Mpact Limited

(Incorporated in the Republic of South Africa)

(Company registration number 2004/025229/06)

Income tax number: 9003862175

JSE Share Code: MPT JSE ISIN: ZAE 000156501

("Mpact" or "the Group" or "the Company")

AUDITED PRELIMINARY SUMMARISED CONSOLIDATED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019 AND DECLARATION OF A CASH DIVIDEND

SALIENT FEATURES FROM CONTINUING OPERATIONS

- *Revenue increased by 5.1% to R11.1 billion (2018: R10.5 billion)*
- *Underlying EBITDA up 7% to R1,374 million (2018: R1,284 million)*
- *Underlying operating profit down 3.7% to R724 million (2018: R752 million)*
- *Underlying earnings per share of 192 cents (2018: 248 cents)*
- *Return on Capital Employed (ROCE) of 11.8% (2018: 11.9%)*
- *Total gross cash dividend of 60 cents per share (2018: 70 cents per share)*
- *Mpact Operations (Pty) Ltd achieved Level 1 B-BBEE (2018: Level 4 B-BBEE)*

COMPANY PROFILE

Mpact is the largest paper and plastics packaging and recycling business in Southern Africa with customers that include packaging converters, fruit producers and FMCG companies. Mpact's integrated business model is uniquely focused on closing the loop in plastic and paper packaging through recycling and beneficiation of recyclables.

As at 31 December 2019, Mpact employed 5,142 people (2018: 5,062 people) and had 41 operating sites, 20 of which are manufacturing operations, located in South Africa, Namibia, and Mozambique. Sales in South Africa account for approximately 90% of Mpact's total revenue for the current year while the balance was predominantly to customers in the rest of Africa.

GROUP PERFORMANCE

The Group's financial results for the year ended 31 December 2019 reflect very tough trading conditions, with reduced local and export demand coupled with lower profit margins. Benefits from recent capital investments such as the Felixton paper mill upgrade and the new corrugator in Port Elizabeth partially offset the effects of the challenging trading environment.

During the year the Group's polyethylene terephthalate (PET) recycling operation, Mpact Polymers (Pty) Ltd (Mpact Polymers), was closed and it is therefore reported as a discontinued operation. The reason for the closure is that the recycled PET selling price was below Mpact Polymers' cash cost of production and was expected to remain so for the foreseeable future.

Group revenue from continuing operations of R11.1 billion was 5.1% higher than the prior year.

Effective 1 January 2019, Mpact adopted the new IFRS 16 Lease standard (IFRS 16) which decreased profit before tax by R33 million and underlying earnings per share by 14.0 cents.

Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA) from continuing operations increased 7.0% to R1,374 million (excl. IFRS 16, R1,276 million), while underlying operating profit (EBIT) of R724 million decreased by 3.7%. ROCE at 31 December 2019 was 11.8% (2018: 11.9%).

Paper business

The Paper business reported a 5.4% increase in segment revenue for the year to R8.7 billion (2018: R8.3 billion) due to higher average selling prices. External sales volumes decreased due to lower export and local demand, particularly for containerboard and cartonboard.

Mpact increased its shareholding in West Coast Paper Traders (WCPT) to 60% (December 2018: 49%) effective 1 January 2019 which increased revenue by 1%.

Working capital at the end of the period remained high due to sales not meeting expectations. The paper mills took commercial downtime equating to approximately 10% of their annual capacity (2018: 0%).

Underlying operating profit increased by 3.1% to R716 million (2018: R694 million) due to the consolidation of WCPT and higher gross margin.

Plastics business

Revenue in the Plastics converting business was up 3.2% to R2.4 billion (2018: R2.3 billion) due to higher sales volumes of preforms and closures.

Underlying operating profit of R83 million (2018: R130 million) declined from the prior year due to lower margins realised in the trays and films and FMCG businesses. The operating profit margin was 3.5% (December 2018: 5.6%).

Discontinued operation

On 14 November 2019, the Board of Mpact approved a decision to discontinue its PET recycling operation, Mpact Polymers, which was previously included in the Plastics reporting segment. In December 2019, Mpact Polymers commenced voluntary business rescue proceedings and was deconsolidated from the Group. Its profit and loss statement for the reporting period is disclosed separately as a discontinued operation. The net effect of deconsolidation is that the Groups balance sheet as at 31 December 2019 does not reflect any assets and liabilities attributable to Mpact Polymers. The basic and headline loss per share attributable to Mpact Polymers as a discontinued operation, were 37.1 cents (2018: 39.7) and 36.7 cents (2018: 39.7), respectively.

Impairment of goodwill, plant and equipment

Deteriorating market conditions, together with Mpact's share price trading below its net asset value during most of the past year has resulted in an impairment of R1.3 billion, comprising R549 million of goodwill and R742 million of plant and equipment, raised against the Springs and Piet Retief paper mills as well as the trays and films business. This non-cash charge equates to approximately 633.2 cents per share and is excluded from headline and underlying earnings per share. Notwithstanding the impairments these businesses remain operational.

Net finance costs

Net finance costs from continuing operations increased to R245 million (2018: R209 million) mainly due to interest charged on lease liabilities of R38 million following the adoption of IFRS 16.

Tax

The effective tax rate before special items was 25.7% (2018: 20.3%). In the prior year, the Group benefited from S12I allowances which resulted in a lower effective tax rate.

Earnings per share

Underlying basic earnings per share and headline earnings per share for the year were 191.8 cents (2018: 247.7 cents) and 185.8 cents (2018: 235.3 cents), respectively.

Net debt

Mpact successfully concluded the refinancing of its bank facilities during 2019. Net debt at the end of the year from continuing operations was R2.3 billion (2018: R1.8 billion). The increase in net debt is primarily due to the adoption of IFRS 16 lease liabilities of R321 million. This has resulted in a gearing ratio of 38.2% (2018: 27.9%). The gearing ratio excluding IFRS 16 is 32.8%.

OUTLOOK

There is still no indication of any meaningful improvement in the South African economy, which is aggravated by debilitating power outages.

The global oversupply of containerboard and cartonboard persists while we expect the dynamics supporting recycled fibre availability to continue for the remainder of the year. We will prioritise cash preservation and mitigating the effects of the weak economy through cost savings, efficiency gains and product innovation.

To date, there has been no discernible impact on the Group’s sales or supply chains from the current coronavirus outbreak. We continue to monitor the potential impact and will take steps where possible to mitigate the effects.

Mpact’s integrated business model is uniquely focused on closing the loop in paper and plastic packaging. Through our increased focus on innovation and the introduction of new product offerings, we will continue to work with our customers to develop new markets.

Cash dividend

Notice is hereby given that the Board has declared a final gross cash dividend of 42 cents for the year ended 31 December 2019 (33.60 cents net of dividend withholding tax) per ordinary share. The dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The Company's total number of issued ordinary shares at the date of this announcement is 173,304,517. Mpact's income tax reference number is 9003862175.

Salient dates for the cash dividend distribution

	2020
Publication of dividend declaration	Wednesday, 4 March
Last day of trade to receive a dividend	Tuesday, 31 March
Shares commence trading "ex" dividend	Wednesday, 1 April
Record date	Friday, 3 April
Payment date	Monday, 6 April

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

Share certificates may not be dematerialised or rematerialised between Wednesday, 1 April 2020 and Friday, 3 April 2020, both days inclusive.

AJ Phillips

Chairman

BW Strong

Chief Executive Officer

4 March 2020

MPACT LIMITED GROUP

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**2019 R'm**	Restated[1] 2018 R'm
CONTINUING OPERATIONS			
Revenue from contracts with customers	2a	**11,076.3**	10,543.2
Material, energy and fixed overhead recovery		**(6,007.5)**	(5,646.3)
Variable selling expenses		**(869.3)**	(878.6)
Administration and other operating expenses		**(2,833.5)**	(2,757.6)
Depreciation, amortisation and impairment		**(1,942.0)**	(561.9)
Operating (loss)/profit	3	**(576.0)**	698.8
Share of profit from equity accounted investees		**17.1**	23.3
Gain on acquisition of subsidiary	13	**1.3**	–
Net (loss)/profit on sale of associates, joint arrangements and subsidiaries	15	**(3.0)**	6.7
(Loss)/profit from operations and equity accounted investees		**(560.6)**	728.8
Net finance costs		**(245.3)**	(209.2)
Investment income		**19.4**	11.8
Finance costs		**(264.7)**	(221.0)
(Loss)/profit before tax	2b	**(805.9)**	519.6
Tax income/(expense)	4	**83.9**	(102.2)
(Loss)/profit for the year from continuing operations		**(722.0)**	417.4
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	14	**(162.5)**	(90.4)
(Loss)/profit for the year		**(884.5)**	327.0
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains on post-retirement benefit scheme		**1.3**	10.7
Tax effect		**(0.4)**	(3.0)
Fair value adjustment of investment in equity instrument		**–**	(20.5)
Items that may be reclassified subsequently to profit or loss			
Effects of cash flow hedge		**2.1**	5.6
Tax effect		**(0.6)**	(1.6)
Reclassification of cash flow hedge reserve to profit and loss		**2.3**	**–**
Tax effect		**(0.6)**	**–**
Exchange differences on translation of foreign operations		**–**	(1.2)
Other comprehensive income/(loss)		**4.1**	(10.0)
Total comprehensive (loss)/income for the year		**(880.4)**	317.0
(Loss)/profit attributable to:			
Equity holders of Mpact		**(822.3)**	316.2
Non-controlling interests		**(62.2)**	10.8
(Loss)/profit for the year		**(884.5)**	327.0
Total comprehensive (loss)/income attributable to:			
Equity holders of Mpact		**(818.2)**	306.2
Non-controlling interests		**(62.2)**	10.8
Total comprehensive (loss)/income for the year		**(880.4)**	317.0
(Loss)/earnings per share (EPS) for profit attributable to equity holders of Mpact:			
Basic EPS (cps) from continuing operations	5	**(443.7)**	224.8
Diluted EPS (cps) from continuing operations	5	**(443.2)**	224.5
Basic EPS (cps) from discontinued operation	5	**(37.1)**	(39.7)
Diluted EPS (cps) from discontinued operation	5	**(37.0)**	(39.6)

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

MPACT LIMITED GROUP

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	**2019** **R'm**	2018 R'm
ASSETS			
Goodwill and other intangible assets		**568.6**	1,102.0
Property, plant and equipment		**2,828.6**	3,737.3
Right of use assets		**270.7**	–
Investments in equity accounted investees		**41.4**	108.1
Financial assets		**97.0**	94.8
Derivative financial instruments		**0.5**	–
Deferred tax assets		**10.8**	8.6
Non-current assets		**3,817.6**	5,050.8
Inventories		**1,885.3**	1,748.1
Trade and other receivables		**2,236.3**	2,352.9
Financial assets		**17.3**	–
Cash and cash equivalents		**447.1**	705.9
Derivative financial instruments		**2.7**	0.9
Current tax receivables		**18.9**	20.5
Current assets		**4,607.6**	4,828.3
Total assets		**8,425.2**	9,879.1
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	7	**2,669.2**	2,669.2
Retained earnings		**788.0**	1,722.3
Other reserves		**33.5**	26.6
Total attributable to equity holders of Mpact		**3,490.7**	4,418.1
Non-controlling interests in subsidiaries		**256.1**	110.8
Total equity		**3,746.8**	4,528.9
Interest and non-interest bearing borrowings	8	**2,382.3**	1,400.8
Lease liabilities		**249.1**	–
Retirement benefits obligation		**39.9**	40.2
Deferred tax liabilities	9	**95.7**	227.3
Deferred income		**12.5**	18.0
Derivative financial instruments		**–**	3.9
Non-current liabilities		**2,779.5**	1,690.2
Short-term portion of borrowings	8	**35.5**	1,429.7
Lease liabilities		**72.0**	–
Trade and other payables	10	**1,766.7**	2,213.6
Provisions		**9.5**	6.2
Deferred income		**5.5**	5.5
Derivative financial instruments		**4.1**	0.7
Current tax liabilities		**5.6**	4.3
Current liabilities		**1,898.9**	3,660.0
Total liabilities		**4,678.4**	5,350.2
Total equity and liabilities		**8,425.2**	9,879.1

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SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**2019 R'm**	2018 R'm
Cash flows from operating activities			
Operating cash flows before movements in working capital		**1,343.6**	1,217.6
Net increase in working capital		**(357.2)**	(234.8)
Cash generated from operations		**986.4**	982.8
Dividends received from equity accounted investees		**9.3**	14.2
Taxation paid		**(64.7)**	(72.2)
Net cash inflows from operating activities		**931.0**	924.8
Cash flows from investing activities			
Net cash inflow from acquisition of subsidiary	13	**0.2**	–
Additions to property, plant and equipment and other intangibles	2c	**(592.4)**	(534.1)
Proceeds from the disposal of property, plant and equipment		**3.8**	3.7
Proceeds from disposal of joint arrangement		**–**	4.0
Proceeds from disposal of subsidiary		**–**	29.4
Cash disposed of on loss of control in subsidiary	14	**(12.5)**	–
Cash disposed of on disposal of joint arrangement		**–**	(6.4)
Loan advances to associates		**(28.5)**	(29.4)
Loan repayments from external parties		**35.4**	0.9
Loan advances to external parties		**(3.0)**	–
Interest received		**24.8**	13.5
Net cash outflows from investing activities		**(572.2)**	(518.4)
Cash flows from financing activities			
Repayment of borrowings		**(2,706.1)**	–
Proceeds from borrowings raised		**2,585.0**	230.9
Repayments of lease liabilities[1]		**(77.9)**	–
Finance costs paid		**(295.8)**	(229.0)
Dividends paid to non-controlling interests		**(10.6)**	(6.5)
Dividends paid to equity holders of Mpact Limited		**(125.2)**	(46.7)
Subscription of preference shares by non-controlling interest		**15.5**	18.9
Purchase of treasury shares		**(7.8)**	(22.1)
Net cash outflows from financing activities		**(622.9)**	(54.5)
Net (decrease)/increase in cash and cash equivalents		**(264.1)**	351.9
Net cash and cash equivalents at beginning of year		**694.7**	342.8
Net cash and cash equivalents at end of year		**430.6**	694.7

[1]The total cash outflow for leases recognised under IFRS 16 is R115.6 million.

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SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Stated capital R'm	Share-based payment reserve R'm	Cash flow hedge reserve R'm	Post-retirement benefit reserve R'm	Other reserves[1] R'm	Treasury shares R'm	Retained earnings R'm	Total attributable to equity holders of Mpact Ltd R'm	Non-controlling interest R'm	Total equity R'm
Balance at 31 December 2017	2,621.4	47.7	(6.9)	18.8	32.0	(50.3)	1,470.7	4,133.4	109.5	4,242.9
Total comprehensive income for the year	–	–	4.0	7.7	(21.7)	–	316.2	306.2	10.8	317.0
Dividends paid[2]	47.8	–	–	–	–	(1.0)	(93.5)	(46.7)	–	(46.7)
Purchase of treasury shares[3]	–	–	–	–	–	(22.1)	–	(22.1)	–	(22.1)
Share plan charges for the year	–	28.2	–	–	–	–	–	28.2	–	28.2
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(6.5)	(6.5)
Issue/exercise of shares under employee share scheme	–	(25.0)	–	–	–	15.2	7.0	(2.8)	–	(2.8)
Purchase of preference shares by non-controlling interest[4]	–	–	–	–	–	–	–	–	18.9	18.9
Increase in shareholding by non-controlling interest	–	–	–	–	–	–	21.9	21.9	(21.9)	–
Balance at 31 December 2018	**2,669.2**	**50.9**	**(2.9)**	**26.5**	**10.3**	**(58.2)**	**1,722.3**	**4,418.1**	**110.8**	**4,528.9**
Total comprehensive loss for the year	**–**	**–**	**3.2**	**0.9**	**–**	**–**	**(822.3)**	**(818.2)**	**(62.2)**	**(880.4)**
Dividends paid[2]	**–**	**–**	**–**	**–**	**–**	**–**	**(125.2)**	**(125.2)**	**–**	**(125.2)**
Purchase of treasury shares[3]	**–**	**–**	**–**	**–**	**–**	**(7.8)**	**–**	**(7.8)**	**–**	**(7.8)**
Share plan charges for the year	**–**	**28.6**	**–**	**–**	**–**	**–**	**–**	**28.6**	**–**	**28.6**
Purchase of preference shares by non-controlling interest[4]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**15.5**	**15.5**
Acquisition of subsidiaries with non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**38.2**	**38.2**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(10.6)**	**(10.6)**
Issue/exercise of shares under employee share scheme	**–**	**(28.7)**	**–**	**–**	**–**	**10.7**	**13.2**	**(4.8)**	**–**	**(4.8)**
De-consolidation of subsidiary[5]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**164.4**	**164.4**
Balance at 31 December 2019	**2,669.2**	**50.8**	**0.3**	**27.4**	**10.3**	**(55.3)**	**788.0**	**3,490.7**	**256.1**	**3,746.8**

[1]*Other reserves consist of foreign currency translation reserve and fair value adjustments to equity investments.*

[2]*Dividends declared amounted to R125.2 million (2018: R93.5 million) of which Rnil million (2018: R47.8 million) related to a capitalisation issue (refer to note 7). The dividend paid per share for the year was 73c per share (2018: 55c per share).*

[3]*Treasury shares purchased represent the cost of shares in Mpact Limited purchased in the market and held by the Mpact Incentive Scheme Trust to satisfy share awards under the Group's share incentive scheme. As at 31 December 2019, there are 2,449,704 (2018: 2,403,309) treasury shares on hand.*

[4]*The non-controlling shareholder of Mpact Polymers subscribed for the preference shares on 1 August 2018.*

[5]*As a result of the Group losing control of Mpact Polymers (Pty) Ltd, R164.4 million was de-recognised from non controlling interest. Refer to note 14.*

1. ACCOUNTING POLICIES

Basis of preparation

These preliminary summarised consolidated financial statements have been prepared in accordance with the framework concepts and measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the JSE Limited's Listing Requirements and the Companies Act of South Africa and contains at a minimum the information required by IAS 34: Interim Financial Reporting.

These summarised consolidated financial statements for the year ended 31 December 2019 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated financial statements from which these summarised consolidated financial statements were derived. A copy of the auditor's report on the summarised consolidated financial statements is available for inspection at the company's registered office. The auditor's report does not necessarily report on all of the information contained in this announcement.

The auditor’s report (with Key Audit Matters) issued on the Consolidated Annual Financial Statements (“AFS”) and the actual Consolidated Annual Financial Statements can be accessed at https://www.mpact.co.za/investor-relations/financial-results/2020/AFSFY2019.pdf

Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of that report together with the accompanying financial information from the registered office of the company. Any reference to future financial performance included in this announcement has not been reviewed or reported by the Company's auditors.

The preparation of these summarised consolidated financial statements was supervised by the Chief Financial Officer, BDV Clark CA(SA).

The directors take full responsibility for the preparation of the summarised consolidated financial statements and the financial information has been correctly extracted from the underlying consolidated annual financial statements.

Accounting policies

The accounting policies and methods of computation used are consistent with the prior year, except for new and revised standards adopted.

The Group has adopted the following Standards, amendments to published Standards during the current year:

IFRS 16

The Group adopted IFRS 16 using the modified retrospective method with the effective date of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect recognised in retained earnings. The Group did not have a cumulative effect in retained earnings on adoption.

1. ACCOUNTING POLICIES CONTINUED

On adoption, the Group applied the following practical expedients:

- Not to reassess whether an existing lease contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 continued to be applied to these leases entered into before 1 January 2019.
- Used the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Excluded the initial direct costs from the measurement of the right-of-use asset.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases.

The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate of the Group and each subsidiary of the Group. The incremental borrowing rate ranges from 8.80% to 10.50%.

The effect of adopting IFRS 16 as at 1 January 2019 was as follows:

	2019 R'm Increase/(decrease)
Assets	
Right-of-use assets	**427.4**
Liabilities	
Non-current portion of interest-bearing borrowings	**390.0**
Current portion of interest-bearing borrowings	**77.2**
Total lease liability	**467.2**
Non-current provision	**(1.2)**
Trade and other payables	**(38.6)**
Total liabilities	**427.4**
External operating lease commitments as at 31 December 2018	**368.7**
Commitments relating to short-term leases	**(4.5)**
Commitments relating to leases of low-value assets	**(0.4)**
Payments in optional extension periods not recognised as at 31 December 2018	**224.5**
Discount effect using the incremental borrowing rate	**(121.1)**
Lease liabilities as at 1 January 2019	**467.2**

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments require the Group to use the updated assumptions from the re-measurement of a net defined benefit liability or asset resulting from a plan amendment, curtailment or settlement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. The amendment is effective from 1 January 2019. These amendments had no impact on the Group as it did not have any plan amendments, curtailments or settlements during the period.

1. ACCOUNTING POLICIES CONTINUED

IFRIC 23 – Uncertainty over income tax treatments
The interpretation specifies how the Group should reflect the effects of uncertainties in accounting for income taxes. The amendment is effective from 1 January 2019 and did not have an impact on the consolidated financial statements of the Group as it is probable that the Group's tax treatments will be accepted by the tax authorities.

Restatement to the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018

1. Classification of Mpact Polymers (Pty) Limited (Polymers) as a discontinued operation

In the current financial year Polymers was presented as a discontinued operation. Refer to note 14 to evaluate the financial effects of the reclassification.

2. Change in presentation (Reclassification error of items on the statement of profit or loss and other comprehensive income)

Following the resolution of the Group's 2019 JSE proactive monitoring process, the Group changed its presentation of expenses from a hybrid basis to a nature basis. The change in the presentation has had no impact to operating profit, profit for the year or any other earnings measures.

The change in presentation has resulted in a decrease in cost of sales, which was previously reported as an aggregated amount of R6,576.8 million, offset by an increase in material, energy and fixed overhead recovery of R5,646.3 million and an increase in variable selling expenses of R878.6 million which are now seperately presented on the face of the statement of profit or loss. A further R51.9 million was reclassified due to the classification of Polymers as a discontinued operation.

Special items to determine underlying operating profit

Special items are those items of financial performance that the Group believes should be separately disclosed to assist in the understanding of the underlying financial performance achieved by the Group and its businesses. Such items are material by nature or amount to the financial year's results. These items include impairment charges on tangible and intangible assets, impairment related to equity accounted investees, impairment to financial asset investments and impairment of foreign cash balances or reversals of any such items. Restructure costs associated with the closure of a plant, where such cost would typically be included in earnings before interest, tax, depreciation and amortisation (EBITDA), will also be included in special items.

Earnings per share (EPS)

Headline EPS

The presentation of headline EPS is mandated under the JSE Listings Requirements and is calculated in accordance with Circular 1/2019, "Headline Earnings", as issued by the South African Institute of Chartered Accountants.

Underlying EPS

Underlying earnings is arrived at after adjusting profit attributable to equity holders of Mpact for special items, net of tax and is a non-IFRS measure. It is included to provide an additional basis on which to measure the Group's earnings performance from continuing operations.

MPACT LIMITED GROUP

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. OPERATING SEGMENTS

2(a) Reportable segment revenue

	2019			2018 Restated		
	Segment revenue R'm	**Inter-segment revenue R'm**	**Revenue from contracts with customers R'm**	Segment revenue R'm	Inter-segment revenue R'm	Revenue from contracts with customers R'm
Paper	**8,726.9**	**(36.2)**	**8,690.7**	8,260.5	(29.9)	8,230.6
Plastics	**2,385.8**	**(0.2)**	**2,385.6**	2,312.8	(0.2)	2,312.6
	11,112.7	**(36.4)**	**11,076.3**	10,573.3	(30.1)	10,543.2

	2019 R'm	Restated 2018 R'm
External revenue by product type		
Recycled containerboard, cartonboard and other materials	**3,640.5**	4,041.5
Corrugated packaging, bags and sacks	**5,050.2**	4,189.1
Plastic packaging solutions	**2,385.6**	2,312.6
Total	**11,076.3**	10,543.2
External revenue by location of customer		
South Africa (country of domicile)	**9,931.0**	9,200.8
Rest of Africa	**1,057.5**	1,103.6
Rest of World	**87.8**	238.8
Total	**11,076.3**	10,543.2

There are no external customers which account for more than 10% of the Group's total external revenue.

2(b) Reportable segment underlying operating (loss)/profit		
Paper	**716.2**	694.4
Plastics	**82.8**	129.2
Corporate	**(75.3)**	(71.5)
Segments total before special items	**723.7**	752.1
Special items[1]	**(1,299.7)**	(53.3)
Share of profit from equity accounted investees	**17.1**	23.3
Gain on acquisition of subsidiary	**1.3**	–
Net finance costs	**(245.3)**	(209.2)
Net (loss)/profit on sale of associates, joint arrangements and subsidiaries	**(3.0)**	6.7
(Loss)/profit before tax	**(805.9)**	519.6
Significant components of operating profit		
Depreciation and amortisation		
Paper	**409.0**	327.4
Plastics	**198.7**	173.6
Corporate	**42.6**	31.3
Total	**650.3**	532.3
Impairment of plant and equipment, goodwill and intangible asset		
Paper	**846.6**	4.1
Plastics	**445.1**	25.5
Total	**1,291.7**	29.6

[1]Special items include impairment on property, plant and equipment of R742.4 million (2018: R29.6 million), impairment on foreign cash balance of Rnil (2018: R4.8 million), impairment of goodwill and intangible assets of R549.3 million (2018: Rnil), impairment on an associate loan of Rnil (2018: R1.2 million) and restructure costs of R8.0 million (2018: R17.7 million).

2. OPERATING SEGMENTS (CONTINUED)

	2019 R'm	2018 R'm
2(c) Reportable segment assets		
Segment assets[2]		
Paper	**5,535.2**	6,144.6
Plastics	**1,638.3**	2,302.4
Corporate	**491.0**	344.7
Inter-segment elimination	**(6.4)**	(21.4)
Segment total[3]	**7,658.1**	8,770.3
Unallocated:		
Investments in equity accounted investees	**41.4**	108.1
Deferred tax assets	**10.8**	8.6
Other non-operating assets[4]	**153.5**	191.4
Trading assets	**7,863.8**	9,078.4
Financial assets	**114.3**	94.8
Cash and cash equivalents	**447.1**	705.9
Total assets	**8,425.2**	9,879.1
Non-current non-financial assets[5]		
South Africa (country of domicile)	**3,377.1**	4,816.5
Rest of Africa	**20.0**	22.8
Total	**3,397.1**	4,839.3
Additions to non-current non-financial assets[6]		
Paper	**264.4**	258.6
Plastics	**197.7**	212.9
Corporate	**130.3**	62.6
Segments total	**592.4**	534.1

[2]Segment assets are operating assets as at 31 December 2019 which consist of property, plant and equipment of R2,828.6 million (2018: R3,737.3 million), goodwill and other intangible assets of R568.6 million (2018: R1,102.0 million), right of use assets of R270.7 million (2018: Rnil), inventories of R1,885.3 million (2018: R1,748.1 million) and operating receivables of R2,104.9 million (2018: R2,182.9 million).

[3]Goodwill has been disclosed in the appropriate reportable segment in which it was acquired. This has resulted in goodwill being reclassified from Corporate to Paper and Plastics amounting to R669.3 million and R350.5 million respectively, in the prior year.

[4]Other non-operating assets consist of derivative assets of R2.7 million (2018: R0.9 million), other non-operating receivables of R131.4 million (2018: R170.0 million) and current tax receivable of R18.9 million (2018: R20.5 million).

[5]Non-current non-financial assets consist of property, plant and equipment and goodwill and other intangible assets, but excludes deferred tax assets, non-current financial assets and right of use assets.

[6]Additions to non-current non-financial assets reflect cash payments and accruals in respect of additions to property, plant and equipment and intangible assets. Additions to non-current non-financial assets, however, exclude additions to deferred tax assets and non-current financial assets and right of use assets.

	2019 R'm	Restated 2018 R'm

3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit for the year has been arrived at after charging:

	2019 R'm	Restated 2018 R'm
Depreciation, amortisation and impairments	**1,942.0**	561.9
Amortisation of intangibles	**13.8**	11.9
Depreciation of property, plant and equipment	**543.1**	520.4
Depreciation of right of use assets	**93.4**	–
Impairment of goodwill (refer to note 6)	**548.7**	–
Impairment of intangible assets	**0.6**	–
Impairment of property, plant and equipment (refer to note 6)	**742.4**	29.6
Impairment charge on foreign cash balances	**–**	4.8

4. TAX INCOME/(EXPENSE)

	2019 R'm	Restated 2018 R'm
Current tax	**(66.7)**	(96.9)
Deferred tax	**150.6**	(5.3)
	83.9	(102.2)

The significant move in deferred tax is mainly due to the impairment of plant and equipment in the current financial year.

5. EARNINGS PER SHARE

	Cents per share	Cents per share
Continuing operations (loss)/earnings per share (EPS)		
Basic EPS	**(443.7)**	224.8
Diluted EPS	**(443.2)**	224.5
Basic headline EPS	**185.8**	235.3
Diluted headline EPS	**185.6**	234.9
Basic underlying EPS[1]	**191.8**	247.7
Diluted underlying EPS[1]	**191.6**	247.3
Discontinued operations loss per share (EPS)		
Basic EPS	**(37.1)**	(39.7)
Diluted EPS	**(37.0)**	(39.6)
Basic headline EPS	**(36.7)**	(39.7)
Diluted headline EPS	**(36.7)**	(39.6)
Total operations (loss)/earnings per share (EPS)		
Basic	**(480.8)**	185.1
Diluted EPS	**(480.2)**	184.9
Basic headline EPS	**149.1**	195.6
Diluted headline EPS	**148.9**	195.3

[1] Underlying earnings is arrived at after adjusting profit attributable to equity holders of Mpact for special items, net of tax.

5. EARNINGS PER SHARE (CONTINUED)

The calculation of basic and diluted EPS and basic and diluted headline EPS is based on the following data:

	2019 R'm	Restated 2018 R'm
Continuing operations		
(Loss)/profit for the year	**(722.0)**	417.4
Less profit attributable to non-controlling interest	**(36.9)**	(33.4)
(Loss)/profit for the year attributable to equity holders of Mpact	**(758.9)**	384.0
Discontinued operation		
Loss for the year	**(162.5)**	(90.4)
Less loss attributable to non-controlling interest	**99.1**	22.6
Loss for the year attributable to equity holders of Mpact	**(63.4)**	(67.8)
Continuing operations		
(Loss)/profit for the financial year attributable to equity holders of Mpact	**(758.9)**	384.0
Impairment of plant and equipment (refer to note 3)	**742.4**	29.6
Impairment of goodwill and other intangible assets (refer to note 3)	**549.3**	–
Gain on acquisition of subsidiary	**(1.3)**	–
Loss/(profit) on sale of associate, joint arrangements and subsidiaries	**3.0**	(6.7)
Gain on de-recognition of right of use assets and lease liabilities	**(6.0)**	–
Profit on disposal of tangible assets	**(0.2)**	(0.1)
Non-controlling interest portion of impairment of plant and equipment	**(3.8)**	–
Related tax	**(206.8)**	(4.9)
Headline earnings for the financial year	**317.7**	401.9
(Loss)/profit for the financial year attributable to equity holders of Mpact	**(758.9)**	384.0
Impairment of plant and equipment (refer to note 3)	**742.4**	29.6
Impairment of goodwill and other intangible assets (refer to note 3)	**549.3**	–
Impairment of foreign cash balances (refer to note 3)	**–**	4.8
Impairment of loan to associate	**–**	1.2
Restructure costs	**8.0**	17.7
Non-controlling interest portion of impairment of plant and equipment	**(3.8)**	–
Related tax	**(209.0)**	(14.3)
Underlying earnings for the financial year	**328.0**	423.0
Discontinued operation		
Loss for the financial year attributable to equity holders of Mpact	**(63.4)**	(67.8)
Impairment of right of use asset	**13.8**	–
Impairment of plant and equipment	**218.1**	–
Gain on the de-consolidation of the discontinued operation	**(160.1)**	–
Non-controlling interest portion of impairment of plant and equipment	**(71.2)**	–
Headline loss for the financial year	**(62.8)**	(67.8)

	2019	2018

5. EARNINGS PER SHARE (CONTINUED)

	Weighted number of shares	Weighted number of shares
Weighted average number of ordinary shares in issue[2]	**171,030,378**	170,784,638
Effect of dilutive potential ordinary shares[3]	**187,040**	253,484
Weighted average number of ordinary shares adjusted for the effect of dilution	**171,217,418**	171,038,122

[2]The weighted average number of shares takes into account the weighted average effect of changes in treasury shares and the capitalisation issue of shares during the year.

[3]Diluted EPS is calculated by adjusting the weighted average number of ordinary shares in issue, on the assumption of conversion of all potentially dilutive ordinary shares. Refer to the Earnings per Share accounting policy regarding the calculation of the underlying EPS.

6. IMPAIRMENT OF GOODWILL AND PLANT AND EQUIPMENT

The trading environment in which the Group operates has deteriorated over the past year due to subdued growth, overcapacity in certain sectors and unreliable electricity supply. This, together with the Group's share price trading below its net asset value during most of the past year, necessitated the test for possible impairment for each cash generating unit ("CGU") in the Group. As a consequence of these conditions, the Group impaired its goodwill, plant and equipment allocated to certain CGU's. Details of these impairments are presented below.

Impairment testing and key assumptions

For the purpose of impairment testing, goodwill is tested at a CGU level as it was allocated to a CGU at initial recognition as well as property, plant and equipment is done at a CGU level.

The recoverable amount of the CGUs was determined based on a value-in-use calculation, discounting the future cash flows expected to be generated. The discount rate used in discounted cash flow models are calculated using the principles of the capital asset pricing model, taking into account current market conditions. A pre-tax weighted-average cost of capital rate was used in discounting the projected cash flows depending on the nature of business and operating markets. The cash flow projections were based on the 2020 to 2022 budgeted results and a reasonable growth rate, 5.1%, applied for a further two years based on market conditions and historic trends. A perpetuity growth rate was applied based on historical market trends and operating markets.

The key inputs used in the impairment testing calculation was a pre-tax discount rate of between 15.0% to 20.0% (2018: 13.2% to 15.9%) and a post-tax discount rate of 12.9% (2018: 11.0% to 12.2%). A terminal value growth rate of 5.1% (2018: 5.3%) was used. A nil terminal value was used in the calculation for the Springs Mill in the current financial year.

Impairment recognised

Based on the above key inputs and projected cash flows the following impairments were recognised in the different CGU's

Impairment of goodwill in continuing operations	**R'm**
Piet Retief Mill	**159.8**
Springs Mill	**196.9**
Trays & films	**192.0**
	548.7

6. IMPAIRMENT OF GOODWILL, PLANT AND EQUIPMENT (CONTINUED)

Impairment of plant and equipment in continuing operations	**R'm**
Piet Retief Mill	**276.8**
Springs Mill	**202.5**
Trays & films	**252.5**
Equipment within paper converting	**10.6**
	742.4

The impairment losses were included in depreciation, amortisation and impairment on the statement of profit or loss. The recoverable amount calculated in respect of the above impairment for Springs mill was R366.9 million, Piet Retief mill was R257.8 million and Trays and films R145.2 million.

Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including market and production estimates, together with economic factors such as prices, discount rates, currency exchange rates, estimates of production costs and future capital expenditure.

Sensitivity analysis on CGU's impaired

The goodwill and plant and equipment of these CGU's were impaired in full and therefore no further impairment would arise from an increase in the discount rate or decrease in the terminal growth rate.

Sensitivity analysis on CGU's that include goodwill not impaired

In performing the impairment test for goodwill in respect of the other CGUs, the Group considered the sensitivity of changes in assumptions around key value drivers. The key value drivers are discount rates and terminal value growth assumptions. A sensitivity analysis was performed to determine the discount rate and terminal value growth rate which will result in an impairment of each CGU.

CGU's	**Breakeven pre-tax discount rate**	**Breakeven terminal growth rate**
	%	**%**
Recycling	**26**	**<0**
Felixton mill	**24**	**<0**
Corrugated operations	**32**	**<0**
FMCG	**28**	**<0**
Performs & closures	**16**	**1.5**

	2019 R'm	2018 R'm
7. STATED CAPITAL		
Authorised share capital		
217,500,000 shares of no par value	–	–
Issued share capital		
Issue of shares of no par value	**2,669.2**	2,621.4
Capitalisation issue	**–**	47.8
	2,669.2	2,669.2

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

Included in other reserves are amounts paid by Mpact Limited to Mpact Limited Incentive Scheme Trust for the acquisition of Mpact shares to be utilised in terms of the Share Plans. As at 31 December 2019, The Trust held 2,449,704 (2018: 2,403,309) shares. During the year the Trust bought 450,000 shares at an average price of R17.20.

	2019 R'm	2018 R'm
8. INTEREST AND NON-INTEREST-BEARING BORROWINGS		
Secured		
Standard Bank, Rand Merchant Bank and Nedbank facilities[1]	**2,375.0**	2,300.0
Industrial Development Corporation interest bearing loan[2]	**–**	83.0
KZN Growth Fund[3]	**–**	200.0
Obligations under finance leases	**–**	5.0
Instalment loan facilities	**10.9**	3.4
Industrial Development Corporation non-interest bearing loan[2]	**–**	212.5
	2,385.9	2,803.9
Unsecured		
Minority shareholder loans in subsidiary	**15.4**	15.4
Total borrowings	**2,401.3**	2,819.3
Less: Current portion	**(19.0)**	(1,418.5)
Standard Bank, Rand Merchant Bank and Nedbank loans	**–**	(1,400.0)
Obligations under finance leases	**–**	(2.1)
Minority shareholder loans	**(15.4)**	(15.4)
Instalment loan facilities	**(3.6)**	(1.0)
Non-current borrowings	**2,382.3**	1,400.8
Current portion of borrowings	**19.0**	1,418.5
Bank overdrafts	**16.5**	11.2
Short-term portion of borrowings	**35.5**	1,429.7

[1]*In the current financial year the Group concluded the refinancing of its bank facilities.*

[2]*The loan was de-recognised due to the de-consolidation of Mpact Polymers (Pty) Ltd.*

[3]*The KZN Growth Fund loan was paid in full in the current financial year as a result of the refinancing of the bank facilities.*

The Group has pledged certain assets as collateral against certain borrowings. The value of the security pledged in relation to the assets is limited to R2.6 billion.

Certain inter-company loans within Mpact Operations (Pty) Ltd, Mpact Limited, Mpact Versapak (Pty) Ltd and Recycling Consolidated Holdings (Pty) Ltd have been subordinated in favour of the debt holders.

The Group is entitled to receive all cash flows from these pledged assets.

9. DEFERRED TAX LIABILITIES

	2019 R'm	2018 R'm
Comprises of:		
Tax losses	**(130.6)**	(190.1)
Capital allowances	**336.8**	512.1
Fair value adjustments	**13.7**	4.6
Provisions and other temporary differences	**(124.2)**	(99.3)
	95.7	227.3

The significant move in capital allowances is mainly due to the impairment of plant and equipment in the current financial year.

10. TRADE AND OTHER PAYABLES

	2019 R'm	2018 R'm
Trade payables	**1,196.5**	1,369.0
Amounts owed to related parties (refer to note 18)	**8.2**	21.2
Refund liabilities-rebates to customers	**166.6**	236.8
Accruals	**168.7**	269.5
Other payables	**226.7**	317.1
	1,766.7	2,213.6

The fair values of trade and other payables are not materially different to the carrying values presented. Other payables consist mainly of staff costs.

11. CAPITAL COMMITMENTS

Capital expenditure contracted for at the reporting date in respect of plant and equipment, but not yet incurred is as follows:

	2019 R'm	2018 R'm
Contracted for	**148.9**	142.3
Approved, not yet contracted for	**604.3**	596.5
Total capital commitments	**753.2**	738.8

The capital commitments will be financed from existing cash resources and unutilised borrowing facilities.

12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent liabilities for the Group comprise aggregate amounts at 31 December 2019 of R 1.7 million (2018: R 10.6 million) in respect of loans and guarantees given to banks and other third parties.

(b) A Group mill is the subject of a land claim, which should not have a material impact on the financial position of the Group.

(c) There were no significant contingent assets for the Group at 31 December 2019 and 31 December 2018.

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

13. BUSINESS COMBINATION

2019

In terms of an agreement, on 1 January 2019 (acquisition date), the Group increased its shareholding in West Coast Paper Traders (Pty) Ltd from 49% to 60% for R8 million following the fulfilment of all the conditions precedent. Following the increase in shareholding, West Coast Paper Traders (Pty) Ltd was consolidated as a subsidiary in the Group's financial statements.

The company's main business activity is in retail and wholesale of paper (paper merchants) and operates in South Africa. This complements the Group's paper manufacturing business.

The acquisition has been accounted for using the acquisition method in terms of IFRS 3.

The fair values of the identifiable assets and liabilities as at the date of acquisition were

	2019 **R'm**
Intangible assets	29.7
Property, plant and equipment	26.7
Loans receivable	4.8
Investment	0.6
Deferred tax asset	0.6
Inventories	28.0
Trade and other receivables	76.6
Cash and cash equivalents	8.2
Non-current interest bearing borrowings	(5.8)
Deferred tax liability	(9.9)
Current interest bearing borrowings	(2.1)
Current lease liability	(1.4)
Trade and other payables	(58.4)
Current tax liability	(1.6)
Total identifiable net assets at fair value	96.0
Non-controlling interest based on their proportionate interest in the recognised amounts of the assets and liabilities of West Coast Papers (Pty) Ltd	(38.2)
Carrying value of equity interest	(48.5)
Gain on acquisition of subsidiary	(1.3)
Fair value loss on re-measurement of investment in equity accounted investee	0.6
Bargain purchase on acquisition	(1.9)
Purchase consideration transferred	8.0
Cash acquired	(8.2)
Net cash inflow from acquisition of subsidiary	(0.2)

Trade receivables had a gross contractual value of R76.8 million and a provision for credit losses of R0.4 million. Transaction costs of R0.2 million have been expensed since the inception of the acquisition. These expenses were recognised in administration and other operating expenditure. The bargain purchase gain arose mainly due to the recognition of the IFRS 3 intangible assets.

From acquisition date, West Coast Paper Traders (Pty) Ltd has contributed R409.7 million of revenue and R23.2 million profit before tax to the continuing operations of the Group.

2018

There were no acquisitions in the financial year.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

14. DISCONTINUED OPERATION AND LOSS OF CONTROL

On 14 November 2019, the Board of Directors Group approved a decision to discontinue operations in Mpact Polymers (Pty) Ltd (Polymers). The reason is that the current recycled PET selling price is below Polymers' cash cost of production and is expected to remain so for the foreseeable future. Polymers was classified as held for sale at this date.

On 10 December 2019, Polymers was placed into business rescue. Based on the powers and duties of the Business Rescue Practitioner, the Group lost control of the Polymers business and de-consolidated the assets, liabilities and the non controlling interest at this date.

	2019 R'm	2018 R'm
Revenue from contracts with customers	**77.6**	69.1
Expenses	**(155.9)**	(148.8)
Impairment of right of use asset	**(13.8)**	–
Impairment of plant and equipment	**(218.1)**	–
Operating loss	**(310.2)**	(79.7)
Net finance costs	**(12.4)**	(10.7)
Gain on the de-consolidation of the discontinued operation	**160.1**	–
Loss for the year from discontinued operation	**(162.5)**	(90.4)

The major classes of assets and liabilities of Polymers that were de-recognised are as follows:

Assets	
Inventories	**(0.8)**
Trade and other receivables	**(2.7)**
Cash and cash equivalents	**(12.5)**
Assets de-recognised	**(16.0)**
Liabilities	
External borrowings	**306.3**
Lease liabilities	**15.4**
Trade and other payables	**18.8**
Liabilities de-recognised	**340.5**
Non-controlling interest de-recognised	**(164.4)**
Gain on the de-consolidation of the discontinued operation	**160.1**

The net cash flows incurred by Polymers are as follows:

Operating activities	**(10.6)**	(66.1)
Investing activities	**(34.5)**	(14.9)
Financing activities	**44.1**	19.9
Net cash outflow	**(1.0)**	(61.1)

15. DISPOSAL OF EQUITY ACCOUNTED INVESTEES AND SUBSIDIARIES

2019

(a) *Right Corrugated (Pty) Ltd*

During the current financial year, the Group disposed of its entire interest in the associate for proceeds of R15.0 million, which had a carrying value of R14.3 million . A profit of R0.7 million has been recognised in the statement of profit or loss. At 31 December 2019, the proceeds had not yet been received and will be settled through a loan account with the purchaser.

(b) Box Boyz (Pty) Ltd

During the current financial year, the Group disposed of its entire interest in the associate for proceeds of R8.0 million, which had a carrying value of R11.7 million. A loss of R3.7 million has been recognised in the statement of profit or loss. At 31 December 2019, the proceeds had not yet been received and will be settled through a loan account with the purchaser.

2018

(a) Pretoria Box Manufacturers

During the prior financial year, the Group disposed of its entire interest in the joint arrangement for proceeds of R15.0 million and a carrying value of R8.8 million. The net asset value comprised of property, plant and equipment of R3.3 million, inventory of R3.4 million, trade and other receivables of R16.0 million, cash and cash equivalents of R5.9 million and trade and other payables of R19.8 million. A profit of R6.2 million has been recognised in the statement of profit or loss. At 31 December 2018, the proceeds had not yet been received and will be settled through a loan account with the purchaser.

(b) Rusmar Packaging (Pty) Ltd

During the prior financial year, the Group disposed of its entire interest in the joint arrangement for proceeds of R4.0 million and a carrying value of R3.0 million. A profit of R1.0 million has been recognised in the statement of profit or loss.

(c) Shoebill (Pty) Ltd

During the prior financial year, the Group disposed of its entire interest in the subsidiary for proceeds of R29.4 million and a net asset value of R29.4 million. The net asset value comprised solely of property, plant and equipment. The sale is in line with the Groups' business strategy.

(d) Pyramid Holdings (Pty) Ltd

During the prior financial year, the Group disposed of its entire interest in the subsidiary for proceeds of Rnil million and a net asset value of R0.5 million. The net asset value comprised of other receivables of R0.1 million, cash and cash equivalents of R0.5 million other payables of R.0.1 million. A loss of R0.5 million has been recognised in the statement of profit or loss. The sale is in line with the Groups' business strategy.

16. FAIR VALUE ESTIMATION

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using standard valuation techniques. These valuation techniques maximise the use of observable market data was available and rely as little as possible on Group-specific estimates.

The significant inputs required to fair value all of the Group's financial instruments are observable.

Specific valuation methodologies used to value financial instruments include:

- the fair values of interest rate swaps and foreign exchange contracts are calculated as the present value of expected future cash flows based on observable yield curves and exchange rates; and
- other techniques, including discounted cash flow analysis, are used to determine the fair values of other financial instruments.

Financial assets	Fair value hierarchy	At amortised cost R'm	At fair value through profit or loss R'm	At fair value through OCI R'm	Total R'm
2019					
Trade and other receivables[1]		**2,196.7**	**–**	**–**	**2,196.7**
Loans receivable	**Level 2**	**113.7**	**–**	**–**	**113.7**
Equity investment	**Level 3**	**–**	**–**	**0.6**	**0.6**
Derivative financial instruments	**Level 2**	**–**	**2.7**	**–**	**2.7**
Cash and cash equivalents[1]		**447.1**	**–**	**–**	**447.1**
Total		**2,757.5**	**2.7**	**0.6**	**2,760.8**
2018					
Trade and other receivables[1]		2,336.1	–	–	2,336.1
Loans receivable	Level 2	94.8	–	–	94.8
Equity investment	Level 3	–	–	–	–
Derivative financial instruments	Level 2	–	0.9	–	0.9
Cash and cash equivalents[1]		705.9	–	–	705.9
Total		3,136.8	0.9	–	3,137.7

Financial liabilities	Fair value hierarchy R'm	At fair value through profit or loss R'm	At amortised cost R'm	Total R'm
2019				
Borrowings[1]	**Level 2**	**–**	**(2,417.8)**	**(2,417.8)**
Trade and other payables[1]		**–**	**(1,766.7)**	**(1,766.7)**
Derivative financial instrument	**Level 2**	**(4.1)**	**–**	**(4.1)**
Total		**(4.1)**	**(4,184.5)**	**(4,188.6)**
2018				
Borrowings[1]	**Level 2**	–	(2,830.5)	(2,830.5)
Trade and other payables[1]		–	(2,213.6)	(2,213.6)
Derivative financial instrument	**Level 2**	(4.6)	–	(4.6)
Total		(4.6)	(5,044.1)	(5,048.7)

[1]The carrying value reasonably approximates the fair value. Trade and other receivables excludes prepayments and accrued income.

17. EVENTS OCCURRING AFTER THE REPORTING DATE

The Board declared an ordinary dividend of 42 cents per share on 3 March 2020 payable on 6 April 2020 to shareholders registered on 3 April 2020.

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

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

18. RELATED PARTY TRANSACTIONS

The Group has a related party relationship with its subsidiaries, its associates, joint ventures and directors.

The Group, in the ordinary course of business, enters into various sales, purchase and services transactions with joint ventures and associates and others in which the Group has a material interest. These transactions are under terms that are no less favourable than those arranged with third parties.

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

	2019 R'm	2018 R'm
Sales to associates	**205.2**	613.4
Loans to associates	**57.0**	33.5
Receivables due from associates	**24.6**	161.2
Payables due to associates	**8.2**	21.2

COMPANY INFORMATION

Independent Non-Executive Directors:
AJ Phillips (Chairman), NP Dongwana, NB Langa-Royds, PCS Luthuli, M Makanjee, TDA Ross, AM Thompson

Executive Directors:
BW Strong (Chief Executive Officer), BDV Clark (Chief Financial Officer)

Company secretary:
K Waldeck (CorpStat Governance Services (Pty) Ltd)

CorpStat Governance Services (Pty) Ltd was appointed on 26 November 2019 following the passing of the Group's previous company secretary, Mrs MN Sepuru.

Registered office:
4th Floor, No.3 Melrose Boulevard, Melrose Arch, 2196
(Postnet Suite #179, Private Bag X1, Melrose Arch, 2076)

Transfer secretaries:
Link Market Services South Africa Proprietary Limited
13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001
(PO Box 4844, Johannesburg, 2000, South Africa)

Sponsors:
Rand Merchant Bank (a division of FirstRand Bank Limited)
1 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196
(PO Box 786273, Sandton, 2 146)

Auditors:
Deloitte & Touche
Deloitte Place, The Woodlands, Woodland Drive, Woodmead, Sandton, 2196
(Private Bag X6, Gallo Manor, 2052)