



Mpact Limited
Audited Annual Financial
Statements

for the year ended 31 December 2019

Closing the loop

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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 2019 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 12 to 28 were approved by the Board of Directors and authorised for issue on 3 March 2020 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.

K Waldeck
CorpStat Governance Services Proprietary Limited
Company Secretary

3 March 2020

Report of the directors

The directors have pleasure in presenting their report on the annual financial statements of Mpack Limited ("Mpack or company") for the year ended 31 December 2019.

NATURE OF BUSINESS

Mpack 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, and plastic jumbo bins.

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

Mpack 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 2019 was R46.7 million (2018: R138.7 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 2019, the issued share capital of the company was 173,304,517 ordinary shares of no par value (2018: 173,304,517 ordinary shares of no par value).

DIVIDENDS

Notice is hereby given that the Board has declared a final gross cash dividend of 42 cents for the year ended 31 December 2019 (33.6 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. Mpack'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, 4 March 2020
Last date of trade to receive a dividend	Tuesday, 31 March 2020
Shares commence trade ex-dividend	Wednesday, 1 April 2020
Record date	Friday, 3 April 2020
Payment date	Monday, 7 September 2020*

* Per the SENS released on 24 March 2020, the payment date changed from Monday, 6 April 2020 to Monday, 7 September 2020.

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

Share certificates may not be dematerialised or re-materialised between Wednesday, 1 April 2020 and Friday, 3 April 2020, 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 2019, the net investment in property amounted to R393.8 million (2018: R282.3 million), details of which are set out in note 6 to the annual financial statements. Capital commitments at year-end for the company amounted to R155.0 million (2018: R19.8 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 2019 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	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

K Waldeck

CorpStat Governance Services Proprietary Limited

CorpStat Governance Services Proprietary Limited was appointed on 26 November 2019 following the passing of Mrs MN Sepuru.

Registered Office

4th Floor
3 Melrose Boulevard
Melrose Arch, 2196

Postal address

Postnet Suite #179
Private Bag X1
Melrose Arch, 2076

AUDITOR

Deloitte & Touche is the appointed auditor to the company, with Mrs 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 12 March 2019, 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 24.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (“the committee”) operates 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 5 to 7.

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.

Report of the directors continued

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 at 31 December 2019 and 31 December 2018 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 2019 and 3 March 2020, the date of approval.

	2019		2018	
	Direct Number of shares	Indirect Number of shares	Direct Number of shares	Indirect Number of shares
Executive director				
BW Strong	578,208	–	547,543	–
BDV Clark	–	153,883	–	133,762
Non-executive director				
AJ Phillips	8,914	1,516	8,914	1,516
Total	587,122	155,399	556,457	135,278

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)

	2019		2018	
	Number of shares	% of total issue share capital	Number of shares	% of total issue share capital
Allan Gray	41,722,125	24.07	36,536,582	21.08
Prudential Investment Managers	23,612,360	13.62	22,611,708	13.05
Public Investment Corporation	17,486,961	10.09	17,486,961	10.09
Coronation Fund Managers	10,280,042	5.93	10,484,883	6.05
Bateleur Capital	10,280,505	5.93	–	–

Bateleur Capital held less than 5% of the shares in issue in the prior year.

2019 Shareholder type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-public shareholders	9	0.20	3,806,237	2.19
Director: Direct shareholdings	4	0.09	1,201,134	0.69
Director: Indirect shareholdings	4	0.09	155,399	0.09
Share schemes	1	0.02	2,449,704	1.41
Public shareholders	4,211	99.80	169,498,280	97.81
Total	4,220	100.00	173,304,517	100.00

Audit and Risk Committee Report

INTRODUCTION

The Audit and Risk Committee (committee) has pleasure in submitting its report for the year ended 31 December 2019 in compliance with section 94(7) of the Companies Act.

The committee acts for the company and all its subsidiaries, and is an independent body 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 committee comprises four non-executive directors, all of whom are independent. Tim Ross is the Chairman, Neo Dongwana, Sibusiso Luthuli and Andrew Thompson are the current members. 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 committee held five meetings during the year. The four members attended all meetings of the committee during the year.

COMMITTEE ACTIVITIES

The 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. Deloitte & Touche has been the auditor of Mpact Limited for 15 years.

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); and
- 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 2019 financial year.

EXTERNAL AUDITORS' FEES

The committee:

- approved, in consultation with management, the audit fee and engagement terms for the external auditors for the 2019 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 through the audit committee charter.

Audit and Risk Committee Report continued

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 Group financial reporting procedure;
- considered and approved accounting policy changes resulting from the application of new standards commencing 1 January 2019;
- completed a detailed review of the going-concern assumption, confirming that it was appropriate in the preparation of the financial statements;
- engaged with the JSE on the proactive monitoring of financial statements; and
- ensured that appropriate financial reporting procedures are established and operating for all entities included in the consolidated group 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 judgment.

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 risk controls and determined how management perceived the identified controls. The Risk Likelihood rating tables and Potential Loss Impact Ratings 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 2019 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 Mr 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 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

3 March 2020

INDEPENDENT AUDITOR'S REPORT To the Shareholders of Mpack Limited Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Mpack Limited set out on pages 12 to 28, which comprise the statements of financial position as at 31 December 2019, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements 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 2019, and its separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

National Executive: *LL Bam Chief Executive Officer *TMM Jordan Deputy Chief Executive Officer; Clients & Industries *MJ Jarvis Chief Operating Officer
*AF Mackie Audit & Assurance *N Sing Risk Advisory DP Ndlovu Tax & Legal TP Pillay Consulting *JK Mazzocco Talent & Transformation
MG Dicks Risk Independence & Legal *KL Hodson Financial Advisory *TJ Brown Chairman of the Board

A full list of partners and directors is available on request

* Partner and Registered Auditor

B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

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.

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, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate financial statements do 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 Separate Financial Statements

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

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

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

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

separate financial statements.

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

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Mpact Limited for 15 years.

Deloitte & Touche

Registered Auditor

Per: Shelly Nelson

Partner

3 March 2020

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2019

	Note	2019 R'm	Restated ¹ 2018 R'm
Revenue	2	80.5	74.5
Administration and other operating expenses		(41.2)	(39.8)
Depreciation and impairments		(30.8)	(15.7)
Operating profit	3	8.5	19.0
Loss on disposal of subsidiaries	17	–	(1.1)
Investment income	4	62.2	175.4
Profit before tax		70.7	193.3
Tax expense	5	(24.0)	(54.6)
Profit for the year		46.7	138.7
Total comprehensive income for the year		46.7	138.7

¹ Details of the restatement are contained in note 1 to the financial statements.

Statement of financial position

for the year ended 31 December 2019

	Note	2019 R'm	2018 R'm
ASSETS			
Investment property	6	393.8	282.3
Investments in and loans to subsidiaries	7	6,382.8	6,554.9
Investment in share trust	8	36.5	54.6
Deferred tax assets	12	8.5	8.6
Non-current assets		6,821.6	6,900.4
Other receivables	9	4.5	2.1
Cash and cash equivalents	10	1.1	5.4
Current assets		5.6	7.5
Total assets		6,827.2	6,907.9
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	13	2,669.2	2,669.2
Retained earnings		4,136.7	4,212.4
Other reserves		15.7	15.1
Total equity		6,821.6	6,896.7
Trade and other payables	11	4.2	10.2
Current tax liabilities		1.4	1.0
Current liabilities		5.6	11.2
Total liabilities		5.6	11.2
Total equity and liabilities		6,827.2	6,907.9

Statement of cash flows

for the year ended 31 December 2019

	Note	2019 R'm	2018 R'm
Cash flows from operating activities			
Operating cash flows before movements in working capital		48.1	39.1
Net (increase)/decrease in working capital		(8.4)	11.6
Cash generated from operations	14	39.7	50.7
Dividend income		–	4.1
Taxation paid		(25.2)	(57.7)
Net cash inflows/(outflows) from operating activities		14.5	(2.9)
Cash flows from investing activities			
Additions to investment property	6	(128.2)	(40.4)
Loan repayments from related parties		219.9	20.2
Proceeds on disposal of subsidiary and loans to subsidiary	17	–	29.4
Interest received from related parties		14.1	43.2
Interest received		0.2	0.3
Net contributions to share incentive trust		1.7	(8.4)
Net cash inflows from investing activities		107.7	44.3
Cash flows from financing activities			
Dividends paid to equity holders of Mpact Limited		(126.5)	(46.7)
Net cash outflows from financing activities		(126.5)	(46.7)
Net decrease in cash and cash equivalents		(4.3)	(5.3)
Net cash and cash equivalents at beginning of year		5.4	10.7
Net cash and cash equivalents at end of year	10	1.1	5.4

Statement of changes in equity

for the year ended 31 December 2019

	Stated capital R'm	Share-based payment reserve R'm	Retained earnings R'm	Total equity R'm
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
Total comprehensive income for the year	–	–	46.7	46.7
Dividends paid ¹	–	–	(126.5)	(126.5)
Share plan charges for the year (see note 16)	–	8.8	–	8.8
Issue/exercise of shares under employee share scheme	–	(8.2)	4.1	(4.1)
Balance at 31 December 2019	2,669.2	15.7	4,136.7	6,821.6

¹ Dividends declared amounted to R126.5 million (2018: R94.5 million) of which Rnil million (2018: R47.8 million) related to a capitalisation issue (refer to note 13). The dividend paid per share for the year was 73c per share (2018: 55c per share).

Notes to the annual financial statements

for the year ended 31 December 2019

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. 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 2019

• 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

The standard is effective from 1 January 2019. There was no impact on the adoption of the standard.

• IAS 19 – Employee benefits

The amendments require an entity to use the updated assumptions from a remeasurement of a 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. There was no impact on the adoption of the amendments.

• 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. There was no impact on the adoption of the interpretation.

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.

- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Amendments to references to the Conceptual Framework in IFRS Standards

These amendments are not expected to have a significant impact on the financial statements in the period of initial application.

Restatement to the Statement of profit or loss for the year ended 31 December 2018

1. Classification error (Reclassification of items on the statement of profit or loss and other comprehensive income)

The company has separately disclosed management fee income from administration, other operating expenses and management fee income following a reconsideration of the income statement classification conducted by management. The change in the presentation had no impact to operating profit and the profit for the year.

The change in presentation has resulted in an increase in administration and other operating expenses of R21.1 million and an increase in revenue of R21.1 million.

Revenue recognition

Rental income

Revenue is derived principally as a result of properties under operating leases. The company recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

Dividend income

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

Management fee income

Revenue from management fees is recognised at the fair value of the consideration received or receivable. Management fees recognised relates to a recovery of costs from subsidiaries and are recognised net of value added taxation.

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.

At each reporting date, the company reviews the carrying amounts to determine whether there is any indication that the investment properties are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where the underlying circumstances change such that a previously recognised impairment subsequently reverses, the carrying amount is increased to the revised estimate of its recoverable amount. Such reversal is limited to the carrying amount that would have been determined had no impairment been recognised for the asset in prior 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.

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.

Notes to the annual financial statements

for the year ended 31 December 2019

1. ACCOUNTING POLICIES continued

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

Financial asset investments

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.

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.

	2019 R'm	Restated 2018 R'm
2. REVENUE		
Rental income	58.1	49.3
Dividend income	–	4.1
Management fee income ¹	22.4	21.1
	80.5	74.5
¹ Recovery of costs charged to a Group subsidiary. This was previously disclosed within administration and other operating expenses and has been reclassified to revenue in the current year.		
3. OPERATING PROFIT		
Operating profit for the year has been arrived at after charging:	30.8	15.7
Depreciation of investment property (refer to note 6)	16.7	15.7
Impairment of investment in share trust (refer to note 8)	14.1	–
Audit fees	2.6	2.3
Share-based payments	8.8	8.5
Executive directors and prescribed officers short-term benefits (excluding value of deferred bonus shares awarded)	15.3	15.0
Executive directors and prescribed officers post-employment benefits (excluding value of deferred bonus shares awarded)	0.5	0.6
4. INVESTMENT INCOME		
Interest from loans to subsidiary	62.0	175.1
Bank deposits	0.2	0.3
Total investment income	62.2	175.4
5. TAX EXPENSE		
Analysis of tax charge for the year		
South African corporate tax		
– current year	26.2	58.1
Securities Transfer Tax	–	0.2
Current tax	26.2	58.3
Deferred tax in respect of the current year	(2.2)	(3.7)
Total tax charge	24.0	54.6
Factors affecting tax charge for the year		
The company's effective rate of tax for the year ended 31 December 2019, calculated on profit before tax is 33.9% (2018: 28.2%).		
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% (2018: 28%) as follows:		
Profit before tax	70.7	193.3
Tax on profit before tax calculated at the South African corporation tax rate	19.8	54.1
Tax effects of:		
<i>Expenses not deductible for tax purposes</i>		
Legal and professional costs	0.3	1.4
Impairment of investment in share trust	3.9	–
<i>Non-taxable income</i>		
Non-taxable dividend	–	(1.1)
<i>Temporary difference adjustments</i>		
Withholding tax	–	0.2
Tax charge for the year	24.0	54.6

Notes to the annual financial statements

for the year ended 31 December 2019

6. INVESTMENT PROPERTY

	Land and buildings R'm	Assets in the course of construction R'm	Total R'm
2019			
Cost			
At 1 January 2019	336.5	18.1	354.6
Additions	–	128.2	128.2
Reclassification	19.8	(19.8)	–
At 31 December 2019	356.3	126.5	482.8
Accumulated depreciation			
At 1 January 2019	72.3	–	72.3
Depreciation	16.7	–	16.7
At 31 December 2019	89.0	–	89.0
Net book value at 31 December 2019	267.3	126.5	393.8
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

The fair value of the investment properties are R604.3 million (2018: R491.5 million), measured by independent valutors.

Certain land and buildings with a carrying value of R80.5 million (2018: R86.3 million) are pledged as security in respect of bank loans of Mpact Operations Proprietary Limited.

The net book value comprises:

	2019 R'm	2018 R'm
Freehold	267.3	264.2
Total land and buildings	267.3	264.2

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

7. INVESTMENT IN AND LOANS TO SUBSIDIARIES

Unlisted	Country of incorporation		
Mpact Operations Proprietary Limited	South Africa	5,955.9	5,955.9
Mpact Namibia Proprietary Limited	Namibia	22.6	22.6
Embalagens Mpact LDA	Mozambique	0.9	0.9
Total shares at cost		5,979.4	5,979.4
Loans advanced		403.4	575.5
		6,382.8	6,554.9

Refer to the interest in subsidiaries on note 24 for details of the investment in subsidiary companies. The investment in and loan to Mpact Operations Proprietary Limited is pledged as security in respect of the bank loans of Mpact Operations Proprietary Limited. Loans advanced are the following:

	Interest rate		
Mpact Operations Proprietary Limited	Prime plus 2%	403.4	575.5

There are no fixed terms of repayment for these loans. The term loan to Mpact Operations Proprietary Limited is repayable on notice of 366 days.

The loan is unsecured. The loan arose from the sale of assets as a result of a Group restructure in 2015 and was not issued in the ordinary course of the company's business.

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.

8. INVESTMENT IN SHARE TRUST

	2019 R'm	2018 R'm
Net contribution to share trust	36.5	54.6
	36.5	54.6

Mpact Limited funds the Share Incentive Trust through capital contributions. In the current financial year the investment was impaired by R14.1 million. The impairment was recognised to ensure that the carrying value of the investment is not greater than the net asset value of the share trust.

9. OTHER RECEIVABLES

Other receivables	4.5	2.1
	4.5	2.1

The fair values of other receivables approximate the carrying values presented. The other receivables are considered to have a low credit risk as the other debtors have the future capacity to meet their contractual cash flow obligations. The company had considered the above based on past experience and current conditions and therefore did not raise any expected credit losses in the current and prior financial year.

10. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	1.1	5.4
	1.1	5.4

11. TRADE AND OTHER PAYABLES

Trade payables	1.5	3.4
Other payables and accruals	2.7	6.8
	4.2	10.2

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

12. DEFERRED TAX

Deferred tax asset		
Opening balance	8.6	6.8
Charged to statement of profit or loss	2.2	3.7
Charge to equity	(2.3)	(1.9)
	8.5	8.6

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

Deferred tax assets		
Capital allowances	2.3	2.3
Other temporary differences	6.2	6.3
	8.5	8.6

13. STATED CAPITAL

Authorised share capital		
217,500,000 shares of no par value	-	-
Issued share capital		
Issue of shares of no par value	2,669.2	2,621.4
Capitalisation issue	-	47.8
	2,669.2	2,669.2

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

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 2019, The Trust held 2,449,704 shares (2018: 2,403,309). During the year the Trust bought 450,000 shares at an average price of R17.20.

Notes to the annual financial statements

for the year ended 31 December 2019

	2019 R'm	2018 R'm
14. CASH GENERATED FROM OPERATIONS		
Profit before taxation	70.7	193.3
Depreciation of investment property	16.7	15.7
Impairment of investment in share trust	14.1	–
Share-based payments	8.8	8.5
Investment income	(62.2)	(175.4)
Dividend income	–	(4.1)
Loss on disposal of subsidiary	–	1.1
(Increase)/decrease receivables	(2.4)	6.2
(Decrease)/increase in payables	(6.0)	5.4
	39.7	50.7
15. CAPITAL COMMITMENTS		
Approved, not yet contracted for	155.0	19.8
	155.0	19.8
The above commitments relate to acquisition of investment properties.		
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 Mpac share awards granted are as follows:		
Bonus Share Plan (BSP)	1.8	2.0
Performance Share Plan (PSP)	7.0	6.5
Total share-based payment expense	8.8	8.5

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

Bonus Share Plan (BSP)	2019	2018	2017	2016
Date of grant	5 April	3 April	3 April	1 April
Vesting period (months)	36	36	36	36
Expected leavers per annum (%)	–	–	–	–
Share price volatility	37.11%	36.66%	33.71%	28.50%
Future risk free interest rate	7.40%	7.10%	7.92%	7.20%
Grant date fair value per instrument (R)	23.04	28.59	27.48	48.53
Performance Share Plan (PSP)	2019	2018	2017	2016
Date of grant	5 April	3 April	3 April	1 April
Vesting period (months)	36	36	36	36
Expected leavers per annum (%)	–	–	–	–
Share price volatility (%)	37.11	36.66	33.71	28.50
Future risk free interest rate (%)	7.40	7.10	7.92	7.20
Expected outcome of meeting performance criteria (%)				
– Return on capital employed ("ROCE") component	41.2	73.4	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	19.32	24.14	27.48	48.53
– TSR component	17.31	17.59	18.99	31.13

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

	BSP Number of shares	PSP Number of shares
2019		
1 January 2019	160,854	863,246
Shares conditionally awarded in the year	147,662	494,367
Shares vested in the year	(63,549)	(29,214)
Shares lapsed in the year	–	(99,483)
31 December 2019	244,967	1,228,916
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

17. DISPOSAL OF SUBSIDIARIES

2019

There were no disposals in the current year.

2018

(a) Shoebill Proprietary Limited

During the 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 Proprietary Limited

During the 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.

18. OPERATING LEASE RECEIVABLES

The company's material leases are with related parties.

At 31 December, the outstanding receivables under non-cancellable leases were:

	2019 R'm	2018 R'm
Expiry date:		
Within one year	68.0	55.5
One to two years	46.4	55.0
Two to five years	86.5	79.8
	200.9	190.3

19. 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.

Notes to the annual financial statements

for the year ended 31 December 2019

19. FINANCIAL RISK MANAGEMENT continued

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. There were no foreign loans recognised in the current year.

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.

	2019 R'm	2018 R'm
Exposure to credit risk		
Cash and cash equivalents	1.1	5.4
Other receivables (excluding prepayments and accrued income)	4.5	2.1
Loans receivable (related parties)	403.4	575.5
Financial asset investment	36.5	54.6
Total credit risk exposure	445.5	637.6

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

	2019 R'm	2018 R'm
Undiscounted cash flow		
Less than one year		
Trade and other payables	4.2	10.2
Total	4.2	10.2

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
2019		
Financial assets		
Other receivables	4.5	4.5
Total	4.5	4.5
2018		
Financial assets		
Other receivables	2.1	2.1
Total	2.1	2.1

	At amortised cost R'm	Total R'm
2019		
Financial liabilities		
Trade and other payables	4.2	4.2
Total	4.2	4.2
2018		
Financial liabilities		
Trade and other payables	10.2	10.2
Total	10.2	10.2

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.

20. 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.

21. 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:

	2019 R'm	2018 R'm
Rental income from subsidiaries	58.1	48.5
Management fees received from subsidiaries	22.4	21.1
Dividend income from subsidiaries	–	4.1
Interest income from subsidiaries	62.0	175.1
Trade and other receivables	1.0	–
Trade and other payables	0.7	–
Loans to subsidiaries (refer to note 7)	403.4	575.5

Details of the executive directors and prescribed officers' remuneration is included in note 25.

22. CONTINGENT LIABILITY

As advised to the shareholders on 26 May 2016, the company is subject to a Competition Commission investigation. On 15 April 2019 the Competition Commission referred a complaint against the company to the Competition Tribunal which will be adjudicated in due course. The Commission is not seeking the imposition of a penalty against Mpact.

23. EVENTS OCCURRING AFTER THE REPORTING DATE

The Board declared an ordinary dividend of 42 cents per share on 3 March 2020 payable on 7 September 2020 to shareholders registered on 3 April 2020.

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

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24. INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS

	Country of incorporation	Share capital		Shareholding	
		2019	2018	2019 %	2018 %
Subsidiary Direct Holding					
Mpact Operations Proprietary Limited ¹	RSA	R20 000	R20 000	90	90
Sunko Mauritius	Mauritius	R100	R100	100	100
Embalagens Mpact Limitada	Mozambique	M1,213,000	M1,213,000	90	90
Mpact Corrugated Proprietary Limited	Namibia	N\$100	N\$100	74	74
Subsidiaries-Indirect holding					
Mpact Versapak Proprietary Limited	RSA	R100	R100	100	100
Mpact Recycling Proprietary Limited	RSA	R231,741,655	R231,741,655	100	100
Mpact Plastics Containers Proprietary Limited	RSA	R100	R100	66	66
Mpact Polymers Proprietary Limited ²	RSA	R100	R100	69	69
Magic Attitude Proprietary Limited	RSA	R100	R100	100	100
Detpak South Africa Proprietary Limited	RSA	R7,143	R7,143	51	51
Rebel Packaging Proprietary Limited	RSA	R4,000	R4,000	100	100
Recycling Consolidated Holdings Proprietary Limited	RSA	R167,177,219	R1 000	100	100
Lenco Corporate Finance Proprietary Limited ³	RSA	R35,651	R35,651	100	100
Lion Packaging Trading 57 Proprietary Limited ⁴	RSA	R100	R100	100	100
West Coast Paper Traders Proprietary Limited ⁵	RSA	R400	R400	60	49
Versapak Holdings (Pvt) Limited ⁴	Zimbabwe	US\$1	US\$1	100	100
Associates-Indirect holding					
Recyquip Engineering & Manufacturing Proprietary Limited	RSA	-	R100	-	30
Box Boyz Proprietary Limited	RSA	-	R100	-	44
Lomina Vyf Proprietary Limited	RSA	R100	R100	49	49
Right Corrugated Containers Proprietary Limited	RSA	-	R1,000	-	49
Seyfert Corrugated Western Cape Proprietary Limited	RSA	R15,500,201	R15,500,201	49	49
Dalису Holdings Proprietary Limited	RSA	R100	R100	49	49

¹ The remaining 10% is held by Mpact Foundation Trust. The trust is controlled by Mpact Limited.

² In the current financial year Mpact Polymers was classified as an investment as there was a loss of control of the subsidiary.

³ In the process of deregistration.

⁴ Ceased trading and in the process of being wound up.

⁵ In the prior year, West Coast Paper was accounted for as an associate.

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. These companies operate principally in the countries in which they are incorporated. Refer to note 7 for the cost of investment in subsidiaries and loans to subsidiaries.

25. DIRECTORS REMUNERATION

Executive directors' remuneration

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	Sub-total cash-based remuneration	Grant value of bonus share awarded ⁴	Intrinsic value of performance shares vesting ⁵	Total remuneration
2019							
Executive directors							
BW Strong	5,537,788	3,340,394	90,033	8,968,215	1,878,971	878,286	11,725,472
BDV Clark	4,209,413	2,589,631	67,620	6,866,664	1,456,667	500,707	8,824,038
Total	9,747,201	5,930,025	157,653	15,834,879	3,335,638	1,378,993	20,549,510
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

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

² Short-term incentive (STI) earned on performance for the 2019 financial year, to paid in March 2020. (2018: STI earned on 2018 performance, paid in March 2019).

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

⁴ Value of the bonus share to be granted on 5 April 2020 based on 2019 performance achieved and vesting in three years. (2018: Value of the bonus share granted on 3 April 2019 based on 2018 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 2020 based on performance over the three-year period ended 31 December 2019 multiplied by the closing Mpact share price at 31 December 2019 (2018: Performance share plan shares expected to vest in March 2019 based on performance over the three-year period ended 31 December 2018 multiplied by the closing Mpact share price at 31 December 2018).

25. 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 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 2019
BW Strong	BSP	Apr 16	Mar 19	35,949	–	(35,949)	–	–
	PSP	Apr 16	Mar 19	88,387	–	(20,064)	(68,323)	–
	BSP	Apr 17	Mar 20	31,172	–	–	–	31,172
	PSP	Apr 17	Mar 20	225,585	–	–	(166,640)	58,945
	BSP	Apr 18	Mar 21	23,629	–	–	–	23,629
	PSP	Apr 18	Mar 21	242,250	–	–	(145,350)	96,900
	BSP	Apr 19	Mar 22	–	83,806	–	–	83,806
	PSP	Apr 19	Mar 22	–	314,862	–	(188,917)	125,945
Total number of shares				646,972	398,668	(56,013)	(569,230)	420,397

	Type of award ^{1,2}	Date of award	Award price basis (Rand)	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 2019 ⁷
	BSP	Apr 16	48.25	1,734,539	–	(903,668)	(830,871)	–	–
	PSP	Apr 16	48.25	4,264,673	–	(2,365,478)	(463,726)	(1,435,469)	–
	BSP	Apr 17	29.69	925,497	–	(461,034)	–	–	464,463
	PSP	Apr 17	29.69	6,697,619	–	(3,336,402)	–	(2,482,931)	878,286
	BSP	Apr 18	28.89	682,642	–	(330,570)	–	–	352,072
	PSP ⁸	Apr 18	28.89	6,998,603	–	(3,389,078)	–	(2,165,715)	1,443,810
	BSP	Apr 19	23.45	–	1,965,251	(716,541)	–	–	1,248,710
	PSP ⁸	Apr 19	23.45	–	7,383,514	(2,692,070)	–	(2,814,866)	1,876,578
Total market value of shares				21,303,573	9,348,765	(14,194,841)	(1,294,597)	(8,898,981)	6,263,919

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25. DIRECTORS REMUNERATION continued

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 2019
BDV Clark							
BSP	Apr 16	Mar 19	27,600	–	(27,600)	–	–
PSP	Apr 16	Mar 19	40,311	–	(9,151)	(31,160)	–
BSP	Apr 17	Mar 20	24,186	–	–	–	24,186
PSP	Apr 17	Mar 20	128,605	–	–	(95,001)	33,604
BSP	Apr 18	Mar 21	18,318	–	–	–	18,318
PSP	Apr 18	Mar 21	138,109	–	–	(82,865)	55,244
BSP	Apr 19	Mar 22	–	63,856	–	–	63,856
PSP	Apr 19	Mar 22	–	179,505	–	(107,703)	71,802
Total number of shares			377,129	243,361	(36,751)	(316,729)	267,010

Type of award ^{1,2}	Date of award	Award price basis (Rand)	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 2019 ⁷
BSP	Apr 16	48.25	1,331,700	–	(693,795)	(637,905)	–	–
PSP	Apr 16	48.25	1,945,006	–	(1,078,833)	(211,493)	(654,680)	–
BSP	Apr 17	29.69	718,082	–	(357,711)	–	–	360,371
PSP	Apr 17	29.69	3,818,282	–	(1,902,068)	–	(1,415,508)	500,706
BSP	Apr 18	28.89	529,207	–	(256,269)	–	–	272,938
PSP ⁸	Apr 18	28.89	3,989,969	–	(1,932,145)	–	(1,234,694)	823,130
BSP	Apr 19	23.45	–	1,497,423	(545,969)	–	–	951,454
PSP ⁸	Apr 19	23.45	–	4,209,392	(1,534,768)	–	(1,604,775)	1,069,849
Total market value of shares			12,332,246	5,706,815	(8,301,558)	(849,398)	(4,909,657)	3,978,448

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 R23.45 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 R23.11 per share.

⁷ Market value at 31 December 2019 is the closing share price which was R14.90 per share.

⁸ Assumed a 40% achievement of PSP targets.

Non-executive directors' remuneration	2019 Fees paid as non-executive director ¹	2019 Fees paid as Trustee to the Mpact Foundation Trust ¹	2018 Fees paid as non-executive director ¹	2018 Fees paid as Trustee to the Mpact Foundation Trust ¹
AJ Phillips	1,027,452	–	1,002,482	–
AM Thompson	533,444	–	450,324	44,430
M Makanjee	501,660	48,227	474,588	–
NP Dongwana	563,801	142,166	473,064	134,571
NB Langa-Royds	689,537	71,084	652,302	67,286
S Luthuli	469,861	–	–	–
TDA Ross	721,881	–	621,984	–
Total	4,507,636	261,477	3,674,744	246,287

¹ The above amounts exclude VAT.

