

IN PURSUIT OF SUSTAINABLE STAKEHOLDER VALUE

Abridged annual financial statements
long form announcement
for the year ended 31 March 2019



ABRIDGED AUDITED SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2019

	Notes	Year ended 31 March 2019 Audited Rm	Year ended 31 March 2018 Audited Rm	% change
Revenue	2	10 409	10 271	1
Cost of sales		8 399	7 924	6
Gross profit		2 010	2 347	(14)
Administrative and other operating expenditure		1 083	1 343	(19)
Operating profit before item listed below:		927	1 004	(8)
Empowerment transactions IFRS 2 charges		33	48	
Operating profit		894	956	(6)
Fair value and foreign exchange (loss)/gains	3.1	(9)	143	
Finance costs	4	681	675	1
Investment income		95	52	
Profit before equity-accounted earnings		299	476	(37)
Loss from equity-accounted investments		(67)	(60)	
Impairments	5	(82)	(174)	
Profit before taxation		150	242	(38)
Taxation	6	6	205	(97)
Profit for the year		144	37	289
Attributable to:				
Shareholders of PPC Ltd		235	149	58
Non-controlling interests		(91)	(112)	19
Other comprehensive profit/(loss), net of taxation				
Items that will be reclassified to profit or loss on disposal		1 304	(598)	318
Translation of foreign operations	3.2	1 304	(598)	318
Total comprehensive profit/(loss)		1 448	(561)	
Attributable to:				
Shareholders of PPC Ltd		1 453	(347)	519
Non-controlling interests		(5)	(214)	98
EARNINGS PER SHARE (CENTS)	7			
Basic		16	10	60
Diluted		16	10	60

ABRIDGED AUDITED SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2019

	Notes	31 March 2019 Audited Rm	31 March 2018* Audited Rm
ASSETS			
Non-current assets		14 665	12 910
Property, plant and equipment	8	12 587	11 393
Goodwill	9	236	230
Other intangible assets	10	558	557
Equity-accounted investments		149	182
Other non-current assets*	11	333	297
Financial assets*	11	582	6
Deferred taxation assets	17	220	245
Current assets		3 071	3 262
Inventories		1 276	1 182
Trade and other receivables*	13	1 166	1 151
Taxation receivable*		177	93
Cash and cash equivalents	14	452	836
Non-current assets held for sale	12	92	34
Total assets		17 828	16 206
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	15	3 943	3 984
Other reserves		2 251	967
Retained profit		3 031	2 817
Equity attributable to shareholders of PPC Ltd		9 225	7 768
Non-controlling interests		115	120
Total equity		9 340	7 888
Non-current liabilities		5 628	5 909
Provisions	16	427	526
Deferred taxation liabilities	17	844	1 042
Long-term borrowings	18	4 064	4 079
Other non-current liabilities	19	293	262
Current liabilities		2 860	2 409
Short-term borrowings	18	938	603
Trade and other payables*	20	1 919	1 735
Taxation payable*		3	71
Total equity and liabilities		17 828	16 206

* The prior year amounts have been re-presented for enhanced disclosure as detailed in notes 11, 13 and 20.

ABRIDGED AUDITED SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2019

	Notes	Year ended 31 March 2019 Audited Rm	Year ended 31 March 2018 Audited Rm
Cash flow from operating activities			
Operating cash flows before movements in working capital		1 917	1 889
Working capital movements		63	411
Cash generated from operations		1 980	2 300
Finance costs paid		(618)	(592)
Investment income received		46	52
Taxation paid		(151)	(330)
Cash available from operations		1 257	1 430
Dividends paid		(4)	–
Net cash inflow from operating activities		1 253	1 430
Cash flow from investing activities			
Acquisition of additional shares in an equity-accounted investment		–	(42)
Investment in Zimbabwe government bonds		(310)	–
Investment in Zimbabwe Stock Market		(14)	–
Investment in intangible assets		(24)	(6)
Investment in property, plant and equipment (adjusted for capital expenditure accruals)		(773)	(921)
Proceeds from disposal of property, plant and equipment		9	29
Other investing activities		12	28
Net cash outflow from investing activities		(1 100)	(912)
Cash flow from financing activities^(a)			
Borrowings repaid before repayment of the notes	18	(290)	(597)
Proceeds from the sale of shares held by consolidated BBBEE entity		–	36
Purchase of PPC Ltd shares in terms of the FSP share incentive scheme	15	(41)	(16)
Repayment of notes		(20)	–
Net cash outflow from financing activities		(351)	(577)
Net movement in cash and cash equivalents		(198)	(59)
Cash and cash equivalents at the beginning of the year		836	990
Exchange rate movements on opening cash and cash equivalents		(186)	(95)
Cash and cash equivalents at the end of the year		452	836

^(a) In 2019, the non-cash changes on borrowings amounted to R621 million arising from unfavourable unrealised foreign exchange differences. Refer to note 24 for the relevant currency conversions.

ABRIDGED AUDITED SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019

	Stated capital Rm	Other Foreign currency translation reserve Rm	Movement in financial asset Rm
Balance at 31 March 2017 (audited)	3 919	891	14
IFRS 2 charges	–	–	–
Sale of shares, treated as treasury shares, by consolidated BBBEE entity	64	–	–
Shares purchased in terms of FSP incentive scheme treated as treasury shares	(72)	–	–
Total comprehensive (loss)/income	–	(496)	–
Vesting of shares held by certain BBBEE 1 entities	73	–	–
Balance at 31 March 2018 (audited)	3 984	395	14
Adjustment as a result of new standards adopted during the year (note 1)	–	–	–
Balance at 1 April 2018	3 984	395	14
Dividends declared	–	–	–
IFRS 2 charges	–	–	–
Shares distributed to BBBEE 1 beneficiaries	–	–	–
Shares purchased in terms of FSP incentive scheme treated as treasury shares	(41)	–	–
Total comprehensive income/(loss)	–	1 218	–
Balance at 31 March 2019 (audited)	3 943	1 613	14

reserves				
Equity compensation reserve Rm	Retained profit Rm	Equity attributable to shareholders of PPC Ltd Rm	Non- controlling interests Rm	Total equity Rm
559	2 668	8 051	334	8 385
72	–	72	–	72
–	–	64	–	64
–	–	(72)	–	(72)
–	149	(347)	(214)	(561)
(73)	–	–	–	–
558	2 817	7 768	120	7 888
–	(17)	(17)	–	(17)
558	2 800	7 751	120	7 871
–	(4)	(4)	–	(4)
72	–	72	–	72
(6)	–	(6)	–	(6)
–	–	(41)	–	(41)
–	235	1 453	(5)	1 448
624	3 031	9 225	115	9 340

SEGMENTAL INFORMATION

for the year ended 31 March 2019

The group discloses its operating segments according to the business units which are reviewed by the group executive committee, who are also the chief operating decision-makers for the group. The group executive committee includes executive directors. The operating segments are initially identified based on the products produced and sold and then per geographical location. The key operating segments are southern Africa cement, Rest of Africa cement, lime, aggregates and readymix and group shared services.

No individual customer comprises more than 10 % of the group revenue.

	Consolidated		Cement Southern Africa ^(a)	
	31 March 2019 Audited Rm	31 March 2018 Audited Rm	31 March 2019 Audited Rm	31 March 2018 Audited Rm
Revenue				
Gross revenue	10 683	10 524	5 643	5 704
Intersegment revenue ^(d)	(274)	(253)	(212)	(205)
Total revenue^(e)	10 409	10 271	5 431	5 499
Operating profit before item listed below	927	1 004	570	827
Empowerment transactions IFRS 2 charges	33	48	–	–
Operating profit	894	956	570	827
Fair value and foreign exchange (loss)/gains	(9)	143	10	(19)
Finance costs	681	675	222	265
Investment income	95	52	61	42
Profit before equity-accounted earnings	299	476	419	585
Earnings from equity-accounted investments	(67)	(60)	–	–
Impairments	(82)	(174)	(82)	11
Profit before taxation	150	242	337	596
Taxation	6	205	(122)	202
Profit/(loss) for the year	144	37	459	394
Attributable to:				
Shareholders of PPC Ltd	235	149	459	394
Non-controlling interests	(91)	(112)	–	–
	144	37	459	394
Basic earnings per share (cents)	16	10	30	26
Depreciation and amortisation	1 019	876	387	373
EBITDA ^(f)	1 946	1 880	957	1 200
EBITDA margin (%)	18,7	18,3	17,6	21,8
Assets				
Non-current assets (excluding equity-accounted investments)	14 516	12 728	4 294	4 272
Equity-accounted investments	149	182	–	–
Non-current assets held for sale	92	34	–	–
Current assets	3 071	3 262	1 371	1 235
Total assets	17 828	16 206	5 665	5 507
Investments in property, plant and equipment	817	801	572	460
Liabilities				
Non-current liabilities	5 628	5 909	2 026	2 181
Current liabilities	2 860	2 409	1 069	796
Total liabilities	8 488	8 318	3 095	2 977
Capital commitments (refer to note 21)	245	596	186	482

^(a) Southern Africa comprises South Africa and Botswana.

^(b) Rest of Africa comprises Zimbabwe, Rwanda, DRC, Mozambique and cross-border sales from Southern Africa.

^(c) Group shared services and other comprises group shared services, BEE and group eliminations.

^(d) All sales are concluded at an arm's length. Segments are disclosed net of intersegment transactions.

Cement		Materials business					
Rest of Africa ^(b)		Lime		Aggregates and readymix		Group services and other ^(c)	
31 March 2019 Audited Rm	31 March 2018 Audited Rm	31 March 2019 Audited Rm	31 March 2018 Audited Rm	31 March 2019 Audited Rm	31 March 2018 Audited Rm	31 March 2019 Audited Rm	31 March 2018 Audited Rm
2 826	2 762	896	849	1 318	1 209	–	–
–	–	(62)	(48)	–	–	–	–
2 826	2 762	834	801	1 318	1 209	–	–
331	389	86	95	(63)	(22)	3	(285)
2	2	–	–	–	–	31	46
329	387	86	95	(63)	(22)	(28)	(331)
(6)	(69)	–	1	3	(1)	(16)	231
447	338	38	24	27	20	(53)	28
64	18	22	18	17	15	(69)	(41)
(60)	(2)	70	90	(70)	(28)	(60)	(169)
(67)	(61)	–	–	–	–	–	1
–	(168)	–	–	–	(17)	–	–
(127)	(231)	70	90	(70)	(45)	(60)	(168)
7	34	17	24	(9)	18	113	(73)
(134)	(265)	53	66	(61)	(63)	(173)	(95)
(43)	(153)	53	66	(61)	(63)	(173)	(95)
(91)	(112)	–	–	–	–	–	–
(134)	(265)	53	66	(61)	(63)	(173)	(95)
(3)	(10)	4	4	(4)	(4)	(11)	(6)
479	347	37	40	80	79	36	37
810	736	123	135	17	57	39	(248)
28,7	26,7	14,8	16,8	1,3	4,7		
8 281	6 638	309	309	629	672	1 003	837
146	179	–	–	–	–	3	3
92	34	–	–	–	–	–	–
1 109	1 375	245	214	324	327	22	111
9 628	8 226	554	523	953	999	1 028	951
143	235	46	41	37	48	19	17
6 032	5 608	11	32	345	264	(2 786)	(2 176)
1 330	1 186	129	83	164	170	168	174
7 362	6 794	140	115	509	434	(2 618)	(2 002)
17	50	1	2	3	38	38	25

^(e) Revenue from external customers generated by the group's material foreign operations is as follows:

Botswana R516 million (2018: R438 million)

DRC R494 million (2018: R144 million)

Rwanda R885 million (2018: R804 million)

Zimbabwe R1 447 million (2018: R1 813 million).

^(f) EBITDA is defined as operating profit before empowerment transactions IFRS 2 charges, depreciation, amortisation, financial charges and taxation.

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2019

1. BASIS OF PREPARATION

The abridged audited summarised consolidated financial statements are prepared in accordance with the provisions of the Companies Act of South Africa, the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, and contain at a minimum the requirements of IAS 34 *Interim Financial Reporting*. The accounting policies applied in the preparation of the abridged audited summarised consolidated financial statements were derived in terms of IFRS. These abridged audited summarised consolidated financial statements do not include all the information required for the full consolidated annual financial statements.

The accounting policies and methods of computation used are consistent with those used in the preparation of the consolidated annual financial statements for the year ended 31 March 2018, except where the group has adopted new or revised accounting standards, amendments and interpretations, including the consequential amendment of those standards to other standards, which became effective during the period under review.

A copy of the auditor's report on the annual consolidated financial statements is available on the company's website at www.ppc.africa, together with the financial statements identified in the respective auditor's report.

New standards, amendments to standards and interpretations adopted in the current financial period

IFRS 9 *Financial Instruments*

The standard became effective in the current reporting year requiring the group to make adjustments to retained earnings as a result of adopting the standard.

The impact of the adoption of this standard and the new accounting policy is disclosed below.

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for the annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has applied IFRS 9 modified retrospective approach, with the initial application date of 1 April 2018 with no adjustments to comparative information for the period beginning 1 April 2017. The effect of adopting IFRS 9 resulted in a R17 million net decrease in opening equity balances.

The change did not have a material impact on the group's operating, investing and financing cash flows.

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding.

The assessment of the group's business model was made as of the date of initial application, 1 April 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments which solely comprised principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. Investment in government bonds, trade receivables and other loan receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.

There are no changes in classification and measurement for the group's financial liabilities.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward looking expected credit loss (ECL) approach. IFRS 9 requires the group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon the adoption of IFRS 9, on 1 April 2018, the group recognised additional impairment of R23 million, predominately relating to the ECL on trade receivables. This resulted in a net decrease in equity of R17 million (post-tax) as at 1 April 2018.

Refer to notes 11, 13 and 14 for ECL assessment performed as at 31 March 2019.

IFRS 15 *Revenue from Contracts with Customers*

On 1 April 2018 the group implemented IFRS 15 *Revenue from Contracts with Customers* which replaced IAS 18 *Revenue*. Revenue comprises the consideration received or receivable on contracts entered into with customers in the ordinary course of the entity's activities. Revenue is shown net of taxes, cash discounts, settlement discounts and rebates given to customers. Revenue is recognised as the amount of the transaction prices allocated to each performance obligation and this is determined by the amount that depicts the consideration to which the entity expects to be entitled in exchange for transferring the goods and services promised to the customer.

Revenue is recognised on the sale of goods when control is transferred to the customer. Revenue from providing services is recognised when the service has been performed.

The group aligned its measurement and recognition principles of revenue with that of IFRS 15 upon adoption. There is no material impact on the measurement and recognition of revenue.

1. BASIS OF PREPARATION continued

New standards, amendments to standards and interpretations to be adopted in the next financial period

IFRS 16 *Leases* is effective for years commencing on or after 1 January 2019. The standard will be adopted by the PPC group for the financial reporting period commencing 1 April 2019. The group has completed an initial assessment of the potential impact of the adoption of IFRS 16 on its consolidated financial statements.

IFRS 16 requires a lessee to recognise a right-of-use asset and lease obligations for all leases except for short-term leases, or leases of low-value assets which the leases may be treated similarly to operating leases under the current standard IAS 17 if the exceptions are applied. A lessee measures its lease obligation at the present value of future lease payments, and recognises a right-of-use asset initially measured at the same amount as the lease obligation including costs directly related to entering into the lease. Right-of-use assets are subsequently treated in a similar way to other assets such as property, plant and equipment or intangible assets dependent on the nature of the underlying item.

PPC group has various rental agreements in place. In accordance with the above, right-of-use assets and lease obligations (liabilities) associated to these rentals would be recognised in the statement of financial position.

The group currently recognises the rental expense of the properties on a straight-line basis over the lease term. Upon the adoption of IFRS 16, the group's operating lease charge in profit or loss will be replaced by a depreciation charge in respect of the corresponding right-of-use assets, as well as an interest charge relating to the respective lease liabilities, which may in aggregate be different to the current operating lease charge.

PPC group will account for all leases under a single on-balance sheet model in a similar manner to finance leases under IAS 17, with the exception of the short-term and low-value leases. The group has prepared an impact assessment on each subsidiary.

Based on the assessment performed, the estimated impact of IFRS 16 on the group's 2020 financial year-end will be the following:

- The group will recognise a potential right-of-use asset of R92 million and a corresponding lease liability of R92 million
- The group will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. PPC group will potentially recognise depreciation of R22 million and an interest expense of R10 million. The depreciation of the asset is based on the lower of the remaining lease period or the useful life of the asset

Management continues to assess the implications of the remaining insignificant individual leases in which the group is the lessee, which may cause the final impact to differ from the estimates provided above.

Change in accounting estimate

During the year, the group reassessed the useful lives of its property, plant and equipment as required by IAS 16 *Property, Plant and Equipment*. The useful lives of the assets were adjusted to reflect more appropriately the pattern of the consumption of the future economic benefits embodied in the assets concerned. In accordance with IAS 16 *Property, Plant and Equipment*, this reassessment represents a change in an accounting estimate and is therefore applied prospectively in terms of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The impact of the change in applying the adjusted useful lives for the year ended 31 March 2019 is a decrease in the depreciation expense of R17 million.

Management have assessed the discount rate applied in determining the decommissioning and rehabilitation provision for Cement southern Africa. In the current year there was a change in estimate, which is applied prospectively. The impact of the change in discount rate applied amounted to an R89 million reduction to the provision for rehabilitation and decommissioning, with a R59 million reduction to cost of sales and R30 million reduction to the decommissioning asset.

All monetary information and figures presented in these financial statements are stated in rand, unless otherwise indicated.

Going concern

At year-end, current assets of R3 071 million (2018: R3 262 million) exceeded current liabilities of R2 860 million (2018: R2 409 million) by R211 million (2018: R853 million).

PPC's cash flows are under pressure due to the economic environment PPC operates in as well as pricing pressures in the South African market.

Group debt position has increased since the beginning of the financial year mainly due to the weaker rand/dollar closing exchange rate which was R14,42 (March 2018: R11,82).

To mitigate the liquidity risk, management has adopted the following risk management plan:

- Refinancing maturing debt and increasing loan facilities from R2,4 billion to R3,1 billion. The loan facility of R700 million has been approved by the lenders. At the date of this report the group had committed borrowing facilities of R2,4 billion and 70 % (2018: 72 %) of these facilities were utilised. R731 million of the committed borrowing facilities were unutilised at the reporting date. These numbers exclude project funding in Rwanda, DRC and Zimbabwe
- The R3,1 billion facility, as well as the cost saving measures that the group is currently exploring provides additional headroom
- Negotiation of the DRC debt to reschedule the capital repayments for a further two years are in progress with the lenders
- The covenant ratio target for group debt to EBITDA has been favourably amended and confirmed by a revised agreement between PPC and the lenders
- Improved debtors collection measures have been implemented in order to increase cash inflows
- Dividends due from PPC Zimbabwe and the outstanding rights offer proceeds have been invested in government bonds

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

1. BASIS OF PREPARATION continued

Going concern continued

Furthermore, despite the deteriorating economic environment and the challenges being faced with processing of foreign payments by the banks in Zimbabwe. The directors believe that PPC Zimbabwe has the ability to continue in operation as a going concern for the foreseeable future. The change in the Zimbabwe functional currency resulted in the reduction of EBITDA by R108 million. PPC Zimbabwe has set out action plans to help ensure that operations are not interrupted due to difficulties in remitting payments to foreign suppliers. Through the action plans, PPC Zimbabwe is exploring various mitigation methods such as increasing export sales and obtaining a trade financing mechanism facility.

During the current year, CIMERWA was in breach of certain debt covenants with external funders. The directors have obtained waivers for the breach and are satisfied that the breach has been remediated.

Concerning PPC Zimbabwe, we concluded that there were no breaches of debt covenants on both IFRS and RTGS statutory accounts.

Both CIMERWA and PPC Zimbabwe are going concerns for the foreseeable future. In addition to the group's current trading position, forecasts and facilities in place, the directors believe that the group will be able to comply with its financial covenants and be able to meet its obligations as they fall due and accordingly have formed a judgement that it is appropriate to prepare the financial statements on a going concern basis.

Change of the Zimbabwe functional currency

Due to the deteriorating United States dollar (US\$) liquidity issues in Zimbabwe the government created the real time gross settlement (RTGS) as an alternative method of payment which was fixed on a 1:1 parity with the US\$. On 1 October 2018 the Reserve Bank of Zimbabwe announced that banks must separate foreign accounts from RTGS accounts with effect from 15 October 2018, thus officially recognising that actual foreign currency is different to RTGS. The result of the change was a reassessment of the functional currency of the entity. In determining the functional currency the entity assessed the currencies that influenced sales and expenses which revealed a mix between RTGS and US\$. Management then concluded that the functional currency of PPC Zimbabwe is the RTGS\$.

On 20 February 2019 the Reserve Bank of Zimbabwe announced that the RTGS would be recognised as an official currency and that an interbank foreign exchange market would be established to formalise trading in RTGS balances with other currencies.

The effect of the change meant that the US\$ statement of financial position, as at 30 September 2018 needed to be fair valued to RTGS\$. Further analysis on the currency movement between the US\$/RTGS\$ rate was performed at 31 March 2019, and the exchange differences were recorded in profit or loss in accordance with IAS 21.

The application of the change in functional currency has been applied prospectively in our financial results for the 2019 reporting period. For inclusion in the summarised consolidated income statement of the group, results in respect of Zimbabwe have been translated at the average US\$ exchange rate for the period up to 30 September 2018 and at the estimated RTGS\$ rate for the remaining six months of the financial year. For inclusion in the consolidated statement of financial position, results have been translated at the estimated closing RTGS\$ rate of 3,01 to US\$ (being the interbank rate) and an average rate of 3,5. On 1 October 2018, an opening RTGS\$ rate of 3,5 to the US\$ was applied. The inputs considered in this estimate include the recent announcement to increase the fuel price for those settling in RTGS\$, global relative fuel prices and the official inflation rate.

Financial impact of the change in functional currency (FC) on the group's key performance indicators

	FY2019 Before FC change*	FY2019 Impact	FY2019 Reported	FY2018 Reported
EBITDA	2 054	(108)	1 946	1 880
Profit attributable to shareholders of PPC Ltd	287	(52)	235	149
EPS	19	(3)	16	10
HEPS	23	(3)	20	15

* Assumes no change in functional currency and 1:1 conversion between RTGS\$ and US\$, below are the sensitivities performed on the RTGS\$ rate.

	RTGS\$3,5 to US\$ – Reported	RTGS\$6 to US\$	RTGS\$10 to US\$
Group impact			
EBITDA	1 946	1 867	1 844
Profit attributable to shareholders of PPC Ltd	235	163	144
EPS	16	11	10
HEPS	20	15	14

These abridged audited summarised consolidated financial statements have been prepared under the supervision of MMT Ramano CA(SA), chief financial officer, and were approved by the board of directors on Thursday, 18 July 2019. The directors take full responsibility for the preparation of these abridged audited summarised consolidated financial statements.

2. REVENUE

Adoption of IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 replaces IAS 11 *Construction Contracts* and IAS 18 *Revenue*. The standard requires entities to identify the separate performance obligations and allocate the transaction price to the performance obligations in the contract by reference to their relative stand-alone selling prices. The group's primary revenue is derived from the sale of cementitious goods and as a result the group also earns incidental transport revenue from delivering these goods to customers. The incidental transport revenue has always been included as part of revenue earned, however, due to the adoption of IFRS 15, the aforementioned streams of revenue are two separate performance obligations, which are always met at the same time.

The group has the following revenue streams, which are all recognised at a point in time:

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
Disaggregation of revenue		
Revenue from the sale of cementitious goods ^(a)	9 071	9 095
Revenue from transportation services	1 338	1 176
Total revenue	10 409	10 271
Major goods and services per primary geographical markets		
Cementitious goods	9 071	9 095
Southern Africa	6 376	6 462
Rest of Africa	2 695	2 633
Transport revenue	1 338	1 176
Southern Africa	1 207	1 047
Rest of Africa	131	129

^(a) Cementitious goods include the sale of cement, readymix, limestone, clinker, ash and aggregates.

Timing of revenue recognition

Revenue from the sale of cementitious goods and transport is recognised at the same time, upon delivery, as management considers it as the point the control of the goods is transferred to the customers and the delivery obligation is fulfilled. Payment of the transaction price is also payable immediately at this point.

3. FAIR VALUE AND FOREIGN EXCHANGE MOVEMENTS

3.1 Fair value and foreign exchange (losses)/gains

Movements in the fair value and foreign exchange gains are recognised in the income statement and comprise the following:

Gain on remeasurement of put option liability (refer to note 22)	–	238
(Loss)/gain on unlisted collective investments	(1)	5
ECL on Zimbabwe government bonds	(40)	–
Gain/(loss) on translation of foreign currency denominated monetary items	32	(100)
	(9)	143

The fair value adjustment on the Zimbabwe government bonds was determined by applying an ECL of 12,7 % against the total asset recognised which resulted in an ECL of R40 million.

Included in the gain/(loss) on translation of foreign currency denominated monetary items, is a gain of R8 million arising from the remeasurement of the Zimbabwe monetary items following the change in functional currency, and a loss of R13 million (2018: R80 million) comprising the remeasurement following the devaluations of the Congolese franc against the US dollar and a fair value adjustment relating to the discounting of the non-current VAT receivable in the DRC. Furthermore, a remeasurement loss of R16 million (2018: R12 million) has been recorded against the US dollar denominated project funding in Rwanda. Also included in the loss on translation of foreign currency monetary items are losses or gains made on open forward exchange contracts held for capital purchases and working capital requirements.

Details on foreign exchange rates can be found in note 24.

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

3. FAIR VALUE AND FOREIGN EXCHANGE MOVEMENTS continued

3.2 Translation of foreign operations

Movements in the translation of foreign operations are recognised in the statement of comprehensive income. The group's foreign currency translation reserve arises from the following foreign subsidiaries:

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
PPC Zimbabwe*	886	(219)
CIMERWA Limitada	144	(168)
PPC DRC Barnet	269	(213)
PPC Botswana	4	–
PPC Mozambique	1	2
	1 304	(598)

* Included in PPC Zimbabwe is a gain of R488 million arising from the change in the functional currency.

The gain recorded in the current year is due to the weakening of the rand against the functional currencies of the group's subsidiaries. Details of the fair value hierarchies are disclosed in note 22.

4. FINANCE COSTS

Bank and other short-term borrowings	32	305
Notes	10	8
Long-term loans and project funding	569	303
	611	616
Capitalised to plant and equipment	–	(23)
Finance costs before time value of money adjustments	611	593
Interest on penalties	3	–
Time value of money adjustments on rehabilitation and decommissioning provisions and put option liability	67	82
	681	675
Southern Africa	234	337
Rest of Africa	447	338

The total finance costs excluding time value of money adjustments, relate to borrowings held at amortised cost. For details of borrowings refer to note 18.

5. IMPAIRMENTS

Impairment of property, plant, equipment and intangible assets	(82)	(182)
Impairment of the VAT receivable in the DRC	–	(3)
Profit on disposal of property, plant and equipment	–	11
Gross impairments	(82)	(174)
Taxation impact	23	56
Net impairments	(59)	(118)

Impairment of property, plant, equipment and intangible assets

IAS 36 states that an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. When there are indications that an asset is impaired, a recoverable amount is calculated and compared to the carrying value. During the year, an impairment of R82 million, relating to property, plant and equipment was recognised (refer to note 8).

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
6. TAXATION		
The taxation charge comprises:		
Current taxation	3	332
Current year	93	347
Prior years	(90)	(15)
Deferred taxation	(30)	(127)
Current year	(84)	(119)
Prior years	12	(8)
Change in taxation rate	42	–
Withholding taxation	33	–
	6	205
	Year ended 2019 Audited %	Year ended 2018 Audited %
Taxation rate reconciliation		
A reconciliation of the standard South African normal taxation rate is shown below:		
Profit before taxation (excluding loss from equity-accounted investments)	3	68
Prior years' taxation impact	36	(7)
Profit before taxation, including prior years' taxation adjustments	39	61
Effective rate of taxation		
Income taxation effect of:	(11)	(33)
Expenditure not deductible in terms of legislation	(15)	(14)
Expenditure attributable to non-taxable income	(5)	(16)
Empowerment transactions and IFRS 2 charges not taxation deductible	(4)	(3)
Fair value adjustments on financial instruments not subject to taxation	(4)	22
Impact of s12I and s12L of the South African Income Tax Act	58	–
DRC ANAPI tax holiday	6	–
Prior year adjustment for forfeitable share plan movement	(9)	–
Foreign taxation rate differential	7	16
Deferred taxation not raised*	(6)	(23)
Change in taxation rate	(19)	–
ZIMRA voluntary disclosure programme interest reversal	5	–
Transfer pricing adjustment	(10)	(12)
Withholding taxation	(15)	(3)
South African normal taxation rate	28	28

* The deferred taxation not recognised is as a result of the portion of the deferred taxation asset relating to the assessed losses at PPC Aggregates Quarries Botswana and PPC Barnet DRC Manufacturing that has not been recognised due to the insufficient future taxable profits to fully utilise the asset. Furthermore, the deferred taxation asset has not been recognised by PPC Ltd's capital loss relating to BEE loans.

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

	Year ended 2019 Audited Cents	Year ended 2018 Audited Cents
7. EARNINGS AND HEADLINE EARNINGS		
Earnings per share		
Basic	16	10
Diluted	16	10
Headline earnings per share		
Basic	20	15
Diluted	20	15
Determination of headline earnings per share		
Earnings per share	16	10
Adjusted for items below, net of taxation:		
Impairment of property, plant, equipment and intangible assets	3	6
Loss/(profit) on sale of property, plant and equipment	1	(1)
Headline earnings per share	20	15
Headline earnings	Rm	Rm
Profit for the year	144	37
Impairment of property, plant, equipment and intangible assets	82	182
Taxation on impairment of property, plant, equipment and intangible assets	(23)	(58)
Profit/(loss) on sale of property, plant and equipment	14	(11)
Taxation on profit/(loss) on sale of property, plant and equipment	(4)	2
Headline earnings	213	152
Attributable to:		
Shareholders of PPC Ltd	304	231
Non-controlling interests	(91)	(79)
Cash earnings per share (cents)	83	95
Cash earnings per share is calculated using cash available from operations divided by the total weighted average number of shares in issue for the period.		
Cash conversion ratio	1,0	1,2

The basic earnings per share of 16 cents per share was outside the previously published range as reported on 21 June 2019, due to the fair value loss on the Zimbabwe government bonds.

Cash conversion ratio is calculated using cash generated from operations divided by EBITDA.

The cash earnings per share (cents) and the cash conversion ratio are non-IFRS measures as described in the accounting policies of the company, which will be included in the annual financial statements for the year ended 31 March 2019.

The difference between the number of shares in the determination of earnings and diluted earnings per share relates to shares held under the forfeitable share incentive scheme that have not vested.

For the weighted average number of shares used in the calculation, refer to note 15.

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
8. PROPERTY, PLANT AND EQUIPMENT		
Net carrying value at the beginning of the period	11 393	12 531
Additions	793	795
Depreciation	(952)	(798)
Disposals	(23)	(18)
Other movements	(127)	(24)
Impairments (refer to note 5)	(82)	(165)
Translation differences	1 585	(928)
Net carrying value at the end of the year	12 587	11 393
Comprising:		
Freehold and leasehold land, buildings and mineral rights	2 330	1 567
Decommissioning assets	68	133
Plant, vehicles, furniture and equipment	10 189	9 693
	12 587	11 393
Property, plant and equipment pledged as security:		
DRC	3 475	3 111
Rwanda	1 492	1 321
Zimbabwe	2 372	2 028
	7 339	6 460

For details on capital commitments, refer to note 21.

8. PROPERTY, PLANT AND EQUIPMENT continued

Cost capitalisation

Significant judgement is required in identifying costs to be capitalised to a project during the construction, testing and ramp-up phases. Judgement is further required to identify indirect costs that may be capitalised. Revenue and the related cost of sales generated during the pre-commissioning phase are capitalised to the plant.

The cost of an item of property, plant and equipment is recognised as an asset if it meets the following requirements:

- It is probable that future economic benefits associated with the item will flow to the entity; and
- The cost of the item can be measured reliably

The cost of an item of PPE comprises:

- Purchase price, including import duties and non-refundable purchase taxes, after deducting trade discount and rebates
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that year (IAS 16.16)

During the current year, the Slurry Kiln 9 (SK9) was commissioned. The total costs capitalised into the project amounted to R1,4 billion. In accordance with IAS 16, profits of R18 million earned during the testing phase, comprising revenue (R74 million) less cost of sales (R56 million), has been written off against the capitalised cost of the project.

Impairment assessment – PPC Cement SA

IAS 36 provides that if there is an indication that an asset may be impaired, the recoverable amount of the asset (or, if appropriate, the cash-generating unit (CGU)) is determined. The recoverable amount of the CGU was determined to exceed the carrying amount, therefore no impairment has been recognised for the CGU. As the cement industry is a cyclical environment, manufacturers will go through troughs where some of the assets (kilns) will be idle when demand is down. However, maintenance on these assets will continue to ensure that when the market conditions improve they are in a position to take advantage. As a result it is quite key in this industry to review individual assets that form part of a CGU separately.

As at the end of the March 2019 financial year, a few of the PPC cement kilns were not in use due to market constraints. The cement industry is, however, a cyclical environment and the demand can pick up at any time when the market conditions become favourable.

PPC Cement SA identified the assets that are no longer in use but still have a carrying amount. In applying the requirements of IAS 36, PPC Cement SA decided to impair these assets. They will be derecognised from the fixed assets registers once a decision to scrap the assets has been taken. The total impairment recognised on these assets is R82 million, being the book value of these assets and is reflected under the Cement southern Africa segment in the segmental analysis.

Impairment assessment – Zimbabwe

As a result of the current economic environment, liquidity challenges and the change in functional currency in Zimbabwe, an impairment assessment was undertaken. In spite of the economic challenges, the financial performance of the business has been above our internal forecasts and prior year before the impact of the change in functional currency. The inclusion of the Harare mill has improved cash flows.

In performing the impairment review, a value-in-use methodology was applied. Cash flow projections were based on financial forecasts approved by management applying a 19 % (2018: 16 %) US dollar discount rate. The cash flow projections during the forecast period are based on similar pricing and margins to those currently being achieved by the business and takes into consideration the future trends within the industry, geographical location and expected growth in neighbouring countries. The values used reflect past experiences while the economic growth rates of approximately 3 % per annum (2018: 2 % per annum) are management's best estimates that have been prepared using leading financial institutions' forecasts.

Following the impairment assessment review, the recoverable amount of US\$232 million (R3,3 billion) (2018: US\$411 million (R4,9 billion)) for PPC Zimbabwe was calculated to be higher than its carrying amount resulting in no impairment. The reason for the significant decrease in the recoverable amount is due to the challenging economic conditions and the change in the functional currency. There are no indications that any reasonable possible change in the key assumptions on which the recoverable amount has been calculated would cause the carrying amount to exceed the recoverable amount of this CGU.

Zimbabwe is included under the Rest of Africa (RoA) segment.

Impairment assessment – DRC

PPC, in partnership with the Barnet group and International Finance Corporation (IFC), completed the construction of a 1,2 million tonnes per annum integrated cement plant for approximately US\$300 million in the DRC, near Kimpese in Kongo Central province in western DRC, 230km south-west of the capital Kinshasa.

Following impairment indicators being identified, management performed an impairment assessment. IAS 36 *Impairment of Assets* provides two options for assessing recoverable amounts and states that the recoverable amount is the higher of the fair value less cost to sell or value in use.

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

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8. PROPERTY, PLANT AND EQUIPMENT continued

Impairment assessment – DRC continued

In performing the impairment review, a value-in-use methodology was applied. Cash flow projections were based on financial forecasts approved by management applying a 17 % (2018: 17 %) US dollar discount rate. The cash flow projections during the forecast period are based on similar pricing and margins to those currently being achieved by the business and takes into consideration the future trends within the industry, geographical location and expected growth in neighbouring countries. The values used reflect current industry performance and experiences while the economic growth rates of approximately 5 % per annum (2018: 4 % per annum) are management's best estimates that have been prepared using leading financial institutions' forecasts.

The DRC general elections were successfully held in December 2018, thereby improving the political stability, market confidence and subsequently the economic prospects.

Cement consumption grew by 43 % to 539 000 tonnes from 378 000 tonnes. The country currently has a cement import ban in place and no exports have been recorded by the BCC since mid-2015. There is also a new 0,6 million tonne plant being constructed by Diamond cement in the DRC (Brazzaville). The IFC suggests that the country will reach a cement supply deficit by 2022.

Sales volumes have been softer than expected due to a number of external factors (economic, political, market activities of competitors some of whom are new entrants in the market). However, PPC Barnet DRC has in the past few months slowly improved the sales volume and subsequently revenue.

Real GDP growth was an estimated 4,0 % in 2018, up from 3,7 % in 2017, due to higher commodity prices and greater mining production. The primary sector continued to be the key driver of growth, sustained by a dynamic extraction sector.

Following the impairment assessment review, no further impairment was recognised as the calculated recoverable amount of US\$271 million (R3,9 billion) (2018: US\$265 million (R3,1 billion)) is above the carrying amount.

DRC is included under the Rest of Africa (RoA) segment.

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
9. GOODWILL		
Net carrying value at the beginning of the year	230	237
Translation differences	6	(7)
Net carrying value at the end of the year	236	230
Goodwill, net of impairments, is allocated to the following CGUs:		
CIMERWA Limitada (Rest of Africa cement segment)	31	25
Cement SA (Pty) Limited (Southern Africa cement segment)	78	78
Readymix (Aggregates and readymix segment)	127	127
	236	230

Refer to note 22 for fair value hierarchy on goodwill.

CIMERWA Limitada (CIMERWA)

The recoverable amount for this CGU of R2 557 million (2018: R1 094 million) was determined based on a value-in-use calculation, using cash flow projections based on financial forecasts approved by management and covering an initial seven-year period and a post-forecast period of 13 years, bringing the total period of the cash flows to 20 years from the report date. The company's budgeting cycle time horizon is seven years and management believes this should provide a more accurate base for the value-in-use calculation. A Rwandan franc discount rate of 17 % (2018: 18 %) was used in the valuation. The significant increase in the recoverable amount compared to prior year is due to increased capacity and the debottlenecking of the plant during the year.

Cash flow projections during the forecast period of seven years were based on improved margins and profitability, following the commissioning of the new plant in September 2015, taking cognisance of an appropriate ramp-up period. Selling prices and cost of sales were forecast to increase at applicable inflation rates varying between 5,1 % and 5,4 % (2018: 5 % and 6 %), impacted by anticipated competitor activity in the earlier phase of the planning horizon. The cash flows post the forecast period had been extrapolated using specific growth rates of 7,3 % (2018: 6,7 %) per annum which is in line with the real inflation rate in Rwanda. The forecast period was limited to the life of mine, currently estimated at 20 years.

The forecast takes into consideration the future trends within the industry, geographical location and expected growth in neighbouring countries. The values used reflect past experiences while the economic growth rates are management's best estimates that have been prepared using leading financial institutions' forecasts.

9. GOODWILL continued

CIMERWA Limitada (CIMERWA) continued

In both the current and prior reporting periods, the recoverable amount was deemed to be higher than the current carrying value, resulting in no impairment being charged against profit and loss. CIMERWA is included under Cement Rest of Africa in the segmental analysis.

There are no indications that any reasonable possible change in the key assumptions on which the recoverable amount has been calculated would cause the carrying amount to exceed the recoverable amount of this CGU.

PPC Cement SA (Pty) Ltd

During the year PPC Cement SA (Pty) Ltd and Safika were integrated into one entity PPC Cement SA (Pty) Ltd. Therefore, for purposes of impairment testing, the goodwill is allocated to the integrated Cement SA entity.

The recoverable amount of R7 495 million (2018: R11 114 million) for the combined Cement SA CGUs was determined based on value-in-use calculations, using cash flow projections based on financial forecasts approved by management and covering an initial seven-year period. The company's budgeting cycle time horizon is seven years and management believes this should provide a more accurate base for the value-in-use calculation. A discount rate of 13 % (2018: 13 %) and terminal growth rate of 5,6 % (2018: 5,5 %) have been used in the valuation.

Cash flow projections during the forecast period are based on similar pricing and margins to those currently being achieved by the businesses. Selling prices and cost of sales are forecast to increase at rates linked to local inflation forecasts varying between 6 % and 10 % (2018: 6 % and 10 %). The values used reflect past experiences while the economic growth rates of approximately 2 % (2018: 2 %) per annum are management's best estimates that have been prepared using leading financial institutions' forecasts.

In both the current and prior reporting periods, the recoverable amount was deemed higher than the current carrying value, resulting in no impairment being charged against profit and loss. The Cement SA CGU is included under Cement Southern Africa in the segmental analysis.

There are no indications that any reasonable possible change in the key assumptions on which the recoverable amount has been calculated would cause the carrying amount to exceed the recoverable amount of this CGU.

Readymix

During the 2017 reporting period the PPC group undertook to re-organise the manner in which it discloses its operating segments according to the business units which are managed by the group executive committee. One of these key segments is aggregates and readymix. Included in the readymix segment is the Pronto, 3Q Mahuma and Ulula Ash.

Applying judgement, management was of the opinion that the natural synergy between the operations of Pronto, 3Q Mahuma and Ulula Ash, will result in a greater total competitive advantage for the group and should therefore be considered as one CGU. Assessed as its own group of assets, the readymix business operation can be seen to generate revenue and incur expenses which are independent of other groups of assets within the PPC group. This can also be substantiated further by the manner in which the group discloses the performance of its different business units in its segmental information.

Therefore, for purposes of impairment testing, the goodwill is allocated to the combined readymix CGU. They represent the lowest level within the entity at which goodwill is monitored for internal management purposes.

The recoverable amount of R816 million (2018: R453 million) for the CGU was determined based on value-in-use calculations, using cash flow projections based on financial forecasts approved by management and covering an initial seven-year period, which is in line with the company's budgeting cycle time horizon as management believes this should provide a more accurate base for the value-in-use calculation. A discount rate of 14 % (2018: 16 %) and terminal growth rate of 2 % (2018: 5,5 %) have been used in the valuation.

The significant increase in the recoverable amount compared to the prior year is due to synergies in managing Pronto, Ulula and 3Q as a single CGU and the reduced management fees.

Cash flow projections during the forecast period are based on similar pricing and margins to those currently being achieved by the business, noting that selling prices achieved during the year are below last year. Selling prices and cost of sales are forecast to increase at rates linked to local inflation forecasts and vary between 6 % and 10 % (2018: 5 % and 9 %). The values used reflect past experiences while the economic growth rates of approximately 2 % (2018: 2 %) per annum are management's best estimates that have been prepared using leading financial institutions' forecasts.

Following the goodwill impairment assessment review, the recoverable amount of readymix was calculated to be higher than its carrying amount resulting in no impairment to goodwill.

It is estimated that a decrease in net cash flows by 45 % (2018: 4 %) would result in the carrying amount exceeding the recoverable amount.

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
10. OTHER INTANGIBLE ASSETS		
Balance at the beginning of the year	557	677
Disposals	–	–
Additions	24	6
Amortisation	(67)	(78)
Impairments (refer to note 5)	–	(17)
Translation differences	44	(31)
Balance at the end of the year	558	557
Comprising:		
Right of use of mineral assets	193	166
ERP development and other software	106	105
Brand and trademarks and customer relationships	259	286
	558	557
11. FINANCIAL AND OTHER NON-CURRENT ASSETS		
Investment in Zimbabwe government bonds	279	6
Investment in the Zimbabwe Stock Market	14	–
PPC Zimbabwe financial asset	289	–
Financial assets	582	6
Unlisted collective investment	141	134
VAT receivable	101	104
Long-term receivable	91	59
Other non-current assets	333	297

Investment in Zimbabwe government bonds

The investment in government bonds of R277 million, subsequent to the recognition of an ECL of R40 million, arises as a result of the requirement to invest the proceeds of the dividends of R232 million (2018: R66 million) and the rights issue proceeds of R85 million (2018: R82 million) which is invested in the 7 % Zimbabwe government bonds for a period of one year. Per the Zimbabwe exchange control guidelines, these are treated as legacy debts and dividends pre-20 February 2019 (date of publication of Statutory Instrument 33). The investment was registered with the Zimbabwean authorities in accordance with Statutory Instrument 33 and therefore qualify for the 1:1 conversion of US\$ to RTGS\$. The remaining R2 million represents treasury bills issued in exchange for the funds previously expropriated by the Reserve Bank of Zimbabwe.

In accordance with the requirements of IFRS 9, an ECL assessment was performed on the Zimbabwe government bonds taking into account a range of expected default rates on government bonds with similar credit profiles, which resulted in an ECL of R40 million.

In assessing the ECL default rate, the following was considered:

- The historical average recovery rate for sovereign bonds measured by Moody's in their Sovereign Default and Recovery Rates Study 1983 – 2016 is 65 %
- The recovery rate is measured by the ratio of the present value of cash flows received as a result of the distressed exchange versus those initially promised, discounted using yield to maturity immediately prior to default
- This methodology closer reflects IFRS 9
- Sub-Saharan African countries comprise a significant portion of sovereign defaults. The most recent at time of publication of the report was the 2016 by Mozambique where there was a loss of approximately 12 %

Based on the above it was determined that an ECL of 12,7 % was deemed appropriate.

As a result of the uncertainty around the expatriation of funds from Zimbabwe, the investment in government bonds has been classified as non-current.

Investment in the Zimbabwe Stock Market

The investment in the stock market relates to the investment in PPC and Old Mutual shares in Zimbabwe on the Zimbabwe Stock Exchange. This investment is held in RTGS\$. The market value as at 31 March 2019 was RTGS\$2,9 million (R14 million). As a result of the uncertainty around the expatriation of funds from Zimbabwe, the investment in the Zimbabwe Stock Market has been classified as non-current.

11. FINANCIAL AND OTHER NON-CURRENT ASSETS continued

PPC Zimbabwe financial asset

The PPC Zimbabwe financial asset arose as a result of the US\$ denominated Zimbabwe loan (refer to note 18). The loan was registered with the Zimbabwean authorities in accordance with Statutory Instrument 33 and therefore qualifies for the 1:1 conversion of US\$ to RTGS\$. The financial asset recognised represents the difference between the closing RTGS\$ rate of 3,01 and the rate of 1, being the rate approved by the Zimbabwean authorities for the settlement of this loan. Fair value disclosure with regards to this financial instrument has been disclosed in note 22.

Unlisted collective investment

This comprises an investment by the PPC Environmental Trust in the Old Mutual Capital Builder Portfolio, with the fair value being calculated using the ruling prices on 31 March 2019. Put options are also held over the value of the investments in order to protect the capital of the portfolio. At 31 March 2019, the value of the put options were not material. During the year, a further R9 million (2018: R7 million) was reinvested into the unit trusts. These funds are held to fund PPC's South African environmental obligations. Refer to note 14 for the restricted cash.

VAT receivable

The group incurred VAT during the construction of the plant in the DRC. In the 2017 financial year, management received a letter from the DRC Finance Department which indicates that the VAT needs to be paid to PPC Barnett DRC on condition that the money is utilised for discharge of local suppliers and local salary obligations. The letter did not, however, state when the payments will be initiated. As a result of the uncertainty around the timing of receipt of the funds, the VAT receivable has been classified as non-current.

During the year, a loss of R13 million (2018: R80 million) comprising the remeasurement following devaluations of the Congolese franc against the US dollar and a fair value adjustment relating to the non-current VAT receivable was recorded and is reflected in fair value and foreign exchange gains/(losses) in the income statement (refer to note 3). Refunds amounting to R12 million (2018: R11 million) were received during the year. An amount of Rnil (2018: R3 million) assessed to be irrecoverable was impaired during the year.

Long-term receivable

When the plant in the DRC was being constructed, PPC Barnett DRC entered into an agreement whereby PPC and the local power corporation would build the necessary power facility to supply electricity. In terms of this agreement, the portion initially contributed by PPC would be repaid through electrical usage of the plant. When PPC pays the power corporation, a portion of the amount owing is withheld and offset against this non-current asset.

The prior year balance, relating to financial assets of R6 million has been re-presented and disclosed separately on the face of the statement of financial position.

Refer to note 22 for financial instrument classifications in terms IFRS 9 and the fair value disclosure required in terms of IFRS 13.

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
12. NON-CURRENT ASSETS HELD FOR SALE		
Assets classified as held for sale	92	34

In September 2015, the PPC Zimbabwe board approved the disposal of houses at its Colleen Bawn and Bulawayo factories which was anticipated to be finalised in 12 months. The disposal has been delayed due to the government processing of the sectional title deeds and is now anticipated to be completed during the 2020 financial year. The houses have already been allocated to the employees through a systematic process and the agreements of sale have been drafted and are with the lawyers. It is management's view that the outstanding processes will be completed by September 2019. In the current year, a valuation of the houses was performed by an independent valuator and a fair value gain of R48 million was recognised for the houses which increased the recorded value for assets held for sale to R92 million (2018: R34 million). The fair value was estimated based on the market prices of similar properties. The movement from prior year was also impacted by the exchange rate movements (refer to note 24).

Zimbabwe is reported under the Rest of Africa (RoA) segment in the segmental report.

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
13. TRADE AND OTHER RECEIVABLES		
Trade receivables	960	958
Loss allowance	(49)	(58)
Net trade receivables	911	900
Mark-to-market adjustments	9	1
Proceeds due from the sale of PPC shares held by consolidated BBBEE entities	–	7
Interest receivable	23	12
Short-term portion of long-term receivable*	35	30
Other financial receivables**	39	73
Trade and other financial receivables	1 017	1 023
Prepayments	149	115
VAT receivable	–	13
	1 166	1 151
Net trade receivables comprise	911	900
Trade receivables that are neither past due nor impaired	685	704
Trade receivables that are past due but not impaired	226	196

* This relates to the short-term portion of the long-term receivable due from the local electricity provider in the DRC, further details are disclosed in note 11.

** Included in other financial receivables is operating lease receivables and employee-related receivables.

Refer to note 22 for fair value of trade and other receivables.

The prior year balances relating to taxation receivable of R93 million have been re-presented and disclosed separately on the face of the statement of financial position.

14. CASH AND CASH EQUIVALENTS		
Balance at the end of the year	452	836
Currency analysis:		
Botswana pula	66	51
Mozambican metical	2	7
RTGS dollar (Zimbabwe)	123	–
Rwandan franc	42	45
South African rand	62	124
United States dollar	157	609
	452	836

Cash and cash equivalents are recognised less of ECLs. During the current year, in line with the requirements of IFRS 9, cash and cash equivalents were assessed for ECLs by analysing the credit rating of each financial institution where PPC Ltd and its subsidiaries have invested cash. This resulted in an ECL of R6 million being recognised in the current year, of which R5 million relates to cash deposits held in Zimbabwe banks.

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the year, as shown in the consolidated statement of cash flows, can be reconciled to the related items in the consolidated reporting position as shown above.

Cash and cash equivalents include cash on hand and cash on deposit. Amounts denominated in foreign currencies have been translated at ruling exchange rates at year-end (refer to note 24).

Included in cash and cash equivalents is restricted cash:

PPC Environmental Trust	9	8
PPC Zimbabwe	44	49
	53	57

Cash and cash equivalents held by the PPC Environmental Trust can only be utilised for environmental obligations in South Africa and are therefore not freely available.

In accordance with the requirements of lenders to PPC Zimbabwe, PPC Zimbabwe is required to deposit funds in an escrow account which can only be used for the purposes of making capital and interest repayments on the loan. Refer to note 18 for further details on the Zimbabwe loan.

14. CASH AND CASH EQUIVALENTS continued

PPC Zimbabwe

The rand value of the gross cash balances in Zimbabwe significantly reduced to R206 million (comprising RTGS\$, US\$, pula and rand) compared to R515 million at the end of March 2018 due to the introduction of the RTGS\$ with a closing exchange rate of 3,01 to the US\$. The introduction of the RTGS\$ as the functional currency in Zimbabwe resulted in a 67 % devaluation against the US\$ at year-end using the official interbank year end rate of US\$1:RTGS\$3,01. Furthermore, the decrease was also caused by the settlement of foreign creditors which improved over the period and the transfer of the dividend amounts owing to PPC Ltd which was invested in the Zimbabwe government bonds and listed shares in the Zimbabwe stock market.

The dividends due to PPC Ltd were registered as legacy debt in accordance with monetary policy requirements. The Reserve Bank of Zimbabwe confirmed that it will provide forex funds (when they become available) to settle the debt in exchange for RTGS funds at a rate of US\$1:RTGS\$1.

Please refer to the table below for analysis of the Zimbabwe cash:

	US\$	Rand
Cash on hand – 31 March 2018	44	515
Cash on hand – 31 March 2019	14	206
Restricted cash	3	44
Percentage of cash restricted	7 %	8 %
Cash transferred – trading	9	118
Cash transferred – PPC Ltd non-resident account	16	220
Cash transferred rate	57 %	66 %

Comparatives not presented as changes in functional currency has been applied prospectively.

15. STATED CAPITAL

Authorised shares

Ordinary shares	10 000 000	10 000 000
Preference shares	20 000	20 000

Number of ordinary shares and weighted average number of shares

Total shares in issue at the beginning of the year	1 591 760	1 591 760
Shares issued during the year	1 354	–

Total shares in issue before adjustments for treasury shares	1 593 114	1 591 760
Shares issued in terms of the second BBBEE transaction	(37 382)	(37 382)
Shares held by consolidated BBBEE trusts and trust funding SPVs	(20 144)	(20 144)
Shares held by consolidated Porthold Trust (Pvt) Limited	(1 285)	(1 285)
Shares purchased in terms of the FSP share incentive scheme	(27 146)	(19 955)
Shares held by the consolidated Safika Trust	(1 354)	–

Total shares in issue (net of treasury shares)	1 505 803	1 512 994
---	------------------	------------------

Weighted average number of shares, used for:

Earnings and headline earnings per share	1 511 971	1 510 163
Dilutive earnings and headline earnings per share	1 532 949	1 531 802
Cash earnings per share	1 511 971	1 510 163

Shares are weighted for the period in which they are entitled to participate in the profits of the group.

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

15. STATED CAPITAL continued

Shares held by consolidated participants of the second BBBEE transaction

Shares issued in terms of the second BBBEE transaction were facilitated by means of a notional vendor funding (NVF) mechanism, with the transaction concluding on 30 September 2019. These shares participate in 20 % of the dividends declared by PPC during the NVF period. With the exception of the Bafati Investment Trust, entities participating in this transaction are consolidated into the PPC group in terms of IFRS 10 *Consolidated Financial Statements*.

Shares held by consolidated BBBEE trusts and trust funding SPVs

In terms of IFRS 10 *Consolidated Financial Statements*, certain of the BBBEE trusts and trust funding SPVs from PPC's first BBBEE transaction are consolidated, and as a result, shares owned by these entities are carried as treasury shares on consolidation.

Shares held by consolidated Porthold Trust Pvt Limited

Shares owned by a Zimbabwe employee trust company are treated as treasury shares.

FSP share incentive scheme

In terms of the forfeitable share plan (FSP) long-term incentive scheme, 27 145 639 shares (2018: 19 955 207) are held in total for participants of this long-term incentive scheme. The shares are treated as treasury shares during the vesting periods of the awards. During the year, nil shares (2018: 3 832 250 shares) vested.

In terms of IFRS requirements, 5 % (2018: 5 %) of the total shares in issue are treated as treasury shares following the consolidation of the various BBBEE entities, employee trusts and incentive share schemes.

Shares held by the consolidated Safika Consolidated Management Trust

Shares issued during the year in order to retain and incentivise the Safika key management employees. This transaction was also facilitated through a NVF mechanism.

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
Stated capital		
Balance at the beginning of the year	3 984	3 919
Sale of shares, treated as treasury shares, by consolidated BBBEE entity	–	62
Shares purchased in terms of FSP share incentive scheme treated as treasury shares	(41)	(72)
Vesting of shares held by certain BBBEE 1 entities	–	2
Vesting of shares held in terms of the FSP share incentive scheme	–	73
Balance at the end of the year	3 943	3 984
16. PROVISIONS		
Decommissioning and rehabilitation	395	495
Post-retirement healthcare benefits	32	31
	427	526

Decommissioning and rehabilitation

Group companies are required to restore mining and processing sites at the end of their productive lives to an acceptable condition consistent with local regulations, and in line with group policy. PPC has set up an environmental trust in South Africa to administer the local funding requirements of its decommissioning and rehabilitation obligations. Currently, there are no such regulations in the other jurisdictions in which the group operates for the creation of a rehabilitation trust fund. The investments in the trust fund are carried at fair value through profit or loss and amount to R141 million (2018: R134 million) at year-end (refer to note 11).

Management have assessed the discount rate applied in determining the decommissioning and rehabilitation provision for Cement southern Africa. In the current year there was a change in estimate, which is applied prospectively. The impact of the change in discount rate amounted to R89 million reduction to the provision for rehabilitation and decommissioning, with a R59 million reduction to cost of sales and a R30 million reduction to the decommissioning asset, which is included in amounts reversed.

The majority of the decommissioning and rehabilitation provision relates to the South African operations. The key inputs used for calculating the provision in South Africa are (i) inflation rates of 4 % (2018: 5,6 %); (ii) risk-free discount rate of 6,8 % to 9,9 % (2018: 7,8 %) and (iii) life of mine limited to a maximum of 30 years.

Post-retirement healthcare benefits (defined benefit plan)

Historically, qualifying employees were granted certain post-retirement healthcare benefits. The obligation for the employer to pay medical aid contributions after retirement is no longer part of the conditions of employment for new employees. A number of pensioners remain entitled to this benefit, the cost of which has been fully provided.

17. DEFERRED TAXATION

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
Net liability at the end of the year comprises:	624	797
Deferred taxation asset	220	245
Deferred taxation liability	844	1 042
Analysis of deferred taxation		
Property, plant, equipment and intangible assets	1 284	1 189
Other non-current assets	50	134
Current assets	(6)	(10)
Non-current liabilities	(111)	(124)
Current liabilities	(65)	(75)
Reserves	4	1
Taxation losses	(532)	(318)
	624	797

Deferred taxation assets

Deferred taxation assets are recognised to the extent it is probable that taxable profits will be available in future periods, against which deductible temporary differences can be utilised. The recognition of deferred tax assets is assessed at subsidiary level taking into account the applicable legal provisions of the country in which the PPC subsidiary recognising the deferred tax asset is registered. Further, the recognition of deferred tax assets take into account applicable tax rates, which may vary between reporting periods.

CIMERWA has accumulated tax losses over the last four years with a significant amount arising in 2015 from claiming a 50 % investment deduction on the new plant. Article 29 of law no 16/2005 capped the utilisation of tax losses to a five-year period following the tax loss. A new income tax law, law no 016/2018 has been gazetted repealing law no 16/2005 of 18 August 2005 on direct income tax. This new law is applicable to CIMERWA. Article 32 of law no 016/2018, which came into force on 13 April 2018, states that the Rwandan Revenue Authority (RRA) may authorise the taxpayer who duly applies, for their loss carried forward of more than five tax periods if the tax payer fulfils requirements determined by an order of the Minister. The Ministerial order was published in the official gazette on 6 May 2018 indicating that a taxpayer may apply for losses to be carried forward more than five tax periods, subject to fulfilment of certain conditions. The deferred taxation asset recognised in CIMERWA is also affected by the maintenance of the existing shareholders. Any disposal of shares by the existing shareholders equal to or higher than 25 % will result in the loss of the deferred taxation asset. An assessment of the new law and the conditions indicates that the CIMERWA deferred tax of R209 million (2018: R242 million) is recoverable.

The PPC Barnet DRC Manufacturing deferred tax asset of R173 million was assessed based on the DRC's tax laws applicable at 2019 year-end close. The assessment of the deferred tax recoverability was based on the subsidiary's approved business plans and compliance with DRC's tax laws and regulations, the recognised deferred taxation asset was assessed to be recoverable.

PPC Aggregates Quarries Botswana's deferred tax asset of R20 million was assessed for recoverability. The recoverability assessment has taken into account the approved business plan and Botswana's applicable tax laws and regulations and based on the assessment, no impairment was recognised during the year.

Pronto Building Materials' deferred tax asset of R17 million recoverability assessment was based on applicable South African tax laws and the approved business plans and the assessment, no impairment was recognised during the year.

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

18. LONG-TERM BORROWINGS

Notes	Terms
PPC 002: five years	Unsecured notes, issued under the company's R6 billion domestic medium-term note programme, and are recognised net of capitalised transaction costs
PPC 003: five years	
South Africa long-term funding	R700 million amortising loan facility, maturing in 2021 with capital repayments of R175 million in 2019 and 2020 and R350 million in 2021
Project funding	R800 million general banking facility expiring in 2022
	US dollar denominated, repayable in monthly instalments over a 10-year period, starting March 2016
	Rwanda franc denominated, repayable in monthly instalments over a 10-year period, starting March 2016
	US dollar denominated, capital and interest payable biannually starting July 2017 ending January 2027, with a capital repayment holiday until January 2020
	US dollar denominated, interest payable biannually. Biannual repayments in equal instalments over five years starting December 2016
	<i>Less: short-term portion of long-term borrowings</i>
	Long-term borrowings
	<i>Add: short-term borrowings, bank overdrafts and short-term portion of long-term borrowings</i>
	Total borrowings
	Maturity analysis of total borrowings:
	One year
	Two years
	Three years
	Four years
	Five and more years
	Assets encumbered are as follows:
	Property, plant and equipment (refer to note 8)

The group had committed borrowing facilities of R2,4 billion and utilised 70 % (2018: 72 %) of these facilities at the date of this report. At reporting date, R731 million of borrowing facilities remain unutilised. These numbers exclude project funding in Rwanda, DRC and Zimbabwe.

		Year ended 31 March 2019 Audited Rm	Year ended 31 March 2018 Audited Rm
Security	Interest rate		
Unsecured	Three-month JIBAR plus 1,5 %	–	20
Unsecured	Three-month JIBAR plus 1,48 %	111	111
Unsecured	Variable rates at 270 basis points above three-month JIBAR	523	696
Unsecured	Variable rates at 305 basis points above three-month JIBAR	796	696
		3 201	2 889
Secured by CIMERWA's property, plant and equipment	Variable at 725 basis points above six-month US dollar LIBOR	353	347
Secured by CIMERWA's property, plant and equipment	Fixed rate of 16 %	408	300
Secured by PPC Barnett DRC's property, plant and equipment	Six-month US dollar LIBOR plus 975 basis points	2 150	1 763
Secured by PPC Zimbabwe's property, plant and equipment, inventory and trade and other receivables	Six-month US dollar LIBOR plus 700 basis points	290	479
		4 631	4 412
		(567)	(333)
		4 064	4 079
		938	603
		5 002	4 682
		938	603
		943	764
		1 406	836
		483	1 192
		1 232	1 287
		5 002	4 682
		7 339	6 460

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
19. OTHER NON-CURRENT LIABILITIES		
Cash-settled share-based payment liability	–	2
Put option liability	274	245
Finance lease liabilities	2	5
Liability to non-controlling shareholder in subsidiary company	17	14
	293	266
Less: Short-term portion of other non-current liabilities	–	(4)
	293	262

Put option liability

The IFC was issued a put option in September 2015 in terms of which PPC Ltd is required to purchase all or part of the shares held by the IFC in PPC Barnet DRC Holdings. The put option may be exercised after six years from when the IFC subscribed for the shares but only for a five-year period. The put option value was calculated using the DRC's forecast EBITDA applying an earning's multiple less net debt and then present valued.

Following the valuation of the put option, no fair value adjustment has been recognised as the fair value is the same as the current carrying amount.

Forecast EBITDA is based on financial forecasts approved by management, with pricing and margins similar to those currently being achieved by the business unit, albeit lower than in the prior year, while selling prices and costs are forecast to increase at local inflation projections and extrapolated using local GDP growth rates averaging 5 % per annum (2018: 5 %) taking cognisance of the plant production ramp-up and adjusted for the impact of competitor activity and political environment within the country and neighbouring countries. An EBITDA multiple of 7 times (2018: 7 times) was determined using comparison of publicly available information on other cement businesses operating in similar territories. The present value of the put option was calculated at R274 million (2018: R245 million). The increase in the liability follows the time value of money adjustments.

Refer to note 22 for sensitivity analysis.

Liability to non-controlling shareholder in subsidiary company

Relates to US dollar denominated interest payable on initial equity contribution into the DRC group of companies by a non-controlling shareholder. The accruing of interest ceased in September 2015 and the amount payable will be repaid once the external funding of the DRC has been settled.

20. TRADE AND OTHER PAYABLES		
Accrued finance charges	4	8
Cash-settled share-based payment liability (short-term portion)	–	2
Capital expenditure payables	64	45
Finance lease liabilities	–	1
Unclaimed dividends	11	11
Other financial payables*	22	57
Retentions held for plant and equipment	316	259
Trade payables and accruals	1 368	1 079
Trade and other financial payables	1 785	1 462
Payroll accruals	138	248
VAT (receivable)/payable	(4)	25
	1 919	1 735

Trade and other payables, payroll accruals and regulatory obligations are payable within a 30 to 60-day period.

The prior year balances relating to taxation payable of R71 million have been re-presented and disclosed separately on the face of the statement of financial position.

* Included in other financial payables is income received in advance and short-term provisions.

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
21. COMMITMENTS		
Contracted capital commitments	128	339
Approved capital commitments	117	257
Capital commitments	245	596
Operating lease commitments	121	128
	366	724
Capital commitments		
Southern Africa	228	546
Rest of Africa	17	50
	245	596
Capital commitments are anticipated to be incurred:		
– Within one year	245	500
– Between one and two years	–	96
	245	596

The decrease in commitments follows the successful commissioning of Slurry expansion project (SK9).

Capital expenditure commitments are stated in current values which, together with expected price escalations, will be financed from surplus cash generated and borrowing facilities available to the group.

22. FINANCIAL RISK MANAGEMENT

Fair value of assets and liabilities

	Notes	Level*	Year ended 31 March 2019 Audited Rm	Year ended 31 March 2018 Audited Rm
Financial assets				
The financial assets carried at fair value are classified into three categories as reflected below:				
At amortised cost				
Investment in Zimbabwe government bonds	11	2	279	6
Trade and other financial receivables	13	2	1 017	1 023
Cash and cash equivalents	14	1	452	836
At fair value through other comprehensive income				
Investment in the Zimbabwe Stock Market	11	1	14	–
At fair value through profit or loss				
Unlisted collective investments at fair value (held for trading)	11	2	141	134
PPC Zimbabwe financial asset	11	2	289	–
Total financial assets			2 192	1 999
Level 1			466	836
Level 2			1 726	1 163
Non-financial assets				
Assets held for sale	12	2	92	34
Goodwill [#]	9	3	236	230
Equity-accounted investments [^]		3	625	582
VAT receivable	11	2	101	104
Long-term receivable	11	2	91	59
Prepayments	13	2	149	115
Financial liabilities				
At amortised cost				
Long-term borrowings	18	2	4 064	4 079
Short-term borrowings	18	2	938	603
Finance lease liabilities	19	2	2	5
Liability to non-controlling shareholder in subsidiary company	19	2	17	14
Trade and other financial payables	20	2	1 785	1 462
At fair value through profit or loss				
Cash-settled share-based liability	19	2	–	2
Put option liability	19	3	274	245
Decommissioning and rehabilitation obligations	16	3	395	495
Total financial liabilities			7 080	6 410
Level 2			6 806	6 165
Level 3			274	245

[#] The movement in the fair value of goodwill recognised relates to foreign currency exchange differences.

[^] Relates to the fair value of the investment in associates which is different to the carrying amount of R149 million, determined using the equity-accounted method. The reported fair value is determined using discounted cash flows, which involves using unobservable inputs such as the forecast cash flows and the discount rate. An adjustment of 1 % in the discount rate used will result in a movement of R56 million in the reported fair value.

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

22. FINANCIAL RISK MANAGEMENT continued

Methods and assumptions used by the group in determining fair values:

- * Level 1 – financial assets and liabilities that are valued accordingly to unadjusted market prices for similar assets and liabilities. Market prices in this instance are readily available and the price represents regularly occurring transactions which have been concluded on an arm's length transaction.
- * Level 2 – financial assets and liabilities are valued using observable inputs, other than the market prices noted in the level 1 methodology, and make reference to pricing of similar assets and liabilities in an active market or by utilising observable prices and market-related data.
- * Level 3 – financial assets and liabilities that are valued using unobservable data, and requires management judgement in determining the fair value.

The estimated fair value of financial instruments is determined, at discrete points in time, by reference to the mid price in an active market wherever possible. Where no such active market exists for the particular asset or liability, the group uses valuation techniques to arrive at fair value, including the use of prices obtained in recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

The fair value of unlisted investment has been valued based on the purchase agreement following the decision to dispose of the investment, while unlisted collective investment is valued using the closing unit price at year-end. Investment in government bonds is valued using the discounted face value of the bills. Further details are disclosed in note 11.

The fair value of loans receivable and payable is based on the market rates of the loan and the recoverability.

The fair value of cash and cash equivalents, trade and other financial receivables and trade and other financial payables approximate their respective carrying amounts of these financial instruments because of the short period to maturity. Where the short period to maturity is extended, the company then discounts the current carrying amount using the latest available borrowing rates against the expected maturity period.

The PPC Zimbabwe financial asset (refer to note 11) should be valued using RTGS forward curves, however, these are not available. As a result of their being no other similar available market data, the financial asset has been valued at the year-end US\$:RTGS\$ exchange rate and no further fair value adjustment has been recognised.

The put option liability has been calculated using EBITDA forecasts prepared by management and discounted to present value.

The fair value of derivative financial instruments relating to cash-settled share appreciation rights is determined with reference to valuation performed by third-party financial institutions at reporting date, using an actuarial binomial pricing model.

This note has been refined from that reported in the prior period to only include financial instruments held at fair value.

Level 3 sensitivity analysis

Financial instrument	Valuation technique	Main assumptions	Increase/decrease Rm
Put option liabilities	Earnings multiple	EBITDA and net debt	29

If the key unobservable inputs to the valuation model, being estimated EBITDA and net debt, were 1 % higher/lower while all the other variables were held constant, the carrying amount of the put option liabilities would decrease/increase by R29 million.

The valuation of the put option liability follows the changes in the DRC operation's recoverable amount. During the current year, following an impairment review, management opted not to reverse the previously recognised impairment and as a result no fair value adjustment has been recognised on the put option liability.

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
Movements in level 3 financial instruments		
Financial liability		
Balance at the beginning of the period	245	434
Remeasurements	-	(238)
Time value of money adjustments	29	49
Balance at the end of the year	274	245

Remeasurements are recorded in fair value adjustments on financial instruments in the income statement.

23. EVENTS AFTER THE REPORTING DATE

Business combination

On 4 May 2019, Habesha Cement Share Company (Habesha), a cement manufacturing company incorporated in Ethiopia and currently accounted in the PPC group results as an investment in associate, granted PPC and Industrial Development Corporation (IDC) a right to appoint an additional board member. PPC and IDC have a 38 % and 20 % shareholding in Habesha respectively. PPC and IDC have signed a voting agreement, in terms of which they agreed to vote as a block on key matters pertaining to Habesha. Given PPC's technical knowledge and experience in the cement manufacturing industry and fact that PPC has significant shareholding in Habesha compared to IDC, it is likely that PPC will be a key decision-maker in terms of the voting agreement.

Furthermore, PPC entered into an agreement with Habesha, in terms of which PPC is required to provide consulting and technical services. These services, among other include:

- Consulting services – such as developing strategic direction and objectives, providing commercial guidance and aligning the policies and procedures of Habesha to those of PPC
- Technical services – relating to finance, sales and marketing, treasury, human resources, legal and risk management

Taking into account the two agreements, management believes that PPC has control over Habesha from 4 May 2019 and has the exposure to variable returns and ability to affect those returns

In terms of IAS 10, this is considered to be a non-adjusting post-balance sheet event as the meeting where the resolution was passed to give IDC and PPC a right to appoint an additional board member took place after the reporting period. The potential evidence of control therefore never existed at year-end.

Effective from 4 May 2019, being the acquisition date, PPC will account for Habesha as a subsidiary and the financial results of Habesha will be consolidated into PPC group. PPC's share of profits will remain as 38 %.

The acquisition accounting has not yet been finalised at the time of these financial statements as the event occurred after the reporting date and the acquisition of Habesha involved a complex analysis of among other things; the voting rights held directly by PPC, its voting agreement with the IDC, and the effect of its technical agreements with Habesha. As such the group will provide more information in its interim reporting on a final or preliminary basis dependent on the state of completion of the required accounting procedures at that time

Refinancing strategy

Due to the expected liquidity constraints, in April 2019, the investment committee approved the engagement with the lenders for the funding facility package to be increased from R2,4 billion to R3,1 billion. This facility has been approved by the lenders and is considered to be a non-adjusting subsequent event in accordance with IAS 10.

Movement in RTGS\$:US\$ rate

At 31 March 2019, an official inter-bank rate of 3,01 between the US\$ and RTGS\$ has been used in the translation of the Zimbabwe results following the change in functional currency. This rate has since deteriorated to 8,83 at 18 July 2019, the date of approval of these abridged summarised consolidated annual financial statements. This rate was obtained from www.marketwatch.co.zw. For the sensitivity analysis on the RTGS\$ rate refer to note 1.

Reserve Bank of Zimbabwe directive

On 24 June 2019, the government of Zimbabwe issued Statutory Instrument 142 which abolished the multi-currency system in Zimbabwe. Government has removed the multi-currency regime and restricted domestic transactions to local currency, renamed Zimbabwe dollar (ZWL), in an effort to enhance the affordability of goods and services in Zimbabwe.

Further to the SI 142 of 2019, the Reserve Bank of Zimbabwe, through a directive RU 102/2019 dated 25 June 2019, announced that it will implement the support measures to buttress and strengthen the local unit of account. Management has assessed the statutory requirements as announced by the Reserve Bank of Zimbabwe and applied the following measures to comply with these requirements:

TDB loan (refer to note 18)

- PPC Zimbabwe transferred the required funds to Stanbic Bank where the legacy debt was registered. The legacy debts funds that had been confirmed by RBZ to be settled at 1:1 mainly relate to the TDB loan balance of US\$31 million. PPC Zimbabwe is in receipt of a letter from the RBZ already confirming the 1:1 settlement
- A written instruction was submitted by PPC Zimbabwe to Stanbic Bank to transfer the said TDB funds to the RBZ in line with the directive
- In addition, a written instruction was submitted to Stanbic instructing them to apply to the RBZ to settle the outstanding balance of the June 2019 TDB instalment of US\$5 million on a 1:1 basis between the ZWL and the US\$

Dividends and rights issue proceeds legacy debt invested in government bonds (refer to note 11)

- In order to comply with the above RBZ directive, PPC Ltd issued a written instruction to Stanbic to divest from the 7 % savings bonds held with the RBZ and to transfer the equivalent RTGS\$ funds of the legacy debt at 1:1 with the US\$.
- Stanbic has subsequently confirmed that they have initiated the disinvestment process of the 7 % RBZ savings bonds and are expecting the funds to be credited into PPC Ltd's non-resident account. These funds will then be transferred to the RBZ as directed

Management believes that this event is a non-adjusting post-balance sheet event as the instruction to transfer the legacy debt funds to RBZ is a condition that arose after year-end. Furthermore management believes that at year-end transactions relating to the Zimbabwe legacy debt are appropriately recognised and disclosed in these annual financial statements.

There are no events that occurred after the reporting date, other than those listed above, that may have a material impact on the group's reported financial position at 31 March 2019.

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

24. CURRENCY CONVERSION GUIDE

In preparing the financial statements of the subsidiary companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated to closing rate. Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

Approximate value of foreign currencies to the rand:

	Average		Closing	
	2019	2018	2019	2018
Botswana pula	1,32	1,28	1,34	1,22
US dollar	13,63	13,06	14,42	11,82
Rwandan franc	0,02	0,02	0,02	0,01
RTGS dollar (to the US dollar)	3,50	N/A	3,01	N/A
Mozambican metical	0,20	0,22	0,23	0,19

25. RELATED-PARTY TRANSACTIONS

Parties are considered to be related if one party directly or indirectly has the ability to control or jointly control the other party or exercise significant influence over the other party or is a member of the key management of PPC group. In particular, this relates to associates, as transactions with the consolidated subsidiaries are eliminated. In the ordinary course of business, PPC Group Shared Services Pty Limited, a subsidiary of PPC Ltd, entered into various transactions with Habesha Cement Share Company, an associate of PPC Ltd. The effect of these transactions is included in the financial performance and results of the group. Terms and conditions are determined on an arm's length basis. No impairment of receivables related to the amount of outstanding balances is required.

The following table shows transactions with the related parties that are included in the group's annual financial statements.

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
Services rendered to a related party		
Habesha Cement Share Company	2	–
Amounts receivable from a related party		
Habesha Cement Share Company	2	–
Dividends received from a related party		
Olegra Pty Limited	1	1

Refer to note 23 for post-balance sheet events impacting the accounting treatment of the Habesha Cement Share Company by the PPC group.

26. OTHER DISCLOSURES

Contingent liabilities and guarantees

A PPC group supplier has instigated legal proceedings against the group for the possible damages relating to a contract. In terms of the contract, the supplier would provide certain services relating to sales and marketing. The total claim is estimated at R3 million.

Management believes that the claim has no merit, and is currently contesting the matter in court. In accordance with IAS 37, no provision has been made in these financial statements.

The total guarantees issued by the group, by means of a bank guarantee, in favour of the various suppliers was R102 million (2018: R102 million). Included in this amount are financial guarantees for the environmental rehabilitation and decommissioning obligations of the group to the DMR amounting to R76 million (2018: R76 million).

PPC LTD

(Incorporated in the Republic of South Africa)
Company registration number: 1892/000667/06
JSE/ZSE code: PPC
JSE ISIN: ZAE 000170049
JSE code: PPC003
JSE ISIN: ZAG000117524
(PPC or company or group)

DIRECTORS

PJ Moleketi (Chairman), JT Claassen (CEO), AC Ball, N Gobodo,
MF Gumbi, NL Mkhondo, T Moyo*, CH Naude, MMT Ramano,
MR Thompson
* Zimbabwean

REGISTERED OFFICE

148 Katherine Street, Sandton, South Africa
(PO Box 787416, Sandton 2146, South Africa)

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank
(PO Box 61051, Marshalltown, 2107, South Africa)

TRANSFER SECRETARIES ZIMBABWE

Corpserve (Pvt) Ltd
2nd Floor, 2B Centre, Corner 1st Street/Kwame Nkrumah Avenue
Harare, Zimbabwe
(PO Box 2208, Harare, Zimbabwe)

COMPANY SECRETARY

K Holtzhausen
148 Katherine Street, Sandton, South Africa
(PO Box 787416, Sandton 2146, South Africa)

SPONSOR

Merrill Lynch South Africa (Pty) Ltd
The Place, 1 Sandton Drive, Sandton, South Africa
(PO Box 651987, Benmore 2010, South Africa)

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This report, including statements on the demand outlook, PPC's expansion projects and its capital resources and expenditure, contains certain forward looking views that are not historical facts and relate to other information which is based on forecasts of future results and estimates of amounts not yet determinable. By their nature, forward looking statements involve uncertainties and the risk that these forward looking statements will not be achieved. Although PPC believes the expectations reflected in these statements are reasonable, no assurance can be given that these expectations will prove correct. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, outcomes could differ materially from those set out in the forward looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment, other government action and business and operational risks.

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