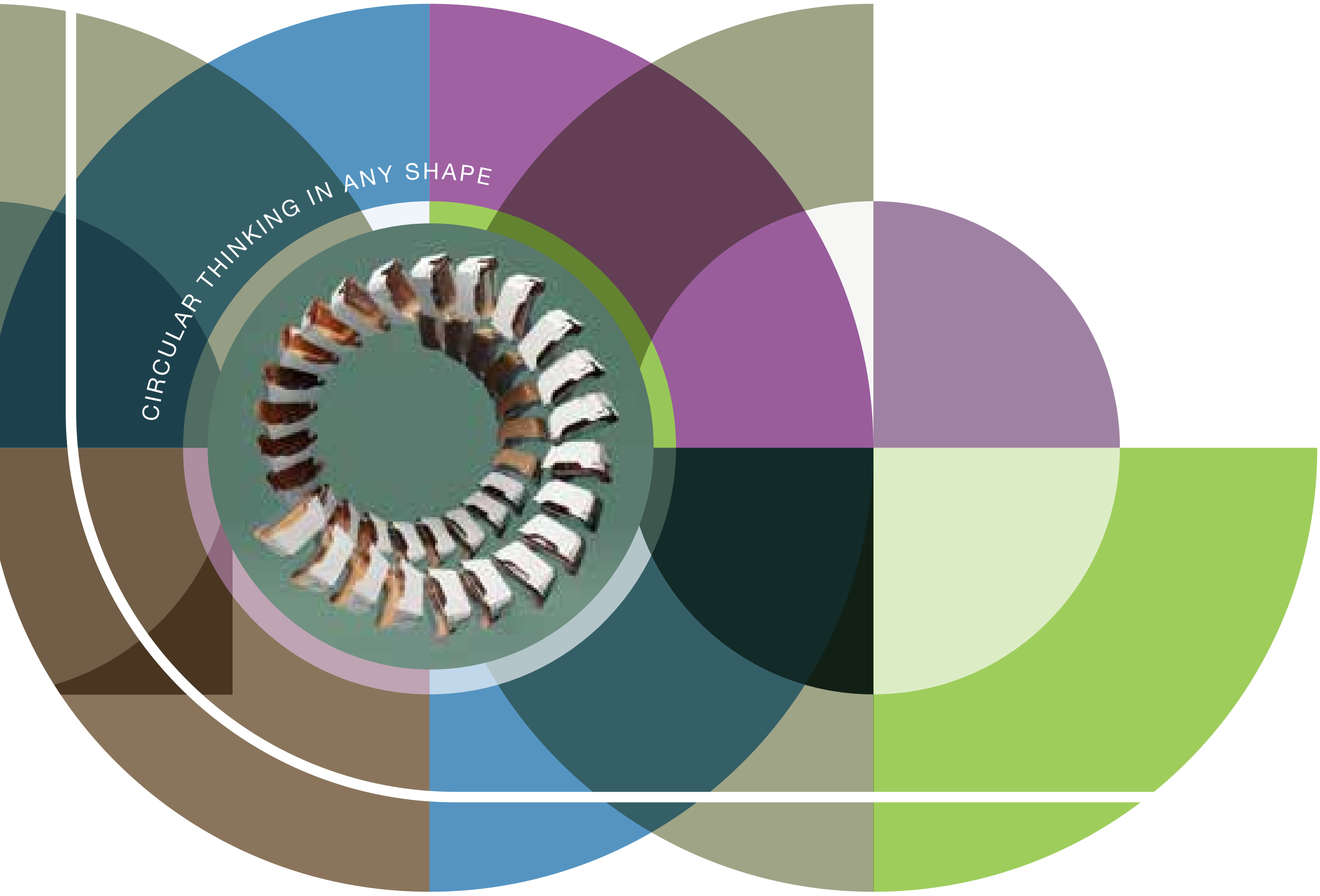

mpact

smarter, sustainable solutions

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER

2020

CONTENTS

Directors' responsibility statement and basis of preparation, approval of the consolidated annual financial statements and certificate by Company Secretary	1
CEO and Financial Director Responsibility Statement	2
Report of the Directors	3
Audit and Risk Committee Report	7
Independent Auditor's Report	12
Consolidated Statement of Profit or Loss and Other Comprehensive Income	16
Consolidated Statement of Financial Position	17
Consolidated Statement of Cash Flows	18
Consolidated Statement of Changes in Equity	19
Notes to the Consolidated Annual Financial Statements	20

DIRECTORS' RESPONSIBILITY STATEMENT AND BASIS OF PREPARATION

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

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

The preparation of these consolidated annual financial statements for the year ended 31 December 2020 was supervised by the Chief Financial Officer, BDV Clark CA(SA).

In preparing the consolidated annual financial statements of Mpact Limited and its subsidiaries ("Mpact"), International Accounting Standard 1, "Presentation of Financial Statements", requires that the directors:

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

APPROVAL OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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

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

The report of the directors, which appears on pages 3 to 6, consolidated annual financial statements and related notes, which appear on pages 16 to 70 were approved by the Board of Directors and authorised for issue on 4 March 2021 and were signed on its behalf by:

AJ Phillips
Chairman

BW Strong
Chief Executive Officer

CERTIFICATE BY GROUP COMPANY SECRETARY

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

D Dickson
Group Company Secretary
4 March 2021

CEO AND FINANCIAL DIRECTOR RESPONSIBILITY STATEMENT

The directors, whose names are stated below, hereby confirm that:

- The report of the directors, which appear on pages 3 to 6 and the consolidated annual financial statements and the related notes set out on pages 16 to 70, fairly present in all material respects the financial position, financial performance and cash flows of Mpact in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the consolidated annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to Mpact and its consolidated subsidiaries have been provided to effectively prepare Mpact's financial statements; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the consolidated annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

BW Strong
Chief Executive Officer

4 March 2021

BDV Clark
Chief Financial Officer

4 March 2021

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report on the consolidated annual financial statements of Mpact for the year ended 31 December 2020.

NATURE OF BUSINESS

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. The principal activities of Mpact remain unchanged from the previous year.

Mpact Limited is incorporated in the Republic of South Africa and is listed on the JSE.

FINANCIAL RESULTS

Mpact's profit for the year ended 31 December 2020 was R363.4 million (2019: loss of R884.5 million). Full details of the financial position and results are set out in the accompanying consolidated annual financial statements.

IMPACT OF COVID-19

The impact of COVID-19 can be found in note 2 of the consolidated annual financial statements.

STATED CAPITAL

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

On 31 December 2020, the issued share capital of Mpact was 164,639,292 ordinary shares of no par value. (2019: 173,304,517 ordinary shares of no par value).

During September 2020 and October 2020, Mpact re-purchased 8,665,225 of its issued share capital shares at an average purchase price of R8.4708 for a total consideration of R73.6 million. The purchase represented 5% of Mpact's issued share capital in terms of the general authority granted by shareholders at Mpact's Annual General Meeting held on 4 June 2020. These shares were cancelled and delisted.

At the general meeting held on 11 December 2020, shareholders approved for Mpact to re-purchase 10% of its share capital. Following this approval, Mpact re-purchased 1,050,777 of its issued share capital shares for a consideration of R14.1 million during December 2020. These are included in treasury shares at year end. A further 15,413,152 of its issued share capital shares were re-purchased for a consideration of R257.0 million in January 2021.

On 27 January 2021, the JSE approved the cancellation and delisting of 1,975,834 shares and the further cancellation and delisting of 14,488,095 shares on 2 February 2021.

Mpact owns 1,935,763 treasury shares which are held by the Mpact Incentive Scheme Trust to satisfy share awards under the Group's share incentive scheme.

DIVIDENDS

The Board resolved not to declare a dividend for the current financial year (2019: 42c was declared in March 2020).

SEGMENT ANALYSIS

An analysis of results by each operating segment can be found in note 4 of the consolidated annual financial statements.

REGISTER OF SHAREHOLDERS

The register of shareholders of Mpact is open for inspection to members and the public, during normal office hours, at the office of Mpact's transfer secretaries, Computershare Investor Services Proprietary Limited ("Computershare").

Computershare replaced Link Market Services South Africa Proprietary Limited as transfer secretaries with effect from 1 December 2020.

PROPERTY, PLANT AND EQUIPMENT

Certain of Mpact properties are the subject of land claims which are still under discussions with the Land Claims Commissioner and await the outcome of claims referred to the Land Claims Court. The claims, if successful, are not expected to have a material impact on Mpact's operations.

At 31 December 2020 the net investment in property, plant and equipment amounted to R2,877.4 million (2019: R2,828.6 million), details of which are set out in note 10 to the consolidated annual financial statements. Capital commitments at year-end amounted to R812.4 million (2019: R753.2 million), details of which are set out in note 33 to the annual financial statements. There has been no change in the nature of the property, plant and equipment or to the policy relating to the use thereof during the year.

BORROWINGS

In terms of the Memorandum of Incorporation, the directors are permitted to borrow or raise for the purposes of Mpact such amount as they deem fit for the operation of the business. At the close of business on 31 December 2020, the total borrowings (including lease liabilities) less cash resources were R1,407.6 million (2019: R2,291.8 million). At 31 December 2020, Mpact had approved facilities of R2,820 million (2019: R2,960 million). In the current financial year Mpact obtained an additional R210 million general banking facility with Nedbank. Refer to note 20.

DIRECTORS

The following directors have held office during the year ended 31 December 2020 and to the date of this report:

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

GROUP COMPANY SECRETARY

D Dickson

D Dickson had been appointed as Group Company Secretary with effect from 1 May 2020 and had replaced CorpStat Governance Services Proprietary Limited, represented by Karen Waldeck, which acted as Interim Group Company Secretary.

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

SPONSOR

Mpact appointed The Standard Bank of South Africa Limited as JSE Limited Sponsor to Mpact, with effect from 1 October 2020 replacing Rand Merchant Bank.

AUDITOR

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

SPECIAL RESOLUTIONS PASSED BY SUBSIDIARY COMPANIES

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

On 3 March 2020, all the subsidiaries of Mpact passed special resolutions to authorise the companies to provide any direct or indirect financial assistance, including by way of lending money, guaranteeing a loan, or other obligations as it may be required or otherwise to any of its present or future related or inter-related companies or corporations for such amounts and such terms and conditions as the Board/s may determine.

AUDIT AND RISK COMMITTEE

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

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

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

The committee has concluded that it is satisfied that auditor independence and objectivity has been maintained. The comprehensive report of the committee is included on pages 7 to 11.

GOING CONCERN

The directors consider that Mpact has adequate resources to continue operating for the foreseeable future and that it is, therefore, appropriate to adopt the going concern basis in preparing the consolidated financial statements. The directors have satisfied themselves that Mpact is in a sound financial position, and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. Refer to note 3 of the consolidated annual financial statements.

INTEREST OF DIRECTORS AND PRESCRIBED OFFICERS IN SHARE CAPITAL

The aggregate beneficial holdings as at 31 December 2020 and 31 December 2019 of the directors and prescribed officers of Mpact in the issued ordinary shares of Mpact are detailed below. There have been no material changes in these shareholdings between 31 December 2020 and 4 March 2021, the date of approval.

	2020 Direct No. of shares	2020 Indirect No. of shares	2019 Direct No. of shares	2019 Indirect No. of shares
Executive director				
BW Strong	**671,045**	**–**	578,208	–
BDV Clark	**–**	**252,521**	–	153,883
Non-executive director				
AJ Phillips	**8,914**	**1,516**	8,914	1,516
Prescribed officers				
HM Thompson	**416,395**	**–**	382,408	–
JW Hunt	**252,791**	**–**	231,604	–
N Naidoo	**26,474**	**–**	–	–
Total	**1,375,619**	**254,037**	1,201,134	155,399

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

INTEREST OF MAJOR SHAREHOLDERS IN SHARE CAPITAL

Major shareholders

(5% and more of the shares in issue)

	2020 No. of shares	2020 % of total issued share capital
Caxton and CTP Publishers and Printers Limited	43,551,845	26.45
Old Mutual Group	11,418,745	6.94
CitiGroup	10,293,606	6.25
Allan Gray	9,701,714	5.89

	2019 No. of shares	2019 % of total issued share capital
Allan Gray	41,722,125	24.07
Prudential Investment Managers	23,612,360	13.62
Public Investment Corporation	17,486,961	10.09
Coronation Fund Managers	10,280,042	5.93
Bateleur Capital	10,280,505	5.93

2020 Shareholder Type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-Public Shareholders	12	0.27	48,168,041	29.26
Caxton and CTP Publishers and Printers Limited	2	0.05	43,551,845	26.45
Share Schemes	1	0.02	1,935,763	1.18
Director: Direct Shareholdings	5	0.11	1,375,619	0.84
Treasury	1	0.02	1,050,777	0.64
Director: Indirect Shareholdings	3	0.07	254,037	0.15
Public Shareholders	4,406	99.73	116,471,251	70.74
Total	4,416	100.00	164,639,292	100.00

EVENTS OCCURRING AFTER THE REPORTING DATE

Mpact re-purchased some of its issued share capital after the reporting date, refer to the stated capital section of the report from the directors.

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

AUDIT AND RISK COMMITTEE REPORT

INTRODUCTION

The Audit and Risk Committee (committee) has pleasure in submitting its report for the year ended 31 December 2020 in compliance with section 94(7) of the Companies Act.

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

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

COMPOSITION

The committee comprises of four non-executive directors, all of whom are independent. Tim Ross is the Chairman, Neo Dongwana, Sibusiso Luthuli and Andrew Thompson. The Chief Executive Officer, the Chief Financial Officer, the Head of Information and Communication Technology, the Group Risk and Sustainability Manager, a representative of KPMG, the independent Internal Auditor, and a representative of Deloitte & Touche, the independent External Auditor, and other senior managers all attend meetings by invitation.

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

MEETINGS

The committee held four meetings during the year. The four members attended all meetings of the committee during the year.

COMMITTEE ACTIVITIES

The committee attended to the following during the year:

EXTERNAL AUDITORS

The committee reviewed the independence of Deloitte & Touche as Mpact's external auditor with SJ Nelson as the independent individual registered auditor who undertook Mpact's audit for the current year. The committee considered all information as required by Section 3.86 of the JSE Listings Requirements in assessing Deloitte & Touche's independence, registration as a Registered Auditor and the ability to perform a quality audit of Mpact. Deloitte & Touche has been the auditor of Mpact Limited for 16 years.

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

The committee proposes the re-appointment of Deloitte & Touche as External Auditor and SJ Nelson as the independent individual registered auditor for the 2021 financial year. Mpact's shareholders are requested to vote at the Annual General Meeting.

Independence of external auditors

This assessment was made after considering the following:

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

The committee confirms that the external auditor has functioned in accordance with its terms of reference for the 2020 financial year.

External auditors' fees

The committee:

- approved, in consultation with management, the audit fee and engagement terms for the external auditors for the 2020 financial year;
- reviewed and approved the non-audit services fees for the year under review and ensured that the fees were in line with the non-audit service policy; and
- determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services through the Audit Committee charter.

External auditors' performance

The committee:

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

FINANCIAL STATEMENTS

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

- took appropriate steps to ensure that the financial statements were prepared in accordance with IFRS;
- considered the appropriateness of accounting policies and disclosures made;
- in accordance with the JSE Listings Requirements approved Group financial reporting procedure;
- considered and approved accounting policy changes resulting from the application of new standards commencing 1 January 2020;
- completed a detailed review of the going concern assumption, confirming that it was appropriate in the preparation of the financial statements; and
- ensured that appropriate financial reporting procedures are established and operating for all entities included in the Consolidated Group Financial Statements.

KEY AUDIT MATTERS

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

1. Valuation of goodwill

The impact of COVID-19 and the lockdown, amongst other factors, has resulted in the deterioration of the South African economy. In addition Mpact's share price has been trading below its net asset value during the financial year. These are possible impairment factors.

The impairment assessments are based on recoverable amounts that are supported by estimations of future cash flows, discount rates, growth rates, margins and market share.

The committee assessed management's value-in-use calculations by considering, amongst others, the following:

- the reasonableness of management's assumptions used in determining future cash flows;
- the terminal value and discount rates applied in management's value-in-use calculations and the sensitivity of these assumptions to reasonably possible changes;
- obtain an understanding of the cash-generating units and how these were derived;
- the sensitivity analysis performed by management over the value-in-use calculation; and
- the adequacy of the disclosures made in notes to the financial statements.

On this basis the committee supported management in charging the profit and loss statement with an impairment amount of R29.5 million for plant and equipment. Refer to note 11.

INTERNAL AUDIT

The committee:

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

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

INTERNAL FINANCIAL CONTROL AND COMPLIANCE

The committee:

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

Internal financial reporting control

The committee reviewed the internal financial control statement made by the CEO and CFO in terms of paragraph 3.84(k) of the JSE Listings Requirements.

The committee assessed the CEO and CFO evaluation of controls which included:

- The identification and classification of risks including the determination of materiality;
- Testing the design and determining the implementation of controls addressing high and low risk areas;
- Utilising internal audit to test the operating effectiveness of controls addressing high risk areas; and
- Obtaining control declarations from divisional managers on the operating effectiveness of all controls on a quarterly basis.

During the current financial year management identified deficiencies in internal control which are considered to have a low to medium consequence over financial reporting. Business unit management will maintain oversight of these risks in term of responsibility and treatment.

The committee has discussed and documented the basis for its conclusion, which includes discussions with internal and external auditors as well as management.

The committee believes that Mpact's internal controls can be relied upon as a reasonable basis for the preparation of the Annual Financial Statements. Refer to the CEO and Financial Director Responsibility Statement in respect of compliance in terms of paragraph 3.84(k) of the JSE Listings Requirements.

RISK MANAGEMENT

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

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

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

- reliability, security and integrity of financial and operational information;
- effectiveness and efficiency of operations;
- safeguarding of people and assets;
- reducing of our environmental footprint; and
- compliance with laws, regulations and contracts.

A Risk Management Committee identifies and evaluates strategic and operational risks against ten value drivers of:

- safe and healthy operating conditions;
- environmentally responsible operations;
- reputation (ethics, environment, customer safety), CSI;
- motivated workforce;
- achieving Group strategy;
- achieving growth objectives;
- achieve operational, profitability and liquidity objectives;
- effective commercial stakeholder relations;
- compliance with legislation and contractual terms; and
- accurate and timely reporting.

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

COMBINED ASSURANCE

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

INTEGRATED REPORT

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

- considered the Integrated Report and has assessed the consistency with operational, financial and other information known to the Audit and Risk Committee members, and for consistency with the annual financial statements. The committee is satisfied that the Integrated Report is materially accurate, complete and reliable and consistent with the annual financial statements; and
- the committee has recommended the Integrated Report for the year ended 31 December 2020 to the Board for approval.

GOVERNANCE

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

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

The committee is also satisfied:

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

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

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

IT GOVERNANCE

The Board has an IT governance policy and ensures adherence to King IV's IT governance principles. The ICT Steering Committee assists the Board with IT governance-related matters. The committee is governed by an effective charter, which gives guidance to the ICT management team and ensures effective and efficient management of all IT resources.

The IT governance framework with all relevant structures, processes and mechanisms to enable IT to deliver value to the business and mitigate IT risks. IT risks have been identified and incorporated into the risk register.

An external independent person is appointed to provide the Board with independent assurance on the effectiveness of IT internal controls including outsourced IT services. In addition, the consultant is required from time to time to join the ICT Steering Committee to give guidance on the alignment of the ICT strategy with the business strategy. This includes, but is not limited to, expressing an independent opinion on emerging technology trends and their rate of adoption and implementation by various business sectors.

The committee is also satisfied that the resources within the IT function are adequate to provide the necessary support to Mpact. In making these assessments, the committee has obtained feedback from the external and internal auditors.

ASSURANCE

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

On behalf of the Audit and Risk Committee

Tim Ross
Audit and Risk Committee Chairman

4 March 2021

Deloitte.

Private Bag X6
Gallo Manor 2052
South Africa

Deloitte & Touche
Registered Auditors
Audit & Assurance
Deloitte
5 Magwa Crescent
Waterfall City
Waterfall
Docex 10 Johannesburg

Tel: +27 (0)11 806 5000
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MPACT LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated annual financial statements of Mpact Limited and its subsidiaries (the Group) set out on pages 16 to 70, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key Audit Matter	How the matter was addressed in the audit
Valuation of goodwill	
The net book value of the Group's goodwill is R496 million. The directors conduct an annual impairment assessment to test the recoverability of the carrying value of goodwill in accordance with *IAS 36: Impairment of assets ("IAS 36")*. The directors' assessment of the impairment of goodwill is performed by determining the recoverable amount of goodwill with reference to the higher of value in use or fair value less costs to sell for each Cash Generating Unit (CGU) to which goodwill is allocated. The directors applied judgments in the estimation of the value in use assessments including the expected future cash flows built into the models. The future cash flows include assumptions about future performance, the most sensitive of which are : • Terminal growth rates applied in determining the terminal value; and • Discount rates applied in discounting the expected future cash flows. These assumptions have a significant impact on the value in use calculations and their values are estimated on the basis of expected future market conditions, which are also subject to change. They are subjective and are dependent on the directors' best estimate of the CGUs' future performances. The current economic climate and the uncertainty surrounding the future economic conditions increases the complexity of forecasting. The valuation of goodwill is therefore considered a key audit matter. The directors' impairment considerations have been disclosed in notes 9 and 11 of the consolidated financial statements.	We evaluated the assumptions used in the valuation model to determine the value in use of the CGUs. Our audit procedures included the following: • Considered the appropriateness of the valuation methodology adopted by the directors for the purpose of impairment testing in accordance with IAS 36; • Confirmed the arithmetic accuracy of the discounting formulae applied to present value the free cash flows in the directors' VIU calculations and the application of the terminal growth rates; • Compared the projected cash flows against historical performance to test the reasonableness of directors' projections and critically evaluated the projected cash flows used in the VIU calculations; • Evaluated the appropriateness of the terminal growth rates which have been used to determine the terminal values; • Our corporate finance specialists independently assessed the discount rates to ensure that the rates used by the directors fall within an acceptable range; • Tested the accuracy and completeness of the calculations of the CGUs' carrying values as at 31 December 2020; • Performed sensitivity analyses on the discount rates and terminal growth rates; and • Considered the adequacy of the Group's disclosures on this matter. We found the key forecast assumptions used by the directors to be supportable. The discount rate used is considered appropriate. We consider the disclosure of the impairments and remaining carrying values of these assets, included in note 9 and 11 of the consolidated financial statements to be appropriate.

Other Information

The directors are responsible for the other information. The other information comprises the Report of the Directors, Audit and Risk Committee's Report and Certificate by Group Company Secretary, as required by the Companies Act of South Africa, and the CEO and the Financial Director Responsibility Statement which we obtained prior to the date of this auditor's report and the Integrated Report, which is expected to be made available to us after this date. Other information does not include the consolidated financial statements and our auditor's report thereon.

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

DELOITTE & TOUCHE

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MPACT LIMITED

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

We also provide the Audit and Risk Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in the Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Mpact Limited for 16 years.

Deloitte & Touche
Registered Auditor
Per: SJ Nelson
Partner
04 March 2021

5 Magwa Crescent
Waterfall City
Waterfall

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Notes	2020 R'm	2019 R'm
CONTINUING OPERATIONS			
Revenue from contracts with customers	4a	**11,097.2**	11,076.3
Material, energy and fixed overhead recovery		**(6,204.8)**	(6,007.5)
Variable selling expenses		**(884.7)**	(869.3)
Administration and other operating expenses[1]		**(2,838.2)**	(2,833.5)
Depreciation, amortisation and impairment		**(568.0)**	(1,942.0)
Operating profit/(loss)	5	**601.5**	(576.0)
Share of profit from equity accounted investees	13	**14.8**	17.1
Write off of non-current financial asset		**(5.2)**	–
Gain on acquisition of subsidiary	29	**–**	1.3
Net loss on sale of associates	31	**–**	(3.0)
Profit/(loss) from operations and equity accounted investees		**611.1**	(560.6)
Net finance costs	6	**(169.3)**	(245.3)
Investment income		**10.8**	19.4
Finance costs		**(180.1)**	(264.7)
Profit/(loss) before tax	4b	**441.8**	(805.9)
Tax (expense)/income	7	**(78.4)**	83.9
Profit/(loss) for the year from continuing operations		**363.4**	(722.0)
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	30	**–**	(162.5)
Profit/(loss) for the year		**363.4**	(884.5)
Other comprehensive (loss)/income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains on post-retirement benefit scheme		**3.9**	1.3
Tax effect		**(1.1)**	(0.4)
Items that may be reclassified subsequently to profit or loss			
Effects of cash flow hedge		**(57.6)**	2.1
Tax effect		**16.1**	(0.6)
Reclassification of cash flow hedge reserve to profit and loss		**–**	2.3
Tax effect		**–**	(0.6)
Exchange differences on translation of foreign operations		**(0.2)**	–
Other comprehensive (loss)/income		**(38.9)**	4.1
Total comprehensive income/(loss) for the year		**324.5**	(880.4)
Profit/(loss) attributable to:			
Equity holders of Mpact		**319.4**	(822.3)
Non-controlling interests		**44.0**	(62.2)
Profit/(loss) for the year		**363.4**	(884.5)
Total comprehensive income/(loss) attributable to:			
Equity holders of Mpact		**280.5**	(818.2)
Non-controlling interests		**44.0**	(62.2)
Total comprehensive income/(loss) for the year		**324.5**	(880.4)
Earnings/(loss) per share (EPS) for profit attributable to equity holders of Mpact:			
Basic EPS (cps) from continuing operations	8	**188.6**	(443.7)
Diluted EPS (cps) from continuing operations	8	**188.2**	(443.2)
Basic EPS (cps) from discontinued operation	8	**–**	(37.1)
Diluted EPS (cps) from discontinued operation	8	**–**	(37.0)

[1] *Administrative and other operating expenses includes an expected credit loss on trade receivables of R23.0 million (2019: R45.6 million).*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Notes	2020 R'm	2019 R'm
ASSETS			
Goodwill and other intangible assets	9	**556.2**	568.6
Property, plant and equipment	10	**2,877.4**	2,828.6
Right-of-use assets	12	**271.4**	270.7
Investments in equity accounted investees	13	**48.1**	41.4
Financial assets	14	**83.3**	97.0
Derivative financial instruments	18	**–**	0.5
Finance lease receivable	16.d	**3.8**	–
Deferred tax assets	23	**11.7**	10.8
Non-current assets		**3,851.9**	3,817.6
Inventories	15	**1,403.1**	1,885.3
Trade and other receivables	16	**2,163.0**	2,236.3
Financial assets	14	**16.4**	17.3
Cash and cash equivalents	17	**576.0**	447.1
Derivative financial instruments	18	**0.5**	2.7
Current tax receivables		**17.4**	18.9
Current assets		**4,176.4**	4,607.6
Total assets		**8,028.3**	8,425.2
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	19	**2,595.6**	2,669.2
Retained earnings		**1,045.9**	788.0
Reserves		**(13.6)**	33.5
Total attributable to equity holders of Mpact		**3,627.9**	3,490.7
Non-controlling interests in subsidiaries		**284.9**	256.1
Total equity		**3,912.8**	3,746.8
Interest and non-interest-bearing borrowings	20	**1,634.5**	2,382.3
Lease liabilities	21	**256.2**	249.1
Retirement benefits obligation	22	**36.9**	39.9
Deferred tax liabilities	23	**87.3**	95.7
Deferred income	24	**6.9**	12.5
Provisions	27	**6.8**	–
Derivative financial instruments	18	**57.1**	–
Non-current liabilities		**2,085.7**	2,779.5
Short-term portion of borrowings	25	**22.7**	35.5
Lease liabilities	21	**70.2**	72.0
Trade and other payables	26	**1,886.5**	1,766.7
Provisions	27	**22.7**	9.5
Deferred income	24	**5.5**	5.5
Derivative financial instruments	18	**12.8**	4.1
Current tax liabilities		**9.4**	5.6
Current liabilities		**2,029.8**	1,898.9
Total liabilities		**4,115.5**	4,678.4
Total equity and liabilities		**8,028.3**	8,425.2

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Notes	2020 R'm	2019 R'm
Cash flows from operating activities			
Operating cash flows before movements in working capital		**1,203.8**	1,343.6
Net decrease/(increase) in working capital		**665.0**	(357.2)
Cash generated from operations	32a	**1,868.8**	986.4
Dividends received from equity accounted investees	13	**8.1**	9.3
Taxation paid		**(71.4)**	(64.7)
Net cash inflows from operating activities		**1,805.5**	931.0
Cash flows from investing activities			
Net cash inflow from acquisition of subsidiary	29	**–**	0.2
Additions to property, plant and equipment and other intangibles	10	**(518.3)**	(592.4)
Proceeds from the disposal of property, plant and equipment		**5.8**	3.8
Cash disposed of on loss of control in subsidiary	30	**–**	(12.5)
Loan advances to associates		**(4.3)**	(28.5)
Loan repayments from external parties		**15.3**	35.4
Loan advances to external parties		**(3.6)**	(3.0)
Interest received		**11.9**	24.8
Net cash outflows from investing activities		**(493.2)**	(572.2)
Cash flows from financing activities			
Proceeds from borrowings raised	32b	**2,025.1**	2,585.0
Repayment of borrowings	32b	**(2,777.0)**	(2,706.1)
Repayments of lease liabilities[1]		**(71.1)**	(77.9)
Finance costs paid[1]		**(176.5)**	(295.8)
Payment for shares re-purchased and cancelled	19	**(73.6)**	–
Dividends paid to non-controlling interests		**(15.2)**	(10.6)
Dividends paid to equity holders of Mpact Limited		**(72.1)**	(125.2)
Subscription of preference shares by non-controlling interest		**–**	15.5
Purchase of treasury shares		**(14.2)**	(7.8)
Net cash outflows from financing activities		**(1,174.6)**	(622.9)
Net increase/(decrease) in cash and cash equivalents		**137.7**	(264.1)
Net cash and cash equivalents at beginning of year		**430.6**	694.7
Net cash and cash equivalents at end of year	32c	**568.3**	430.6

[1] *The total cash outflow for leases recognised under IFRS 16 is R101.7 million (2019: R115.6 million). Finance costs paid includes R30.6 million (2019: R37.7 million) from lease liabilities.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	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[2] 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 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[3]	–	–	–	–	–	–	(125.2)	(125.2)	–	(125.2)
Purchase of treasury shares[2]	–	–	–	–	–	(7.8)	–	(7.8)	–	(7.8)
Share plan charges for the year	–	28.6	–	–	–	–	–	28.6	–	28.6
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)
Purchase of preference shares by non-controlling interest[4]	–	–	–	–	–	–	–	–	15.5	15.5
Acquisition of subsidiaries with non-controlling interest	–	–	–	–	–	–	–	–	38.2	38.2
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**
Total comprehensive income for the year	**–**	**–**	**(41.5)**	**2.8**	**(0.2)**	**–**	**319.4**	**280.5**	**44.0**	**324.5**
Dividends paid[3]	**–**	**–**	**–**	**–**	**–**	**–**	**(72.1)**	**(72.1)**	**–**	**(72.1)**
Purchase of treasury shares[6]	**–**	**–**	**–**	**–**	**–**	**(14.2)**	**–**	**(14.2)**	**–**	**(14.2)**
Share plan charges for the year	**–**	**20.6**	**–**	**–**	**–**	**–**	**–**	**20.6**	**–**	**20.6**
Shares re-purchased (refer to note 19)	**(73.6)**	**–**	**–**	**–**	**–**	**–**	**–**	**(73.6)**	**–**	**(73.6)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(15.2)**	**(15.2)**
Issue/exercise of shares under employee share scheme	**–**	**(28.2)**	**–**	**–**	**–**	**13.6**	**10.6**	**(4.0)**	**–**	**(4.0)**
Balance at 31 December 2020	**2,595.6**	**43.2**	**(41.2)**	**30.2**	**10.1**	**(55.9)**	**1,045.9**	**3,627.9**	**284.9**	**3,912.8**

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

[2] *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 Mpact's share incentive scheme. As at 31 December 2020, there are 1,935,763 (2019: 2,449,704) treasury shares on hand.*

[3] *Dividends paid amounted to R72.1 million (2019: R125.2 million). The dividend paid per share for the year was 42c per share (2019: 73c per share).*

[4] *The non-controlling shareholder of Mpact Polymers Proprietary Limited subscribed for the preference shares.*

[5] *As a result of Mpact losing control of Mpact Polymers Proprietary Limited R164.4 million was de-recognised from non-controlling interest. Refer to note 30.*

[6] *Mpact re-purchased 1,050,777 of its issued share capital at an average price of R13.50 in December 2020.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2020

1. ACCOUNTING POLICIES

Basis of preparation

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

New accounting policies, early adoption and future requirements

Standards and Interpretations early adopted

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

Amendments to published Standards and Interpretations effective during 2020

The following amendments to published Standards were adopted during the current year:

- **Definition of a Business (Amendments to IFRS 3)**

  The amendment clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output.

- **Definition of Material (Amendments to IAS 1 and IAS 8)**

  The amendments provide a new definition of material that states, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions of users of financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.

- **Amendments to IFRS 16 Covid-19 Related Rent Concessions**

  The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

These amendments did not have a significant impact on the financial statements on adoption.

Amendments to published Standards and Interpretations that are not yet effective and have not been early adopted

The following published amendments are not yet effective. Mpact will adopt these once they are effective.

- **IFRS 3: Reference to the Conceptual Framework (effective 1 January 2022)**

  The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

- **IFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date has been deferred indefinitely)**

  The amendment addresses an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

- **IAS 16: Property, Plant and Equipment: Proceeds before Intended Use (effective 1 January 2022)**

  The amendment prohibits deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling such items, and the costs of producing those items must be recognised in profit or loss.

These amendments will not have a significant impact on the financial statements on adoption.

2. IMPACT OF COVID-19

Management has taken into consideration the impact of COVID-19 in respect of Mpact's accounting policies. These included assessing the impact of the impairment of non-current non-financial assets. As required by IAS 36, 'Impairment of Assets', impairment tests of goodwill were performed at year-end and of property, plant and equipment when indicators of impairment were identified.

The loss in gross profit directly attributable to the nation-wide lockdowns is estimated to be R70 million for the full year. This was mainly at customers in the quick-service restaurants (QSR) and the beverage sector. Furthermore no material adjustments have been made in relation to these estimates in the year ended 31 December 2020.

Inventory valuations were assessed at June 2020 and in December 2020, and there were no material write-downs relating to the impact of COVID-19. Inventory balances decreased during the current financial year when compared to the prior year due to higher demand in the second half of 2020 as well as steps taken to manage inventory levels.

Mpact reassessed its expected loss rates for trade receivables at 31 December 2020, following the financial uncertainty arising from COVID-19. There has been no material change in customer's credit risk that required an additional increase in the expected loss rates. Allowance for credit loss decreased to R58.7 million from R121.1 million in the prior year largely as a result of the write-off of debtors which were previously provided for and were confirmed to be irrecoverable in the current year. The credit risk associated with the balance of the debtor's book has been assessed in detail and the expected credit loss rates are considered reasonable.

In determining the value in use of Mpact's cash-generating units, the impact of COVID-19 and its consequential impact on the economy was built into future cash flows as considered appropriate.

3. GOING CONCERN

As part of the directors' consideration of the appropriateness of adopting the going concern basis in preparing the consolidated annual financial statements for the year ended 31 December 2020, liquidity and solvency tests were performed based on Mpact's budgets for the next 12 months. The assumptions used in the forecast were based on the estimated potential impact of COVID-19 restrictions and regulations. The forecasts assumed no structural changes to the business.

Mpact's net debt as at 31 December 2020 was approximately R1.4 billion. In July 2020, Mpact secured an additional R210 million general banking facility from Nedbank, bringing total borrowing facilities to approximately R2.8 billion.

Mpact met its two bank covenants based on a rolling 12-month period ended 30 June 2020 and for the measurement period ended 31 December 2020.

A comprehensive plan of action with stringent safety and hygiene practices to mitigate the risks associated with COVID-19 has been implemented across all operations in addition to strict pre-existing health and safety measures. No external customer accounts for more than 10% of total revenue.

The directors consider it appropriate that the annual financial statements are prepared on a going concern basis.

4. OPERATING SEGMENTS

Mpact's operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee and is made up of the following:

Paper manufacturing
Corrugated operations
Recycling
FMCG
Preforms and closures
Trays and films
Bins and crates

The paper manufacturing, recycling and corrugated divisions have been aggregated into one reportable segment, namely Paper, on the basis of similar economic characteristics. FMCG, preforms and closures, trays and films and bins and crates divisions have been aggregated into one reportable segment, namely Plastics, on the basis of similar economic characteristics.

4. OPERATING SEGMENTS continued

Reportable operating segments

Mpact's reportable segments reflect the internal reporting structure of the Group, which is the basis on which resource allocation decisions are made by management in the attainment of strategic objectives.

Product revenues

The material product types from which reportable segments derive both their internal and external revenues are presented as follows:

Reportable segments	Inter-segment revenues[1]	External revenues
Paper	Recycled containerboard, cartonboard and other materials, corrugated packaging, bags and sacks	Recycled containerboard, cartonboard and other materials, corrugated packaging, bags and sacks
Plastics	Plastic packaging solutions	Plastic packaging solutions
Corporate	N/A	N/A

[1] *Mpact operates a vertically-integrated structure in order to benefit from economies of scale and to more effectively manage the risk of adverse price movements in key input costs. Internal revenues are therefore generated across the supply chain.*

Measurement of operating segment revenues, profit or loss, assets and non-current non-financial assets

Management has oversight of certain operating segmental measurements in order to make resource allocation decisions and monitor segmental performance. The reporting segmental measurements that are required to be disclosed under IFRS 8, adhere to the recognition and measurement criteria presented in accounting policies. All intra-group transactions are conducted on an arm's length basis.

Net segment assets includes the allocation of retirement benefits surpluses and deficits on an appropriate basis and excludes an allocation for derivative assets and liabilities, non-operating receivables and payables and assets held for sale and associated liabilities. The measure of segment results, however, includes the effects of certain movements in these unallocated balances.

Sale of goods

Revenue is derived principally from the sale of goods and is measured at the fair value of the consideration received or receivable, after deducting discounts, volume rebates, value added tax and other sales taxes. Returns and refunds are accepted from customers based on individual trade term agreements. Mpact recognises revenue when it transfers control over goods to a customer. This is when title and insurance risk has passed to the customer, and the goods have been delivered to a contractually agreed location. The amount of revenue recognised is adjusted for expected returns, which are estimated by management. In this circumstance, a refund liability is recognised. All goods sold to customers occur at a point in time. Normal discounts, volume rebates are treated as variable consideration which is estimated upfront and adjusted for in the transaction price accordingly. The volume rebates are calculated on a percentage of the total invoiced sales to customers. Mpact does not adjust for the time value of money on sales with a payment term of less than 12 months from the transfer of control of the goods.

Special items to determine underlying operating profit

Special items are those items of financial performance that are separately disclosed to assist in the understanding of the underlying financial performance achieved. 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.

4(a) Reportable segment revenue

	2020			2019		
	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	**8,664.9**	**(35.8)**	**8,629.1**	8,726.9	(36.2)	8,690.7
Plastics	**2,468.2**	**(0.1)**	**2,468.1**	2,385.8	(0.2)	2,385.6
	11,133.1	**(35.9)**	**11,097.2**	11,112.7	(36.4)	11,076.3

	2020 R'm	2019 R'm
External revenue by product type		
Recycled containerboard, cartonboard and other materials	**3,708.9**	3,640.5
Corrugated packaging, bags and sacks	**4,920.2**	5,050.2
Plastic packaging solutions	**2,468.1**	2,385.6
Total	**11,097.2**	11,076.3
External revenue by location of customer		
South Africa (country of domicile)	**9,612.8**	9,931.0
Rest of Africa	**1,267.7**	1,057.5
Rest of World	**216.7**	87.8
Total	**11,097.2**	11,076.3

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

4(b) Reportable segment underlying operating profit/(loss)

	2020 R'm	2019 R'm
Paper	**577.7**	716.2
Plastics	**119.3**	82.8
Corporate	**(57.9)**	(75.3)
Inter-segment elimination	**(8.1)**	–
Segments total before special items	**631.0**	723.7
Write-off of non-current financial asset	**(5.2)**	–
Special items[2]	**(29.5)**	(1,299.7)
Share of profit from equity accounted investees	**14.8**	17.1
Gain on acquisition of subsidiary	**–**	1.3
Net finance costs	**(169.3)**	(245.3)
Net loss on sale of associates, joint arrangements and subsidiaries	**–**	(3.0)
Profit/(loss) before tax	**441.8**	(805.9)

[2] *Special items include impairment on property, plant and equipment of R29.5 million (2019: R742.4 million). The prior year special items includes impairment of goodwill and intangible assets of R549.3 million and restructure costs of R8.0 million. Refer to note 11 for the impairment of goodwill, plant and equipment.*

for the year ended 31 December 2020

4. OPERATING SEGMENTS continued

4(b) Reportable segment underlying operating profit/(loss) continued

	2020 R'm	2019 R'm
Significant components of operating profit		
Depreciation and amortisation		
Paper[3]	**314.1**	409.0
Plastics[3]	**174.7**	198.7
Corporate	**49.7**	42.6
Total	**538.5**	650.3
Impairment of plant and equipment, goodwill and intangible asset		
Paper	**16.4**	846.6
Plastics	**13.1**	445.1
Total	**29.5**	1,291.7
Total depreciation, amortisation and impairment	**568.0**	1,942.0

[3] *Excludes inter-group depreciation relating to right-of-use asset of R53.3 million (2019: R42.7 million) for the paper segment and R6.7 million (2019: R5.9 million) for the plastics segment.*

4(c) Reportable segment assets

	2020 R'm	2019 R'm
Segment assets[4]		
Paper[5]	**4,997.5**	5,535.2
Plastics[5]	**1,536.1**	1,638.3
Corporate	**649.8**	491.0
Inter-segment elimination	**(8.3)**	(6.4)
Segment total[6]	**7,175.1**	7,658.1
Unallocated:		
Investments in equity accounted investees	**48.1**	41.4
Deferred tax assets	**11.7**	10.8
Other non-operating assets[7]	**117.7**	153.5
Trading assets	**7,352.6**	7,863.8
Financial assets	**99.7**	114.3
Cash and cash equivalents	**576.0**	447.1
Total assets	**8,028.3**	8,425.2
Non-current non-financial assets[8]		
South Africa (country of domicile)	**3,416.0**	3,377.2
Rest of Africa	**17.6**	20.0
Total	**3,433.6**	3,397.2
Additions to non-current non-financial assets[9]		
Paper	**223.4**	264.4
Plastics	**80.8**	197.7
Corporate	**214.1**	130.3
Segments total	**518.3**	592.4

[4] *Segment assets are operating assets and as at 31 December 2020 consists of property, plant and equipment of R2,877.4 million (2019: R2,828.6 million), goodwill and other intangible assets of R556.2 million (2019: R568.6 million), right-of-use assets of R271.4 million (2019: R270.7 million), finance lease receivables of R7.9 million (2019: Rnil million), inventories of R1,403.1 million (2019: R1,885.3 million) and operating receivables of R2,059.1 million (2019: R2,104.9 million).*

[5] *Excludes inter-group right-of-use assets of R159.4 million (2019: R143.1 million) for the paper segment and R 16.9 million (2019: R23.6 million) for the plastics segment.*

[6] *Goodwill has been disclosed in the appropriate reportable segment in which it was acquired.*

[7] *Other non-operating assets consist of derivative assets of R0.5 million (2019: R2.7 million), other non-operating receivables of R99.8 million (2019: R131.4 million) and current tax receivable of R17.4 million (2019: R18.9 million).*

[8] *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.*

[9] *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.*

5. OPERATING PROFIT/(LOSS)

	2020 R'm	2019 R'm
Operating profit/(loss) for the year has been arrived at after charging/(crediting):		
Depreciation, amortisation and impairments	568.0	1,942.0
Amortisation of intangibles (refer to note 9)	12.2	13.8
Depreciation of property, plant and equipment (refer to note 10)	444.2	543.1
Depreciation of right-of-use assets (refer to note 12)	82.1	93.4
Impairment of goodwill (refer to notes 9 and 11)	–	548.7
Impairment of intangible assets (refer to note 9)	–	0.6
Impairment of property, plant and equipment (refer to note 11)	29.5	742.4
Expenses relating to short-term leases	36.0	54.4
Expenses relating to leases of low value assets	7.0	3.3
Research and development	28.2	28.9
Increase in expected credit loss allowance (refer to note 16b)	23.0	45.6
Net foreign currency losses/(gains)	9.3	(6.3)
Net proceeds from insurance claim (refer to note 35)	(25.0)	–
Profit on disposal of tangible assets	(2.3)	(0.2)
Gain on de-recognition of right-of-use assets and lease liabilities	(6.0)	(6.0)
Audit fees	12.3	11.8
Non-audit fees	0.6	1.0
Staff costs (excluding directors' emoluments)	1,837.4	1,789.1
Executive directors and prescribed officers short-term benefits (excluding value of deferred bonus shares awarded)[1]	36.5	39.4
Executive directors and prescribed officers post-employment benefits (excluding value of deferred bonus shares awarded)[1]	1.6	1.4

[1] *The details of the executive directors' and prescribed officers' emoluments are disclosed in note 41.*

6. NET FINANCE COSTS

Net finance cost comprises investment income and finance costs. Investment income consist mainly of interest income which is derived from cash and cash equivalents, loans and other receivables. Interest income is accrued on a time proportion basis by reference to the capital outstanding and at the effective interest rate applicable.

Finance costs consist of interest expense on borrowings, overdrafts and lease liabilities and are recognised using the effective interest method.

Finance cost on defined benefit arrangements are charged to the profit and loss statement in accordance with the actuarial valuation report in respect of Mpact's post-retirement benefit obligation.

Apart from finance cost on the defined benefit arrangements, where the actuarial report includes certain assumptions in arriving at the closing balance of the liability, there were no other material accounting estimates or judgement.

	2020 R'm	2019 R'm
Investment income		
Bank deposits and loan receivables	6.3	16.0
Other	4.5	3.4
Total investment income	10.8	19.4
Finance costs		
Bank overdrafts and loans[1]	(145.7)	(220.8)
Lease liabilities	(30.6)	(37.7)
Loss on de-recognition of interest rate swap	–	(2.3)
Defined benefit arrangements (refer to note 22)	(3.8)	(3.9)
Total interest expense	(180.1)	(264.7)
Net finance costs	(169.3)	(245.3)

[1] *Includes the effects of fixed and floating rates on the interest rate swap amounting to a net value of R13.9 million (2019: Rnil).*

7. TAX (EXPENSE)/INCOME

The current tax expense is calculated on taxable profit for the year of each subsidiary within the Group using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

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

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

The recognition of an assessed loss in deferred tax is dependent on the future profits of a subsidiary, typically over five years. These profits include assumptions which, if not met, may result in a de-recognition of assessed loss from deferred tax. Other than the above, there were no material accounting estimates or judgements used in arriving at the tax expense.

	2020 R'm	2019 R'm
Analysis of tax (charge)/credit for the year		
South African corporate tax		
– current year	**(81.8)**	(69.6)
– prior year	**3.7**	2.9
Current tax	**(78.1)**	(66.7)
Deferred tax in respect of the current year	**(39.9)**	144.8
Deferred tax in respect of prior year	**39.6**	5.8
Total tax (expense)/income	**(78.4)**	83.9
Factors affecting tax (expense)/income for the year		
Mpact has an effective tax rate of 17.7% for the current financial year (2019: negative effective tax rate of 10.4%).		
Mpact's total tax (charge)/credit for the year can be reconciled to the tax on Mpact's profit/(loss) before tax at the South African corporation tax rate of 28% (2019: 28%) as follows:		
Profit/(loss) before tax	**441.8**	(805.9)
Less share of profit of equity accounted investees[1]	**(14.8)**	(17.1)
Profit/(loss) before tax, adjusted for equity accounted profit	**427.0**	(823.0)

[1] *Income from equity accounted investees is presented net of tax on the consolidated statement of profit or loss and other comprehensive income. Mpact's share of its investees' tax is therefore not presented within the Mpact's total tax charge. The investees' tax charge included within "Share of investees" profit for the year ended is R2.9 million (2019: R6.0 million).*

	2020 R'm	2019 R'm
Tax on profit/(loss) before tax calculated at the South African corporation tax rate	**(119.6)**	230.4
Tax effects of:		
Expenses not deductible for tax purposes		
Subscription and donations	**(0.3)**	(0.3)
Legal and professional costs	**(1.5)**	(1.6)
Write-off of non-current financial asset	**(1.4)**	–
Impairment of goodwill	**–**	(153.6)
Non-deductible interest	**–**	(0.2)
Other non-deductible expenses	**0.1**	(1.0)
Non-deductible foreign exchange differences	**(0.1)**	–
Non-taxable income		
Gain on bargain purchase	**–**	0.5
Non-taxable foreign exchange differences	**–**	0.5
Other non-taxable income	**1.4**	0.5
Temporary difference adjustments		
Unrecognised tax losses	**(0.3)**	–
Prior year adjustment current tax	**3.7**	2.9
Prior year adjustment deferred tax[2]	**39.6**	5.8
Tax (charge)/credit for the year	**(78.4)**	83.9

[2] *Additional tax incentives, mainly S12I and S12L incentives, claimed on submission of tax return. These incentives were not recognised in the prior year as there was uncertainty in meeting all the conditions necessary to claim the deduction at the time of publishing the financials.*

8. EARNINGS PER SHARE

Basic EPS is calculated by dividing net profit attributable to ordinary equity holders of Mpact by the weighted average number of ordinary shares in issue during the year. For this purpose, net profit is defined as the profit after tax and special items attributable to equity holders of Mpact.

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, such as share awards granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease EPS. The effect of anti-dilutive potential shares is excluded from the calculation of diluted 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 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 assist the user's understanding of the underlying earnings performance on a basis that is comparable from year to year. The underlying earnings calculation is the responsibility of Mpact's directors.

	2020 Cents per share	2019 Cents per share
Continuing operations earnings/(loss) per share (EPS)		
Basic EPS	**188.6**	(443.7)
Diluted EPS	**188.2**	(443.2)
Basic headline EPS	**196.1**	185.8
Diluted headline EPS	**195.6**	185.6
Basic underlying EPS[1]	**200.6**	191.8
Diluted underlying EPS[1]	**200.1**	191.6
Discontinued operations loss per share (EPS)		
Basic EPS	**–**	(37.1)
Diluted EPS	**–**	(37.0)
Basic headline EPS	**–**	(36.7)
Diluted headline EPS	**–**	(36.7)

for the year ended 31 December 2020

8. EARNINGS PER SHARE continued

	2020 Cents per share	2019 Cents per share
Total operations earnings/(loss) per share (EPS)		
Basic EPS	**188.6**	(480.8)
Diluted EPS	**188.2**	(480.2)
Basic headline EPS	**196.1**	149.1
Diluted headline EPS	**195.6**	148.9

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

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

Continuing operations	2020 R'm	2019 R'm
Profit/(loss) for the year	**363.4**	(722.0)
Less profit attributable to non-controlling interest	**(44.0)**	(36.9)
Profit/(loss) for the year attributable to equity holders of Mpact	**319.4**	(758.9)
Discontinued operation		
Loss for the year	**–**	(162.5)
Less loss attributable to non-controlling interest	**–**	99.1
Loss for the year attributable to equity holders of Mpact	**–**	(63.4)
Continuing operations		
Profit/(loss) for the financial year attributable to equity holders of Mpact	**319.4**	(758.9)
Impairment of plant and equipment (refer to note 5)	**29.5**	742.4
Impairment of goodwill and other intangible assets (refer to note 5)	**–**	549.3
Gain on acquisition of subsidiary (refer to note 29)	**–**	(1.3)
Loss on sale of associate, joint arrangements and subsidiaries	**–**	3.0
Gain on de-recognition of right-of-use assets and lease liabilities (refer to note 5)	**(6.0)**	(6.0)
Profit on disposal of tangible assets (refer to note 5)	**(2.3)**	(0.2)
Non-controlling interest portion of impairment of plant and equipment	**(1.3)**	(3.8)
Related tax	**(7.3)**	(206.8)
Headline earnings for the financial year	**332.0**	317.7
Profit/(loss) for the financial year attributable to equity holders of Mpact	**319.4**	(758.9)
Impairment of plant and equipment (refer to note 5)	**29.5**	742.4
Impairment of goodwill and other intangible assets (refer to note 5)	**–**	549.3
Restructure costs	**–**	8.0
Non-controlling interest portion of impairment of plant and equipment	**(1.3)**	(3.8)
Related tax	**(7.9)**	(209.0)
Underlying earnings for the financial year	**339.7**	328.0
Discontinued operation		
Loss for the financial year attributable to equity holders of Mpact	**–**	(63.4)
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)

	Weighted number of shares	Weighted number of shares
Weighted average number of ordinary shares in issue[2]	**169,322,144**	171,030,378
Effect of dilutive potential ordinary shares[3]	**418,994**	187,040
Weighted average number of ordinary shares adjusted for the effect of dilution	**169,741,138**	171,217,418

[2] *The weighted average number of shares takes into account the weighted average effect of changes in treasury shares and the re-purchase 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.*

9. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is attributed to goodwill. Goodwill is subsequently measured at cost less any accumulated impairment losses.

Goodwill arising on business combinations is allocated to the group of cash-generating units that are expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored by the Board for internal management purposes. The recoverable amount of the group of cash-generating units to which goodwill has been allocated is tested for impairment annually on a consistent date during each financial year, or when such events or changes in circumstances indicate that it may be impaired. Any impairment is recognised in the consolidated statement of profit or loss. Impairments of goodwill are not subsequently reversed.

Other intangible assets

Other intangibles are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives. Estimated useful lives vary between three years and ten years and are reviewed at least annually. Research expenditure is written off in the year in which it is incurred. Development costs are reviewed annually and are recorded as an expense if they do not qualify for capitalisation. Development costs are capitalised when the completion of the asset is both commercially and technically feasible and is amortised on a systematic basis over the economic life of the related development.

There were no material accounting estimates and critical judgements used in arriving at the carrying value of other intangible assets. Refer to note 11 for material accounting estimates and critical judgements for goodwill.

	Goodwill R'm	Other intangibles[1] R'm	Total R'm
2020			
Cost			
At 1 January 2020	**1,045.0**	**335.7**	**1,380.7**
Transfer to property, plant and equipment	**–**	**(0.2)**	**(0.2)**
At 31 December 2020	**1,045.0**	**335.5**	**1,380.5**
Accumulated amortisation and impairment			
At 1 January 2020	**548.7**	**263.4**	**812.1**
Amortisation	**–**	**12.2**	**12.2**
At 31 December 2020	**548.7**	**275.6**	**824.3**
Net book value at 31 December 2020	**496.3**	**59.9**	**556.2**
2019			
Cost			
At 1 January 2019	1,045.0	306.0	1,351.0
Acquisition through business combinations	–	29.7	29.7
At 31 December 2019	1,045.0	335.7	1,380.7
Accumulated amortisation and impairment			
At 1 January 2019	–	249.0	249.0
Amortisation	–	13.8	13.8
Impairment	548.7	0.6	549.3
At 31 December 2019	548.7	263.4	812.1
Net book value at 31 December 2019	496.3	72.3	568.6

[1] *Other intangibles mainly relate to software development costs; customer relationships and contractual arrangements capitalised as a result of business combinations.*

9. GOODWILL AND OTHER INTANGIBLE ASSETS continued

Goodwill allocated to the cash generating units are as follows:	2020 R'm	2019 R'm
Recycling	**23.9**	23.9
Felixton Mill	**251.8**	251.8
Corrugated operations	**62.1**	62.1
FMCG	**65.0**	65.0
Preforms & closures	**92.5**	92.5
Bins & crates	**1.0**	1.0
	496.3	496.3

Goodwill relating to Trays and Films, Piet Retief Mill and Springs Mill have been fully impaired in the prior financial year. Refer to note 11 for disclosure relating to the impairment of goodwill.

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise of land and buildings, plant and equipment, other assets and assets in the course of construction. Other assets mainly comprise of furniture, computer equipment and vehicles. Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes all costs incurred in bringing the assets to the location and condition for their intended use and includes borrowing costs incurred up to the date of commissioning.

Depreciation is charged so as to write off the cost of assets, other than land and assets in the course of construction which are not depreciated, over their estimated useful lives to their estimated residual values.

Assets in the course of construction are carried at cost, less any recognised impairment. Buildings, plant and equipment, and other assets are depreciated to their residual values at varying rates, on a straight-line basis over their estimated useful lives. Estimated useful lives range from three years to twenty years for items of plant and equipment and other assets and to a maximum of fifty years for buildings. Residual values and useful lives are reviewed at least annually.

Estimated residual values and useful economic lives

The carrying values of certain tangible fixed assets are sensitive to assumptions relating to projected residual values and useful economic lives, which determine the depreciable amount and the rate at which capital expenditure is depreciated respectively. Mpact reassesses these assumptions at least annually or more often if there are indications that they require revision. Estimated residual values are based on available secondary market prices as at the reporting date, unless estimated to be zero. Useful economic lives are based on the expected usage, wear and tear, technical or commercial obsolescence and legal limits on the usage of capital assets.

2020	Land and buildings R'm	Plant and equipment R'm	Assets in the course of construction R'm	Other R'm	Total R'm
Cost					
At 01 January 2020	643.4	6,543.0	338.7	363.4	7,888.5
Additions	4.3	38.3	431.0	44.7	518.3
Disposals	–	(25.5)	(0.8)	(3.5)	(29.8)
Transfer from inventory (refer to note 15)	–	7.5	–	–	7.5
Transfer from intangible assets	–	0.2	–	–	0.2
Transfer to/from assets in the course of construction	296.4	230.3	(537.4)	10.7	–
At 31 December 2020	944.1	6,793.8	231.5	415.3	8,384.7
Accumulated depreciation and impairment					
At 01 January 2020	184.2	4,524.9	112.3	238.5	5,059.9
Depreciation	32.2	366.2	–	45.8	444.2
Disposals	–	(22.6)	(0.8)	(2.9)	(26.3)
Impairments	3.8	24.0	–	1.7	29.5
Transfer to/from assets in the course of construction	1.1	41.2	(44.0)	1.7	–
Reclassification	–	0.3	–	(0.3)	–
At 31 December 2020	221.3	4,934.0	67.5	284.5	5,507.3
Net book value at 31 December 2020	722.8	1,859.8	164.0	130.8	2,877.4

2019	Land and buildings R'm	Plant and equipment R'm	Assets in the course of construction R'm	Other R'm	Total R'm
Cost					
At 01 January 2019	606.1	6,448.5	273.6	303.3	7,631.5
Additions	5.8	211.2	357.3	18.1	592.4
Acquisitions through business combination (refer to note 29)	21.4	4.7	–	0.6	26.7
Disposals	–	(10.3)	–	(9.9)	(20.2)
Transfer from inventory (refer to note 15)	–	1.7	–	–	1.7
Transfer to held for sale	(12.8)	(315.0)	(8.7)	(7.1)	(343.6)
Transfer to/from assets in the course of construction	22.9	202.2	(283.5)	58.4	–
At 31 December 2019	643.4	6,543.0	338.7	363.4	7,888.5
Accumulated depreciation and impairment					
At 01 January 2019	161.7	3,547.9	–	184.6	3,894.2
Depreciation[1]	29.3	488.0	–	48.1	565.4
Disposals	–	(8.6)	–	(8.0)	(16.6)
Transfer to held for sale	(12.8)	(315.0)	(8.7)	(7.1)	(343.6)
Impairments[2]	6.5	812.6	121.0	20.4	960.5
Reclassification	(0.5)	–	–	0.5	–
At 31 December 2019	184.2	4,524.9	112.3	238.5	5,059.9
Net book value at 31 December 2019	459.2	2,018.1	226.4	124.9	2,828.6

1 Includes depreciation from discontinued operation amounting to R22.3 million.
2 Includes impairment loss from discontinued operation amounting to R218.1 million.

10. PROPERTY, PLANT AND EQUIPMENT continued

Mpact has pledged certain of its property, plant and equipment, other than assets under leases, as security in respect of the bank loans (refer note 20). Refer to note 11 for the impairment of property, plant and equipment.

Split of land and buildings between freehold and leasehold	2020 R'm	2019 R'm
Freehold	705.1	449.4
Leasehold - long	17.4	9.5
Leasehold - short	0.3	0.3
Total land and buildings	722.8	459.2

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

11. IMPAIRMENT OF GOODWILL AND PLANT AND EQUIPMENT

At each reporting date, Mpact reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, Mpact estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment is recognised as an expense in the statement of profit or loss. Where the underlying circumstances change such that a previously recognised impairment on property, plant and equipment subsequently reverses, the carrying amount of the asset, or cash-generating unit, is increased to the revised estimate of its recoverable amount. Such reversal is limited to the carrying amount that would have been determined had no impairment been recognised for the asset, or cash-generating unit, in prior years. A reversal of an impairment is recognised in the statement of profit or loss.

Impairment exists when the carrying value of an asset or cash-generating-unit exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and its value in use.

Mpact assesses annually whether goodwill, tangible and intangible assets have suffered any impairment, in accordance with the stated accounting policy. The recoverable amounts of goodwill allocated to cash-generating units, tangible and intangible assets are determined based on value-in-use calculations, discounted cash flow models (DCF), which require the exercise of management's judgement across a range of input assumptions and estimates. The principal assumptions used relate to the time value of money and expected future cash flows. The recoverable amount is sensitive to the discount rate and terminal growth rate used in the DCF model.

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 using weighted-average cost of capital rates. The discount rates used in discounted cash flow models are calculated using the principles of the capital asset pricing model, taking into account current market conditions. The cash flow projections were based on the 2021 to 2023 budgeted results and a reasonable growth rate, 4.2% (2019: 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 14.5% to 17.0% (2019: 15.0% to 20.0%) and a post-tax discount rate of 12.0% (2019: 12.9%). A terminal value growth rate of 4.2% (2019: 5.1%) was used.

Impairment of goodwill and plant and equipment are as follows:

Impairment of goodwill in continuing operations	**2020 R'm**	**2019 R'm**
Piet Retief Mill	–	159.8
Springs Mill	–	196.9
Trays & films	–	192.0
	–	548.7
Impairment of plant and equipment in continuing operations		
Piet Retief Mill	–	276.8
Springs Mill	16.4	202.5
Bins & crates	3.7	–
Trays & films	9.4	252.5
	29.5	731.8
Equipment within paper converting	–	10.6
	29.5	742.4

Sensitivity analysis on CGU's that include goodwill not impaired

In performing the impairment test for goodwill in respect of the CGUs, Mpact 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	21.8	1.0
Felixton mill	22.3	<0
Corrugated operations	40.3	<0
FMCG	28.3	<0
Performs & closures	20.5	1.5

12. RIGHT-OF-USE ASSETS

To the extent that a right-of-control exists over an asset subject to a lease, with a lease term exceeding one year, a right-of-use asset, representing Mpact's right to use the underlying leased asset, and a lease liability, representing Mpact's obligation to make lease payments, are recognised in the consolidated statement of financial position at the commencement of the lease.

The right-of-use asset is measured initially at cost and includes the amount of initial measurement of the lease liability, any initial direct costs incurred, including advance lease payments, and an estimate of the dismantling, removal and restoration costs required in terms of the lease. Depreciation is charged so as to depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised.

Lease expenses for leases with a duration of one year or less and low-value assets are charged to the consolidated statement of profit or loss when incurred. Low-value assets are based on qualitative and quantitative criteria.

Mpact leases land and buildings, plant and equipment and other assets. Information about leases for which Mpact is a lessee is presented below:

2020	Land and buildings R'm	Plant and equipment R'm	Other R'm	Total R'm
1 January	**268.6**	**1.5**	**0.6**	**270.7**
Additions	**44.5**	**0.3**	**1.5**	**46.3**
Disposal	**–**	**(0.1)**	**–**	**(0.1)**
Depreciation	**(80.3)**	**(0.8)**	**(1.0)**	**(82.1)**
Re-measurement	**56.7**	**0.1**	**–**	**56.8**
De-recognition	**(20.2)**	**–**	**–**	**(20.2)**
31 December	**269.3**	**1.0**	**1.1**	**271.4**
2019				
1 January (adoption date of IFRS 16)	412.8	2.8	11.8	427.4
Additions	9.1	–	–	9.1
Depreciation[1]	(91.7)	(2.2)	(2.3)	(96.2)
Impairment	(13.8)	–	–	(13.8)
Re-measurement	(0.2)	0.9	–	0.7
De-recognition	(47.6)	–	(8.9)	(56.5)
31 December	268.6	1.5	0.6	270.7

[1] *Includes depreciation from discontinued operation amounting to R2.8 million.*

Mpact leases various buildings, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 19 months to 120 months.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any security interests in the leased assets that are held by the lessor.

Extension options are included in certain land and buildings lease agreements. These are used to maximise operational flexibility in terms of managing the assets used in Mpact's operations. The extension options held are exercisable only by Mpact and not by the respective lessor.

13. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

Associates are investments over which Mpact is in a position to exercise significant influence, but do not have control or joint control, through participation in the financial and operating policy decisions of the investee. Typically, Mpact owns between 20% and 49% of the voting equity of its associates. A joint venture is an arrangement in which Mpact has joint control, whereby Mpact has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Investments in associates and joint ventures are accounted for using the equity method of accounting.

Mpact's share of the associates and joint ventures net income, presented net of tax, is based on financial statements drawn up to reporting dates that are either coterminous with that of the Group or no more than three months prior to that date.

The total carrying values of investment in associates and joint venture represent the cost of each investment including the carrying value of goodwill, the share of post-acquisition retained earnings, any other movements in reserves and any long-term debt interests which in substance form part of Mpact's net investment in that entity. The carrying values are reviewed on a regular basis and if an impairment has occurred, it is written off in the year in which those circumstances arose. Mpact's share of an associate and joint venture losses in excess of its interest in those investments are not recognised unless Mpact has an obligation to fund such losses. Refer to note 39 for interest in associates and joint arrangements.

	2020 R'm	2019 R'm
Associates		
At 1 January	**37.8**	108.1
Share of profit	**13.5**	13.5
Fair value loss on re-measurement of investment in equity accounted investee	**–**	(0.6)
Dividends received	**(8.1)**	(9.3)
Acquisition of equity accounted investee	**–**	(47.9)
Disposal of investment (refer to note 31)	**–**	(26.0)
Balance at 31 December	**43.2**	37.8
Joint arrangement		
At 1 January	**3.6**	–
Share of profit	**1.3**	3.6
Balance at 31 December	**4.9**	3.6
Total investment in equity account investees	**48.1**	41.4
Mpact's total investment comprises:		
Net asset value	**45.1**	38.4
Goodwill	**3.0**	3.0
Total equity	**48.1**	41.4
Mpact has interests in equity accounted investees that are individually insignificant in relation to the group. The operating activities of the equity accounted investees are linked to those of Mpact.		
Mpact's share of the summarised financial information of principal investments, all of which are unlisted, is as follows:		
Total non-current assets	**152.8**	117.4
Total current assets	**78.0**	64.1
Total non-current liabilities	**(28.7)**	(18.9)
Total current liabilities	**(154.0)**	(121.2)
Share of net assets[1]	**48.1**	41.4
Revenue	**152.3**	511.2
Total operating costs	**(134.6)**	(488.1)
Profit before tax	**17.7**	23.1
Income tax expense	**(2.9)**	(6.0)
Share of profit for the financial year	**14.8**	17.1

[1] *There are no material contingent liabilities for which Mpact is jointly or severally liable at the reporting dates presented.*

14. FINANCIAL ASSETS

Loans and receivables

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

Equity investment

On initial recognition, investments, other than investments in subsidiaries, jointly controlled companies and associates, are classified as "measured at fair value through profit or loss". Mpact has one equity investment and had elected to measure it at fair value through OCI. Mpact intends to hold the investment for a long term period for strategic purposes.

Recoverability of loans to these companies is based on the going concern and future value of the underlying company. This is calculated on the future profit forecast of these companies.

Based on the above, Mpact considers loans receivable and loans to jointly controlled and associated companies to have low credit risk as the borrowers have the future capacity to meet their contractual cash flow obligations and therefore did not raise any expected credit losses in the current and prior financial year.

Apart from these judgements, no other material judgements were used in arriving at the carrying value of the financial assets.

	2020 R'm	2019 R'm
Loan receivable[1]	39.9	56.7
Loan to jointly controlled company[2]	59.2	57.0
Equity investment	0.6	0.6
Total financial assets	99.7	114.3
Less current portion of loan receivable	(16.4)	(17.3)
Total non-current financial assets	83.3	97.0

1 *Loans receivable are held at amortised cost. In the current financial year a loan amounting to R5.2 million was written off.*

2 *Loan to jointly controlled company is held at amortised cost. Dalisu Holdings Proprietary Limited loan amounting to R59.2 million (2019: R57.0 million) has been pledged to the IDC.*

There are no expected credit losses on the financial assets.

15. INVENTORIES

Inventory and work-in-progress are valued at the lower of cost and net realisable value. Cost is determined on the first-in first-out or weighted average cost basis as appropriate. Cost comprises direct materials and overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is defined as the selling price less any estimated costs to sell.

Fixed overhead costs, including depreciation, are allocated to inventory by processing an overhead recovery adjustment based on stock movement. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities.

Provision for stock obsolescence is assessed regularly to identify aged, damaged and slow moving inventories. There are no material accounting estimates and critical judgements used in this assessment.

	2020 R'm	2019 R'm
Raw materials and consumables	828.0	1,025.0
Work in progress	41.8	45.3
Finished goods	533.3	815.0
Total inventories	1,403.1	1,885.3
Write-down of inventories during the year	26.8	59.5
Reversal of write-down of inventories during the year	(44.1)	(7.4)
Cost of inventories recognised as an expense	5,116.9	5,142.2
Inventory capitalised to property, plant and equipment (refer to note 10)	(7.5)	(1.7)

Certain inventories are pledged as security for the bank loans (refer to note 20).

16. TRADE AND OTHER RECEIVABLES

On initial recognition, trade receivables are classified as measured at amortised cost using the effective interest rate method, less any expected credit losses as appropriate. Management assesses the recoverability of trade receivables on an ongoing basis.

There are no material accounting estimates and critical judgement used in the assessment of the ECL are considered to be of a low risk. Refer to note 37: credit risk.

	2020 R'm	2019 R'm
Trade receivables (a)		
– external	**2,020.8**	2,161.8
– related parties (refer to note 38)	**59.3**	24.6
Allowance for expected credit losses (b)	**(58.7)**	(121.1)
Net trade receivables	**2,021.4**	2,065.3
Lease receivables (d)	**4.1**	–
Other receivables	**99.8**	131.4
Prepayments and accrued income	**37.7**	39.6
Total trade and other receivables	**2,163.0**	2,236.3

The fair values of trade and other receivables approximate the carrying values presented. Trade receivables generally have 30 to 90 days payment terms and are recognised and carried at its original invoice amount less an allowance for any uncollectible amounts. Mpact also allows extended payment terms to customers in the agricultural sector.

Mpact's other receivables are considered to have low credit risk as the other debtors have the future capacity to meet their contractual cash flow obligations. Mpact had considered the above based on past experience and current conditions and therefore did not raise any expected credit losses in the current and prior financial year. Other receivables consists mainly of rebates from suppliers and the prior year included a deposit of R66 million for the purchase of a property.

Trade and other receivables are pledged as security for the bank loans (refer note 20).

(a) Trade receivables: Credit risk

Mpact's exposure to the credit risk inherent in their trade receivables and the associated risk management techniques that Mpact deploys in order to mitigate this risk are discussed in note 37. Credit periods offered to customers vary according to the credit risk profiles and invoicing conventions established by participants operating in the various markets in which Mpact operates. Interest is charged at an appropriate rate on balances which are considered overdue in the relevant market.

To the extent that recoverable amounts are estimated to be less than their associated carrying values, impairment charges have been recorded in the statement of profit or loss and the carrying values have been written down to their recoverable amounts.

Mpact uses an allowance matrix to measure expected credit losses (ECL) of trade receivables from customers. The expected loss rates are mainly based on the historical payment profiles of customers and the use of the forward looking information as discussed below:

- the geographical location such as customers in neighbouring countries due to their poor economic conditions
- business sector, such as customers that operated in drought-affected areas of South Africa and
- the age of the customer relationship

Credit risk is managed on a devolved basis, each business management team monitors the credit risk of its customers. Furthermore divisional financial managers and the group executives regularly monitors customer purchase and payment behaviour in order to ensure that accounts will be settled in future. Management also follows a proactive process in managing overdue customers. Refer to note 37 for credit insurance cover on trade receivables.

16. TRADE AND OTHER RECEIVABLES continued

(a) Trade receivables: Credit risk continued

The following table provides information about the exposure to credit risk and ECL's for trade receivables as at 31 December 2020.

31 December 2020	Weighted average loss rate %	Gross carrying value R'm	Loss allowance R'm
Current (not past due)	**0.4**	**1,586.2**	**(6.4)**
Less than one month past due	**1.1**	**218.2**	**(2.4)**
one to two months past due	**1.0**	**105.4**	**(1.1)**
two to three months past due	**5.3**	**75.3**	**(4.0)**
more than three months past due	**47.2**	**95.0**	**(44.8)**
		2,080.1	**(58.7)**

The loss allowance comprises of R45.4 million relating to specific debtors balances and R13.3 million relating to forward looking adjustments.

31 December 2019	Weighted average loss rate %	Gross carrying value R'm	Loss allowance R'm
Current (not past due)	0.9	1,417.5	(12.5)
Less than one month past due	1.7	276.4	(4.6)
one to two months past due	3.8	187.7	(7.1)
two to three months past due	6.6	87.5	(5.8)
more than three months past due	41.9	217.3	(91.1)
		2,186.4	(121.1)

The loss allowance comprises of R95.6 million relating to specific debtors balances and R25.5 million relating to forward looking adjustments.

During the current year, there were large write-offs of debtors which were previously provided for and were confirmed to be irrecoverable. The removal of these debtors with higher credit risk in the prior year have had a positive impact on the ECL's for the remainder of the debtors' book. The credit risk associated with the balance of the debtors' book has been assessed and the expected credit loss rates are considered appropriate.

Adjusted historical loss ratio 2020	Forward looking adjustment %	Weighted average loss rate %
Current (not past due)	**3 to 20**	**0.4**
Less than one month past due	**3 to 20**	**1.1**
one to two months past due	**3 to 20**	**1.0**
two to three months past due	**3 to 20**	**5.3**
more than three months past due	**3 to 20**	**47.2**
2019		
Current (not past due)	9 to 34	0.9
Less than one month past due	9 to 34	1.7
one to two months past due	9 to 34	3.8
two to three months past due	9 to 34	6.6
more than three months past due	9 to 34	41.9

Due to the different credit risk of Mpact's businesses, there is a range for the forward looking adjustment effect on the weighted average loss rate. Mpact did not enter into any debt factoring arrangements.

(b) Movement in the expected credit allowance loss allowance account

	2020 R'm	2019 R'm
At 1 January	**121.1**	78.3
Amount written off or recovered during the year	**(85.4)**	(1.9)
Increase in allowance recognised in the statement of profit or loss	**23.0**	45.6
Acquisition of subsidiary	**–**	0.4
Transfer to discontinued operation	**–**	(1.3)
At 31 December	**58.7**	121.1

(c) Trade receivable analysis

Concentration spread of trade receivables

	2020 R'm	2019 R'm
Monitored by Executive Committee[1]		
Debtors over R20 million	**628.7**	616.0
Debtors between R10 million to R20 million	**285.6**	246.5
Debtors less than R10 million	**320.3**	69.3
Monitored by management at an operations level	**845.5**	1,254.6
Total debtors	**2,080.1**	2,186.4
Geographical spread of trade receivables		
South Africa	**1,830.9**	1,880.5
Rest of Africa	**227.5**	278.4
Rest of World	**21.7**	27.5
Total debtors	**2,080.1**	2,186.4
Trade debtors by reportable segment		
Paper	**1,603.5**	1,724.9
Plastics	**470.7**	458.2
Corporate	**5.9**	3.3
Total debtors	**2,080.1**	2,186.4

[1] *In the current year, the debtors monitored by the Executive Committee changed from the top ten debtors of each operating segment to the top twenty debtors.*

At 31 December 2020, the carrying amount of Mpact's most significant customer was R132.3 million (2019: R75.9 million). There were no material trade receivables written off during the current financial year that are still subject to enforcement activity.

(d) Lease receivables

A subsidiary of Mpact rents wheelie bins to a customer. Based on the nature of the contract, the transaction was assessed as a finance lease, details of which are presented below:

2020	<1 year R'm	1-5 years R'm	Total R'm
Minimum lease payments receivable			
Lease payments receivable	4.5	4.5	**9.0**
Unearned finance income	(0.4)	(0.7)	**(1.1)**
Present value of minimum lease receivable	4.1	3.8	**7.9**

17. CASH AND CASH EQUIVALENTS

	2020 R'm	2019 R'm
Cash at bank and on hand	**576.0**	447.1

Cash at banks earns interest based on daily bank deposit rates.

Certain bank accounts within Mpact are pledged as security for the bank loans (refer to note 20). There are no expected credit losses on cash and cash equivalents.

18. DERIVATIVE FINANCIAL INSTRUMENTS

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

Mpact enters into forward, option and swap contracts in order to hedge its exposure to foreign exchange, interest rate and commodity price risk. Mpact does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently held at fair value in the statement of financial position within "derivative financial instruments", and, when designated as hedges, are classified as current or non-current depending on the maturity of the derivative. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Changes in the fair value of any derivative instruments that are not formally designated in hedge relationships are recognised immediately in the statement of profit or loss and are classified within "Operating profit" or "Net finance costs" depending on the type of risk the derivative relates to.

At the inception of a hedge relationship, Mpact documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, Mpact documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that Mpact actually hedges and the quantity of the hedging instrument that Mpact actually uses to hedge that quantity of hedged item.

The effective portion of changes in the fair value of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss. If the cash flow hedge of a forecast transaction results in the recognition of a non-financial asset or a non-financial liability then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in Mpact's cash flow hedge reserve in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or non-financial liability, amounts deferred in Mpact's cash flow hedge reserve in equity are recognised in the statement of profit or loss in the same period in which the hedged item affects profit or loss on a proportionate basis.

Hedge accounting is discontinued when the hedging relationship is revoked or hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity at that time remains in equity until the forecast transaction is ultimately recognised in the statement of profit or loss. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss deferred in equity is included immediately in the statement of profit or loss.

Accounting estimates and critical judgement: Valuation of financial instruments

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

	2020 Asset R'm	2020 Liability R'm	2020 Notional amount R'm	2019 Asset R'm	2019 Liability R'm	2019 Notional amount R'm
Non-current derivative						
Cash flow hedges						
Interest rate swaps	**–**	**(57.1)**	**800.0**	0.5	–	800.0
Current derivative						
Held for trading[1]						
Foreign exchange contracts	**0.5**	**(12.8)**	**145.5**	2.7	(4.1)	17.1

[1] *There were no held-for-trading derivative assets and liabilities, classified as current in accordance with IAS 1: "Presentation of Financial Statements", which are due to mature after more than one year, for all the years presented. The inputs in determining fair value are classed as level 2 in terms of IFRS.*

Derivative financial instruments are held at fair value. Appropriate valuation methodologies are employed to measure the fair value of derivative financial instruments (refer note 37).

The notional amounts presented represent the aggregate face value of all foreign exchange contracts and interest rate swaps at year end. They do not indicate the contractual future cash flows of the derivative instruments held or their current fair value and therefore do not indicate Mpact's exposure to credit or market risks. Note 37 provides an overview of Mpact's management of financial risks through the selective use of derivative financial instruments and also includes a presentation of the undiscounted future contractual cash flows of the derivative contracts outstanding at the reporting date.

	2020 R'm	2019 R'm
Held for trading derivatives		
Net fair value loss on held for trading derivatives	**(10.9)**	(1.5)

Held for trading derivatives are used primarily to hedge foreign exchange balance sheet exposures. Held for trading derivative gains have corresponding gains which arise on the revaluation of the foreign exchange balance sheet exposures being hedged. Mpact chose not to apply hedge accounting to the held for trading derivatives.

Mpact designates certain derivative financial instruments as cash flow hedges. In the prior year, Mpact had entered into an interest rate swap for R200 million which expires in August 2022 (3 year swap) and a R600 million interest rate swap which expires in August 2023 (4 year swap). The floating rate for both swaps was referenced to three-month JIBAR. The fixed interest rate on the 3 year swap is 6.59% and 6.74% on the 4 year swap. The cash flow hedge was assessed to be effective.

In the prior financial year Mpact settled an existing interest rate swap of R500 million. The floating rate of the swap was referenced to three-month JIBAR and the fixed interest rate on the R500 million facility was 9.49%.

Under interest rate swap contracts, Mpact agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable Mpact to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, Mpact performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates.

for the year ended 31 December 2020

19. STATED CAPITAL

An equity instrument is any contract which evidences a residual interest in the net assets of an entity. Repurchase of Mpact's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue, or cancellation of Mpact's own equity instruments.

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

	2020 R'm	2019 R'm
Authorised share capital		
217,500,000 shares of no par value	**–**	–
Issued share capital		
Issue of shares of no par value	**2,669.2**	2,669.2
Share re-purchased	**(73.6)**	–
	2,595.6	2,669.2

Reconciliation of the number of shares in issue:	Number of shares	Number of shares
Shares in issue at beginning of year	**173,304,517**	173,304,517
Shares re-purchased	**(8,665,225)**	–
Shares in issue at end of year	**164,639,292**	173,304,517

The directors were given the authority by the shareholders to buy back Mpact's own shares up to a limit of 15% of the current issued share capital.

Included in other reserves are amounts paid by Mpact Limited to Mpact Limited Incentive Scheme Trust for the acquisition of Mpact shares to be utilised in terms of the Share Plans. Refer to note 28. As at 31 December 2020, The Trust held 1,935,763 (2019: 2,449,704) shares. During the year the Trust bought 14,079 shares at an average price of R9.14.

Refer to the report of the directors: stated capital section for details of the re-purchase of shares and treasury shares held as at 31 December 2020.

20. INTEREST AND NON INTEREST BEARING BORROWINGS

Interest-bearing loans and overdrafts are initially recognised net of direct transaction costs. On initial recognition, borrowings are classified as measured at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the statement of profit or loss over the term of the borrowings using the effective interest rate method.

	2020 R'm	2019 R'm
Secured: Standard Bank, Rand Merchant Bank and Nedbank:		
– RCF A[1]	**200.0**	200.0
– RCF B[2]	**850.0**	850.0
– RCF C[3]	**200.0**	625.0
– RMB General Banking Facility[4]	**380.0**	700.0
	1,630.0	2,375.0
Secured Instalment loan facilities	**7.3**	10.9
	1,637.3	2,385.9
Unsecured: Minority shareholder loans in subsidiary[5]	**12.2**	15.4
Total borrowings	**1,649.5**	2,401.3
Less: Current portion (refer to note 25)	**(15.0)**	(19.0)
Minority shareholder loans	**(12.2)**	(15.4)
Instalment loan facilities	**(2.8)**	(3.6)
Non-current borrowings	**1,634.5**	2,382.3
Mpact has pledged certain assets as collateral against certain borrowings. The values of these assets as at 31 December 2020 are as follows:		
Assets pledged as collateral for other borrowings		
Property, plant and equipment	**1,886.4**	1,910.0
Inventories	**1,179.4**	1,626.7
Financial assets[6]	**2,248.8**	2,345.5
Total carrying value of assets pledged as collateral	**5,314.6**	5,882.2

1 *Bears interest at three month JIBAR plus 1.65%. The current facility is a revolving credit facility and expires in August 2022.*

2 *R250 million bears interest at one month JIBAR plus 1.75% and R600 million bears interest at three month JIBAR plus 1.75%. The facility is a revolving credit facility and expires in August 2023.*

3 *Facility C is a revolving credit facility, bears interest at one month JIBAR plus 1.85% and expires in August 2024.*

4 *Bears interest at prime less 2.5% and expires in August 2022.*

5 *The loan was granted as a shareholder loan which is non-interest bearing with no fixed date of repayment.*

6 *Financial assets include cash equivalents and trade and other receivables of certain subsidiaries.*

Mpact sources its borrowings in South African Rands. The fair values of Mpact borrowings approximate the carrying values presented. The maturity analysis of Mpact's borrowings presented, on an undiscounted future cash flow basis is included as part of a review of Mpact's liquidity risk within note 37. Mpact had entered into an interest rate swap for R200 million which expires in August 2022 (3 year swap) and a R600 million interest rate swap which expires in August 2023 (4 year swap).

Facilities totalling R1,190 million remain committed and undrawn as at 31 December 2020 (2019: R495 million).

Mpact liquidity is provided through debt facilities which are in excess of the Group's short-term needs. Mpact has approved facilities amounting to R2,820 million (2019: R2,960 million). Mpact has met all its debt covenants for the current financial year.

The value of the security pledged in relation to the assets is limited to R2,600 million (2019: 2,600 million). Certain inter-company loans within Mpact Operations Proprietary Limited, Mpact Limited, Mpact Versapak Proprietary Limited and Recycling Consolidated Holdings Proprietary Limited have been subordinated in favour of the debt holders.

Mpact is entitled to receive all cash flows from these pledged assets. Further, there is no obligation to remit these cash flows to another entity.

21. LEASE LIABILITIES

The lease liabilities are measured at the present value of the future lease payments, including variable lease payments that depend on an index and the exercise price of purchase options where it is reasonably certain that the option will be exercised, discounted using the interest rate implicit in the lease, if readily determinable. If the rate cannot be readily determined, the lessee's incremental borrowing rate is used. Finance charges are recognised in the consolidated statement of profit or loss over the period of the lease.

	2020 R'm	2019 R'm
Non-current portion	**256.2**	249.1
Current portion	**70.2**	72.0
	326.4	321.1

Mpact applied the practical amendment, IFRS 16 - COVID 19 - related rent concession, Mpact recognised a profit of R1.5 million in the statement of profit or loss as Mpact was offered a rent free period in the current financial year with no change to the lease.

As at 31 December 2020, potential future cash outflows of R46.3 million (2019: R90.4 million) (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended and R86.8 million (2019: R28.4 million) (discounted) have been included in the lease liability because it is reasonably certain that the lease will be extended. In the current financial year, Mpact purchased leased assets relating to land and buildings.

22. RETIREMENT BENEFITS

Mpact operates post-retirement defined contribution plans for the majority of its employees. Mpact also operates a post-retirement medical arrangement.

Defined contribution plan

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans for Mpact totalling R101.2 million (2019: R99.1 million) is calculated on the basis of the contribution payable by Mpact in the financial year. There were no material outstanding or prepaid contributions recognised in relation to these plans as at the reporting dates presented. The amount charged to the statement of profit or loss is the contributions paid or payable during the year.

Post-retirement medical plan

The post-retirement medical plan provides health benefits to retired employees and certain dependants. Eligibility for cover is dependent upon certain criteria. This plan is unfunded and there are no plan assets. The plan has been closed to new participants since 1 January 1999. The valuation is based on 1 in service member (2019: 1 in service member) and 74 pensioners (2019: 77 pensioners).

An actuarial valuation is performed each year using the projected unit credit method. The average discount rate for the plans' liabilities is based on AA-rated corporate bonds or similar government bonds of a suitable duration and currency. The actuarial present value of the promised benefits at the most recent valuation was performed during the 2020 financial year and indicates that the contractual post-retirement medical aid liability is adequately provided for within the financial statements.

Actuarial gains and losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in other comprehensive income and accumulated in equity. Any increase in the present value of plan liabilities expected to arise from employee service during the year is charged to underlying operating profit. The expected return on plan assets and the expected increase during the year in the present value of plan liabilities are included in investment income and interest expense respectively.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs and as reduced by the fair value of scheme assets.

The determination of the obligation depends on certain assumptions used by actuaries. These assumptions include, among other, the discount rate, healthcare inflation costs, rates of increase in compensation costs and the number of employees who reach retirement age. Significant changes in the assumptions will not materially affect the obligation.

Actuarial assumptions

The principal assumptions used to determine the actuarial present value of benefit obligations are detailed below:

	2020 %	2019 %
Post-retirement medical plan		
Average discount rate for plan liabilities	**10.1**	10.0
Expected average increase of healthcare costs	**7.4**	7.5

The assumption for the average discount rate for plan liabilities is based on AA corporate bonds, which are of a suitable duration and currency.

Mortality assumptions

The assumed life expectations on retirement at age 65 are:

	Years	Years
Retiring today		
Males	**16.27**	16.22
Females	**20.33**	20.28
Retiring in 20 years		
Males	**21.85**	21.75
Females	**26.02**	25.92

The mortality assumptions have been based on published mortality tables in the relevant jurisdictions.

Independent qualified actuaries carry out full valuations every three years using the projected credit unit method. The actuaries have updated the valuations to 31 December 2020.

The total gain recognised in other comprehensive income relating to experience movements on scheme liabilities and plan assets and actuarial assumption changes for the year ended 31 December 2020 is R3.9 million (2019: gain of R1.3 million). A gain of R3.0 million (2019: R2.0 million) related to changes in financial assumptions and a gain of R0.9 million (2019: loss of R0.7 million) related to changes in demographic assumptions.

The change in the present value of defined benefit obligations are as follows:

	2020 R'm	2019 R'm
Post-retirement medical plans		
At 1 January	**39.9**	40.2
Interest cost	**3.8**	3.9
Re-measurement	**(3.9)**	(1.3)
Benefits paid	**(2.9)**	(2.9)
At 31 December	**36.9**	39.9

The amounts recognised in the statement of profit or loss are as follows:

	2020 R'm	2019 R'm
Analysis of the amount charged to operating profit		
Interest costs on plan liabilities[1]	**3.8**	3.9
Total charge to statement of profit or loss	**3.8**	3.9

[1] *Included in finance costs (refer to note 6).*

Sensitivity analysis

Assured healthcare trend rates have a significant effect on the amounts recognised in the statement of profit or loss. A 1% change in assumed healthcare cost trend rates would have the following effects on the post-retirement medical plans:

	2020 R'm	2019 R'm
1% increase		
Effect on the aggregate of the current service cost and interest cost	**0.3**	0.4
Effect on the defined benefit obligation	**3.4**	3.8

	Liabilities Post-retirement medical plans R'm	Remeasurement gain/(losses) on plan liabilities R'm
2016	51.6	3.6
2017	48.9	4.9
2018	40.2	10.7
2019	39.9	1.3
2020	36.9	3.9

23. DEFERRED TAX

Refer to note 7 for the accounting policies.

	2020 R'm	2019 R'm
Deferred tax asset		
At 1 January	**10.8**	8.6
Credited to statement of profit or loss	**3.6**	4.6
Acquisition through business combination	**–**	0.6
Reclassification	**–**	(0.6)
Charged to equity	**(2.7)**	(2.4)
At 31 December	**11.7**	10.8
Deferred tax liability		
At 1 January	**(95.7)**	(227.3)
Acquired through business combinations	**–**	(9.9)
(Charged)/credited to statement of profit or loss	**(3.9)**	146.0
Credited/(charged) to statement of other comprehensive income	**15.0**	(1.6)
Charged to equity	**(2.7)**	(3.5)
Reclassification	**–**	0.6
At 31 December	**(87.3)**	(95.7)
The amount of deferred taxation provided in the accounts is presented as follows:		
Deferred tax assets		
Capital allowances	**2.3**	2.3
Provisions and other temporary differences	**9.4**	8.5
Total deferred tax assets	**11.7**	10.8
Deferred tax liabilities		
Tax losses	**132.4**	130.6
Capital allowances	**(352.4)**	(336.8)
Fair value adjustments	**(12.6)**	(13.7)
Provisions and other temporary differences	**145.3**	124.2
Total deferred tax liabilities	**(87.3)**	(95.7)

Mpact has Rnil (2019: Rnil) tax losses on which deferred tax assets have not been raised.

24. DEFERRED INCOME

Government grants are recognised when the right to receive such grants is established and are treated as deferred income. They are released to the statement of profit or loss on a systematic basis, either over the expected useful lives of the assets for which they are provided, or over the periods necessary to match them with the related costs which they are intended to compensate.

	2020 R'm	2019 R'm
Government grants	**12.4**	18.0
Less current portion	**(5.5)**	(5.5)
Non-current portion	**6.9**	12.5

The government grants relate to Manufacturing Competitiveness Enhancement Programme (MCEP) grants received for capital expenditure. The income released to the statement of profit or loss of R5.7 million (2019: R5.5 million) has been off-set against operating expenses.

25. SHORT-TERM BORROWINGS

	2020 R'm	2019 R'm
Minority shareholder loans (refer to note 20)	12.2	15.4
Bank overdrafts	7.7	16.5
Instalment loan facilities (refer to note 20)	2.8	3.6
Total short-term borrowings	**22.7**	35.5

The current portion of borrowings is expected to be repaid from operational cash flows and other existing facilities.

26. TRADE AND OTHER PAYABLES

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

	2020 R'm	2019 R'm
Trade payables	1,170.4	1,196.5
Amounts owed to related parties (refer to note 38)	12.9	8.2
Refund liabilities (rebates to customers)	213.7	166.6
Accruals	218.6	168.7
Other payables	270.9	226.7
Total trade and other payables	**1,886.5**	1,766.7

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

27. PROVISIONS

An obligation to incur restoration and environmental costs arises when environmental disturbance is caused by the ongoing production of a plant or landfill site. Costs for restoration of site damage are provided for at their present values and charged against profit or loss as the obligation arises.

A provision for the dividend equivalent bonus is recognised when Mpact has an obligation to settle the bonus shares awarded.

	2020 R'm	2019 R'm
Non-current portion of restoration and environmental provision1	6.8	–
Total non-current provisions	**6.8**	–
Current portion of restoration and environmental[1]	18.3	5.5
Current portion of Dividend equivalent bonus[2]	4.4	4.0
Total current provisions	**22.7**	9.5

[1] *The restoration and environmental provision represents the best estimate of the expenditure required to settle the obligation to rehabilitate environmental disturbances caused by production operations. A provision is recognised for the present value of such costs. In the current financial year the provision increased by R19.6 million charged to the statement of profit or loss (2019: increase of R4.2 million).*

[2] *Relates to Bonus Share Plan awards, where dividends earned over the holding period are paid as a single cash payment on vesting date. In the current financial year the provision increased by a net R0.4 million which were recognised in the statement of profit or loss (2019: increase of R0.8 million).*

28. SHARE BASED PAYMENTS

Mpact participates in two equity settled, share-based compensations, namely: Bonus share Plan (BSP) and Performance Share Plan (PSP). The vesting condition of the BSP is continued employment for a period of 3 years. The vesting condition of the PSP is dependent on Total Shareholder Return (TSR) and Return on Capital Employed (ROCE) for a period of 3 years. The share-based payments arrangement are for executives and senior employees of Mpact Limited and its subsidiaries.

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

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

The performance condition on 50% of the PSP was changed from TSR to HEPS growth for the awards granted on 1 April 2020.

The total fair value charge in respect of all the Mpact share awards granted are as follows:

	2020 R'm	2019 R'm
Bonus Share Plan (BSP)	**10.1**	11.4
Performance Share Plan (PSP)	**10.5**	17.2
Total share-based payment expense	**20.6**	28.6

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

Bonus Share Plan (BSP)	2020	2019	2018	2017
Date of grant	**1 April**	5 April	3 April	3 April
Vesting period (months)	**36**	36	36	36
Expected leavers per annum (%)	**–**	–	–	–
Future risk free interest rate	**7.40%**	7.40%	7.10%	7.92%
Grant date fair value per instrument (R)	**10.29**	23.04	28.59	27.48

Performance Share Plan (PSP)	2020	2019	2018	2017
Date of grant	**1 April**	5 April	3 April	3 April
Vesting period (months)	**36**	36	36	36
Expected leavers per annum (%)	**–**	–	–	–
Share price volatility	**–**	37.11%	36.66%	33.71%
Future risk free interest rate	**7.40%**	7.40%	7.10%	7.92%
Expected outcome of meeting performance criteria				
– Return on capital employed ("ROCE") component	**79%**	41.2%	73.4%	100%
– HEPS growth	**100%**	–	–	–
– Total shareholder return ("TSR") component determined inside the valuation model and incorporated in the fair value per option				
Grant date fair value per instrument (R)				
– HEPS component	**8.79**	–	–	–
– ROCE component	**8.79**	19.32	24.14	27.48
– TSR component	**–**	17.31	17.59	18.99

A reconciliation of share award movements for Mpact is shown below:

	BSP Number of shares	PSP Number of shares
1 January 2020	**1,419,145**	**2,538,356**
Shares conditionally awarded in the year	**1,517,050**	**2,618,952**
Shares vested in the year	**(307,261)**	**(217,164)**
Shares lapsed in the year	**(27,378)**	**(613,926)**
31 December 2020	**2,601,556**	**4,326,218**
1 January 2019	1,041,135	2,131,988
Shares conditionally awarded in the year	867,285	1,143,052
Shares vested in the year	(350,843)	(66,696)
Shares lapsed in the year	(138,432)	(669,988)
31 December 2019	1,419,145	2,538,356

29. BUSINESS COMBINATION

At the date of acquisition, the identifiable assets, liabilities and contingent liabilities of a subsidiary or an associate are recorded at their fair values on acquisition date. Assets and liabilities, which cannot be measured reliably, are recorded at provisional fair values which are finalised within 12 months of the acquisition date.

At the date of acquisition, the cost of a business combination includes the fair value of assets provided, liabilities incurred or assumed, and any equity instruments issued by a group entity, in exchange for control of an acquiree. The directly attributable costs associated with a business combination are expensed as incurred.

2020

There were no acquisitions in the financial year.

2019

In terms of an agreement, on 1 January 2019 (acquisition date), Mpact increased its shareholding in West Coast Paper Traders Proprietary Limited from 49% to 60% for R8 million following the fulfilment of all the conditions precedent. Following the increase in shareholding, West Coast Paper Traders Proprietary Limited 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 Mpact's paper manufacturing business.

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

	2019 R'm
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 Proprietary Limited	**(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)**

30. DISCONTINUED OPERATION AND LOSS OF CONTROL

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations; is a part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to sell.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

Mpact Polymers

On 14 November 2019, the Board of Directors approved a decision to discontinue operations in Mpact Polymers Proprietary Limited (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, Mpact lost control of the Polymers business and de-consolidated the assets, liabilities and the non-controlling interest at this date.

	2019 R'm
Revenue from contracts with customers	77.6
Expenses	(155.9)
Impairment of right of use asset	(13.8)
Impairment of plant and equipment	(218.1)
Operating loss	(310.2)
Net finance costs	(12.4)
Gain on the de-consolidation of the discontinued operation	160.1
Loss for the year from discontinued operation	(162.5)
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)
Investing activities	(34.5)
Financing activities	44.1
Net cash outflow	(1.0)

31. DISPOSAL OF EQUITY ACCOUNTED INVESTEES AND SUBSIDIARIES

2020

There were no disposal in the current financial year.

2019

(a) Right Corrugated Proprietary Limited

During the prior financial year, Mpact disposed of its entire interest in the associate for proceeds of R15.0 million and 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 Proprietary Limited

During the prior financial year, Mpact disposed of its entire interest in the associate for proceeds of R8.0 million and 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.

32. CONSOLIDATED CASH FLOW ANALYSIS

(a) Reconciliation of profit/(loss) before taxation to cash generated from operations

The prior year notes to the consolidated statement of cash flows include cash flows for discontinued operations. This differs to the notes to the consolidated statement of profit or loss which excludes amounts for the discontinued operations.

	2020 R'm	2019 R'm
Profit/(loss) before taxation from total operations	**441.8**	(968.4)
Profit/(loss) before taxation from continuing operations	**441.8**	(805.9)
Loss from discontinued operations	**–**	(162.5)
Adjusted for:		
Depreciation, amortisation and impairments	**568.0**	2,199.0
Impairment of non-current financial asset	**5.2**	–
Profit on the de-consolidation of the discontinued operation	**–**	(160.1)
Gain on acquisition of subsidiary (refer to note 29)	**–**	(1.3)
Share-based payments	**20.6**	28.6
Net finance costs	**169.3**	257.8
Share of equity accounted investee profit	**(14.8)**	(17.1)
Impairment of inventory of the discontinued operation	**–**	10.6
Increase in provisions	**17.2**	1.6
Decrease/(increase) in inventories	**461.5**	(122.2)
Decrease in receivables	**81.4**	195.5
Increase/(decrease) in payables	**122.0**	(430.5)
Profit on disposal of tangible assets	**(2.3)**	(0.2)
Fair value change on transactions not qualifying as hedges	**10.9**	1.6
Amortisation of government grant	**(5.5)**	(5.5)
Loss on sale of joint arrangements and subsidiaries	**–**	3.0
Profit on disposal of right of use assets and lease liabilities	**(6.0)**	(6.0)
Other non-cash items	**(0.5)**	–
Cash generated from operations	**1,868.8**	986.4

32. CONSOLIDATED CASH FLOW ANALYSIS continued

(b) Changes in liabilities arising from financing activities

	1 January R'm	Adoption of IFRS 16 R'm	Cash inflows R'm	Cash outflows R'm	Changes in fair value R'm	Transfer to disposal group R'm	Other[1] R'm	31 December R'm
2020								
Non-current interest and non-interest bearing borrowings	**2,382.3**	**–**	**2,025.1**	**(2,772.9)**	**–**	**–**	**–**	**1,634.5**
Non-current derivative financial instruments	**–**	**–**	**–**	**–**	**57.1**	**–**	**–**	**57.1**
Non-current lease liabilities	**249.1**	**–**	**–**	**–**	**–**	**–**	**7.1**	**256.2**
Current portion of borrowings	**35.5**	**–**	**–**	**(4.1)**	**–**	**–**	**(8.7)**	**22.7**
Current portion derivative financial instruments	**4.1**	**–**	**–**	**–**	**8.7**	**–**	**–**	**12.8**
Current portion of lease liabilities	**72.0**	**–**	**–**	**(71.1)**	**–**	**–**	**69.3**	**70.2**
Total	**2,743.0**	**–**	**2,025.1**	**(2,848.1)**	**65.8**	**–**	**67.7**	**2,053.5**
2019								
Non-current interest and non-interest bearing borrowings	1,400.8	–	2,585.0	(1,303.3)	–	(306.3)	6.1	2,382.3
Non-current derivative financial instruments	3.9	–	–	–	(3.9)	–	–	–
Non-current lease liabilities	–	390.0	–	–	–	(10.5)	(130.4)	249.1
Current portion of borrowings	1,429.7	–	–	(1,402.8)	–	–	8.6	35.5
Current portion derivative financial instruments	0.7	–	–	–	3.4	–	–	4.1
Current portion of lease liabilities	–	77.2	–	(77.9)	–	(4.9)	77.6	72.0
Total	2,835.1	467.2	2,585.0	(2,784.0)	(0.5)	(321.7)	(38.1)	2,743.0

[1] *Relates to the reclassification of liabilities from non-current liabilities to current liabilities, acquisition of subsidiaries and non-cash loan movements as well as movements in the overdraft facility. Lease liabilities also includes current year additions, the de-recognition of the liabilities and lease re-measurements.*

(c) Cash and cash equivalents

	2020 R'm	2019 R'm
Cash and cash equivalents per statement of financial position	**576.0**	447.1
Bank overdrafts included in short-term borrowings (refer to note 25)	**(7.7)**	(16.5)
Net cash and cash equivalents per statement of cash flows	**568.3**	430.6

The fair value of cash and cash equivalents approximate the values presented.

33. CAPITAL COMMITMENTS

Capital commitments are based on capital projects approved by the end of the financial year and the budget approved by the Board.

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

	2020 R'm	2019 R'm
Contracted for	**190.1**	148.9
Approved, not yet contracted for	**622.3**	604.3
Total capital commitments	**812.4**	753.2

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

34. OPERATING LEASE COMMITMENTS

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

	2020 R'm	2019 R'm
Expiry date:		
Within one year	**4.0**	24.9
Total operating lease commitments	**4.0**	24.9

The current year commitments relate to short term leases.

35. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The preparation of Mpact's financial statements includes the use of estimates and assumptions which affect certain items reported in the statement of financial position and the statement of profit or loss and other comprehensive income. The disclosure of contingent assets and liabilities is also affected by the use of estimation techniques. Although the estimates used are based on management's best knowledge of current circumstances and future events and actions, actual results may differ from those estimates.

Disclosure

(a) Contingent liabilities for Mpact comprise aggregate amounts at 31 December 2020 of R 2.0 million (2019: R 1.7 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 Mpact.

(c) There is a contingent asset for the insurance claim due to a catastrophic failure of a municipal sub-station in Ekurhuleni. There were no significant contingent assets for the year ended 31 December 2019.

(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.

36. CAPITAL MANAGEMENT

Mpact defines its total capital employed as equity, as presented in the statement of financial position, plus net debt, less investment in subsidiaries and financial asset investments.

	2020 R'm	2019 R'm
Total borrowings (excluding overdrafts)	**1,975.9**	2,722.4
Less: cash and cash equivalents, net of overdrafts	**(568.3)**	(430.6)
Net debt	**1,407.6**	2,291.8
Less: Loans and receivables	**(23.4)**	(39.4)
Adjusted net debt	**1,384.2**	2,252.4
Equity	**3,912.8**	3,746.8
Total capital employed	**5,297.0**	5,999.2

Total capital employed is managed on a basis that enables Mpact to continue trading as a going concern, while delivering acceptable returns for shareholders and benefits for other stakeholders. Additionally, Mpact is committed to reducing its cost of capital by maintaining an optimal capital structure. In order to maintain an optimal capital structure, Mpact may adjust the future level of dividends paid to shareholders, repurchase shares from shareholders, issue new equity instruments or dispose of assets to reduce its net debt exposure.

Mpact reviews its total capital employed on a regular basis and makes use of several indicative ratios which are appropriate to the nature of the Group's operations and are consistent with conventional industry measures. The principal ratios used in this review process are:

- gearing, defined as net debt divided by total capital employed; and
- return on capital employed, defined as underlying operating profit, plus share of associates and jointly controlled company profit, before special items, divided by average capital employed.

37. FINANCIAL RISK MANAGEMENT

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

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

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

On initial recognition, a financial asset is classified as measured at: amortised cost; or fair value through profit or loss. On initial recognition of an equity investment that is not held for trading, Mpact may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Market risk

Mpact's activities are exposed to primarily foreign exchange and interest rate risk. Both risks are actively monitored on a continuous basis and managed through the use of foreign exchange contracts and interest rate swaps, respectively. Although Mpact's cash flows are exposed to movements in key input and output prices, such movements represent economic rather than residual financial risk inherent in commodity payables and receivables.

Foreign exchange risk

Mpact operates across various national boundaries and is exposed to foreign exchange risk in the normal course of their business. Multiple currency exposures arise from forecast commercial transactions denominated in foreign currencies, recognised financial assets and liabilities (monetary items) denominated in foreign currencies and the translational exposure on net investments in foreign operations.

Foreign exchange contracts

Mpact's foreign exchange policy requires its subsidiaries to actively manage foreign currency exposures against their functional currencies by entering into foreign exchange contracts. For segmental reporting purposes, each subsidiary enters into, and accounts for, foreign exchange contracts with Group treasury or with counterparties that are external to Mpact, whichever is more commercially appropriate. Only material statement of financial position exposure and highly probable forecast capital expenditure transactions are being hedged. Currencies bought or sold forward to mitigate possible unfavourable movements on recognised monetary items are marked to market at each reporting date. Foreign currency monetary items are translated at each reporting date to incorporate the underlying foreign exchange movements, and any such movements are naturally off-set against fair value movements on related foreign exchange contracts.

Foreign currency sensitivity analysis

Foreign exchange risk sensitivity analysis has been performed on the foreign currency exposures inherent in Mpact's financial assets and financial liabilities at the reporting dates presented, net of related forward positions. The sensitivity analysis provides an indication of the impact on Mpact's reported earnings of reasonably possible changes in the currency exposures embedded within the functional currency environments that Mpact operates in. In addition, an indication is provided of how reasonably possible changes in foreign exchange rates might impact on Mpact's equity, as a result of fair value adjustments to foreign exchange contracts designated as cash flow hedges. Reasonably possible changes are based on an analysis of historic currency volatility, together with any relevant assumptions regarding near-term future volatility.

Impacts of reasonably possible changes to foreign exchange rates

Mpact has assumed that for its functional to foreign currency net monetary exposure, it is reasonable to assume a 5% appreciation/depreciation of the functional currency.

Interest rate risk

Mpact holds cash and cash equivalents, which earn interest at a variable rate and has variable rate debt in issue. Consequently, Mpact is exposed to interest rate risk. Although Mpact also has fixed rate debt in issue, the accounting policy stipulates that all borrowings are held at amortised cost. As a result, the carrying value of fixed rate debt is not sensitive to changes in credit conditions in the relevant debt markets and there is therefore no exposure to fair value interest rate risk.

Management of cash and cash equivalents

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

Management of variable rate debt

Mpact has multiple variable rate debt facilities. Group treasury uses interest rate swaps to hedge certain exposures to movements in the relevant inter-bank lending rates, primarily the Johannesburg Interbank Agreed Rate (JIBAR).

Interest rate swaps are ordinarily formally designated as cash flow hedges and are fair valued at each reporting date. The fair value of interest rate swaps are determined at each reporting date by reference to the discounted contractual future cash flows, using the relevant currency-specific yield curves, and the credit risk inherent in the contract.

Mpact's cash and cash equivalents also acts as a natural hedge against possible unfavourable movements in the relevant inter-bank lending rates on its variable rate debt, subject to any interest rate differentials that exist between corporate saving and lending rates.

Net variable rate debt sensitivity analysis

The net variable rate exposure represents variable rate debt less the future cash outflows swapped from variable-to-fixed via interest rate swap instruments and cash and cash equivalents. Reasonably possible changes in interest rates have been applied to net variable rate exposure, in order to provide an indication of the possible impact on Mpact's statement of profit or loss.

37. FINANCIAL RISK MANAGEMENT continued

Interest rate risk sensitivities on variable rate debt and interest rate swaps

	2020 R'm	2019 R'm
Total debt (including overdrafts)	**1,657.2**	2,417.8
Less:		
Non-interest bearing debt	**(12.2)**	(15.4)
Cash and cash equivalents	**(576.0)**	(447.1)
Net variable rate debt	**1,069.0**	1,955.3
Interest rate swaps:		
Floating-to-fixed notionals	**(800.0)**	(800.0)
Net variable rate exposure	**269.0**	1,155.3
+/– basis points change		
Potential impact on earnings (+50 basis points)	**(1.0)**	(4.2)
Potential impact on earnings (-50 basis points)	**1.0**	4.2

Credit risk

Impairment of financial assets

Mpact recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost. Credit losses are measured as the present value of all cash shortfalls. Mpact measures loss allowances at an amount equal to lifetime ECL. Loss allowances for loans and trade and other receivables are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, Mpact considers quantitative and qualitative information based on Mpact's historical experience and informed credit assessment on specific customers and/or industrial sectors. Mpact also assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when Mpact has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Mpact's credit risk is mainly confined to the risk of customers defaulting on sales invoices raised. Several Group entities have also issued certain financial guarantee contracts to external counterparties in order to achieve competitive funding rates for specific debt agreements entered into by other Group entities. None of these financial guarantees contractually obligate Mpact to pay more than the recognised financial liabilities in the entities concerned. As a result, these financial guarantee contracts have no bearing on the credit risk profile of Mpact as a whole. Full disclosure of Mpact's maximum exposure to credit risk is presented in the following table:

	2020 R'm	2019 R'm
Exposure to credit risk		
Cash and cash equivalents	**576.0**	447.1
Derivative financial instruments	**0.5**	2.7
Trade and other receivables (excluding prepayments and accrued income)	**2,121.2**	2,196.7
Financial assets	**99.7**	114.3
Total credit risk exposure	**2,797.4**	2,760.8

Credit risk associated with trade receivables

Mpact has a large number of unrelated customers and does not have any significant credit risk exposure to any particular customer. Mpact believes there is no significant geographical concentration of credit risk.

Each business unit manages its own exposure to credit risk according to Mpact's delegation of authority and the economic circumstances and characteristics of the relevant markets that they serve. Mpact believes that management of credit risk on a devolved basis enables it to assess and manage credit risk more effectively. However, broad principles of credit risk management practice are observed across all business units, such as the use of credit rating agencies, credit guarantee insurance, where appropriate, and the maintenance of a credit control function. Of the total trade receivables balance of R2.1 billion (2019: R2.2 billion), credit insurance covering of R4.2 million (2019: R3.1 million) of the total balance has been taken out by Mpact's trading entities to insure against the related credit default risk. The insured cover is presented gross of contractually agreed excess amounts.

Liquidity risk

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

The following table shows the amounts available to draw down on its committed and uncommitted loan facilities:

	2020 R'm	2019 R'm
Expiry date		
In one year or less	**1,190.0**	495.0
Total credit available	**1,190.0**	495.0

Forecast liquidity represents Mpact's expected cash inflows, principally generated from sales made to customers, less Mpact's contractually-determined cash outflows, principally related to supplier payments and the repayment of borrowings, including finance lease obligations, plus the payment of any interest accruing thereon. The matching of these cash inflows and outflows rests on the expected ageing profiles of the underlying assets and liabilities. Short-term financial assets and financial liabilities are represented primarily by Mpact's trade receivables and trade payables respectively. The matching of the cash flows that result from trade receivables and trade payables takes place typically over a period of three to four months from recognition in the statement of financial position and is managed to ensure the ongoing operating liquidity of Mpact. Financing cash outflows may be longer term in nature. Mpact does not hold long-term financial assets to match against these commitments, but are significantly invested in long-term non-financial assets which generate the sustainable future cash inflows, net of future capital expenditure requirements, needed to service and repay Mpact's borrowings. Mpact also assesses its commitments under interest rate swaps, which hedge future cash flows from two to five years from the reporting date presented.

Contractual maturity analysis

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

37. FINANCIAL RISK MANAGEMENT continued

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

	Undiscounted cash flow				
	<1 year R'm	1-2 years R'm	2-5 years R'm	5+ years R'm	Total R'm
2020					
Trade and other payables (refer to note 26)	**1,886.5**	**–**	**–**	**–**	**1,886.5**
Lease liabilities	**94.1**	**96.9**	**116.9**	**113.0**	**420.9**
Borrowings	**169.3**	**794.2**	**1,369.9**	**–**	**2,333.4**
Total	**2,149.9**	**891.1**	**1,486.8**	**113.0**	**4,640.8**
2019					
Trade and other payables (refer to note 26)	1,766.7	–	–	–	1,766.7
Lease liabilities	96.2	84.2	168.1	51.0	399.5
Borrowings[1]	250.4	220.0	2,599.3	15.4	3,085.1
Total	2,113.3	304.2	2,767.4	66.4	5,251.3

[1] *The short-term borrowings are revolving in nature and only become payable in the event of a covenant breach.*

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

Maturity profile of outstanding derivative positions

	Undiscounted cash flow			
	<1 year R'm	1-2 years R'm	2-5 years R'm	Total R'm
2020				
Foreign exchange contracts	**7.4**	**–**	**–**	**7.4**
Interest rate swaps	**26.0**	**23.9**	**13.1**	**63.0**
Total	**33.4**	**23.9**	**13.1**	**70.4**
2019				
Foreign exchange contracts	1.5	–	–	1.5
Interest rate swaps	(0.5)	–	–	(0.5)
Total	1.0	–	–	1.0

Financial instruments by category

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
2020					
Trade and other receivables[1]		**2,125.3**	**–**	**–**	**2,125.3**
Loans receivable	**Level 2**	**99.1**	**–**	**–**	**99.1**
Equity investment	**Level 3**	**–**	**–**	**0.6**	**0.6**
Derivative financial instruments	**Level 2**	**–**	**0.5**	**–**	**0.5**
Cash and cash equivalents[1]		**576.0**	**–**	**–**	**576.0**
Total		**2,800.4**	**0.5**	**0.6**	**2,801.5**
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

Financial liabilities	Fair value hierarchy R'm	At fair value through profit or loss R'm	At amortised cost R'm	Total R'm
2020				
Borrowings	**Level 2**	**–**	**(1,657.2)**	**(1,657.2)**
Trade and other payables[1]		**–**	**(1,886.5)**	**(1,886.5)**
Derivative financial instrument	**Level 2**	**(69.9)**	**–**	**(69.9)**
Total		**(69.9)**	**(3,543.7)**	**(3,613.6)**
2019				
Borrowings	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)

[1] *The carrying value reasonably approximates the fair value.*

37. FINANCIAL RISK MANAGEMENT continued

Fair value estimation

Measurement of fair values

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). Mpact values the assets using a discounted cashflow technique. The expected net cash flows are discounted using a risk-adjusted discount rate.

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

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

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 where available and rely as little as possible on Mpact specific estimates.

The significant inputs required to fair value all of Mpact'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.

38. RELATED PARTY TRANSACTIONS

Mpact has a related party relationship with its subsidiaries, its associates, joint arrangement and directors. Mpact, in the ordinary course of business, enters into various sales, purchase and services transactions with its joint arrangement and associates and others in which Mpact 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 Mpact and related parties are disclosed below:

	2020 R'm	2019 R'm
Sales to joint arrangement[1]	6.1	2.4
Sales to associates	238.3	202.8
Purchases from associates	0.7	–
Loan to joint arrangement (see note 14)	59.2	57.0
Receivables due from joint arrangement (see note 16)	5.4	0.4
Receivables due from associates (see note 16)	53.9	24.2
Payables due to associates (see note 26)	12.9	8.2

Details of the executive directors and prescribed officers' remuneration is included in note 41.

[1] *In the current financial year Dalisu Holdings Proprietary Limited was re-assessed to be a joint arrangement. Prior year sales to associates amounting to R2.4 million and receivables due from associates amounting to R0.4 million have been disclosed as sales to joint arrangement and receivables due from joint arrangement respectively.*

39. INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS

Basis of consolidation

Subsidiary

The consolidated annual financial statements incorporate the assets, liabilities, equity, revenues, expenses and cash flows of Mpact Limited, and of its respective subsidiary undertakings drawn up to 31 December each year. Subsidiary undertakings are those entities over which Mpact has the power, directly or indirectly, to govern operating and financial policy in order to obtain economic benefits.

The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquiring control or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the results of subsidiaries to bring their accounting policies into alignment with those used by Mpact.

For each business combination at initial recognition, Mpact elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. After initial recognition non-controlling interests are measured as the aggregate of the value at initial recognition and their subsequent proportionate share of profits and losses.

Equity accounted investees

Refer to note 13 for the accounting policy for associates and joint arrangements.

Translation of foreign operations

Mpact results are presented in Rands (the Group's functional and presentation currency), the currency in which most of its business is conducted. On consolidation, the assets and liabilities of the Mpact's foreign operations are translated into the presentation currency of Mpact at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the year where these approximate the rates at the dates of transactions. Exchange differences arising, if any, are recognised directly in other comprehensive income, and accumulated in equity. Such translation differences are reclassified from profit or loss only on disposal or partial disposal of the foreign operation.

Control assessment

In determining whether a substantial holding in an entity should be treated as an associate or subsidiary, management reviews the size of its holding, the voting rights it holds, the spread of shareholders and whether it has any arrangement to act in concert with any other investors.

Mpact has a number of subsidiary companies that are consolidated into the Group results. There are limited risks associated with these interests, as the subsidiaries operate within the same strategic objectives as Mpact. There are no significant judgements applied in determining whether Mpact controls the companies it has invested in. Mpact does not own any interests in special purpose or structured entities and fully consolidates all investments where the equity interest is greater than 50%.

39. INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS continued

	Country of Incorporation	Share capital 2020	Share capital 2019	Share holding 2020 %	Share holding 2019 %
Subsidiary Direct Holding					
Mpact Operations Proprietary Limited[1]	RSA	**R20,000**	R20,000	**90**	90
Sunko Mauritius	Mauritius	**R100**	R100	**100**	100
Embalagens Mpact Limitada	Mozambique	**M1,213,000**	M1,213,000	**90**	90
Mpact Corrugated Proprietary Limited	Namibia	**N$100**	N$100	**74**	74
Subsidiaries-Indirect holding					
Mpact Versapak Proprietary Limited	RSA	**R100**	R100	**100**	100
Mpact Recycling Proprietary Limited	RSA	**R231,741,655**	R231,741,655	**100**	100
Mpact Plastics Containers Proprietary Limited	RSA	**R100**	R100	**66**	66
Magic Attitude Proprietary Limited	RSA	**R100**	R100	**100**	100
Detpak South Africa Proprietary Limited	RSA	**R7,143**	R7,143	**51**	51
Rebel Packaging Proprietary Limited	RSA	**R4,000**	R4,000	**100**	100
Recycling Consolidated Holdings Proprietary Limited	RSA	**R167,177,719**	R167,177,719	**100**	100
Lenco Corporate Finance Proprietary Limited[2]	RSA	**R35,651**	R35,651	**100**	100
Lion Packaging Trading 57 Proprietary Limited[3]	RSA	**R100**	R100	**100**	100
West Coast Paper Traders Proprietary Limited	RSA	**R400**	R400	**60**	60
Versapak Holdings Proprietary Limited[3]	Zimbabwe	**USD$1**	USD$1	**100**	100
Associates-Indirect holding					
Lomina Vyf Proprietary Limited	RSA	**R100**	R100	**49**	49
Seyfert Corrugated Western Cape Proprietary Limited	RSA	**R15,500,201**	R15,500,201	**49**	49
Dalisu Holdings Proprietary Limited[4]	RSA	**–**	R100	**–**	49
Joint arrangement-Indirect holding					
Dalisu Holdings Proprietary Limited[4]	RSA	**R100**	–	**49**	–

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

2 *In the process of deregistration.*

3 *Ceased trading and in the process of being wound up.*

4 *The investment treatment was re-assessed in the current financial year which resulted in a correction in the classification from an associate to a joint arrangement. The change in classification did not result in a change in the accounting treatment.*

In the prior financial year Mpact Polymers was deconsolidated as there was a loss of control of the subsidiary. Mpact still owns 69% of the issued shares of Mpact Polymers Proprietary Limited.

Mpact does not have any significant restrictions on its ability to access/use assets, or settle liabilities in any of its subsidiaries. These companies operate principally in the countries in which they are incorporated. The above associates and joint ventures are not considered material to Mpact. Refer to note 13.

The following table summarises the information relating to each of Mpact's subsidiaries that has material non-controlling interests, before any intra-group eliminations.

	Mpact Plastic Containers 34% R'm	Other individually immaterial subsidiaries R'm	Total R'm
2020			
Non-current assets	332.8	176.8	
Current assets	275.1	375.9	
Non-current liabilities	(35.1)	(77.3)	
Current liabilities	(83.1)	(175.6)	
Net assets	489.7	299.8	
Carrying amount of non-controlling interests	166.5	118.4	284.9
2019	34%		
Non-current assets	353.1	180.5	
Current assets	182.4	398.0	
Non-current liabilities	(37.2)	(129.0)	
Current liabilities	(53.1)	(192.5)	
Net assets	445.2	257.0	
Carrying amount of non-controlling interests	151.4	104.7	256.1

The aggregate total comprehensive profit for non-wholly owned subsidiaries is R116.6 million (2019: R99.4 million), of which a R44.0 million profit (2019: R36.9 million) is attributable to non-controlling shareholders.

The aggregated net cash inflow from operating activities is R164.7 million (2019: R167.8 million), aggregated net cash outflow from investing activities is R70.7 million (2019: R201.1 million) and aggregated net cash outflow from financing activities is R36.0 million (2019: R23.2 million).

40. EVENTS OCCURRING AFTER THE REPORTING DATE

Mpact re-purchased 15,413,152 of its issued share capital shares at an average price of R16.68 during January 2021 for a total consideration of R257.0 million. On 27 January 2021, the JSE approved the cancellation and delisting of 1,975,834 shares and the further cancellation and delisting of 14,488,095 shares on 2 February 2021.

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

41. DIRECTORS' REMUNERATION

Executive directors' and prescribed officers' remuneration

Prescribed officers are defined as having general executive control over and management of a significant portion of Mpact or regularly participate therein to a material degree, and are not directors of Mpact. Prescribed officers include the three highest paid non-directors.

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

R's	Guaranteed package (TGCOE)[1]	Short term incentive bonus[2]	Other[3]	Sub-total Cash-based remuneration	Grant value of bonus share awarded[4]	Intrinsic value of performance shares vesting[5]	Total remuneration
2020							
EXECUTIVE DIRECTORS							
BW Strong	5,330,120	3,053,093	72,349	8,455,562	1,717,365	2,120,798	12,293,725
BDV Clark	4,346,219	2,465,175	50,307	6,861,701	1,386,661	1,209,087	9,457,449
Total	9,676,339	5,518,268	122,656	15,317,263	3,104,026	3,329,885	21,751,174
PRESCRIBED OFFICERS							
HM Thompson	4,695,319	2,839,729	53,612	7,588,660	1,597,348	1,306,202	10,492,210
JW Hunt	3,341,354	1,991,447	35,715	5,368,516	1,120,189	837,998	7,326,703
N Naidoo	3,684,859	1,866,013	41,323	5,592,195	1,049,632	1,025,101	7,666,928
C Botha[6]	2,437,501	1,419,601	–	3,857,102	798,525	–	4,655,627
J Stumpf[8]	365,560	–	–	365,560	–	–	365,560
Total	14,524,593	8,116,790	130,650	22,772,033	4,565,694	3,169,301	30,507,028
2019							
EXECUTIVE DIRECTORS							
BW Strong	5,537,788	3,340,394	90,033	8,968,215	1,878,971	878,286	11,725,472
BDV Clark	4,209,413	2,589,631	67,620	6,866,664	1,456,667	500,707	8,824,038
Total	9,747,201	5,930,025	157,653	15,834,879	3,335,638	1,378,993	20,549,510
PRESCRIBED OFFICERS							
RP Von Veh[7]	1,525,243	–	1,018,918	2,544,161	–	544,278	3,088,439
HM Thompson	4,547,525	2,772,171	71,988	7,391,684	1,559,346	540,925	9,491,955
JW Hunt	3,136,291	1,891,811	56,523	5,084,625	1,064,144	347,032	6,495,801
N Naidoo	3,568,870	2,084,220	57,019	5,710,109	1,172,374	424,514	7,306,997
J Stumpf[8]	4,177,834	–	16,114	4,193,948	–	–	4,193,948
Total	16,955,763	6,748,202	1,220,562	24,924,527	3,795,864	1,856,749	30,577,140

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

2 *Short-term incentive (STI) earned on performance for the 2020 financial year, to be paid in March 2021.(2019: STI earned on 2019 performance, paid in March 2020).*

3 *Other cash benefits include dividend equivalent bonus based on actual bonus shares that vested in March 2020 and other cash benefits.*

4 *Value of the bonus shares to be granted (56.25%) on 1 April 2021 based on 2020 performance and vesting in March 2024. (2019: Value of the bonus share granted (56.25%) on 1 April 2020 based on 2019 performance and vesting in March 2023).*

5 *Intrinsic value is calculated by taking the number of Performance share plan shares expected to vest in March 2021 based on performance over the three-year period ended 31 December 2020 multiplied by the closing Mpact share price at 31 December 2020 (2019: Performance share plan shares expected to vest in March 2020 based on performance over the three-year period ended 31 December 2019 multiplied by the closing Mpact share price at 31 December 2019).*

6 *C Botha was appointed managing director of the Corrugated business on 1 May 2020.*

7 *Resigned on 30 April 2019.*

8 *Resigned on 31 January 2020.*

Share awards granted to executive directors and prescribed officers

The following tables set out the share award grants to the executive directors.

EXECUTIVE DIRECTOR

	Type of award[1,2]	Date of award/ grant	Release date	Number of shares awarded/ granted in prior years	Number of shares awarded/ granted during the year	Number of shares vested during the year	Number of shares lapsed or expected to lapse at vesting date	Number of shares held as at 31 December 2020
BW Strong								
	BSP	Apr 17	Mar 20	31,172	–	31,172	–	–
	PSP	Apr 17	Mar 20	225,585	–	58,945	166,640	–
	BSP	Apr 18	Mar 21	23,629	–	–	–	23,629
	PSP	Apr 18	Mar 21	242,250	–	–	89,124	153,126
	BSP	Apr 19	Mar 22	83,806	–	–	–	83,806
	PSP	Apr 19	Mar 22	314,862	–	–	154,282	160,580
	BSP	Apr 20	Mar 23	–	178,609	–	–	178,609
	PSP	Apr 20	Mar 23	–	736,949	–	73,695	663,254
Total number of shares				**921,304**	**915,558**	**90,117**	**483,741**	**1,263,004**

R's

	Type of award[1,2]	Date of award/ grant	Award/ grant price (Rand)[9]	Face value of shares awarded/ granted in prior years[3]	Face value of shares awarded/ granted during the year[4]	Cumulative effects of share price movement gain/(loss)[5]	Value of shares vested during the year[6]	Value of shares lapsed or expected to lapse at vesting date	Market value of shares as at 31 December 2020[7]
	BSP	Apr 17	29.69	925,497	–	(673,624)	251,873	–	–
	PSP[8]	Apr 17	29.69	6,697,619	–	(4,874,870)	476,281	1,346,468	–
	BSP	Apr 18	28.89	682,642	–	(355,380)	–	–	327,262
	PSP[8]	Apr 18	28.89	6,998,603	–	(3,643,440)	–	1,234,364	2,120,799
	BSP	Apr 19	23.45	1,965,251	–	(804,538)	–	–	1,160,713
	PSP[8]	Apr 19	23.45	7,383,514	–	(3,022,675)	–	2,136,811	2,224,028
	BSP	Apr 20	10.52	–	1,878,967	594,768	–	–	2,473,735
	PSP[8]	Apr 20	10.52	–	7,752,703	2,454,040	–	1,020,674	9,186,069
Total market value of shares				**24,653,126**	**9,631,670**	**(10,325,719)**	**728,154**	**5,738,317**	**17,492,606**

41. DIRECTORS' REMUNERATION continued

Share awards granted to executive directors and prescribed officers continued

	Type of award[1,2]	Date of award/ grant	Release date	Number of shares awarded/ granted in prior years	Number of shares awarded/ granted during the year	Number of shares vested during the year	Number of shares lapsed or expected to lapse at vesting date	Number of shares held as at 31 December 2020
BDV Clark								
	BSP	Apr 17	Mar 20	24,186	–	24,186	–	–
	PSP	Apr 17	Mar 20	128,605	–	33,604	95,001	–
	BSP	Apr 18	Mar 21	18,318	–	–	–	18,318
	PSP	Apr 18	Mar 21	138,109	–	–	50,810	87,299
	BSP	Apr 19	Mar 22	63,856	–	–	–	63,856
	PSP	Apr 19	Mar 22	179,505	–	–	87,957	91,548
	BSP	Apr 20	Mar 23	–	138,466	–	–	138,466
	PSP	Apr 20	Mar 23	–	420,140	–	42,014	378,126
Total number of shares				**552,579**	**558,606**	**57,790**	**275,782**	**777,613**

R's

	Type of award[1,2]	Date of award/ grant	Award/ grant price (Rand)[9]	Face value of shares awarded/ granted in prior years[3]	Face value of shares awarded/ granted during the year[4]	Cumulative effects of share price movement gain/(loss)[5]	Value of shares vested during the year[6]	Value of shares lapsed or expected to lapse at vesting date	Market value of shares as at 31 December 2020[7]
	BSP	Apr 17	29.69	718,082	–	(522,657)	195,425	–	–
	PSP[8]	Apr 17	29.69	3,818,282	–	(2,779,140)	271,524	767,618	–
	BSP	Apr 18	28.89	529,207	–	(275,503)	–	–	253,704
	PSP[8]	Apr 18	28.89	3,989,969	–	(2,077,159)	–	703,723	1,209,087
	BSP	Apr 19	23.45	1,497,423	–	(613,018)	–	–	884,405
	PSP[8]	Apr 19	23.45	4,209,392	–	(1,723,248)	–	1,218,211	1,267,933
	BSP	Apr 20	10.52	–	1,456,662	461,092	–	–	1,917,754
	PSP[8]	Apr 20	10.52	–	4,419,873	1,399,066	–	581,894	5,237,045
Total market value of shares				**14,762,355**	**5,876,535**	**(6,130,567)**	**466,949**	**3,271,446**	**10,769,928**

PRESCRIBED OFFICER

	Type of award[1,2]	Date of award/ grant	Release date	Number of shares awarded/ granted in prior years	Number of shares awarded/ granted during the year	Number of shares vested during the year	Number of shares lapsed or expected to lapse at vesting date	Number of shares held as at 31 December 2020
HM Thompson								
	BSP	Apr 17	Mar 20	25,775	–	25,775	–	–
	PSP	Apr 17	Mar 20	138,935	–	36,304	102,631	–
	BSP	Apr 18	Mar 21	19,275	–	–	–	19,275
	PSP	Apr 18	Mar 21	149,202	–	–	54,891	94,311
	BSP	Apr 19	Mar 22	69,399	–	–	–	69,399
	PSP	Apr 19	Mar 22	193,924	–	–	95,023	98,901
	BSP	Apr 20	Mar 23	–	148,226	–	–	148,226
	PSP	Apr 20	Mar 23	–	453,887	–	45,389	408,498
Total number of shares				**596,510**	**602,113**	**62,079**	**297,934**	**838,610**

R's

	Type of award[1,2]	Date of award/ grant	Award/ grant price (Rand)[9]	Face value of shares awarded/ granted in prior years[3]	Face value of shares awarded/ granted during the year[4]	Cumulative effects of share price movement gain/(loss)[5]	Value of shares vested during the year[6]	Value of shares lapsed or expected to lapse at vesting date	Market value of shares as at 31 December 2020[7]
	BSP	Apr 17	29.69	765,260	–	(556,995)	208,265	–	–
	PSP[8]	Apr 17	29.69	4,124,980	–	(3,002,371)	293,340	829,269	–
	BSP	Apr 18	28.89	556,855	–	(289,896)	–	–	266,959
	PSP[8]	Apr 18	28.89	4,310,446	–	(2,243,998)	–	760,246	1,306,202
	BSP	Apr 19	23.45	1,627,407	–	(666,230)	–	–	961,177
	PSP[8]	Apr 19	23.45	4,547,518	–	(1,861,670)	–	1,316,065	1,369,783
	BSP	Apr 20	10.52	–	1,559,338	493,593	–	–	2,052,931
	PSP[8]	Apr 20	10.52	–	4,774,891	1,511,444	–	628,633	5,657,702
Total market value of shares				**15,932,466**	**6,334,229**	**(6,616,123)**	**501,605**	**3,534,213**	**11,614,754**

41. DIRECTORS' REMUNERATION continued

Share awards granted to executive directors and prescribed officers continued

PRESCRIBED OFFICER

	Type of award[1,2]	Date of award/ grant	Release date	Number of shares awarded/ granted in prior years	Number of shares awarded/ granted during the year	Number of shares vested during the year	Number of shares lapsed or expected to lapse at vesting date	Number of shares held as at 31 December 2020
JW Hunt								
	BSP	Apr 17	Mar 20	15,410	–	15,410	–	–
	PSP	Apr 17	Mar 20	89,134	–	23,291	65,843	–
	BSP	Apr 18	Mar 21	11,047	–	–	–	11,047
	PSP	Apr 18	Mar 21	95,721	–	–	35,216	60,505
	BSP	Apr 19	Mar 22	43,992	–	–	–	43,992
	PSP	Apr 19	Mar 22	124,412	–	–	60,962	63,450
	BSP	Apr 20	Mar 23	–	101,154	–	–	101,154
	PSP	Apr 20	Mar 23	–	334,872	–	33,487	301,385
Total number of shares				**379,716**	**436,026**	**38,701**	**195,508**	**581,533**

R's

	Type of award[1,2]	Date of award/ grant	Award/ grant price (Rand)[9]	Face value of shares awarded/ granted in prior years[3]	Face value of shares awarded/ granted during the year[4]	Cumulative effects of share price movement gain/(loss)[5]	Value of shares vested during the year[6]	Value of shares lapsed or expected to lapse at vesting date	Market value of shares as at 31 December 2020[7]
	BSP	Apr 17	29.69	457,523	–	(333,009)	124,514	–	–
	PSP[8]	Apr 17	29.69	2,646,388	–	(1,926,177)	188,194	532,017	–
	BSP	Apr 18	28.89	319,148	–	(166,147)	–	–	153,001
	PSP[8]	Apr 18	28.89	2,765,380	–	(1,439,644)	–	487,738	837,998
	BSP	Apr 19	23.45	1,031,612	–	(422,323)	–	–	609,289
	PSP[8]	Apr 19	23.45	2,917,461	–	(1,194,355)	–	844,322	878,784
	BSP	Apr 20	10.52	–	1,064,140	336,843	–	–	1,400,983
	PSP[8]	Apr 20	10.52	–	3,522,853	1,115,124	–	463,798	4,174,179
Total market value of shares				**10,137,512**	**4,586,993**	**(4,029,688)**	**312,708**	**2,327,875**	**8,054,234**

PRESCRIBED OFFICER

	Type of award[1,2]	Date of award/ grant	Release date	Number of shares awarded/ granted in prior years	Number of shares awarded/ granted during the year	Number of shares vested during the year	Number of shares lapsed or expected to lapse at vesting date	Number of shares held as at 31 December 2020
N Naidoo								
	BSP	Apr 17	Mar 20	19,867	–	19,867	–	–
	PSP	Apr 17	Mar 20	109,035	–	28,491	80,544	–
	BSP	Apr 18	Mar 21	14,522	–	–	–	14,522
	PSP	Apr 18	Mar 21	117,093	–	–	43,079	74,014
	BSP	Apr 19	Mar 22	53,360	–	–	–	53,360
	PSP	Apr 19	Mar 22	152,190	–	–	74,573	77,617
	BSP	Apr 20	Mar 23	–	111,442	–	–	111,442
	PSP	Apr 20	Mar 23	–	356,208	–	35,621	320,587
Total number of shares				**466,067**	**467,650**	**48,358**	**233,817**	**651,542**

R's

	Type of award[1,2]	Date of award/ grant	Award/ grant price (Rand)[9]	Face value of shares awarded/ granted in prior years[3]	Face value of shares awarded/ granted during the year[4]	Cumulative effects of share price movement gain/(loss)[5]	Value of shares vested during the year[6]	Value of shares lapsed or expected to lapse at vesting date	Market value of shares as at 31 December 2020[7]
	BSP	Apr 17	29.69	589,851	–	(429,324)	160,527	–	–
	PSP[8]	Apr 17	29.69	3,237,249	–	(2,356,235)	230,210	650,804	–
	BSP	Apr 18	28.89	419,541	–	(218,411)	–	–	201,130
	PSP[8]	Apr 18	28.89	3,382,817	–	(1,761,079)	–	596,637	1,025,101
	BSP	Apr 19	23.45	1,251,292	–	(512,256)	–	–	739,036
	PSP[8]	Apr 19	23.45	3,568,856	–	(1,461,024)	–	1,032,837	1,074,995
	BSP	Apr 20	10.52	–	1,172,370	371,102	–	–	1,543,472
	PSP[8]	Apr 20	10.52	–	3,747,308	1,186,173	–	493,348	4,440,133
Total market value of shares				**12,449,606**	**4,919,678**	**(5,181,054)**	**390,737**	**2,773,626**	**9,023,867**

41. DIRECTORS REMUNERATION continued

Share awards granted to executive directors and prescribed officers continued

PRESCRIBED OFFICER

	Type of award[1,2]	Date of award/ grant	Release date	Number of shares awarded/ granted in prior years	Number of shares awarded/ granted during the year	Number of shares vested during the year	Number of shares lapsed or expected to lapse at vesting date	Number of shares held as at 31 December 2020
C Botha								
	PSP	Apr 20	Mar 23	–	316,896	–	31,690	285,206

R's

Type of award[1,2]	Date of award/ grant	Award/ grant price (Rand)[9]	Face value of shares awarded/ granted in prior years[3]	Face value of shares awarded/ granted during the year[4]	Cumulative effects of share price movement gain/(loss)[5]	Value of shares vested during the year[6]	Value of shares lapsed or expected to lapse at vesting date	Market value of shares as at 31 December 2020[7]
PSP	Apr 20	10.52	–	3,333,746	1,055,264	–	438,901	3,950,109

[1] *Bonus share plan (BSP).*
[2] *Performance share plan (PSP).*
[3] *Face value at award/grant date is the number of shares awarded/granted at the award/grant price.*
[4] *During the year, share grants and awards were made at R10.52 per share.*
[5] *Cumulative effects of share price gains and losses represents the difference between the face value at the award/grant date and the sum of the value at vesting, the value lapsed or expected to lapse and the market value at 31 December 2020.*
[6] *During the year, shares vested at a share price of R8.08 per share.*
[7] *The closing share price at 31 December 2020 was R13.85 per share.*
[8] *Assumed a 51% achievement of PSP awarded in 2019, and 90% for awards made in 2020.*
[9] *Award/grant price is the VWAP of Mpact Limited for the fifteen days following the release of Mpact's year-end results.*

R's Non-executive directors' remuneration	2020 Fees paid as non-executive director[1]	2020 Fees paid as Trustee to the Mpact Foundation Trust[1]	2019 Fees paid as non-executive director[1]	2019 Fees paid as Trustee to the Mpact Foundation Trust[1]
AJ Phillips	1,080,826	–	1,027,452	–
NP Dongwana	593,359	147,091	563,801	142,166
NB Langa-Royds	702,808	65,589	689,537	71,084
S Luthuli	484,073	–	469,861	–
M Makanjee	549,457	71,135	501,660	48,227
TDA Ross	672,745	–	721,881	–
AM Thompson	551,014	–	533,444	–
Total	4,634,282	283,815	4,507,636	261,477

[1] *The above amounts exclude VAT.*