

KAP.

AUDITED RESULTS

for the year ended
30 June 2021



INTEGRATED
INTO EVERY
DAY



HIGHLIGHTS

Revenue up

**11% to
R24 billion**

(FY20: R21.6 billion)

Operating profit
before capital
items up

**48% to
R2.1 billion**

(FY20: R1.4 billion)

Headline earnings
per share up

**146% to
43.0 cents**

(FY20: 17.5 cents)

Cash generated
from operations up

**68% to
R3.5 billion**

(FY20: R2.1 billion)

Shareholder value
enhanced by
repurchase of

**40 million
shares**

(FY20: 133 million shares)

Company resumes
dividend cycle with

**15 cents
per share**

Revenue, operating profit and headline earnings per share from continuing operations.

OVERVIEW

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.

The company grew revenue by 11% to R24 billion and operating profit before capital items by 48% to R2.1 billion for the year and generated cash from operations of R3.5 billion, a 68% improvement on the prior year. The balance sheet was well managed with a R511 million reduction in net interest-bearing debt and stable net working capital levels. The company invested R1.8 billion in the replacement and expansion of operational assets and repurchased 40 million of its shares during the year.

OPERATIONAL REVIEW (for continuing operations)

DIVERSIFIED INDUSTRIAL	Integrated Timber	 PG BISON	Revenue	Operating profit
			R4 197 million (FY20: R3 208 million)	R615 million (FY20: R323 million)

The Integrated Timber division performed well with strong demand for our products, supported by increased home-related consumer spend, especially in the value-added product category of decorative panels, which supported revenue growth and margin improvement. The division operated at full available capacity throughout the year and was successful in increasing our value-added product ratio and growing market share through product

development and innovation in line with our strategy. Value-added products constituted 69% (FY20: 61%) of volumes sold during the year. The particleboard expansion project at our eMkhondo (Piet Retief) production facility is progressing well and remains on schedule for commissioning during January 2022, which will increase our particleboard production capacity by 18% during 2022.

DIVERSIFIED INDUSTRIAL	Automotive Components		Revenue	Operating profit
			R2 033 million (FY20: R1 725 million)	R156 million (FY20: R88 million)

The Automotive Components division performed well, experiencing consistent improvement in activity levels throughout the year, albeit still below pre-Covid levels. The two primary drivers of revenue for the division, being new vehicle assembly volumes and domestics sales of LCVs, increased by 12% and 13% respectively, which supported revenue growth. The division

was restructured during the first quarter in line with activity levels that remain below pre-Covid levels, which contributed to improved margins for the year. We prepared well during the year for a significant new model introduction, which commenced in July 2021.

DIVERSIFIED INDUSTRIAL	Integrated Bedding		Revenue	Operating profit
			R1 731 million (FY20: R1 286 million)	R254 million (FY20: R171 million)

The Integrated Bedding division performed well with robust demand for sleep products throughout our relevant markets. The division operated its production facilities at full capacity and was able to leverage off its recent production automation and supply chain investments, and its integrated raw material supply chain. This ensured sustainable supply to our customers in a severely disrupted operational environment and enabled the division

to grow volumes and revenue, as well as gain market share across its sleep product categories. We continued to capitalise on our growth strategy of utilising our backward integration and recycling activities to pursue new markets outside of the sleep sector, which also supported revenue growth and margin improvement.

DIVERSIFIED CHEMICAL	Polymers		Revenue	Operating profit
			R7 509 million (FY20: R7 301 million)	R428 million (FY20: R160 million)

Market demand for the period was strong for all product categories produced by the Polymers division. Global supply chain disruptions, inventory rebalancing and a significant increase in global shipping rates supported selling prices, margins and demand for locally manufactured polymers. This enabled the division to grow both revenue and operating profit for the year.

The supply chain disruptions unfortunately interrupted the supply of PTA, a key raw material required in the production of

PET, which resulted in a PET production stoppage for 26 days. In addition, the division successfully completed its scheduled five-year statutory maintenance shut and debottlenecking project to improve efficiencies and yields at its PET facility, which resulted in 43 days of lost PET production. The division experienced no other major production interruptions during the year.

Sales and production volumes for the year are reflected as follows:

	PET		HDPE		PP	
	FY21	FY20	FY21	FY20	FY21	FY20
Revenue (Rm)	2 690	2 907	2 840	2 502	1 979	1 892
Sales volume (tonnes)	180 864	195 064	154 845	155 688	107 645	114 218
Production volume (tonnes)	169 140	204 430	152 547	150 598	114 280	110 634
Average R/USD exchange rate	15.39	15.68	15.39	15.68	15.39	15.68

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

Rand margins showed strong improvement over the prior year, especially during the second half. This improvement was primarily as a result of global production disruptions due to extreme weather conditions and global supply chain disruptions due to Covid, both of which affected polymer raw material and end-product supply and demand, and related prices. A more normalised oil price also provided support to PET margins. The improvement in the division's rand polymer margins over the relevant periods is reflected as follows:

	Margin variance FY21 vs FY20	Margin variance 2H21 vs 1H21	Margin variance 2H21 vs 2H20	Margin variance 1H21 vs 1H20
PET	71%	22%	82%	61%
HDPE	21%	(7%)	48%	3%
PP	20%	19%	40%	4%

HDPE margins have improved by 21% for FY21 compared to FY20, however they weakened by 7% from 1H21 into 2H21. We have successfully renegotiated raw material prices in relation to HDPE with effect from 1 July 2021, which will support HDPE margins into FY22.

We continued to make good progress with our strategy of migrating our product range into higher specification and higher value products, which are generally utilised in more durable applications. This also supported improved margins for the division. In addition, we successfully launched our 'Let's plastic responsibly' campaign, which is directed toward educating consumers about the responsible use of plastics and promoting sustainability of the sector.

DIVERSIFIED LOGISTICS	Contractual Logistics – South Africa		Revenue R5 207 million (FY20: R4 954 million)	Operating profit R249 million (FY20: R222 million)

The Contractual Logistics – South Africa division experienced consistent improvement in activity levels and demand throughout the year. However, in general terms this still remained relatively subdued compared to pre-Covid levels. We have been effective in growing revenue and margins during the period, despite competitive market conditions, and have maintained a strong pipeline of potential future contract opportunities. We continued

to focus on operational efficiencies and asset utilisation during the period through our technology-driven control tower, which assisted greatly in producing encouraging results for the year. We were successful in renewing contractual work with an annualised net revenue gain of R333 million, and we won new contractual work with an annualised revenue value of R349 million.

DIVERSIFIED LOGISTICS	Contractual Logistics – Africa		Revenue R2 010 million (FY20: R1 865 million)	Operating profit R211 million (FY20: R214 million)

The Contractual Logistics – Africa division performed well, showing sufficient growth in most of our relevant territories and markets to offset a poor performance in our fuel distribution activities in Botswana. Botswana remains in a state of emergency due to Covid, with restrictions on operating conditions and border access. As a result, our activities in Botswana are being restructured within the division's broader road freight strategy, which will improve vehicle and resource utilisation in the future. We were able to successfully expand into new mining-related

activities in Botswana despite the Covid restrictions. The division also made pleasing progress in diversifying its road-haulage activities across various territories into other commodities in addition to fuel, and also commenced with its rail strategy during the year. We were successful during the year in renewing contractual work with an annualised net revenue gain of R291 million, and we won new contractual work with an annualised revenue value of R179 million.

DIVERSIFIED LOGISTICS	Passenger Transport		Revenue R1 647 million (FY20: R1 604 million)*	Operating profit R189 million (FY20: R241 million)*

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

The Passenger Transport division performance was disappointing for the year. Our operations in South Africa were extensively impacted by Covid-related restrictions and associated lower passenger numbers in the personnel and commuter transport sectors. Our activities in Mozambique were largely unaffected by Covid-related restrictions and terrorist activity in the northern region and produced a pleasing performance. A formal sale

process for the division's loss-making Intercity and Tourism operations was conducted during the period. During January 2021, this process proved unsuccessful and as a result, these operations were discontinued. The results of these operations are therefore disclosed as discontinued operations and the related assets are disclosed as assets held for sale.

FINANCIAL REVIEW

Income statement

Revenue from continuing operations increased by 11% to R23 956 million (FY20: R21 591 million).

Operating profit before depreciation, amortisation and capital items ('EBITDA') from continuing operations increased by 26% to R3 419 million (FY20: R2 703 million).

Operating profit before capital items from continuing operations increased by 48% to R2 102 million (FY20: R1 419 million), while operating margin increased to 8.8% (FY20: 6.6%). The strong operating profit and margin performance was broadly spread throughout the group, with only two of the seven divisions not showing growth on the prior year. This is reflected as follows:

	Year ended 30 Jun 2021 Audited Rm	30 Jun 2021 margin %	Year ended 30 Jun 2020 Audited(*) Rm	30 Jun 2020 margin(*) %	Operating profit change %	Margin change %
Operating profit and margin %						
Diversified industrial	1 025	12.9	582	9.4	76	3.5
Integrated Timber	615	14.7	323	10.1	90	4.6
Automotive Components	156	7.7	88	5.1	77	2.6
Integrated Bedding	254	14.7	171	13.3	49	1.4
Diversified chemical	428	5.7	160	2.2	168	3.5
Polymers	428	5.7	160	2.2	168	3.5
Diversified logistics	649	7.4	677	8.1	(4)	(0.7)
Contractual Logistics – South Africa	249	4.8	222	4.5	12	0.3
Contractual Logistics – Africa	211	10.5	214	11.5	(1)	(1.0)
Passenger Transport	189	11.5	241	15.0	(22)	(3.5)
	2 102	8.8	1 419	6.6	48	2.2

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

Headline earnings per share from continuing operations increased by 146% to 43.0 cents (FY20: 17.5 cents). Basic earnings per share from continuing operations increased to a profit of 44.0 cents (FY20: loss of 74.8 cents). The basic 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.

Capital items

Capital items from continuing operations of R32 million (FY20: R3 103 million loss) comprise mainly insurance income relating to accidental equipment damages. The capital loss in the prior year relates primarily to the abovementioned impairments.

Taxation

The effective tax rate from continuing operations of 29.8% is impacted by a provision of R38 million raised in relation to a previously utilised capital loss. In the prior year the tax rate was impacted by R685 million in impairments, which are not deductible for income tax purposes, and a provision of R68 million raised in relation to section 12I tax allowances

claimed previously but still pending the achievement of certain performance measures.

Statement of financial position

The company's balance sheet remains strong with management's continued focus on optimising net working capital and reducing net interest-bearing debt. The group generated sufficient EBITDA and cash during the year to remain comfortably within its financial covenant ratios.

The net asset value per share increased by 9% to 405 cents from 372 cents at 30 June 2021.

Net working capital

Net working capital levels increased by R14 million compared to the prior period. Inventory increased by R296 million, accounts receivable increased by R813 million, and accounts payable increased by R1 095 million, all in line with increased trading activity compared to the prior year when the company was emerging from Level 5 lockdown. Net working capital of R1 925 million (FY20: R1 911 million) is considered to be a sustainable level based on current operations.

Cash flow

Cash generated from operations of R3 485 million (FY20: R2 076 million) improved by R1 409 million compared to the prior year, comprising R711 million additional cash generated from trading and R698 million less cash invested in working capital. The cash conversion ratio of EBITDA to cash flow from operations of 106% exceeded our internal target for a sustainable conversion ratio of 90%.

Free cash flow (before dividends) of R810 million reflects an improvement of R1 601 million, mainly due to a R1 409 million increase in cash generated from operations, R203 million less cash interest paid and R132 million less spent on investing activities.

Capital expenditure

Replacement capital expenditure continues to be managed over time in relation to the annual depreciation charge. Depreciation (excluding right-of-use asset depreciation) for the period amounted to R1 208 million (FY20: R1 175 million), while replacement capital expenditure amounted to R918 million (FY20: R1 241 million) net of proceeds on disposal, insurance proceeds and government grants. Expansion capital expenditure of R899 million (FY20: R671 million) was invested in the group's asset base to drive growth and efficiency benefits.

Share buy-backs

The company repurchased and cancelled 40 million ordinary shares during the year. The total value of the share buy-back transactions amounted to R158 million. In addition, the 36 million treasury shares repurchased in previous years were cancelled during the year.

Capital structure

Net interest-bearing debt reduced by R511 million compared to the prior year, resulting in a reduction in the net interest-bearing debt to equity (gearing) ratio to 64% from 74% in the prior year. Our financial covenant ratios of net debt/EBITDA at 1.9 times and EBITDA/interest cover at 7.3 times remained within our target levels of <3.2 times and >3.5 times respectively.

During the year, bonds and term loans to the value of R2 394 million were settled, which included an expensive fixed interest rate term loan of R450 million. Funding of R1 652 million was raised during the year, through both bond issuances and term loan facilities, with maturities of three and five years at acceptable market-related interest rates.

Global Credit Rating Co (Pty) Ltd reviewed KAP's credit rating in November 2020 and confirmed its rating as A+(za) with a stable outlook.

The debt structure, movement in net interest-bearing debt and financial covenant ratios are as follows:

	30 Jun 2021 Audited Rm	30 Jun 2020 Audited Rm
Debt structure		
Loans and borrowings long-term	5 360	5 309
Loans and borrowings short-term	1 526	2 295
Lease liabilities long-term	311	363
Lease liabilities short-term	86	103
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

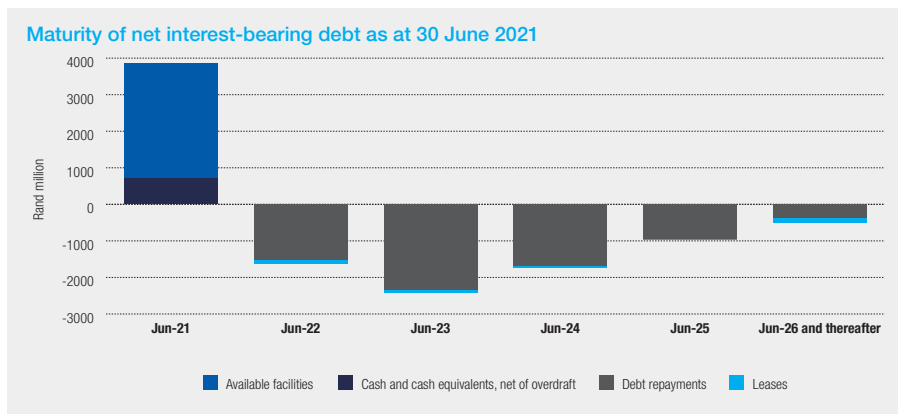
	30 Jun 2021 Audited Rm	30 Jun 2020 Audited Rm
Debt structure (continued)		
Movement in net interest-bearing debt		
Balance at beginning of the year excluding lease liabilities	6 575	4 488
Interest-bearing loans and borrowings (repaid)/raised	(720)	1 284
Net decrease in cash and cash equivalents	198	809
Increase in bank overdrafts and short-term facilities	28	17
Net acquisition/(disposal) of subsidiaries and businesses	–	2
Effects of exchange rate translations on cash and cash equivalents	52	(25)
Net interest-bearing debt excluding lease liabilities	6 133	6 575
Lease liabilities	397	466
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: 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 company has sufficient facilities to settle near-term debt maturities. We will continue to refinance the company's debt from time to time through a combination of bank term debt and corporate bonds. The maturity profile of net interest-bearing debt is reflected as follows:



DIVIDEND

In view of the resilience that the KAP business has displayed through the recent global pandemic, the strength of its balance sheet, the rapid recovery in performance and expected future prospects, the board of directors has approved and declared a dividend of 15 cents per share for the financial year ended 30 June 2021. No dividend was paid in the current year.

OUTLOOK

Covid will continue to evolve and present unprecedented social and economic uncertainty in the world and in the territories in which we operate. We believe that society, economies and companies will continue to adapt and will ultimately prove resilient. We also believe that our South African government has refined its approach to managing a resurgence of Covid infections in a manner which does not do irreparable economic damage. We are hopeful that a successful vaccine roll-out will provide increased social stability and support a sustainable economic recovery.

Our business has settled into a rhythm in this environment, which we believe is sustainable over an extended period. Our operational leverage provides us with the ability to adjust rapidly as markets evolve, and our strict safety protocols at our operations provide a safe working environment to ensure the wellbeing of our

employees and the continuity of our operations. Our employees and business model have proved to be agile and resilient during the period, and market demand for our products remains robust. The social unrest experienced in our country during July 2021, while extremely disturbing, has not halted the positive momentum of recovery in our business. We are therefore confident that the company will continue to perform well during FY22. In addition, we are focused on a number of strategic initiatives that will increase revenue, margins and returns beyond this.

The social unrest reflects deep flaws in South Africa's social, economic and political systems. We believe that we all have a collective responsibility in this regard and we are committed to actively participating in the efforts to create a better South Africa for all.

APPRECIATION

The rapid recovery in demand for our products during the year was matched with inbound supply chain and raw material disruptions which, at times, and despite our best efforts, constrained our product availability and customer service. We are extremely grateful to our customers for their loyalty, support and understanding during this period.

We are very proud of each of our employees who have risen above the personal challenges that we all faced during the year

and returned to work each day with commitment and dedication to each other, the company and our many customers. We extend our appreciation and sincere gratitude for their loyalty and contribution to the company.

We acknowledge and appreciate the ongoing trust and support of our shareholders, bondholders and banking partners in the continued funding of our operations.

CONDOLENCES

Since the onset of Covid, we have been deeply saddened by the loss of employees, family members, friends and colleagues. This has been a traumatic time for our society. We extend our sincere condolences to the families, friends and colleagues who have lost loved ones during this time.

On behalf of the board

Jaap du Toit

Independent non-executive chairperson

Gary Chaplin

Chief executive officer

Frans Olivier

Chief financial officer

19 August 2021

SUMMARISED CONSOLIDATED INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME

	Notes	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited ^(*) Rm	% change
Revenue	1	23 956	21 591	11
Operating profit before capital items		2 102	1 419	48
Capital items	2	32	(3 103)	
Operating profit/(loss)		2 134	(1 684)	227
Finance costs		(486)	(681)	
Income from investments		20	27	
Share of profit of associate and joint venture companies		28	21	
Profit/(loss) before taxation		1 696	(2 317)	173
Taxation		(506)	395	
Profit/(loss) for the year from continuing operations		1 190	(1 922)	162
Loss for the year from discontinued operations	3	(132)	(223)	
Profit/(loss) for the year		1 058	(2 145)	149
Profit/(loss) attributable to:				
Owners of the parent		991	(2 190)	145
Non-controlling interests		67	45	
Profit/(loss) for the year		1 058	(2 145)	149
Other comprehensive income/(loss)				
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		(233)	119	
Total comprehensive income/(loss) for the year (net of taxation)		825	(2 026)	141
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)	141
Earnings/(loss) per share attributable to owners of the parent		Cents	Cents	% change
Basic earnings/(loss)		38.8	(83.3)	147
Diluted earnings/(loss)		38.3	(83.2)	146
Basic earnings/(loss) from continuing operations		44.0	(74.8)	159
Diluted earnings/(loss) from continuing operations		43.4	(74.7)	158

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

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 Jun 2021 Audited Rm	30 Jun 2020 Audited Rm
Assets		
Non-current assets		
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
Investments in associate and joint venture companies	78	77
Investments and loans receivable	1	1
Deferred taxation assets	33	49
Inventories	–	35
	17 661	17 671
Current assets		
Inventories	2 593	2 262
Trade and other receivables	4 180	3 367
Loans receivable	8	2
Taxation receivable	42	58
Cash and cash equivalents	751	1 001
	7 574	6 690
Assets held for sale	159	–
	7 733	6 690
Total assets	25 394	24 361
Equity and liabilities		
Capital and reserves		
Stated share capital	8 206	8 364
Reserves	2 044	1 202
Total equity attributable to owners of the parent	10 250	9 566
Non-controlling interests	199	204
Total equity	10 449	9 770
Non-current liabilities		
Loans and borrowings	5 360	5 309
Lease liabilities	311	363
Employee benefits	24	30
Provisions	2	2
Deferred taxation liabilities	2 637	2 715
	8 334	8 419
Current liabilities		
Loans and borrowings	1 526	2 295
Lease liabilities	86	103
Employee benefits	456	175
Provisions	77	70
Trade and other payables	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

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited ⁽¹⁾ Rm
Operating profit before capital items	2 102	1 419
Depreciation and amortisation	1 317	1 284
Operating loss before depreciation, amortisation and capital items from discontinued operations	(143)	(24)
Net fair value adjustments of consumable biological assets ⁽¹⁾	190	149
Other non-cash adjustments	62	(11)
Cash generated before working capital changes	3 528	2 817
(Increase)/decrease in inventories	(305)	170
(Increase)/decrease in trade and other receivables	(865)	649
Increase/(decrease) in trade and other payables	1 127	(1 560)
Changes in working capital	(43)	(741)
Cash generated from operations	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
Additions to property, plant and equipment and investment property ⁽²⁾	(1 817)	(1 912)
Additions to intangible assets	(6)	(14)
Additions to consumable biological assets	(1)	(3)
Net cash outflow on acquisition/disposal of subsidiaries and businesses	–	(13)
Other investing activities	17	3
Net cash outflow from investing activities	(1 807)	(1 939)
Net cash inflow/(outflow) from operating and investing activities	783	(1 465)
Shares repurchased	(158)	(544)
Transactions with non-controlling interests	(22)	–
(Decrease)/increase in loans and borrowings	(720)	1 284
Decrease in lease liabilities	(109)	(101)
Increase in bank overdrafts and short-term facilities	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

⁽¹⁾ Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.

⁽¹⁾ Includes decrease due to harvesting and sale of livestock.

⁽²⁾ Net of proceeds on disposal of property, plant and equipment and investment property, insurance proceeds and government grants received.

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited Rm
Balance at beginning of the year	9 770	13 042
Changes in stated share capital		
Ordinary shares repurchased	(158)	(544)
Changes in reserves		
Total comprehensive income/(loss) for the year attributable to owners of the parent	765	(2 074)
Dividends paid	–	(619)
Share-based payments	61	(27)
Other reserve movements	16	5
Changes in non-controlling interests		
Total comprehensive income for the year attributable to non-controlling interests	60	48
Dividends paid	(27)	(55)
Shares purchased from non-controlling interests	(38)	(9)
Other non-controlling interests movements	–	3
Balance at end of the year	10 449	9 770
Comprising:		
Stated share capital	8 206	8 364
Distributable reserves	5 498	4 493
Share-based payment reserve	518	457
Reverse acquisition reserve	(3 952)	(3 952)
Other reserves	(20)	204
Non-controlling interests	199	204
	10 449	9 770

SEGMENTAL ANALYSIS

	Notes	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited ⁽⁷⁾ Rm	% change
Continuing operations				
Revenue				
Diversified industrial		7 927	6 205	28
Integrated Timber		4 197	3 208	31
Automotive Components		2 033	1 725	18
Integrated Bedding		1 731	1 286	35
Interdivisional eliminations		(34)	(14)	
Diversified chemical		7 509	7 301	3
Polymers		7 509	7 301	3
Diversified logistics		8 828	8 392	5
Contractual Logistics – South Africa		5 207	4 954	5
Contractual Logistics – Africa		2 010	1 865	8
Passenger Transport		1 647	1 604	3
Interdivisional eliminations		(36)	(31)	
		24 264	21 898	11
Intersegmental eliminations		(308)	(307)	
	1	23 956	21 591	11
Operating profit before depreciation, amortisation and capital items				
Diversified industrial		1 344	894	50
Integrated Timber		786	488	61
Automotive Components		251	184	36
Integrated Bedding		307	222	38
Diversified chemical		584	344	70
Polymers		584	344	70
Diversified logistics		1 485	1 460	2
Contractual Logistics – South Africa		701	651	8
Contractual Logistics – Africa		468	444	5
Passenger Transport		316	365	(13)
Corporate, consolidation and eliminations		6	5	
		3 419	2 703	26
Operating profit before capital items				
Diversified industrial		1 025	582	76
Integrated Timber		615	323	90
Automotive Components		156	88	77
Integrated Bedding		254	171	49
Diversified chemical		428	160	168
Polymers		428	160	168
Diversified logistics		649	677	(4)
Contractual Logistics – South Africa		249	222	12
Contractual Logistics – Africa		211	214	(1)
Passenger Transport		189	241	(22)
		2 102	1 419	48

⁽⁷⁾ Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.

SEGMENTAL ANALYSIS *continued*

	Notes	30 Jun 2021 Audited Rm	30 Jun 2020 Audited Rm	% change
Operating assets				
Diversified industrial		9 886	9 176	8
Integrated Timber		6 705	6 382	5
Automotive Components		1 561	1 304	20
Integrated Bedding		1 623	1 491	9
Interdivisional eliminations		(3)	(1)	
Diversified chemical		6 313	5 935	6
Polymers		6 313	5 935	6
Diversified logistics		8 166	8 153	–
Contractual Logistics – South Africa		4 530	4 452	2
Contractual Logistics – Africa		2 489	2 413	3
Passenger Transport		1 153	1 320	(13)
Interdivisional eliminations		(6)	(32)	
Corporate, consolidation and eliminations		(43)	(91)	
	6	24 322	23 173	5
Operating liabilities				
Diversified industrial		1 399	1 039	35
Integrated Timber		713	561	27
Automotive Components		406	293	39
Integrated Bedding		283	186	52
Interdivisional eliminations		(3)	(1)	
Diversified chemical		1 945	1 474	32
Polymers		1 945	1 474	32
Diversified logistics		1 324	1 121	18
Contractual Logistics – South Africa		775	678	14
Contractual Logistics – Africa		312	249	25
Passenger Transport		243	226	8
Interdivisional eliminations		(6)	(32)	
Corporate, consolidation and eliminations		180	119	
	7	4 848	3 753	29

SEGMENTAL ANALYSIS *continued*

	Notes	30 Jun 2021 Audited Rm	30 Jun 2020 Audited Rm	% change
Net operating assets/(liabilities)⁽¹⁾				
Diversified industrial		8 487	8 137	4
Integrated Timber		5 992	5 821	3
Automotive Components		1 155	1 011	14
Integrated Bedding		1 340	1 305	3
Diversified chemical		4 368	4 461	(2)
Polymers		4 368	4 461	(2)
Diversified logistics		6 842	7 032	(3)
Contractual Logistics – South Africa		3 755	3 774	(1)
Contractual Logistics – Africa		2 177	2 164	1
Passenger Transport		910	1 094	(17)
Corporate, consolidation and eliminations		(223)	(210)	
		19 474	19 420	–
⁽¹⁾ Net operating assets/(liabilities) comprise of operating assets less operating liabilities.				
Net working capital				
Diversified industrial		1 166	1 113	5
Integrated Timber		933	843	11
Automotive Components		141	140	1
Integrated Bedding		93	130	(28)
Interdivisional eliminations		(1)	–	
Diversified chemical		604	625	(3)
Polymers		604	625	(3)
Diversified logistics		389	408	(5)
Contractual Logistics – South Africa		104	161	(35)
Contractual Logistics – Africa		148	142	4
Passenger Transport		137	104	32
Interdivisional eliminations		–	1	
Corporate, consolidation and eliminations		(234)	(235)	
	8	1 925	1 911	1

SEGMENTAL ANALYSIS continued

	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited Rm
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, insurance proceeds and government grants received.		
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
⁽³⁾ Net of government grants received.		
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

⁽⁴⁾ Net of proceeds on disposal of property, plant and equipment and investment property, insurance proceeds and government grants received.

SELECTED EXPLANATORY NOTES

	Goods Rm	Services Rm	Total Rm
Note 1: Revenue			
30 Jun 2021			
Audited			
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 eliminations	(49)	(329)	(378)
	15 754	8 202	23 956

30 Jun 2020

Audited⁽¹⁾

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 eliminations	(30)	(322)	(352)
	13 588	8 003	21 591

	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited ⁽¹⁾ Rm
Geographical 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

⁽¹⁾ Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.

SELECTED EXPLANATORY NOTES *continued*

	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited ⁽¹⁾ Rm
Note 2: Capital items		
Continuing operations		
Loss on disposal of property, plant and equipment and investment property	(16)	(32)
Reversal of impairments/(impairments) ⁽¹⁾	4	(3 076)
Insurance income	44	5
	32	(3 103)
Discontinued operations		
Loss on disposal of property, plant and equipment and investment property	(1)	–
Impairments ⁽¹⁾	(1)	(174)
Other	–	1
	(2)	(173)
	30	(3 276)

⁽¹⁾ Reversal of impairments /(impairments) of goodwill, intangible assets, property, plant and equipment, investment property and right-of-use assets.

	Notes	Year ended 30 Jun 2021 Audited Rm	Year ended 30 Jun 2020 Audited ⁽¹⁾ Rm
Note 3: Loss for the year from discontinued operations			
Revenue		179	635
Operating loss before capital items		(170)	(105)
Capital items	2	(2)	(173)
Operating loss		(172)	(278)
Finance costs		(12)	(26)
Income from investments		–	2
Loss before taxation		(184)	(302)
Taxation		52	79
Loss for the year from discontinued operations		(132)	(223)

⁽¹⁾ Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.

SELECTED EXPLANATORY NOTES *continued*

	Notes	Year ended 30 Jun 2021 Audited Cents	Year ended 30 Jun 2020 Audited ⁽¹⁾ Cents
Note 4: Earnings/(loss)			
Basic earnings/(loss) per share		38.8	(83.3)
Continuing operations		44.0	(74.8)
Discontinued operations		(5.2)	(8.5)
Diluted earnings/(loss) per share		38.3	(83.2)
Continuing operations		43.4	(74.7)
Discontinued operations		(5.1)	(8.5)
Headline earnings/(loss) per share		37.9	13.7
Continuing operations		43.0	17.5
Discontinued operations		(5.1)	(3.8)
Diluted headline earnings/(loss) per share		37.4	13.7
Continuing operations		42.4	17.5
Discontinued operations		(5.0)	(3.8)
Net asset value per share		405	372
Headline earnings attributable to owners of the parent			
		Rm	Rm
Continuing operations			
Earnings/(loss) attributable to owners of the parent		1 123	(1 967)
Adjusted for:			
Capital items	2	(32)	3 103
Taxation effects of capital items		8	(675)
Non-controlling interests' portion of capital items (net of taxation)		—	(1)
		1 099	460
Discontinued operations			
Loss attributable to owners of the parent		(132)	(223)
Adjusted for:			
Capital items	2	2	173
Taxation effects of capital items		—	(49)
		(130)	(99)
		969	361
⁽¹⁾ Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.			
		Million	Million
Weighted average number of 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 in issue		2 589	2 632
Number of ordinary shares in issue		2 531	2 571

SELECTED EXPLANATORY NOTES *continued*

	Fair value hierarchy	Fair value as at 30 Jun 2021 Audited Rm	Fair value as at 30 Jun 2020 Audited Rm
Note 5: Fair values of financial instruments			
Derivative financial assets	Level 2	10	32
Derivative financial liabilities	Level 2	(24)	(23)

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

	30 Jun 2021 Audited Rm	30 Jun 2020 Audited Rm
Note 6: Operating assets		
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
	24 322	23 173

Note 7: Operating liabilities		
Employee benefits	480	205
Provisions	79	72
Trade and other payables	4 289	3 476
	4 848	3 753

Note 8: Net working capital		
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)
	1 925	1 911

SELECTED EXPLANATORY NOTES **continued**

Note 9: Trading profit

The company considers trading profit to be a key benchmark to measure performance and to allow for meaningful year-on-year comparison, as it excludes the effect of the non-cash fair value adjustments of consumable biological assets.

The adjustments below regarding trading profit are not an IFRS measure and are shown for illustrative purposes only. It does not impact the financial position, changes in equity, results of operations or cash flows.

The financial information is the responsibility of the directors and has not been reviewed or reported on by the company's external auditors.

	Year ended 30 Jun 2021 Unaudited Rm	Year ended 30 Jun 2020 Unaudited ⁽¹⁾ Rm
Continuing operations		
Trading profit		
Operating profit before capital items	2 102	1 419
Non-cash fair value adjustments of biological assets	190	149
	2 292	1 568
Non-cash fair value adjustments of biological assets		
Non-cash fair value adjustments of timber plantations	204	148
Fair value loss	12	2
Decrease due to harvesting	192	146
Non-cash fair value adjustments of livestock	(14)	1
Fair value gain	(19)	(8)
Decrease due to sale	5	9
	190	149

⁽¹⁾ Prior year disclosure has been restated to reflect the Intercity and Tourism operations as discontinued operations.

Statement of compliance

The summarised consolidated financial information has been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the financial pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited, as a minimum the information as required by IAS 34 – *Interim Financial Reporting* and the requirements of the South African Companies Act, No. 71 of 2008. The summarised consolidated financial information has been prepared using accounting policies that comply with IFRS, which are consistent with those applied in the consolidated financial statements for the year ended 30 June 2020.

Basis of preparation

The abridged summarised consolidated financial statements are prepared in millions of South African rand (Rm) on the historical-cost basis, except for certain assets and liabilities, which are carried at amortised cost, and derivative financial instruments and consumable biological assets, which are stated at their fair values. The preparation of the consolidated financial statements and summarised consolidated financial statements for the year ended 30 June 2021 was supervised by Frans Olivier CA(SA), the group's chief financial officer.

Changes to comparative results

The prior year's income statement has been re-presented to reflect the Intercity and Tourism operations, which form part of the Passenger Transport division, as discontinued operations.

Accounting policies

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

During the current 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. The adoption thereof did not have a material impact on the consolidated financial statements.

Financial statements

The consolidated financial statements for the year, which have been audited by Deloitte & Touche, and their accompanying unmodified audit report, which includes their key audit matters, are available on the company's website at www.kap.co.za. Information included under the headings 'Outlook' and 'Operational review' and any reference to future financial information included in

the summarised financial information, has not been audited or reviewed. The auditor's report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information which is available on the company's website at www.kap.co.za. The results were approved by the board of directors on 19 August 2021.

The annual general meeting ('AGM') of KAP shareholders has been scheduled to take place on Thursday, 18 November 2021 at 14:00 in Stellenbosch.

The notice of AGM will be published on SENS and dispatched to shareholders in due course, accompanied by a summary of the company's consolidated annual financial statements for the year ended 30 June 2021.

Post-balance sheet 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 which will have a material effect on the group's results or financial position as presented in these annual financial statements.

Independent auditor's report on summarised financial statements

To the shareholders of KAP Industrial Holdings Limited

Opinion

The summarised consolidated financial statements of KAP Industrial Holdings Limited, which comprise the summarised consolidated statement of financial position as at 30 June 2021, the summarised consolidated income statement, the summarised consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of KAP Industrial Holdings Limited for the year ended 30 June 2021.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of KAP Industrial Holdings Limited, in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in the basis of preparation paragraph to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Other matter

We have not audited future financial performance and expectations by management included in the accompanying summarised consolidated financial statements and accordingly do not express any opinion thereon.

Summarised consolidated financial statements

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of KAP Industrial Holdings Limited and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 19 August 2021. That report also includes the communication of key audit matters as reported in the auditor's report of the audited consolidated financial statements.

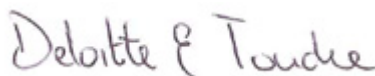
Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in the basis of preparation paragraph to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34, Interim Financial Reporting.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.



Deloitte & Touche

Registered Auditor

Per: Dirk Steyn

Partner

19 August 2021

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

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

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.

SH Nomvete was not available for re-election as a director and member of the audit and risk committee at the company's annual general meeting on 18 November 2020. He was consequently not reappointed.

On 30 June 2021, TC Esau-Isaacs was appointed as independent non-executive director and as a member of both the social and ethics committee and the audit and risk committee.

Dividend timetable

The timetable in respect of the dividend is as follows:

Day	Event
Thursday, 19 August 2021	Distribution declared in the form of a dividend
Tuesday, 14 September 2021	Last day to trade
Wednesday, 15 September 2021	Shares trade ex dividend
Friday, 17 September 2021	Date to be recorded in the register to receive the dividend
Monday, 20 September 2021	Payment date

Share certificates may not be dematerialised or rematerialised between Wednesday, 15 September 2021 and Friday, 17 September 2021, both days inclusive.

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

- (1) Local dividend tax rate is 20%.
- (2) Dividends are to be paid from income reserves.
- (3) The withholding tax, if applicable at the rate of 20%, will result in a net cash dividend per share of 12 cents.
- (4) The issued ordinary share capital of KAP Industrial Holdings Limited is 2 531 201 473 shares at 19 August 2021.
- (5) KAP Industrial Holdings Limited's tax reference number is 9999/509/71/5.

CORPORATE INFORMATION

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

Independent non-executive directors: J de V du Toit (Chairperson), KJ Grové (Deputy chairperson), PK Quarmby (Lead), TC Esau-Isaacs, Z Fuphe, KT Hopkins, V McMenamin, IN Mkhari, SH Müller

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

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

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

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

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

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

Debt sponsor: Nedbank Limited

Announcement date: 20 August 2021