mpact

smarter, sustainable solutions

Closing the loop

Mpact Limited
Audited
Annual Financial Statements

for the year ended 31 December 2018

Contents

Directors' responsibility statement and basis of preparation

The directors are responsible for preparing the annual financial statements in accordance with applicable laws and regulations.

These annual financial statements have been prepared using accounting policies compliant with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and are in compliance with the Companies Act, 2008 of South Africa.

The preparation of these annual financial statements for the year ended 31 December 2018 was supervised by the Chief Financial Officer, Mr BDV Clark CA(SA).

In preparing the annual financial statements, International Accounting Standard 1, 'Presentation of Financial Statements', requires that the directors:

- select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosure when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

Approval of the annual financial statements

The directors confirm that, to the best of their knowledge, the annual financial statements are prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa, fairly present the assets, liabilities, financial position and profit of the Company.

The directors believe that the Company has adequate resources to continue in operation for the foreseeable future and the financial statements have therefore been prepared on a going concern basis.

The annual financial statements and related notes, which appear on pages 13 to 38 were approved by the Board of Directors and authorised for issue on 12 March 2019 and were signed on its behalf by:

AJ Phillips
Chairman

BW Strong
Chief Executive Officer

Certificate by company secretary

In terms of section 88(2)(e) of the Companies Act, I certify that Mpact Limited has lodged with the Companies and Intellectual Property Commission all such returns, as are required of a Company in terms of the Act and, that such returns are true, correct and up to date.

Noriah Sepuru
Company Secretary

12 March 2019

Report of the directors

The directors have pleasure in presenting their report on the annual financial statements of Mpact Limited ("Mpact or Company") for the year ended 31 December 2018.

Nature of business

Mpact is one of the largest paper and plastics packaging businesses in southern Africa, with leading market positions in recovered paper collection, corrugated packaging, recycled-based cartonboard and containerboard, polyethylene-terephthalate ("PET") preforms and trays, recycled PET ("rPET") and plastic jumbo bins.

Mpact Limited acts as a holding company for local and foreign investments and properties used within the Mpact Group.

Mpact Limited is incorporated in the Republic of South Africa and is listed on the Johannesburg Stock Exchange.

Financial results

The Company's profit for the year ended 31 December 2018 was R138.7 million (2017: R180.1 million). Full details of the financial position and results of the Company are set out in the accompanying annual financial statements.

Stated capital

The authorised share capital is 217,500,000 ordinary shares of no par value.

On 31 December 2018 the issued share capital of the Company was 173,304,517 ordinary shares of no par value. (2017: 171,461,623 ordinary shares of no par value).

Dividends

Notice is hereby given that the Board has declared a final gross cash dividend of 55 cents for the year ended 31 December 2018 (44 cents net of dividend withholding tax) per ordinary share. The dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The Company's total number of issued ordinary shares as at dividend declaration date is 173,304,517. Mpact's income tax reference number is 9003862175.

The Board of Directors are satisfied that the liquidity and solvency of the Company, as well as capital remaining after payment of the dividend is sufficient to support the current operations and to facilitate future development of the business in the year ahead.

Salient dates with regard to the ordinary dividend

Publication of dividend declaration	Wednesday, 13 March 2019
Last date of trade to receive a dividend	Tuesday, 2 April 2019
Shares commence trade *ex*-dividend	Wednesday, 3 April 2019
Record date	Friday, 5 April 2019
Payment date	Monday, 8 April 2019

All times provided are South African local times. The above dates and times are subject to change. Any material change will be announced on SENS.

Share certificates may not be dematerialised or rematerialised between Wednesday, 3 April 2019 and Friday, 5 April 2019, both days inclusive.

Register of shareholders

The register of shareholders of the Company is open for inspection to members and the public, during normal office hours, at the office of the Company's transfer secretaries, Link Market Services South Africa Proprietary Limited.

Investment property

At 31 December 2018, the net investment in property amounted to R282.3 million (2017: R257.6 million), details of which are set out in note 5 to the annual financial statements. Capital commitments at year-end for the Company amounted to R19.8 million (2017: R22.3 million), set out in note 15.

Events occurring after the reporting date

There were no significant or material subsequent events which would require adjustment to or disclosure in the annual financial statements.

Directors

The following directors have held office during the year ended 31 December 2018 and to the date of this report:

AJ Phillips *(Chairman)*	Independent Non-executive
NP Dongwana	Independent Non-executive
NB Langa-Royds	Independent Non-executive
PCS Luthuli (appointed on 21 December 2018)	Independent Non-executive
M Makanjee	Independent Non-executive
TDA Ross	Independent Non-executive
AM Thompson	Independent Non-executive
BW Strong *(Chief Executive Officer)*	Executive
BDV Clark *(Chief Financial Officer)*	Executive

Company secretary

The Company secretary of Mpact Limited is MN Sepuru.

Registered Office	**Postal address**
4th Floor	Postnet Suite #179
3 Melrose Boulevard	Private Bag X1
Melrose Arch, 2196	Melrose Arch, 2076

Auditor

Deloitte & Touche is the appointed auditor to the Company, with SJ Nelson the designated auditor.

Special resolutions passed by subsidiary companies

Notwithstanding the title of section 45 of the Companies Act, 71 of 2008, being "Loans or Other Financial Assistance to Directors" and an interpretation thereof, the body of the section also applies to financial assistance provided by the Company to any related or inter-related company or corporation and a member of a related or inter-related corporation.

On 6 March 2018, all the subsidiaries of the Company passed special resolutions to authorise the companies to provide any direct or indirect financial assistance, including by way of lending money, guaranteeing a loan, or other obligations as it may be required or otherwise to any of its present or future related or inter-related companies or corporations for such amounts and such terms and conditions as the Board/s may determine.

Details of subsidiaries are included in the interest in subsidiaries, set out in note 25

Audit and Risk Committee

The Audit and Risk Committee ("the committee") operate on a Group-wide basis. The committee, in terms of the Companies Act of South Africa, and King IV, has the responsibility, among other things, for monitoring the integrity of Mpact's financial statements. It also has the responsibility for reviewing the effectiveness of the Company's system of internal controls and risk management systems. An internal audit function has been established which is responsible for advising the Board of Directors on the effectiveness of the Company's risk management process.

The committee oversees the relationship with the external auditors; is responsible for their appointment and remuneration; reviews the effectiveness of the external audit process; and ensures that the objectivity and independence of the external auditors is maintained.

In collaboration with the internal and external auditors, a combined assurance map was developed.

The committee has concluded that it is satisfied that auditor independence and objectivity has been maintained. The comprehensive report of the committee is included on pages 6 to 9.

Board of Directors' statement of effectiveness of controls

Based on the recommendation of the Audit and Risk Committee, nothing has come to the attention of the Board that caused it to believe that the Company's system of internal control and risk management is not effective, or that the internal controls do not form a sound basis for the preparation of reliable financial statements.

Going concern

The directors consider that the Company has adequate resources to continue operating for the foreseeable future and that it is, therefore, appropriate to adopt the going concern basis in preparing the consolidated financial statements. The directors have satisfied themselves that the Company is in a sound financial position, and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

Interest of directors and prescribed officers in share capital

The aggregate beneficial holdings as 31 December 2018 and 31 December 2017 of the directors and prescribed officers of the Company in the issued ordinary shares of the Company are detailed below. There have been no changes in these shareholdings between 31 December 2018 and 12 March 2019, the date of approval.

	2018 Direct No. of shares	**2018 Indirect No. of shares**	2017 Direct No. of shares	2017 Indirect No. of shares
Executive director				
BW Strong	**547 543**	**–**	497 699	–
BDV Clark	**–**	**133 762**	–	77 678
Non-executive director				
AJ Phillips	**8 914**	**1 516**	8 730	1 486
Total	**556 457**	**135 278**	506 429	79 164

There are no associate interests for the above directors and prescribed officers.

Interest of major shareholders in share capital

Major shareholders

(5% and more of the shares in issue)

	2018 No. of shares	**2018** % of total issued share capital	2017 No. of shares	2017 % of total issued share capital
Allan Gray	**36,536,582**	**21.08**	35,847,426	20.95
Prudential Investment Managers	**22,611,708**	**13.05**	22,170,664	12.96
Public Investment Corporation	**17,486,961**	**10.09**	18,832,463	11.01
Coronation Fund Managers	**10,484,883**	**6.05**	6,173,257	3.61

Audit and Risk Committee report

Introduction

The Audit and Risk Committee has pleasure in submitting its report for the year ended 31 December 2018 in compliance with section 94(7) of the Companies Act.

The Audit and Risk Committee acts for the Company and all its subsidiaries, and is an independent entity accountable to the Board. It operates within a documented charter and complies with all relevant legislation, regulation and governance codes and executes its duties in terms of the requirements of King IV.

The committee's terms of reference were approved by the Board during the current financial year and are reviewed annually.

Composition

The Audit and Risk Committee comprises four non-executive directors, all of whom are independent. Tim Ross is the Chairman, Neo Dongwana and Andrew Thompson are the current members and Sibusiso Luthuli was appointed on 21 December 2018 to the Mpact Board of Directors and Audit and Risk Committee. The Chief Executive Officer, the Chief Financial Officer, the Head of Information and Communication Technology, the Group Risk and Sustainability Manager, a representative of KPMG, the independent Internal Auditor, and a representative of Deloitte & Touche, the independent External Auditor, and other senior managers all attend meetings by invitation.

The committee members are appointed annually by the shareholders at the Annual General Meeting.

Meetings

The Audit and Risk Committee held five meetings during the year. Tim Ross and Neo Dongwana attended all meetings of the committee during the year. Andrew Thompson attended four of the five meetings of the committee during the year.

Committee activities

The Audit and Risk Committee attended to the following during the year:

External auditors

The committee reviewed the independence of Deloitte & Touche as the Group's external auditor with SJ Nelson as the independent individual registered auditor who undertook the Group's audit for the current year. The committee considered all information as required by section 3.86 of the JSE Listings Requirements in assessing Deloitte & Touche's independence, registration as a Registered Auditor and the ability to perform a quality audit of the Group.

After considering the below factors and the auditor's tenure, the committee is satisfied that Deloitte & Touche is independent of the Group.

The committee proposes the re-appointment of Deloitte & Touche as External Auditor and SJ Nelson as the independent individual registered auditor. The Group's shareholders are requested to vote at the Annual General Meeting.

Independence of external auditors

This assessment was made after considering the following:

- Confirmation from the external auditors that they, or their immediate family, do not hold any significant direct or indirect financial interest or have any material business relationship with Mpact. The external auditors also confirmed that they have internal monitoring procedures to ensure their independence.
- The auditors do not, other than in their capacity as external auditors or rendering permitted non-audit services, receive any remuneration or other benefits from Mpact.
- The auditor's independence was not impaired by the non-audit work performed having regard to the nature of the non-audit work undertaken and the quantum of the audit fees relative to the total fee base.
- The auditor's independence was not prejudiced as a result of any previous appointment as auditor. In addition, an audit partner rotation process is in place in accordance with the relevant legal and regulatory requirements.
- The criteria specified for independence by the Independent Regulatory Board for Auditors.
- Information provided by the auditors in terms of the JSE Listings Requirements, paragraph 22.15(h).
- The audit firm and the designated auditor are accredited with the JSE.

The committee confirms that the external auditor has functioned in accordance with its terms of reference for the 2018 financial year.

External auditors' fees

The committee:

- approved, in consultation with management, the audit fee and engagement terms for the external auditors for the 2018 financial year;
- reviewed and approved the non-audit services fees for the year under review and ensured that the fees were within limit and in line with the non-audit service policy; and
- determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services.

External auditors' performance

The committee:

- reviewed and approved the external audit plan, ensuring that material risk areas were included and that coverage of the significant business processes was acceptable;
- monitored the effectiveness of the external auditors in terms of audit quality and expertise; and
- reviewed the external audit reports and management's response, considered their effect on the financial statements and internal financial control.

Financial statements

The committee reviewed the interim results and year-end financial statements, including the public announcements of the Group's financial results, and made recommendations to the Board for their approval. In the course of its review, the committee:

- took appropriate steps to ensure that the financial statements were prepared in accordance with IFRS;
- considered the appropriateness of accounting policies and disclosures made;
- in accordance with the JSE Listings Requirements approved the Group financial reporting procedure; and
- completed a detailed review of the going concern assumption, confirming that it was appropriate in the preparation of the financial statements.

Significant matters

The figures disclosed in the annual financial statements in certain circumstances are arrived at using judgment. These are explained in detail in the accounting policies. The committee has considered the qualitative and quantitative aspects of the information presented in the statement of financial position and other items that require significant judgement.

Internal audit

The committee:

- reviewed and approved the existing internal audit charter, which ensures that the Group's internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to discharge its duties;
- satisfied itself of the credibility, independence and objectivity of the internal audit function;
- ensured that internal audit had direct access to the committee, primarily through the committee's Chairman;
- reviewed and approved the annual internal audit plan, ensuring that material risk areas were included and that the coverage of significant business processes was acceptable;
- reviewed the quarterly internal audit reports, covering the effectiveness of internal control, material fraud incidents and material non-compliance with Mpact's policies and procedures. The committee is advised of all internal control developments and advised of any material losses, with none being reported during the year;
- considered and reviewed with management and internal auditors, any significant findings and management responses thereto in relation to reliable financial reporting, corporate governance and effective internal control to ensure appropriate action is taken; and
- the internal audit function provided a written assessment of the effectiveness of the Company's system of internal controls and confirmed that based on their results of work undertaken, they provided reasonable assurance regarding adequacy and effectiveness of systems of internal control.

The committee has reviewed the independence of KPMG and the audit executive of internal audit as the Group's internal auditor and is satisfied with their independence.

Internal financial control and compliance

The committee:

- reviewed and approved the existing treasury policy and reviewed the quarterly treasury reports prepared by management;
- reviewed the quarterly legal and regulatory reports setting out the latest legislative and regulatory developments impacting the Group;
- reviewed the quarterly report on taxation;
- reviewed IT reports; and
- considered and, where appropriate, made recommendations on internal financial control.

Risk management

Management is regularly developing and enhancing the Group's risk and control procedures to improve the mechanisms for identifying, assessing and monitoring risks given that effective risk management is integral to the Group's objective of consistently adding value to the business. The Board approves strategies and budgets and monitors progress against the budget. It also considers the identified business risks.

Risk management is addressed in the areas of physical and operational risks, human resource risks, technology risks, business continuity and disaster recovery risks, credit and market risks and compliance risks.

The Group has implemented several policies and procedures to manage its governance, operations and information systems with regard to the:

- reliability and integrity of financial and operational information;
- effectiveness and efficiency of operations;
- safeguarding of assets; and
- compliance with laws, regulations and contracts.

The committee assessed the effectiveness of the controls and determined how well management perceived the identified controls. The Likelihood rating tables and Potential Loss Impact Rating were reviewed and approved. The Risk Management Review is available on the website, www.mpact.co.za.

Combined assurance

A combined assurance map was developed by management in collaboration with internal audit and external audit. The mapping was compiled to help understand the level of coverage achieved by each assurance provider in terms of the third level of defence in the Combined Assurance Model. Although, the committee approved the Integrated Risk Assurance Framework it is noted that further improvements will be incorporated in the combined assurance map.

Integrated report

The committee fulfils an oversight role regarding the report and the reporting process. Accordingly, it has:

- considered the Integrated Report and has assessed the consistency with operational, financial and other information known to the Audit and Risk Committee members, and for consistency with the annual financial statements. The committee is satisfied that the Integrated Report is materially accurate, complete and reliable and consistent with the annual financial statements; and
- the committee recommended the Integrated Report for the year ended 31 December 2018 to the Board for approval.

Governance

The Board has assigned oversight of the risk management function to the committee, which has an oversight role with respect to financial reporting risks arising from internal financial controls, fraud and IT risks.

In line with the terms of the JSE Listings Requirements, the committee is satisfied that BDV Clark CA(SA) has the appropriate expertise and experience to meet the responsibilities of his appointed position as CFO as required by the JSE.

The committee is satisfied:

- that the resources within the finance function are adequate to provide the necessary support to the CFO; and
- with the expertise and experience of the Group Financial Manager.

In making these assessments, the committee has obtained feedback from the external and internal auditors.

Based on the processes and assurances obtained, the committee believes that the accounting practices are effective.

Assurance

The Audit and Risk Committee confirmed that they were prudent in exercising their duties of care and skill and they have taken reasonable steps to ensure that they performed their duties in accordance with the mandate.

On behalf of the Audit and Risk Committee.

Tim Ross
Audit and Risk Committee Chairman

12 March 2019

Deloitte.

Deloitte & Touche
Registered Auditors
Audit & Assurance -
Gauteng

www.deloitte.com

Buildings 1 and 2
Deloitte Place
The Woodlands
Woodlands Drive
Woodmead Sandton
Private Bag X6
Gallo Manor 2052
South Africa
Docex 10 Johannesburg

Tel: +27 (0)11 806 5000
Fax: +27 (0)11 806 5111

Riverwalk Office Park,
Block B
41 Matroosberg Road
Ashlea Gardens X6
Pretoria, 0081
PO Box 11007
Hatfield 0028
South Africa
Docex 6 Pretoria

Tel: +27 (0)12 482 0000
Fax: +27 (0)12 460 3633

INDEPENDENT AUDITORS REPORT

TO THE SHAREHOLDERS OF MPACT LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Mpact Limited (the Company) set out on pages 13 to 38, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other 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 separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2018, and its separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. With reference to the separate financial statements of Mpact Limited, we are satisfied that no key audit matters exist in these financial statements.

DELOITTE & TOUCHE

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MPACT LIMITED**

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report. The other information does not include the separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

DELOITTE & TOUCHE

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MPACT LIMITED

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with the Audit Committee 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 Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte and Touché has been the auditor of Mpact Limited for 14 years.

Deloitte & Touche
Registered Auditor
Per: Shelly Nelson
Partner
12 March 2019

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2018

	Notes	2018 R'm	2017 R'm
Revenue[1]		53.4	38.6
Administration, other operating expenses and management fee income		(18.7)	(14.2)
Depreciation, amortisation and impairments		(15.7)	(20.4)
Operating profit	2	19.0	4.0
Loss on disposal of subsidiaries	18	(1.1)	–
Investment income	3	175.4	249.9
Profit before tax		193.3	253.9
Tax expense	4	(54.6)	(73.8)
Profit for the year		138.7	180.1
Total comprehensive income for the year		138.7	180.1

[1] *Revenue comprises of rental income from subsidiaries and third parties of R49.3 million (2017: R38.6 million) and dividend income of R4.1 million.*

Statement of financial position

for the year ended 31 December 2018

	Notes	2018 R'm	2017 R'm
ASSETS			
Investment property	5	**282.3**	257.6
Investments in and loans to subsidiaries	6	**6,554.9**	6,464.7
Investment in share trust	7	**54.6**	49.3
Deferred tax assets	11	**8.6**	6.8
Non-current assets		**6,900.4**	6,778.4
Other receivables	8	**2.1**	8.3
Cash and cash equivalents	9	**5.4**	10.7
Short-term portion of loans to subsidiaries	6	**–**	9.0
Current assets		**7.5**	28.0
Total assets		**6,907.9**	6,806.4
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	13	**2,669.2**	2,621.4
Retained earnings		**4,212.4**	4,165.6
Other reserves		**15.1**	13.5
Total		**6,896.7**	6,800.5
Trade and other payables	10	**10.2**	4.6
Current tax liabilities		**1.0**	1.3
Current liabilities		**11.2**	5.9
Total liabilities		**11.2**	5.9
Total equity and liabilities		**6,907.9**	6,806.4

Statement of cash flows

for the year ended 31 December 2018

	Notes	2018 R'm	2017 R'm
Cash flows from operating activities			
Operating cash flows before movements in working capital		39.1	32.2
Net decrease/(increase) in working capital		11.6	(7.4)
Cash generated from operations	14	50.7	24.8
Dividend income		4.1	4.1
Taxation paid		(57.7)	(77.7)
Net cash outflows from operating activities		(2.9)	(48.8)
Cash flows from investing activities			
Additions to investment property	5	(40.4)	(86.8)
Loan repayments from related parties		20.2	160.2
Proceeds on disposal of subsidiary and loans to subsidiary	18a	29.4	–
Interest received from related parties		43.2	62.5
Interest received		0.3	0.1
Net contributions to share incentive trust		(8.4)	(30.7)
Net cash inflows from investing activities		44.3	105.3
Cash flows from financing activities			
Dividends paid to equity holders of Mpact Limited		(46.7)	(46.5)
Net cash outflows from financing activities		(46.7)	(46.5)
Net (decrease)/increase in cash and cash equivalents		(5.3)	10.0
Net cash and cash equivalents at beginning of year		10.7	0.7
Net cash and cash equivalents at end of year	9	5.4	10.7

Statement of changes in equity

for the year ended 31 December 2018

	Stated capital R'm	Share-based payment reserve R'm	Other reserves[1] R'm	Retained earnings R'm	Total equity R'm
Balance at 31 December 2016	2,532.7	10.5	(21.7)	4,130.6	6,652.1
Total comprehensive income for the year	–	–	–	180.1	180.1
Dividends paid[1]	88.7	–	–	(135.2)	(46.5)
Share plan charges for the year (see note 16)	–	7.8	–	–	7.8
Issue/exercise of shares under employee share scheme	–	(4.8)	–	(2.7)	(7.5)
Put option held by non-controlling shareholder of subsidiary[2]	–	–	21.7	(7.2)	14.5
Balance at 31 December 2017	**2,621.4**	**13.5**	**–**	**4,165.6**	**6,800.5**
Total comprehensive income for the year	**–**	**–**	**–**	**138.7**	**138.7**
Dividends paid[1]	**47.8**	**–**	**–**	**(94.5)**	**(46.7)**
Share plan charges for the year (see note 16)	**–**	**8.5**	**–**	**–**	**8.5**
Issue/exercise of shares under employee share scheme	**–**	**(6.9)**	**–**	**2.6**	**(4.3)**
Balance at 31 December 2018	**2,669.2**	**15.1**	**–**	**4,212.4**	**6,896.7**

[1] *Dividends declared amounted to R94.5 million (2017: R135.2 million) of which R47.8 million (2017: R88.7 million) related to a capitalisation issue (refer to note 13). The dividend per share for the year was 55 cents per share (2017: 80 cents per share).*

[2] *Derecognition of put option reserve as the option had expired. Refer to note 12.*

Notes to the annual financial statements

for the year ended 31 December 2018

1. ACCOUNTING POLICIES

Basis of preparation

These annual financial statements have been prepared and presented in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited's Listings Requirements, and the requirements of the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost basis, except for derivative financial instruments, financial instruments at fair value through profit or loss and available for sale financial assets. The annual financial statements have been prepared on a going concern basis. The annual financial statements are presented in South African Rand, which is the Company's functional currency. All financial information presented in Rand has been rounded off to the nearest million.

The basis of preparation is consistent with the prior year, except for new and revised standards adopted to the annual financial statements.

New accounting policies, early adoption and future requirements

Standards and Interpretations early adopted by the Company

There were no Standards or Interpretations early adopted by the Company in the current year.

Standards, amendments to published Standards and Interpretations effective during 2018

The Company has adopted the following Standards and amendments to published Standards during the current year, which had no significant impact on the Company's results:

- **IFRIC 22 – Foreign currency transactions and advance considerations**

  The amendment clarifies the exchange rate to use in transactions that involve advance consideration paid or received in foreign currency.

- **IFRIC 2 – Share-based payment**

  The amendment addresses the classification and measurement of share-based payment transactions.

- **IFRIC 9 – Financial Instruments**

  Change in Accounting Policy

  The Company applied the standard retrospectively, however, has used the exemption not to restate comparative information for prior periods, therefore the comparative information continues to be reported under IAS 39. On adoption date there was no need to adjust retained earnings, financial assets and financial liabilities.

  The Company has also adopted the consequential amendments to IFRS 7 *Financial Instruments: Disclosures* and IAS 1 *Presentation of Financial Statements*.

The following table discloses the measurement categories under IAS 39 and IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018.

Category	IAS 39 classification	IFRS 9 classification	IAS 39 carrying amount	IFRS 9 carrying amount
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	8.3	8.3
Loans receivable	Loans and receivables	Amortised cost	1,985.4	1,985.4
Cash and cash equivalents	Loans and receivables	Amortised cost	10.7	10.7
Financial liabilities				
Trade and other payables	Amortised cost	Amortised cost	4.6	4.6

- **IFRS 15 – Revenue from contracts with customers**

  Change in Accounting Policy

  IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

  There was no impact to Revenue on the application of the variable consideration requirements.

  The Company has adopted the standard using the cumulative effect method as there was no quantitative impact on the adoption of IFRS 15 for the comparative period.

  Standards and amendments to published Standards and Interpretations that are not yet effective and have not been early adopted by the Company

  The following Standards and amendments to published Standards and Interpretations, are not yet effective. The Company will adopt once the standards and amendments are effective.

- **IFRS 16 – Leases**

  Leases in which the Company is a lessee

  IFRS 16 introduces a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value as defined. The Company does not have any operating leases.

  Leases in which the Company is a lessor

  No significant impact is expected for leases in which the Company is a lessor.

  The standard is effective from 1 January 2019.

- **IAS 19 – Employee benefits**

  The amendments require an entity to use the updated assumptions from a remeasurement net defined benefit liability or asset resulting from a plan amendment, curtailment or settlement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. The amendment is effective from 1 January 2019. This amendment is not likely to have a significant impact to the Company.

- **IFRIC 23 – Uncertainty over income tax treatments**

  The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes. The amendment is effective from 1 January 2019. This amendment is not likely to have a significant impact to the Company.

1. ACCOUNTING POLICIES *(continued)*

Revenue recognition

Rental income

Revenue is derived principally as a result of properties under operating leases. Revenue comprises rental charges adjusted for straight-lining effects of lease smoothing as per IAS 17 leases.

Dividend income

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

Investment income

Interest income

Interest income, which is derived from cash and cash equivalents and loans and receivables, is accrued on a time proportion basis by reference to the principal outstanding and at the effective interest rate applicable.

Non-current, non-financial assets excluding goodwill, deferred tax and retirement benefit surplus

Investment property

Investment properties are held to earn rental and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost of assets, other than land and assets in the course of construction, over their estimated useful lives to their estimated residual values. Buildings have an estimated useful life of 20 to 25 years.

Residual values and useful lives are reviewed at least annually.

Investments in subsidiaries and share trust

Investments in subsidiaries and the share trust are carried at cost and adjusted for any impairment losses.

Tax

The tax expense represents the sum of the current tax charge and the movement in deferred tax.

Current tax

The current tax payable is based on taxable profit for the year. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of profit or loss and other comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle their current tax assets and liabilities on a net basis.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating leases

Rental costs under operating leases are charged to the statement of comprehensive income in equal annual amounts over the lease term.

Foreign currency transactions

Foreign currency transactions are recorded in their functional currencies at the exchange rates ruling on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the reporting date. Gains and losses arising on translation are included in the statement of other comprehensive income for the year and are classified as either operating or financing depending on the nature of the monetary items giving rise to them..

Share-based payments

The Company participates in a number of equity settled, share-based compensations, namely: Bonus Share Plan (BSP) and Performance Share Plan (PSP). The vesting condition of the BSP is continued employment for a period of three years. The vesting condition of the PSP is dependent on Total Shareholder Return and Return on Capital Employed for a period of three years.

The fair value of the employee services received in exchange for the grant of share awards is recognised concurrently as an expense and an adjustment to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted, adjusted for market performance conditions and non-vesting conditions where applicable. Vesting conditions are included in assumptions about the number of awards that are expected to vest. At each reporting date, the Company revises its estimates of the number of share awards that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity. During the vesting period, participants do not have shareholders' rights. Therefore, participants do not have the right to vote nor the right to share in the dividend distribution.

The fair value of the shares granted have been calculated by an actuary using the Black-Scholes-Merton model. The share price volatility is based on the historical share price volatility over a similar period of the grant.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value. A trade receivable without a significant financing component is initially measured at the transaction price.

On initial recognition, a financial asset is classified as measured at: amortised cost; or fair value through profit or loss.

Financial asset investments

Investments, other than investments in subsidiaries and associates, are either classified as available-for-sale or loans and receivables.

Loans and receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments of a maturity of three months or less from the date of acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value.

Trade receivables

On initial recognition, trade receivables are classified as measured at amortised cost using the effective interest rate method, less any expected credit losses as appropriate.

Trade payables

On initial recognition, trade payables are classified as measured at amortised cost using the effective interest rate method.

1. ACCOUNTING POLICIES *(continued)*

Equity instruments and dividend payments

Equity instruments

An equity instrument is any contract which evidences a residual interest in the net assets of an entity.

Dividend payments

Dividend distributions to the Company's ordinary equity holders are recognised as a liability in the period in which the dividends are declared and approved. Final dividends are accrued when approved by the Board.

Accounting estimates and critical judgements

The preparation of the Company's financial statements includes the use of estimates and assumptions which affect certain items reported in the statement of financial position and the statement of comprehensive income. The disclosure of contingent assets and liabilities is also affected by the use of estimation techniques. Although the estimates used are based on management's best knowledge of current circumstances, future events and actions, actual results may differ from those estimates. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next financial year are discussed below:

Deferred tax assets

The recognition of deferred tax assets is based upon whether it is probable that taxable profits will be available in the future, against which the deductible temporary differences can be utilised. Management therefore exercises judgement in assessing the future financial performance of the Company.

Share-based payment charges

The Company issues equity settled share-based payments to employees. Equity settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of the grant. The fair value determined at the grant date of the equity settled share-based payments is expensed as services are rendered over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. The share payment expense relating to the awards of performance shares to the Company's executive directors and selected employees is based on the achievement of financial and service conditions. The probability of these conditions being achieved is estimated using an option pricing model.

Valuation of financial instruments

The fair value of financial instruments, excluding derivative instruments, not traded in active, liquid and organised financial markets is determined using a variety of valuation methods and assumptions that are based on market conditions and risks existing at the reporting date, including independent appraisals and discounted cash flow methods.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. Significant valuation issues are reported to the Company's Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Notes to the annual financial statements (continued)

for the year ended 31 December 2018

	2018 R'm	2017 R'm
2. OPERATING PROFITS		
Operating profit for the year has been arrived at after charging/(crediting):		
Depreciation of investment property (refer to note 5)	15.7	11.4
Impairment of investment (refer to note 6)	–	9.0
Audit fees	2.3	2.1
Staff costs (excluding directors' emoluments)	–	0.7
Share-based payments	8.5	7.8
Executive directors' and prescribed officers' short-term benefits (excluding value of deferred bonus shares awarded)	15.0	10.6
Executive directors' and prescribed officers' post-employment benefits (excluding value of deferred bonus shares awarded)	0.6	0.5
Management fee income[1]	(21.1)	(16.9)

[1] *Recovery of costs charged to a Group subsidiary.*

	2018 R'm	2017 R'm
3. INVESTMENT INCOME		
Interest from loans to subsidiaries	175.1	245.7
Bank deposits	0.3	0.1
Total interest income	175.4	245.8
Dividends – subsidiary company	–	4.1
Total investment income	175.4	249.9

	2018 R'm	2017 R'm
4. TAX EXPENSE		
Analysis of tax charge for the year		
South African corporate tax		
– current tax	58.1	77.1
– prior year	–	(0.1)
Securities Transfer Tax	0.2	0.2
Current tax	58.3	77.2
Deferred tax in respect of the current year	(3.7)	(3.4)
Total tax charge	54.6	73.8

Factors affecting tax charge for the year

The Company's effective rate of tax for the year ended 31 December 2018, calculated on profit before tax and including net income from investees is 28.2% (2017: 29.1%).

The Company total tax charge for the year can be reconciled to the tax on the Company's profit before tax at the South African corporation tax rate of 28% (2017: 28%) as follows:

	2018 R'm	2017 R'm
Profit before tax	193.3	253.9
Tax on profit before tax calculated at the South African corporation tax rate	54.1	71.1
Tax effects of:		
Expenses not deductible for tax purposes		
Legal and professional costs	1.4	1.2
Impairment of investment	–	2.5
Non-taxable income		
Non-taxable dividend	(1.1)	(1.1)
Temporary difference adjustments		
Prior year adjustment current tax	–	(0.1)
Withholding tax	0.2	0.2
Tax charge for the year	54.6	73.8

	Land and buildings R'm	Assets in the course of construction R'm	Total R'm
5. INVESTMENT PROPERTY			
2018			
Cost			
At 1 January 2018	311.7	2.5	314.2
Additions	24.8	15.6	40.4
At 31 December 2018	336.5	18.1	354.6
Accumulated depreciation			
At 1 January 2018	56.6	–	56.6
Depreciation	15.7	–	15.7
At 31 December 2018	72.3	–	72.3
Net book value at 31 December 2018	264.2	18.1	282.3
2017			
Cost			
At 1 January 2017	226.2	1.2	227.4
Additions	85.5	1.3	86.8
At 31 December 2017	311.7	2.5	314.2
Accumulated depreciation			
At 1 January 2017	45.2	–	45.2
Depreciation	11.4	–	11.4
At 31 December 2017	56.6	–	56.6
Net book value at 31 December 2017	255.1	2.5	257.6

The fair value of the investment properties are R491.5 million (2017: R451.5 million), measured by independent valuators.
The land and buildings are pledged as security in respect of bank loans of Mpact Operations (Pty) Limited.
The net book value comprises:

	2018 R'm	2017 R'm
Freehold	264.2	255.1
Total land and buildings	264.2	255.1

A register of land and buildings and of leased assets is open for inspection upon prior arrangement at the registered office of the Company.

		2018 R'm	2017 R'm

6. INVESTMENT IN AND LOANS TO SUBSIDIARIES

Unlisted	**Country of incorporation**		
Mpact Operations (Pty) Limited	South Africa	5,955.9	4,455.8
Mpact Namibia (Pty) Limited	Namibia	22.6	22.6
Embalagens Mpact LDA	Mozambique	0.9	0.9
Total shares at cost		5,979.4	4,479.3
Loans advanced		575.5	1,985.4
		6,554.9	6,464.7

In the current financial year, the Company subscribed to R1.5 billion preference shares in Mpact Operations (Pty) Limited. This was settled via the loan account with Mpact Operations (Pty) Limited. Refer to the interest in subsidiaries on note 25 for details of the investment in subsidiary companies. The investment in Mpact Operations (Pty) Limited is pledged as security in respect of the bank loans of Mpact Operations (Pty) Limited. Loans advanced are the following:

	Interest rate		
Mpact Operations (Pty) Limited	Prime plus 2%	575.5	1,985.4
Shoebill (Pty) Limited	Interest-free	–	9.0
		575.5	1,994.4
Less current portion		–	(9.0)
		575.5	1,985.4

There are no fixed terms of repayment for these loans. The term loan to Mpact Operations (Pty) Limited is repayable on notice of 366 days.
These loans are unsecured. These companies operate principally in the countries in which they are incorporated.

Investments and loans key assumptions

Loans and investments are tested for impairment whenever there are impairment indicators, by comparing the recoverable amounts of the cash-generating units (CGU) to the carrying amounts of the investments and loans.
During the prior financial year, loans of R9.0 million were converted into investments in subsidiaries and subsequently impaired. The impairment was as a consequence of a subsidiary selling the majority of its operating assets.

7. INVESTMENT IN SHARE TRUST

	2018 R'm	2017 R'm
Net contribution to share trust	54.6	49.3
	54.6	49.3

Mpact Limited funds the Share Incentive Trust through capital contributions.

	2018 R'm	2017 R'm

8. OTHER RECEIVABLES

	2018 R'm	2017 R'm
Other receivables	2.1	8.3
	2.1	8.3

The fair values of other receivables approximate the carrying values presented.

9. CASH AND CASH EQUIVALENTS

	2018 R'm	2017 R'm
Cash at bank and on hand	5.4	10.7
	5.4	10.7

10. TRADE AND OTHER PAYABLES

	2018 R'm	2017 R'm
Trade payables	3.4	0.3
Other payables and accruals	6.8	4.3
	10.2	4.6

The fair values of trade and other payables are not materially different to the carrying values presented.

11. DEFERRED TAX

	2018 R'm	2017 R'm
Deferred tax asset		
At 1 January	6.8	4.8
Charged to statement of profit or loss	3.7	3.4
Charge to equity	(1.9)	(1.4)
At 31 December	8.6	6.8

The amount of deferred taxation provided in the accounts is presented as follows:

	2018 R'm	2017 R'm
Deferred tax assets		
Capital allowances	2.3	1.3
Other temporary differences	6.3	5.5
	8.6	6.8

12. OTHER CURRENT LIABILITIES

	2018 R'm	2017 R'm
Opening balance	–	14.5
Expiry of option	–	(14.5)
Closing balance	–	–

[1] *The non-controlling shareholders of a subsidiary company had a put option which required the Group to purchase the non-controlling interest in the future. The conditions for the put option to be effective were not met in the prior financial year and the option had expired.*

	2018 R'm	2017 R'm

13. STATED CAPITAL

	2018 R'm	2017 R'm
Authorised share capital		
217,500,000 shares of no par value	–	–
Issued share capital		
Issue of shares of no par value	2,621.4	2,532.7
Capitalisation issue	47.8	88.7
	2,669.2	2,621.4

The following table illustrates the movement within the number of shares issued:	Number of shares	Number of shares
Shares in issue at beginning of year	171,461,623	168,485,360
Issued in terms of the scrip distribution made during the financial year	1,842,894	2,976,263
Shares in issue at end of year	173,304,517	171,461,623

The directors have been given the authority by the shareholders to buy back Mpact's own shares up to a limit of 20% of the current issued share capital, although the directors will limit any purchase to a maximum of 5% of the issued share capital.

Included in other reserves are amounts paid by Mpact Limited to Mpact Limited Incentive Scheme Trust for the acquisition of Mpact shares to be utilised in terms of the Share Plans. Refer to note 16. As at 31 December 2018, The Trust held 2,403,309 shares (2017: 1,914,874).

14. CASH GENERATED FROM OPERATIONS

	2018 R'm	2017 R'm
Profit before taxation	193.3	253.9
Depreciation, amortisation and impairments	15.7	20.4
Share-based payments	8.5	7.8
Investment income	(175.4)	(249.9)
Dividend income	(4.1)	–
Loss on disposal of subsidiary	1.1	–
Decrease/(increase) in receivables	6.2	(6.9)
Increase/(decrease) in payables	5.4	(0.5)
	50.7	24.8

15. CAPITAL COMMITMENTS

	2018 R'm	2017 R'm
Approved, not yet contracted for	19.8	22.3
	19.8	22.3

	2018 R'm	2017 R'm

16. SHARE-BASED PAYMENTS

The Company has a share-based payment arrangement for executive directors of the Company. The Company intends to operate two plans on a continuing basis, namely; Bonus Share Plan ("BSP"), Performance Share Plan ("PSP"). The total fair value charge in respect of all the Mpact share awards granted are as follows:

	2018 R'm	2017 R'm
Bonus Share Plan (BSP)	**2.0**	2.5
Performance Share Plan (PSP)	**6.5**	5.3
Total share-based payment expense	**8.5**	7.8

The fair values of the share awards granted under the Mpact share plans are calculated using the Black-Scholes-Merton Model with reference to the facts and assumptions presented below:

	2018	2017	2016	2015
Bonus Share Plan (BSP)				
Date of grant	**3 April 2018**	3 April 2017	1 April 2016	1 April 2015
Vesting period (months)	**36**	36	36	36
Expected leavers per annum (%)	**–**	–	–	5
Share price volatility	**36.66%**	33.71%	28.50%	22.48%
Future risk free interest rate	**7.10%**	7.92%	7.20%	7.20%
Grant date fair value per instrument (R)	**28.59**	27.48	48.53	39.06
Performance Share Plan (PSP)				
Date of grant	**3 April 2018**	3 April 2017	1 April 2016	1 April 2015
Vesting period (months)	**36**	36	36	36
Expected leavers per annum (%)	**–**	–	–	5
Share price volatility	**36.66%**	33.71%	28.50%	22.48%
Future risk free interest rate	**7.10%**	7.92%	7.20%	7.20%
Expected outcome of meeting performance criteria (%)				
– Return on capital employed ("ROCE") component	**73.4**	100	100	100
– Total shareholder return ("TSR") component determined inside the valuation model and incorporated in the fair value per option				
Grant date fair value per instrument (R)				
– ROCE component	**24.14**	27.48	48.53	39.06
– TSR component	**17.59**	18.99	31.13	24.49

A reconciliation of share award movements for the Group is shown below:

	BSP Number of shares	PSP Number of shares
2018		
1 January 2018	**190,679**	621,117
Shares conditionally awarded in the year	**41,947**	380,359
Shares vested in the year	**(71,772)**	(43,947)
Shares lapsed in the year	**–**	(94,283)
31 December 2018	**160,854**	863,246
2017		
1 January 2017	**235,017**	414,898
Shares conditionally awarded in the year	**55,358**	354,190
Shares vested in the year	**(99,696)**	(147,971)
31 December 2017	**190,679**	621,117

17. ACQUISITION OF NON-CONTROLLING INTERESTS

2018

There were no acquisitions in the current financial year.

2017

Acquisition of additional interest in Pyramid Holdings Proprietary Limited

On 1 July 2017, the Group acquired the remaining 49% interest in the voting shares of Pyramid Holdings Proprietary Limited. The cash consideration was R1.

18. DISPOSAL OF SUBSIDIARIES

2018

(a) Shoebill (Pty) Limited

During the current financial year, the Company disposed of its entire interest in the subsidiary for cash proceeds of R29.4 million. The investment value was R121 and the loan receivable from the subsidiary was R30.5 million. A loss of R1.1 million was recognised in the statement of profit or loss.

(b) Pyramid Holdings (Pty) Limited

During the current financial year, the Company disposed of its entire interest in the subsidiary for proceeds of Rnil million. The investment value was Rnil million. No profit or loss was recognised in the statement of profit or loss.

2017

There were no disposals in the prior financial year.

19. OPERATING LEASE RECEIVABLES

	2018 R'm	2017 R'm
The Company material leases are with related parties.		
At 31 December, the outstanding receivables under non-cancellable leases were:		
Expiry date:		
Within one year	55.5	29.4
One to two years	55.0	13.5
Two to five years	79.8	7.2
	190.3	50.1

	2018 R'm	2017 R'm

20. FINANCIAL RISK MANAGEMENT

The Company's trading and financing activities expose it to various financial risks that, if left unmanaged, could adversely impact on current or future earnings. Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company is actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on the Company's financial performance.

The principles, practices and procedures governing the Company-wide financial risk management process have been approved by the Board and are overseen by the Executive Committee. In turn, the Executive Committee delegates authority to a central treasury function (Company treasury) for the practical implementation of the financial risk management process across the Company and for ensuring that the Company's entities adhere to specified financial risk management policies. Company treasury continually reassesses and reports on the financial risk environment, identifying, evaluating and hedging financial risks by entering into derivative contracts with counterparties where appropriate. The Company does not take speculative positions on derivative contracts and only enters into contractual arrangements with counterparties that have investment grade credit ratings.

Market risk

The Company's activities are exposed to primarily foreign exchange and interest rate risk. Both risks are actively monitored on a continuous basis and primarily relate to foreign currency translation exposure on net investments in foreign operations, and interest rate exposure on loans to Group subsidiaries. The Company has an exposure of Rnil million (2017: R8.4 million) in foreign loan receivables. If foreign exchange rates had been 10% higher/lower and all other variables were held constant, the Company's profit for the year would increase/decrease by Rnil million (2017: increase/decrease by R0.9 million). If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's profit for the year would decrease/increase by Rnil million (2017: decrease/increase by R19.4 million).

Management of cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term highly liquid investments which have a maturity of three months or less from the date of acquisition.

Credit risk

The Company's credit risk is mainly confined to the risk of borrowers defaulting on borrowings. In the current and prior financial year, no amount in trade and other receivables was past due. Full disclosure of the Company's maximum exposure to credit risk is presented in the following table.

	2018 R'm	2017 R'm
Exposure to credit risk		
Cash and cash equivalents	5.4	10.7
Other receivables (excluding prepayments and accrued income)	2.1	8.3
Loans receivable (related parties)	575.5	1,994.4
Financial asset investment	54.6	49.3
Total credit risk exposure	**637.6**	2,062.7

	2018 R'm	2017 R'm

20. FINANCIAL RISK MANAGEMENT *(continued)*

Liquidity risk

Liquidity risk is the risk that the Company could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment. The Company manages its liquidity risk by using reasonable and retrospectively-assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate.

Contractual maturity analysis

Trade receivables, the principal class of non-derivative financial assets held by the Company, are settled gross by customers. The Company's financial investments, which are not held for trading and therefore do not comprise part of the Company's liquidity planning arrangements, make up the remainder of the non-derivative financial assets held.

The following table presents the Company's outstanding contractual maturity profile for its non-derivative financial liabilities. The analysis presented is based on the undiscounted contractual maturities of the Company's financial liabilities, including any interest that will accrue, except where the Company is entitled and intends to repay a financial liability, or part of a financial liability, before its contractual maturity. Non-interest-bearing financial liabilities which are due to be settled in less than 12 months from maturity equal their carrying values, since the impact of the time value of money is immaterial over such a short duration.

Maturity profile of outstanding financial liabilities

	2018 R'm	2017 R'm
Undiscounted cash flow		
Less than one year		
Trade and other payables	**10.2**	4.6
Total	**10.2**	4.6

It has been assumed that, where applicable, interest and foreign exchange rates prevailing at the reporting date will not vary over the time periods remaining for future cash flows.

Financial instruments by category

	Amortised cost R'm	Total R'm
2018		
Financial assets		
Other receivables	**2.1**	**2.1**
Total	**2.1**	**2.1**

	Loans and receivables R'm	Total R'm
2017		
Financial assets		
Other receivables	8.3	8.3
Total	8.3	8.3

	2018 R'm	2017 R'm

20. FINANCIAL RISK MANAGEMENT *(continued)*

	At amortised cost R'm	Total R'm
2018		
Financial liabilities		
Trade and other payables	**10.2**	**10.2**
Total	**10.2**	**10.2**

	At amortised cost R'm	Total R'm
2017		
Financial liabilities		
Trade and other payables	4.6	4.6
Total	4.6	4.6

Fair value estimation

The fair value of trade and other receivables and trade and other payables approximate their carrying values due to the short term maturities of these instruments.

	2018 R'm	2017 R'm

21. CAPITAL MANAGEMENT

The Company defines its total capital employed as loans and investments plus cash and cash equivalents less equity.

The capital structure of the Company is equity funded, comprising of stated capital as referred to in note 13, reserves and retained earnings.

22. RELATED PARTY TRANSACTIONS

The Company has a related party relationship with its subsidiaries, associates and directors.

Details of transactions and balances between the Company and related parties are disclosed below:

	2018 R'm	2017 R'm
Rental income from subsidiaries	48.5	36.7
Management fees received from subsidiaries	21.1	16.9
Dividend income from subsidiaries	4.1	4.1
Interest income from subsidiaries	175.1	245.7
Loans to subsidiaries (refer to note 6)	575.5	1,994.4

Details of the executive directors' and prescribed officers' remuneration is included in note 26.

23. CONTINGENT LIABILITY

As advised to the shareholders on 26 May 2016, the Company is subject to a Competition Commission investigation. The directors are unable to determine the outcome of the investigation.

24. EVENTS OCCURRING AFTER THE REPORTING DATE

The Board declared an ordinary dividend of 55 cents per share on 13 March 2019 payable on 8 April 2019 to shareholders registered on 5 June 2019.

There were no other significant or material subsequent events which would require adjustment to or disclosure in the consolidated financial statements.

25. INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS

	Country of incorporation	Share capital 2018	Share capital 2017	Shareholding 2018 %	Shareholding 2017 %
Subsidiary Direct Holding					
Mpact Operations (Pty) Limited[1]	RSA	**R20 000**	R20 000	**90**	90
Shoebill (Pty) Limited	Botswana	**–**	P100	**–**	100
Pyramid Holdings (Pty) Limited	Botswana	**–**	P30 592 785	**–**	100
Sunko Mauritius	Mauritius	**R100**	R 100	**100**	100
Embalagens Mpact Limitada	Mozambique	**M1,213,000**	M1,213,000	**90**	90
Mpact Corrugated (Pty) Limited	Namibia	**N$100**	N$100	**74**	74
Subsidiaries – Indirect holding					
Mpact Versapak (Pty) Limited	RSA	**R100**	R100	**100**	100
Mpact Recycling (Pty) Limited	RSA	**R231,741,655**	R231,741,655	**100**	100
Mpact Plastics Containers (Pty) Limited	RSA	**R100**	R100	**66**	66
Mpact Polymers (Pty) Limited	RSA	**R100**	R100	**69**	79
Magic Attitude (Pty) Limited	RSA	**R100**	R100	**100**	100
Detpak South Africa (Pty) Limited	RSA	**R7,143**	R7,143	**51**	51
Rebel Packaging (Pty) Limited	RSA	**R4,000**	R4,000	**100**	100
Remade Recycling (Pty) Limited	RSA	**R1 000**	R1 000	**100**	100
Lenco Corporate Finance (Pty) Limited[2]	RSA	**R35,651**	R35,651	**100**	100
Lion Packaging Trading 57 (Pty) Limited[3]	RSA	**R100**	R100	**100**	100
Versapak Holdings (Pvt) Limited3	Zimbabwe	**US$1**	US$1	**100**	100
Associates – Indirect holding					
Recyquip Engineering & Manufacturing (Pty) Limited	RSA	**R100**	R100	**30**	30
West Coast Paper Traders (Pty) Limited	RSA	**R400**	R400	**49**	49
Box Boyz (Pty) Limited	RSA	**R100**	R100	**44**	44
Lomina Vyf (Pty) Limited	RSA	**R100**	R100	**49**	49
Right Corrugated Containers (Pty) Limited	RSA	**R1,000**	R1,000	**49**	49
Seyfert Corrugated Western Cape (Pty) Limited	RSA	**R15,500,201**	R15,500,201	**49**	49
Dalisu Holdings (Pty) Limited	RSA	**R100**	R100	**49**	49
Joint arrangement – Indirect holding					
Rusmar Packaging (Pty) Limited	RSA	**–**	R200	**–**	50
Pretoria Box Manufacturers	RSA	**–**	–	**–**	50

1 The remaining 10% is held by Mpact Foundation Trust. The trust is controlled by Mpact Limited.
2 In the process of deregistration.
3 Ceased trading and in the process of being wound up.

The Mpact Group does not have any significant restrictions on its ability to access/use assets, or settle liabilities in any of its subsidiaries. The above associates and joint ventures are not considered material to the Group. Refer to note 6 for the cost of investment in subsidiaries and loans to subsidiaries.

26. DIRECTORS REMUNERATION

Executive directors'

The remuneration of the executive directors and prescribed officers, all of which are paid by Mpact Limited Group, who served during the period under review was as follows:

	Guaranteed package (TGCOE)[1]	Short-term incentive bonus[2]	Other[3]	Cash-based remuneration	Grant value of bonus share awarded[4]	Intrinsic value of performance shares vesting[5]	Total remuneration
2018 EXECUTIVE DIRECTORS							
BW Strong	**5,249,088**	**3,493,793**	**119,381**	**8,862,262**	**1,965,259**	**421,541**	**11,249,062**
BDV Clark	**3,989,965**	**2,662,105**	**88,637**	**6,740,707**	**1,497,434**	**192,254**	**8,430,395**
Total	**9,239,053**	**6,155,898**	**208,018**	**15,602,969**	**3,462,693**	**613,795**	**19,679,457**
2017 EXECUTIVE DIRECTORS							
BW Strong	5,023,050	1,092,212	164,282	6,279,544	682,633	738,559	7,700,736
BDV Clark	3,818,148	846,713	124,836	4,789,697	529,195	333,987	5,652,879
Total	8,841,198	1,938,925	289,118	11,069,241	1,211,828	1,072,546	13,353,615

1 *Guaranteed package (TGCOE) paid for the 12 months of the financial year.*

2 *Short-term incentive (STI) earned on performance for the 2018 financial year, to paid in March 2019 (2017: STI earned on 2017 performance, paid in March 2018).*

3 *Other cash incentive includes dividend equivalent bonus based on actual Bonus Share Plan vesting.*

4 *Value of the bonus share granted on 1 April 2019 based on 2018 performance achieved and vesting in three years. (2017: Value of the bonus share granted on 1 April 2018 based on 2017 performance achieved and vesting in three years).*

5 *Intrinsic value is calculated by taking the number of Performance Share Plan shares expected to vest in March 2019 based on performance over the three-year period ended 31 December 2018 mulitplied by the closing Mpact share price at 31 December 2018 (2017: Performance Share Plan shares expected to vest in March 2018 based on performance over the three-year period ended 31 December 2017 multiplied by the closing Mpact share price at 31 December 2017).*

26. DIRECTORS REMUNERATION *(continued)*

Share awards granted to executive directors

The following tables set out the share award grants to the executive directors. Market values of the shares granted are disclosed in the Remuneration Report.

EXECUTIVE DIRECTORS

	Type of award [1,2]	Date of Award	Release date	Number of awards at grant date	Number of awards granted during the year	Number of awards vested during the year	Number of shares lapsed or expected to lapse at vesting date	Number of awards held as at 31 December 2018
BW Strong	BSP	Apr 15	Mar 18	41,098	–	(41,098)	–	–
	PSP	Apr 15	Mar 18	95,185	–	(30,269)	(64,916)	–
	BSP	Apr 16	Mar 19	35,949	–	–	–	35,949
	PSP	Apr 16	Mar 19	88,387	–	–	(68,323)	20,064
	BSP	Apr 17	Mar 20	31,172	–	–	–	31,172
	PSP	Apr 17	Mar 20	225,585	–	–	(135,351)	90,234
	BSP	Apr 18	Mar 21	–	23,629	–	–	23,629
	PSP	Apr 18	Mar 21	–	242,250	–	(145,350)	96,900
Total number of shares				**517,376**	**265,879**	**(71,367)**	**(413,940)**	**297,948**

	Type of award[1,2]	Date of Award	Award price basis (cents)	Market value at grant date[3]	Grant value of awards granted during the year[4]	Cumulative effects of share price movement gain/(loss)[5]	Value of awards vested during the year[6]	Value of shares lapsed or expected to lapse at vesting date	Market value at 31 December 2018[7]
	BSP	Apr 15	4,243	1,743,788	–	(577,369)	(1,166,419)	–	–
	PSP	Apr 15	4,243	4,038,700	–	(1,337,216)	(859,077)	(1,842,407)	–
	BSP	Apr 16	4,825	1,734,539	–	(979,251)	–	–	755,288
	PSP	Apr 16	4,825	4,264,673	–	(2,407,662)	–	(1,435,469)	421,542
	BSP	Apr 17	2,969	925,497	–	(270,573)	–	–	654,924
	PSP[8]	Apr 17	2,969	6,697,619	–	(1,958,078)	–	(2,843,725)	1,895,816
	BSP	Apr 18	2,889	–	682,642	(186,197)	–	–	496,445
	PSP[8]	Apr 18	2,889	–	6,998,603	(1,908,930)	–	(3,053,804)	2,035,869
Total market value of shares				**19,404,816**	**7,681,245**	**(9,625,276)**	**(2,025,496)**	**(9,175,405)**	**6,259,884**

26. DIRECTORS REMUNERATION *(continued)*

Share awards granted to executive directors *(continued)*

EXECUTIVE DIRECTOR

	Type of award [1,2]	Date of Award	Release date	Number of awards at grant date	Number of awards granted during the year	Number of awards vested during the year	Number of shares lapsed or expected to lapse at vesting date	Number of awards held as at 31 December 2018
BDV Clark	BSP	Apr 15	Mar 18	30,674	–	(30,674)	–	–
	PSP	Apr 15	Mar 18	43,044	–	(13,688)	(29,356)	–
	BSP	Apr 16	Mar 19	27,600	–	–	–	27,600
	PSP	Apr 16	Mar 19	40,311	–	–	(31,160)	9,151
	BSP	Apr 17	Mar 20	24,186	–	–	–	24,186
	PSP	Apr 17	Mar 20	128,605	–	–	(77,163)	51,442
	BSP	Apr 18	Mar 21	–	18,318	–	–	18,318
	PSP	Apr 18	Mar 21	–	138,109	–	(82,865)	55,244
Total number of shares				**294,420**	**156,427**	**(44,362)**	**(220,544)**	**185,941**

	Type of award[1,2]	Date of Award	Award price basis (cents)	Market value at grant date[3]	Grant value of awards granted during the year[4]	Cumulative effects of share price movement gain/(loss)[5]	Value of awards vested during the year[6]	Value of shares lapsed or expected to lapse at vesting date	Market value at 31 December 2018[7]
	BSP	Apr 15	4,243	1,301,498	–	(430,927)	(870,571)	–	–
	PSP	Apr 15	4,243	1,826,357	–	(604,708)	(388,485)	(833,164)	–
	BSP	Apr 16	4,825	1,331,700	–	(751,824)	–	–	579,876
	PSP	Apr 16	4,825	1,945,006	–	(1,098,072)	–	(654,680)	192,254
	BSP	Apr 17	2,969	718,082	–	(209,934)	–	–	508,148
	PSP[8]	Apr 17	2,969	3,818,282	–	(1,116,291)	–	(1,621,195)	1,080,796
	BSP	Apr 18	2,889	–	529,207	(144,346)	–	–	384,861
	PSP[8]	Apr 18	2,889	–	3,989,969	(1,088,299)	–	(1,741,002)	1,160,668
Total market value of shares				**10,940,925**	**4,519,176**	**(5,444,401)**	**(1,259,056)**	**(4,850,041)**	**3,906,603**

1 Bonus Share Plan (BSP).

2 Performance Share Plan (PSP).

3 Market value at grant date is the number of shares granted and/or awarded at the grant or award price.

4 During the year share grants and awards were made at R28.89 per share.

5 Cumulative effects of share price gains and losses represents the market value change between the share value at grant dates, the value of each at vesting, the value of shares lapsing or expected to lapse and the closing market value at year-end.

6 During the year share awards were vested at a share price of R28.38 per share.

7 Market value at 31 December 2018 is the closing share price which was R21.01 per share.

8 Assumed a 40% achievement of PSP targets.

Notes to the annual financial statements (continued)

for the year ended 31 December 2018

	2018 Fees paid as non-executive director[1]	2018 Fees paid as Trustee to the Mpact Foundation Trust[1]	2017 Fees paid as non-executive director[1]	2017 Fees paid as Trustee to the Mpact Foundation Trust[1]

26. DIRECTORS' REMUNERATION *(continued)*

	2018 Fees paid as non-executive director[1]	2018 Fees paid as Trustee to the Mpact Foundation Trust[1]	2017 Fees paid as non-executive director[1]	2017 Fees paid as Trustee to the Mpact Foundation Trust[1]
Non-executive directors' remuneration				
AJ Phillips	**1,002,482**	**–**	946,593	–
AM Thompson	**450,324**	**44,430**	475,655	63,536
M Makanjee	**474,588**	**–**	448,253	–
NP Dongwana	**473,064**	**134,571**	475,655	127,071
NB Langa-Royds	**652,302**	**67,286**	529,812	63,536
TDA Ross	**621,984**	**–**	587,254	–
Total	**3,674,744**	**246,287**	3,463,222	254,143

1 *The above amounts exclude VAT.*

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