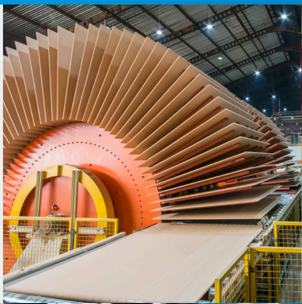
KAP.

AUDITED RESULTS

for the year ended 30 June 2020



INTEGRATED INTO EVERY DAY

HIGHLIGHTS

Business continuity sustained
through Covid-19 and related Lockdown regulations

Cash generated from operations
R2.1 billion
(FY19: R4.0 billion)

Revenue down
13% to **R22.2 billion**
(FY19: R25.6 billion)

EBITDA down
27% to **R2.7 billion**
(FY19: R3.7 billion)

Headline earnings per share down
68% to **14.8 cents**
(FY19: 45.9 cents)

133 million shares
repurchased to enhance shareholder value

Revenue, EBITDA and headline earnings per share from continuing operations.

OVERVIEW

The resilience of KAP's diversified business model, together with the agility of its decentralised management structure, has proven to be effective in navigating what has been an extremely complex and challenging financial year for KAP. There were three primary factors that had a major impact on the operational and financial performance of the group for the year under review:

- The macroeconomic and sociopolitical environment in South Africa was extremely challenging during the year, with limited real economic growth, subdued consumer spending, unreliable electricity supply and increasing levels of unemployment.
- The cyclical imbalance in global polymer supply and demand had a significant impact on margins, resulting in a reduction of approximately R550 million in operating profit compared to the prior year.
- Covid-19 ('Covid') and the consequent national lockdown imposed by the South African government with effect from 27 March 2020 ('Lockdown') was devastating to the economy and had a significant impact on KAP's various operations, resulting in an estimated reduction of R800 million in operating profit compared to the full year internal management forecast.

The impact of these factors on the group has been significant. However, KAP was able to produce positive EBITDA and cash flow from operations throughout the various levels of Lockdown and generated EBITDA of R2.7 billion for the year. This is as a result of KAP's diversified nature, operating across a number of sectors and geographies, supplying non-discretionary goods and services, and supported by backward integrated supply chains.

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

Effective response to Covid and Lockdown

The Covid pandemic has been a black swan event that has had a devastating effect on the global economy and society in general. Since March 2020, management and the board have addressed the impact of Covid decisively and effectively, with a risk-based approach, by identifying the following key risk categories and designing and implementing mitigating actions and controls to protect the company and its various stakeholders:

- Immediate and medium-term liquidity
- Corporate funding capacity and financial covenants
- Sustainability of revenue
- Sustainability of customers and associated credit risk
- Sustainability of suppliers and potential supply chain interruptions
- Sustainability of operations, including the effect on employees

The decentralised management structure of the group created the ability to respond quickly and to effectively implement numerous measures to reduce operating costs and optimise cash flows in order to ensure continued liquidity during Lockdown and thereafter. These measures included the suspension of all non-essential operating expenditure and uncommitted capital expenditure and the optimisation of working capital. In addition to this, certain salary and wage cost reduction measures were implemented throughout the group's operations, which are detailed on the company's website at www.kap.co.za.

In assessing the group's actual performance for the year compared to its internal management forecast prepared in March 2020, i.e. before Lockdown and including eight months of actual results and four months of forecast, it is estimated that the impact of Covid and the Lockdown was a reduction in revenue of approximately R2.5 billion and a reduction in operating profit of approximately R800 million. This impact is shown per division in the **Operational review** below. The consequent impact of reduced revenue and operating profit on cash flow from operations led to an increased level of net debt and higher gearing, which is more fully described in the **Financial review** below.

The cyclical imbalance in global polymer supply and demand, Covid and the projected economic recovery were key considerations in the group's annual impairment testing, which resulted in total asset impairments of R3 255 million at 30 June 2020. These impairments are further explained in the **Financial review** below.

Covid infection rates in the company remain low and management continues to focus on ensuring a safe working environment for its employees during these challenging times.

OPERATIONAL REVIEW

DIVERSIFIED INDUSTRIAL — Integrated Timber

PG BISON

Revenue
R3 208 million
(FY19: R4 031 million)

Operating profit
R323 million
(FY19: R806 million)

The Integrated Timber division performed well for the year up to Lockdown. Demand for its products remained buoyant, thereby enabling the division to operate at full capacity. Major projects to expand particleboard capacity and improve efficiencies at both the Ugie and Piet Retief plants were completed within budget and both plants were successfully recommissioned on time. The division continued to pursue its value-adding strategy by commissioning a sixth MFB press and bringing it to full capacity.

The resin operations performed well for the period, managing the impact of Covid very effectively.

The division's forestry, sawmilling and pole operations in the southern Cape continued to successfully manage the impact of the 2017 and 2018 plantation fires, effectively completing the harvesting of all utilisable timber and making good progress with replanting activities. A project to reconfigure the processing plants to better utilise the timber available in the region in future was completed in the second half of the year. Demand for structural timber and agricultural poles remained stable.

The division recommenced operations on a phased approach during the Lockdown, with the southern Cape operations recommencing on 20 April 2020, the Boksburg plant on 1 May 2020, the Ugie plant on 25 May 2020, and finally the Piet Retief plant on 10 June 2020. It is estimated that revenue was negatively impacted due to Lockdown by approximately R822 million and operating profit by approximately R427 million compared to the full year forecast, including a downward revaluation in its plantation assets.

Market conditions post year end up to the date of this report were buoyant, supported by a new product range that the division successfully launched on a virtual platform during Lockdown, which attracted almost 2 000 customers and end-users. The division will continue to drive its strategy of investing in technology to reduce its manufacturing costs, increasing the proportion of value-added products, and growing market share through product development and innovation.

PG Bison is the subject of a complaint referred by the Competition Commission ('Commission') to the Competition Tribunal. PG Bison has applied for immunity from prosecution in terms of the Commission's Corporate Leniency Policy and has cooperated fully with the Commission throughout its investigation in this regard. While management is confident that PG Bison has a compelling case and that the review application will be successful, the matter is recorded and fully described as a contingent liability in the company's annual financial statements.

DIVERSIFIED INDUSTRIAL — Automotive Components

FELTEX

Revenue
R1 725 million
(FY19: R2 202 million)

Operating profit
R88 million
(FY19: R266 million)

The Automotive Components division's performance up to 29 February 2020 was ahead of the prior year performance despite subdued automotive retail sales and lower new vehicle assembly volumes. The division was severely impacted by Covid due to some international automotive assembly customers suspending operations well before Lockdown commenced, which had a significant impact on the division already in March 2020.

The division's aftermarket accessories operations were successfully rationalised and restructured during the year. The Maxe operations continued to perform well, despite subdued domestic vehicle sales volumes. The remaining aftermarket accessories operations were disposed of with effect from 1 December 2019.

New vehicle assembly volumes for the industry and new light commercial vehicle sales both decreased by 24% compared to the prior year.

The recommencement of operations after Lockdown level 5 was subdued due to a slow start-up by the division's customers and significantly reduced new automotive assembly and retail sales volumes. All operating units recommenced operations under Lockdown level 4, albeit at materially lower output levels. It is estimated that revenue was negatively impacted due to Lockdown by approximately R438 million and operating profit by approximately R154 million compared to the full year forecast, inclusive of Covid-related restructuring costs. The division has commenced with restructuring activities in order to right-size its operations for lower anticipated future automotive assembly and retail sales volumes.

The division achieved a level 4 B-BBEE rating during the period, in advance of the requirements of the Automotive Production and Development Programme (APDP).

DIVERSIFIED INDUSTRIAL

Integrated Bedding

RESTONIC
CRAFTING QUALITY BEDS SINCE 1938

Revenue
R1 286 million
(FY19: R1 551 million)

Operating profit
R171 million
(FY19: R239 million)

The Integrated Bedding division performed well for the year up to Lockdown, remaining in line with prior year profits despite a subdued furniture retail sector. The Restonic mattress manufacturing operations were well prepared to manage and execute on elevated sales demand. Vitafoam, incorporating the division's industrial foam operations, was, however, negatively impacted by the lower volumes in the furniture sector, which was partly offset by new product introductions. The DesleeMattex mattress fabric operations showed a significant improvement over the prior year, following a management restructure in July 2019. The division expanded its operations with the acquisition of Connacher (Natal) Proprietary Limited, a fibre recycling business, which provides integration opportunities for the group and an entry point to expansion in the recycling sector.

The division was able to operate its non-woven textile production lines throughout Lockdown with strong demand from both the medical and agricultural sectors, and it produced a small volume of medical-grade foam mattresses. Its operations in Namibia were permitted to recommence one month earlier than in South Africa and managed to also supply customers in Botswana, thereby performing well for the year. The division's primary operations at its foam, textile and mattress plants all recommenced with effect from 1 June 2020, under Lockdown level 3. It is estimated that revenue was negatively impacted due to Lockdown by approximately R242 million and operating profit by approximately R40 million compared to the full year forecast.

Market demand post year end up to the date of this report was robust in all areas of operation, thereby enabling the division to return to full capacity.

DIVERSIFIED CHEMICAL

Polymers

SAFRIPOL
preferred polymer partner

Revenue
R7 301 million
(FY19: R8 690 million)

Operating profit
R160 million
(FY19: R751 million)

The operational performance of the polymer plants remained strong, with relatively stable sales and production volumes for the year. The division operated throughout Lockdown, supplying essential products, primarily to the food packaging and medical sectors. Although the division was not able to operate at full capacity, efficiencies were not unduly affected by the lower operating levels or supply chain disruptions. Demand for its products remained stable throughout Lockdown and showed steady improvement as Lockdown restrictions were eased. It is estimated that revenue was negatively impacted due to Lockdown by approximately R203 million and operating profit by approximately R34 million compared to the full year forecast.

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

	PET		HDPE		PP	
	FY20	**FY19**	**FY20**	**FY19**	**FY20**	**FY19**
Revenue (Rm)	**2 907**	3 703	**2 502**	2 902	**1 892**	2 085
Sales volume (tonnes)	**195 064**	200 839	**155 688**	155 288	**114 218**	114 816
Production volume (tonnes)	**204 430**	212 318	**150 598**	162 445	**110 634**	117 230
Average R/USD exchange	**15.68**	14.19	**15.68**	14.19	**15.68**	14.19

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

While production and sales volumes remained relatively stable despite the impact of Covid, the division follows globally indexed commodity prices in the purchase of its raw materials and the sale of its products. The performance of the Polymers division was significantly impacted by a cyclical imbalance in global polymer supply and demand, due to major capacity expansions in the United States, subdued global consumer demand and a significantly lower oil price. These factors placed downward pressure on gross margins, which are reflected as follows:

	Margin variance 1H20 vs 1H19	Margin variance 2H20 vs 2H19	Margin variance 2H20 vs 1H20	Margin variance FY20 vs FY19
PET	(45%)	(15%)	8%	(32%)
HDPE	(33%)	(36%)	(35%)	(33%)
PP	2%	3%	(12%)	3%

Strong progress was made in regaining local PET market share, resulting in a 26% increase in local sales volumes. PET exports were scaled back by 47% during the period due to deteriorating global selling prices and margins. Margins on PET were 32% weaker than in the prior year, however, they stabilised between 1H20 and 2H20, showing an 8% increase. The division was provided with increased protection against imports by the International Trade Administration Commission (ITAC) increasing the general import tariff on PET from 10% to 15% with effect from 30 March 2020, while the previously provisional anti-dumping duties against certain Chinese firms were gazetted by the Department of Trade and Industry (DTI) on 19 May 2020.

Downward pressure on HDPE margins continued during the year due to global manufacturing capacity expansions and generally subdued global demand. Margins were 33% weaker than in the prior year. A sustained lower oil price will, however, bring naphtha-based ethylene raw material pricing closer to shale gas-related ethylene pricing, which could have a positive impact on the division's ethylene raw material costs going forward. Management continued to engage with its primary ethylene supplier in order to secure more favourable ethylene supply terms.

PP operations performed well for the period, showing stable sales volumes and margins. Although margins showed a weakening trend during the second half of the year, they remained 3% higher than in the prior year. The PP operations increased the sales volumes of copolymers for which there is strong demand and more attractive margins.

Despite weak global margins, the division remains profitable and cash generative and is well positioned to benefit from a cyclical upswing. Demand for polymers in the period post year end to the date of this report was robust.

DIVERSIFIED LOGISTICS

Contractual Logistics – South Africa

UNITRANS

Revenue
R4 954 million
(FY19: R5 144 million)

Operating profit*
R225 million
(FY19: R161 million) *Excluding B-BBEE cost*

The Contractual Logistics – South Africa division performed well for the year up to Lockdown, continuing to show significant efficiency improvements and gains in market share as a result of securing meaningful new contracts. Financial performance of the division at that stage was well above the prior year.

A significant portion of this division was able to operate throughout Lockdown, providing logistics services in the food, packaging, fuel and chemical industries, which were operating in the essential services value chains. However, its mining, cement and general freight operations could only recommence operations on a phased basis from Lockdown level 4. With the exception of food distribution, logistics activity in general reduced substantially during Lockdown level 5, but subsequently experienced steady improvement. It is estimated that revenue was negatively impacted due to Lockdown by approximately R297 million and operating profit by approximately R50 million compared to the full year forecast.

During the year, new contractual work to the value of R400 million (annualised revenue) was won and contracts to the value of R205 million (annualised revenue) were renewed. Contracts lost totalled R64 million (annualised revenue).

The steady increase in logistics activity has continued post year end up to the date of this report, thereby enabling the division to operate close to full capacity.

DIVERSIFIED LOGISTICS

Contractual Logistics – Africa

UNITRANS

Revenue
R1 865 million
(FY19: R2 011 million)

Operating profit
R214 million
(FY19: R283 million)

The Contractual Logistics – Africa division found trading conditions challenging for the first half of the year but was successful in renewing several significant contracts and securing substantial new business, which provided an improved performance in the second half of the year. The seasonal start-up of agriculture operations was better than expected, enabling the division to ramp up to full capacity despite Covid-related restrictions. The implementation of new contracts and contract renewals progressed ahead of expectations, thereby providing further growth opportunities for the division.

The division operates primarily in fuel distribution and agriculture and as such was able to continue with all of its operations throughout Lockdown, however, both cross-border and in-country fuel distribution volumes reduced significantly during Lockdown. It is estimated that revenue was negatively impacted due to Lockdown by approximately R160 million and operating profit by approximately R65 million compared to the full year forecast. Fuel-related activities have shown a strong recovery since year end up to the date of this report.

The division renewed contractual work to the value of R975 million (annualised revenue), won new work to the value of R222 million (annualised revenue), and lost fuel distribution contracts to the value of R55 million (annualised revenue). Growth in the rest of Africa territories remains a key priority for KAP, especially in areas where new technology can be effectively deployed as a competitive advantage.

DIVERSIFIED LOGISTICS

Passenger Transport

UNITRANS

Revenue
R2 179 million
(FY19: R2 382 million)

Operating profit
R166 million
(FY19: R217 million)

The Passenger Transport division continued its stable performance for the year up to Lockdown, with the recent restructure of certain underperforming contracts leading to improved financial performance. The commuter and personnel transport operations performed satisfactorily for the period, while the intercity and tourism operations continued to experience low industry passenger numbers and aggressive competition. A sustained lower diesel price provided relief to the division and will continue to do so at current levels.

The division was able to continue with limited operations in South Africa during Lockdown level 5 and received standing kilometre compensation on certain contracts where it was unable to operate. The commuter and personnel operations experienced a steady increase in activity through Lockdown level 4 and into level 3, while tourism and intercity travel operations remained suspended. It is estimated that revenue was negatively impacted due to Lockdown by approximately R312 million and operating profit by approximately R37 million compared to the full year forecast.

The division's operations in Mozambique were unaffected by Covid and continued to grow.

The division's activities post year end up to the date of this report have returned to normality, except for intercity and tourism operations, which remain substantially closed. The division recommenced with its disposal process in relation to its intercity and tourism operations, which was suspended during Lockdown.

FINANCIAL REVIEW

Income statement

The International Financial Reporting Standards (IFRS) accounting treatment of the Unitrans B-BBEE transaction concluded in the prior year resulted in a non-cash and non-trading B-BBEE cost of R196 million, which was accounted for in the prior year. The impact on earnings is material and therefore the B-BBEE cost is disclosed separately in the financial results. Core headline earnings and core headline earnings per share referred to in these results exclude the B-BBEE cost.

Revenue from continuing operations decreased by 13% to R22 166 million (FY19: R25 602 million).

Operating profit before depreciation, amortisation, B-BBEE cost and capital items ('core EBITDA') from continuing operations decreased by 31% to R2 710 million (FY19: R3 909 million).

Operating profit before B-BBEE cost and capital items ('core operating profit') from continuing operations decreased by 51% to R1 347 million (FY19: R2 723 million).

Core operating margin decreased to 6.1% (FY19: 10.6%).

Core operating profit and margin %	Year ended 30 Jun 2020 Rm	30 Jun 2020 margin %	Year ended 30 Jun 2019 Rm	30 Jun 2019 margin %	Operating profit change %	Margin change %
Diversified industrial	**582**	**9.4**	1 311	16.9	(56)	(7.5)
Integrated Timber	**323**	**10.1**	806	20.0	(60)	(9.9)
Automotive Components	**88**	**5.1**	266	12.1	(67)	(7.0)
Integrated Bedding	**171**	**13.3**	239	15.4	(28)	(2.1)
Diversified chemical	**160**	**2.2**	751	8.6	(79)	(6.4)
Polymers	**160**	**2.2**	751	8.6	(79)	(6.4)
Diversified logistics	**605**	**6.7**	661	7.0	(8)	(0.3)
Contractual Logistics – South Africa	**225**	**4.5**	161	3.1	40	1.4
Contractual Logistics – Africa	**214**	**11.5**	283	14.1	(24)	(2.6)
Passenger Transport	**166**	**7.6**	217	9.1	(24)	(1.5)
	1 347	**6.1**	2 723	10.6	(51)	(4.5)

Headline earnings per share from continuing operations decreased by 68% to 14.8 cents (FY19: 45.9 cents).

Core headline earnings per share from continuing operations decreased by 72% to 14.9 cents (FY19: 53.2 cents), mainly as a result of 51% lower core operating profit, which resulted from the material financial impacts of Covid and polymer margin weakness.

The effect of the implementation of IFRS 16 – *Leases* resulted in the recognition of R395 million right-of-use assets and R406 million lease liabilities at 1 July 2019. Additional depreciation of R119 million, additional finance costs of R43 million, and a reduction of operating lease expenses of R144 million were recognised compared to the prior year.

Capital items

Capital items from continuing operations of R3 284 million (FY19: R144 million) are made up as follows:

Capital items	Year ended 30 Jun 2020 Gross Rm	Year ended 30 Jun 2020 Net[1] Rm	Year ended 30 Jun 2019 Gross Rm	Year ended 30 Jun 2019 Net[1] Rm
Impairments	**3 255**	**2 537**	132	111
Goodwill	**617**	**617**	37	37
Intangible assets	**1 959**	**1 425**	74	59
Property, plant and equipment and investment property	**679**	**495**	21	15
Loss on disposal of property, plant and equipment and investment property	**34**	**24**	21	15
Other capital items	**(5)**	**(4)**	(9)	(5)
	3 284	**2 557**	144	121

[1] *Net is the value after the impact of taxation and non-controlling interests' portion of capital items.*

The group performs annual impairment assessments on all assets in line with the requirements of IFRS. Due primarily to the effects of Covid and the continued imbalance in global polymer supply and demand and the impact thereof on future expected cash flows, the following significant impairments were accounted for during the current year:

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

Taxation

The effective tax rate from continuing operations changed to a benefit of 18.2% compared to an expense of 31.2% in the prior year. In the current year the tax rate is impacted by R685 million of impairments (7.4%), which is not deductible for income tax purposes, and a provision of R68 million (2.6%) raised in expectation of not reaching required performance measures in relation to section 12I tax allowances claimed previously. In the prior year the tax rate was impacted by B-BBEE cost of R196 million (3.2%), which is not deductible for income tax purposes.

Statement of financial position

The company's balance sheet remains strong in spite of significant impairments and increased net interest-bearing debt. Both the cyclical polymer downturn and the impact of Covid affected operational results, however, the group generated sufficient EBITDA and cash to remain within its targeted debt serviceability ratios.

The net asset value per share decreased by 22% to 372 cents from 474 cents as a result of the abovementioned impairments.

During the period, the group disposed of the low return Autovest operation, which formed part of the Automotive Components division and comprised the manufacture and distribution of various aftermarket accessories. This operation is accordingly disclosed as a discontinued operation in the company's income statement. The Glodina operation, which was disposed of as a going concern on 3 September 2018, is disclosed under discontinued operations in the prior year.

Net working capital

Net working capital levels were impacted by Covid and the Lockdown, which resulted in lower economic activity, disruptions to supply chains and resultant adjustments to net working capital planning. Net working capital therefore increased by R766 million to R1 911 million. Inventories decreased by R169 million and accounts receivable decreased by R614 million, offset by a decrease in accounts payable of R1 549 million.

Cash flow

Cash generated from operations decreased by 49% to R2 076 million (FY19: R4 033 million) mainly as a result of R1 199 million reduction of core EBITDA, primarily emanating from the impact of Covid and lower polymer margins, and an increase in working capital.

Capital expenditure

Management remains focused on completing its various expansion projects with the objective of market share growth, margin enhancement and generation of cash.

Replacement capital expenditure continues to be managed over time in relation to the annual depreciation charge. Depreciation (excluding right-of-use asset depreciation) for the period amounted to R1 218 million, while replacement capital expenditure amounted to R1 241 million net of proceeds on disposal, insurance proceeds and government grants. Expansion capital expenditure of R671 million was invested in the group's asset base to drive growth and efficiency benefits.

Share buy-backs

The company repurchased and cancelled 97 million ordinary shares during the period. In addition, in order to reduce the effects of dilution on shareholders resulting from the company's share rights scheme, the company procured shares for delivery to participants by acquiring 36 million ordinary shares in the market. These shares are accounted for as treasury shares. The total value of the share buy-back transactions amounted to R544 million.

Capital structure

Net interest-bearing debt increased by R2 553 million to R7 041 million, including lease liabilities recognised in terms of IFRS 16 – *Leases* of R466 million at 30 June 2020. Net interest-bearing debt was largely impacted by R1 957 million decrease in cash generated from operations compared to the prior year, further impacted by increased capital expenditure and the share buy-back transactions during the year.

The net debt/equity (gearing) ratio increased from 35% to 74% as a result of increased net interest-bearing debt and decreased equity (due to impairments and share buy-backs). However, both the net debt/EBITDA ratio and the EBITDA/interest cover ratio remained within target levels at 2.6 times and 4.0 times respectively.

The debt structure and capacity ratios are reflected as follows:

Debt structure and capacity ratios	30 Jun 2020 Audited Rm	30 Jun 2019 Audited Rm
Loans and borrowings long-term	**5 309**	5 013
Loans and borrowings short-term	**2 295**	1 298
Lease liabilities long-term	**363**	–
Lease liabilities short-term	**103**	–
Non-interest-bearing loans and borrowings	**(45)**	(38)
Bank overdrafts and short-term facilities	**17**	–
Cash and cash equivalents	**(1 001)**	(1 785)
Net interest-bearing debt	**7 041**	4 488
EBITDA[(1)(2)]	**2 707**	3 713
Net finance costs[(2)]	**676**	707
EBITDA: interest cover (times)	**4.0**	5.3
Net debt: EBITDA (times)	**2.6**	1.2
Gearing %	**74**	35

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

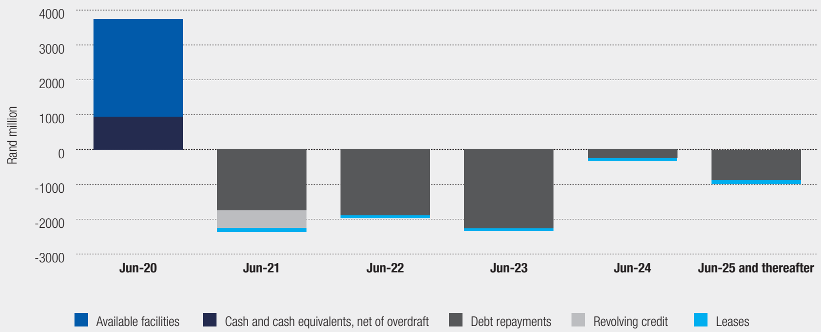
The following significant funding activities were concluded during the year:

- R874 million bonds settled at maturity.
- R1 250 million raised through bond issuances, with three-year and five-year tenures.

Additional facilities of R950 million were raised during Lockdown as a contingency and to improve the short-term liquidity of the group. Included in the additional facilities is a R500 million increase in the committed syndicated revolving credit facility, bringing the facility to R1 500 million, which matures on 4 October 2021. These facilities provide the company with sufficient time and options to refinance recent and upcoming bond settlements.

These funding activities have resulted in an extended debt maturity profile that is comfortably within the company's capabilities and is reflected as follows:

Maturity of net interest-bearing debt as at 30 June 2020



Global Credit Rating Co. Proprietary Limited reviewed KAP's credit rating in November 2019 and confirmed its rating as A+(za) with a stable outlook.

DIVIDEND

In view of Covid and the impact thereof on the economy, the company, and its employees, the board of directors has decided not to declare a dividend for the current reporting period. In the prior year, a dividend of 23 cents per share was declared and paid to shareholders on 23 September 2019.

OUTLOOK

The impact of Covid and the resultant Lockdown regulations will have far-reaching economic implications, the effects of which will be felt across the economy for several years. KAP had fortunately concluded an extensive process of streamlining its various operations in line with its strategy before the onset of Covid and it is therefore competitively positioned to grow through market share gains in the current environment and through an economic recovery.

The sectors in which the company operates have shown steady improvement as Lockdown restrictions have been relaxed. The operational leverage of the group's operations provide the opportunity to scale up rapidly to grow revenue and improve margins. Management is therefore cautiously optimistic of an economic recovery in the 2021 financial year and is excited about the business opportunities that this environment may present.

While Covid will continue to evolve and present unprecedented social, political and economic uncertainty, management's financial forecasts continue to reflect that the company will be profitable and cash-generative for the foreseeable future and will remain within its financial covenant ratios. As a result, the board does not currently anticipate a need to recapitalise the company through a capital raise.

APPRECIATION

The board of directors records its appreciation to the company's employees for their commitment and sacrifice to ensure the sustainability of the company during these challenging times. The board also gratefully acknowledges the extraordinary support and loyalty of the company's shareholders, customers, suppliers and banking partners.

On behalf of the board

Jaap du Toit	Gary Chaplin	Frans Olivier
Independent non-executive chairman	*Chief executive officer*	*Chief financial officer*

19 August 2020

SUMMARISED CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 30 Jun 2020 Audited Rm	Year ended 30 Jun 2019 Audited Rm	% change
Revenue	1	**22 166**	25 602	(13)
Operating profit before depreciation, amortisation, B-BBEE cost and capital items		**2 710**	3 909	(31)
Depreciation and amortisation		**(1 363)**	(1 186)	
Operating profit before B-BBEE cost and capital items		**1 347**	2 723	(51)
B-BBEE cost		**(3)**	(196)	
Capital items	2	**(3 284)**	(144)	
Operating (loss)/profit		**(1 940)**	2 383	(181)
Net finance costs		**(676)**	(707)	
Share of profit of associate and joint venture companies		**21**	30	
(Loss)/profit before taxation		**(2 595)**	1 706	(252)
Taxation		**471**	(533)	
(Loss)/profit for the year from continuing operations		**(2 124)**	1 173	(281)
Loss for the year from discontinued operations	3	**(21)**	(83)	
(Loss)/profit for the year		**(2 145)**	1 090	(297)
(Loss)/profit attributable to:				
Owners of the parent		**(2 190)**	1 033	(312)
Non-controlling interests		**45**	57	
(Loss)/profit for the year		**(2 145)**	1 090	(297)
Headline earnings attributable to ordinary shareholders				
(Loss)/earnings attributable to owners of the parent		**(2 190)**	1 033	(312)
Adjusted for:				
Capital items	2	**3 276**	149	
Taxation effects of capital items		**(724)**	(26)	
Non-controlling interests' portion of capital items (net of taxation)		**(1)**	–	
Headline earnings		**361**	1 156	(69)
B-BBEE cost (net of taxation)		**3**	196	
Core headline earnings		**364**	1 352	(73)
(Loss)/earnings from continuing operations per ordinary share		**Cents**	**Cents**	
Basic (loss)/earnings		**(82.5)**	41.4	(299)
Basic (loss)/earnings – diluted		**(82.4)**	41.3	(300)

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 Jun 2020 Audited Rm	30 Jun 2019 Audited Rm
Assets		
Non-current assets		
Goodwill and intangible assets	**2 687**	5 242
Property, plant and equipment and investment property	**12 630**	12 536
Right-of-use assets	**438**	–
Consumable biological assets	**1 754**	1 900
Investments in associate and joint venture companies	**77**	75
Investments and loans	**1**	2
Deferred taxation assets	**49**	46
Inventories	**35**	62
	17 671	19 863
Current assets		
Inventories	**2 262**	2 376
Trade and other receivables	**3 367**	3 950
Loans receivable	**2**	13
Taxation receivable	**58**	49
Cash and cash equivalents	**1 001**	1 785
	6 690	8 173
Assets held for sale	**–**	68
	6 690	8 241
Total assets	**24 361**	28 104
Equity and liabilities		
Capital and reserves		
Stated share capital	**8 364**	8 908
Reserves	**1 202**	3 917
Total equity attributable to owners of the parent	**9 566**	12 825
Non-controlling interests	**204**	217
Total equity	**9 770**	13 042
Non-current liabilities		
Loans and borrowings	**5 309**	5 013
Lease liabilities	**363**	–
Deferred taxation liabilities	**2 715**	3 389
Other liabilities and provisions	**32**	66
	8 419	8 468
Current liabilities		
Loans and borrowings	**2 295**	1 298
Lease liabilities	**103**	–
Trade and other payables	**3 476**	4 809
Other liabilities and provisions	**245**	381
Taxation payable	**36**	60
Bank overdrafts and short-term facilities	**17**	–
	6 172	6 548
Liabilities held for sale	**–**	46
	6 172	6 594
Total equity and liabilities	**24 361**	28 104

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 30 Jun 2020 Audited Rm	Year ended 30 Jun 2019 Audited Rm
Operating profit before capital items	**1 344**	2 527
Depreciation and amortisation	**1 363**	1 186
B-BBEE cost	**3**	196
Operating loss before depreciation, amortisation and capital items from discontinued operations	**(28)**	(78)
Net fair value adjustments of consumable biological assets[1]	**149**	20
Other non-cash adjustments	**(14)**	24
Cash generated before working capital changes	**2 817**	3 875
Decrease/(increase) in inventories	**170**	(315)
Decrease in trade and other receivables	**649**	37
(Decrease)/increase in trade and other payables	**(1 560)**	436
Changes in working capital	**(741)**	158
Cash generated from operations	**2 076**	4 033
Dividends received	**16**	18
Dividends paid	**(674)**	(656)
Net finance costs	**(685)**	(717)
Taxation paid	**(259)**	(209)
Net cash inflow from operating activities	**474**	2 469
Additions to property, plant and equipment and investment property[2]	**(1 912)**	(1 231)
Additions to intangible assets	**(14)**	(14)
Additions to consumable biological assets	**(3)**	(1)
Net cash (outflow)/inflow on acquisition/disposal of subsidiaries and businesses	**(13)**	101
Other investing activities	**3**	3
Net cash outflow from investing activities	**(1 939)**	(1 142)
Net cash (outflow)/inflow from operating and investing activities	**(1 465)**	1 327
Shares repurchased	**(544)**	–
Transactions with non-controlling interests	**–**	(82)
Increase/(decrease) in loans and borrowings	**1 284**	(1 610)
Decrease in lease liabilities	**(101)**	–
Increase in bank overdrafts and short-term facilities	**17**	–
Net cash inflow/(outflow) from financing activities	**656**	(1 692)
Net decrease in cash and cash equivalents	**(809)**	(365)
Cash and cash equivalents at beginning of year	**1 785**	2 151
Effects of exchange rate translations on cash and cash equivalents	**25**	(1)
Cash and cash equivalents at end of year	**1 001**	1 785

[1] *Includes decrease due to harvesting and sale of livestock.*
[2] *Net of proceeds on disposal of property, plant and equipment and investment property, government grants received and insurance proceeds.*

SUMMARISED CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 Jun 2020 Audited Rm	Year ended 30 Jun 2019 Audited Rm
(Loss)/profit for the year	**(2 145)**	1 090
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**119**	(9)
Total other comprehensive income/(loss) for the year	**119**	(9)
Total comprehensive (loss)/ income for the year	**(2 026)**	1 081
Total comprehensive (loss)/income attributable to:		
Owners of the parent	**(2 074)**	1 024
Non-controlling interests	**48**	57
Total comprehensive (loss)/income for the year	**(2 026)**	1 081

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year ended 30 Jun 2020 Audited Rm	Year ended 30 Jun 2019 Audited Rm
Balance at beginning of the year	**13 042**	12 477
Recognition of leases under IFRS 16	**–**	–
Recognition of expected credit losses under IFRS 9	**–**	(23)
Adjusted balance at beginning of the year	**13 042**	12 454
Changes in stated share capital		
Net shares (repurchased)/issued	**(544)**	117
Changes in reserves		
Total comprehensive (loss)/income for the year attributable to owners of the parent	**(2 074)**	1 024
Dividends paid	**(619)**	(618)
Share-based payments	**(30)**	5
B-BBEE cost	**3**	196
Other reserve movements	**5**	(31)
Changes in non-controlling interests		
Total comprehensive income for the year attributable to non-controlling interests	**48**	57
Dividends paid	**(55)**	(38)
Shares purchased from non-controlling interests	**(9)**	(124)
Other non-controlling interests movements	**3**	–
Balance at end of the year	**9 770**	13 042
Comprising:		
Stated share capital	**8 364**	8 908
Distributable reserves	**4 493**	7 297
Share-based payment reserve	**457**	484
Reverse acquisition reserve	**(3 952)**	(3 952)
Other reserves	**204**	88
Non-controlling interests	**204**	217
	9 770	13 042

SEGMENTAL ANALYSIS FROM CONTINUING OPERATIONS

	Notes	Year ended 30 Jun 2020 Audited Rm	Year ended 30 Jun 2019 Audited Rm	% change
Revenue				
Diversified industrial		**6 205**	7 777	(20)
Integrated Timber		**3 208**	4 031	(20)
Automotive Components		**1 725**	2 202	(22)
Integrated Bedding		**1 286**	1 551	(17)
Interdivisional revenue eliminations		**(14)**	(7)	
Diversified chemical		**7 301**	8 690	(16)
Polymers		**7 301**	8 690	(16)
Diversified logistics		**8 967**	9 433	(5)
Contractual Logistics – South Africa		**4 954**	5 144	(4)
Contractual Logistics – Africa		**1 865**	2 011	(7)
Passenger Transport		**2 179**	2 382	(9)
Interdivisional revenue eliminations		**(31)**	(104)	
		22 473	25 900	(13)
Intersegmental revenue eliminations		**(307)**	(298)	
	1	**22 166**	25 602	(13)
Operating profit before depreciation, amortisation and capital items				
Diversified industrial		**894**	1 574	(43)
Integrated Timber		**488**	962	(49)
Automotive Components		**184**	336	(45)
Integrated Bedding		**222**	276	(20)
Diversified chemical		**344**	910	(62)
Polymers		**344**	910	(62)
Diversified logistics		**1 467**	1 424	3
Contractual Logistics – South Africa		**654**	560	17
Contractual Logistics – Africa		**444**	465	(5)
Passenger Transport		**369**	399	(8)
Corporate, consolidation and elimination		**5**	1	
		2 710	3 909	(31)
B-BBEE cost		**(3)**	(196)	
		2 707	3 713	(27)
Operating profit before capital items				
Diversified industrial		**582**	1 311	(56)
Integrated Timber		**323**	806	(60)
Automotive Components		**88**	266	(67)
Integrated Bedding		**171**	239	(28)
Diversified chemical		**160**	751	(79)
Polymers		**160**	751	(79)
Diversified logistics		**605**	661	(8)
Contractual Logistics – South Africa		**225**	161	40
Contractual Logistics – Africa		**214**	283	(24)
Passenger Transport		**166**	217	(24)
		1 347	2 723	(51)
B-BBEE cost		**(3)**	(196)	
		1 344	2 527	(47)

SEGMENTAL ANALYSIS FROM CONTINUING OPERATIONS continued

	Notes	30 Jun 2020 Audited Rm	30 Jun 2019 Audited Rm	% change
Operating assets				
Diversified industrial		**9 176**	9 686	(5)
Integrated Timber		**6 382**	6 481	(2)
Automotive Components		**1 304**	1 695	(23)
Integrated Bedding		**1 491**	1 511	(1)
Interdivisional eliminations		**(1)**	(1)	
Diversified chemical		**5 935**	8 873	(33)
Polymers		**5 935**	8 873	(33)
Diversified logistics		**8 153**	7 549	8
Contractual Logistics – South Africa		**4 452**	4 015	11
Contractual Logistics – Africa		**2 413**	2 143	13
Passenger Transport		**1 320**	1 423	(7)
Interdivisional eliminations		**(32)**	(32)	
Corporate, consolidation and elimination		**(91)**	(42)	
	6	**23 173**	26 066	(11)
Operating liabilities				
Diversified industrial		**1 039**	1 575	(34)
Integrated Timber		**561**	822	(32)
Automotive Components		**293**	479	(39)
Integrated Bedding		**186**	275	(32)
Interdivisional eliminations		**(1)**	(1)	
Diversified chemical		**1 474**	2 140	(31)
Polymers		**1 474**	2 140	(31)
Diversified logistics		**1 121**	1 474	(24)
Contractual Logistics – South Africa		**678**	866	(22)
Contractual Logistics – Africa		**249**	289	(14)
Passenger Transport		**226**	351	(36)
Interdivisional eliminations		**(32)**	(32)	
Corporate, consolidation and elimination		**119**	67	
	7	**3 753**	5 256	(29)
Net operating assets				
Diversified industrial		**8 137**	8 111	–
Integrated Timber		**5 821**	5 659	3
Automotive Components		**1 011**	1 216	(17)
Integrated Bedding		**1 305**	1 236	6
Diversified chemical		**4 461**	6 733	(34)
Polymers		**4 461**	6 733	(34)
Diversified logistics		**7 032**	6 075	16
Contractual Logistics – South Africa		**3 774**	3 149	20
Contractual Logistics – Africa		**2 164**	1 854	17
Passenger Transport		**1 094**	1 072	2
Corporate, consolidation and elimination		**(210)**	(109)	
		19 420	20 810	(7)

ADDITIONAL INFORMATION

	Goods Rm	Services Rm	Total Rm
Note 1: Revenue			
30 Jun 2020			
Integrated Timber	**3 617**	**–**	**3 617**
Automotive Components	**1 725**	**–**	**1 725**
Integrated Bedding	**1 446**	**–**	**1 446**
Polymers	**7 381**	**–**	**7 381**
Contractual Logistics – South Africa	**98**	**4 856**	**4 954**
Contractual Logistics – Africa	**–**	**1 865**	**1 865**
Passenger Transport	**–**	**2 179**	**2 179**
Gross revenue	**14 267**	**8 900**	**23 167**
Variable consideration	**(649)**	**–**	**(649)**
Intergroup elimination	**(30)**	**(322)**	**(352)**
	13 588	**8 578**	**22 166**
30 Jun 2019			
Integrated Timber	4 511	–	4 511
Automotive Components	2 203	–	2 203
Integrated Bedding	1 734	–	1 734
Polymers	8 764	–	8 764
Contractual Logistics – South Africa	90	5 054	5 144
Contractual Logistics – Africa	–	2 011	2 011
Passenger Transport	–	2 382	2 382
Gross revenue	17 302	9 447	26 749
Variable consideration	(738)	–	(738)
Intergroup elimination	(27)	(382)	(409)
	16 537	9 065	25 602

	Year ended 30 Jun 2020 Audited Rm	Year ended 30 Jun 2019 Audited Rm
South Africa	**18 590**	21 036
Rest of Africa	**2 838**	2 916
Europe	**126**	194
Middle East	**94**	174
Americas	**509**	1 065
Other	**9**	217
	22 166	25 602

	Year ended 30 Jun 2020 Audited Rm	Year ended 30 Jun 2019 Audited Rm
Note 2: Capital items		
From continuing operations:		
Loss on disposal of property, plant and equipment and investment property	**(34)**	(21)
Impairments[1]	**(3 255)**	(131)
Other	**5**	9
	(3 284)	(144)
From discontinued operations:		
Profit on disposal of property, plant and equipment and investment property	**2**	2
Profit on disposal of subsidiaries and businesses	**–**	25
Impairments[1]	**5**	(32)
Other	**1**	–
	8	(5)
	(3 276)	(149)

[1] *Impairment of goodwill, intangible assets and property, plant and equipment*

	Year ended 30 Jun 2020 Audited Rm	Year ended 30 Jun 2019 Audited Rm
Note 3: Loss for the year from discontinued operations		
Revenue	**60**	197
Operating loss before depreciation, amortisation and capital items	**(28)**	(78)
Depreciation and amortisation	**(2)**	(4)
Operating loss before capital items	**(30)**	(82)
Capital items	**8**	(5)
Operating loss	**(22)**	(87)
Net finance costs	**(2)**	(7)
Loss before taxation	**(24)**	(94)
Taxation	**3**	11
Loss for the year from discontinued operations	**(21)**	(83)

	Year ended 30 Jun 2020 Audited Cents	Year ended 30 Jun 2019 Audited Cents
Note 4: (Loss)/earnings and headline earnings per ordinary share		
From continuing and discontinued operations:		
Basic (loss)/earnings	**(83.3)**	38.3
Basic (loss)/earnings – diluted	**(83.2)**	38.2
Headline earnings	**13.7**	42.9
Headline earnings – diluted	**13.7**	42.8
From continuing operations:		
Basic (loss)/earnings	**(82.5)**	41.4
Basic (loss)/earnings – diluted	**(82.4)**	41.3
Headline earnings	**14.8**	45.9
Headline earnings – diluted	**14.7**	45.8
Headline earnings – core[1]	**14.9**	53.2

[1] Core headline earnings per share excludes the effect of the B-BBEE cost. This measure of earnings is specific to the group and is not required in terms of International Financial Reporting Standards or the JSE Listing Requirements.

	Number of shares m	Number of shares m
Ordinary shares in issue at beginning of the year	**2 704**	2 678
Shares issued	**–**	26
Shares repurchased and held as treasury shares	**(36)**	–
Shares repurchased and cancelled	**(97)**	–
Ordinary shares in issue	**2 571**	2 704
Weighted average ordinary shares in issue	**2 630**	2 696

	Fair value hierarchy	Fair value as at 30 Jun 2020 Audited Rm	Fair value as at 30 Jun 2019 Audited Rm
Note 5: Fair values of financial instruments			
Derivative financial assets	Level 2	**32**	10
Derivative financial liabilities	Level 2	**(23)**	(33)

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

	30 Jun 2020 Audited Rm	30 Jun 2019 Audited Rm
Note 6: Operating assets per segmental analysis		
Goodwill and intangible assets	**2 687**	5 242
Property, plant and equipment and investment property	**12 630**	12 536
Right-of-use assets	**438**	–
Consumable biological assets	**1 754**	1 900
Inventories	**2 297**	2 438
Trade and other receivables	**3 367**	3 950
	23 173	26 066
Note 7: Operating liabilities per segmental analysis		
Trade and other payables	**3 476**	4 809
Other liabilities and provisions	**277**	447
	3 753	5 256

SELECTED EXPLANATORY NOTES

Statement of compliance

The summarised consolidated financial information has been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the financial pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited, the information as required by IAS 34 – *Interim Financial Reporting* and the requirements of the South African Companies Act, No. 71 of 2008. The summarised consolidated financial information has been prepared using accounting policies that comply with IFRS, which are consistent with those applied in the consolidated financial statements for the year ended 30 June 2019.

Basis of preparation

The abridged summarised consolidated financial statements are prepared in millions of South African rand (Rm) on the historical-cost basis, except for certain assets and liabilities, which are carried at amortised cost, and derivative financial instruments and consumable biological assets, which are stated at their fair values. The preparation of the summarised consolidated financial statements for the year ended 30 June 2020 was supervised by Frans Olivier CA(SA), the group's chief financial officer.

Accounting policies

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

During the current year, the group adopted all the new and revised standards issued by the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2019.

New IFRS standards applied with a material effect on the summarised financial statements are as follows:

IFRS 16 – *Leases*

IFRS 16 – *Leases* sets out the principles for the recognition, measurement, presentation and disclosures of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor').

IFRS 16 replaces existing leases guidance, including IAS 17 – *Leases*, IFRIC 4 – *Determining Whether an Arrangement Contains a Lease,* SIC-15 – *Operating Leases – Incentives and* SIC-27 – *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The group has elected to apply IFRS 16 using the modified retrospective approach whereby the cumulative effect of initial application is recognised in retained earnings at 1 July 2019, with no restatement of comparative information. There was no adjustment to the group's opening retained earnings balance on 1 July 2019. The group has reassessed all leases to determine if it meets the definition of a lease in terms of IFRS 16.

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

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

- Leases with lease terms ending within 12 months have been accounted for in the same way as short-term leases.
- Leases of low-value items have not been capitalised.
- Reliance was placed on the assessment for onerous lease contracts instead of performing an impairment assessment, and right-of-use assets were adjusted with any onerous lease provisions recognised in the statement of financial position immediately before the date of initial application.
- Initial direct costs have been excluded from the measurement of the right-of-use asset at the date of initial application.
- Hindsight was applied in determining the lease terms where contracts contain options to extend or terminate the lease.
- The group does not separate lease and non-lease components, and accounts for both as a single lease component.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

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

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

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

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

In applying IFRS 16 for all leases, the group:

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

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

Lessor accounting remains unchanged following the adoption of IFRS 16.

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

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

The following table provides a reconciliation of the undiscounted operating lease commitments as at 30 June 2019 to the lease liabilities recognised on 1 July 2019 in terms of IFRS 16:

	1 Jul 2019 Rm
Operating lease commitments disclosed at 30 June 2019	**731**
Discounted using the incremental borrowing rate as at 1 July 2019	**532**
Less: short-term leases	**(31)**
Less: low value leases	**(1)**
Add: non-lease components	**10**
Less: adjustments related to the treatment of extension or termination options	**(41)**
Less: adjustments relating to changes in the index or rate affecting variable payments	**(63)**
Lease liabilities recognised as at 1 July 2019	**406**
Current portion of lease liabilities	**84**
Non-current portion of lease liabilities	**322**

Financial statements

The consolidated financial statements for the year, which have been audited by Deloitte & Touche, and their unmodified audit report as well as their unmodified audit report on this set of summarised financial information are available on the company's website. Any reference to future financial information has not been audited or reviewed. The auditor's report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information, which is available on the company's website at www.kap.co.za or at the issuer's registered address. The results were approved by the board of directors on 19 August 2020.

The annual general meeting ('AGM') of KAP shareholders has been scheduled to take place on Wednesday, 18 November 2020 at 15:30 in Cape Town.

The notice for the AGM will be published on SENS and dispatched to shareholders in due course, accompanied by a summary of the company's consolidated financial statements for the year ended 30 June 2020.

Business combinations

Effective 1 December 2019, the group acquired 75% of the shares and loan claims of Connacher (Natal) Proprietary Limited and Recyclotex Proprietary Limited for a purchase price of R31 million. Goodwill to the value of R12 million was recognised.

Post-balance sheet events

No significant events have occurred in the period between the end of the period under review and the date of this report.

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

At the company's AGM in November 2019, shareholders resolved not to fill the vacancies left by TLR de Klerk and LJ du Preez who resigned from the KAP board during April 2019, and the number of board members was reduced for the time being. Following a comprehensive identification, screening and selection process by the KAP nomination committee, the board appointed KT Hopkins as an independent non-executive director and as a member of the KAP audit and risk committee with effect from 6 December 2019. On 12 December 2019, V McMenamin was appointed as an independent non-executive director and as a member of the KAP social and ethics committee. In addition, on 1 March 2020, Z Fuphe was appointed as an independent non-executive director and as a member of the KAP social and ethics and audit and risk committees. The aforementioned appointments are subject to shareholder endorsement at the AGM in November 2020.

Following his retirement as a former executive director of KAP, KJ Grové gained non-executive status in January 2017. Recently, a formal assessment was carried out by the KAP nomination committee, which confirmed that there was no observable interest, position, association or relationship that, when judged from the perspective of a reasonable and informed third party, was likely to influence unduly or cause bias in KJ Grové's decision-making. Based thereon and on his actual impartial conduct at meetings, the board concluded that, with immediate effect, KJ Grové may serve in an independent capacity on the KAP board and its committees.

CORPORATE INFORMATION

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

Independent non-executive directors: J de V du Toit (Chairman), KJ Grové (Deputy chairman), Z Fuphe, KT Hopkins, V McMenamin, IN Mkhari, SH Müller, SH Nomvete, PK Quarmby

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

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

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

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

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

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

Announcement date: 20 August 2020