9 176
Integrated Timber	**6 705**	6 382
Automotive Components	**1 561**	1 304
Integrated Bedding	**1 623**	1 491
Interdivisional eliminations	**(3)**	(1)
Diversified chemical	**6 313**	5 935
Polymers	**6 313**	5 935
Diversified logistics	**8 166**	8 153
Contractual Logistics – South Africa	**4 530**	4 452
Contractual Logistics – Africa	**2 489**	2 413
Passenger Transport	**1 153**	1 320
Interdivisional eliminations	**(6)**	(32)
Corporate, consolidation and eliminations	**(43)**	(91)
	24 322	23 173
Operating liabilities		
Diversified industrial	**1 399**	1 039
Integrated Timber	**713**	561
Automotive Components	**406**	293
Integrated Bedding	**283**	186
Interdivisional eliminations	**(3)**	(1)
Diversified chemical	**1 945**	1 474
Polymers	**1 945**	1 474
Diversified logistics	**1 324**	1 121
Contractual Logistics – South Africa	**775**	678
Contractual Logistics – Africa	**312**	249
Passenger Transport	**243**	226
Interdivisional eliminations	**(6)**	(32)
Corporate, consolidation and eliminations	**180**	119
	4 848	3 753
Net operating assets/(liabilities)[1]		
Diversified industrial	**8 487**	8 137
Integrated Timber	**5 992**	5 821
Automotive Components	**1 155**	1 011
Integrated Bedding	**1 340**	1 305
Diversified chemical	**4 368**	4 461
Polymers	**4 368**	4 461
Diversified logistics	**6 842**	7 032
Contractual Logistics – South Africa	**3 755**	3 774
Contractual Logistics – Africa	**2 177**	2 164
Passenger Transport	**910**	1 094
Corporate, consolidation and eliminations	**(223)**	(210)
	19 474	19 420

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

	2021 Rm	2020 Rm
Operating assets includes the following:		
Goodwill	641	641
Intangible assets	2 028	2 046
Property, plant and equipment	12 957	12 623
Investment property	–	7
Right-of-use assets	358	438
Consumable biological assets	1 565	1 754
Inventories	2 593	2 297
Trade and other receivables	4 180	3 367
Operating assets	24 322	23 173
Operating liabilities includes the following:		
Employee benefits	480	205
Provisions	79	72
Trade and other payables	4 289	3 476
Operating liabilities	4 848	3 753
Net working capital		
Diversified industrial	1 166	1 113
Integrated Timber	933	843
Automotive Components	141	140
Integrated Bedding	93	130
Interdivisional eliminations	(1)	–
Diversified chemical	604	625
Polymers	604	625
Diversified logistics	389	408
Contractual Logistics – South Africa	104	161
Contractual Logistics – Africa	148	142
Passenger Transport	137	104
Interdivisional eliminations	–	1
Corporate, consolidation and eliminations	(234)	(235)
	1 925	1 911
Net working capital includes the following:		
Inventories	2 593	2 297
Trade and other receivables	4 180	3 367
Employee benefits	(480)	(205)
Provisions	(79)	(72)
Trade and other payables	(4 289)	(3 476)
Net working capital	1 925	1 911
Replacement capital expenditure[2]		
Diversified industrial	336	202
Integrated Timber	313	109
Automotive Components	17	77
Integrated Bedding	6	16
Diversified chemical	78	28
Polymers	78	28
Diversified logistics	511	1 011
Contractual Logistics – South Africa	223	564
Contractual Logistics – Africa	190	286
Passenger Transport	98	161
Corporate, consolidation and eliminations	(7)	–
	918	1 241

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

for the year ended 30 June 2021

	2021 Rm	2020 Rm
Expansion capital expenditure[3]		
Diversified industrial	413	237
Integrated Timber	86	200
Automotive Components	217	5
Integrated Bedding	110	32
Diversified chemical	–	47
Polymers	–	47
Diversified logistics	486	387
Contractual Logistics – South Africa	255	192
Contractual Logistics – Africa	218	173
Passenger Transport	13	22
	899	671
Total capital expenditure[4]		
Diversified industrial	749	439
Integrated Timber	399	309
Automotive Components	234	82
Integrated Bedding	116	48
Diversified chemical	78	75
Polymers	78	75
Diversified logistics	997	1 398
Contractual Logistics – South Africa	478	756
Contractual Logistics - Africa	408	459
Passenger Transport	111	183
Corporate, consolidation and eliminations	(7)	–
	1 817	1 912
Total capital expenditure includes the following:		
Additions to property, plant and equipment	1 973	2 048
Proceeds on disposal of property, plant and equipment	(103)	(122)
Proceeds on disposal of investment property	(8)	–
Government grants received	(1)	(9)
Insurance proceeds	(44)	(5)
	1 817	1 912

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

ACCOUNTING POLICIES

for the year ended 30 June 2021

The consolidated annual financial statements of KAP Industrial Holdings Limited ('KAP' or 'the company') for the year ended 30 June 2021 comprise the company, its subsidiaries and the group's interest in associate and joint venture companies (collectively referred to as 'the group').

Statement of compliance

The consolidated 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 2021, 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 2008, 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 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 are 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's 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. A 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 an asset to 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

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 are unpaid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

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

The right-of-use asset is recognised when the asset is available for use and comprise 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 concession 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.

Consumable biological assets

The group's timber plantations and livestock are classified as consumable biological assets. These assets are measured on initial recognition and at each reporting date at their fair value less estimated costs to sell. Costs to sell include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to the market. Gains and losses arising from changes in the fair value of the assets less estimated costs to sell are recorded in other net gains and losses in profit or loss. At point of harvest, the carrying value of forestry assets is transferred to inventory and recorded as a decrease to fair value of timber plantation biological assets.

Borrowing costs

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

The amount recognised as a provision is the best estimate of the full consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise to cash flows on specific dates that are solely payments of principal and interest on the principal amount outstanding.

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

Financial liabilities

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

- held for trading; or
- designated at FVTPL.

Subsequent measurement

Financial assets

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

Financial liabilities

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

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Fair value through profit or loss

Financial instruments classified as at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent 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.

Cash and cash equivalents

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

Impairment of financial assets

The group recognises a loss allowance for expected credit losses ('ECL') on financial assets that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial 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 relates to both local sales and export sales and comprise mainly of the sale of manufactured goods, goods purchased for resale and farming produce. Each item sold represents a separate performance obligation. Revenue from the sale of goods is recognised only when the performance obligations arising from the contract with a customer is satisfied at the point in time when control transfers. Goods sold generally includes delivery and each of these sales are 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 of 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 is 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 principal debt outstanding and the effective rate over the period to maturity.

Dividend income

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

Segmental reporting

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

The basis of segmental allocation is determined as follows:

- Segmental revenue includes revenue that can be directly attributed to a segment and the relevant portion of the profit that can be allocated on a reasonable basis to a segment.
- Segmental assets are those assets that are employed by a segment in its operating activities and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segmental assets exclude investments in equity accounted companies, interest-bearing investments and loans, cash and cash equivalents, assets held for sale, deferred taxation assets and taxation assets.
- Segmental liabilities are those liabilities that are employed by a segment in its operating activities and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segmental liabilities exclude loans and borrowings, lease liabilities, deferred taxation liabilities, taxation payable and bank overdrafts and short-term facilities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2021

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 13 to 17.

Consumable biological assets

The fair value of standing timber, which has become marketable, is based on the market price of the estimated recoverable timber volumes, net of harvesting costs. The fair value of younger standing timber is determined using a discounted cash flow method. The key assumptions used in the calculation of the fair value is detailed in note 18.

Accounting for the Broad-based black economic empowerment transaction

The significant assumptions and estimates are detailed in note 26.

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 14 to 15.

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 in the lease term if the lease is reasonably certain to be extended.

The lease payments are discounted using the incremental borrowing rate. The incremental borrowing rate for leases is determined based on the company borrowing rate, as the group utilises a central treasury function. Adjustments for the underlying group divisional credit risk and asset classes are not considered to give rise to a material impact on the accounting for right-of-use assets and lease liabilities. The incremental borrowing rates are detailed in note 29.

Valuation of equity compensation benefits

Management classifies its share-based payment scheme as an equity-settled scheme based on the assessment of its role and that of the employees in the transaction. In applying its judgement, management consulted with external expert advisors in the accounting and share-based payment advisory industry. The critical assumptions used in the valuation model are detailed in note 26.

Post-employment benefit obligations

In applying its judgement to defined benefit plans, management consulted with external expert advisors in the accounting and post-employment benefit obligation industry. The critical estimates used in each benefit plan are detailed in note 30.

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

Significant judgement is required in assessing the impairment processed against 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 is detailed in note 36.

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 has adopted all the new and revised standards issued by the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2020.

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

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
Interest rate benchmark reform (amendments to IFRS 9, IAS 39 and IFRS 7)

2.2 Standards and interpretations in issue but not yet effective

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

- Interest rate benchmark reform phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Annual improvements to IFRS Standards (2018 - 2020) (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)
- IAS 16 amendment – Proceeds before intended use
- Amendment to IAS 37 – Clarification of the cost of fulfilling a contract
- IFRS 3 amendment – reference to conceptual framework
- Amendments to IAS 8 – Definition of accounting estimates
- Disclosure Initiative: Accounting Policies – Amendments to IAS 1 and IFRS Practice statement 2 *Making Materiality Judgements*
- Amendment to IAS 1 – Classification of Liabilities as Current and Non-current
- Amendment to 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			
2021			
Integrated Timber	**4 724**	**–**	**4 724**
Automotive Components	**2 034**	**–**	**2 034**
Integrated Bedding	**1 907**	**–**	**1 907**
Polymers	**7 571**	**–**	**7 571**
Contractual Logistics – South Africa	**333**	**4 874**	**5 207**
Contractual Logistics – Africa	**–**	**2 010**	**2 010**
Passenger Transport	**–**	**1 647**	**1 647**
Gross revenue	**16 569**	**8 531**	**25 100**
Variable consideration	**(766)**	**–**	**(766)**
Intergroup elimination	**(49)**	**(329)**	**(378)**
	15 754	**8 202**	**23 956**
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	–	1 604	1 604
Gross revenue	14 267	8 325	22 592
Variable consideration	(649)	–	(649)
Intergroup elimination	(30)	(322)	(352)
	13 588	8 003	21 591

**Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.*

3. Revenue (continued)

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

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

	Notes	2021 Rm	2020* Rm
3.1 Geographic distribution			
South Africa		**20 693**	18 015
Rest of Africa		**2 970**	2 838
Americas		**225**	509
Europe		**32**	126
Middle East		**22**	94
Other		**14**	9
		23 956	21 591

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:

	Notes	2021 Rm	2020* Rm
Services			
Next year		**1 252**	1 426
Within two to five years		**2 195**	2 475
Thereafter		**498**	578
Total		**3 945**	4 479

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

4. Other income

	Notes	2021 Rm	2020* Rm
Continuing operations			
Insurance income		**46**	14
Rental of properties		**26**	18
Government grants received		**16**	17
Scrap sales		**14**	10
Bad debts recovered		**7**	6
Rebates received		**4**	4
Other		**9**	4
		122	73

5. Other net gains/(losses)

	Notes	2021 Rm	2020* Rm
Continuing operations			
Reversal of impairment/(impairment) of financial assets		**6**	(23)
Loss allowance reversed/(recognised) on loans receivable	36.2.2	**4**	(7)
Loss allowance reversed/(recognised) on trade and other receivables	36.2.2	**2**	(16)
Net fair value gain on consumable biological assets		**7**	6
Fair value (loss)/gain on timber plantations	18	**(12)**	6
Fair value loss on timber plantations due to fire damage	18	**–**	(8)
Fair value gain on livestock		**19**	8
Net foreign exchange losses		**(35)**	(12)
Net (losses)/gains on forward exchange contracts		**(40)**	11
Net gains/(losses) on conversion of monetary assets and liabilities – realised		**11**	(11)
Net losses on conversion of monetary assets and liabilities – unrealised		**(6)**	(12)
Other losses		**(2)**	–
		(24)	(29)

**Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.*

	Notes	2021 Rm	2020* Rm
6. Capital items			
Continuing operations			
Items of a capital nature are included in the 'capital items' line in the income statement. These income/(expense) items are:			
Reversal of impairment/(impairment) of		**4**	(3 076)
Goodwill	13	**–**	(617)
Intangible assets	14	**3**	(1 959)
Property, plant and equipment	15	**1**	(495)
Investment property	16	**–**	(5)
(Loss)/profit on disposal of		**(16)**	(32)
Property, plant and equipment		**(17)**	(32)
Investment property		**1**	–
Insurance income		**44**	5
		32	(3 103)

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

7. Operating profit/(loss)

Continuing operations

Operating profit/(loss) is stated after taking account of the following items:

7.1 Amortisation and depreciation

	Notes	2021 Rm	2020* Rm
Amortisation	14	**38**	28
Depreciation		**1 279**	1 256
Property, plant and equipment	15	**1 170**	1 147
Right-of-use assets	17	**109**	109
		1 317	1 284
Recognised in:			
Cost of revenue		**1 200**	1 177
Selling and distribution expenses		**17**	19
Administrative and other expenses		**100**	88
		1 317	1 284

7.2 Auditor's remuneration

	Notes	2021 Rm	2020* Rm
Audit fees		**26**	27
Fees for other services		**2**	3
		28	30

7.3 Personnel expenses

	Notes	2021 Rm	2020* Rm
Retirement benefit contributions		**297**	263
Defined contribution plans		**288**	253
State-managed plans		**9**	10
Salaries and wages		**4 448**	3 825
Share-based payments – equity-settled	26.1	**53**	(31)
		4 798	4 057
Recognised in:			
Cost of revenue		**3 612**	3 296
Selling and distribution expenses		**169**	135
Administrative and other expenses		**1 017**	626
		4 798	4 057

7.4 Lease expenses

	Notes	2021 Rm	2020* Rm
Short-term leases		**205**	263
Low value assets		**2**	3
Variable lease payments[1]		**–**	(1)
		207	265

[1] *Includes Rnil (2020: R1 million) savings resulting from Covid-19 rent concessions received.*
* *Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.*

	Notes	2021 Rm	2020* Rm
8. Finance costs			
Continuing operations			
Bank overdraft and short-term facilities		**13**	10
Lease liabilities	29	**37**	40
Senior unsecured listed notes		**303**	463
Syndicated revolving credit loan		**30**	5
Term loans		**28**	70
Vehicle and asset finance		**70**	79
Related-party	35	**2**	2
Other		**12**	19
Less: Borrowing cost capitalised	15	**(9)**	(7)
		486	681
9. Income from investments			
Continuing operations			
Bank balances and short-term deposits		**13**	17
Other		**7**	10
		20	27
10. Taxation			
Continuing operations			
10.1 Taxation expense/(benefit)			
Normal taxation			
South African – current year		**385**	153
South African – prior year		**–**	(11)
Foreign – current year		**111**	82
Foreign – prior year		**(2)**	–
		494	224
Deferred taxation			
South African – current year		**8**	(630)
South African – prior year		**1**	4
Foreign – current year		**2**	8
Foreign – prior year		**1**	(1)
		12	(619)
		506	(395)

	2021 %	2020 %
10.2 Reconciliation of rate of taxation		
South African normal tax rate	**28.0**	(28.0)
Effect of different statutory taxation rates of subsidiaries in other jurisdictions	**0.2**	0.1
Effect of profit of associate and joint venture companies	**(0.5)**	(0.3)
Prior year adjustments	**–**	(0.3)
Withholding taxes	**0.8**	0.6
Tax-exempt income	**(0.5)**	–
Non-deductible expenditure	**0.8**	0.9
Impairments	**–**	8.4
Government incentives	**(0.1)**	(0.2)
Learnership allowances	**(0.5)**	(0.4)
Other[1]	**1.6**	2.2
Effective rate of taxation	**29.8**	(17.0)

[1] *Included in other in the current year is a provision of R38 million raised in relation to a previously utilised capital loss. Included in the prior year is a provision of R68 million raised as a result of the possible disallowance of government grants claimed in prior years.*

* *Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.*

For detail on deferred taxation assets/(liabilities) refer to note 21.

11. Discontinued operations

11.1 Discontinuation of the Intercity and Tourism operations and Autovest division

A formal sale process for the Passenger Transport division's loss-making Intercity and Tourism operations was conducted in the current financial year. During January 2021, this process proved unsuccessful and as a result, these operations were discontinued effective 13 April 2021. The closure of the operations has been finalised and the results of these operations are therefore disclosed as discontinued operations and the assets are disclosed as assets held for sale (refer to note 24).

In the prior year, the Automotive Components division disposed of the Autovest operation, which manufactured and retailed various aftermarket vehicle accessories, effective 1 December 2019.

		Notes	2021 Rm	2020* Rm
11.2	**Analysis of loss for the year**			
	The results of the discontinued operations included in the income statement are set out below:			
	Revenue		**179**	635
	Cost of revenue		**(225)**	(599)
	Gross (loss)/profit		**(46)**	36
	Selling and distribution expenses		**–**	(11)
	Administrative and other expenses		**(124)**	(129)
	Other income	11.3	**–**	2
	Other net gains/(losses)	11.4	**–**	(3)
	Operating loss before capital items		**(170)**	(105)
	Capital items	11.5	**(2)**	(173)
	Operating loss	11.6	**(172)**	(278)
	Finance costs	11.7	**(12)**	(26)
	Income from investments		**–**	2
	Loss before taxation		**(184)**	(302)
	Taxation	11.8	**52**	79
	Loss for the year		**(132)**	(223)
	Loss attributable to:			
	Owners of the parent		**(132)**	(223)
11.3	**Other income**			
	Other		**–**	2
11.4	**Other net gains/(losses)**			
	Impairment losses of financial assets			
	Loss allowance recognised on loans receivable	36.2.2	**–**	(10)
	Loss allowance reversed on trade and other receivables	36.2.2	**–**	7
			–	(3)
11.5	**Capital items**			
	Items of a capital nature are included in the 'capital item' line in the income statement. These income/(expenses) items are:			
	(Impairment)/reversal of impairment of		**(1)**	(174)
	Intangible assets	14	**–**	6
	Property, plant and equipment	15	**–**	(178)
	Right-of-use assets	17	**(1)**	(2)
	Loss on disposal of property, plant and equipment		**(1)**	–
	Other		**–**	1
			(2)	(173)

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.

**Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.*

	Notes	2021 Rm	2020* Rm
11. Discontinued operations (continued)			
11.6 Operating loss			
Operating loss is stated after taking account of the following expense items:			
Depreciation			
Property, plant and equipment	15	**18**	71
Right-of-use assets	17	**9**	10
		27	81
Recognised in:			
Cost of revenue		**25**	66
Administrative and other expenses		**2**	15
		27	81
Auditor's remuneration			
Audit fees		**–**	1
Personnel expenses			
Retirement benefit contributions		**9**	16
Defined contribution plans		**9**	16
Salaries and wages		**92**	200
		101	216
Recognised in:			
Cost of revenue		**80**	171
Selling and distribution expenses		**–**	6
Administrative and other expenses		**21**	39
		101	216
Lease expenses			
Short-term leases		**9**	26
11.7 Finance cost			
Bank overdraft and short-term facilities		**6**	19
Lease liabilities	29	**2**	3
Related-party		**4**	4
		12	26
11.8 Taxation			
Taxation (benefit)/expense			
Normal taxation			
South African – prior year		**–**	2
		–	2
Deferred taxation			
South African – current year		**(49)**	(78)
South African – prior year		**(1)**	(1)
Foreign – current year		**(2)**	(2)
		(52)	(81)
		(52)	(79)
11.9 Cash outflow			
Net cash (outflow)/inflow from operating activities		**(318)**	22
Net cash inflow/(outflow) from investing activities		**30**	(85)
Net cash inflow from financing activities		**251**	27
Net cash outflow		**(37)**	(36)

**Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.*

	2021 cents	2020* cents
12. Earnings		
The calculation of per share numbers uses the exact unrounded numbers, which may result in differences when compared to calculating the numbers using the rounded number of shares and earnings as disclosed below.		
Basic earnings/(loss) per share	**38.8**	(83.3)
From continuing operations	**44.0**	(74.8)
From discontinued operations	**(5.2)**	(8.5)
Diluted earnings/(loss) per share	**38.3**	(83.2)
From continuing operations	**43.4**	(74.7)
From discontinued operations	**(5.1)**	(8.5)
Headline earnings per share	**37.9**	13.7
From continuing operations	**43.0**	17.5
From discontinued operations	**(5.1)**	(3.8)
Diluted headline earnings per share	**37.4**	13.7
From continuing operations	**42.4**	17.5
From discontinued operations	**(5.0)**	(3.8)
Net asset value per share	**405**	372

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.

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.

	2021 millions	2020 millions
12.1 Weighted average number of ordinary shares		
Issued ordinary shares at beginning of the year	**2 571**	2 704
Effect of shares repurchased and cancelled	**(16)**	(47)
Effect of shares repurchased and held as treasury shares	**–**	(27)
Weighted average number of ordinary shares	**2 555**	2 630
Potential dilutive effect of share rights granted	**34**	2
Diluted weighted average number of ordinary shares	**2 589**	2 632

	2021 Rm	2020* Rm
12.2 Basic and diluted earnings/(losses) attributable to owners of the parent		
Basic and diluted earnings/(losses) from continuing operations	**1 123**	(1 967)
Basic and diluted losses from discontinued operations	**(132)**	(223)
Basic and diluted earnings/(losses) attributable to owners of the parent	**991**	(2 190)

**Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.*

	Notes	2021 Rm	2020* Rm
12. Earnings (continued)			
12.3 Headline earnings and diluted headline earnings attributable to owners of the parent			
Continuing operations			
Basic and diluted earnings/(losses)		**1 123**	(1 967)
Adjusted for:			
Capital items	6	**(32)**	3 103
Taxation effects of capital items		**8**	(675)
Non-controlling interests' portion of capital items		**–**	(1)
		1 099	460
Discontinued operations			
Basic and diluted losses		**(132)**	(223)
Adjusted for:			
Capital items	11.5	**2**	173
Taxation effects of capital items		**–**	(49)
		(130)	(99)
		969	361
12.4 Net asset value			
Attributable to owners of the parent		**10 250**	9 566

**Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.*

13. Goodwill

	2021 Rm	2020* Rm
Carrying amount at beginning of the year	**641**	1 246
Arising on business combinations	**–**	12
Impairments	**–**	(617)
Carrying amount at end of the year	**641**	641

Goodwill impairment testing

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

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

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

All impairment testing was consistent with methods applied as at 30 June 2020.

13. Goodwill (continued)

The following divisions have significant carrying amounts of goodwill:

	Pre-tax discount rate		Terminal growth rate		Carrying amount	
Divisions	**2021 %**	2020 %	**2021 %**	2020 %	**2021 Rm**	2020 Rm
Integrated Timber	**17.74**	18.96	**2.00**	2.00	**123**	123
Automotive Components	**20.24**	20.81	**2.00**	2.00	**80**	80
Integrated Bedding	**19.13**	20.81	**2.00**	2.00 to 5.00	**387**	387
Contractual Logistics – South Africa	**18.67**	20.35	**2.00**	2.00 to 4.30	**51**	51
Carrying amount at end of the year					**641**	641

An impairment charge is required for goodwill when the carrying amount exceeds the recoverable amount. No impairment was required for the year ended 30 June 2021. In the prior year an impairment charge of R617 million was recorded. The most significant impairments in the prior year related to the Automotive Components division, where 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; and in the Polymers division, where the goodwill recognised as part of the Safripol acquisition effective 1 January 2017, was impaired by an amount of R241 million.

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 impairment charge.

	Discount rate Rm	Terminal growth rate Rm
100 Basis point – increase	(3)	–
100 Basis point – decrease	–	–

14. Intangible assets

	Patents and trademarks Rm	Supplier relationships Rm	Software Rm	Contracts with customers Rm	Total Rm
Balance at 1 July 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 (note 15)	–	–	23	–	23
Balance at 30 June 2020	**1 247**	**708**	**67**	**24**	**2 046**
Additions	**–**	**–**	**6**	**–**	**6**
Reversal of impairment	**3**	**–**	**–**	**–**	**3**
Amortisation	**(1)**	**–**	**(26)**	**(11)**	**(38)**
Reclassify from property, plant and equipment (note 15)	**–**	**–**	**11**	**–**	**11**
Balance at 30 June 2021	**1 249**	**708**	**58**	**13**	**2 028**
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
Cost	**1 850**	**2 148**	**190**	**45**	**4 233**
Accumulated amortisation and impairment	**(601)**	**(1 440)**	**(132)**	**(32)**	**(2 205)**
Net book value at 30 June 2021	**1 249**	**708**	**58**	**13**	**2 028**

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.

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.

14. Intangible assets (continued)

Intangible asset impairment testing

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

Supplier relationships are tested for impairment as part of the 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.

Key assumptions	Approach used to determine values
Discount rates	Discount rates are based on a weighted average pre-tax cost of capital, incorporating the specific risks applicable to the CGU.
Terminal growth rates	Terminal growth rates are based on management's experience and expectations, taking into consideration the industry trends and opportunities. Growth rates used do not exceed the long-term average growth rate for the area in which the CGU operates.
Polymer margins	The polymer margin inputs are driven by forecast US dollar margins and 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 2020.

Impairment tests of indefinite life intangible assets

The following divisions have significant carrying amounts of intangible assets:

		Pre-tax discount rate		Terminal growth rate		Carrying amount	
Divisions	**Category**	**2021 %**	2020 %	**2021 %**	2020 %	**2021 Rm**	2020 Rm
Integrated Timber	Patents and trademarks	**17.74**	18.96	**2.00**	2.00	**207**	207
Automotive Components	Patents and trademarks	**20.24**	20.81	**2.00**	2.00	**57**	54
Integrated Bedding	Patents and trademarks	**19.13**	20.81	**2.00**	2.00	**9**	9
Polymers	Patents and trademarks	**19.31**	20.25	**2.00**	2.00	**266**	266
Polymers	Supplier relationships	**19.31**	20.25	**2.00**	2.00	**708**	708
Contractual Logistics – South Africa	Patents and trademarks	**18.67**	20.35	**2.00**	2.00 to 4.33	**662**	662
Passenger Transport	Patents and trademarks	**19.78**	20.35	**2.00**	2.00	**49**	49
Carrying amount at end of the year						**1 958**	**1 955**

All patents and trademarks are tested using the relief of royalty method. The royalty rates used in the determination of the recoverable amount for the current year ranged between 0.5% to 4.5% (2020: between 0.5% to 5.0%).

An impairment charge is required when the carrying amount exceeds the recoverable amount. A reversal of impairment of R3 million (2020: R1 959 million impairment) was recorded in profit or loss and included with capital items (notes 6 and 11.5).

The most significant impairments in the prior year 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.

14. 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 impairment charge.

	Discount rate Rm	Terminal growth rate Rm
100 Basis point – increase	(181)	–
100 Basis point – decrease	–	(109)

Useful lives

Under IAS 38, the useful life of an asset is either finite or indefinite. An indefinite life does not mean an infinite useful life, but rather that there is no foreseeable limit to the period over which the asset can be expected to generate cash flows for the entity. Intangible assets with an indefinite useful life are not amortised; an impairment test is performed at least annually as well as an annual review of the assumptions used to determine the useful life.

Patents and trademarks and supplier relationships 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 is raised at the normal taxation rate on the fair value of such assets exceeding its taxation base.

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

Intangible assets	
Software	1 – 3 years
Contracts with customers	Over the term of the contract or project

15. 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 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	–	19	–	–	4	–	23
Reclassification	(25)	149	104	(225)	(9)	6	–
Borrowing cost capitalised (note 8)	–	–	–	7	–	–	7
Reclassify to intangible assets (note 14)	(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**
Additions	**234**	**227**	**796**	**681**	**3**	**32**	**1 973**
Government grants received	**–**	**(1)**	**–**	**–**	**–**	**–**	**(1)**
Assets held for sale (note 24)	**–**	**–**	**(159)**	**–**	**–**	**–**	**(159)**
Depreciation	**(33)**	**(442)**	**(674)**	**–**	**(9)**	**(30)**	**(1 188)**
Disposals	**–**	**(22)**	**(95)**	**(3)**	**–**	**(1)**	**(121)**
Reversal of impairment/ (impairment)	**–**	**1**	**1**	**–**	**(1)**	**–**	**1**
Reclassification	**–**	**181**	**94**	**(288)**	**3**	**10**	**–**
Borrowing cost capitalised (note 8)	**–**	**–**	**–**	**9**	**–**	**–**	**9**
Reclassify to intangible assets (note 14)	**–**	**–**	**–**	**(7)**	**–**	**(4)**	**(11)**
Exchange differences on translation of foreign operations	**–**	**(32)**	**(99)**	**(37)**	**(1)**	**–**	**(169)**
Balance at 30 June 2021	**2 581**	**4 856**	**4 684**	**749**	**15**	**72**	**12 957**
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
Cost	**2 938**	**8 891**	**8 096**	**758**	**57**	**235**	**20 975**
Accumulated depreciation and impairment	**(357)**	**(4 035)**	**(3 412)**	**(9)**	**(42)**	**(163)**	**(8 018)**
Net book value at 30 June 2021	**2 581**	**4 856**	**4 684**	**749**	**15**	**72**	**12 957**

	2021 Rm	2020 Rm
Encumbered assets		
Book value of encumbered assets (note 28)	**1 415**	1 256
Borrowing cost		
Borrowing cost capitalised	**9**	7
Capitalisation rates used	**5.85% to 6.40%**	7.90% to 9.23%

15. Property, plant and equipment (continued)

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

A net reversal of impairment of R1 million was recorded for the year ended 30 June 2021 (2020: R674 million impairment) and is included in capital items (note 6 and 11.5). The most significant prior year impairments related to the Polymers division's PET plant and equipment (R472 million) and the Passenger Transport division's Intercity and Tourism fleets (R179 million).

Useful lives

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

Straight-line basis:

Buildings	5 – 60 years
Bus fleet	4 – 8 years
Computer equipment	2 – 5 years
Long-haul vehicles	5 – 15 years
Motor vehicles	3 – 10 years
Office equipment and furniture	3 – 16 years
Plant and machinery	3 – 60 years

16. Investment property

	Notes	2021 Rm	2020 Rm
Carrying amount at beginning of the year		**7**	12
Disposals		**(7)**	–
Impairments	6	**–**	(5)
Carrying amount at end of the year		**–**	7

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.

In the prior year investment property was valued by management at R7 million. The fair value was based on the current market value as determined by an external property expert.

Rental income from investment properties of R1 million was recognised through profit or loss for the year ended 30 June 2021 (2020: R1 million).

17. 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	2	1	–	3
Depreciation	(84)	(23)	(12)	(119)
Balance at 30 June 2020	**197**	**170**	**71**	**438**
Additions	**19**	**8**	**–**	**27**
Remeasurement	**5**	**6**	**1**	**12**
Impairment	**(1)**	**–**	**–**	**(1)**
Depreciation	**(76)**	**(25)**	**(17)**	**(118)**
Balance at 30 June 2021	**144**	**159**	**55**	**358**
Cost	286	193	83	562
Accumulated depreciation and impairment	(89)	(23)	(12)	(124)
Net book value at 30 June 2020	197	170	71	438
Cost	**243**	**198**	**85**	**526**
Accumulated depreciation and impairment	**(99)**	**(39)**	**(30)**	**(168)**
Net book value at 30 June 2021	**144**	**159**	**55**	**358**

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.

18. Consumable biological assets

	Notes	2021 Rm	2020 Rm
Timber plantations			
Carrying amount at beginning of the year		**1 722**	1 870
Decrease due to harvesting		**(192)**	(146)
Fair value (loss)/gain	5	**(12)**	6
Fair value loss due to fire damage	5	**–**	(8)
Carrying amount at end of the year		**1 518**	1 722
Livestock		**47**	32
		1 565	1 754

In terms of IAS 41 – *Agriculture*, the timber plantations are valued at fair value less estimated costs to sell. The fair value of mature standing timber, being the age at which it becomes marketable, is based on the market price of the estimated recoverable timber volumes, net of harvesting costs. The fair value of younger standing timber is determined using the discounted cash flow method using a risk-adjusted discount rate. The principal assumptions consistently applied in the current and prior year include a discount rate, standing volumes, market prices and operating costs.

The group owns and manages timber plantations for use in manufacturing timber products and for sales to external parties. The plantations comprise pulpwood and sawlogs and are managed on a sustainable basis. As such, once in rotation, increases by means of growth are negated by fellings over the rotation period.

At 30 June 2021, consumable biological assets were valued by management at R1 565 million (2020: R1 754 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.

18.1 Quantities of timber plantations

	2021 Hectares	2020 Hectares
Pine	**32 634**	32 436
Eucalyptus	**8 191**	7 782
Temporary unplanted areas	**2 992**	3 618
	43 817	43 836

	2021 m³	2020 m³
18. Consumable biological assets (continued)		
18.2 Reconciliation of standing volume		
Opening balance	**5 504 307**	5 412 419
Increase due to growth	**507 078**	527 363
Decrease due to harvesting	**(637 342)**	(435 475)
	5 374 043	5 504 307

18.3 Key assumptions

Discount rate

	2021 %	2020 %
Risk-free rate[1]	**9.32**	9.27
Pre-tax discount rate	**16.03**	14.72

[1] In the current year, the 10-year Government Bond Yield Curve (GSAB10YR) was used (2020: R2030 bond). The reason for the change in the referenced risk-free rate is due to the R2030 bond maturing in January 2030. The timber plantations mature over an extended period of time and therefore the GSAB10YR represents a suitable fit for the period under consideration.

Standing volumes

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

	2021 Rm³	2020 Rm³
Log prices		
Pine	**235 to 1 047**	239 to 1 047
Eucalyptus	**380**	385
Harvesting costs		
Pine	**121 to 203**	114 to 194
Eucalyptus	**213**	201

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.

18.4 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:

	2021 Rm	2020 Rm
Current log price – 100 basis point increase	**26**	29
Forecast log price inflation rate – 25 basis point increase	**16**	18
Forecast cost inflation rate – 25 basis point increase	**(2)**	(3)
Pre–tax discount rate – 25 basis point increase	**(9)**	(11)
Volume – 100 basis point increase	**11**	13

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

18.5 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 prior financial year, resulting in a R8 million fair value loss on completion.

18. Consumable biological assets (continued)

18.6 Risk management

The group is exposed to a number of risks regarding its timber plantations:

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

18.7 Encumbered consumable biological assets

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

18.8 Commitments

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

19. Investments in associate and joint venture companies

19.1 Shareholding in associate and joint venture companies

	Nature of business	2021 % shareholding	2020 % shareholding
Associate companies			
PG Bison (Kenya) Limited	Retail of wood-based decorative panel products	**50.0**	50.0
The Peter Allan Building Materials Trust	Retail of structural timber	**–**	50.0
Joint venture companies			
Auria Feltex Proprietary Limited	Manufacturing of automotive components	**49.0**	49.0
Autoneum Feltex Proprietary Limited	Manufacturing of automotive components	**49.0**	49.0

Effective 30 June 2021, the group disposed of its 50% interest in The Peter Allan Building Materials Trust for a proceed of R8 million.

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

	Carrying amount		Comprehensive income	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Associate companies	**53**	48	**17**	7
Joint venture companies	**25**	29	**11**	14
	78	77	**28**	21

20. Investments and loans receivable

	Notes	2021 Rm	2020 Rm
Unlisted investments		**1**	1
Loans receivable (carried at amortised cost)		**39**	38
Less: Loss allowance	36.2.2	**(31)**	(36)
Total investments and loans receivable		**9**	3
Less: Loans receivable included in current assets		**(8)**	(2)
Total non-current investments and loans receivable		**1**	1

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 36.1.

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

	2021 Rm	2020 Rm
21. Deferred taxation assets/(liabilities)		
21.1 Deferred taxation movement		
Balance at beginning of the year	**(2 666)**	(3 343)
Deferred taxation of subsidiaries acquired	**–**	(6)
Amounts charged directly to equity		
Share-based payments	**5**	1
Current year charge		
From continuing operations	**(12)**	619
From discontinued operations	**52**	81
Exchange differences on translation of foreign operations	**17**	(18)
	(2 604)	(2 666)
Comprising:		
Deferred tax assets	**33**	49
Deferred tax liabilities	**(2 637)**	(2 715)
	(2 604)	(2 666)
21.2 Deferred taxation balances		
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	**(33)**	(20)
Right-of-use assets	**(2)**	(4)
Prepayments and provisions or allowances	**21**	10
Share-based payments	**8**	2
Other	**2**	5
	(4)	(7)
Taxation losses		
Taxation losses	**37**	56
	33	49

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

	2021 Rm	2020 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	**(468)**	(467)
Property, plant and equipment	**(2 220)**	(2 139)
Right-of-use assets	**(97)**	(117)
Consumable biological assets	**(425)**	(482)
Prepayments and provisions or allowances	**104**	54
Share-based payments	**15**	1
Lease liabilities	**108**	124
Other	**11**	5
	(2 972)	(3 021)
Taxation losses		
Taxation losses	**335**	306
Total deferred taxation liabilities	**(2 637)**	(2 715)
21.3 Taxation losses		
Estimated taxation losses available for offset against future taxable income	**1 417**	1 410
Taxation losses recognised	**1 320**	1 286
Taxation losses unrecognised	**97**	124
Estimated taxation losses available for offset against future taxable capital gains	**245**	296
Capital losses unrecognised	**245**	296
	1 662	1 706

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 R4 million expired in the current year and losses of R11 million will expire in 2022. The remaining reported losses which will expire by 2026 amount to R41 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. Unrecognised temporary differences for the current year was Rnil (2020: R48 million).

	Notes	2021 Rm	2020 Rm
22. Inventories			
Inventories at cost less allowances			
Finished goods		**903**	918
Raw materials		**1 097**	826
Work in process		**116**	119
Consumables		**477**	434
		2 593	2 297
Less: Non-current portion[1]		**–**	(35)
		2 593	2 262

[1] *Timber salvaged from the areas affected by the fires (note 18) 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.*

	Notes	2021 Rm	2020 Rm
23. Trade and other receivables			
Trade receivables		**3 481**	2 847
Related-party receivables	35	**32**	19
Other amounts due		**245**	185
Less: Loss allowance	36.2.2	**(49)**	(58)
		3 709	2 993
Derivative financial assets	36.1	**10**	32
Trade and other receivables (financial assets)		**3 719**	3 025
Prepayments		**302**	223
Value added taxation receivable		**159**	119
		4 180	3 367

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 R3 million were written off during the year (2020: R11 million) and are still subject to legal enforcement processes.

The group's exposure to foreign currency risk related to trade and other receivables is disclosed in note 36.2.1.

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

24. Assets held for sale

As disclosed in note 11, the Intercity and Tourism operations have been terminated during the current financial year and the related assets are classified as held for sale at year-end. All the requirements in terms of IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations* to disclose the assets as held for sale has been met and the assets have been measured at fair value less cost to sell in line with the measurement principles of IFRS 5.

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

	2021 Number of shares	2020 Number of shares	2021 Rm	2020 Rm
25. Stated share capital				
Share capital	**2 531 201 473**	2 607 137 238	**8 206**	8 540
Treasury shares	**–**	(36 000 000)	**–**	(176)
	2 531 201 473	2 571 137 238	**8 206**	8 364
25.1 Share capital				
Authorised				
Ordinary shares of no par value	**6 000 000 000**	6 000 000 000	**–**	–
Cumulative, non-redeemable, non-participating preference shares of no par value	**1 000 000 000**	1 000 000 000	**–**	–
Perpetual preference shares of no par value	**50 000 000**	50 000 000	**–**	–
Issued				
Ordinary shares in issue at beginning of the year	**2 607 137 238**	2 704 137 238	**8 540**	8 908
Ordinary share repurchased and cancelled during the year[1]	**(39 935 765)**	(97 000 000)	**(158)**	(368)
Ordinary shares cancelled during the year	**(36 000 000)**	–	**(176)**	–
Ordinary shares in issue at end of the year	**2 531 201 473**	2 607 137 238	**8 206**	8 540
25.2 Treasury shares				
Treasury shares in issue at beginning of the year	**(36 000 000)**	–	**(176)**	–
Ordinary shares repurchased during the year and retained as treasury shares[2]	**–**	(36 000 000)	**–**	(176)
Ordinary shares cancelled during the year	**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 R3.92 per share (2020: R3.78 per share).
[2] Shares were repurchased during the prior financial year at an average price of R4.88 per share.

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

26. Share-based payments

26.1 KAP Performance Share Rights Scheme

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

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 Right Scheme	**366 274 533**
Cumulative share rights granted[1]	**(136 302 781)**
Shares available for allocation	**229 971 752**

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

	2021 Rights	2020 Rights
Reconciliation of rights granted		
Balance at beginning of the year	**16 521 487**	23 644 092
Forfeited during the year[2]	**(2 227 570)**	(27 660 299)
Granted during the year	**59 414 278**	20 537 694
Balance at end of the year	**73 708 195**	16 521 487

[2] Share rights forfeited during the prior 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.

26. Share-based payments (continued)

26.1 KAP Performance Share Rights Scheme (continued)

	2021 Rm	2020 Rm
Charged/(credited) to profit or loss (note 7.3)	**53**	(31)

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 KAP share rights and assumptions	**2020 Grant**	2019 Grant	2018 Grant	2017 Grant	2016 Grant
Fair value at measurement date	**R2.48**	R3.73	R7.43	R8.05	R7.02
Share price at grant date	**R2.95**	R4.15	R8.05	R8.70	R7.59
Exercise price	**R0.00**	R0.00	R0.00	R0.00	R0.00
Expected volatility	**78.82%**	39.55%	28.00%	22.21%	25.58%
Dividend yield	**5.42%**	3.63%	2.71%	2.63%	2.63%
Risk-free interest rate	**4.22%**	6.80%	7.77%	7.67%	7.72%
Life of share right	**3 years**	3 years	3 years	3 years	3 years

26.2 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. During the current financial year, Sakhumzi disposed of its investment in its wholly owned subsidiary to the Unitrans Empowerment Trust ('the Unitrans Trust').
- The subscription of new USCS shares was funded by the group, through the issue of an equivalent value of preference shares by the two wholly owned subsidiaries of the Pieters Trust and The Unitrans Trust, to a KAP-owned subsidiary.

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

The transaction is an equity-settled share-based payment in the scope of IFRS 2. The equity-settled share-based payment is not subsequently remeasured. The fair value of the equity instruments for both the acquiring entities at the grant date was actuarially valued at R215 million (B-BBEE cost). 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% will therefore be recognised over a seven year vesting period. The share-based payment relating to Sakhumzi was measured at the fair value of the equity instruments at the grant date and was recognised immediately in profit or loss at grant date as there is no implicit service condition.

	2021 Rm	2020 Rm
Charged to profit or loss	**3**	3

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.

27. Non-controlling interests

	Non-controlling shareholding		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2021 %	2020 %	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm
Feltex Fehrer Proprietary Limited	**49**	49	**15**	5	**93**	78
DesleeMattex Proprietary Limited	**40**	40	**16**	9	**35**	34
Mega Express Proprietary Limited	**35**	35	**11**	10	**13**	12
Bapotrans Proprietary Limited	**50**	50	**13**	11	**26**	12
Klipstone Transport Proprietary Limited	**–**	36	**–**	(4)	**–**	38
Ubunye Mining Services Proprietary Limited	**30**	30	**6**	5	**12**	9
Southern Star Logistics Proprietary Limited	**50**	50	**(5)**	(10)	**(19)**	(15)
UniMat Logistics SA	**40**	40	**13**	10	**32**	26
Unitrans Namibia Proprietary Limited	**25**	25	**–**	–	**11**	11
Individually immaterial subsidiaries with non-controlling interest	**25 to 50**	25 to 50	**(2)**	9	**(4)**	(1)
			67	45	**199**	204

The group acquired the remaining 36% of the shares in Klipstone Transport Proprietary Limited from minority shareholders, effective 1 September 2020 for an amount of R22 million.

28. Loans and borrowings

	Notes	**2021 Rm**	2020 Rm
28.1 Analysis of closing balance			
Secured financing		**1 246**	1 221
Vehicle and asset finance		**1 207**	1 175
Term loans		**39**	46
Unsecured financing covered by intergroup cross-guarantees		**5 570**	6 309
Term loans		**801**	554
Senior unsecured listed notes		**4 769**	5 252
Syndicated revolving credit loan		**–**	503
Unsecured financing		**70**	74
Related-party loan payable	35	**57**	58
Other loans		**13**	16
Total loans and borrowings		**6 886**	7 604
Portion payable within the next twelve months included in current liabilities		**(1 526)**	(2 295)
Total long-term loans and borrowings		**5 360**	5 309
28.2 Analysis of repayment			
Repayable within the next year and thereafter			
Next year		**1 526**	2 295
Within two to five years		**5 359**	5 309
Thereafter		**1**	–
		6 886	7 604

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

	Notes	Current year interest rate	2021 Rm	2020 Rm
28. Loans and borrowings (continued)				
28.3 Loans and borrowings details				
Secured[1]				
Variable interest rates				
Vehicle and asset finance[2]		5.0% to 7.25%	**1 207**	1 175
Term loans[3]		8.00% to 8.25%	**39**	46
Unsecured financing covered by intergroup cross-guarantees				
Variable interest rates				
Term loans[4]		5.35% to 5.89%	**800**	104
Senior unsecured listed notes[5]		4.85% to 5.79%	**4 306**	4 794
Syndicated revolving credit loan			**–**	500
Fixed interest rates				
Term loans			**–**	450
Senior unsecured listed notes[5]		10.23%	**420**	420
Interest due				
Term loans			**1**	–
Senior unsecured listed notes			**43**	38
Syndicated revolving credit loan			**–**	3
Unsecured				
Variable interest rates				
Related-party loan payable	35	7.25% to 7.5%	**20**	21
Fixed interest rates				
Other loans		7.00%	**3**	8
Interest free				
Related-party loan payable	35	–	**37**	37
Other loans		–	**10**	8
Total loans and borrowings			**6 886**	7 604

[1] The book value of assets encumbered in favour of the secured loans amounts to R1 415 million (2020: R1 256 million).
[2] The vehicle and asset finance is repayable in monthly instalments over 60 months.
[3] Repayable monthly ending June 2025.
[4] Repayable on maturity in March 2024 and June 2026.
[5] The maturity dates of the senior unsecured listed notes are publicly available.

The group complied with all the financial covenants during the 2021 and 2020 financial years. The capital risk management and financial covenant triggers are disclosed in note 36.3.

Global Credit Rating Co. Proprietary Limited reviewed the company's credit rating in November 2020 and affirmed its long-term issuer rating of KAP as A+(za) and its short-term issuer rating as A1(za), with a stable rating outlook on both ratings.

Unsecured financing covered by intergroup guarantees

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

- KAP Automotive Proprietary Limited
- PG Bison Proprietary Limited
- Restonic Proprietary Limited (previously KAP Bedding 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 Industrial Holdings Limited under its domestic medium term note programme:

- KAP Automotive Proprietary Limited
- PG Bison Proprietary Limited
- Restonic Proprietary Limited (previously KAP Bedding Proprietary Limited)
- Safripol Proprietary Limited
- Unitrans Passenger Proprietary Limited
- Unitrans Supply Chain Solutions Proprietary Limited

28. Loans and borrowings (continued)

28.4 Reconciliation of movements in interest-bearing borrowings

	Long-term loans and borrowings Rm	Short-term loans and borrowings Rm	Bank overdrafts and short-term facilities Rm	Total Rm
Balance at 1 July 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	8	–	–	8
Other non-cash adjustments	2	(1)	–	1
Balance at 30 June 2020	**5 309**	**2 295**	**17**	**7 621**
Changes from financing cash flows	**1 190**	**(1 910)**	**28**	**(692)**
Increase in long-term loans and borrowings	**1 190**	**–**	**–**	**1 190**
Decrease in short-term loans and borrowings	**–**	**(1 910)**	**–**	**(1 910)**
Increase in bank overdrafts and short-term facilities	**–**	**–**	**28**	**28**
Reclassification of loans and borrowings from long-term to short-term	**(1 141)**	**1 141**	**–**	**–**
Other non-cash adjustments	**2**	**–**	**–**	**2**
Balance at 30 June 2021	**5 360**	**1 526**	**45**	**6 931**

28.5 Available borrowing facilities

	2021 Rm	2020 Rm
Committed	**1 500**	1 100
Syndicated revolving credit facility[1]	**1 500**	1 000
Call loan facility	**–**	100
Uncommitted	**1 664**	1 691
Call loan and overdraft facilities	**1 664**	1 691
	3 164	2 791

[1] *The R1 500 million syndicated revolving credit facility expires on 4 October 2021.*

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 its memorandum of incorporation, the borrowing powers of the company are unlimited.

29. Lease liabilities

	2021 Rm	2020 Rm
Balance at beginning of the year	**466**	–
Recognised on initial application of IFRS 16 – 1 July 2019	**–**	406
Additions	**27**	159
Acquired on acquisition of subsidiaries	**–**	3
Remeasurements	**13**	(1)
Capital repayments	**(109)**	(101)
Finance costs	**39**	43
Payments	**(148)**	(144)
Total lease liabilities	**397**	466
Portion payable within the next twelve months included in current liabilities	**(86)**	(103)
Long-term lease liabilities	**311**	363

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

Interest is based on incremental borrowing rates ranging between 5.85% and 12.25% (2020: between 7.90% and 12.25%).

	Notes	2021 Rm	2020 Rm
30. Employee benefits			
Performance-based bonus	30.1	**272**	27
Wage/13th cheque bonus		**58**	57
Leave pay	30.2	**130**	77
Post-retirement medical benefits	30.3	**5**	5
Other		**15**	39
Total employee benefits		**480**	205
Transferred to short-term employee benefits		**(456)**	(175)
Long-term employee benefits		**24**	30

30.1 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.

30.2 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.

30.3 Post-retirement medical benefits

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

	2021 Rm	2020 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:

	2021	2020
Healthcare cost inflation	**6.5%**	5.5%
Discount rate	**8.0%**	8.6%
Percentage married at retirement	**78.9%**	78.3%
Retirement age	**65 years**	65 years

30.4 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.

	Accident and insurance fund provisions Rm	Onerous contract provision Rm	Contingent liability provision Rm	Lease rectification provision Rm	Contract dispute provision Rm	Other[1] Rm	Total Rm
31. Provisions							
Balance at 1 July 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**
Additional provision raised	**89**	**–**	**–**	**–**	**13**	**5**	**107**
Amounts unused reversed	**(40)**	**–**	**–**	**(2)**	**–**	**(4)**	**(46)**
Amounts utilised	**(51)**	**–**	**–**	**(1)**	**–**	**(2)**	**(54)**
Balance at 30 June 2021	**35**	**–**	**–**	**2**	**13**	**29**	**79**

	2021 Rm	2020 Rm
Total provisions	**79**	72
Transferred to short-term provisions	**(77)**	(70)
Long-term provisions	**2**	2

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

31. Provisions (continued)

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. The cost of fulfilling the contract includes both the incremental costs of fulfilling the contract and an allocation of other direct costs.

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. The full amount was reversed during the prior 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 R2 million. These amounts have not been discounted for the purpose of measuring the provision for rehabilitation work as the effect is not material.

Contract dispute provision

The provision relates to contract disputes with customers. A provision of R13 million was raised in the current year.

	Notes	2021 Rm	2020 Rm
32. Trade and other payables			
Trade payables		**3 590**	2 860
Accruals		**281**	239
Other payables and amounts due		**256**	270
Related-party payables	35	**36**	23
		4 163	3 392
Derivative financial liabilities	36.1	**24**	23
Trade and other payables (financial liabilities)		**4 187**	3 415
Value added taxation payable		**102**	61
		4 289	3 476

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

33. Commitments and contingencies

33.1 Capital expenditure

		2021 Rm	2020 Rm
Contracts for capital expenditure authorised		**299**	17

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

33.2 Contingent liabilities

Certain companies in the group are involved in disputes where the outcomes are uncertain. However, the directors are confident that the potential impact on the group will not be material.

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

33. Commitments and contingencies (continued)

33.2 Contingent liabilities (continued)

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

The group has issued guarantees and suretyships to various banking and financial institutions for the credit facilities available to the group, as well as to suppliers of goods and services to the group, in the ordinary course of business. However, the directors are confident that no material liability will arise as a result of these guarantees and suretyships.

34. Cash generated from operations

	2021 Rm	2020 Rm
Operating profit/(loss) from continuing operations	**2 134**	(1 684)
Operating loss from discontinued operations	**(172)**	(278)
Adjusted for:		
Capital items	**(30)**	3 276
Depreciation and amortisation	**1 344**	1 365
Net fair value adjustments of consumable biological assets[1]	**190**	149
Share-based payment expense/(reversal)[2]	**56**	(28)
Loss allowance (reversed)/recognised on loans receivable	**(4)**	18
Other non-cash adjustments	**10**	(1)
Cash generated before working capital changes	**3 528**	2 817
Working capital changes		
(Increase)/decrease in inventories	**(305)**	170
(Increase)/decrease in trade and other receivables	**(865)**	649
Increase/(decrease) in non-current and current provisions	**8**	(49)
Increase/(decrease) in non-current and current employee benefits	**280**	(137)
Increase/(decrease) in trade and other payables	**839**	(1 374)
Changes in working capital	**(43)**	(741)
Cash generated from operations	**3 485**	2 076

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

35. Related-party balances and transactions

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

These transactions are concluded in the normal course of business. All material intergroup transactions are eliminated on consolidation. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Trading balances and transactions

The following is a summary of material transactions with related parties, associate and joint venture companies during the year and the balances of receivables and payables at year-end:

	2021 Rm	2020 Rm
Related-party loans receivable		
Associate and joint venture companies	**–**	11
Related-party loans payable		
Freight-X Proprietary Limited	**57**	–
South Star Investments Proprietary Limited	**–**	58
	57	58
Related-party receivables		
Associate and joint venture companies	**32**	19
Related-party payables		
Associate and joint venture companies	**10**	8
Bekaert Deslee N.V. and its subsidiaries	**18**	11
F.S. Fehrer Automotive GmBH	**8**	4
	36	23
Sales to:		
Associate and joint venture companies	**136**	85

	2021 Rm	2020 Rm
35. Related-party balances and transactions (continued)		
Net rebates and settlement discounts paid to:		
Associate and joint venture companies	**1**	1
Purchases from:		
Associate and joint venture companies	**79**	69
Bekaert Deslee N.V. and its subsidiaries	**66**	64
	145	133
Net operating expenses, including management fees (paid to)/received from:		
Associate and joint venture companies	**6**	5
Bekaert Deslee N.V. and its subsidiaries	**(4)**	(3)
Freight-X Proprietary Limited	**(3)**	–
F.S. Fehrer Automotive GmBH	**(10)**	(11)
Mauritius Automotive Trading Company SARL	**1**	-
	(10)	(9)
Finance costs paid to:		
Freight-X Proprietary Limited	**2**	–
South Star Investments Proprietary Limited	**–**	2
	2	2

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

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

36. Financial instruments and risk management

36.1 Financial instruments

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

	At fair value through profit or loss[1] Rm	At amortised cost Rm	Total carrying values Rm	Total fair values Rm
2021				
Investments and loans receivable	**–**	**9**	**9**	**9**
Trade and other receivables (financial assets)	**10**	**3 709**	**3 719**	**3 719**
Cash and cash equivalents	**–**	**751**	**751**	**751**
Financial assets	**10**	**4 469**	**4 479**	**4 479**
Loans and borrowings	**–**	**(6 886)**	**(6 886)**	**(7 217)**
Lease liabilities	**–**	**(397)**	**(397)**	**(397)**
Bank overdrafts and short-term facilities	**–**	**(45)**	**(45)**	**(45)**
Trade and other payables (financial liabilities)	**(24)**	**(4 163)**	**(4 187)**	**(4 187)**
Financial liabilities	**(24)**	**(11 491)**	**(11 515)**	**(11 846)**
Net financial instruments	**(14)**	**(7 022)**	**(7 036)**	**(7 367)**
Net losses/(gains) recognised in profit or loss	**40**	**(5)**	**35**	
Net interest expense	**–**	**481**	**481**	
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	

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

36. Financial instruments and risk management (continued)

Fair values

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

Trade and other receivables and loans receivable

The fair values of trade and other receivables and loans receivable are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The carrying amount reasonably approximates the fair value at 30 June 2021.

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).

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 2021.

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:

	2021 Level 2 Rm	2020 Level 2 Rm
Derivative financial assets	**10**	32
Derivative financial liabilities	**(24)**	(23)
	(14)	9

There were no Level 1 or Level 3 financial assets or financial liabilities as at 30 June 2021 or 30 June 2020.

36.2 Financial risk management

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

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

The executive team is responsible for implementing the risk management strategy to ensure that an appropriate risk management framework is operating effectively across the group, embedding a risk management culture throughout the group. The board and the audit and risk committee are provided with a consolidated view of the risk profile of the group, and any major exposures and relevant mitigating actions are identified.

The group operates a central treasury function that manages the funding and liquidity risks and requirements of the group's operations. The divisional funding structures and divisional balance sheet structures are determined centrally, according to the requirements of each division. Cash management is controlled and reported centrally to ensure that it is managed effectively and provides daily visibility of all bank accounts in the group. Currency volatility is closely managed by the 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.

36. Financial instruments and risk management (continued)

The system of risk management is designed so that the different business units are able to tailor and adapt their risk management processes to suit their specific circumstances.

Regular management reporting and internal audit reports provide a balanced assessment of key risks and controls. The chief financial officer provides quarterly confirmation to the board that financial and accounting control frameworks have operated satisfactorily and consistently.

The group does not speculate in the trading of derivative or other financial instruments. It is group policy to hedge exposure to cash and future contracted transactions. These contracts are not designated as effective hedging instruments and therefore hedge accounting is not applied.

36.2.1 Market risk

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

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

Foreign currency risk

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

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

	Euro Rm	US dollar Rm
Foreign currency denominated monetary assets and liabilities		
2021		
Trade and other receivables (financial assets excluding derivatives)	**5**	**117**
Cash and cash equivalents	**6**	**79**
Trade and other payables (financial liabilities excluding derivatives)	**(228)**	**(911)**
Pre-derivative position	**(217)**	**(715)**
Derivative effect	**400**	**729**
Open position	**183**	**14**
2020		
Trade and other receivables (financial assets excluding derivatives)	4	184
Cash and cash equivalents	–	67
Trade and other payables (financial liabilities excluding derivatives)	(132)	(620)
Pre-derivative position	(128)	(369)
Derivative effect	301	426
Open position	173	57

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

Rand	Forecast rate[2] 30 June 2022	Forecast rate[2] 30 June 2021	Reporting date spot rate 30 June 2021	Reporting date spot rate 30 June 2020
Euro	**17.65**	18.50	**16.93**	19.46
US dollar	**14.55**	16.60	**14.28**	17.33

[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.*

36. Financial instruments and risk management (continued)

Sensitivity analysis

The table below indicates the group's sensitivity at year-end to the movements in the major currencies that the group is exposed to on its financial instruments. The percentages given below represent a weighting of foreign currency rates 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 2020.

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	**2021 Rm**	2020 Rm
Euro strengthening by 4.3% (2020: weakening by 4.9%) to the rand	**8**	(9)
US dollar strengthening by 1.9% (2020: weakening by 4.2%) to the rand	**–**	(2)

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. 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:

	2021 Rm	2020 Rm
Short-term derivatives		
Assets		
Fair value of foreign exchange contracts		
Euro	**1**	18
US dollar	**9**	14
	10	32
Liabilities		
Fair value of foreign exchange contracts		
Euro	**(9)**	(1)
US dollar	**(15)**	(22)
	(24)	(23)
Net derivative (liabilities)/assets	**(14)**	9

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.

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.

36. Financial instruments and risk management (continued)

The interest and related terms of the group's interest-bearing loans are disclosed in note 28.

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
2021					
Investments and loans receivable	**–**	**–**	**–**	**9**	**9**
Trade receivables	**–**	**–**	**–**	**3 719**	**3 719**
Cash and cash equivalents	**447**	**177**	**48**	**79**	**751**
Loans and borrowings	**(6 388)**	**(20)**	**(430)**	**(48)**	**(6 886)**
Lease liabilities	**–**	**–**	**(397)**	**–**	**(397)**
Trade and other payables	**–**	**–**	**–**	**(4 187)**	**(4 187)**
Bank overdrafts and short-term facilities	**(45)**	**–**	**–**	**–**	**(45)**
	(5 986)	**157**	**(779)**	**(428)**	**(7 036)**
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)
Trade payables	–	–	–	(3 415)	(3 415)
Bank overdrafts and short-term facilities	(17)	–	–	–	(17)
	(6 002)	224	(1 329)	(366)	(7 473)

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	2021 Rm	2020 Rm
JIBAR and SA prime – 100 basis point increase	**60**	60

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

36. Financial instruments and risk management (continued)

36.2.2 Credit risk

Risk exposure	Credit risk arises mainly from short-term cash and cash equivalent investments, trade and other receivables, and loans receivable. Given the diverse nature of the group's operations, it does not have significant concentration of credit risk in respect of trade receivables, with exposure spread over a large number of customers. At 30 June 2021, 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 divisional subcommittees for review. These subcommittees meet quarterly and deal with all issues arising at the operational division or subsidiary level. The group does not generally require collateral in respect of trade receivables and other receivables. The group does not have trade receivables for which no loss allowance is recognised because of collateral. The group has liens over items sold until full payment has been received from customers. The fair value of collateral held against these loans and receivables is linked to the value of the liens. Furthermore, certain divisions in the group have credit insurance to partially cover its exposure to risk on receivables.

36. Financial instruments and risk management (continued)

Exposure to credit risk

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

	2021 Rm	2020 Rm
Maximum exposure to credit risk[3]		
Investments and loans receivable	**9**	3
Trade and other receivables	**3 719**	3 025
Cash and cash equivalents	**751**	1 001
	4 479	4 029
Maximum exposure to credit risk by segment[4]		
Diversified industrial	**1 831**	1 246
Diversified chemical	**1 316**	1 254
Diversified logistics	**2 255**	2 333
Corporate	**(923)**	(804)
	4 479	4 029

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

	2021 Rm	2020 Rm
Maximum exposure to credit risk by geographical region		
South Africa	**3 679**	3 185
Rest of Africa	**715**	685
Americas	**83**	133
Europe	**2**	3
Middle East	**–**	20
Australasia	**–**	3
	4 479	4 029
Carrying amount of financial assets		
Gross carrying amount:		
12-month ECL (Not credit impaired)	**1 023**	1 172
Lifetime ECL (Not credit impaired)	**3 490**	2 798
Lifetime ECL (Credit impaired)	**46**	153
Less: Loss allowance		
12-month ECL (Not credit impaired)	**(5)**	(8)
Lifetime ECL (Not credit impaired)	**(45)**	(44)
Lifetime ECL (Credit impaired)	**(30)**	(42)
	4 479	4 029

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

36. Financial instruments and risk management (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
Segment				
2021				
General	**3.8**	**78**	**(3)**	**75**
Large and corporate enterprises	**0.5**	**2 260**	**(12)**	**2 248**
Public sector entities	**0.0**	**4**	**–**	**4**
Local government and municipalities	**0.9**	**112**	**(1)**	**111**
National government	**0.0**	**9**	**–**	**9**
Banks and financial institutions	**0.0**	**821**	**–**	**821**
Small and medium enterprises	**3.9**	**1 187**	**(46)**	**1 141**
Micro enterprises	**20.5**	**88**	**(18)**	**70**
		4 559	**(80)**	**4 479**
2020				
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

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 loans receivable				
Balance at 1 July 2019	(2)	–	(17)	(19)
Additional provision raised	(7)	–	(10)	(17)
Balance at 30 June 2020	**(9)**	**–**	**(27)**	**(36)**
Amounts unused reversed	**4**	**–**	**–**	**4**
Reclassify between categories	**–**	**–**	**1**	**1**
Balance at 30 June 2021	**(5)**	**–**	**(26)**	**(31)**

36. Financial instruments and risk management (continued)

	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 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)**
Additional provision raised	**(1)**	**(15)**	**(1)**	**(17)**
Amounts unused reversed	**–**	**16**	**3**	**19**
Amounts utilised during the year	**–**	**6**	**1**	**7**
Reclassify between categories	**–**	**(9)**	**8**	**(1)**
Exchange differences on translation of foreign operations	**–**	**1**	**–**	**1**
Balance at 30 June 2021	**–**	**(45)**	**(4)**	**(49)**

36.2.3 Liquidity risk

Risk exposure	The group is exposed to liquidity risk through financial liabilities that have contractual cash flows and maturity dates.
How the risk arises	Liquidity risk arises should the group not be able to meet its obligations as they become due.
Objectives, policies and processes for managing risk	The group manages liquidity risk by monitoring forecast cash flows and by ensuring that adequate borrowing facilities are available. Cash surpluses and short-term financing needs of the group are mainly centralised in the central treasury office. The central treasury office invests the net cash reserves and borrows the net cash deficits from the financial markets, mainly in short-term instruments linked to variable interest rates. The group has sufficient available bank facilities that can be utilised to service short-term commitments. Refer to note 28.

The following table details the group's remaining contractual maturity for its financial liabilities. The table has been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay. The table includes both interest and principal cash flows:

	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						
2021						
Trade and other payables	**(4 039)**	**(123)**	**–**	**–**	**–**	**(4 162)**
Derivative financial liabilities	**(24)**	**–**	**–**	**–**	**–**	**(24)**
Loans and borrowings	**(261)**	**(1 558)**	**(2 547)**	**(3 139)**	**(1)**	**(7 506)**
Lease liabilities	**(29)**	**(87)**	**(104)**	**(160)**	**(135)**	**(515)**
	(4 353)	**(1 768)**	**(2 651)**	**(3 299)**	**(136)**	**(12 207)**
2020						
Trade and other payables	(3 219)	(173)	–	–	–	(3 392)
Derivative financial liabilities	(23)	–	–	–	–	(23)
Loans and borrowings	(1 293)	(1 365)	(2 183)	(3 645)	(37)	(8 523)
Lease liabilities	(40)	(106)	(111)	(211)	(153)	(621)
	(4 575)	(1 644)	(2 294)	(3 856)	(190)	(12 559)

36. Financial instruments and risk management (continued)

36.3 Capital risk management

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

The capital structure of the group consists of borrowings disclosed in note 28, 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 serviceable ratios:

	2021 Rm	2020 Rm
Loans and borrowings	**6 886**	7 604
Lease liabilities	**397**	466
Non-interest bearing loans and borrowings	**(47)**	(45)
Bank overdrafts and short-term facilities	**45**	17
Cash and cash equivalents	**(751)**	(1 001)
Net interest-bearing debt	**6 530**	7 041
EBITDA[1&2]	**3 419**	2 703
Net finance costs[2]	**466**	654
EBITDA interest cover (times) >3.5[3]	**7.3**	4.1
Net debt to EBITDA (times) <3.2[3]	**1.9**	2.6
Gearing (%)	**64**	74

[1] *Operating profit before depreciation, amortisation and capital items.*
[2] *From continuing operations, prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.*
[3] *Financial covenant triggers.*

The group complied with all the financial covenants during the 2021 and 2020 financial years.

37. Material subsidiaries

	Principal activity	Place of incorporation	Ownership **2021 %**	Ownership 2020 %
PG Bison Proprietary Limited	Integrated forestry, timber, resin and decorative panels manufacturing	South Africa	**100**	100
KAP Automotive Proprietary Limited	Vehicle retail accessories and components used in new vehicle assembly	South Africa	**100**	100
Restonic Proprietary Limited (Previously 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 and commuter transport services	South Africa	**100**	100

38. Directors' remuneration

38.1 Remuneration

	Basic R	Company contributions R	Bonuses R	Total R
Executive directors				
2021				
GN Chaplin	**7 442 993**	**401 007**	**–**	**7 844 000**
FH Olivier	**4 421 548**	**348 452**	**–**	**4 770 000**
	11 864 541	**749 459**	**–**	**12 614 000**
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

	2021 R	2020 R
Non-executive directors		
J de V du Toit	**1 347 685**	1 077 068
T Esau-Isaacs*	**939**	–
Z Fuphe	**868 736**	284 082
KJ Grové	**1 112 165**	1 100 181
KT Hopkins	**1 238 159**	662 947
V McMenamin	**539 300**	317 046
IN Mkhari	**729 100**	532 127
SH Müller	**1 231 375**	1 056 791
SH Nomvete	**179 400**	538 491
PK Quarmby	**1 351 192**	1 256 110
	8 598 051	6 824 843

**T Esau-Isaacs was appointed as a non-executive director effective 30 June 2021.*

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

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

38.2 Share rights

	Offer date	Number of rights as at 30 June 2020	Number of rights awarded during the year	Number of rights as at 30 June 2021
Executive directors				
GN Chaplin	December 2018	789 144	**–**	**789 144**
	December 2019	1 013 892	**–**	**1 013 892**
	December 2020	–	**5 137 051**	**5 137 051**
		1 803 036	**5 137 051**	**6 940 087**
FH Olivier	December 2018	479 885	**–**	**479 885**
	December 2019	616 556	**–**	**616 556**
	December 2020	–	**3 123 882**	**3 123 882**
		1 096 441	**3 123 882**	**4 220 323**
		2 899 477	**8 260 933**	**11 160 410**

No share rights were exercised during the current or previous financial year.

39. 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, considering the impacts of the Covid-19 pandemic.

40. Events after reporting date

Subsequent to 30 June 2021, negotiations with a supplier were concluded, resulting in a retrospective price adjustment of R91 million which will be recognised as income in the 2022 financial year. The directors are not aware of any other significant events after the reporting date that will have a material effect on the group's results or financial position as presented in these annual financial statements.

ANALYSIS OF SHAREHOLDING

for the year ended 30 June 2021

	2021 Number of Shares	2020 Number of Shares
Stated share capital		
Ordinary shares in issue	**2 531 201 473**	2 607 137 238
Treasury shares held by KAP Corporate Services Proprietary Limited	**–**	(36 000 000)
	2 531 201 473	2 571 137 238

	2021 Number of shareholders	%	Number of Shares	%
Shareholder spread				
1 – 1 000 shares	**6 851**	**64.27**	**810 432**	**0.03**
1 001 – 10 000 shares	**2 001**	**18.77**	**8 480 143**	**0.34**
10 001 – 100 000 shares	**1 047**	**9.82**	**34 925 308**	**1.38**
100 001 – 1 000 000 shares	**495**	**4.64**	**176 357 960**	**6.97**
1 000 001 – 10 000 000 shares	**229**	**2.15**	**691 863 419**	**27.33**
10 000 001 shares and over	**37**	**0.35**	**1 618 764 211**	**63.95**
	10 660	**100.00**	**2 531 201 473**	**100.00**
Resident/non-resident split				
Resident	**10 432**	**97.86**	**2 063 576 768**	**81.53**
Non-resident	**228**	**2.14**	**467 624 705**	**18.47**
	10 660	**100.00**	**2 531 201 473**	**100.00**

	2021 Number of shares	%	2020 Number of shares	%
Shares held by directors of the company				
GN Chaplin	**3 063 010**	**0.121**	3 063 010	0.119
FH Olivier[1]	**–**	**0.000**	1 050 000	0.041
J de V du Toit[2]	**1 040 368**	**0.041**	540 368	0.021
KJ Grové	**4 862 828**	**0.192**	4 862 828	0.189
SH Müller	**225 004**	**0.009**	225 004	0.009
PK Quarmby[3]	**500 000**	**0.020**	–	0.000
	9 691 210	**0.383**	9 741 210	0.379
Shares held by directors of group subsidiaries	**57 292 315**	**2.264**	58 442 069	2.274
Shares held by management of the company and its group subsidiaries	**2 829 734**	**0.112**	3 348 662	0.130
	69 813 259	**2.759**	71 531 941	2.783
Public/non-public shareholdings				
Allan Gray[4]	**448 391 830**	**17.71**	488 806 200	19.01
Government Employees Pension Fund[4]	**368 421 642**	**14.56**	293 594 307	11.42
Directors (and associates) of the company and its subsidiaries	**66 983 525**	**2.65**	68 183 279	2.65
Management of the company and its subsidiaries	**2 829 734**	**0.11**	3 348 662	0.13
Non-public shareholders[5]	**886 626 731**	**35.03**	853 932 448	33.21
Public shareholders[6]	**1 644 574 742**	**64.97**	1 717 204 790	66.79
	2 531 201 473	**100.00**	2 571 137 238	100.00

[1] An associate of FH Olivier disposed of 591 003 shares in September 2020 and 458 997 shares in February 2021 due to funding transactions that matured in September 2020 and February 2021.
[2] An associate of J de V du Toit acquired 500 000 ordinary shares during August 2020.
[3] An associate of PK Quarmby acquired 500 000 shares during September 2020.
[4] Beneficial shareholder holding more than 10% of the shares of the company at year-end.
[5] There were 31 (2020: 31) non-public shareholders at year-end.
[6] There were 10 629 (2020: 10 078) public shareholders at year-end.

CORPORATE INFORMATION

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Share code
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ISIN
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Company secretary
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