KAP Industrial Holdings Ltd
(Registration number: 1978/000181/06)
Audited Financial Statements
30 June 2019

Preparation supervised by: I Uys CA(SA)

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Independent auditor's report
To the Shareholders of KAP Industrial Holdings Limited

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of KAP Industrial Holdings Limited (the Company) set out on pages 9 to 38, which comprise the separate statement of financial position as at 30 June 2019, and the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2019, and its financial performance and 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 separate Financial Statements section of our report. We are independent of the Company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. 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 separate financial statements of the current period. No key audit matters were identified during the audit of the separate financial statements of the Company.

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 separate financial statements for the year ended 30 June 2019 and comprises the Directors' Report, the Report of the Audit and Risk Committee and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate 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 separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the separate 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may

cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte has been the auditor of KAP Industrial Holdings Limited for 16 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per: D A Steyn
Partner
11 October 2019

Directors' report

for the year ended 30 June 2019

The directors are pleased to present the audited financial statements for KAP Industrial Holdings Ltd ("the company") for the year ended 30 June 2019.

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

The profit for the year is R1 449 540 441 (2018: R551 141 276).

During the year the company reversed provision for losses on KAP Bedding (Pty) Ltd of R786 937 836 and provided for losses of R93 420 166 against the loan receivable from KAP Corporate Services (Pty) Ltd (previously Roadway Transport (Pty) Ltd.

Company registration number	1978/000181/06
Registered office	South Africa Johannesburg 1645 18 Centenary Street Modderfontein The Views 3rd Floor, Building 2
Postal address	PO Box 2766 Edenvale 1610
Directors	**Executive directors** GN Chaplin (chief executive officer) FH Olivier (chief financial officer) **Non-executive directors** TLR de Klerk (resigned 3 April 2019) LJ du Preez (resigned 3 April 2019) CJH van Niekerk (resigned 13 November 2018) DM van der Merwe (resigned 13 November 2018) KJ Grové (deputy chairperson: board) **Independent non-executive directors** J de V du Toit (chairperson: board, chairperson: nomination committee) IN Mkhari (chairperson: social and ethics committee) SH Müller (chairperson: human resources and remuneration committee) SH Nomvete PK Quarmby (chairperson: audit and risk committee, chairperson: investment committee)
Auditors	Deloitte & Touche
Company secretary	KAP Secretarial Services (Pty) Ltd
Subsequent events	The company subscribed for additional ordinary shares of Safripol (Pty) Ltd, to the value of R1 044 000 000 in order to fund the acquisition by Safripol (Pty) Ltd of the business of Safripol a division of KAP Diversified Industrial (Pty) Ltd effective 1 July 2019. No other significant events occurred between 30 June 2019 and the date of this report.

Directors' report
for the year ended 30 June 2019

Responsibility of the directors
It is the directors' responsibility to ensure that the financial statements fairly present the state of affairs of the company. The external auditors are responsible for independently auditing and reporting on the financial statements.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance on the reliability of the 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 personnel 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 financial statements set out in this report have been prepared by management on the basis of appropriate accounting policies, which were consistently applied, except where stated otherwise. The 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 company at 30 June 2019, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, financial pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act, No. 71 of 2008 of South Africa.

Going concern
The financial statements were prepared on the going concern basis since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

Approval of financial statements
The financial statements for the year ended 30 June 2019, set out on pages 4 to 38 were approved by the board of directors and signed on its behalf on 11 October 2019.

....

GN Chaplin FH Olivier

Company secretary's certificate
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.

....

Company secretary
KAP Secretarial Services (Pty) Ltd
11 October 2019
3rd Floor, Building 2, The Views, Founders Hill Office Park, 18 Centenary Street, Modderfontein, Johannesburg, 1645

Report of the audit and risk committee

for the year ended 30 June 2019

Background

The audit and risk committee's ("the committee's") operation is guided by a formal charter that is in line with the Companies Act, No. 71 of 2008 ("the Companies Act") and the King IV Report on Corporate Governance™ for South Africa 2016 ("King IV™") and has been approved by the board. The committee has discharged all its responsibilities as contained in the charter.

Membership

The Committee consisted of the following three independent, non-executive directors throughout the period:

PK Quarmby (chairperson)
SH Müller
SH Nomvete

The nomination committee 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. The re-appointment of committee members will be a matter for consideration by shareholders at the forthcoming annual general meeting.

The company secretary is the secretary of the Committee.

Meetings

The committee held two formal meetings during the year under review in line with the requirements of its charter, which 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 auditor.

Subsidiary companies and divisions

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

The divisional subcommittees' members include divisional executives responsible for assurance as well the external auditors by invitation. These divisional subcommittees meet quarterly and deal with all issues arising at the subsidiary or divisional level. The divisional subcommittees elevate any unresolved issues of concern to the committee.

Reporting

The committee is pleased to present its report for the financial year ended 30 June 2019 as recommended by King IV™ and in line with the Companies Act and the Listing Requirements of the JSE Ltd.

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 financial statements of companies in the group and to ensure that the financial statements of the group and any other formal announcements relating to the financial performance comply with all statutory and regulatory requirements as may be required.
- To ensure that the interim condensed financial statements, the period-end consolidated financial statement and the annual integrated report comply with all statutory and regulatory requirements.
- To ensure that all financial information contained in any consolidated submissions to the board is suitable for inclusion in its consolidated financial statements in respect of any reporting period.
- To annually assess the appointment of the external auditors and confirm their independence, recommend their appointment to the annual general meeting 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 perform duties that are attributed to it by its mandate from the board, the Companies Act, the JSE Ltd, King IV™ and regulatory requirements.

- To oversee the governance structures relating to information and communication technology, in its support of the business in executing the business strategy and day-to-day operations.

During the year under review, the committee:
- Received and reviewed reports from both internal and external 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 out of their audits and requested appropriate responses from management to ensure that their concerns were being addressed.
- Made appropriate recommendations to the board regarding the corrective actions to be taken as a consequence of audit findings.
- Considered the independence and objectivity of the external auditors and ensured that the scope of any additional services provided was not such that it could be seen to have impaired their independence.
- Reviewed and recommended, for adoption by the board, such financial information that is publicly disclosed, which for the year included:
  - the consolidated annual financial statements for the year ended 30 June 2019; and
  - the consolidated interim results for the six months ended 31 December 2018.
- Considered the JSE's 2018 report back on proactive monitoring of financial statements, as well as the reports of previous periods and has taken appropriate action to apply the findings.
- 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, and no matters of concern were raised.
- Reviewed reports from the Information and Communication Technology ("ICT") steering committee and group ICT executive concerning the effectiveness, suitability and reliability of the information and technology systems and processes and made appropriate recommendations to the board regarding the corrective actions to be taken.
- Considered reports provided by management regarding compliance with legal and regulatory requirements, environmental compliance as well as open legal matters, to ensure all matters that could have a material impact on the group have been reported to the board.
- Considered complaints received via the group's whistle-blowing service.

The committee is of the opinion that the objectives were met during the year under review. Where weaknesses in specific controls were identified, management undertook to implement appropriate corrective actions to address the weaknesses identified, as well as ensuring previous weaknesses identified were successfully corrected.

Internal audit
The group's internal auditors operate in terms of the internal audit charter and under the direction of the committee, which approves the scope of the work to be performed.

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

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

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

External audit
The committee has satisfied itself through enquiry that the auditors of KAP Industrial Holdings Ltd and its subsidiaries are independent as defined by the Companies Act. The committee, in consultation with executive management, has agreed to the audit fee for the 2019 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 5 to the financial statements.

There is a formal policy that governs the process whereby the external auditor is considered for the provision of non-audit services, and each engagement letter for such work is reviewed in accordance with this set policy and attendant procedures.

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

The Committee has requested, from the external auditor, the information detailed in paragraph 22.15(h) of the JSE Listing Requirement, as it is required to do annually for every re-appointment. The committee has reviewed the performance of the external auditors and has nominated, for approval by shareholders at the forthcoming annual general meeting (ÄGM"), Deloitte & Touche ("Deloitte"), an eligible registered auditor, as the external auditor for the 2020 financial year, with Dr Dirk Steyn, a registered auditor and member of Deloitte, as the individual who will undertake the audit. Upon appointment at the forthcoming AGM, this will be Dr Steyn's fourth year of performing the external audit of the company. Deloitte has been the auditor of the group for some years and the committee will give the matter of audit firm rotation in-depth consideration in due course, to comply with the 2023 deadline in this regard.

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 further satisfied itself that Deloitte was independent of the company, which includes consideration of compliance with criteria relating to independence proposed by the Independent Regulatory Board for Auditors.

Accounting practices and internal control

Internal controls and systems have been designed to provide reasonable assurance as to the integrity and reliability of the financial information represented in the financial statements, and to safeguard, verify and maintain the assets of the group. Nothing has come to the attention of the committee to indicate that any material breakdown in the functioning of the group's key internal control systems has occurred during the year under review. The Committee considers the group's accounting policies, practices and financial statements to be appropriate.

Financial statements

The committee has evaluated the annual financial statements for the year ended 30 June 2019 and considers that they comply, in all material aspects, with the requirements of the Companies Act, International Financial Reporting Standards and the Listing Requirements of the JSE Ltd. The committee has therefore recommended the financial statements for approval to the board. The board has subsequently approved the financial statements, which will be open for discussion at the forthcoming AGM.

Evaluation of chief financial officer

As required by paragraph 3.84(g) of the JSE Listings Requirement, as well as the recommended practices as per King IV™, the committee has assessed the competence and performance of the group 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.

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PK Quarmby
Audit and risk committee chairman
11 October 2019

KAP Industrial Holdings Ltd

Statement of comprehensive income

for the year ended 30 June 2019

	Notes	**2019** **R**	2018 R
Revenue	3	**1 493 005 384**	1 338 587 147
Other operating expenses		**(7 460 911)**	(9 836 115)
Other income		**-**	46 711
Operating profit before capital items		**1 485 544 473**	1 328 797 743
Capital items	4	**693 543 281**	(9 168 283)
Operating profit	5	**2 179 087 754**	1 319 629 460
Finance costs	6	**(764 331 244)**	(778 920 498)
Income from investments	7	**36 495 902**	12 615 051
Profit before taxation		**1 451 252 412**	553 324 013
Taxation	8	**(1 711 971)**	(2 182 737)
Profit for the year		**1 449 540 441**	551 141 276
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**1 449 540 441**	551 141 276

KAP Industrial Holdings Ltd

Statement of financial position

as at 30 June 2019

	Notes	2019 R	2018 R
Assets			
Non-current asset			
Investment in subsidiary companies	9	**7 192 696 072**	6 154 334 410
		7 192 696 072	6 154 334 410
Current assets			
Trade and other receivables	10	**11 344 551**	14 558 573
Related-party loans receivable	21	**10 933 866 395**	12 228 350 907
Taxation receivable		**2 237 209**	2 177 288
Cash and cash equivalents		**943 004 770**	1 566 000 000
Share scheme settlement asset	11	**41 306 742**	116 419 034
		11 931 759 667	13 927 505 802
Total assets		**19 124 455 739**	20 081 840 212
Equity and liabilities			
Capital and reserves			
Stated share capital	12	**8 908 379 766**	8 790 930 218
Reserves		**2 286 326 015**	1 437 043 911
		11 194 705 781	10 227 974 129
Non-current liabilities			
Loans and borrowings	13	**4 518 166 666**	6 575 499 999
Deferred taxation liability	14	**76 464**	54 089
		4 518 243 130	6 575 554 088
Current liabilities			
Loans and borrowings	13	**1 017 475 292**	802 987 083
Trade and other payables	15	**11 728 027**	16 762 206
Related party loans payable	21	**98 000 101**	462 148 411
Bank overdrafts		**2 284 206 190**	1 996 337 704
Shareholders for dividends		**97 218**	76 591
		3 411 506 828	3 278 311 995
Total equity and liabilities		**19 124 455 739**	20 081 840 212

KAP Industrial Holdings Ltd
Statement of changes in equity
for the year ended 30 June 2019

	Stated share capital R	Distributable reserves R	Share-based payment reserve R	Total R
Balance at 1 July 2017	8 774 415 227	1 103 256 650	231 928 296	10 109 600 173
Net shares issued	16 514 991	-	-	16 514 991
Total comprehensive income for the year	-	551 141 276	-	551 141 276
Profit for the year	-	551 141 276	-	551 141 276
Other comprehensive income for the year	-	-	-	-
Ordinary dividends paid	-	(559 061 867)	-	(559 061 867)
Share-based payments movement through reserve accounting	-	-	65 261 536	65 261 536
Capital distribution received in terms of share scheme arrangement	-	44 518 020	-	44 518 020
Transfers between reserves	-	4 365 060	(4 365 060)	-
Balance at 30 June 2018	**8 790 930 218**	**1 144 219 139**	**292 824 772**	**10 227 974 129**
Net shares issued	**117 449 548**	**-**	**-**	**117 449 548**
Total comprehensive income for the year	**-**	**1 449 540 441**	**-**	**1 449 540 441**
Profit for the year	**-**	**1 449 540 441**	**-**	**1 449 540 441**
Other comprehensive income for the year	**-**	**-**	**-**	**-**
Ordinary dividends paid	**-**	**(618 228 552)**	**-**	**(618 228 552)**
Share-based payments movement through reserve accounting	**-**	**-**	**8 822 597**	**8 822 597**
Capital distribution received in terms of share scheme arrangement	**-**	**9 147 618**	**-**	**9 147 618**
Balance at 30 June 2019	**8 908 379 766**	**1 984 678 646**	**301 647 369**	**11 194 705 781**

KAP Industrial Holdings Ltd

Statement of cash flows

for the year ended 30 June 2019

	Notes	2019 R	2018 R
Cash flows from operating activities*			
Cash generated from operations	16	**1 558 681 213**	1 419 662 386
Dividends paid	17	**(618 207 925)**	(559 046 769)
Income from investments*		**36 341 224**	12 615 051
Finance costs*		**(764 331 244)**	(778 920 498)
Taxation paid	18	**(1 594 838)**	(1 493 461)
Net cash inflow from operating activities		**210 888 430**	92 816 709
Cash flows from investing activities			
Net cash outflow on acquisition of subsidiary		**-**	(100)
Net cash inflow on buy back of preference shares by subsidiary		**-**	14 796 193
Decrease/(increase) in related-party loans receivable		**967 763 115**	(51 699 999)
Net cash inflow/(outflow) from investing activities		**967 763 115**	(36 903 906)
Cash flows from financing activities			
Proceeds on issue of ordinary shares, net of issue expenses		**117 449 548**	16 514 991
Increase in long-term loans and borrowings	19	**700 000 000**	254 000 000
Decrease in short-term loans and borrowings	19	**(2 542 819 499)**	(242 195 957)
(Decrease)/increase in related-party loans payable	19	**(364 145 310)**	100
Increase in bank overdraft	19	**287 868 486**	594 767 429
Net cash (outflow)/inflow from financing activities		**(1 801 646 775)**	623 086 563
Net (decrease)/increase in cash and cash equivalents		**(622 995 230)**	678 999 366
Cash and cash equivalents at beginning of the year		**1 566 000 000**	887 000 634
Cash and cash equivalents at end of the year		**943 004 770**	1 566 000 000

**Income from investments from related parties and dividends received have been disclosed as part of cash from operating activities and finance costs have been disclosed on a gross basis in the current and prior year.*

KAP Industrial Holdings Ltd ("the company") is a South African registered company.

Statement of compliance
The 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 company at 30 June 2019, 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 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 financial statements are prepared in South African rand on the historical-cost basis, except for certain assets and liabilities, which are carried at amortised cost, as explained in the accounting policies below.

The preparation of 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 financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below.

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

Investment in subsidiary companies
Subsidiaries are entities controlled by the company (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.

Investments in subsidiaries are stated at cost less impairment losses. The company recognises impairment losses to the extent that the carrying value of the investment exceeds the net asset value of the subsidiary company.

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 company 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 company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Share-based payment transactions

Equity-settled

The fair value of the deferred delivery shares and 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 deferred delivery shares and 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 financial statements of the subsidiary, provided the share-based payment is classified as equity-settled in the consolidated 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.

Financial instruments

Classification

The company classifies financial assets and financial liabilities into the following categories:

- amortised cost;
- fair value through other comprehensive income (FVTOCI); and
- fair value through profit and loss (FVTPL).

Initial recognition and measurement

Financial assets and financial liabilities are recognised on the company's statement of financial position when the company 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 company 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 where the transaction costs are recognised immediately in profit or loss.

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.

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

- it is held within a business model whose objective is achieved both by holding assets to collect contractual cash flows and selling financial assets; 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 or FVTOCI are measured at FVTPL.

Subsequent measurement

Financial liabilities

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

Financial liabilities are classified at FVTPL when the financial liability is:

- held for trading; or
- it is designated at FVTPL.

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.

Impairment of financial assets

The company recognises a loss allowance for expected credit losses (ECL) on financial assets that are measured at amortised cost or at FVTOCI. 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 company 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 company's historical experience as well as forward-looking information. Where the company 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 company recognises lifetime ECL for trade receivables.

Write-off policy

The company 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 company's recovery procedures, considering legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Financial instruments (continued)

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 (ED). The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this 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 company in accordance with the contract and all the cash flows that the company expects to receive.

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.

Derecognition

The company derecognises a financial asset when the rights to receive cash flows from the asset have expired or have been transferred and the company 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

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

Since the company has only one business segment, and all its investments are managed as one segment investing in private companies, segmental reporting is not applicable.

1. New/revised accounting pronouncements

During the current year, the company 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 2018.

New IFRS standards applied with no material effect on the financial statements

IFRIC 22	Foreign currency transactions and advance consideration
Amendments to IAS 40	Transfers of Investment Property

New IFRS standards applied with a material effect on the financial statements

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The transition provisions of IFRS 9 allow an entity not to restate comparatives. The company has elected not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 July 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

No material impact on the recognising and measuring financial assets and financial liabilities was identified upon adoption of IFRS 9. As a result, there is no effect on retained earnings at 1 July 2018.

Financial instrument classification

The revised standard requires that all financial assets be classified either at FVTPL, FVTOCI or amortised cost based on the entity's business model for managing the financial assets and the contractual cash flows of the financial asset. Financial liabilities are classified at amortised cost or FVTPL.

The table below details the classification of the company's financial instruments under IFRS 9 as well as the previous classification under IAS 39. The classification of financial instruments under IFRS 9 did not have an impact on the measurement of the financial instruments for the current financial period. The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 July 2018 relates solely to the new impairment requirements.

Financial instrument	Classification under IAS 39 R	Classification under IFRS 9 R	Carrying amount under IAS 39 R	Carrying amount under IFRS 9 R
Financial assets				
Related-party loans receivable	Loans and receivables	Amortised cost	**12 228 350 907**	**12 228 350 907**
Trade and other receivables	Loans and receivables	Amortised cost	**3 805 606**	**3 805 606**
Cash and cash equivalents	Loans and receivables	Amortised cost	**1 566 000 000**	**1 566 000 000**
			13 798 156 513	**13 798 156 513**
Financial liabilities				
Long-term interest-bearing loans and borrowings	Amortised cost	Amortised cost	**(6 575 499 999)**	**(6 575 499 999)**
Related-party loans payable	Amortised cost	Amortised cost	**(462 148 411)**	**(462 148 411)**
Trade and other payables	Amortised cost	Amortised cost	**(16 762 206)**	**(16 762 206)**
Short-term interest-bearing loans and borrowings	Amortised cost	Amortised cost	**(802 987 083)**	**(802 987 083)**
Bank overdraft	Amortised cost	Amortised cost	**(1 996 337 704)**	**(1 996 337 704)**
			(9 853 735 403)	**(9 853 735 403)**

1. New/revised accounting pronouncements (continued)

New IFRS standards applied with a material effect on the financial statements (continued)

IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgement.

The company selected the cumulative effect method, which requires the cumulative effect of initially applying IFRS 15 to be recognised as an adjustment to the opening balance of retained earnings of the 2019 annual reporting period, with no restatement of the comparative period.

No material impact on the amount and timing of revenue recognition was identified upon adoption of IFRS 15. As a result, there is no effect on retained earnings at 1 July 2018.

New and revised standards and interpretations in issue but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2019, and have not been applied in preparing these financial statements. These standards, amendments and interpretations are set out below. The company does not plan to early adopt these standards. These will be adopted in the period that they become mandatory unless otherwise indicated.

Effective date[1]	Standard	Summary of the standard and impact assessment
1 July 2019	IFRS 16	IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (‘lessee’) and the supplier (‘lessor’). IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors. Preliminary results indicate that IFRS 16 is not expected to have a significant impact on the financial statements of the company, both quantitatively and qualitatively, due to the quantum of leases entered into by the company’s operations.

1. New/revised accounting pronouncements (continued)

New and revised standards and interpretations in issue but not yet effective (continued)

Effective date[1]	Standard	Summary of the standard and impact assessment
1 July 2019	IFRIC 23	IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements. IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about: • Judgements made; • Assumptions and other estimates used; and • The potential impact of uncertainties that are not reflected. This clarification is not expected to have a significant quantitative or qualitative impact on the company, any disclosure enhancements required will be included in the financial statements of the period where this clarification becomes effective.
1 July 2019	Amendments to IAS 12	The amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity.
1 July 2019	Amendments to IAS 23	The amendment clarifies that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments. The amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The above amendments are not expected to have a material impact on the company.
1 July 2020	Amendments to Conceptual Framework	The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes: • A new chapter on measurement; • Guidance on reporting financial performance; • Improved definitions of an asset and a liability, and guidance supporting these definitions; and • Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. The above amendments to the conceptual framework are not expected to have a material impact on the company.

1. New/revised accounting pronouncements (continued)

New and revised standards and interpretations in issue but not yet effective (continued)

Effective date[1]	Standard	Summary of the standard and impact assessment
1 July 2020	Amendments to IAS 1 and IAS 8	The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework. The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality. The above amendments to the conceptual framework are not expected to have a material impact on the company.

[1] *Annual periods beginning on or after for the company*

2. Judgements made by management and key sources of estimation uncertainty

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next financial year are discussed below.

Judgements and estimates:

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 as used in the valuation model are detailed in note 11.

Control
Management assesses whether it controls an entity based on the following factors: the investor has power over the relevant activities of the investee. Relevant activities are the activities of the investee that significantly affects the investee's returns; the investor is exposed to variable returns from its involvement with the investee; the investor is able to use its power to affect its returns from the investee; amongst others. Control is reassessed if the facts and circumstances impacting the assessment change.

Impairment of assets
Investments and financial assets are assessed annually for impairment by considering the net asset value of subsidiaries.
Also refer to note 9 and 21.

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

Judgements and estimates (continued):

Credit impairment against advances and IFRS 9 ECL
Significant judgement is required in assessing the impairment processed against advances in terms of the new requirements of IFRS 9 relating to Expected Credit Loss (ECL). 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)).

	2019 R	2018 R
3. Revenue		
Dividends received		
Related-party (note 21)	**753 000 000**	559 061 867
Interest received		
Related-party (note 21)	**740 005 384**	779 525 280
	1 493 005 384	1 338 587 147
4. Capital items		
(Income)/expenses of a capital nature are included in the 'capital items' line in the statement of comprehensive income. These (income)/expense items are:		
Loss on disposal of subsidiaries	**-**	1
(Reversal of)/provision for losses in subsidiaries - shares	**(302)**	305
(Reversal of)/provision for losses in subsidiaries - loans	**(693 517 369)**	6 883 928
Loans written off	**15**	2 353 607
Other capital items	**(25 625)**	(69 558)
	(693 543 281)	9 168 283
5. Operating profit		
Operating profit is stated after taking account of the following items:		
Auditor's remuneration		
Fees for other services	**-**	136 800
6. Finance costs		
Interest paid		
Bank overdraft	**60 357 779**	51 085 716
Loans	**147 351 107**	216 649 739
Senior unsecured listed and unlisted notes	**539 018 205**	502 689 929
Related-party (note 21)	**6 954 688**	-
South African Revenue Service	**13 824**	-
Credit facilities arranging fees	**10 635 641**	8 495 114
	764 331 244	778 920 498
7. Income from investments		
Interest received		
Bank	**36 341 224**	12 615 051
South African Revenue Service	**154 678**	-
	36 495 902	12 615 051

	2019 R	2018 R
8. Taxation		
Taxation charge		
Normal taxation		
Normal taxation - current year	**1 285 537**	956 238
Normal taxation - prior year adjustment	**404 059**	-
	1 689 596	956 238
Deferred taxation		
Deferred taxation - current year	**22 375**	1 226 499
	1 711 971	2 182 737

	%	%
Reconciliation of rate of taxation:		
Standard rate of taxation	**28.00**	28.00
Prior year adjustments	**0.03**	-
Tax exempt income – dividends received	**(14.53)**	(28.29)
Tax exempt income – reversal of provision for losses in subsidiaries and loan written off	**(15.18)**	-
Non-deductible expenditure – provision for losses in subsidiaries and loan written off	**1.80**	0.46
Other	**-**	0.22
Effective rate of taxation	**0.12**	0.39

For detail on deferred taxation liabilities refer note 14.

	2019 R	2018 R
9. Investment in subsidiary companies		
Shares at cost	**7 192 696 076**	6 154 334 716
Provision for losses - shares	**(4)**	(306)
Net investment in subsidiary companies	**7 192 696 072**	6 154 334 410

	Percentage Holding %	Shares at cost R	Provision for losses R
2019			
AFU Finance Company (Pty) Ltd	**100**	**2**	**(2)**
KAP Automotive (Pty) Ltd	**100**	**57 397 756**	**-**
KAP Bedding (Pty) Ltd	**100**	**1 020 236 052**	**-**
KAP Diversified Industrial (Pty) Ltd	**100**	**899 770 084**	**-**
KAP Investments (Pty) Ltd	**100**	**1**	**-**
KAP Secretarial Services (Pty) Ltd	**100**	**100**	**-**
Kolosus Share Trust	**100**	**-**	**-**
KAP South Africa Holdings (Pty) Ltd (previously PG Bison (Pty) Ltd)	**100**	**-**	**-**
KAP Corporate Services (Pty) Ltd (previously (Roadway Transport (Pty) Ltd)	**100**	**1**	**(1)**
Toolplast Holdings (Pty) Ltd	**100**	**1**	**(1)**
Safripol (Pty) Ltd (previously Safripol Holdings (Pty) Ltd)	**100**	**1**	**-**
Unitrans Holdings (Pty) Ltd	**100**	**5 039 970 161**	**-**
Unitrans Passenger (Pty) Ltd	**100**	**106 311 071**	**-**
Share-based payments		**69 010 846**	**-**
		7 192 696 076	**(4)**

9. Investment in subsidiary companies

	Percentage Holding %	Shares at cost R	Provision for losses R
2018			
AFU Finance Company (Pty) Ltd	100	2	(2)
KAP Automotive (Pty) Ltd	100	57 397 756	-
KAP Bedding (Pty) Ltd	100	301	(301)
KAP Diversified Industrial (Pty) Ltd	100	899 770 084	-
KAP Investments (Pty) Ltd	100	1	(1)
KAP Secretarial Services (Pty) Ltd	100	100	-
Kolosus Share Trust	100	-	-
KAP South Africa Holdings (Pty) Ltd (previously PG Bison (Pty) Ltd)	100	-	-
KAP Corporate Services (Pty) Ltd (previously Roadway Transport (Pty) Ltd)	100	1	(1)
Toolplast Holdings (Pty) Ltd	100	1	(1)
Safripol (Pty) Ltd (previously Safripol Holdings (Pty) Ltd)	100	1	-
Unitrans Holdings (Pty) Ltd	100	5 039 970 161	-
Unitrans Passenger (Pty) Ltd	100	106 311 071	-
Share-based payments		50 885 237	-
		6 154 334 716	(306)

During the year the company subscribed to 1 000 additional ordinary shares in KAP Bedding (Pty) Ltd for R1 020 235 751 through the capitalisation of the loan.

	2019 R	2018 R
10. Trade and other receivables		
Related-party receivables (note 21)	**35 927**	124 615
Other amounts due	**6 198 122**	3 680 991
Trade and other receivables (financial assets)	**6 234 049**	3 805 606
Prepayments	**5 110 502**	10 752 967
	11 344 551	14 558 573

In terms of IFRS 9, the company has elected to apply the simplified approach for the calculation of expected credit losses (‘ECL’) on trade receivables and recognises lifetime ECL on these financial assets.

There were no ECL recognised on trade and other receivables.

The company does not have significant concentration of credit risk in respect of trade receivables.

No trade receivables were written off during the current and prior year.

The company's exposure to foreign currency and credit risk related to trade and other receivables is disclosed in note 20.

11. Share scheme settlement asset

KAP Performance Share Rights Scheme

At the annual general meeting of KAP Industrial Holdings Ltd (KAP) on 14 November 2012, a share incentive scheme was approved and implemented. 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 occur 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.

11. Share scheme settlement asset (continued)

	2019 Rights	2018 Rights
Reconciliation of rights granted under the KAP Performance Share Rights Scheme		
Balance at beginning of the year	**34 207 012**	40 313 990
Forfeited during the year	**(16 079 548)**	(3 763 248)
Exercised during the year	**(10 484 529)**	(13 746 334)
Granted during the year	**16 001 157**	11 402 604
Balance at end of the year	**23 644 092**	34 207 012

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.

	2018 grant	2017 grant	2016 grant	2015 grant	2014 grant
Fair value at measurement date	**R7.43**	R8.05	R7.02	R6.62	R4.10
Share price at grant date	**R8.05**	R8.70	R7.59	R7.11	R4.64
Exercise price	**R0.00**	R0.00	R0.00	R0.00	R0.20
Expected volatility	**28.00%**	22.21%	25.58%	32.50%	31.88%
Dividend yield	**2.71%**	2.63%	2.63%	2.42%	2.90%
Risk-free interest rate	**7.77%**	7.67%	7.72%	7.48%	6.70%
Life of share right	**3 years**	3 years	3 years	3 years	3 years

KAP share scheme settlement asset affecting equity
Rights granted under the KAP share schemes are subject to a recharge arrangement whereby the subsidiaries are required to pay KAP the subscription price of shares granted to employees, equivalent to the quoted market price of such shares on the vesting date when the shares are secured by the company for delivery to the employees less the option subscription price payable by the employees.

This recharge arrangement does not impact on profit or loss, as the share scheme settlement asset is raised through equity.

The fair value of the share scheme settlement asset is determined based on the Black-Schöles model. The fair value of the asset is remeasured at each statement of financial position date and at settlement date.

	2018 grant		**2017 grant**		**2016 grant**	**2015 grant**
	2019	**2019**	2018	**2019**	2018	2018
Share price	**R4.95**	**R5.15**	R6.87	**R5.37**	R7.07	R7.28
Exercise price	**R0.00**	**R0.00**	R0.00	**R0.00**	R0.00	R0.00
Term	**28 months**	**17 months**	29 months	**5 months**	17 months	5 months
Volatility	**33.59%**	**33.59%**	25.64%	**33.59%**	25.64%	25.64%
Dividend yield	**5.28%**	**5.78%**	3.62%	**9.66%**	4.11%	6.90%
Risk-free interest rate	**6.67%**	**6.65%**	7.33%	**6.86%**	7.14%	6.91%

	2019 R	2018 R
Reconciliation of share scheme settlement asset		
Balance at beginning of the year	**116 419 034**	152 229 238
Increase in fair value for the year	**(6 096 145)**	50 630 144
Share scheme settlement received during the year	**(69 016 147)**	(86 440 348)
Balance at end of the year	**41 306 742**	116 419 034

	2019 Number of shares	2018 Number of shares
12. Stated share capital		
Authorised		
Ordinary shares of no par value	**6 000 000 000**	6 000 000 000
Cumulative non-redeemable 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 of no par value at beginning of the year	**2 677 874 340**	2 662 199 369
Ordinary shares of no par value issued during the year	**26 262 898**	15 674 971
	2 704 137 238	2 677 874 340

	2019 R	2018 R
13. Loans and borrowings		
Analysis of closing balance		
Unsecured financing covered by intragroup cross guarantees		
Term loans	**638 717 486**	1 501 760 157
Senior unsecured listed and unlisted notes	**4 896 924 472**	5 876 726 925
Total loans and borrowings	**5 535 641 958**	7 378 487 082
Portion payable before 30 June 2020 included in current liabilities	**(1 017 475 292)**	(802 987 083)
Total non-current loans and borrowings	**4 518 166 666**	6 575 499 999

All loans and borrowings are carried at amortised cost. The fair values of loans and borrowings are disclosed in note 20.

	2019 R	2018 R
Analysis of repayment		
Repayable within the next year and thereafter		
Next year	**1 017 475 292**	802 987 083
Within two years	**1 423 333 333**	2 757 333 332
Within three years	**1 590 833 333**	1 423 333 334
Within four years	**1 504 000 000**	890 833 333
Within five years	**-**	1 504 000 000
	5 535 641 958	7 378 487 082
Loan details		
Unsecured financing covered by intragroup cross-guarantees		
Variable interest rates		
Term loans	**187 500 000**	250 000 000
(Facilities of R1 188 million and interest rates between 9.25% and 9.40%)		
Senior unsecured listed notes	**4 418 000 000**	4 396 000 000
(Facilities of R4 418 million and interest rates between 8.50% and 9.40%)		
Fixed interest rates		
Term loans	**450 000 000**	1 250 000 000
(Facilities of R450 million and interest rate of 10.94%)		
Senior unsecured listed and unlisted notes	**420 000 000**	1 420 000 000
(Facilities of R420 million and interest rate of 10.23%)		
Interest due on term loans	**1 217 486**	1 760 157
Interest due on unsecured listed and unlisted notes	**58 924 472**	60 726 925
	5 535 641 958	7 378 487 082

13. Loans and borrowings (continued)

Global Credit Rating Co (Pty) Ltd reviewed the company's credit rating in November 2018 and confirmed its long-term rating of KAP as A+(za) and its short-term rating as A1(za), with a stable rating outlook on both ratings.

The following companies participate in the cross-guarantees in respect of the term loans (jointly and severally) together with KAP Industrial Holdings Ltd: PG Bison Southern Cape (Pty) Ltd, KAP Diversified Industrial (Pty) Ltd, Unitrans Supply Chain Solutions (Pty) Ltd, KAP Bedding (Pty) Ltd, KAP Automotive (Pty) Ltd, Mvelatrans (Pty) Ltd, Unitrans Passenger (Pty) Ltd, Unitrans Holdings (Pty) Ltd, Vitafoam (Pty) Ltd, and Safripol (Pty) Ltd (previously Safripol Holdings (Pty) Ltd).

The following companies participate in the cross-guarantees in respect of the listed and unlisted notes (jointly and severally) together with KAP Industrial Holdings Ltd: KAP Diversified Industrial (Pty) Ltd, Unitrans Supply Chain Solutions (Pty) Ltd, KAP Bedding (Pty) Ltd, KAP Automotive (Pty) Ltd, Unitrans Passenger (Pty) Ltd, and Safripol (Pty) Ltd (previously Safripol Holdings (Pty) Ltd).

	2019 **R**	2018 R
14. Deferred taxation liabilities		
Deferred taxation movement		
Balance at beginning of the year	**54 089**	(1 172 410)
Current year charge	**22 375**	1 226 499
Balance at end of the year	**76 464**	54 089
Provision for taxation on temporary differences resulting from South African normal taxation rate (28%) and South African capital gains taxation (SA CGT) rate (22.4%):		
Prepayments	**33 154**	54 089
Interest receivable from South African Revenue Service	**43 310**	-
Total deferred taxation liabilities	**76 464**	54 089
Unrecognised deferred taxation assets		
Deferred taxation assets have not been recognised in respect of the following items:		
Taxation losses	**14 110 718**	14 131 218
	14 110 718	14 131 218

The taxation losses and deductible temporary differences do not expire under current taxation legislation. 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 company can realise the benefits therefrom.

Taxation losses		
Estimated taxation losses available for set-off against future taxable capital gains	**14 110 718**	14 131 218
	14 110 718	14 131 218

15. Trade and other payables

Trade payables	**1 459 797**	4 817 566
Other payables and amounts due	**10 268 230**	11 944 640
Trade and other payables (financial liabilities)	**11 728 027**	16 762 206

The fair value of trade and other payables is disclosed in note 20.

The company's exposure to foreign currency and credit risk related to trade and other payables is disclosed in note 20.

	2019 R	2018 R
16. Cash generated from operations		
Operating profit	**2 179 087 754**	1 319 629 460
Adjusted for:		
Net loss on disposal of businesses	**-**	1
(Reversal of)/provision for losses in subsidiaries - shares	**(302)**	305
(Reversal of)/provision for losses in subsidiaries - loans	**(693 517 369)**	6 883 928
Loans written off	**15**	2 353 607
Other capital items	**(25 625)**	(69 558)
Cash utilised before working capital changes	**1 485 544 473**	1 328 797 743
Working capital changes		
Decrease in trade and other receivables	**3 214 022**	7 500 347
Increase/(decrease) in trade and other payables	**906 571**	(3 076 052)
Settlement of share scheme asset	**69 016 147**	86 440 348
Net changes in working capital	**73 136 740**	90 864 643
Cash generated from operations	**1 558 681 213**	1 419 662 386

17. Dividends paid

Balance at beginning of year	**(76 591)**	(61 493)
Dividends declared during the year	**(618 228 552)**	(559 061 867)
Balance at end of year	**97 218**	76 591
Dividends paid	**(618 207 925)**	(559 046 769)

18. Taxation paid

Balance at beginning of year	**2 177 288**	1 640 065
Normal and capital gain tax charge	**(1 689 596)**	(956 238)
Interest accrued	**154 679**	-
Balance at end of year	**(2 237 209)**	(2 177 288)
Taxation paid	**(1 594 838)**	(1 493 461)

19. Reconciliation of liabilities arising from financing activities

	Long-term loans and borrowings R	Short-term loans and borrowings R	Related-party loans payable R	Bank overdrafts R	Total R
Balance at 1 July 2017	7 062 000 000	304 683 039	462 148 311	1 401 570 275	9 230 401 625
Changes from financing cash flows					
Increase in long-term loans and borrowings	254 000 000	-	-	-	254 000 000
Decrease in short-term loans and borrowings	-	(242 195 957)	-	-	(242 195 957)
Increase in related-party loans payable	-	-	100	-	100
Increase in bank overdrafts	-	-	-	594 767 429	594 767 429
Reclassification of loans and borrowings from long-term to short-term	(740 500 001)	740 500 001	-	-	-
Balance at 30 June 2018	**6 575 499 999**	**802 987 083**	**462 148 411**	**1 996 337 704**	**9 836 973 197**
Changes from financing cash flows					
Increase in long-term loans and borrowings	**700 000 000**	**-**	**-**	**-**	**700 000 000**
Decrease in short-term loans and borrowings	**-**	**(2 542 819 499)**	**-**	**-**	**(2 542 819 499)**
Decrease in related-party loans payable	**-**	**-**	**(364 145 310)**	**-**	**(364 145 310)**
Increase in bank overdrafts	**-**	**-**	**-**	**287 868 486**	**287 868 486**
Reclassification of loans and borrowings from long-term to short-term	**(2 757 333 333)**	**2 757 333 333**	**-**	**-**	**-**
Profit on early settlement of bonds	**-**	**(25 625)**	**-**	**-**	**(25 625)**
Loan written off	**-**	**-**	**(3 000)**	**-**	**(3 000)**
Balance at 30 June 2019	**4 518 166 666**	**1 017 475 292**	**98 000 101**	**2 284 206 190**	**7 917 848 249**

20. Financial instruments

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

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

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

The company does not speculate in the trading of derivative or other financial instruments. It is company policy to hedge exposure to cash and future contracted transactions.

20.1 Total financial assets and liabilities

Amortised cost financial assets and financial liabilities at carrying and fair values	**2019** **R**	2018 R
Related-party loans receivable	**10 933 866 395**	12 228 350 907
Trade and other receivables (financial assets)	**6 234 049**	3 805 606
Cash and cash equivalents	**943 004 770**	1 566 000 000
Long-term loans and borrowings	**(4 518 166 666)**	(6 575 499 999)
Related-party loans payable	**(98 000 101)**	(462 148 411)
Trade and other payables (financial liabilities)	**(11 728 027)**	(16 762 206)
Short-term loans and borrowings	**(1 017 475 292)**	(802 987 083)
Bank overdrafts	**(2 284 206 190)**	(1 996 337 704)
	3 953 528 938	3 944 421 110
Net income from investments		
Interest income	**776 346 608**	792 140 331
Interest expense	**(764 317 420)**	(778 920 498)
	12 029 188	13 219 833

The fair values are equal to the carrying values except for long- and short-term loans and borrowings of which the fair values are R4 585 694 813 (2018: R6 662 032 609) and R1 019 421 872 (2018: R810 579 945) respectively.

No items were classified as 'at fair value through other comprehensive income ('OCI')' during the current period presented.

No items were classified as 'held to maturity', 'designated as at fair value through profit or loss' or 'available for sale' during the prior period presented.

20.2 Fair values

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

Trade and other receivables and short-term loans receivable
The fair values of trade and other receivables and short-term 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 2019.

Non-derivative financial liabilities
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 2019.

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

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

20. Financial instruments (continued)

20.3 Foreign currency risk

The financial assets and financial liabilities of the company are all denominated in South African rand and therefore the company does not have any exposure to foreign currency risk.

20.4 Interest rate risk

As part of the process of managing the company's borrowings mix, the interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates. Interest rate exposure is managed within limits agreed by the board.

The interest and related terms of the company's interest-bearing loans and borrowings are disclosed in note 13.

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

	Subject to interest rate movement Variable SA prime R	Fixed rate R	Non-interest bearing R	Total R
2019				
Related-party loans receivable	**8 453 556 023**	**-**	**2 480 310 372**	**10 933 866 395**
Trade and other receivables (financial assets)	**-**	**-**	**6 234 049**	**6 234 049**
Cash and cash equivalents	**943 004 770**	**-**	**-**	**943 004 770**
Long-term interest-bearing loans and borrowings	**(3 648 166 666)**	**(870 000 000)**	**-**	**(4 518 166 666)**
Related-party loans payable	**(98 000 000)**	**-**	**(101)**	**(98 000 101)**
Trade and other payables (financial liabilities)	**-**	**-**	**(11 728 027)**	**(11 728 027)**
Short-term interest-bearing loans and borrowings	**(1 009 302 986)**	**(8 172 306)**	**-**	**(1 017 475 292)**
Bank overdrafts	**(2 284 206 190)**	**-**	**-**	**(2 284 206 190)**
	2 356 884 951	**(878 172 306)**	**2 474 816 293**	**3 953 528 938**
2018				
Related-party loans receivable	9 009 075 278	-	3 219 275 629	12 228 350 907
Trade and other receivables (financial assets)	-	-	3 805 606	3 805 606
Cash and cash equivalents	1 566 000 000	-	-	1 566 000 000
Long-term interest-bearing loans and borrowings	(3 905 499 999)	(2 670 000 000)	-	(6 575 499 999)
Related-party loans payable	-	-	(462 148 411)	(462 148 411)
Trade and other payables (financial liabilities)	-	-	(16 762 206)	(16 762 206)
Short-term interest-bearing loans and borrowings	(770 191 846)	(32 795 237)	-	(802 987 083)
Bank overdrafts	(1 996 337 704)	-	-	(1 996 337 704)
	3 903 045 729	(2 702 795 237)	2 744 170 618	3 944 421 110

20. Financial instruments (continued)

20.4 Interest rate risk (continued)

Sensitivity analysis

The company is sensitive to movements in the SA prime rates, which are the primary interest rates to which the company is exposed.

The sensitivities calculated below are based on an increase of 100 basis points for each interest category. These rates are also used when reporting sensitivities internally to key management personnel.

	2019 R	2018 R
Through (profit)/loss		
JIBAR and SA prime - 100 basis point increase	**23 568 850**	39 030 457

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

20.5 Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Potential concentration of credit risk consists principally of short-term cash and cash equivalent investments, trade and other receivables, and loans receivable. The company deposits short-term cash surpluses with major banks of high quality credit standing. Trade receivables comprise a large and widespread customer base. At 30 June 2019, the company did not consider there to be any significant concentration of credit risk that had not been adequately provided for. The amounts presented in the statement of financial position are net of loss allowances for doubtful debts, estimated by the company's management based on prior experience and the current and future economic environment.

Credit risk management

Trade debtors

The company aims to minimise loss caused by default of customers through specific company-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 accounted for and are provided against as doubtful debts.

Granting credit

The company assesses the credit worthiness of potential and existing customers by obtaining trade references, credit references and evaluating the business acumen of the client. Once this review has been performed, the applied credit limit is reviewed and approved. The company performs ongoing credit evaluations on the financial condition of their customers. This process is supported by the audit and risk subcommittee. Reports on the credit quality and exposures are provided to the subcommittee for review. The subcommittee meets regularly and deals with all issues arising.

Collateral

The company does not generally require collateral in respect of trade receivables and other receivables. The company does not have trade receivables for which no loss allowance is recognised because of collateral.

Exposure to credit risk

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

	2019 R	2018 R
The maximum exposure to credit risk at the reporting date, without taking account of the value of any collateral obtained was:		
Related-party loans receivable	**10 933 866 395**	13 015 288 442
Trade and other receivables (financial assets)	**6 234 049**	3 805 606
Cash and cash equivalents	**943 004 770**	1 566 000 000
	11 883 105 214	13 798 15 513

The transition provisions of IFRS 9 Financial Instruments allow an entity not to restate comparatives, however the company has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosure that are applied to 2019 disclosures below but have not been applied to comparative information.

20. Financial instruments (continued)

20.5 Credit risk (continued)
Exposure to credit risk

	2019 R
The maximum exposure to credit risk at the reporting date by geographical region was (carrying amount):	
South Africa	**11 883 105 214**
	11 883 105 214
Gross amount:	
12 month ECL (Not credit-impaired)	**11 976 525 380**
Less: Loss allowance	
12 month ECL (Not credit-impaired)	**(93 420 166)**
	11 883 105 214

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

Category	Description	Credit risk
Performing	The counterparty has a low risk of default and does not have any past-due amounts	Not credit impaired
Doubtful	Amounts 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 company has no realistic prospect of recovery	Amount is written off

Expected credit loss assessment for financial assets
The company allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to best available external data where there is a lack of internal historic data. In some cases, external benchmarking data, adjusted for forward-looking information was considered most appropriate where it aligned to 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 reflect the company's view of economic conditions over the expected lives of the receivables taking into account specific information available regarding the customer.

At the reporting date the segment risk profile of the company's financial instruments were:

	Gross carrying amount R	Net carrying amount R
2019		
Segment		
Corporate	**11 027 322 488**	**10 933 902 322**
Banks	**949 202 892**	**949 202 892**
	11 976 525 380	**11 883 105 214**

Ageing of financial assets
None of the financial assets of the company have been assessed to be past their due terms or to be impaired.

20. Financial instruments (continued)

20.6 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk may also arise because of the possibility that the entity could be required to pay its liabilities earlier than expected.

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

	2019 R	2018 R
0 to 3 months	**(2 543 312 015)**	(2 647 961 242)
4 to 12 months	**(1 291 496 061)**	(1 247 883 587)
Year 2	**(1 807 605 117)**	(3 212 177 040)
Years 3 to 5	**(3 402 979 748)**	(4 385 821 534)
	(9 045 392 941)	(11 493 843 403)

20.7 Treasury risk

Senior executives of the company meet on a regular basis to analyse currency and interest rate exposure and to review and, if required, adjust the company's treasury management strategies in the context of prevailing and forecast economic conditions.

20.8 Capital risk

The company manages its capital to ensure that entities in the company will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the company consists of debt, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

21. Related-party transactions

Related-party relationships exist between shareholders and subsidiaries within the KAP Industrial Holdings Ltd group.

These transactions are concluded in the normal course of business.

	Related-party loans receivable R	**Related-party loans payable R**	**Related-party receivables R**
2019			
KAP Diversified Industrial (Pty) Ltd	**7 094 999 999**	**-**	**-**
KAP Automotive (Pty) Ltd	**997 230 539**	**-**	**-**
KAP Bedding (Pty) Ltd	**483 650 000**	**-**	**-**
Unitrans Passenger (Pty) Ltd	**279 625 278**	**-**	**-**
Sakhumzi Empowerment (Pty) Ltd	**500 000**	**-**	**-**
Unitrans Supply Chain Solutions (Pty) Ltd	**960 280 745**	**-**	**35 927**
KAP Corporate Services (Pty) Ltd (previously Roadway Transport (Pty) Ltd)	**1 211 000 000**	**(98 000 000)**	**-**
KAP Investments (Pty) Ltd	**-**	**(1)**	**-**
KAP Secretarial Services (Pty) Ltd	**-**	**(100)**	**-**
Balance at 30 June 2019	**11 027 286 561**	**(98 000 101)**	**35 927**
Loans: Provision for losses	**(93 420 166)**	**-**	**-**
Balance at 30 June 2019	**10 933 866 395**	**(98 000 101)**	**35 927**

21. Related-party transactions (continued)

	Related-party loans receivable R	Related-party loans payable R	Related-party receivables R
2018			
KAP Diversified Industrial (Pty) Ltd	8 808 246 874	-	-
KAP Automotive (Pty) Ltd	162 230 539	(462 145 310)	-
KAP Bedding (Pty) Ltd	1 519 685 751	-	-
Vitafoam (Pty) Ltd	245 500 000	-	-
Unitrans Passenger (Pty) Ltd	279 625 278	-	-
Unitrans Holdings (Pty) Ltd	1 750 000 000	-	124 615
Unitrans Supply Chain Solutions (Pty) Ltd	250 000 000	-	-
Toolplast Holdings (Pty) Ltd	-	(3 000)	-
KAP Investments (Pty) Ltd	-	(1)	-
KAP Secretarial Services (Pty) Ltd	-	(100)	-
Balance at 30 June 2018	13 015 288 442	(462 148 411)	124 615
Loans: Provision for losses	(786 937 535)	-	-
Balance at 30 June 2018	12 228 350 907	(462 148 411)	124 615

Loans are unsecured, carry interest between 0% and prime plus 2% and have no fixed repayment terms. The following loan amounts have been subordinated in favour of the other creditors until that company's assets, fairly valued, exceed the liabilities: KAP Bedding (Pty) Ltd for Rnil (2018: R787 000 000) and KAP Corporate Services (Pty) Ltd (previously Roadway Transport (Pty) Ltd) for R93 500 000 (2018: Rnil).

During the year the provision against the loan receivable from KAP Bedding (Pty) Ltd was reversed after the capitalisation of the loan causing the assets of the company, to exceed its liabilities. Also refer note 9.

As the liabilities of KAP Corporate Services (Pty) Ltd (previously Roadway Transport (Pty) Ltd) exceed its assets, a provision for losses was raised against the loan to the value of R93 420 166.

	Interest received R	Dividends received R
2019		
KAP Diversified Industrial (Pty) Ltd	**(497 322 432)**	**(200 000 000)**
KAP Automotive (Pty) Ltd	**(74 306 164)**	**(280 000 000)**
KAP Bedding (Pty) Ltd	**(44 076 473)**	**-**
Unitrans Passenger (Pty) Ltd	**(33 976 386)**	**(30 000 000)**
Unitrans Holdings (Pty) Ltd	**(58 709 896)**	**(243 000 000)**
Unitrans Supply Chain Solutions (Pty) Ltd	**(31 614 033)**	**-**
Total 30 June 2019	**(740 005 384)**	**(753 000 000)**
2018		
Steinhoff International Holdings N.V. and its subsidiaries	(1 164 235)	-
KAP Diversified Industrial (Pty) Ltd	(551 881 607)	(227 699 930)
KAP Automotive (Pty) Ltd	-	(35 468 400)
KAP Bedding (Pty) Ltd	(43 100 405)	-
Langford Street Investments (Pty) Ltd	(2 458 000)	-
Vitafoam (Pty) Ltd (previously KAP Homeware (Pty) Ltd)	(1 318 938)	-
Unitrans Passenger (Pty) Ltd	(34 112 368)	(159 889 124)
Unitrans Holdings (Pty) Ltd	(84 380 138)	(136 004 413)
Unitrans Supply Chain Solutions (Pty) Ltd	(61 109 589)	-
Total 30 June 2018	(779 525 280)	(559 061 867)

21. Related-party transactions (continued)

	Management fees paid R	Finance costs paid R	Dividends paid R
2019			
Steinhoff International Holdings N.V. and its subsidiaries	**917 200**	**-**	**159 667 532**
KAP Corporate Services (Pty) Ltd (previously Roadway Transport (Pty) Ltd)	**-**	**6 954 688**	**-**
Total 30 June 2019	**917 200**	**6 954 688**	**159 667 532**
2018			
Steinhoff International Holdings N.V. and its subsidiaries	1 575 597	-	240 283 399
KAP Automotive (Pty) Ltd	638 777	-	-
Total 30 June 2018	2 214 374	-	240 283 399

Directors of the company are considered to be key management personal. For details in respect of key management compensation refer Annexure A.

22. Commitments and contingencies

Commitments
The company is not committed to any capital expenditure.

Contingent liabilities
There is no other litigation, current or pending, which is considered likely to have a material adverse effect on the company.

The company has a number of guarantees and sureties outstanding at year-end. However, the directors are confident that no material liability will arise as a result of these guarantees and sureties. These guarantees and sureties include but is not limited to the following:

A limited suretyship has been provided in favour of Scania Finance Southern Africa (Pty) Ltd, for an asset financing facility, to the value of R550 000 000 as at 30 June 2019.

A parental guarantee has been provided in favour of Mercedes-Benz Financial Services South Africa (Pty) Ltd, for an asset financing facility, to the value of R50 000 000 as at 30 June 2019.

Parental/performance guarantees have been provided for the obligations of subsidiaries to suppliers of goods/services in the ordinary course of business in an aggregate amount of US$138 400 000 and R20 000 000.

A guarantee has been provided in favour of Investec Property (Pty) Ltd, for an agreement of lease and option agreement concluded by its subsidiary, Unitrans Supply Chain Solutions (Pty) Ltd, for a period of 10 years.

Cross-guarantee has been provided in favour of ABSA Bank Ltd, for the banking facilities, to the value of R650 000 000 as at 30 June 2019.

Cross-guarantee has been provided in favour of Investec Bank Ltd, for banking facilities, to the value of R200 000 000 as at 30 June 2019.

Unlimited cross-guarantee has been provided in favour of Nedbank Ltd, for banking facilities of R450 000 000 as at 30 June 2019.

Unlimited cross-guarantee has been provided in favour of Standard Bank of South Africa Ltd, for banking facilities of R1 181 084 500 as at 30 June 2019.

Cross-guarantee has been provided in favour of Standard Bank of South Africa Ltd, for the cash management facility as at 30 June 2019.

22. Commitments and contingencies (continued)

Contingent liabilities (continued)
Unlimited cross-suretyship has been provided in favour of FirstRand Bank Ltd, for banking facilities of R1 098 600 000 as at 30 June 2019.

The following loan amounts have been subordinated in favour of the other creditors until that company's assets, fairly valued, exceed the liabilities: KAP Bedding (Pty) Ltd for Rnil (2018: R787 000 000) and KAP Corporate Services (Pty) Ltd for R93 500 000 (2018: Rnil).

Letters of support has also been issued in favour of Unitrans Passenger (Pty) Ltd for R328 900 000 (2018: R345 700 000), KAP Bedding (Pty) Ltd for R517 000 000 (2018: R985 200 000), Unitrans Holdings (Pty) Ltd for R1 067 600 000 (2018: R1 197 700 000) and KAP Automotive (Pty) Ltd for R730 500 000.

23. Events after reporting date

The company subscribed for additional ordinary shares of Safripol (Pty) Ltd, to the value of R1 044 000 000 in order to fund the acquisition by Safripol (Pty) Ltd of the business of Safripol a division of KAP Diversified Industrial (Pty) Ltd effective 1 July 2019.

No other significant events occurred between 30 June 2019 and the date of this report.

24. Going concern

The directors have reviewed the company's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

	Basic R	Company contributions R	Bonuses R	Total R
Directors' remuneration				
Remuneration				
Executive directors				
2019				
Gary Noel Chaplin	**7 003 424**	**396 576**	**3 000 000**	**10 400 000**
Frans Hendrik Olivier	**4 163 108**	**336 892**	**1 850 000**	**6 350 000**
	11 166 532	**733 468**	**4 850 000**	**16 750 000**
2018				
Gary Noel Chaplin	5 640 063	359 937	5 250 000	11 250 000
Frans Hendrik Olivier	3 397 080	302 920	3 355 000	7 055 000
	9 037 143	662 857	8 605 000	18 305 000

	2019 R	2018 R
Non-executive directors		
Theodore le Roux de Klerk[1&2]	**367 161**	272 882
Louis Jacobus du Preez[1&2]	**367 161**	272 882
Jacob de Vos du Toit	**1 060 225**	796 910
Karel Johan Grové	**983 455**	532 288
Markus Johannes Jooste	**-**	87 030
Andries Benjamin la Grange	**-**	87 030
Ipeleng Nonkululeko Mkhari	**700 040**	346 301
Stephanus Hilgard Müller	**1 086 966**	642 438
Sandile Hopeson Nomvete	**660 307**	471 301
Patrick Keith Quarmby	**1 255 203**	717 077
Daniel Maree van der Merwe[2&3]	**183 479**	449 863
Christiaan Johannes Hattingh van Niekerk[3]	**226 644**	315 000
	6 890 641	4 991 002

[1] *On 3 April 2019, Mr TLR de Klerk and Mr LJ du Preez resigned as non-executive directors from the board.*

[2] *Paid to subsidiary companies of Steinhoff International Holdings N.V.*

[3] *Messrs DM van der Merwe and CJH van Niekerk did not make themselves available for re-election at the company's annual general meeting on 13 November 2018. They were consequently not re-appointed to the board.*

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

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

	Offer date	Number of rights as at 30 June 2018	(exercised)/ (expired)/ awarded during the year	Number of rights as at 30 June 2019
Share rights				
Executive directors				
Gary Noel Chaplin	December 2015	1 151 851	(1 151 851)	-
	December 2016	1 401 589	(1 401 589)	-
	December 2017	1 198 565	-	1 198 565
	December 2018	-	1 578 289	1 578 289
		3 752 005	**(975 151)**	**2 776 854**
Frans Hendrik Olivier	December 2015	486 191	(486 191)	-
	December 2016	713 328	(713 328)	-
	December 2017	588 636	-	588 636
	December 2018	-	959 770	959 770
		1 788 155	**(239 749)**	**1 548 406**
Total executive directors		**5 540 160**	**(1 214 900)**	**4 325 260**
Non-executive director				
Karel Johan Grové[1]	December 2015	827 893	(827 893)	-
Total non-executive director		**827 893**	**(827 893)**	**-**
Total directors		**6 368 053**	**(2 042 793)**	**4 325 260**

[1] *Share rights of KJ Grové were adjusted to reflect the pro-rata entitlement as per rules of the share scheme in terms of retirement.*

	Number of rights exercised	Value of rights exercised R
Value of share rights exercised during the year		
2019		
Executive directors [3]		
Gary Noel Chaplin	**1 151 851**	**8 984 438**
Frans Hendrik Olivier	**486 191**	**3 792 290**
	1 638 042	**12 776 728**
Non-executive director [3]		
Karel Johan Grové	**827 893**	**6 457 565**
	2 465 935	**19 234 293**
2018		
Executive directors [2]		
Gary Noel Chaplin	1 543 470	13 536 232
Frans Hendrik Olivier	507 466	4 450 477
	2 050 936	17 986 709
Non-executive director [2]		
Karel Johan Grové	1 825 967	16 013 731
	3 876 903	34 000 440

[2] The market price of share rights exercised was R8.77 for 1 December 2017.

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