06

# Annual Financial Statements

# Chief Financial Officer's Report

**Brett David Vaughan Clark**
**Chief Financial Officer**

"I am please to report that despite the challenging macroeconomic environment in which Mpact trades, the company generated good cash flows and maintained sufficient liquidity to fund it's operations and investments."

Record cash generated from operations of R2.0 billion (2022: R1.0 billion) enabled the Group to implement its growth strategy through investments in capital projects of R1.5 billion while limiting the increase in net debt during the year to R338 million.

## Group financial performance from continuing operations

Underlying operating profit increased to R1.21 billion (2022: R1.16 billion) primarily as a result of a recovery in margins, and some of the recently completed projects. Headline earnings per share increased by 8% to 512 cents (2022: 475 cents) from total operations and by 3% to 443 cents from continuing operations.

Return on capital employed was 17.4% (2022: 18.9%) for total operations and 16.6% for continuing operations compared to 18.5% in the prior year due to relatively large capital outlays for the strategic growth projects which are still in progress.

## Net finance costs

Net finance costs increased to R284.0 million (2022: R183.8 million) due to higher average net debt and interest rates compared to the prior year.

Average net debt for the same period closed at R2.9 billion which was 25.6% higher when compared to prior year while average three-month Jibar increased by 2.78%.

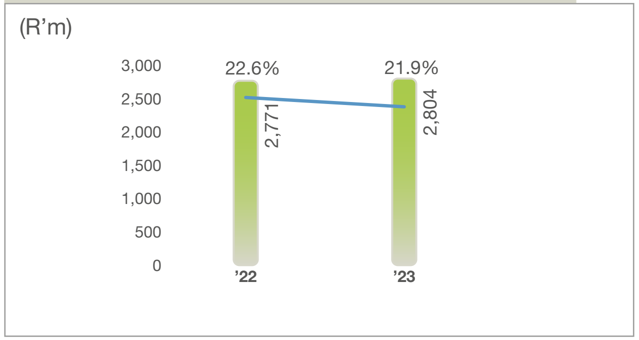
## Tax

The effective tax rate of 24.7% (2022: 27.2%) is lower than the statutory rate due to the recognition of a deferred tax asset of R64 million attributable to previously unrecognised tax losses.

## Working capital

Trade working capital percentage to revenue decreased to 21.9% from 22.6% particularly due to the tight management of inventory during the year. Inventory was a key focus during the year with the paper mills choosing to rather take commercial downtime than build finished goods inventory. Trade receivables and trade payables increased by approximately 3% in line with turnover during the period.

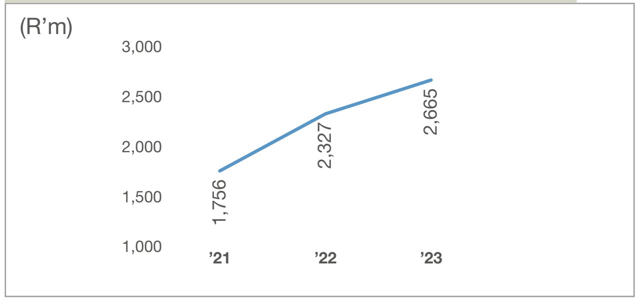
**Trade working capital % of revenue**



## Funding

Net debt increased to R2.7 billion (December 2022: R2.3 billion) with strong cash generation from operations and well managed working capital which partly offset the outflows of R1.5 billion for capital investments, in line with the Group's strategy.

**Net debt**

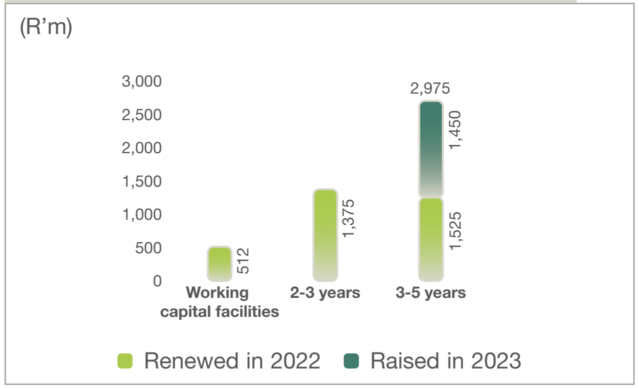



As at 31 December 2023, Mpact had approximately R4.7 billion of committed debt facilities.

In February 2023, an additional four-year committed facility of R1.45 billion was concluded to ensure Mpact has sufficient headroom during the implementation phase of the Mkhondo Paper Mill upgrade project of R1.25 billion.

Mpact comfortably met its bank covenants and achieved it's targets for carbon emissions and water efficiency.

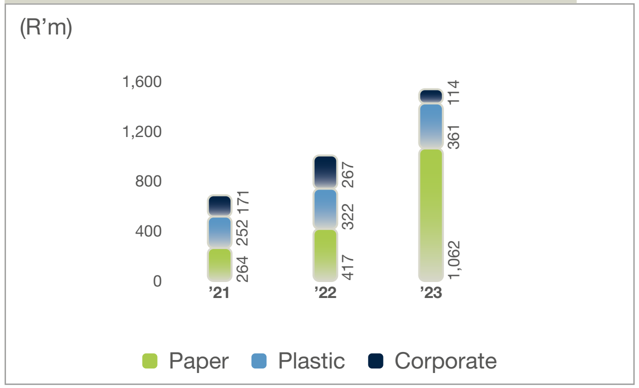
**Long-term debt facilities**




## Capital expenditure

Capital expenditure during the period was R1.5 billion with further capital commitments of R2.0 billion, of which R1.7 billion will be spent in the next 12 months.

**Capital expenditure cash outflows**

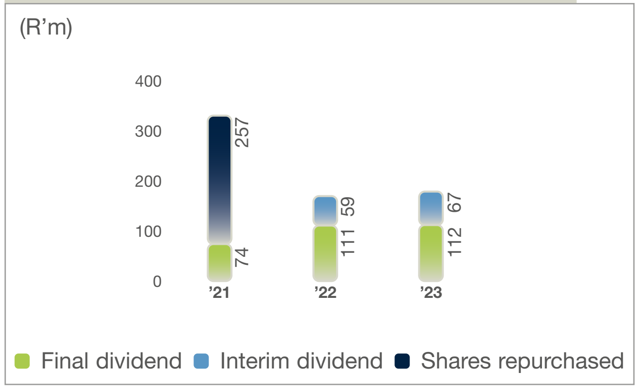



## Dividends

A final cash dividend of 75 cents per share (cps) (2022: 75 cps) was declared by the Board bringing the total cash dividend for the year to a record 120 cps (2022:115 cps). This equates to a dividend cover of approximately 3.35 times.

The Board will continue to focus on driving long-term value for shareholders through prudent capital allocation in the context of growth opportunities, which do exist, and cash returns to shareholders by dividends, share buybacks or an approximately three times on average over the cycle based on underlying earnings, although the pay-out ratio in each year may vary according to the business cycle.

**Dividends**




**Brett Clark**
*Chief Financial Officer*

26 April 2024

# Audit and Risk Committee Report

**Tim Ross**
**Audit and Risk Committee Chair**

"The Group's management team remain committed to ongoing improvements ensuring that the control environment remains sound for reliable audited consolidated annual financial statements and safeguarding of the Group's assets."

## Introduction

The Audit and Risk Committee (committee) has pleasure in submitting its report for the year ended 31 December 2023 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 Tim Ross as the Chairman, Sibusiso Luthuli and Donald Wilson, all of whom are independent. The Chief Executive Officer, the Chief Financial Officer, the Head of Information and Communication Technology (ICT), the Group Risk and Sustainability Manager, a representative of KPMG, the independent Internal Auditor, and a representative of PricewaterhouseCoopers Inc. (PwC), the independent External Auditor, and other senior managers attend meetings by invitation.

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

## Meetings

The committee held a total of four meetings during the year, which dealt with matters relating to Mpact Limited.

## Committee activities

The committee attended to the following during the year:

## External auditors

The committee reviewed the independence of PwC as Mpact's external auditor with S Bootha as the independent individual registered auditor who undertook Mpact's audit for the current year. The committee considered all information as required by section 3.84 and 3.86 of the JSE Listings Requirements in assessing PwC's independence, registration as a Registered Auditor and the ability to perform a quality audit of Mpact. This is the first year that PwC has been the auditor of Mpact Limited.

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

### 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 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 (IRBA);
- 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 2023 financial year.

### External auditors' fees

The committee:

- approved, in consultation with management, the audit fee and engagement terms for the external auditors for the 2023 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 consolidated annual 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;
- approved Group financial reporting procedure in accordance with the JSE Listings Requirements;
- considered and approved accounting policy changes resulting from the application of new standards commencing 1 January 2023;
- 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.

## Proactive monitoring

The Audit and Risk Committee hereby confirms that the findings contained in the JSE Proactive Monitoring reports, thematic reviews, common findings reports, were taken into account when preparing the audited consolidated and separate annual financial statements, as well as the preliminary summarised audited consolidated financial statements for the year ended 31 December 2023.

## Key audit matters

The figures disclosed in the consolidated annual financial statements in certain circumstances are arrived at using judgement. 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 judgement and noted the following:

### 1. Valuation of goodwill

Mpact assesses impairment of goodwill on an annual basis. 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.

Management assessed value-in-use calculations by considering, amongst others, the following:

- the reasonableness of assumptions used in determining future cash flows;
- the terminal value and discount rates applied in the 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 for the value-in-use calculation; and
- the adequacy of the disclosures made in notes to the financial statements.

Mpact expects that the plastics preforms and closures business will be affected by lower sales volumes which will likely result in lower profitability. The group assessed preforms and closures recoverable amount using the discounted cash flow method. Based on the assessment, the recoverable amount is lower than the carrying amount of preforms and closure, and as a result, the group recognised an impairment charge of R92 million to the statement of profit and loss.

# Audit and Risk Committee Report (continued)

Following from a special Audit and Risk Committee meeting, the committee supported management in impairing the goodwill at preforms and closures.

## 2. Assessing whether Mpact has control over Dalisu Holdings (Proprietary) Limited (Dalisu)

Mpact applies significant judgement when performing the assessment of control over Dalisu Holdings (Proprietary) Limited (Dalisu). Management's assessment of control includes, but is not limited to the following factors:

**Relevant activities**

- The production and sale of goods;
- These are mainly managed by 12-month sales contracts and the supply agreement between Mpact Operations and Dalisu;
- Decisions over asset purchases over R1 million for the construction of the Dalisu plant; and
- Managing the funding of Dalisu.

**Decision-making over the relevant activities**

Resolutions for the above decisions require the approval of both shareholders to pass.

**Variable returns**

Mpact's exposure to the variability of returns of Dalisu are higher than that of the other shareholder as a result of the subordination of working capital loans provided to Dalisu, in favour of the IDC. Mpact has also made a significant equity contribution into Dalisu and has pledged its shares to the IDC as security for the IDC debt of Dalisu.

**Other relationships**

Mpact has relationships with Dalisu such as a product supply agreement, a lease agreement for a nominal amount and assistance with administrative-related activities. It is also noted that the other co-shareholders are previous employees of Mpact. These relationships were considered in detail. It was concluded that none of these relationships gave Mpact the right to unilaterally control the relevant decisions of Dalisu.

Based on the above considerations, management has concluded that Mpact jointly controls Dalisu as they cannot unilaterally make decisions about the relevant activities of Dalisu. As such, Dalisu is accounted for as a joint arrangement, which is equity accounted.

## 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 Chief Audit Executive as Mpact's internal auditor and is satisfied with their independence and the performance of the Chief Audit Executive.

## 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. This paragraph requires a statement by the CEO and CFO to confirm that the internal financial controls are in place to ensure that material information has been provided to effectively prepare the audited consolidated financial statements. Internal financial reporting risks were identified and documented across key reporting processes as well as at a business unit level.

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.
- Obtaining control declarations from divisional managers on the operating effectiveness of all controls on an annual basis.

The Audit and Risk Committee is satisfied that the internal financial controls are adequate and effective to assist in compiling the audited consolidated annual financial statements. Where deficiencies in design and operational effectiveness of the internal financial controls have been noted, necessary remedial actions will be taken. The Audit and Risk Committee is satisfied that none of these deficiencies had a material effect for the purposes of the preparation and presentation of the audited consolidated annual financial statements for the year ended 31 December 2023.

The Group's management team remain committed to ongoing improvements ensuring that the control environment remains sound for reliable audited consolidated annual financial statements and safeguarding of the Group's assets.

## 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:

- achieving operational, profitability and liquidity objectives;
- protecting our reputation (ethics, environment, customer safety) and CSI initiatives;
- ensuring compliance with legislation and contractual terms;
- developing a motivated workforce;
- achieving Group strategy;
- providing safe and healthy operating conditions;
- managing environmentally responsible operations;
- achieving growth objectives;
- building effective commercial stakeholder relations; and
- ensuring 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.

## IT Governance

The Board has approved an ICT governance policy and ensures adherence to the King IV IT governance principles. The ICT Steering Committee, chaired by the Group CEO, provides assurance to the Board related to ICT 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 ICT resources.

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

An external independent ICT advisor has been appointed to provide the Board with independent assurance on the effectiveness of ICT internal controls including outsourced ICT services. In addition, the ICT advisor is required 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. ICT maturity assessments are concluded by the independent advisor periodically to determine improvement and opportunities for further development in ICT. This is reported on by the independent advisor to the Board Audit and Risk Committee.

The ICT Steering Committee is satisfied that the resources within the ICT 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.

# Audit and Risk Committee Report (continued)

## 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
- considered reviews made by Chairs of other committees.

## 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 Controller.

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

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

## Assurance

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

On behalf of the Audit and Risk Committee

**Tim Ross**
*Audit and Risk Committee Chairman*

7 March 2024

# Approval of the Summarised Consolidated Annual Financial Statements

The Directors confirm that to the best of their knowledge, the summarised consolidated financial statements are prepared in accordance with IAS 34: *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa, fairly present the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole. The Directors believe that the Group has adequate resources to continue in operation for the foreseeable future and the summarised consolidated financial statements have therefore been prepared on a going concern basis. The summarised consolidated financial statements and related notes, which appear on pages 129 to 149 were approved by the Board of Directors and authorised for issue on 7 March 2024 and were signed on its behalf by:

| | |
|---|---|
| **AJ Phillips** | **BW Strong** |
| *Chairman* | *Chief Executive Officer* |

# Directors' Responsibility Statement and Basis of Preparation

The Directors are responsible for preparing the summarised consolidated annual financial statements in accordance with applicable laws and regulations. These summarised consolidated financial statements have been prepared using accounting policies compliant with IFRS and are prepared in accordance with IAS 34: *Interim Financial Reporting*, 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 Directors take full responsibility for the preparation of the summarised consolidated financial statements and the financial information has been correctly extracted from the underlying consolidated annual financial statements.

# 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 and notices, as are required of a company in terms of the Act and, that such returns are true, correct and up to date.

**DM Dickson**
*Group Company Secretary*

7 March 2024

# Report of the Directors

The directors have pleasure in presenting their report on the summarised consolidated annual financial statements of Mpact for the year ended 31 December 2023.

## 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 Johannesburg Stock Exchange Limited (JSE).

## Financial Results

Mpact's profit for the year from total operations ended 31 December 2023 was R777.5 million (2022: R797.8 million). Full details of the financial position and results are set out in the accompanying summarised consolidated annual financial statements.

## Segment Analysis

An analysis of results by each operating segment can be found in note 4 of the summarised 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.

JSE Investor Services (Proprietary) Limited replaced Computershare Investor Services (Proprietary) Limited as transfer secretaries with effect from 1 March 2024.

## Property, plant and equipment

At 31 December 2023 the net investment in property, plant and equipment amounted to R4,742.6 million (2022: R3,685.7 million). Capital commitments at year-end amounted to R2,001.2 million (2022: R2,874.6 million), refer to note 20 to the summarised consolidated annual financial statements. In the current year Mpact performed a remaining useful life review on items of property, plant and equipment which resulted in changes in the expected usage of certain items, refer to note 2 to the summarised consolidated annual financial statements. There has been no other change in property, plant and equipment or to the policy relating to the use and residual values thereof during the year.

## Stated Capital

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

On 3 May 2023, Mpact Limited issued 1,278,325 shares to participants under the Mpact Share Incentive Scheme, as part of the 2020 share award vesting.

On 31 December 2023, the issued share capital of Mpact was 149,453,688 ordinary shares of no par value (2022: 148,175,363 ordinary shares of no par value).

Mpact owns 2,023,132 (2022: 2,720,519) treasury shares which are held by the Mpact Incentive Scheme Trust to satisfy share awards under the Group's share incentive scheme. Refer to note 12 of the summarised consolidated annual financial statements.

## Dividends

Notice is hereby given that the Board has declared a final gross cash dividend of 75 cents for the year ended 31 December 2023 (60 cents net of dividend withholding tax) per ordinary share. The dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt. The company's total number of issued ordinary shares as at dividend declaration date is 149,453,688. Mpact's income tax reference number is 9003862175.

The Board of Directors are satisfied that the liquidity and solvency of the company, as well as capital remaining after payment of the dividend, is sufficient to support the current operations and to facilitate future development of the business in the year ahead.

**Salient dates with regard to the ordinary dividend**

| | |
|---|---|
| Publication of dividend declaration | Friday, 8 March 2024 |
| Last date of trade to receive a dividend | Tuesday, 2 April 2024 |
| Shares commence trade ex-dividend | Wednesday, 3 April 2024 |
| Record date | Friday, 5 April 2024 |
| Payment date | Monday, 8 April 2024 |

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

Share certificates may not be dematerialised or rematerialised between Wednesday, 3 April 2024 and Friday, 5 April 2024, both days inclusive.

## 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. In February 2023, Mpact secured additional R1.45 billion four-year committed debt facilities in order to ensure sufficient headroom during the implementation phase of the Mkhondo Paper Mill project and other additional capital projects. The additional facilities were secured at the same margin and covenants as the previous facilities. At the close of business on 31 December 2023, the total borrowings (including lease liabilities) less cash resources were R2,665.5 million (2022: R2,326.7 million). At 31 December 2023, Mpact had approved facilities of R4,670 million (2022: R3,170 million).

The margin on Term Loan A, RCF B and C are variable and are linked to certain sustainability targets. Any margin adjustments are prospectively adjusted. For the current financial year, Mpact met its performance target in respect of the carbon emission and water efficiency target.

Mpact has not recognised an embedded derivative, as these targets are specifically defined by Mpact and are not linked to a basic lending arrangement. Refer to note 13 of the summarised consolidated annual financial statements.

## Directors

The following Directors have held office during the year ended 31 December 2023 and to the date of this report:

| | |
|---|---|
| AJ Phillips (Chairman) | Independent Non-executive |
| ABA Conrad | Independent Non-executive |
| NP Dongwana | Independent Non-executive (retired On 1 June 2023) |
| PCS Luthuli | Independent Non-executive |
| M Makanjee | Independent Non-executive |
| TDA Ross | Independent Non-executive |
| DG Wilson | Independent Non-executive |
| BW Strong (Chief Executive Officer) | Executive |
| BDV Clark (Chief Financial Officer) | Executive |

## Group Company Secretary

DM Dickson

## Registered Office

4th Floor
3 Melrose Boulevard
Melrose Arch, 2196

## Sponsor

The Standard Bank of South Africa Limited

## Auditor

PricewaterhouseCoopers Inc. (PwC) is the appointed auditor to Mpact.

## Transfer Secretaries

JSE Investor Services (JIS) is the appointed transfer secretary from 1 March 2024.

## 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.

# Report of the Directors (continued)

At the 2023 AGM, shareholders opposed special resolution 2, which sought to renew Mpact's existing general authority to provide financial assistance to its subsidiaries and other related and inter-related entities in terms of sections 44 and 45 of the Companies Act. This existing general authority was granted at the AGM held on 3 June 2021 and remained valid for two years after its adoption being until 3 June 2023.

As shareholders voted against this resolution, Mpact Limited currently has no standing authority to provide financial assistance to subsidiaries in the Group. The Group's existing borrowing facilities that were entered into prior to 3 June 2023 remain in place and are unaffected by the absence of the general authority to provide financial assistance.

## 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 summarised consolidated annual financial statements.

## 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, King IV™ and JSE Listings Requirements, 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 118 to 122.

## Events occurring after the reporting date

The Board declared an ordinary dividend of 75 cents per share on 7 March 2024 payable on 8 April 2024 to shareholders registered on 5 April 2024.

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

## Interest of Directors and prescribed officers in share capital

The aggregate beneficial holdings as at 31 December 2023 and 31 December 2022 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 2023 and 7 March 2024, the date of approval.

| | **2023 Direct Number of shares** | **2023 Indirect Number of shares** | 2022 Direct Number of shares | 2022 Indirect Number of shares |
|---|---|---|---|---|
| **Executive Directors** | | | | |
| BW Strong | **1 254 632** | **–** | 767 816 | – |
| BDV Clark | **–** | **541 006** | – | 310 344 |
| **Non-executive Director** | | | | |
| AJ Phillips | **8 914** | **1 516** | 8 914 | 1 516 |
| **Prescribed officers** | | | | |
| JW Hunt | **500 174** | **–** | 347 967 | – |
| N Naidoo (retired on 31 December 2023) | **421 784** | **–** | 172 668 | – |
| HM Thompson | **690 517** | **–** | 500 877 | – |
| CM Botha | **167 094** | **–** | – | – |
| **Total** | **3 043 115** | **542 522** | 1 798 242 | 311 860 |

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)**

| | Number of shares | % of total issued share capital |
|---|---|---|
| **31 December 2023** | | |
| Caxton and CTP Publishers and Printers Limited | **50 299 943** | **33.66** |
| Gayatri Paper Mills Gauteng (Pty) Ltd | **15 142 659** | **10.13** |
| Old Mutual Group | **10 680 618** | **7.15** |
| Six Sis (Custodian) | **7 758 637** | **5.19** |
| **31 December 2022** | | |
| Caxton and CTP Publishers and Printers Limited | 50 299 943 | 33.95 |
| Gayatri Paper Mills Gauteng (Pty) Ltd | 15 142 659 | 10.22 |
| Old Mutual Group | 10 236 610 | 6.91 |
| Allan Gray | 8 656 916 | 5.84 |
| Six Sis (Custodian) | 7 765 185 | 5.24 |

| | Number of shareholdings | % of total shareholdings | Number of shares | % of issued capital |
|---|---|---|---|---|
| **31 December 2023 shareholder type** | | | | |
| **Non-public shareholders** | **10** | **0.20** | **5 608 769** | **3.75** |
| Share schemes | **1** | **0.02** | **2 023 132** | **1.35** |
| Directors and prescribed officers: | | | | |
| Direct shareholdings | **6** | **0.12** | **3 043 115** | **2.04** |
| Directors: Indirect shareholdings | **3** | **0.06** | **542 522** | **0.36** |
| **Public shareholders[1]** | **4 872** | **99.80** | **143 844 919** | **96.25** |
| **Total** | **4 882** | **100.00** | **149 453 688** | **100.00** |
| **31 December 2022 shareholder type** | | | | |
| **Non-public shareholders** | 12 | 0.24 | 70 273 223 | 47.43 |
| Caxton and CTP Publishers and Printers Limited | 2 | 0.04 | 50 299 943 | 33.95 |
| Gayatri Paper Mills Gauteng (Pty) Ltd | 1 | 0.02 | 15 142 659 | 10.22 |
| Share schemes | 1 | 0.02 | 2 720 519 | 1.84 |
| Directors and prescribed officers: | | | | |
| Direct shareholdings | 5 | 0.10 | 1 798 242 | 1.21 |
| Directors: Indirect shareholdings | 3 | 0.06 | 311 860 | 0.21 |
| **Public shareholders** | 5 235 | 99.76 | 77 902 140 | 52.57 |
| **Total** | 5 247 | 100.00 | 148 175 363 | 100.00 |

1. *During 2023 the JSE amended paragraph 4.25(g) of the JSE Listings Requirements resulting in a controlling shareholder now being deemed to be a non-public shareholder whereas previously it applied to any shareholding of 10% or more in Mpact.*

# Independent Auditors' Report

pwc

**Independent auditor's report on the summary consolidated financial statements**

To the shareholders of Mpact Limited

**Opinion**

The summary consolidated financial statements of Mpact Limited, set out on pages 129 to 149 of the Mpact 2023 Integrated Report for the year ended 31 December 2023, which comprise the summary consolidated statement of financial position as at 31 December 2023, the summary consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Mpact Limited for the year ended 31 December 2023.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the JSE Limited's (JSE) requirements for summary financial statements, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

**Summary consolidated financial statements**

The summary consolidated financial statements do not contain all the disclosures required by IFRS Accounting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon. The summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

**The audited consolidated financial statements and our report thereon**

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 8 March 2024. That report also includes communication of 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.

**Director's responsibility for the summary consolidated financial statements**

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the JSE's requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

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Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za



pwc

**Auditor's responsibility**

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Saffiyah Bootha
Registered Auditor
Johannesburg, South Africa
18 April 2024

# Summarised Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2023

| | Note | 2023 R'm | 2022 R'm |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue from contracts with customers | 4a | **12,823.1** | 12,373.2 |
| Material, energy and fixed overhead recovery | 4b | **(6,806.5)** | (6,662.1) |
| Variable selling expenses | 4b | **(894.7)** | (962.7) |
| Other net operating expenses[1] | 4b | **(3,377.7)** | (3,075.8) |
| Depreciation, amortisation and impairment | 4b | **(627.2)** | (508.4) |
| **Operating profit** | 5 | **1,117.0** | 1,164.2 |
| Share of profit from equity accounted investees | | **18.3** | 15.5 |
| **Profit from operations and equity accounted investees** | | **1,135.3** | 1,179.7 |
| Net finance costs | 6 | **(284.0)** | (183.8) |
| Investment income | | **15.6** | 8.6 |
| Finance costs | | **(299.6)** | (192.4) |
| Foreign currency translation reserve reclassified from other comprehensive income | | **–** | 29.8 |
| **Profit before tax from continuing operations** | 4b | **851.3** | 1,025.7 |
| Tax expense | | **(249.5)** | (292.5) |
| **Profit for the year from continuing operations** | | **601.8** | 733.2 |
| **Discontinued operation** | | | |
| **Profit for the year from discontinued operation** | 18 | **175.7** | 64.6 |
| **Profit for the year** | | **777.5** | 797.8 |

*1. Other net operating expenses includes an expected credit loss on financial assets of R14.0 million (2022: R20.9 million).*

| | Note | 2023 R'm | 2022 R'm |
|---|---|---|---|
| **Other comprehensive income** | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Actuarial gains on post-retirement benefit scheme | | **1.2** | 2.3 |
| Tax effect | | **(0.3)** | (0.6) |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Effects of cash flow hedge | | **–** | 17.7 |
| Tax effect | | **–** | (5.0) |
| Cash flow hedge reserve reclassified to profit and loss | | **–** | 1.7 |
| Tax effect | | **–** | (0.4) |
| Exchange differences on translation of foreign operations | | **0.5** | 0.4 |
| **Other comprehensive income** | | **1.4** | 16.1 |
| **Total comprehensive income for the year** | | **778.9** | 813.9 |
| **Profit attributable to:** | | | |
| Equity holders of Mpact | | **715.1** | 727.3 |
| Non-controlling interests | | **62.4** | 70.5 |
| **Profit for the year** | | **777.5** | 797.8 |
| **Total comprehensive income attributable to:** | | | |
| Equity holders of Mpact | | **716.5** | 743.4 |
| Non-controlling interests | | **62.4** | 70.5 |
| **Total comprehensive income for the year** | | **778.9** | 813.9 |
| **Earnings per share (EPS) for profit attributable to equity holders of Mpact:** | | | |
| Basic EPS (cps) from continuing operations | 8 | **367.6** | 455.7 |
| Diluted EPS (cps) from continuing operations | 8 | **365.5** | 444.2 |
| Basic EPS (cps) from discontinued operation | 8 | **119.7** | 44.4 |
| Diluted EPS (cps) from discontinued operation | 8 | **119.1** | 43.3 |
| Basic EPS (cps) from total operations | 8 | **487.3** | 500.1 |
| Diluted EPS (cps) from total operations | 8 | **484.6** | 487.5 |

# Summarised Consolidated Statement of Financial Position

as at 31 December 2023

| | Note | 2023 R'm | 2022 R'm |
|---|---|---|---|
| **ASSETS** | | | |
| Goodwill and other intangible assets | | **434.2** | 537.6 |
| Property, plant and equipment | | **4 742.6** | 3 685.7 |
| Right-of-use assets | | **180.7** | 165.9 |
| Investments in equity accounted investees | | **112.9** | 113.5 |
| Other financial assets | | **31.2** | 31.4 |
| Deferred tax assets | 14 | **72.6** | 3.7 |
| **Non-current assets** | | **5 574.2** | 4 537.8 |
| Inventories | 10 | **1 998.6** | 1 979.4 |
| Trade and other receivables | 11 | **2 924.5** | 2 910.6 |
| Other financial assets | | **5.2** | 6.4 |
| Derivative financial instruments | | **0.6** | 3.7 |
| Current tax receivables | | **2.7** | 18.2 |
| Cash and cash equivalents | | **881.5** | 612.1 |
| **Current assets** | | **5 813.1** | 5 530.4 |
| Assets held-for-sale | 18 | **247.7** | 191.3 |
| **Total assets** | | **11 635.0** | 10 259.5 |

| | Note | 2023 R'm | 2022 R'm |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Stated capital | 12 | **2 360.9** | 2 323.6 |
| Retained earnings | | **2 637.0** | 2 162.1 |
| Reserves | | **28.8** | (3.9) |
| **Total attributable to equity holders of Mpact** | | **5 026.7** | 4 481.8 |
| Non-controlling interests in subsidiaries | | **440.8** | 386.4 |
| **Total equity** | | **5 467.5** | 4 868.2 |
| Interest and non-interest-bearing borrowings | 13 | **3 297.3** | 2 700.6 |
| Lease liabilities | | **173.2** | 151.0 |
| Retirement benefits obligation | | **32.7** | 33.1 |
| Deferred tax liabilities | 14 | **274.6** | 227.1 |
| Deferred income | | **–** | 0.4 |
| Provisions | 17 | **2.2** | 4.7 |
| **Non-current liabilities** | | **3 780.0** | 3 116.9 |
| Interest and non-interest-bearing borrowings | 15 | **25.3** | 26.3 |
| Lease liabilities | | **51.2** | 60.9 |
| Trade and other payables | 16 | **2 245.2** | 2 150.2 |
| Provisions | 17 | **18.6** | 15.1 |
| Deferred income | | **0.3** | 1.6 |
| Derivative financial instruments | | **3.4** | 4.2 |
| Current tax liabilities | | **35.1** | 16.1 |
| **Current liabilities** | | **2 379.1** | 2 274.4 |
| Liabilities held-for-sale | 18 | **8.4** | – |
| **Total liabilities** | | **6 167.5** | 5 391.3 |
| **Total equity and liabilities** | | **11 635.0** | 10 259.5 |

# Summarised Consolidated Statement of Cash Flows

for the year ended 31 December 2023

| | Note | 2023 R'm | 2022 R'm |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Operating cash flows before movements in working capital | | **1 880.1** | 1 770.7 |
| Net decrease/(increase) in working capital | | **108.4** | (753.8) |
| **Cash generated from operations** | 19a | **1 988.5** | 1 016.9 |
| Dividends received from equity accounted investees | | **18.9** | – |
| Taxation paid | 19b | **(213.1)** | (271.8) |
| **Net cash inflows from operating activities** | | **1 794.3** | 745.1 |
| **Cash flows from investing activities** | | | |
| Additions to property, plant and equipment | | **(1 536.4)** | (1 005.8) |
| Proceeds from the disposal of property, plant and equipment | | **16.8** | 13.5 |
| Loan repayment from equity accounted investees | | **2.2** | 9.2 |
| Loan repayments from external parties | | **11.5** | 22.0 |
| Loan advances to external parties | | **(10.7)** | (21.2) |
| Interest received | | **15.2** | 9.7 |
| **Net cash outflows from investing activities** | | **(1 501.4)** | (972.6) |

| | Note | 2023 R'm | 2022 R'm |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings raised | | **2 127.0** | 2 820.0 |
| Repayment of borrowings | | **(1 514.0)** | (1 973.8) |
| Repayments of lease liabilities | | **(67.1)** | (74.7) |
| Finance costs paid[1] | | **(309.3)** | (189.1) |
| Dividends paid to non-controlling interests | | **(8.0)** | (13.6) |
| Dividends paid to equity holders of Mpact Limited | | **(176.0)** | (131.4) |
| Purchase of treasury shares | | **(59.3)** | (49.7) |
| **Net cash (outflows)/inflows from financing activities** | | **(6.7)** | 387.7 |
| Net increase in cash and cash equivalents | | **286.2** | 160.2 |
| Effect of movements in exchange rates on cash held | | **0.5** | 0.1 |
| Net cash and cash equivalents at the beginning of the year | | **594.8** | 434.5 |
| **Net cash and cash equivalents at the end of the year** | 19c | **881.5** | 594.8 |

1. *Finance costs paid includes R17.9 million (2022: R18.4 million) from lease liabilities.*

# Summarised Consolidated Statement of Changes in Equity

for the year ended 31 December 2023

| | 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 2021 | 2,323.6 | 57.6 | (14.0) | 32.4 | 10.3 | (66.8) | 1,567.0 | 3,910.1 | 329.5 | 4,239.6 |
| Total comprehensive income for the year | – | – | 14.0 | 1.7 | 0.4 | – | 727.3 | 743.4 | 70.5 | 813.9 |
| Profit for the year | – | – | – | – | – | – | 727.3 | 727.3 | 70.5 | 797.8 |
| Other comprehensive income for the year | – | – | 14.0 | 1.7 | 0.4 | – | – | 16.1 | – | 16.1 |
| Foreign currency translation reserve reclassified from other comprehensive income | – | – | – | – | (29.8) | – | – | (29.8) | – | (29.8) |
| Dividends paid[3] | – | – | – | – | – | – | (131.4) | (131.4) | – | (131.4) |
| Purchase of treasury shares | – | – | – | – | – | (49.7) | – | (49.7) | – | (49.7) |
| Share plan charges for the year | – | 39.1 | – | – | – | – | – | 39.1 | – | 39.1 |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | – | – | (13.6) | (13.6) |
| Issue/exercise of shares under employee share scheme | – | (29.9) | – | – | – | 30.8 | (0.8) | 0.1 | – | 0.1 |
| **Balance at 31 December 2022** | 2,323.6 | 66.8 | – | 34.1 | (19.1) | (85.7) | 2,162.1 | 4,481.8 | 386.4 | 4,868.2 |
| Total comprehensive income for the year | **–** | **–** | **–** | **0.9** | **0.5** | **–** | **715.1** | **716.5** | **62.4** | **778.9** |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **–** | **715.1** | **715.1** | **62.4** | **777.5** |
| Other comprehensive income for the year | **–** | **–** | **–** | **0.9** | **0.5** | **–** | **–** | **1.4** | **–** | **1.4** |
| Dividends paid[3] | **–** | **–** | **–** | **–** | **–** | **–** | **(176.0)** | **(176.0)** | **–** | **(176.0)** |
| Purchase of treasury shares | **–** | **–** | **–** | **–** | **–** | **(59.3)** | **–** | **(59.3)** | **–** | **(59.3)** |
| Share plan charges for the year | **–** | **39.8** | **–** | **–** | **–** | **–** | **–** | **39.8** | **–** | **39.8** |
| Dividends paid to non-controlling interests | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(8.0)** | **(8.0)** |
| Issue/exercise of shares under employee share scheme | **37.3** | **(35.1)** | **–** | **–** | **–** | **85.9** | **(64.2)** | **23.9** | **–** | **23.9** |
| **Balance at 31 December 2023** | **2,360.9** | **71.5** | **–** | **35.0** | **(18.6)** | **(59.1)** | **2,637.0** | **5,026.7** | **440.8** | **5,467.5** |

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 2023, there are 2,023,132 (2022: 2,720,519) treasury shares on hand.*
3. *The dividend paid per share was 120c per share (2022: 90c per share).*

# Notes to the Summarised Consolidated Annual Financial Statements

for the year ended 31 December 2023

## 1. Accounting policies

**Basis of preparation**

These summarised consolidated financial statements have been prepared in accordance with the framework concepts and measurement and recognition requirements of IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the JSE Limited's Listings Requirements and the Companies Act of South Africa and contains at a minimum the information required by IAS 34: *Interim Financial Reporting*. The basis of preparation is consistent with the prior year, except for new and revised standards adopted. These summarised consolidated financial statements for the year ended 31 December 2023 have been audited by PricewaterhouseCoopers Inc. (PwC), who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated financial statements from which these summarised consolidated financial statements were derived. Refer to page 128 for the auditor's report on the summarised consolidated financial statements. The auditor's report does not necessarily report on all of the information contained in this announcement. A copy of the audited consolidated and separate annual financial statements, together with the unmodified auditor's opinion, which includes the key audit matters, are available for inspection on the Group's website and the company's registered office. The auditor's report (with Key Audit Matters) issued on the Consolidated Annual Financial Statements (AFS) and the actual Consolidated Annual Financial Statements can be accessed at https://www.mpact.co.za/investor-relations/financial-results/2023/GROUPAFSFY2023.pdf Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of that report together with the accompanying financial information from the registered office of Mpact. Any reference to future financial performance included in this announcement has not been reviewed or reported by Mpact's auditors. The preparation of these summarised consolidated financial statements was supervised by the Chief Financial Officer, BDV Clark CA(SA). The Directors take full responsibility for the preparation of the summarised consolidated financial statements and the financial information has been correctly extracted from the underlying consolidated annual financial statements.

**New accounting policies, early adoption and future requirements**

**New standards and amendments to published Standards and Interpretations that are effective and have been adopted during 2023**

- **IAS 1 and IFRS practice statement 2: Disclosure of Accounting Policies (effective 1 January 2023)**

  The amendment provides guidance and examples to help apply materiality judgements to accounting policy disclosures. The amendments aim to provide accounting policy disclosures that are more useful by replacing the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies and adding guidance on the concept of materiality in making decisions about accounting policy disclosures.

- **IAS 8: Definition of Accounting Estimates (effective 1 January 2023)**

  The amendment introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. It also clarifies how to use measurement techniques and inputs to develop accounting estimates.

- **IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023)**

  The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

  Refer to note 14 for the above effect on the disclosure of Mpact's temporary differences.

- **IFRS 17 Insurance contracts (effective 1 January 2023)**

  The standard is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts, regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features.

  Mpact had applied IFRS 17 to its performance guarantees to municipalities and other third parties. The application resulted in a disclosure change. Refer to note 21.

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

# Notes to the Summarised Consolidated Annual Financial Statements (continued)

for the year ended 31 December 2023

## 1. Accounting policies (continued)

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

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

- **IAS 1: Classification of Liabilities as Current or Non-Current (effective 1 January 2024)**
  The amendments aim to promote consistency in determining whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

- **IAS 1: Non-current Liabilities with Covenants (effective 1 January 2024)**
  This amendment specifies that only covenants an entity must comply with on or before the reporting period should affect classification of the corresponding liability as current or non-current.

- **IAS 21: Lack of exchangeability (effective 1 January 2025)**
  This amendment to IAS 21 specifies how to assess whether a currency is exchangeable and how to determine the exchange rate.

These amendments are not anticipated to have a significant impact on the financial statements on adoption.

## 2. Change in accounting estimate

Mpact performed a remaining useful life review on items of property, plant and equipment which resulted in changes in the expected usage of certain items. The effect on the current year depreciation and future depreciation was as follows:

| | **2023 R'm** | 2024 R'm | 2025 R'm | 2026 R'm | Beyond 2026 R'm |
|---|---|---|---|---|---|
| (Decrease)/increase in depreciation expense | **(17.2)** | 3.4 | 7.7 | 3.4 | 2.7 |

## 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 2023, liquidity and solvency tests were performed based on Mpact's budgets for the next twelve months.

Mpact's net debt as at 31 December 2023 was R2,665.5 million (2022: R2,326.7 million).

Mpact is subject to two financial covenant conditions, namely the Interest Cover ratio, defined as earnings before interest, tax, depreciation and amortisation (EBITDA) divided by Total Net interest; and the Net debt to EBITDA ratio, defined as Net debt, excluding lease liabilities divided by EBITDA.

| | **Threshold** | **at 31 December 2023** |
|---|---|---|
| Interest Cover ratio | greater than or equal to 3.5 times | 6.8 times |
| Net debt to EBITDA | less than or equal to 3.0 times | 1.2 times |

Mpact has met these covenants with sufficient headroom and therefore minimal risk exists for any breach of triggers. 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.

## 4(a) Reportable segment revenue

| | Segment revenue 2023 R'm | Inter-segment revenue 2023 R'm | External revenue from contracts with customers 2023 R'm | Segment revenue 2022 R'm | Inter-segment revenue 2022 R'm | External revenue from contracts with customers 2022 R'm |
|---|---|---|---|---|---|---|
| Paper | **10,714.9** | **(48.1)** | **10,666.8** | 10,373.0 | (40.4) | 10,332.6 |
| Plastics | **2,161.3** | **(5.0)** | **2,156.3** | 2,041.4 | (0.8) | 2,040.6 |
| | **12,876.2** | **(53.1)** | **12,823.1** | 12,414.4 | (41.2) | 12,373.2 |

| | 2023 R'm | 2022 R'm |
|---|---|---|
| **External revenue by product type** | | |
| Paper solutions | **10,666.8** | 10,332.6 |
| Recycled containerboard, cartonboard and other materials | **4,520.0** | 4,784.6 |
| Corrugated packaging, bags and sacks | **6,146.8** | 5,548.0 |
| Plastic packaging solutions | **2,156.3** | 2,040.6 |
| **Total** | **12,823.1** | 12,373.2 |
| **Timing of revenue recognition** | | |
| Goods transferred at a point in time | **12,760.8** | 12,318.5 |
| Services transferred over time | **62.3** | 54.7 |
| **Total** | **12,823.1** | 12,373.2 |

| | 2023 R'm | 2022 R'm |
|---|---|---|
| **External revenue by location of customer** | | |
| South Africa (country of domicile) | **11,754.9** | 11,056.3 |
| Paper | **9,676.0** | 9,079.5 |
| Plastics | **2,078.9** | 1,976.8 |
| Rest of Africa | **973.9** | 1,175.4 |
| Paper | **927.1** | 1,119.4 |
| Plastics | **46.8** | 56.0 |
| Rest of world | **94.3** | 141.5 |
| Paper | **63.7** | 133.7 |
| Plastics | **30.6** | 7.8 |
| **Total** | **12,823.1** | 12,373.2 |

# Notes to the Summarised Consolidated Annual Financial Statements (continued)

for the year ended 31 December 2023

## 4(b) Reportable segment operating profit

| | 2023 R'm | 2022 R'm |
|---|---|---|
| Paper | **1,168.1** | 1,109.2 |
| Plastics | **188.7** | 197.8 |
| Corporate | **(80.1)** | (80.5) |
| Inter-segment elimination | **(66.3)** | (62.3) |
| **Segments total** | **1,210.4** | 1,164.2 |
| Special items[1] | **(93.4)** | – |
| **Operating profit** | **1,117.0** | 1,164.2 |
| Share of profit from equity accounted investees | **18.3** | 15.5 |
| Net finance costs | **(284.0)** | (183.8) |
| Foreign currency translation reserve reclassified from other comprehensive income | **–** | 29.8 |
| **Profit before tax from continuing operations** | **851.3** | 1,025.7 |
| **Significant external components of operating profit** | | |
| **Material, energy and fixed overhead recovery** | | |
| Paper | **(5,754.7)** | (5,594.9) |
| Plastics | **(1,036.3)** | (1,064.9) |
| Corporate | **(15.5)** | (2.3) |
| **Total** | **(6,806.5)** | (6,662.1) |
| **Variable selling expenses** | | |
| Paper | **(744.2)** | (843.1) |
| Plastics | **(150.5)** | (119.6) |
| **Total** | **(894.7)** | (962.7) |

1. *Special items included impairment on property, plant and equipment of R1.2 million and impairment of goodwill of R92.2 million. Refer to note 9 for the impairment of plant and equipment and goodwill.*

| | 2023 R'm | 2022 R'm |
|---|---|---|
| **Other net operating expenses** | | |
| Paper | **(2,476.4)** | (2,313.4) |
| Plastics | **(596.2)** | (472.2) |
| Corporate | **(305.1)** | (290.2) |
| **Total** | **(3,377.7)** | (3,075.8) |
| **Depreciation and amortisation** | | |
| Paper[2] | **(306.6)** | (287.4) |
| Plastics[2] | **(151.4)** | (152.0) |
| Corporate | **(75.8)** | (69.0) |
| **Total** | **(533.8)** | (508.4) |
| **Impairment of plant and equipment and goodwill** | | |
| Paper | **(1.2)** | – |
| Plastics | **(92.2)** | – |
| **Total** | **(93.4)** | – |
| **Total depreciation, amortisation and impairment** | **(627.2)** | (508.4) |

2. *Excludes inter-group depreciation relating to right-of-use asset of R96.8 million (2022: R83.3 million) for the paper segment and Rnil (2022: Rnil) for the plastics segment.*

## 4(c) Reportable segment assets

| | 2023 R'm | 2022 R'm |
|---|---|---|
| **Segment assets**[3] | | |
| Paper[4] | **7,062.4** | 6,077.8 |
| Plastics[5] | **2,145.3** | 2,050.1 |
| Corporate | **1,015.5** | 1,008.9 |
| Inter-segment elimination | **(53.7)** | (73.0) |
| **Segment total**[6] | **10,169.5** | 9,063.8 |
| Unallocated: | | |
| Investments in equity accounted investees | **112.9** | 113.5 |
| Deferred tax assets | **72.6** | 3.7 |
| Other non-operating assets[7] | **114.4** | 237.3 |
| Assets held-for-sale | **247.7** | 191.3 |
| **Trading assets** | **10,717.1** | 9,609.6 |
| Financial assets | **36.4** | 37.8 |
| Cash and cash equivalents | **881.5** | 612.1 |
| **Total assets** | **11,635.0** | 10,259.5 |
| **Non-current non-financial assets**[8] | | |
| South Africa (country of domicile) | **5,144.5** | 4,206.9 |
| Rest of Africa | **32.3** | 16.4 |
| **Total** | **5,176.8** | 4,223.3 |
| **Non-current non-financial assets**[8] | | |
| Paper | **3,055.9** | 2,242.0 |
| Plastics | **1,097.1** | 993.6 |
| Corporate | **1,023.8** | 987.7 |
| **Total** | **5,176.8** | 4,223.3 |

| | 2023 R'm | 2022 R'm |
|---|---|---|
| **Additions to non-current non-financial assets**[9] | | |
| South Africa (country of domicile) | **1,495.1** | 990.0 |
| Rest of Africa | **19.9** | 1.9 |
| **Segments total** | **1,515.0** | 991.9 |
| **Additions to non-current non-financial assets**[9] | | |
| Paper | **1,061.6** | 417.4 |
| Plastics | **339.5** | 307.6 |
| Corporate | **113.9** | 266.9 |
| **Segments total** | **1,515.0** | 991.9 |

3. *Segment assets are operating assets and as at 31 December 2023 consists of property, plant and equipment of R4,742.6 million (2022: R3,685.7 million), goodwill and other intangible assets of R434.2 million (2022: R537.6 million), right-of-use assets of R180.7 million (2022: R165.9 million), inventories of R1,998.6 million (2022: R1,979.4 million) and operating receivables of R2,813.4 million (2022: R2,695.2 million). Excludes inter-group right-of-use assets of R262.7 million (2022: R267.1 million) for the paper segment and R11.0 million (2022: R11.0 million) for the plastics segment.*
4. *Consists of property, plant and equipment of R2,713.5 million (2022: R1,898.8 million), goodwill and other intangible assets of R342.3 million (2022: R343.3 million), right-of-use assets of R172.2 million (2022: R146.2 million), inventories of R1,677.5 million (2022: R1,692.1 million) and operating receivables of R2,156.9 million (2022: R1,997.4 million). The prior year financial statements did not include the split per segment.*
5. *Consists of property, plant and equipment of R1,030.5 million (2022: R834.8 million), goodwill and other intangible assets of R66.6 million (2022: R158.8 million), right-of-use assets of R3.4 million (2022: R11.5 million), inventories of R350.8 million (2022: R301.4 million) and operating receivables of R694.0 million (2022: R743.6 million). The prior year financial statements did not include the split per 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 R0.6 million (2022: R3.7 million), other non-operating receivables of R111.1 million (2022: R215.4 million) and current tax receivable of R2.7 million (2022: R18.2 million).*
8. *Non-current non-financial assets consist of property, plant and equipment and goodwill and other intangible assets, but excludes deferred tax 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 and excludes additions to assets held-for-sale.*

# Notes to the Summarised Consolidated Annual Financial Statements (continued)

for the year ended 31 December 2023

## 5. Operating profit

| | 2023 R'm | 2022 R'm |
|---|---|---|
| **Operating profit for the year has been arrived at after charging/(crediting):** | | |
| Depreciation, amortisation and impairments | 627.2 | 508.4 |
| Amortisation of intangibles | 11.2 | 12.3 |
| Depreciation of property, plant and equipment | 458.2 | 424.8 |
| Depreciation of right-of-use assets | 64.4 | 71.3 |
| Impairment of goodwill (refer to note 9) | 92.2 | – |
| Impairment of property, plant and equipment (refer to note 9) | 1.2 | – |
| Increase in expected credit loss allowance | 14.0 | 20.9 |
| Proceeds from insurance claims | (69.1) | (68.2) |
| Derecognition of financial asset[1] | 65.6 | – |
| Profit on disposal of tangible assets | (3.7) | – |
| Loss on derecognition of right-of-use assets and lease liabilities | 0.3 | – |

1. *During the year, a Plastic raw material supplier went into business rescue. Deposits paid for raw material were subsequently derecognised.*

The cost of inventories recognised as an expense is equal to material, energy and fixed overhead recovery as disclosed in the statement of profit or loss. The majority of the total expenses is made up of the cost of inventories.

## 6. Net finance costs

| | 2023 R'm | 2022 R'm |
|---|---|---|
| **Investment income** | | |
| Bank deposits and loan receivables | 13.7 | 6.6 |
| Other | 1.9 | 2.0 |
| **Total investment income** | **15.6** | 8.6 |
| **Finance costs** | | |
| Bank overdrafts and loans[1] | (292.4) | (168.7) |
| Interest capitalised on qualifying assets[2] | 14.4 | – |
| Loss on derecognition of interest rate swaps | – | (1.7) |
| Lease liabilities | (17.9) | (18.4) |
| Defined benefit arrangements | (3.7) | (3.6) |
| **Total interest expense** | **(299.6)** | (192.4) |
| **Net finance costs** | **(284.0)** | (183.8) |

1. *The prior year included the effects of fixed and floating rates on the interest rate swap amounting to a net value of R9.1 million.*
2. *The borrowing costs was calculated using a capitalisation rate of 9.64%.*

## 7. Tax expense

| | 2023 R'm | 2022 R'm |
|---|---|---|
| **Analysis of tax charge for the year** | | |
| South African – current year | **(269.1)** | (290.6) |
| – prior year | **0.1** | 5.1 |
| **South African current tax** | **(269.0)** | (285.5) |
| Foreign subsidiary current tax – current year | **(9.8)** | (4.8) |
| – prior year | **(1.9)** | – |
| **Total current tax** | **(280.7)** | (290.3) |
| Deferred tax in respect of the current year[1] | **30.7** | (11.1) |
| Deferred tax due to a decrease in tax rate[2] | **–** | 7.8 |
| Deferred tax in respect of prior year | **0.5** | 1.1 |
| **Total tax expense** | **(249.5)** | (292.5) |
| **Factors affecting tax expense for the year** | | |
| 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 27% (2022: 28%) as follows: | | |
| Profit before tax from continuing operations | **851.3** | 1,025.7 |
| Profit from discontinued operation | **175.7** | 64.6 |
| *Less:* Share of profit of equity accounted investees[3] | **(18.3)** | (15.5) |
| **Profit before tax, adjusted for equity accounted profit and discontinued operation** | **1,008.7** | 1,074.8 |
| **Tax charge for the year[3]** | **(249.5)** | (292.5) |

1. *A group subsidiary recognised R64.4 million deferred tax asset in respect of previously unrecognised tax losses which will be utilised in the foreseeable future and existing taxable temporary differences.*
2. *The impact on the realisation of temporary differences due to a decrease in the Corporate Income Tax rate from 28% to 27%.*
3. *Effective tax rate of 24.7% (2022: 27.2%) on total operations.*

## 8. Earnings per share

The presentation of headline EPS is mandated under the JSE Listings Requirements and is calculated in accordance with Circular 1/2023, "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 in the current financial year. The underlying earnings calculation is the responsibility of Mpact's Directors.

| | 2023 Cents per share | 2022 Cents per share |
|---|---|---|
| **Continuing operations earnings per share (EPS)** | | |
| Basic EPS | **367.6** | 455.7 |
| Diluted EPS | **365.5** | 444.2 |
| Basic headline EPS | **443.0** | 430.1 |
| Diluted headline EPS | **440.5** | 419.2 |
| Basic underlying EPS[1] | **444.6** | 455.7 |
| Diluted underlying EPS[1] | **442.1** | 444.2 |
| **Discontinued operations earnings per share (EPS)** | | |
| Basic EPS | **119.7** | 44.4 |
| Diluted EPS | **119.1** | 43.3 |
| Basic headline EPS | **69.3** | 44.4 |
| Diluted headline EPS | **68.9** | 43.3 |
| Basic underlying EPS[1] | **69.3** | 44.4 |
| Diluted underlying EPS[1] | **68.9** | 43.3 |
| **Total operations earnings per share (EPS)** | | |
| Basic EPS | **487.3** | 500.1 |
| Diluted EPS | **484.6** | 487.5 |
| Basic headline EPS | **512.3** | 474.5 |
| Diluted headline EPS | **509.4** | 462.5 |
| Basic underlying EPS[1] | **513.9** | 500.1 |
| Diluted underlying EPS[1] | **511.0** | 487.5 |

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

# Notes to the Summarised Consolidated Annual Financial Statements (continued)

for the year ended 31 December 2023

## 8. Earnings per share (continued)

The calculation of basic and diluted EPS, basic and diluted headline EPS and basic and diluted underlying EPS are based on the following data:

| | 2023 Cents per share | 2022 Cents per share |
|---|---|---|
| **Continuing operations** | | |
| Profit for the year | **601.8** | 733.2 |
| Less profit attributable to non-controlling interest | **(62.4)** | (70.5) |
| Profit for the year attributable to equity holders of Mpact | **539.4** | 662.7 |
| **Discontinued operation** | | |
| Profit for the year | **175.7** | 64.6 |
| Profit for the year attributable to equity holders of Mpact | **175.7** | 64.6 |
| **Profit from total operations attributable to equity holders of Mpact** | **715.1** | 727.3 |

| | Gross R'm | Net R'm |
|---|---|---|
| **Continuing operations** | | |
| **2023** | | |
| Profit for the financial year attributable to equity holders of Mpact | | **539.4** |
| Impairment of property, plant and equipment and goodwill (refer to note 9) | **93.4** | **93.1** |
| Loss on derecognition of right-of-use assets and lease liabilities | **0.3** | **0.3** |
| Profit on disposal of tangible assets | **(3.7)** | **(2.7)** |
| Deferred tax effect on gain recognised on the remeasurement to fair value less costs to sell | **20.0** | **20.0** |
| **Headline earnings for the financial year** | | **650.1** |

| | Gross R'm | Net R'm |
|---|---|---|
| **2022** | | |
| Profit for the financial year attributable to equity holders of Mpact | | 662.7 |
| Foreign currency translation reserve reclassified from other comprehensive income | (29.8) | (29.8) |
| Insurance proceeds received in relation to plant and equipment written off | (10.4) | (7.5) |
| **Headline earnings for the financial year** | – | 625.4 |
| **Underlying earnings** | | |
| **2023** | | |
| Profit for the financial year attributable to equity holders of Mpact | | **539.4** |
| Impairment of plant and equipment and goodwill (refer to note 9) | **93.4** | **93.1** |
| Deferred tax effect on gain recognised on the remeasurement to fair value less costs to sell | **20.0** | **20.0** |
| **Underlying earnings for the financial year** | | **652.5** |
| **2022** | | |
| Underlying earnings for the financial year | | 662.7 |

## 8. Earnings per share (continued)

| | Gross R'm | Net R'm |
|---|---|---|
| **Discontinued operation** | | |
| **2023** | | |
| Profit for the financial year attributable to equity holders of Mpact | | 175.7 |
| Gain recognised on the remeasurement to fair value less costs to sell | **(74.0)** | (74.0) |
| **Headline earnings and underlying earnings for the financial year** | | 101.7 |
| **Discontinued operation** | | |
| **2022** | | |
| Profit for the financial year attributable to equity holders of Mpact | | 64.6 |
| **Headline earnings and underlying earnings for the financial year** | | 64.6 |

| | Weighted number of shares 2023 | Weighted number of shares 2022 |
|---|---|---|
| Weighted average number of ordinary shares in issue[2] | **146,753,371** | 145,415,555 |
| Effect of dilutive potential ordinary shares[3] | **829,162** | 3,761,575 |
| **Weighted average number of ordinary shares adjusted for the effect of dilution** | **147,582,533** | 149,177,130 |

2. *The weighted average number of shares takes into account the weighted average effect of changes in treasury shares and the repurchase of shares during the year.*
3. *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.*

## 9. Impairment of goodwill and plant and equipment

At each reporting date or events that give rise, Mpact reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired, excluding goodwill which is annually tested for impairment. 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 have suffered any impairment, in accordance with the stated accounting policy. Tangible and intangible assets are assessed when an impairment indicator exists. 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.

# Notes to the Summarised Consolidated Annual Financial Statements (continued)

for the year ended 31 December 2023

## 9. Impairment of goodwill and plant and equipment (continued)

**CGU impairment testing, key assumptions and significant estimates**

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 2024 to 2026 budgeted results and a reasonable growth rate, 4.9% (2022: 5.4%), applied for a further two years based on market conditions and historic trends. The increase in revenue and input cost assumptions in the budget are derived from a combination of economic and sales forecasts, management projections and historical performance. The EBITDA margin for the five-year forecast is lower than the current year actual EBITDA margin. A perpetuity growth rate was applied based on historical market trends and operating markets. A terminal value growth rate of 4.9% (2022: 5.4%) was used.

Additional key assumptions used in the estimation of the recoverable amount of the CGUs are as follows:

| | Pre-tax discount rate | | Post-tax discount rate | | Revenue growth | |
|---|---|---|---|---|---|---|
| | **2023 %** | 2022 % | **2023 %** | 2022 % | **2023 %** | 2022 % |
| **CGUs** | | | | | | |
| Felixton Paper Mill | **17.8** | 17.6 | **13.8** | 13.8 | **8.9** | 8.1 |
| Corrugated operations | **18.7** | 18.7 | **13.8** | 13.8 | **8.8** | 10.7 |
| FMCG | **20.7** | 18.3 | **13.8** | 13.8 | **9.0** | 11.4 |
| Preforms & Closures | **18.4** | 18.8 | **13.8** | 13.8 | **(0.6)** | 3.7 |

| | **2023 R'm** | 2022 R'm |
|---|---|---|
| **Impairment of goodwill** | | |
| Preforms & Closures[1] | **92.2** | – |
| **Impairment of plant and equipment** | | |
| Recycling[2] | **1.2** | – |
| **Total impairment** | **93.4** | – |

1. *The impairment is due to the expiry of a customer contract which may affect future profitability.*
2. *Related to a specific machine.*

**Sensitivity analysis on CGUs 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 change of more than 5% on the key assumptions is required for the CGUs, except FMCG, to breakeven.

A sensitivity analysis was performed to determine the discount rate and terminal value growth rate which will result in an impairment of FMCG. Each key value driver was determined independently.

| | **Pre-tax discount rate** | **Breakeven pre-tax discount rate[1]** | **Breakeven terminal growth rate[1]** | **Breakeven average increase in revenue** |
|---|---|---|---|---|
| **CGU** | | | | |
| FMCG | **20.7** | **20.7** | **4.9** | **9.0%** |

1. *Refers to the rate at which the carrying value of the CGU will equal the value in use.*

## 10. Inventories

| | 2023 R'm | 2022 R'm |
|---|---|---|
| Raw materials and consumables | **1,202.2** | 1,362.4 |
| Work in progress | **36.4** | 26.2 |
| Finished goods | **760.0** | 590.8 |
| **Total inventories** | **1,998.6** | 1,979.4 |
| Write-down of inventories during the year | **32.8** | 31.7 |
| Reversal of write-down of inventories during the year | **(17.1)** | (8.0) |
| Inventory capitalised to property, plant and equipment | **–** | (0.3) |

Certain inventories are pledged as security for the bank loans (refer to note 13).

## 11. Trade and other receivables

| | 2023 R'm | 2022 R'm |
|---|---|---|
| Trade receivables | | |
| – external | **2,682.7** | 2,619.0 |
| – related parties (refer to note 23) | **124.0** | 88.3 |
| Total trade debtors | **2,806.7** | 2,707.3 |
| Allowance for expected credit losses | **(94.9)** | (84.4) |
| **Net trade receivables** | **2,711.8** | 2,622.9 |
| Other receivables | **111.1** | 215.4 |
| Prepayments and accrued income | **101.6** | 72.3 |
| **Total trade and other receivables** | **2,924.5** | 2,910.6 |

The fair values of trade and other receivables approximate the carrying values presented.

Other receivables consist mainly of rebates from suppliers and deposits.

Certain trade and other receivables are pledged as security for the bank loans (refer note 13).

## 12. Stated capital

| | 2023 R'm | 2022 R'm |
|---|---|---|
| **Authorised** | | |
| 217,500,000 shares of no par value | **–** | – |
| **Issued and fully paid** | | |
| Issue of shares of no par value at beginning of the year | **2,323.6** | 2,323.6 |
| Shares issued[1] | **37.3** | – |
| | **2,360.9** | 2,323.6 |

| | Number of shares 2023 | Number of shares 2023 |
|---|---|---|
| **Reconciliation of the number of shares in issue:** | | |
| Shares in issue at the beginning of the year | **148,175,363** | 148,175,363 |
| Shares issued[1] | **1,278,325** | – |
| **Shares in issue at the end of the year** | **149,453,688** | 148,175,363 |

1. *On 3 May 2023, Mpact Limited issued 1,278,325 shares to participants under the Mpact Share Incentive Scheme at R29.20 per share, as part of the 2020 share award vesting.*

The Directors were not given the authority to buy back Mpact's own shares at the Annual General Meeting held on 1 June 2023.

Included in other reserves are amounts paid by Mpact Limited to Mpact Limited Incentive Schemes Trust for the acquisition of Mpact shares to be utilised in terms of the Share Plans. As at 31 December 2023, the Trust held 2,023,132 (2022: 2,720,519) shares. During the year the Trust bought 2,023,132 shares at an average price of R29.19 and 2,720,519 shares vested to employees in terms of the Share Plans.

# Notes to the Summarised Consolidated Annual Financial Statements (continued)

for the year ended 31 December 2023

## 13. Interest and non-interest-bearing borrowings

| | 2023 R'm | 2022 R'm |
|---|---|---|
| **Secured borrowings** | | |
| – Term Loan A[1] | **250.0** | 250.0 |
| – RCF B[2] | **825.0** | 825.0 |
| – RCF C[3] | **775.0** | 825.0 |
| – Term Loan E[4] | **150.0** | – |
| – RMB General Banking Facility[5] | **1,025.0** | 600.0 |
| – Standard Bank General Banking facility[6] | **270.0** | 200.0 |
| | **3,295.0** | 2,700.0 |
| **Secured instalment loan facilities** | **3.2** | 2.2 |
| | **3,298.2** | 2,702.2 |
| **Unsecured: Minority shareholder loans in subsidiary[7]** | **7.4** | 7.4 |
| **Total borrowings** | **3,305.6** | 2,709.6 |
| ***Less:* Current portion (refer to note 15)** | **(8.3)** | (9.0) |
| Minority shareholder loans | **(7.4)** | (7.4) |
| Instalment loan facilities | **(0.9)** | (1.6) |
| **Non-current borrowings** | **3,297.3** | 2,700.6 |

1. *Incurs interest at three-month JIBAR plus 1.50% and expires in August 2025.*
2. *R242.7 million incurs interest at one-month JIBAR plus 1.50% and R582.3 million incurs interest at three-month JIBAR plus 1.50% and expires in August 2025.*
3. *Incurs interest at one-month JIBAR plus 1.60% and expires in August 2026.*
4. *Incurs interest at three-month JIBAR plus 1.60% and expires in February 2027.*
5. *Incurs interest at prime less 2.5% and expires in August 2026 with a cancellation notice period of 367 days.*
6. *Incurs interest at three-month JIBAR plus 1.65% and expires in December 2025.*
7. *The loan was granted as a shareholder loan which is non-interest-bearing with no fixed date of repayment.*

The debt facilities are provided by Standard Bank, Rand Merchant Bank, Nedbank and Investec. In February 2023, Mpact secured additional R1.45 billion four-year committed debt facilities in order to ensure sufficient headroom during the implementation phase of the Mkhondo Paper Mill project and other additional capital projects. The additional facilities were secured at the same margin and covenants as the previous facilities.

The instalment sales agreements are secured by plant and equipment to which they relate.

Mpact has pledged certain assets as collateral against certain borrowings. The values of these assets as at 31 December 2023 are as follows:

| | 2023 R'm | 2022 R'm |
|---|---|---|
| **Assets pledged as collateral for other borrowings** | | |
| Property, plant and equipment | **3,065.5** | 2,258.4 |
| Inventories | **1,534.8** | 1,582.7 |
| Trade and other receivables | **2,688.4** | 2,328.1 |
| Cash and cash equivalents | **483.0** | 456.9 |
| **Total carrying value of assets pledged as collateral** | **7,771.7** | 6,626.1 |

## 13. Interest and non-interest-bearing borrowings (continued)

The margin on Term Loan A, RCF B and C are variable and are linked to certain sustainability targets. Any margin adjustments are prospectively adjusted. The margins are to be adjusted as follows:

| KPI status | Description | Margin adjustment following the 31 December 2023 performance target date | Margin adjustment following the 31 December 2024 performance target date |
|---|---|---|---|
| Successful completion of Mpact carbon emissions target | GHG emissions (Scope 1 and 2) | -3 basis points | -3 basis points |
| Non-successful completion Mpact carbon emissions target | GHG emissions (Scope 1 and 2) | +3 basis points | +3 basis points |
| Successful completion of Mpact water efficiency target | Water consumption | -2 basis points | -2 basis points |
| Non successful completion of Mpact water efficiency target | Water consumption | +2 basis points | +2 basis points |

Facilities totalling R1,375 million remain committed and undrawn as at 31 December 2023 (2022: R470 million).

Mpact's liquidity is provided through debt facilities which are in excess of the Group's short-term needs. Mpact has approved facilities amounting to R4,670 million (2022: R3,170 million). Mpact has met all its debt covenants for the current financial year.

Certain intercompany loans within Mpact Operations, 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.

## 14. Deferred tax assets/(liabilities)

| | 2023 R'm | 2022 R'm |
|---|---|---|
| **Deferred tax asset** | | |
| At 1 January | 3.7 | 10.3 |
| Credited/(charged) to statement of profit or loss | 72.3 | (3.6) |
| Charged to equity | (3.4) | (3.0) |
| **At 31 December** | 72.6 | 3.7 |
| **Deferred tax liability** | | |
| At 1 January | (227.1) | (217.1) |
| (Charged)/credited to statement of profit or loss | (41.1) | 1.4 |
| Charged to statement of other comprehensive income | (0.3) | (6.0) |
| Charged to equity | (6.1) | (5.4) |
| **At 31 December** | (274.6) | (227.1) |
| **Net deferred tax liability** | (202.0) | (223.4) |

A Group entity has estimated tax losses amounting to R477.3 million (2022: R659.1 million) on which deferred tax assets have not been raised due to its ability to generate future taxable profits. Refer to note 7 for the current year recognition of previously unrecognised tax losses.

## 15. Short-term borrowings

| | 2023 R'm | 2022 R'm |
|---|---|---|
| Minority shareholder loans (refer to note 13) | 7.4 | 7.4 |
| Bank overdrafts | 17.0 | 17.3 |
| Instalment loan facilities (refer to note 13) | 0.9 | 1.6 |
| **Total short-term borrowings** | 25.3 | 26.3 |

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

# Notes to the Summarised Consolidated Annual Financial Statements (continued)

for the year ended 31 December 2023

## 16. Trade and other payables

| | 2023 R'm | 2022 R'm |
|---|---|---|
| Trade payables | **1,379.2** | 1,338.7 |
| Amounts owed to related parties (refer to note 23) | **5.5** | 16.2 |
| Refund liabilities | **317.5** | 244.3 |
| Accruals | **223.4** | 246.8 |
| Staff expenses and staff-related accruals | **309.9** | 300.2 |
| Other payables | **9.7** | 4.0 |
| **Total trade and other payables** | **2,245.2** | 2,150.2 |

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

## 17. Provisions

| | 2023 R'm | 2022 R'm |
|---|---|---|
| Non-current portion of restoration and environmental provision[1] | **2.2** | 4.7 |
| Current portion of restoration and environmental[1] | **16.0** | 12.1 |
| Current portion of dividend equivalent bonus[2] | **2.6** | 3.0 |
| **Total current provisions** | **18.6** | 15.1 |

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 R1.4 million charged to the statement of profit or loss (2022: decrease of R2.2 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 R0.3 million which was recognised in the statement of profit or loss (2022: decrease of R0.9 million).*

## 18. Discontinued operation

**Plastics Trays & Films**

Following a strategic review in 2021, Mpact's Board has decided to sell its Plastic Trays & Films business, Mpact Versapak, as a going concern. Versapak currently forms part of the Plastics Division of Mpact Operations.

On 7 December 2023, Mpact accepted a non-binding offer to purchase Versapak with an interested party. Versapak recorded a gain in the fair value increase on plant and equipment at 31 December 2023.

At 31 December 2023, Versapak was presented as a disposal group held-for-sale and as a discontinued operation. The results for the year are presented below:

| | 2023 R'm | 2022 R'm |
|---|---|---|
| Revenue from contracts with customers | **1,136.5** | 1,107.4 |
| Expenses | **(1,035.8)** | (1,043.3) |
| Gain recognised on the remeasurement to fair value less costs to sell | **74.0** | – |
| **Operating profit** | **174.7** | 64.1 |
| Net finance income | **1.0** | 0.5 |
| **Profit for the year from discontinued operation[1]** | **175.7** | 64.6 |
| The major classes of assets and liabilities of Trays & Films are as follows: | | |
| **Assets** | | |
| Plant and equipment | **140.0** | 44.6 |
| Inventories | **107.7** | 146.7 |
| **Assets held-for-sale** | **247.7** | 191.3 |
| **Liabilities** | | |
| Trade and other payables | **(8.4)** | – |
| Liabilities held-for-sale | **(8.4)** | – |
| Net assets held-for-sale | **239.3** | 191.3 |
| **The net cash flows are as follows:** | | |
| Operating activities | **104.4** | (0.1) |
| Investing activities | **(19.1)** | (12.6) |
| **Net cash inflow/(outflow)** | **85.3** | (12.7) |

1. *Profit for the year is after eliminating intercompany transactions where they were recognised without further adjustment.*

## 19. Consolidated cash flow analysis

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

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

| | 2023 R'm | 2022 R'm |
|---|---|---|
| Profit before taxation from total operations | **1,027.0** | 1,090.3 |
| Profit before taxation from continuing operations | **851.3** | 1,025.7 |
| Profit from discontinued operation | **175.7** | 64.6 |
| **Adjusted for:** | | |
| Depreciation, amortisation and impairments | **627.2** | 508.4 |
| Gain recognised on the remeasurement to fair value less costs to sell | **(74.0)** | – |
| Share-based payments | **39.8** | 39.2 |
| Net finance costs | **283.0** | 183.8 |
| Share of equity accounted investee profit | **(18.3)** | (15.5) |
| Increase in provisions | **(1.9)** | (6.3) |
| Decrease in finance lease asset | **–** | 4.2 |
| Net decrease/(increase) in working capital | **108.4** | (753.8) |
| Decrease/(increase) in inventories | **20.8** | (521.8) |
| Increase in receivables | **(12.4)** | (339.1) |
| Increase in payables | **100.0** | 107.1 |
| Foreign currency translation reserve reclassified from other comprehensive income | **–** | (29.8) |
| Profit on disposal of tangible assets | **(3.7)** | – |
| Fair value change on transactions not qualifying as hedges | **2.4** | 1.4 |
| Amortisation of government grant | **(1.7)** | (5.0) |
| Profit on disposal of right-of-use assets and lease liabilities | **0.3** | – |
| **Cash generated from operations** | **1,988.5** | 1,016.9 |

| | | 2023 R'm | 2022 R'm |
|---|---|---|---|
| **(b)** | **Taxation paid** | | |
| | Opening balance – net receivable | **2.1** | 12.0 |
| | Current tax charge for the year | **(280.7)** | (290.3) |
| | Tax effects on share-based payments | **33.1** | 8.6 |
| | Closing balance – net payable/(receivable) | **32.4** | (2.1) |
| | | **(213.1)** | (271.8) |
| **(c)** | **Cash and cash equivalents** | | |
| | Cash and cash equivalents per current assets | **881.5** | 612.1 |
| | Bank overdrafts[1] | **–** | (17.3) |
| | **Net cash and cash equivalents per statement of cash flows** | **881.5** | 594.8 |

1. *In the current financial year bank overdrafts were considered to be part of Mpact's borrowing facilities.*

The fair value of cash and cash equivalents approximate the values presented. There are no restrictions placed on Mpact's cash balances.

## 20. 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:

| | 2023 R'm | 2022 R'm |
|---|---|---|
| Contracted for | **566.6** | 629.2 |
| Approved, not yet contracted for | **1,434.6** | 2,245.4 |
| **Total capital commitments** | **2,001.2** | 2,874.6 |

The capital commitments will be financed from existing cash resources, unutilised and additional borrowing facilities. Commitments of R1,719.2 million (2022: R1,603.0 million) will be spent in the next 12 months. The balance of R282.0 million (2022: R1,271.6 million) will be spent over five years.

# Notes to the Summarised Consolidated Annual Financial Statements (continued)

for the year ended 31 December 2023

## 21. Contingent liabilities, contingent assets and performance guarantees

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 are 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.

**Performance guarantees disclosure**

(a) Contingent liabilities for Mpact comprise aggregate amounts at 31 December 2023 of R21.8 million (2022: R31.7 million) in respect of guarantees given to municipalities and other third parties.

**Contingent liabilities disclosure**

(b) 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. Financial risk management

| | 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 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| **2023** | | | | | |
| Trade and other receivables[1] | | **2,822.9** | **–** | **–** | **2,822.9** |
| Loans receivable | **Level 3** | **36.4** | **–** | **–** | **36.4** |
| Derivative financial instruments | **Level 2** | **–** | **0.6** | **–** | **0.6** |
| Cash and cash equivalents[1] | | **881.5** | **–** | **–** | **881.5** |
| **Total** | | **3,740.8** | **0.6** | **–** | **3,741.4** |
| **2022** | | | | | |
| Trade and other receivables[1] | | 2,838.3 | – | – | 2,838.3 |
| Loans receivable | Level 3 | 37.8 | – | – | 37.8 |
| Derivative financial instruments | Level 2 | – | 3.7 | – | 3.7 |
| Cash and cash equivalents[1] | | 612.1 | – | – | 612.1 |
| **Total** | | 3,488.2 | 3.7 | – | 3,491.9 |

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

## 22. Financial risk management (continued)

| | Fair value hierarchy R'm | At fair value through profit or loss R'm | At amortised cost R'm | Total R'm |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| **2023** | | | | |
| Borrowings | **Level 3** | **–** | **(3,322.6)** | **(3,322.6)** |
| Lease liabilities | **Level 3** | **–** | **(224.4)** | **(224.4)** |
| Trade and other payables[1] | | **–** | **(2,245.2)** | **(2,245.2)** |
| Derivative financial instrument | **Level 2** | **(3.4)** | **–** | **(3.4)** |
| **Total** | | **(3.4)** | **(5,792.2)** | **(5,795.6)** |
| 2022 | | | | |
| Borrowings | Level 3 | – | (2,726.9) | (2,726.9) |
| Lease liabilities | Level 3 | – | (211.9) | (211.9) |
| Trade and other payables[1] | | – | (2,150.2) | (2,150.2) |
| Derivative financial instrument | Level 2 | (4.2) | – | (4.2) |
| **Total** | | (4.2) | (5,089.0) | (5,093.2) |

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

## 23. 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.

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

| | 2023 R'm | 2022 R'm |
|---|---|---|
| Sales to joint arrangement | **0.7** | 2.1 |
| Sales to associates | **404.2** | 384.3 |
| Dividend income from associates | **18.9** | – |
| Purchases from associates | **1.6** | 3.2 |
| Loan to joint arrangement | **2.6** | 4.8 |
| Receivables due from joint arrangement (see note 11) | **13.8** | 3.4 |
| Receivables due from associates[1] (see note 11) | **110.2** | 84.9 |
| Payables due to associates (see note 16) | **5.5** | 16.2 |

1. *Payment terms are between 30 to 90 days.*

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

## 24. Events occurring after the reporting date

The Board declared an ordinary dividend of 75 cents per share on 7 March 2024 payable on 8 April 2024 to shareholders registered on 5 April 2024.

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