KAP INDUSTRIAL HOLDINGS LTD
(Registration number: 1978/000181/06)
AUDITED ANNUAL FINANCIAL STATEMENTS
30 June 2018

Preparation supervised by: I Uys CA(SA)

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DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

It is the directors' responsibility to ensure that the annual 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 annual 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 2018, 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.

The directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future, and the annual financial statements have therefore been prepared on the going concern basis.

DIRECTORS' APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the year ended 30 June 2018, set out on pages 2 to 5 and 8 to 35 were approved by the board of directors and signed on its behalf on 27 September 2018.

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.

KAP Secretarial Services (Pty) Ltd
Company secretary
28 6th Street, Wynberg, Sandton, 2090

Company registration number	1978/000181/06
Registered office	28 6th Street Wynberg Sandton 2090
Postal address	PO Box 1955 Bramley 2018
Directors	**Executive directors** GN Chaplin (chief executive officer) FH Olivier (chief financial officer) **Non-executive directors** KJ Grové (deputy chairman: board) TLR de Klerk (appointed 1 October 2017) LJ du Preez (appointed 1 October 2017) DM van der Merwe AB la Grange (resigned 1 October 2017) MJ Jooste (resigned 1 October 2017) **Independent non-executive directors** J de V du Toit (chairman: board, chairman: nomination committee) IN Mkhari (chairperson: social and ethics committee) SH Müller (chairman: human resources and remuneration committee) SH Nomvete PK Quarmby (chairman: audit and risk committee) CJH van Niekerk
Auditors	Deloitte & Touche
Company secretary	KAP Secretarial Services (Pty) Ltd
Audit Committee Report	Refer to the report of the audit and risk committee.
Review of operations and financial results	The financial results of the company are set out in the attached financial statements.
Events after the reporting date	The directors are not aware of any significant events after the reporting date that will have a material effect on the company's results or financial position as presented in these financial statements.
Going concern	The directors have reviewed the company's cash flow forecast for the year to 30 June 2019 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.

Background
The audit and risk committee's ("the committee") operation is guided by a formal detailed charter that is in line with the Companies Act, No. 71 of 2008 of South Africa ("the Companies Act") and has been approved by the board. The committee has discharged all its responsibilities as contained in the charter. This process is supported by the audit and risk subcommittees, which are in place for all operating divisions. These subcommittees meet regularly and deal with all issues arising at the operational division or subsidiary level. The subcommittees then elevate any unresolved issues of concern to the KAP Industrial Holdings Ltd ("KAP") audit and risk committee.

The committee is pleased to present its report for the financial year ended 30 June 2018 as recommended by the King IV Report on Corporate Governance for South Africa 2016 ("King IV") and in line with the Companies Act and the Listings Requirements of the JSE Limited.

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 consolidated interim condensed financial statements of the group, in respect of the first six-month period, comply with all statutory and regulatory requirements.
- To ensure that all financial information contained in any consolidated submissions to KAP is suitable for inclusion in its consolidated and separate 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 Limited, 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 operation.

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 of directors 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 they could be seen to have impaired their independence.
- Reviewed and recommended for adoption by the board, such financial information that is publicly disclosed, which for the year included:
  - the consolidated and separate financial statements for the year ended 30 June 2018; and
  - the consolidated interim results for the six months ended 31 December 2017.
- 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 of directors regarding the corrective actions to be taken.
- Considered the JSE's 2017 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.
- The audit and risk committee is of the opinion that the objectives of the committee were met during the year under review. Where weaknesses in specific controls were identified, management undertook to implement appropriate corrective actions to address the weakness identified.

Membership
The three members of the audit and risk committee are all independent non-executive directors of the company and were as follows throughout the period:

PK Quarmby
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 this committee.

Meetings
The committee performs the duties required of it by Section 94(7) of the Companies Act by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditor.

Two formal meetings were held by the committee during the year under review.

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 control deficiencies.

The committee is satisfied with the effectiveness and performance of the internal auditors, as well as the head of internal audit; and compliance with their mandate.

The committee is also satisfied that the internal auditors, as well as the head of internal audit; 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 2018 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 3 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 audit committee members without management being present. No matters of concern were raised.

The committee has requested from the external auditor, the information detailed in JSE Listing Requirement 22.15(h), 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, Deloitte & Touche, an eligible registered auditor ("Deloitte"), as the external auditor for the 2019 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 annual general meeting, this will be Dr Steyn's third 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 audit and risk committee has evaluated the consolidated and separate financial statements for the year ended 30 June 2018 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 Limited. 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 annual general meeting.

Evaluation of chief financial officer

As required by JSE Listings Requirement 3.84(g), as well as the recommended practices as per King IV, the committee has assessed the competence and performance of the group chief financial officer 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
27 September 2018

Deloitte.

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South Africa

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of KAP Industrial Holdings Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KAP Industrial Holdings Limited (the Company) set out on pages 8 to 35, which comprise the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2018, 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 Financial Statements* section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). 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 financial statements of the current period. No key audit matters were identified during the audit of the financial statements of the Company.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Report of the Audit and Risk Committee and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

INDEPENDENT AUDITOR'S REPORT (continued)
To the Shareholders of KAP Industrial Holdings Limited

Responsibilities of the Directors for the Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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.

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 15 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per Dr D Steyn
Partner
27 September 2018

KAP INDUSTRIAL HOLDINGS LTD
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2018

	Notes	2018 R	2017 R
Revenue[1]	1	**1 338 587 147**	1 658 027 798
Other operating income		**46 711**	86 242
Other operating expenses		**(9 836 115)**	(9 450 104)
Capital items	2	**(9 168 283)**	(183 260 673)
Operating profit	3	**1 319 629 460**	1 465 403 263
Finance costs	4	**(778 920 498)**	(692 098 192)
Income from investments[1]	5	**12 615 051**	83 936 940
Profit before taxation		**553 324 013**	857 242 011
Taxation	6	**(2 182 737)**	(346 780)
Total comprehensive income for the year		**551 141 276**	856 895 231

[1] In the prior year dividends and interest received from related parties has been reclassified to revenue to correctly reflect the nature of the transactions.

KAP INDUSTRIAL HOLDINGS LTD
STATEMENT OF FINANCIAL POSITION
as at 30 June 2018

	Notes	2018 R	2017 R
ASSETS			
Non-current assets			
Investment in subsidiary companies	9	**6 154 334 410**	6 154 720 734
Deferred taxation asset	10	**-**	1 172 410
		6 154 334 410	6 155 893 144
Current assets			
Trade and other receivables	11	**14 558 573**	21 989 362
Related-party short-term loans receivable	22	**12 228 350 907**	12 185 888 443
Taxation receivable		**2 177 288**	1 640 065
Cash and cash equivalents		**1 566 000 000**	887 000 634
Share scheme settlement receivable	12	**116 419 034**	152 229 238
		13 927 505 802	13 248 747 742
TOTAL ASSETS		**20 081 840 212**	19 404 640 886
EQUITY AND LIABILITIES			
Capital and reserves			
Stated share capital	13	**8 790 930 218**	8 774 415 227
Reserves		**1 437 043 911**	1 335 184 946
		10 227 974 129	10 109 600 173
Non-current liabilities			
Loans and borrowings	14	**6 575 499 999**	7 062 000 000
Deferred taxation liability	10	**54 089**	-
		6 575 554 088	7 062 000 000
Current liabilities			
Loans and borrowings	14	**802 987 083**	304 683 039
Trade and other payables	15	**16 762 206**	64 577 595
Related-party short-term loans payable	22	**462 148 411**	462 148 311
Bank overdrafts		**1 996 337 704**	1 401 570 275
Shareholders for dividends		**76 591**	61 493
		3 278 311 995	2 233 040 713
TOTAL EQUITY AND LIABILITIES		**20 081 840 212**	19 404 640 886

KAP INDUSTRIAL HOLDINGS LTD
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2018

	Stated share capital R	Distributable reserves R	Share-based payment reserve R	Total R
Balance at 1 July 2016	7 317 695 880	616 562 954	164 401 563	8 098 660 397
Net shares issued	1 456 719 347	-	-	1 456 719 347
Total comprehensive income for the year	-	856 895 231	-	856 895 231
Ordinary dividends paid	-	(439 368 535)	-	(439 368 535)
Share-based payments movement through reserve accounting	-	-	67 526 733	67 526 733
Capital distribution received in terms of share scheme arrangement	-	69 167 000	-	69 167 000
Balance at 30 June 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**
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**

KAP INDUSTRIAL HOLDINGS LTD
STATEMENT OF CASH FLOWS
for the year ended 30 June 2018

	Notes	2018 R	2017 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	**81 075 239**	181 725 970
Dividends received	17	**559 061 867**	1 155 782 977
Dividends paid	18	**(559 046 769)**	(439 353 590)
Net interest received		**13 219 833**	10 486 378
Taxation paid		**(1 493 461)**	(2 048 317)
Net cash inflow from operating activities		**92 816 709**	906 593 418
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		**-**	30 000
Proceeds on disposal of investment property		**-**	1 245 000
Net cash outflow on acquisition of subsidiary		**(100)**	-
Net cash inflow on buy back of preference shares by subsidiary		**14 796 193**	-
Increase in related-party loans payable		**(51 699 999)**	(5 236 709 971)
Net cash outflow from investing activities		**(36 903 906)**	(5 235 434 971)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds on issue of ordinary shares, net of issue expenses		**16 514 991**	1 456 719 347
Increase in long-term loans and borrowings	19	**254 000 000**	3 174 000 000
Decrease in short-term borrowings	19	**(242 195 957)**	(398 979 403)
Increase/(decrease) in related-party loans payable	19	**100**	(1 452 590 097)
Increase in bank overdraft	19	**594 767 429**	1 390 848 577
Net cash inflow from financing activities		**623 086 563**	4 169 998 424
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**678 999 366**	(158 843 129)
Cash and cash equivalents at beginning of the year		**887 000 634**	1 045 843 763
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**1 566 000 000**	887 000 634

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 2018, 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.

Adoption of new and revised standards
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 2017. The adoption of these amendments did not have any impact on these amounts recognised in prior periods. The amendments will not affect the current and future periods as they clarify existing practice and do not introduce major changes. The amendments to IAS 7 - Statement of Cash Flows require disclosure of changes in liabilities arising from financing activities, see note 19 for additional information.

The company adopted the following amended standards during the year:

IAS 7	Statement of Cash Flows: Disclosure initiative
IAS 12	Income Taxes: Recognition of deferred tax assets for unrealised losses
	Annual Improvements to IFRSs 2014 - 2016 Cycle

Basis of preparation
The annual 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 annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the annual financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed under Judgements and estimates.

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 annual financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 - Share-based Payments.

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:

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 annual financial statements, except where stated otherwise.

Investments in subsidiary companies
Subsidiary companies 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.

Property, plant and equipment
Owned assets
Property, plant and equipment are stated at cost to the company, less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the costs of materials, direct labour, the initial estimate, where relevant, of the cost of dismantling and removing the items and restoring the site on which they are located, borrowing costs capitalised and an appropriate proportion of production overheads. Capitalisation of costs ceases when the assets are substantially ready for their intended use or sale and in their intended location.

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

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

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

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

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

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

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

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

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

Impairment of tangible assets
The carrying amounts of the company's assets, other than assets carried at fair value, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

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

Impairment of tangible assets (continued)

Calculation of recoverable amount

The recoverable amount is the greater of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

Reversal of impairment losses

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount - however, not to an amount higher than the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in previous years. A reversal of an impairment loss is recognised immediately in profit or loss.

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.

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

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.

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.

Share-based payment transactions (continued)

Share-based payment transactions (continued)

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

Initial recognition

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.

Initial measurement

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.

Subsequent measurement

Financial instruments at fair value through profit or loss consist of items classified as held for trading or where they have been designated as fair value through profit or loss.

All financial liabilities, other than those at fair value through profit or loss, are classified as financial liabilities at amortised cost.

Loans and receivables are carried at amortised cost, with interest recognised in profit or loss for the period, using the effective-interest method.

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.

Impairment of financial assets

An impairment loss for loans and receivables is recognised in profit or loss when there is evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative unrealised gains and losses recognised in equity are reclassified to profit or loss, even though the financial asset has not been derecognised.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Financial instruments(continued)

Impairment of financial assets (continued)

Instalment sale and loan receivables, such as up-to-date and early-stage delinquent trade receivables, i.e. assets that are assessed not to be impaired individually, are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes the level of arrears of a customer, part payment of instalments or missed instalments, as well as observable changes in national or economic conditions that correlate with defaults on receivables.

Reversal of impairment losses

Impairment losses are only reversed in a subsequent period if the fair value increases due to an objective event occurring since the loss was recognised. A reversal of an impairment loss is recognised in profit or loss.

Effective-interest method

The effective-interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of a financial instrument, or, where appropriate, a shorter period.

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.

Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

	2018 R	2017 R

1. REVENUE

	2018 R	2017 R
Dividends received		
Related parties (note 22)	**559 061 867**	1 039 380 168
Interest received		
Related parties (note 22)	**779 525 280**	618 647 630
	1 338 587 147	1 658 027 798

2. 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:

	2018 R	2017 R
Profit on disposal of property, plant and equipment	**-**	(3 231)
Profit on disposal of investment property	**-**	(1 021 387)
Loss on disposal of subsidiaries	**1**	-
Provision for losses in subsidiaries - shares	**305**	-
Provision for losses in subsidiaries - loans	**6 883 928**	184 285 291
Loan written off	**2 353 607**	-
Other capital items	**(69 558)**	-
	9 168 283	183 260 673

3. OPERATING PROFIT

Operating profit is stated after taking account of the following items:

	2018 R	2017 R
Depreciation		
Depreciation	**-**	16 366
Recognised in:		
Other operating expenses	**-**	16 366
Auditor's remuneration		
Fees for other services	**136 800**	105 000

4. FINANCE COSTS

	2018 R	2017 R
Interest paid		
Bank overdraft	**51 085 716**	36 590 198
Loans	**216 649 739**	303 480 802
Senior unsecured listed and unlisted notes	**502 689 929**	331 579 581
Related parties (note 22)	**-**	14 789 751
South African Revenue Service	**-**	41 971
Credit facilities arranging fees	**8 495 114**	5 615 889
	778 920 498	692 098 192

5. INCOME FROM INVESTMENTS

	2018 R	2017 R
Interest received		
Bank	**12 615 051**	83 936 941

	2018 R	2017 R
6. TAXATION		
Taxation charge		
Normal taxation		
Current year	**956 238**	381 622
Deferred taxation		
Current year	**1 226 499**	(34 842)
	2 182 737	346 780

	2018 %	2017 %
Reconciliation of rate of taxation:		
Standard rate of taxation	**28.00**	28.00
Permanent differences - dividends received	**(28.29)**	(27.83)
Permanent differences - provision for losses in subsidiaries and loan written off	**0.47**	(0.10)
Permanent differences - other	**0.22**	-
Net utilisation of unrecognised taxation and deductible temporary differences	**-**	(0.03)
Effective rate of taxation	**0.39**	0.04

7. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles R	Total R
Balance at 1 July 2016	43 135	43 135
Disposals	(26 769)	(26 769)
Depreciation	(16 366)	(16 366)
Balance at 30 June 2017	-	-
Balance at 30 June 2018	-	-

Useful lives
The estimated useful lives are reflected under 'Judgements and estimates', note 23.

	2018 R	2017 R
8. INVESTMENT PROPERTY		
Carrying amount at beginning of the year	**-**	223 613
Disposals	**-**	(223 613)
Carrying amount at end of the year	**-**	-

No restrictions existed on the sale of investment property.

Rental income from investment properties of Rnil was recognised through profit or loss for the year ended 30 June 2018 (2017: R86 242).

	2018 R	2017 R
9. INVESTMENT IN SUBSIDIARY COMPANIES		
Shares at cost	**6 154 334 716**	6 154 720 735
Provision for losses - shares	**(306)**	(1)
Net investment in subsidiary companies	**6 154 334 410**	6 154 720 734

	Percentage Holding %	**Shares at cost R**
2018		
AFU Finance Company (Pty) Ltd	**100**	**2**
KAP Automotive (Pty) Ltd	**100**	**57 397 756**
KAP Bedding (Pty) Ltd	**100**	**301**
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**	**-**
PG Bison (Pty) Ltd	**100**	**-**
KAP Corporate Services (Pty) Ltd (previously Roadway Transport (Pty) Ltd)	**100**	**1**
Toolplast Holdings (Pty) Ltd	**100**	**1**
Safripol Holdings (ty) 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
2017		
AFU Finance Company (Pty) Ltd	100	2
KAP Automotive (Pty) Ltd	100	57 397 756
KAP Bedding (Pty) Ltd	100	301
KAP Diversified Industrial (Pty) Ltd	100	899 770 084
KAP Investments (Pty) Ltd	100	1
Kolosus Share Trust	100	-
PG Bison (Pty) Ltd	100	-
KAP Corporate Services (Pty) Ltd (previously Roadway Transport (Pty) Ltd)	100	1
Toolplast Holdings (Pty) Ltd	100	1
Unitrans Holdings (Pty) Ltd	100	5 039 970 161
Unitrans Passenger (Pty) Ltd	100	121 107 264
Share-based payments		36 475 164
		6 154 720 735

During the year the company acquired shares in KAP Secretarial Services (Pty) Ltd for R100 and Safripol Holdings (Pty) Ltd for R1; and Unitrans Passenger (Pty) Ltd bought back its issued preference share capital of R14 796 193.

	2018 R	2017 R
10. DEFERRED TAXATION (LIABILITY)/ ASSET		
Deferred taxation movement		
Balance at beginning of the year	**1 172 410**	1 137 568
Current year charge	**(1 226 499)**	34 842
Balance at end of the year	**(54 089)**	1 172 410

	2018 R	2017 R
10. DEFERRED TAXATION (LIABILITY)/ASSET (continued)		
Deferred taxation balances		
(Liability)/Asset		
Prepayments	**(54 089)**	(49 807)
Share-based payments	**-**	1 222 217
Total deferred taxation (liability)/asset	**(54 089)**	1 172 410
Unrecognised deferred taxation assets		
Deferred taxation assets have not been recognised in respect of the following items:		
Taxation losses	**14 131 218**	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	**14 131 218**	14 131 218

11. TRADE AND OTHER RECEIVABLES

Other amounts due	**3 680 991**	4 984 425
Related-party receivables (note 22)	**124 615**	627
Trade and other receivables (financial assets)	**3 805 606**	4 985 052
Prepayments	**10 752 967**	17 004 310
	14 558 573	21 989 362

The fair value of trade and other payables is disclosed in note 21.

The company's exposure to foreign currency and credit risk related to trade and other receivables is disclosed in note 21.

12. SHARE SCHEME SETTLEMENT RECEIVABLE

KAP Performance Share Rights Scheme

At the annual general meeting of KAP Industrial Holdings Ltd (KAP) on 14 November 2012, a new 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.

	2018 Rights	2017 Rights
Reconciliation of rights granted under the KAP Performance Share Rights Scheme		
Balance at beginning of the year	**40 313 990**	49 217 738
Forfeited during the year	**(3 763 248)**	(1 815 011)
Exercised during the year	**(13 746 334)**	(20 239 575)
Granted during the year	**11 402 604**	12 958 255
Granted during the year for prior period service	**-**	192 583
Balance at end of the year	**34 207 012**	40 313 990

12. SHARE SCHEME SETTLEMENT RECEIVABLE (continued)

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.

	2017 Grant	2016 Grant	2015 Grant	2014 Grant	2013 Grant
Fair value at measurement date	**R8.05**	R7.02	R6.62	R4.10	R3.04
Share price at grant date	**R8.70**	R7.59	R7.11	R4.64	R3.45
Exercise price	**R0.00**	R0.00	R0.00	R0.20	R0.20
Expected volatility	**22.21%**	25.58%	32.50%	31.88%	41.35%
Dividend yield	**2.63%**	2.63%	2.42%	2.90%	2.52%
Risk-free interest rate	**7.67%**	7.72%	7.48%	6.70%	6.79%
Life of share right	**3 years**	3 years	3 years	3 years	3 years

KAP share scheme settlement receivable 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 subsidiaries 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 provision is raised through equity.

	2017 grant		**2016 grant**		**2015 grant**	**2014 grant**
	2018	**2018**	2017	**2018**	2017	2017
Share price valuation	**R6.87**	**R7.07**	R7.54	**R7.28**	R7.73	R7.93
Exercise price	**R0.00**	**R0.00**	R0.00	**R0.00**	R0.00	R0.00
Term	**29 months**	**17 months**	29 months	**5 months**	17 months	5 months
Volatility	**25.64%**	**25.64%**	24.61%	**25.64%**	24.61%	24.61%
Dividend yield	**3.62%**	**4.11%**	3.18%	**6.90%**	3.61%	5.92%
Risk-free interest rate	**7.33%**	**7.14%**	7.10%	**6.91%**	7.08%	7.23%

	2018 R	2017 R
Fair value of share scheme settlement receivable		
Balance at the beginning of the year	**152 229 238**	141 045 910
Increase in fair value for the year	**50 630 144**	126 340 425
Share scheme settlement received	**(86 440 348)**	(115 157 097)
	116 419 034	152 229 238

13. STATED SHARE CAPITAL

	2018 Number of shares	2017 Number of shares
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 shares of no par value	**50 000 000**	50 000 000
Issued		
Ordinary shares of no par value at beginning of the year	**2 662 199 369**	2 440 936 305
Ordinary shares of no par value issued during the year	**15 674 971**	221 263 064
	2 677 874 340	2 662 199 369

14. LOANS AND BORROWINGS

	2018 R	2017 R
Analysis of closing balance		
Unsecured financing covered by intragroup cross-guarantees		
Term loans	**1 501 760 157**	3 270 449 370
Senior unsecured listed and unlisted notes	**5 876 726 925**	4 096 233 669
Total loans and borrowings	**7 378 487 082**	7 366 683 039
Portion payable before 30 June 2019 included in current liabilities	**(802 987 083)**	(304 683 039)
Total non-current loans and borrowings	**6 575 499 999**	7 062 000 000

All loans and borrowings are carried at amortised cost. The fair values of loans and borrowings are disclosed in note 21.

	2018 R	2017 R
Analysis of repayment		
Repayable within the next year and thereafter		
Next year	**802 987 083**	304 683 039
Within two years	**2 757 333 332**	814 363 636
Within three years	**1 423 333 334**	2 855 818 182
Within four years	**890 833 333**	2 021 818 182
Within five years	**1 504 000 000**	1 370 000 000
	7 378 487 082	7 366 683 039

	2018 R	2017 R
Loan details		
Unsecured financing covered by intragroup cross-guarantees		
Variable interest rates		
Term loans	**250 000 000**	2 000 000 000
(Facilities of R1 250 million and interest rates between 8.94% and 9.57%)		
Senior unsecured listed notes	**4 396 000 000**	2 632 000 000
(Facilities of R4 396 million and interest rates between 8.57% and 9.58%)		
Fixed interest rates		
Term loans	**1 250 000 000**	1 250 000 000
(Facilities of R1 250 million and interest rates between 9.65% and 10.94%)		
Senior unsecured listed and unlisted notes	**1 420 000 000**	1 420 000 000
(Facilities of R1 420 million and interest rates between 9.98% and 10.23%)		
Interest due on term loans	**1 760 157**	20 449 370
Interest due on unsecured listed and unlisted notes	**60 726 925**	44 233 669
	7 378 487 082	7 366 683 039

Global Credit Rating Co (Pty) Ltd reviewed the company's credit rating in October 2017 and upgraded the long-term national scale Issuer rating of KAP from A(za) to A+(za) and affirmed the short-term national scale Issuer rating of A1(za), with a stable rating outlook on both ratings.

The KAP Domestic Medium Term Note Programme was increased from R5 billion to R10 billion in November 2017.

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, and KAP Homeware (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: 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, and KAP Homeware (Pty) Ltd.

	2018 R	2017 R
15. TRADE AND OTHER PAYABLES		
Trade payables	**4 817 566**	115 609
Deferred dividend in terms of share scheme	**5 318 867**	50 058 205
Interest payable	**6 536 148**	9 140 987
Other payables and amounts due	**89 625**	5 262 794
Trade and other payables (financial liabilities)	**16 762 206**	64 577 595

The fair value of trade and other payables is disclosed in note 21.

The company's exposure to foreign currency and credit risk related to trade and other payables is disclosed in note 21.

16. CASH GENERATED FROM OPERATIONS

	2018 R	2017 R
Operating profit	**1 319 629 460**	1 465 403 263
Adjusted for:		
Dividends received – related parties	**(559 061 867)**	(1 039 380 168)
Interest received – related parties	**(779 525 280)**	(618 647 630)
Depreciation and amortisation	**-**	16 366
Loan written off	**2 353 607**	-
Net profit on disposal of investment property	**-**	(1 021 387)
Net profit on disposal of property, plant and equipment	**-**	(3 231)
Net loss on disposal of subsidiaries	**1**	-
Provision for losses in subsidiaries - shares	**305**	-
Provision for losses in subsidiaries	**6 883 928**	184 285 291
Other capital items	**(69 558)**	1
Cash utilised before working capital changes	**(9 789 404)**	(9 347 495)
Working capital changes		
Decrease in trade and other receivables	**7 500 347**	66 496 506
(Decrease)/increase in trade and other payables	**(3 076 052)**	9 419 862
Settlement of share scheme receivable	**86 440 348**	115 157 097
Net changes in working capital	**90 864 643**	191 073 465
Cash generated from operations	**81 075 239**	181 725 970

17. DIVIDENDS RECEIVED

	2018 R	2017 R
Shareholders for dividends at beginning of the year	**-**	116 402 809
Dividends declared during the year to be received	**559 061 867**	1 039 380 168
Shareholders for dividends at end of the year	**-**	-
Dividends received	**559 061 867**	1 155 782 977

18. DIVIDENDS PAID

	2018 R	2017 R
Shareholders for dividends at beginning of the year	**(61 493)**	(46 548)
Dividends declared during the year to be paid	**(559 061 867)**	(439 368 535)
Shareholders for dividends at end of the year	**76 591**	61 493
Dividends paid	**(559 046 769)**	(439 353 590)

	Long-term loans and borrowings R	Short-term loans and borrowings R	Related-party loans payable R	Bank overdrafts R	Total R
19. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES					
Balance at 1 July 2016	4 173 454 545	418 207 897	1 914 738 408	10 721 698	6 517 122 548
Financing cash flows:					
Increase in long-term loans and borrowings	3 174 000 000	-	-	-	3 174 000 000
Decrease in short-term loans and borrowings	-	(398 979 403)	-	-	(398 979 403)
Decrease in related-party loans payable	-	-	(1 452 590 097)	-	(1 452 590 097)
Increase in bank overdrafts	-	-	-	1 390 848 577	1 390 848 577
Reclassification of loans and borrowings from long-term to short-term	(285 454 545)	285 454 545	-	-	-
Balance at 30 June 2017	**7 062 000 000**	**304 683 039**	**462 148 311**	**1 401 570 275**	**9 230 401 625**
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)**
Decrease 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**

20. 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.

The company has issued cross-suretyships to various banks for the banking facilities available to the company and its subsidiaries.

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 R787 000 000 (2017: R777 700 000) and KAP Corporate Services (Pty) Ltd for Rnil (2017: R2 353 606).

A letter of support has also been issued in favour of Unitrans Passenger (Pty) Ltd for R345 700 000 (2017: R207 000 000), KAP Bedding (Pty) Ltd R985 200 000 (2017: R1 020 100 000) and Unitrans Holdings (Pty) Ltd R1 197 700 000 (2017: R2 050 000 000).

21. 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.

21.1 Total financial assets and liabilities

Loans & receivables and other financial liabilities at carrying and fair values	**2018** **R**	2017 R
Related-party loans receivable	**12 228 350 907**	12 185 888 443
Trade and other receivables (financial assets)	**3 805 606**	4 985 052
Cash and cash equivalents	**1 566 000 000**	887 000 634
Long-term loans and borrowings	**(6 575 499 999)**	(7 062 000 000)
Related-party loans payable	**(462 148 411)**	(462 148 311)
Trade and other payables (financial liabilities)	**(16 762 206)**	(64 577 595)
Short-term loans and borrowings	**(802 987 083)**	(304 683 039)
Bank overdrafts	**(1 996 337 704)**	(1 401 570 275)
	3 944 421 110	3 782 894 909

Net income from investments		
Interest income	**792 140 331**	702 584 571
Interest expense	**(778 920 498)**	(692 056 221)
	13 219 833	10 528 350

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

21. FINANCIAL INSTRUMENTS (continued)

21.1 Total financial assets and liabilities (continued)

The fair values are equal to the carrying values except for long- and short-term loans and borrowings of which the fair values are R6 662 032 609 (2017: R7 112 596 535) and R810 579 945 (2017: R306 461 071) respectively.

21.2 Fair values

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

Trade and other receivables, short-term loans receivable and cash and cash equivalents
The fair values of trade and other receivables, short-term loans receivable and cash and cash equivalents 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 2018.

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 2018.

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.

21.3 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.

21.4 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 14.

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

	Subject to interest rate movement Variable JIBAR and SA prime R	Fixed rate R	Non-interest bearing R	Total R
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**

21. FINANCIAL INSTRUMENTS (continued)

21.4 Interest rate risk (continued)

	Subject to interest rate movement Variable JIBAR and SA prime R	Fixed rate R	Non-interest bearing R	Total R
2017				
Related-party loans receivable	8 684 875 278	-	3 501 013 165	12 185 888 443
Trade and other receivables (financial assets)	-	-	4 985 052	4 985 052
Cash and cash equivalents	887 000 634	-	-	887 000 634
Long-term interest-bearing loans and borrowings	(4 392 000 000)	(2 670 000 000)	-	(7 062 000 000)
Related-party loans payable	-	-	(462 148 311)	(462 148 311)
Trade and other payables (financial liabilities)	-	-	(64 577 595)	(64 577 595)
Short-term interest-bearing loans and borrowings	(272 234 185)	(32 448 854)	-	(304 683 039)
Bank overdrafts	(1 401 570 275)	-	-	(1 401 570 275)
	3 506 071 452	(2 702 448 854)	2 979 272 311	3 782 894 909

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.

	2018 R	2017 R
Through (profit)/loss		
JIBAR and SA prime - 100 basis point increase	**39 030 457**	35 060 715

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

21.5 Credit risk

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. At 30 June 2018, the company did not consider there to be any significant concentration of credit risk which had not been adequately provided for. The amounts presented in the statement of financial position are net of allowances for doubtful debts, estimated by the company's management based on prior experience and the current economic environment.

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

21. FINANCIAL INSTRUMENTS (continued)

21.5 Credit risk (continued)

The maximum exposure to credit risk at the reporting date, without taking account of the value of any collateral obtained was:

	2018 R	2017 R
Related-party loans receivable	**12 228 350 907**	12 185 888 443
At amortised cost	**13 015 288 442**	12 965 942 050
Provision for losses in subsidiaries - loans	**(786 937 535)**	(780 053 607)
Trade and other receivables (financial assets)	**3 805 606**	4 985 052
Cash and cash equivalents	**1 566 000 000**	887 000 634
	13 798 156 513	13 077 874 129

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.

21.6 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.

The group manages liquidity risk by monitoring forecast cash flows and by ensuring that adequate borrowing facilities are available. Cash surpluses and short-term financing needs of the group are mainly centralised in the central treasury office. The central treasury office invests the net cash reserves and borrows the net cash deficits from the financial markets, mainly in short-term instruments linked to variable interest rates.

The following table details the company's remaining contractual maturity for its financial liabilities. The table has been drawn up based 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:

0 to 3 months	**(2 647 961 242)**	(2 093 985 700)
4 to 12 months	**(1 247 883 587)**	(778 263 579)
Year 2	**(3 212 177 040)**	(1 473 690 347)
Years 3 to 5	**(4 385 821 534)**	(7 109 126 348)
	(11 493 843 403)	(11 455 065 974)

21.7 Treasury risk
A finance forum, consisting of senior executives of the company, meets 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.

21.8 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 share capital, reserves and retained earnings as disclosed in the statement of changes in equity.

22. 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
22. RELATED-PARTY TRANSACTIONS (continued)			
2018			
KAP Diversified Industrial (Pty) Ltd	**8 808 246 874**	**-**	**-**
KAP Automotive (Pty) Ltd	**162 230 539**	**(462 145 310)**	**-**
KAP Bedding (Pty) Ltd	**732 748 216**	**-**	**-**
At amortised cost	**1 519 685 751**	**-**	**-**
Provision for losses in subsidiaries - loans	**(786 937 535)**	**-**	**-**
KAP Homeware (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	**12 228 350 907**	**(462 148 411)**	**124 615**
2017			
KAP Diversified Industrial (Pty) Ltd	8 763 246 875	-	-
KAP Automotive (Pty) Ltd	162 230 539	(462 145 310)	627
KAP Bedding (Pty) Ltd	684 785 751	-	-
At amortised cost	1 462 485 751	-	-
Provision for losses in subsidiaries - loans	(777 700 000)	-	-
Langford Street Investments (Pty) Ltd	73 000 000	-	-
KAP Homeware (Pty) Ltd	223 000 000	-	-
Unitrans Passenger (Pty) Ltd	279 625 278	-	-
Unitrans Supply Chain Solutions (Pty) Ltd	2 000 000 000	-	-
Roadway Transport (Pty) Ltd	-	-	-
At amortised cost	2 353 607	-	-
Provision for losses in subsidiaries - loans	(2 353 607)	-	-
Toolplast Holdings (Pty) Ltd	-	(3 000)	-
KAP Investments (Pty) Ltd	-	(1)	-
Balance at 30 June 2017	12 185 888 443	(462 148 311)	627

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 R787 000 000 (2017: R777 700 000) and Roadway Transport (Pty) Ltd for Rnil (2017: R2 353 606).

	Interest received R	Dividends received R
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)**	**-**
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)**

	Interest received R	Dividends received R
22. RELATED-PARTY TRANSACTIONS (continued)		
2017		
Steinhoff International Holdings N.V. and its subsidiaries	(17 234 079)	-
KAP Diversified Industrial (Pty) Ltd	(378 235 351)	(189 749 942)
KAP Automotive (Pty) Ltd	(7 627 380)	(295 631 892)
KAP Bedding (Pty) Ltd	(57 596 050)	-
Langford Street Investments (Pty) Ltd	(2 831 219)	-
KAP Homeware (Pty) Ltd	(1 814 281)	-
Unitrans Passenger (Pty) Ltd	(34 953 160)	(133 240 936)
Unitrans Holdings (Pty) Ltd	(38 777 933)	(387 192 334)
Unitrans Supply Chain Solutions (Pty) Ltd	(79 578 177)	-
KAP Investments (Pty) Ltd	-	(33 565 064)
Total 30 June 2017	(618 647 630)	(1 039 380 168)

	Management fees paid R	Finance costs paid R	Dividends paid R
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**
2017			
Steinhoff International Holdings N.V. and its subsidiaries	832 344	-	188 921 008
KAP Diversified Industrial (Pty) Ltd	-	971 004	-
KAP Automotive (Pty) Ltd	2 827 816	4 184 154	-
KAP Bedding (Pty) Ltd	-	2 046 890	-
DesleeMattex (Pty) Ltd	-	653 684	-
KAP Homeware (Pty) Ltd	-	4 656 664	-
Unitrans Holdings (Pty) Ltd	-	2 277 355	-
Total 30 June 2017	3 660 160	14 789 751	188 921 008

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

23. JUDGEMENTS AND ESTIMATES

Other judgements and estimates:

Useful lives and residual values
The estimated useful lives for intangible assets with a finite life and property, plant and equipment are:

Property, plant and equipment
Straight-line basis:

Motor vehicles	5 years

The estimated useful lives and residual values are reviewed annually, taking cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments in the specific industries where these assets are used.

Impairment of assets
Investments, property, plant and equipment, investment property and financial assets are assessed annually for impairment.

23. JUDGEMENTS AND ESTIMATES (continued)

Other judgements and estimates (continued):

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 12.

Control
Management assesses whether it controls an entity based on the following factors; it owns the majority of the voting rights; it has the ability to appoint the majority of directors; it has the power to direct the operating activities; amongst others.

Effective date[1]	Standard	Summary of the standard and impact assessment

24. STANDARDS AND INTERPRETATIONS ISSUED 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 2018, 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.

1 July 2018	IFRS 15	Revenue from Contracts with Customers: this standard replaces IAS 11 - Construction Contracts, IAS 18 - Revenue, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfer of Assets from Customers and SIC-31 - Revenue: Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The company has a plan to adopt the requirements of IFRS 15 – Revenue from Contracts with Customers in time for the publication of the first set of financial statements which must be compliant. In this regard, the company has begun the process of assessing the impact of IFRS 15 on the financial statements, the following steps have been undertaken thus far: • Training has been provided to key individuals across the company, to up-skill those staff most impacted by IFRS 15; • An impact assessment is underway to assess the impact on revenue streams across the company, this impact assessment will then be used to further refine the implementation plan, and, to target for first round implementation, those revenue streams most at risk of experiencing change; • An implementation plan has been provisionally developed and will be finalised based on the impact assessment as well as other inputs received; • Full implementation of IFRS 15 will then proceed according to the implementation plan which will also include considerations of the company's transition plan as well as which practical expedients will be used, if any. In line with the work performed thus far, the company is not yet in a position to quantify the impact of the adoption of this standard. The qualitative impact of this standard may result in certain process amendments to the way certain divisions recognise revenue to align these processes with the requirements of IFRS15. Based on the initial high level assessments performed, the revenue recognition for the diversified industrial and diversified chemical segments is not expected to be materially impacted, while diversified logistics may have limited areas of impact. Additionally, there will be an enhancement to the disclosures contained in the financial statements to adopt the disclosure requirements of IFRS 15.

Effective date[1]	Standard	Summary of the standard and impact assessment

24. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

1 July 2018	IFRS 9	On 24 July 2014, the IASB issued the final IFRS 9 - Financial Instruments standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 - Financial Instruments: Recognition and Measurement. The company has a plan to adopt the requirements of IFRS 9 in time for the publication of the first set of financial statements which must be compliant. In this regard, the company has begun the process of assessing the impact of IFRS 9 on the financial statements, the following steps have been undertaken thus far: • Training has been provided to key individuals across the company, to up-skill those staff most impacted by IFRS 9; • A company level impact assessment is underway to assess the impact of IFRS 9 on the classification and measurement of financial instruments and to set company policies for the business model which will then be tailored where relevant; • As a precursor to the development of an IFRS 9 compliant expected credit loss impairment model for financial assets, the company has performed analyses of the financial assets held across the company to inform the implementation plan for the development of the expected credit loss model; • An implementation plan has been provisionally developed and will be finalised based on the impact assessment as well as other inputs received; • Full implementation of IFRS 9 will then proceed according to the implementation plan which will also include considerations of the company's transition plan as well as which practical expedients will be used, if any. In line with the work performed thus far, the company is not yet in a position to quantify the impact of the adoption of this standard. Preliminary assessments of the financial assets held by the company indicate that the change from an incurred credit loss model to an expected credit loss model may increase the levels of impairment raised. Qualitatively, the company does not believe that the impact of this standard will result in any significant changes to the classification and measurement of financial instruments. Process amendments will be effected to integrate the requirements of IFRS 9 into the way the company assesses impairment of financial assets as well as to embed the classification and measurement requirements of IFRS 9. Additionally, there will be an enhancement to the disclosures contained in the financial statements to adopt the disclosure requirements of IFRS 9. On transition to IFRS 9, the company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. This exemption allows for the differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9, if any, to be recognised in retained earnings and reserves, as at 1 July 2018.
1 July 2018	Amendments to IAS 40	The IASB has amended the requirements in IAS 40 - Investment Property on when a company should transfer a property asset to, or from, investment property. The investment properties held by the company are not considered significant to the operations of the company, accordingly this amendment is not expected to have a significant quantitative or qualitative impact on the company.

Effective date[1]	Standard	Summary of the standard and impact assessment

23. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

Effective date[1]	Standard	Summary of the standard and impact assessment
1 July 2018	IFRIC 22	When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 - The Effects of Changes in Foreign Exchange Rates is not clear on how to determine the transaction date for translating the related item. This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 – Foreign Currency Transactions and Advance Consideration clarifies that the transaction date, is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The quantum of foreign currency denominated prepayments and advance receipts held by the company is not material in relation to the other assets and liabilities held by the company. Accordingly, this amendment is not expected to have a significant quantitative or qualitative impact on the company.
1 July 2019	IFRS 16	IFRS 16 – Leases 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 the previous leases standard, IAS 17 - Leases, and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of financial position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors. The company has begun the process of assessing the potential impact of IFRS 16 on the financial statements, and in this regard has begun the process of enhancing its lease register and assessing the register for completeness. Based on the leases register compiled thus far, preliminary results indicate that IFRS 16 is 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. Key leases identified thus far that are expected to cause an impact to the financial statements on adoption of IFRS 16 include leases of land and buildings (warehouses, distribution centres, depots and office space) as well as leases of vehicles and plant (long-haul vehicles, fleet vehicles and equipment). This process has already identified key areas in the company's operations where IFRS 16 is expected to be most impactful, and once complete this process will be used to inform the company's implementation plan as well as to clarify the company's transition options, including which practical expedients will be used, and how they will be used by the company.
1 July 2019	IFRIC 23	IFRIC 23 – Uncertainty over Income Tax Treatments 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. the company, any disclosure enhancements required will be included in the financial statements of the period where this clarification becomes effective.

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

	Basic R	Company contributions R	Bonuses R	Other benefits R	Total R
DIRECTORS' REMUNERATION					
Remuneration					
Executive directors					
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**
2017					
Gary Noel Chaplin	4 913 650	336 350	4 000 000	-	9 250 000
Karel Johan Grové[1]	3 231 376	175 124	5 750 000	-	9 156 500
Frans Hendrik Olivier	3 079 622	275 378	2 271 096	262 500	5 888 596
	11 224 648	786 852	12 021 096	262 500	24 295 096

[1] *Karel Johan Grové retired from his executive position with the company effective 1 January 2017, but continues to serve on the board of directors as the non-executive deputy chairman.*

	2018 R	2017 R
Non-executive directors [4]		
Theodore le Roux de Klerk[2&3]	**272 882**	-
Louis Jacobus du Preez[2&3]	**272 882**	-
Jacob de Vos du Toit	**796 910**	747 083
Karel Johan Grové[1&3]	**532 288**	152 315
Markus Johannes Jooste[2&3]	**87 030**	295 405
Andries Benjamin la Grange[2&3]	**87 030**	295 405
Ipeleng Nonkululeko Mkhari	**346 301**	316 190
Stephanus Hilgard Müller	**642 438**	577 825
Sandile Hopeson Nomvete	**471 301**	432 354
Patrick Keith Quarmby	**717 077**	571 500
Daniel Maree van der Merwe[3]	**449 863**	367 377
Christiaan Johannes Hattingh van Niekerk	**315 000**	295 405
	4 991 002	4 050 859

[2] *On 1 October 2017, Mr MJ Jooste and Mr AB la Grange resigned as non-executive directors from the board. On the same date, the board appointed Mr T le R de Klerk and Mr LJ du Preez as non-executive directors to the board.*

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

[4] *Includes Value-Added Tax where applicable.*

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.

KAP INDUSTRIAL HOLDINGS LTD
DIRECTORS REMUNERATION
ANNEXURE A

	Offer date	Number of rights as at 30 June 2017	Number of rights (exercised)/ (expired)/ awarded during the year	Number of rights as at 30 June 2018
Share rights				
Executive directors				
Gary Noel Chaplin	December 2014	1 543 470	(1 543 470)	-
	December 2015	1 151 851	-	1 151 851
	December 2016	1 401 589	-	1 401 589
	December 2017	-	1 198 565	1 198 565
		4 096 910	**(344 905)**	**3 752 005**
Frans Hendrik Olivier	December 2014	507 466	(507 466)	-
	December 2015	486 191	-	486 191
	December 2016	713 328	-	713 328
	December 2017	-	588 636	588 636
		1 706 985	**81 170**	**1 788 155**
Total executive directors		**5 803 895**	**(263 735)**	**5 540 160**
Non-executive director				
Karel Johan Grové[1]	December 2014	1 825 967	(1 825 967)	-
	December 2015	827 893	-	827 893
Total non-executive director		**2 653 860**	**(1 825 967)**	**827 893**
Total directors		**8 457 755**	**(2 089 702)**	**6 368 053**

[1] *Share rights of Karel Johan 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		
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**
2017		
Executive directors [3]		
Gary Noel Chaplin	1 334 188	10 126 487
Karel Johan Grové	2 818 191	21 390 070
Frans Hendrik Olivier	560 744	4 256 047
	4 713 123	35 772 604

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

[3] The market price of share rights exercised was R7.59 for 1 December 2016.