



smarter, sustainable solutions

**AUDITED
ANNUAL FINANCIAL
STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER
2020

CIRCULAR THINKING IN ANY SHAPE



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DIRECTORS' RESPONSIBILITY STATEMENT AND BASIS OF PREPARATION

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

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

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

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

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

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

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

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

The report of the directors, which appears on pages 3 to 6, annual financial statements and related notes, which appear on pages 14 to 32 were approved by the Board of Directors and authorised for issue on 04 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

04 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 annual financial statements and the related notes set out on pages 14 to 32, 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 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 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

04 March 2021

BDV Clark

Chief Financial Officer

04 March 2021

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report on the annual financial statements of Mpact Limited ("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.

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

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

FINANCIAL RESULTS

Mpact's profit for the year ended 31 December 2020 was R50.4 million (2019: R46.7 million). Full details of the financial position and results are set out in the accompanying annual financial statements.

STATED CAPITAL

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

On 31 December 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 Incentive Scheme Trust owns 1,935,763 treasury shares 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).

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 the 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.

INVESTMENT PROPERTY

At 31 December 2020, the net investment in property amounted to R555.2 million (2019: R393.8 million), details of which are set out in note 6 to the annual financial statements. Capital commitments at year-end amounted to R98.3 million (2019: R155.0 million), set out in note 15.

REPORT OF THE DIRECTORS CONTINUED

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

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

4th Floor
3 Melrose Boulevard
Melrose Arch, 2196

Postal address

Postnet Suite #179
Private Bag X1
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.

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.

Details of subsidiaries are included in the interest in subsidiaries, set out in note 23.

AUDITOR

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

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee ("the committee") operate on a Group-wide basis. The committee, in terms of the Companies Act of South Africa, and King IV, has the responsibility, among other things, for monitoring the integrity of Mpact's financial statements. It also has the responsibility for reviewing the effectiveness of 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 10.

GOING CONCERN

The directors consider that Mpac 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 financial statements. The directors have satisfied themselves that Mpac is in a sound financial position, and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

EVENTS OCCURRING AFTER THE REPORTING DATE

Mpac 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 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 Mpac in the issued ordinary shares of Mpac are detailed below. There have been no changes in these shareholdings between 31 December 2020 and 04 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
Total	679,959	254,037	587,122	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	% of total issue 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	% of total issue 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

REPORT OF THE DIRECTORS CONTINUED

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 and Associates	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	4,404	99.73	116,471,251	70.74
Total	4,416	100.00	164,639,292	100.00

AUDIT AND RISK COMMITTEE REPORT

INTRODUCTION

The Audit and Risk Committee (committee) has pleasure in submitting its report for the year ended 31 December 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 are the current members. The Chief Executive Officer, the Chief Financial Officer, the Head of Information and Communication Technology, the Group Risk and Sustainability Manager, a representative of KPMG, the independent Internal Auditor, and a representative of Deloitte & Touche, the independent External Auditor, and other senior managers all attend meetings by invitation.

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

MEETINGS

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

Independence of external auditors

This assessment was made after considering the following:

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

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

AUDIT AND RISK COMMITTEE REPORT CONTINUED

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 the Group's financial results, and made recommendations to the Board for their approval. In the course of its review, the committee:

- took appropriate steps to ensure that the financial statements were prepared in accordance with IFRS;
- considered the appropriateness of accounting policies and disclosures made;
- in accordance with the JSE Listings Requirements approved Group financial reporting procedure;
- considered and approved accounting policy changes resulting from the application of new standards commencing 1 January 2019;
- completed a detailed review of the going concern assumption, confirming that it was appropriate in the preparation of the financial statements; and
- ensured that appropriate financial reporting procedures are established and operating for all entities included in the consolidated group financial statements.

SIGNIFICANT MATTERS

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

INTERNAL AUDIT

The committee:

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

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 business. The Board approves strategies and budgets and monitors progress against the budget. It also considers the identified business risks.

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

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.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

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

COMBINED ASSURANCE

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

INTEGRATED REPORT

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

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

04 March 2021

INDEPENDENT AUDITOR'S REPORT To the Shareholders of Mpact Limited

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Mpact Limited set out on pages 14 to 32, which comprise the separate statements of financial position as at 31 December 2020, and the separate statements of profit or loss and other comprehensive income, the separate statements of changes in equity and the separate statements of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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



National Executive: *LL Bani Chief Executive Officer *TMM Jordan Deputy Chief Executive Officer; Clients & Industries *MJ Jarvis Chief Operating Officer *AF Mackie Audit & Assurance *N Singh Risk Advisory DP Ndlovu Tax & Legal *MR Verster Consulting *JK Mazocco People & Purpose MG Dicks Risk Independence & Legal *KJ Hodson Financial Advisory *B Nyembe Responsible Business & Public Policy *R Redearn Chair of the Board

A full list of partners and directors is available on request.

* Partner and Registered Auditor

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

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

**INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Mpact Limited (continued)****Other Information**

The directors are responsible for the other information. The other information comprises the information included in the document titled "Mpact Limited Annual Financial Statements for the year ended 31 December 2020", which includes the Report of the directors, the Audit and Risk Committee's Report and the Certificate by 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 audit report, and the Integrated Report, which is expected to be made available to us after this date. The other information does not include the separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Separate Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

INDEPENDENT AUDITOR'S REPORT To the Shareholders of Mpact Limited (continued)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

5 Magwa Crescent
Waterfall City
Waterfall

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Note	2020 R'm	2019 R'm
Revenue	2	95.1	80.5
Administration and other operating expenses		(43.0)	(41.2)
Depreciation, impairments and reversal of impairments		(17.1)	(30.8)
Operating profit	3	35.0	8.5
Investment income	4	34.2	62.2
Profit before tax		69.2	70.7
Tax expense	5	(18.8)	(24.0)
Profit for the year		50.4	46.7
Total comprehensive income for the year		50.4	46.7

STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2020

	Note	2020 R'm	2019 R'm
ASSETS			
Investment property	6	555.2	393.8
Investments in and loans to subsidiaries	7	6,069.4	6,382.8
Investment in the Mpac share incentive trust	8	26.8	36.5
Deferred tax assets	12	9.3	8.5
Non-current assets		6,660.7	6,821.6
Other receivables	9	34.2	4.5
Cash and cash equivalents	10	37.0	1.1
Current assets		71.2	5.6
Total assets		6,731.9	6,827.2
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	13	2,595.6	2,669.2
Retained earnings		4,118.6	4,136.7
Reserves		1.2	15.7
Total equity		6,715.4	6,821.6
Trade and other payables	11	11.0	4.2
Current tax liabilities		5.5	1.4
Current liabilities		16.5	5.6
Total liabilities		16.5	5.6
Total equity and liabilities		6,731.9	6,827.2

STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Note	2020 R'm	2019 R'm
Cash flows from operating activities			
Operating cash flows before movements in working capital		61.5	48.1
Net increase in working capital		(23.0)	(8.4)
Cash generated from operations	14	38.5	39.7
Taxation paid		(17.1)	(25.2)
Net cash inflows from operating activities		21.4	14.5
Cash flows from investing activities			
Additions to investment property	6	(182.3)	(128.2)
Loan repayments from related parties		343.3	219.9
Interest received from related parties		4.2	14.1
Interest received		0.1	0.2
Net contributions to share incentive trust		9.7	1.7
Net cash inflows from investing activities		175.0	107.7
Cash flows from financing activities			
Purchase of treasury shares		(14.1)	–
Payment for shares re-purchased and cancelled	13	(73.6)	–
Dividends paid to equity holders of Mpact Limited		(72.8)	(126.5)
Net cash outflows from financing activities		(160.5)	(126.5)
Net increase/(decrease) in cash and cash equivalents		35.9	(4.3)
Net cash and cash equivalents at beginning of year		1.1	5.4
Net cash and cash equivalents at end of year	10	37.0	1.1

STATEMENT OF CHANGE IN EQUITY

for the year ended 31 December 2020

	Stated capital R'm	Share-based payment reserve R'm	Treasury shares R'm	Retained earnings R'm	Total equity R'm
Balance at 31 December 2018	2,669.2	15.1	–	4,212.4	6,896.7
Total comprehensive income for the year	–	–	–	46.7	46.7
Dividends paid ¹	–	–	–	(126.5)	(126.5)
Share plan charges for the year (see note 16)	–	8.8	–	–	8.8
Issue/exercise of shares under employee share scheme	–	(8.2)	–	4.1	(4.1)
Balance at 31 December 2019	2,669.2	15.7	–	4,136.7	6,821.6
Total comprehensive income for the year	–	–	–	50.4	50.4
Shares re-purchased (refer to note 13)	(73.6)	–	–	–	(73.6)
Purchase of treasury shares ²	–	–	(14.1)	–	(14.1)
Dividends paid ¹	–	–	–	(72.8)	(72.8)
Share plan charges for the year (see note 16)	–	9.4	–	–	9.4
Issue/exercise of shares under employee share scheme	–	(9.8)	–	4.3	(5.5)
Balance at 31 December 2020	2,595.6	15.3	(14.1)	4,118.6	6,715.4

¹ Dividends declared amounted to R72.8 million (2019: R126.5 million). The dividend paid per share for the year was 42c per share (2019: 73c per share).

² MPACT re-purchased 1,050,777 of its issued share capital shares at an average price of R13.50 in December 2020. Refer to note 22.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2020

1. ACCOUNTING POLICIES

Basis of preparation

These annual financial statements have been prepared and presented in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited's Listings Requirements, and the requirements of the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost basis, except for derivative financial instruments, financial instruments at fair value through profit or loss. The annual financial statements have been prepared on a going concern basis. The annual financial statements are presented in South African Rand, which is Mpact's functional currency. All financial information presented in Rand has been rounded off to the nearest million. Mpact is regarded as an individual segment and therefore no segmental disclosure is required.

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

New accounting policies, early adoption and future requirements

Standards and Interpretations early adopted by Mpact

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

Amendments to published Standards and Interpretations effective during 2020

Mpact has adopted the following amendments to published Standards 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. REVENUE

Rental income

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

Dividend income

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

Management fee income

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

	2020 R'm	2019 R'm
Rental income	74.0	58.1
Management fee income ¹	21.1	22.4
	95.1	80.5

¹ Recovery of costs charged to a Group subsidiary.

3. OPERATING PROFIT

Operating profit for the year has been arrived at after charging:

Operating profit for the year has been arrived at after charging:	17.1	30.8
Depreciation of investment property (refer to note 6)	20.9	16.7
Impairment of investment in share trust (refer to note 8)	–	14.1
Reversal of impairment of investment in share trust (refer to note 8)	(3.8)	–
Audit fees	2.5	2.6
Share based payments	9.4	8.8
Executive directors and prescribed officers short term benefits (excluding value of deferred bonus shares awarded)	14.7	15.3
Executive directors and prescribed officers post-employment benefits (excluding value of deferred bonus shares awarded)	0.6	0.5

4. INVESTMENT INCOME

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

Interest from loans to subsidiary	34.1	62.0
Bank deposits	0.1	0.2
Total investment income	34.2	62.2

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

5. TAX EXPENSE

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

Deferred taxation

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

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

	2020 R'm	2019 R'm
Analysis of tax charge for the year		
South African corporate tax		
– current year	22.3	26.2
Current tax	22.3	26.2
Deferred tax in respect of the current year	(3.7)	(2.2)
Deferred tax in respect of the prior year	0.2	–
Total tax charge	18.8	24.0
Factors affecting tax charge for the year		
Mpact's effective rate of tax for the year ended 31 December 2020, calculated on profit before tax is 27.2% (2019: 33.9%).		
Mpact's total tax charge for the year can be reconciled to the tax on Mpact's profit before tax at the South African corporation tax rate of 28% (2019: 28%) as follows:		
Profit before tax	69.2	70.7
Tax on profit before tax calculated at the South African corporation tax rate	19.4	19.8
Tax effects of:		
Expenses not deductible for tax purposes		
Legal and professional costs	0.3	0.3
(Reversal of impairment)/impairment of investment in the Mpact share incentive trust	(1.1)	3.9
Temporary difference adjustments		
Prior year adjustment deferred tax	0.2	–
Tax charge for the year	18.8	24.0

6. INVESTMENT PROPERTY

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

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

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

Residual values and useful lives are reviewed at least annually.

	Land and buildings R'm	Assets in the course of construction R'm	Total R'm
2020			
Cost			
At 01 January 2020	356.3	126.5	482.8
Additions	–	182.3	182.3
Reclassification	286.0	(286.0)	–
At 31 December 2020	642.3	22.8	665.1
Accumulated depreciation			
At 01 January 2020	89.0	–	89.0
Depreciation	20.9	–	20.9
At 31 December 2020	109.9	–	109.9
Net book value at 31 December 2020	532.4	22.8	555.2
2019			
Cost			
At 01 January 2019	336.5	18.1	354.6
Additions	–	128.2	128.2
Reclassification	19.8	(19.8)	–
At 31 December 2019	356.3	126.5	482.8
Accumulated depreciation			
At 01 January 2019	72.3	–	72.3
Depreciation	16.7	–	16.7
At 31 December 2019	89.0	–	89.0
Net book value at 31 December 2019	267.3	126.5	393.8

The fair value of the investment properties are R800.6 million (2019: R604.3 million), measured by independent valuers.

Certain land and buildings with a carrying value of R139.9 million (2019: R80.5 million) are pledged as security in respect of bank loans of Mpact Operations Proprietary Limited.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

7. INVESTMENT IN AND LOANS TO SUBSIDIARIES

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

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

		2020 R'm	2019 R'm
Unlisted	Country of incorporation		
Mpact Operations Proprietary Limited	South Africa	5,955.9	5,955.9
Mpact Namibia Proprietary Limited	Namibia	22.6	22.6
Embalagens Mpact LDA	Mozambique	0.9	0.9
Total shares at cost		5,979.4	5,979.4
Loans advanced		90.0	403.4
		6,069.4	6,382.8

Refer to the interest in subsidiaries on note 23 for details of the investment in subsidiary companies. The investment in and loan to Mpact Operations Proprietary Limited are pledged as security in respect of the bank loans of Mpact Operations Proprietary Limited. Loans advanced are the following:

	Interest rate		
Mpact Operations Proprietary Limited	Prime plus 2%	90.0	403.4

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

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

Investments and loans key assumptions

Loans and investments are tested for impairment whenever there are impairment indicators, by comparing the recoverable amounts of the cash-generating units (CGU) to the carrying amounts of the investments and loans.

8. INVESTMENT IN SHARE TRUST

Investments in the share trust is carried at cost, net of any impairment losses.

Net contribution to share trust	26.8	36.5
	26.8	36.5

Mpact Limited funds the Share Incentive Trust through capital contributions. In the current financial year an impairment of R3.8 million was reversed due to an increase in the net asset value of the share trust (2019: impairment charge of R14.1 million).

9. OTHER RECEIVABLES

Related parties receivables	12.5	1.0
Sundry receivables	21.7	3.5
	34.2	4.5

The fair values of other receivables approximate the carrying values presented. The other receivables are considered to have a low credit risk as the other debtors have the future capacity to meet their contractual cash flow obligations. 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.

Sundry receivables increased due to VAT receivable and an increase in the operating lease smoothing asset due to additional lease rental in the current financial year.

	2020 R'm	2019 R'm
10. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	37.0	1.1
	37.0	1.1

There are no expected credit losses on cash and cash equivalents.

11. TRADE AND OTHER PAYABLES

Trade payables	1.6	1.5
Other payables and accruals	9.4	2.7
	11.0	4.2

The fair values of trade and other payables are not materially different to the carrying values presented. Other payables and accruals consists mainly of payroll and operating expenses.

12. DEFERRED TAX

Deferred tax asset		
Opening balance	8.5	8.6
Charged to statement of profit or loss	3.5	2.2
Charge to equity	(2.7)	(2.3)
	9.3	8.5

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

Deferred tax assets		
Capital allowances	2.3	2.3
Other temporary differences	7.0	6.2
	9.3	8.5

13. STATED CAPITAL

Dividend distributions to Mpac'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.

Authorised share capital

217,500,000 shares of no par value	-	-
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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

	Number of shares	Number of shares
Reconciliation of the number of shares in issue:		
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 Mpac's own shares up to a limit of 15% of the current issued share capital.

Included in other reserves are amounts paid by Mpac Limited to Mpac Limited Incentive Scheme Trust for the acquisition of Mpac shares to be utilised in terms of the Share Plans. Refer to note 16. As at 31 December 2020, The Trust held 1,935,763 shares (2019: 2,449,704). 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

	2020 R'm	2019 R'm
14. CASH GENERATED FROM OPERATIONS		
Profit before taxation	69.2	70.7
Depreciation of investment property	20.9	16.7
Impairment of investment in share trust	–	14.1
Reversal of impairment in share trust	(3.8)	–
Share-based payments	9.4	8.8
Investment income	(34.2)	(62.2)
Increase in receivables	(19.8)	(2.4)
Decrease in payables	(3.2)	(6.0)
	38.5	39.7

15. CAPITAL COMMITMENTS

Approved, not yet contracted for	98.3	155.0
	98.3	155.0

The above commitments relate to acquisition of investment properties. The capital commitments will be financed from cash generated from operations and the repayment of a loan to Mpac Operations Proprietary Limited.

16. SHARE BASED PAYMENTS

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

The fair value of the employee services received in exchange for the grant of share awards is recognised concurrently as an expense and an adjustment to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted, adjusted for market performance conditions and non-vesting conditions where applicable. Vesting conditions are included in assumptions about the number of awards that are expected to vest. At each reporting date, Mpac 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.

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

	2020 R'm	2019 R'm
Bonus Share Plan (BSP)	2.1	1.8
Performance Share Plan (PSP)	7.3	7.0
Total share-based payment expense	9.4	8.8

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

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 the Group is shown below:

	BSP Number of shares	PSP Number of shares
2020		
1 January 2020	244,967	1,228,916
Shares conditionally awarded in the year	317,075	1,157,089
Shares vested in the year	(55,358)	(92,550)
Shares lapsed in the year	–	(261,640)
31 December 2020	506,684	2,031,815
2019		
1 January 2019	160,854	863,246
Shares conditionally awarded in the year	147,662	494,367
Shares vested in the year	(63,549)	(29,214)
Shares lapsed in the year	–	(99,483)
31 December 2019	244,967	1,228,916

17. OPERATING LEASE RECEIVABLES

	2020 R'm	2019 R'm
Mpact's operating leases are with related parties. These leases have a maximum lease term of 5 years.		
The outstanding receivables under non-cancellable leases were:		
Within one year	63.9	68.0
One to two years	58.9	46.4
Two to five years	104.5	86.5
	227.3	200.9

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

18. FINANCIAL RISK MANAGEMENT

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

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

Financial asset investments

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

Cash and cash equivalents

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

Trade receivables

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

Trade payables

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

Valuation of financial instruments

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

Measurement of fair values

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

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

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

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

Mpac'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. Mpac is actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on Mpac's financial performance.

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

Market risk

Mpac's activities are exposed to primarily foreign exchange and interest rate risk. Both risks are actively monitored on a continuous basis and primarily relate to foreign currency translation exposure on net investments in foreign operations, and interest rate exposure on loans to Group subsidiaries. There were no foreign loans recognised in the current year.

Management of cash and cash equivalents

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

Credit risk

Mpact's credit risk is mainly confined to the risk of borrowers defaulting on borrowings. In the current and prior financial year, no amount in trade and other receivables was past due.

	2020 R'm	2019 R'm
Maximum exposure to credit risk		
Cash and cash equivalents	37.0	1.1
Other receivables (excluding prepayments and accrued income)	14.9	4.5
Loans receivable (related parties)	90.0	403.4
Financial asset investment	26.8	36.5
Total credit risk exposure	168.7	445.5

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.

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 Mpact's liquidity planning arrangements, make up the remainder of the non-derivative financial assets held.

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.

Maturity profile of outstanding financial liabilities

	2020 R'm	2019 R'm
Undiscounted cash flow		
Less than one year		
Trade and other payables	11.0	4.2
Total	11.0	4.2

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

Financial instruments by category

	At amortised cost R'm	Total R'm
2020		
Financial assets		
Other receivables	14.9	14.9
Total	14.9	14.9
2019		
Financial assets		
Other receivables	4.5	4.5
Total	4.5	4.5

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

18. FINANCIAL RISK MANAGEMENT *continued*

	At amortised cost R'm	Total R'm
2020		
Financial liabilities		
Trade and other payables	11.0	11.0
Total	11.0	11.0
2019		
Financial liabilities		
Trade and other payables	4.2	4.2
Total	4.2	4.2

Fair value estimation

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

19. CAPITAL MANAGEMENT

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

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

20. RELATED PARTY TRANSACTIONS

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

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

	2020 R'm	2019 R'm
Rental income from subsidiaries	74.0	58.1
Management fees received from subsidiaries	21.1	22.4
Interest income from subsidiaries	34.1	62.0
Trade and other receivables	12.5	1.0
Trade and other payables	0.6	0.7
Loans to subsidiaries (refer to note 7)	90.0	403.4

Details of the executive directors and prescribed officers' remuneration is included in note 24.

21. CONTINGENT LIABILITY

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

22. 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 annual financial statements.

23. INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS

	Country of incorporation	Share capital		Shareholding	
		2020 %	2019	2020 %	2019
Subsidiary Direct Holding					
Mpact Operations Proprietary Limited ¹	RSA	R 20 000	R20 000	90	90
Sunko Mauritius	Mauritius	R 100	R 100	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	R 100	R 100	100	100
Mpact Recycling Proprietary Limited	RSA	R231,741,655	R231,741,655	100	100
Mpact Plastics Containers Proprietary Limited	RSA	R 100	R 100	66	66
Magic Attitude Proprietary Limited	RSA	R 100	R 100	100	100
Detpak South Africa Proprietary Limited	RSA	R 7,143	R 7,143	51	51
Rebel Packaging Proprietary Limited	RSA	R 4,000	R 4,000	100	100
Recycling Consolidated Holdings Proprietary Limited	RSA	R167,177,219	R167,177,219	100	100
Lenco Corporate Finance Proprietary Limited ²	RSA	R 35,651	R 35,651	100	100
Lion Packaging Trading 57 Proprietary Limited ³	RSA	R 100	R 100	100	100
West Coast Paper Traders Proprietary Limited	RSA	R 400	R400	60	60
Versapak Holdings Proprietary Limited ³	Zimbabwe	USD\$1	USD\$1	100	100
Associates-Indirect holding					
Lomina Vyf Proprietary Limited	RSA	R 100	R 100	49	49
Seyfert Corrugated Western Cape Proprietary Limited	RSA	R15,500,201	R15,500,201	49	49
Daliso Holdings Proprietary Limited ⁴	RSA	–	R100	–	49
Joint arrangement-Indirect holding					
Daliso Holdings Proprietary Limited ⁴	RSA	R 100	–	49	–

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

2 In the process of deregistration.

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

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 Proprietary Limited 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.

The Mpact Group does not have any significant restrictions on its ability to access/use assets, or settle liabilities in any of its subsidiaries. The above associates and joint ventures are not considered material to the Group. These companies operate principally in the countries in which they are incorporated. Refer to note 7 for the cost of investment in subsidiaries and loans to subsidiaries.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

24. DIRECTORS REMUNERATION

Executive directors' remuneration

The remuneration of the executive directors all of which are paid by Mpact Limited Group, 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
Executive directors 2020							
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
2019							
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

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

Share awards granted to executive directors

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

Type of award ^{1,2}	Date of award/grant	Award/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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

24. DIRECTORS REMUNERATION 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

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 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

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	2020		2019	
	Fees paid as non-executive director ¹	Fees paid as Trustee to the Mpact Foundation Trust ¹	Fees paid as non-executive director ¹	Fees paid as Trustee to the Mpact Foundation Trust ¹
Non-executive directors' remuneration				
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.

