mpact

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Mpact Limited Unaudited Condensed Consolidated Interim Results

for the six months ended 30 June 2020

Closing the loop

Mpact Limited
(Incorporated in the Republic of South Africa)
(Company registration number 2004/025229/06)
Income tax number: 9003862175
JSE Share Code: MPT JSE ISIN: ZAE 000156501
("Mpact" or "the Group" or "the Company")

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

SALIENT FEATURES FROM CONTINUING OPERATIONS

- Strong cash generated by operations of R698 million (June 2019: R101 million)
- Revenue decreased by 1.4% to R5,062 million (June 2019: R5,132 million)
- EBITDA of R396 million (June 2019: R575 million)
- Return on Capital Employed (ROCE) of 9.4% (June 2019: 11.5%)
- Underlying earnings per share of 9 cents (June 2019: 57 cents)
- No interim dividend declared
- Retained Level 1 B-BBEE rating for main operating entity, Mpact Operations (Pty) Ltd

COMPANY PROFILE

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

As at 30 June 2020, Mpact employed 5,026 people (June 2019: 5,187 people) and had 40 operating sites, 20 of which are manufacturing operations, located in South Africa, Namibia, and Mozambique. Sales in South Africa account for approximately 86% of Mpact's total revenue for the current period while the balance was predominantly to customers in the rest of Africa.

GROUP PERFORMANCE

The events over the past six months have been unprecedented. The period started with persistent external electricity supply interruptions across the country, exacerbating the effects of an already weak economy and an oversupply of recycled containerboard. Then we faced the outbreak of the coronavirus disease (Covid-19) and the nationwide lockdown imposed by Government, which started on 27 March 2020.

Group revenue from continuing operations for the six months decreased by 1.4% compared to the same period last year to R5.06 billion, due to lower average selling prices in the Paper business, and declines in sales attributable to the lockdown. External sales volumes decreased by 4.7%.

For the duration of the lockdown, all divisions within Mpact have been designated as essential service providers due to Mpact being one of the critical supply chain links in the South African economy, producing paper and packaging for food, pharmaceuticals and other essential products. As such, most of Mpact's facilities have remained operational since the start of the lockdown.

Mpact's first priority is to provide and maintain a safe and healthy work environment for all of its employees. To this end, a comprehensive plan of action with stringent safety and hygiene practices to mitigate the risks associated with the pandemic was implemented across all operations in addition to the strict pre-existing health and safety measures.

Not all packaging manufactured by Mpact is used for purposes of packaging essential goods. Consequently, non-essential production lines, such as those producing packaging for quick-service restaurants (QSR) and alcoholic beverages, did not operate at all times during the lockdown period. Additionally, the lockdown has had a negative impact on demand for other paper and plastics packaging products and for recycled paper, plastic and glass.

As a result, sales volumes from continuing operations for the second quarter (April, May and June 2020), declined by 6.4% when compared to the same prior year period.

In response to these challenges, numerous measures have been implemented to reduce costs and conserve cash. Cash reserves have been closely managed through, *inter alia*, monitoring available banking facilities, debtors' payments, inventory levels and postponing non-essential capital expenditure. Other cost initiatives included negotiating reduced rentals, employees agreeing to salary reductions, reviewing non-essential contracts and temporarily closing production lines, where necessary.

All employees responded exceptionally well to the changing environment, despite very challenging circumstances. Operations adjusted work schedules to account for reduced demand, with employees taking leave where short-time was necessitated. Covid Compliance Officers have been appointed for each business, and related health and safety protocols have been formalised across the Group through workplace plans, in accordance with government regulations. We have also worked very closely with our primary healthcare providers to educate employees and to increase primary healthcare and employee wellness support at the operations. Employees are provided with family packs, which include sanitizers and vitamins to help protect them and their families at home.

Our interventions have extended well beyond our operations. We have continued to make a tangible difference in our communities through innovation and caring for the less fortunate. Mpact Recycling repurposed some of its collection fleet during the initial lockdown stages to deliver meals, vouchers, face shields and other supplies to many waste reclaimers who were unable to work at that stage.

In April, Mpact Plastics developed, prototyped and produced new face shields in a matter of weeks for use by health care workers and others, to address the pressing need to reduce the spread of the virus. The shield, produced from polyethylene terephthalate and polypropylene, both fully recyclable materials, was very well accepted in the market, with additional variations for schoolchildren added in May. In June, 25,000 face shields were donated to the Gauteng Department of Health and 6,000 to waste reclaimers, and they have also been provided to all Mpact employees. Demonstrating again that our purpose at Mpact goes beyond making packaging, we make a difference.

Despite our best efforts, it was not possible to reduce costs in proportion to the decline in gross profit.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) decreased by 31.1% to R395.7 million (June 2019: R574.5 million) mainly attributable to the weak economic conditions combined with lower margins in the Paper business due to subdued international demand for recycled containerboard and lower average selling prices, which were already evident at the beginning of the period. Profits were also adversely impacted by persistent external electricity supply interruptions at several operations since the beginning of the year. Underlying operating profit (EBIT) of R126.9 million was 50.3% lower than the prior period (June 2019: R255.2 million).

Notwithstanding the difficult trading conditions, Mpact generated strong cash flow from operations of R698 million (June 2019: R101 million), and met all its debt covenants. The Group's net debt as at 30 June 2020, which includes lease liabilities, was R1.94 billion (30 June 2019: R2.70 billion) while total borrowing facilities amount to R2.8 billion.

The Group once again achieved a level 1 B-BBEE rating for its main operating entity, Mpact Operations (Pty) Ltd.

Paper business

Revenue in the Paper business of R4.0 billion was 1.7% lower than the same prior year period (June 2019: R4.1 billion). Sales volumes decreased by 4.8%, with lower domestic sales volumes offset by a 66.3% increase in exports at lower average prices.

Sales volumes in the Paper Converting business declined by 6.7% with good growth in the fruit sector offset by declines in the other sectors due to the lockdown. Paper Mill sales volumes increased by 15.8% due primarily to exports of rolled recovered paper pulp. Excluding rolled pulp, mill sales increased by 1.9%, with a decline in the domestic market offset by an increase in exports of containerboard. Recycling sales volumes including rolled pulp declined by 11.8%. Imports of containerboard by customers increased during the six-month period.

Second quarter sales volumes for the Paper business decreased by 6.5% due to lockdown related declines in the QSR, beverage, tobacco and recycling sectors. Paper Converting and Recycling volumes declined by 13.1% and 37.4% respectively, while Paper Mill sales increased by 26.7% due to exports.

Underlying operating profit of R184.0 million was 37.8% below the prior period (June 2019: R295.9 million) mainly due to lower Paper Mill margins, the effects of lockdown and electricity supply interruptions. The Springs paper mill lost 22 production days in the period at a cost of approximately R27 million due to the catastrophic failure of a municipal sub-station in Ekurhuleni. While an insurance claim has been submitted, no insurance proceeds have been received or accounted for in the interim results.

Plastics business

Revenue of R1.1 billion was in line with the prior period with higher average selling prices offset by a 3.9% decline in sales volumes. Good volume growth in Bins & Crates and FMCG was offset by declines in Preforms & Closures and Trays & Films.

Lower demand from the beverage and QSR sectors during the lockdown led to volume decreases of 22.3% and 15.2% respectively in Preforms & Closures and Trays & Films in the second quarter, when compared to the same prior year period. FMCG volumes increased by 15% in in the second quarter on the back of robust demand for pharmaceutical, food, homecare and personal care packaging. Growth in Bins & Crates was underpinned by a new contract for beverage crates secured during the course of last year.

The Plastics business made an underlying operating loss of R17.7 million compared to a break-even in the same period last year. This is due primarily to provisions for inventory and bad debt write-downs of R37 million and R5 million respectively, and a sharp contraction in sales of preforms and closures during the second quarter. Of the inventory provision, R27 million is for slow moving regrind raw material in Trays & Films with the balance attributable to exported jumbo bins. The restructuring of the Trays & Films business has been completed with the inventory provisions detracting from an otherwise good year-on-year improvement in EBITDA, despite lower volumes. The sale of face shields, a development that was completed in record time in order to assist in the fight against the virus, also contributed positively. Underlying operating profits improved in FMCG and Bins & Crates.

Net finance costs

Net finance costs from continuing operations decreased by 22.8% to R94.8 million (June 2019: R122.8 million) due to lower interest rates and a lower average net debt.

Tax

The effective tax rate was 28.6% (June 2019: 29.1%).

Earnings per share

Basic earnings per share (EPS) and headline earnings per share (HEPS) for the period were 9.0 cents (June 2019: 57.8 cents) and 8.4 cents (June 2019: 56.6 cents), respectively. Underlying EPS decreased by 84.2% to 9.0 cents (June 2019: 57.0 cents).

Net debt

Despite the challenging trading conditions, Mpact generated R417 million of cash before the repayment of borrowings compared to a cash outflow of R301 million in the prior period, through strict working capital management, postponing non-essential capital expenditure and stringent cost-containment initiatives. Cash generated by operations was R698 million (June 2019: R101 million). The Group's net debt as at 30 June 2020, which includes lease liabilities, was R1.94 billion (30 June 2019: R2.70 billion; 31 December 2019: R2.29 billion). In July 2020, Mpact secured an additional R210 million general banking facility from Nedbank, bringing the Group's total borrowing facilities to approximately R2.8 billion.

The Group met all of its debt covenants.

OUTLOOK

The outlook for the remainder of the financial year remains uncertain given the extent of the lockdown measures imposed by Government in an already fragile economy, coupled with ongoing power outages.

There was some recovery in QSR demand in July, but the beverage and tobacco sectors remain weak. We expect good demand for fruit packaging in the second half and improved demand in other sectors as lockdown regulations are eased.

While global containerboard and cartonboard prices appear to be rising off a low base, the market remains in oversupply.

Mpact's strong balance sheet and experienced management team gives us confidence that the Group will be able to navigate these challenges. Our focus will continue to be on cash preservation through strict working capital management, the postponement of non-essential capital expenditure and implementing additional cost-containment initiatives to mitigate the effects of the weak market.

Mpact's integrated business model is uniquely focused on closing the loop in paper and plastic packaging. We will continue with product innovation initiatives and work with our customers to develop new markets to ensure that our business is well positioned for any recovery.

Cash dividend

The Board has resolved to preserve cash resources, given the uncertainty of the impact of the lockdown and Covid-19 pandemic. As a result, no interim dividend for the six months ended 30 June 2020 was declared.

The final cash dividend of 42 cents (33.60 cents net of dividend withholding tax) per ordinary share for the year ended 31 December 2019 will be paid on 7 September 2020, in accordance with the details announced on SENS on 30 April 2020.

Change in Group Company Secretary

Ms Donna Dickson was appointed as Group Company Secretary with effect from 1 May 2020.

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

5 August 2020

Condensed consolidated interim statement of profit or loss and other comprehensive income

for the six months ended 30 June 2020

	Note	Unaudited Six months ended 30 June 2020 R'm	Unaudited Restated[1] Six months ended 30 June 2019 R'm	Audited Year ended 31 December 2019 R'm
Continuing Operations				
Revenue from contracts with customers	5	**5,062.3**	5,131.9	11,076.3
Material, energy and fixed overhead recovery		**(2,858.9)**	(2,750.0)	(6,007.5)
Variable selling expenses		**(436.0)**	(419.5)	(869.3)
Administration and other operating expenses		**(1,371.6)**	(1,387.9)	(2,833.5)
Depreciation, amortisation and impairment		**(268.9)**	(319.3)	(1,942.0)
Operating profit/(loss)	6	**126.9**	255.2	(576.0)
Share of profit/(loss) from equity accounted investees		**0.4**	(4.0)	17.1
Gain on acquisition of subsidiary	15	**–**	1.3	1.3
Net loss on sale of associates	16	**–**	–	(3.0)
Impairment of non-current financial asset		**(7.0)**	–	–
Profit/(loss) from operations and equity accounted investees		**120.3**	252.5	(560.6)
Net finance costs		**(94.8)**	(122.8)	(245.3)
Investment income		**5.7**	10.5	19.4
Finance costs	7	**(100.5)**	(133.3)	(264.7)
Profit/(loss) before taxation		**25.5**	129.7	(805.9)
Taxation		**(7.3)**	(25.1)	83.9
Profit/(loss) for the period from continuing operations		**18.2**	104.6	(722.0)
Discontinued Operation				
Loss for the period from discontinued operation	14	**–**	(43.4)	(162.5)
Total Operations				
Profit/(loss) for the period from total operations		**18.2**	61.2	(884.5)
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains on post-retirement benefit schemes		**–**	–	1.3
Tax effect		**–**	–	(0.4)
Items that may be reclassified subsequently to profit or loss				
Effect of cash flow hedges		**(58.9)**	0.8	2.1
Tax effect		**16.5**	(0.2)	(0.6)
Reclassification of cash flow hedge reserve to profit and loss		**–**	–	2.3
Tax effect		**–**	–	(0.6)
Other comprehensive (loss)/income for the period net of tax		**(42.4)**	0.6	4.1
Total comprehensive (loss)/income for the period		**(24.2)**	61.8	(880.4)
Profit/(loss) attributable to:				
Equity holders of Mpact		**15.4**	68.7	(822.3)
Non-controlling interests		**2.8**	(7.5)	(62.2)
Profit/(loss) for the period		**18.2**	61.2	(884.5)
Total comprehensive (loss)/income attributable to:				
Equity holders of Mpact		**(27.0)**	69.3	(818.2)
Non-controlling interests		**2.8**	(7.5)	(62.2)
Total comprehensive (loss)/income for the period		**(24.2)**	61.8	(880.4)
Earnings per share (EPS) for profit attributable to equity holders of Mpact	8			
Basic EPS (cps) from continuing operations		**9.0**	57.8	(443.7)
Diluted EPS (cps) from continuing operations		**9.0**	57.6	(443.2)
Basic EPS (cps) from discontinued operation		**–**	(17.6)	(37.1)
Diluted EPS (cps) from discontinued operation		**–**	(17.5)	(37.0)

[1] *Details of the restatement are contained in note 2 to the financial statements.*

Condensed consolidated interim statement of financial position

as at 30 June 2020

	Note	**Unaudited as at 30 June 2020 R'm**	Unaudited as at 30 June 2019 R'm	Audited as at 31 December 2019 R'm
ASSETS				
Goodwill and other intangible assets		**562.4**	1,124.0	568.6
Property, plant and equipment		**2,780.0**	3,728.7	2,828.6
Right-of-use assets		**291.1**	377.2	270.7
Investments in equity accounted investees		**38.4**	51.8	41.4
Financial asset investments		**94.5**	91.4	97.0
Derivative financial instruments		**–**	–	0.5
Deferred tax assets		**9.3**	7.2	10.8
Non-current assets		**3,775.7**	5,380.3	3,817.6
Inventories		**1,735.3**	1,999.9	1,885.3
Trade and other receivables		**2,185.2**	2,261.1	2,236.3
Financial assets		**13.7**	–	17.3
Cash and cash equivalents		**387.7**	157.0	447.1
Derivative financial instruments		**5.0**	2.7	2.7
Current tax receivable		**21.8**	24.0	18.9
Current assets		**4,348.7**	4,444.7	4,607.6
Total assets		**8,124.4**	9,825.0	8,425.2
EQUITY AND LIABILITIES				
Capital and reserves				
Stated capital	9	**2,669.2**	2,669.2	2,669.2
Retained earnings		**740.9**	1,709.7	788.0
Reserves		**(17.1)**	24.8	33.5
Total attributable to equity holders of Mpact		**3,393.0**	4,403.7	3,490.7
Non-controlling interests in subsidiaries		**245.3**	147.6	256.1
Total equity		**3,638.3**	4,551.3	3,746.8
Interest and non-interest-bearing borrowings	10	**1,955.8**	1,390.1	2,382.3
Lease liabilities		**302.7**	371.1	249.1
Retirement benefits obligation		**40.2**	40.7	39.9
Deferred tax liabilities		**78.0**	242.4	95.7
Deferred income		**10.6**	15.2	12.5
Derivative financial instruments		**58.4**	3.0	–
Non-current liabilities		**2,445.7**	2,062.5	2,779.5
Short-term portion of borrowings	10	**23.4**	1,332.3	35.5
Lease liabilities		**43.4**	63.7	72.0
Trade and other payables		**1,882.6**	1,801.2	1,766.7
Dividend payable		**72.8**	–	–
Provisions		**10.3**	4.2	9.5
Deferred income		**4.6**	5.5	5.5
Derivative financial instruments		**3.0**	3.5	4.1
Current tax liabilities		**0.3**	0.8	5.6
Current liabilities		**2,040.4**	3,211.2	1,898.9
Total liabilities		**4,486.1**	5,273.7	4,678.4
Total equity and liabilities		**8,124.4**	9,825.0	8,425.2

Condensed consolidated interim statement of changes in equity

for the six months ended 30 June 2020

	Stated capital R'm	Share-based payment reserve R'm	Cash flow hedge reserve R'm	Post-retirement benefit reserve R'm	Other reserves[1] R'm	Retained earnings R'm	Total attributable to equity holders of Mpact Limited R'm	Non-controlling interest R'm	Total equity R'm
Balance at 31 December 2018 (audited)	**2,669.2**	**50.9**	**(2.9)**	**26.5**	**(47.9)**	**1,722.3**	**4,418.1**	**110.8**	**4,528.9**
Total comprehensive income for the period	–	–	0.6	–	–	68.7	69.3	(7.5)	61.8
Dividends paid[2]	–	–	–	–	–	(94.3)	(94.3)	–	(94.3)
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	(9.4)	(9.4)
Purchase of preference shares by non-controlling interest	–	–	–	–	–	–	–	15.5	15.5
Acquisition of subsidiaries with non-controlling interest (see note 15)	–	–	–	–	–	–	–	38.2	38.2
Share plan charges for the period	–	15.5	–	–	–	–	15.5	–	15.5
Issue/exercise of shares under employee share scheme	–	(28.7)	–	–	10.8	13.0	(4.9)	–	(4.9)
Balance at 30 June 2019 (unaudited)	**2,669.2**	**37.7**	**(2.3)**	**26.5**	**(37.1)**	**1,709.7**	**4,403.7**	**147.6**	**4,551.3**
Total comprehensive loss for the period	–	–	2.6	0.9	–	(891.0)	(887.5)	(54.7)	(942.2)
Dividends paid[2]	–	–	–	–	–	(30.9)	(30.9)	–	(30.9)
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	(1.2)	(1.2)
Purchase of treasury shares	–	–	–	–	(7.8)	–	(7.8)	–	(7.8)
Share plan charges for the period	–	13.1	–	–	–	–	13.1	–	13.1
Issue/exercise of shares under employee share scheme	–	–	–	–	(0.1)	0.2	0.1	–	0.1
De-consolidation of subsidiary	–	–	–	–	–	–	–	164.4	164.4
Balance at 31 December 2019 (audited)	**2,669.2**	**50.8**	**0.3**	**27.4**	**(45.0)**	**788.0**	**3,490.7**	**256.1**	**3,746.8**
Total comprehensive loss for the period	–	–	(42.4)	–	–	15.4	(27.0)	2.8	(24.2)
Dividends declared[2]	–	–	–	–	–	(72.8)	(72.8)	–	(72.8)
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	(13.6)	(13.6)
Share plan charges for the period	–	6.4	–	–	–	–	6.4	–	6.4
Issue/exercise of shares under employee share scheme	–	(28.2)	–	–	13.6	10.3	(4.3)	–	(4.3)
Balance at 30 June 2020 (unaudited)	**2,669.2**	**29.0**	**(42.1)**	**27.4**	**(31.4)**	**740.9**	**3,393.0**	**245.3**	**3,638.3**

[1] *Other reserves consist of foreign currency translation reserve, treasury shares and fair value adjustments to equity investments.*
[2] *Dividends declared amounted to R72.8 million (30 June 2019: R94.3 million, 31 December 2019: R125.2 million).*

Condensed consolidated interim statement of cash flows

for the six months ended 30 June 2020

	Note	**Unaudited Six months ended 30 June 2020 R'm**	Unaudited Six months ended 30 June 2019 R'm	Audited Year ended 31 December 2019 R'm
Cash flows from operating activities				
Operating cash flows before movements in working capital		**393.5**	567.2	1,343.6
Net decrease/(increase) working capital		**304.4**	(487.4)	(357.2)
Cash generated from operations	18	**697.9**	79.8	986.4
Dividends from equity accounted investees		**3.4**	4.4	9.3
Taxation paid		**(19.6)**	(31.9)	(64.7)
Net cash inflows from operating activities		**681.7**	52.3	931.0
Cash flows from investing activities				
Acquisition of subsidiary	15	**–**	0.2	0.2
Additions to property, plant and equipment and intangibles assets		**(161.1)**	(246.6)	(592.4)
Other investing activities		**9.1**	20.8	20.0
Net cash outflows from investing activities		**(152.0)**	(225.6)	(572.2)
Cash flows from financing activities				
Repayment of borrowings		**(1,187.0)**	(121.1)	(2,706.1)
Proceeds from borrowings raised		**760.0**	–	2,585.0
Repayment of lease liabilities[1]		**(37.6)**	(36.6)	(77.9)
Finance costs paid		**(99.4)**	(133.3)	(295.8)
Purchase of treasury shares		**–**	–	(7.8)
Dividends paid to Mpact shareholders		**–**	(94.3)	(125.2)
Other financing activities		**(13.6)**	6.2	4.9
Net cash outflows from financing activities		**(577.6)**	(379.1)	(622.9)
Net decrease in cash and cash equivalents		**(47.9)**	(552.4)	(264.1)
Net cash and cash equivalents at beginning of period[2]		**430.6**	694.7	694.7
Net cash and cash equivalents at end of period[2]		**382.7**	142.3	430.6

[1] *The total cash outflow for leases recognised under IFRS 16 is R53.4 million (30 June 2019: R56.3 million, 31 December 2019: R115.6 million).*

[2] *Net cash and equivalents comprise of cash and cash equivalents of R387.7 million (30 June 2019: R157.0 million, 31 December 2019: R447.1 million) and bank overdrafts of R5.0 million (30 June 2019: R14.7 million, 31 December 2019: R16.5 million).*

Notes to condensed consolidated interim financial statements

for the six months ended 30 June 2020

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards and contain information required by IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB). The condensed consolidated interim financial statements are in compliance with the JSE Limited's Listings Requirements, the South African Companies Act, 2008, the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The condensed consolidated interim financial statements are presented in South African Rand, which is the Group's functional currency.

The condensed consolidated interim financial statements have been prepared on the historical cost basis, with the exception of certain financial instruments measured at fair value. The results of the interim period should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

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

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

The preparation of the Group's consolidated results for the half year ended 30 June 2020 was supervised by the Chief Financial Officer, BDV Clark CA(SA). These results are unaudited and unreviewed.

2. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant accounting policies

The accounting policies and methods of computation used are in terms of International Financial Reporting Standards (IFRS) and are consistent with those applied in the preparation of the annual consolidated financial statements for the year ended 31 December 2019.

The following amendments were adopted in the current period:

- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Amendments to References to the Conceptual Framework in IFRS Standards

These amendments had no impact on the consolidated financial statements nor is there expected to be any future impact to the Group.

Significant accounting judgements, estimates and assumptions

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements for the year ended 31 December 2019 except for the calculation of the expected credit loss, refer to note 3 disclosure on impairment of financial assets.

Restatement to the consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2019

Classification of Mpact Polymers Proprietary Limited (Polymers) as a discontinued operation

The Group classified Polymers as a discontinued operation in the prior financial year. Refer to note 14 to evaluate the financial effects of the reclassification.

Change in presentation (Reclassification error)

The Group had changed the presentation of expenses from a hybrid basis to a nature basis in respect of the 2019 annual financial statements which resulted in a restatement of the Statement of Profit or Loss for the year ended 31 December 2019. Such restatement has also been applied to the consolidated interim financial statements for the period ended 30 June 2019. The change in the presentation had no impact to operating profit, profit for the year or any other earnings measures.

The change in presentation has resulted in a decrease in cost of sales, which was previously reported as an aggregated amount of R3,206.3 million, offset by an increase in material, energy and fixed overhead recovery of R2,750.0 million and an increase in variable selling expenses of R419.5 million which are now separately presented on the face of the statement of profit or loss. A further R36.8 million was reclassified due to the classification of Polymers as a discontinued operation.

Depreciation, amortisation and impairment which was previously disclosed within administrative and other operating expenses is disclosed as a separate item on the statement of profit or loss.

3. SIGNIFICANT EVENT

The measures imposed by government since the end of March to curb the spread of the Covid-19 pandemic further reduced overall demand for most products. Sales to quick-service restaurants, beverage, tobacco and recycling sectors declined significantly.

The Group has implemented numerous measures to reduce costs and conserve cash. Cash reserves are closely managed through, *inter alia*, monitoring available banking facilities, debtors' payments, inventory levels and postponing non-essential capital expenditure. Other cost initiatives include negotiating reduced rentals, employees agreeing to salary reductions, reviewing non-essential contracts and temporarily closing production lines, where necessary.

Revenue and underlying EBIT

The effect of Covid-19 on the above categories are disclosed under the commentary to the interim financial statements.

Inventory valuation

The Group assessed the valuation of inventory as at 30 June 2020. For the current period, an additional provision for the write down of inventories of R37 million was charged to the statement of profit or loss. All items of inventory are held at the lower of cost or net realisable value.

Impairment of non-financial assets

Lower profitability and cash flows from operations which are influenced by the pandemic are likely indicators of impairments of goodwill and property, plant and equipment. During the prior year, the Group's impairment evaluation on its cash generating units and operating segments resulted in approximately R1.3 billion of plant and equipment and goodwill being impaired.

Impairment of financial assets

Customers' balances are reviewed frequently and when payment is overdue all orders are placed on hold. The Group has provided expected credit loss provision (ECL) for customers that may default on payment together with additional provisions per the Group's provision matrix. The Group's exposure to credit risk is influenced mainly by the customers' characteristics. No single customer represents more than 5% of total trade receivables. Customers that were severely affected by the lockdown, e.g. fast food customers, approached the Group for extended credit terms which were negotiated.

Change in estimate

The Group measures ECL on trade debtors' quantitative and qualitative information based on the Group's historical experience, informed credit assessment on specific customers and/or industrial sectors and information available at the reporting date about current economic conditions and forecasts of future economic conditions. Due to the financial uncertainty arising from Covid-19, the Group has increased the expected loss rates for trade receivables based on its judgement as to the impact of Covid-19 and the subdued economy on trade receivables. In addition, certain individual customers (where there is objective evidence of credit impairment) have been identified as having a significantly elevated credit risk and have been provided for on a specific basis. However, it must be noted that it is challenging to determine the full extent of the impact as Covid-19 and the ECL presented are subject to this uncertainty and could differ from the actual impairments incurred in the future. The total ECL provision increased by R4.1 million.

Working capital

Through various interventions, working capital decreased by R304 million.

Going concern

As part of the directors' consideration of the appropriateness of adopting the going concern basis in preparing the interim financial statement for the six months ended 30 June 2020, liquidity and solvency tests were performed based on the Group's latest forecast for the next twelve months. The assumptions used in the forecast were based on the estimated potential impact of Covid-19 restrictions and regulations. The forecast assumed no structural changes to the business.

The Group's net debt as at 30 June 2020 was approximately R1.94 billion (30 June 2019: R2.70 billion; 31 December 2019: R2.29 billion). In July 2020, the Group secured an additional R210 million general banking facility from Nedbank, bringing the Group's total borrowing facilities to approximately R2.8 billion.

The Group met its two bank covenants based on a rolling 12-month period ending 30 June 2020 and is forecast to meet these covenants for the year ending 31 December 2020.

All of the Group's businesses are currently operational. A comprehensive plan of action with stringent safety and hygiene practices to mitigate the risk associated with Covid-19 has been implemented across all operations in addition to strict pre-existing health and safety measures. No external customer accounts for more than 5% of the Group's total revenue.

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

Notes to condensed consolidated interim financial statements continued

for the six months ended 30 June 2020

4. SEASONALITY

Seasonal effects in the Group's markets have historically resulted in higher revenue and operating profits for the second half, when compared to the first half of the financial year.

5. SEGMENT INFORMATION

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive committee, being the chief operating decision-making body. The Group has two reportable segments namely, Paper and Plastics.

Management has regard to certain operating segment measures in making resource allocation decisions and monitoring segment performance. The operating segment measures required to be disclosed under IFRS 8: operating segments adhere to the recognition and measurement criteria presented in the Group's accounting policies. All goods sold to customers occur at a point in time.

	Unaudited Six months ended 30 June 2020 R'm	Unaudited Restated Six months ended 30 June 2019 R'm	Audited Year ended 31 December 2019 R'm
Group segment analysis			
Revenue			
Paper	**4,005.9**	4,078.3	8,726.9
Plastics	**1,070.9**	1,075.6	2,385.8
Revenue before inter-segment revenue	**5,076.8**	5,153.9	11,112.7
Less: Inter-segment revenue	**(14.5)**	(22.0)	(36.4)
Total	**5,062.3**	5,131.9	11,076.3
External revenue by product type			
Recycled containerboard, cartonboard and other materials	**1,880.4**	2,015.6	3,640.5
Corrugated packaging, bags and sacks	**2,111.0**	2,040.7	5,050.2
Plastic packaging solutions	**1,070.9**	1,075.6	2,385.6
Total	**5,062.3**	5,131.9	11,076.3
External revenue by location of customer			
South Africa (country of domicile)	**4,371.4**	4,583.2	9,931.0
Rest of Africa	**571.0**	484.4	1,057.5
Rest of World	**119.9**	64.3	87.8
Total	**5,062.3**	5,131.9	11,076.3
Operating segment underlying operating profit/(loss)			
Paper	**184.0**	295.9	716.2
Plastics	**(17.7)**	0.1	82.8
Corporate	**(39.4)**	(40.8)	(75.3)
Operating profit before special items (underlying EBIT)	**126.9**	255.2	723.7
Special items[1]	**–**	–	(1,299.7)
Gain on acquisition of subsidiary	**–**	1.3	1.3
Share of equity accounted investee's profit/(loss)	**0.4**	(4.0)	17.1
Net loss on sale of associates	**–**	–	(3.0)
Impairment of non-current financial asset	**(7.0)**	–	–
Net finance cost	**(94.8)**	(122.8)	(245.3)
Profit/(loss) before tax	**25.5**	129.7	(805.9)
Assets			
Paper	**5,620.9**	5,604.9	5,535.2
Plastics	**1,489.9**	1,935.1	1,638.3
Corporate[2]	**1,013.6**	2,285.0	1,251.7
Total assets	**8,124.4**	9,825.0	8,425.2

[1] *30 December 2019: Consist of impairment of property, plant and equipment of R742.4 Million, impairment of goodwill and intangible assets of R549.3 million and restructure costs of R8.0 million.*

[2] *Includes intangible and other non-operating assets.*

Notes to condensed consolidated interim financial statements continued

for the six months ended 30 June 2020

6. OPERATING PROFIT/(LOSS)

	Unaudited Six months ended 30 June 2020 R'm	Unaudited Restated Six months ended 30 June 2019 R'm	Audited Year ended 31 December 2019 R'm
Included in operating profit/(loss) are:			
Depreciation, amortisation and impairments	**268.9**	319.3	1,942.0
Amortisation of intangible assets	**6.1**	7.7	13.8
Depreciation of property, plant and equipment	**220.3**	264.4	543.1
Depreciation of right-of-use assets	**42.5**	47.2	93.4
Impairment of goodwill	**–**	–	548.7
Impairment of intangible assets	**–**	–	0.6
Impairment of property, plant and equipment	**–**	–	742.4
Net foreign currency (gain)/losses	**(28.4)**	4.4	(6.3)
Net loss from trade receivables written off	**0.6**	0.3	7.5
Trade receivables written-off[1]	**54.1**	0.6	9.1
Reversal of expected credit loss allowance	**(53.5)**	(0.3)	(1.6)
Increase in expected credit loss provision	**22.6**	18.5	45.6
Provision for net write-down of inventories[2]	**49.5**	19.6	59.5
Impairment of non-current financial asset[1]	**7.0**	–	–

[1] *The majority of the write off is due to a customer that is in financial distress and is unlikely to be in a position to fully settle it's creditors. The customer also had an outstanding loan.*

[2] *The amount includes provisions raised during the period less reversals of prior period provisions. The inventories are disclosed net of provisions in the statement of financial position.*

7. FINANCE COSTS

Bank and other borrowings	**82.8**	111.7	220.8
Leases liabilities	**15.8**	19.7	37.7
Loss on de-recognition of interest rate swap	**–**	–	2.3
Defined benefit arrangements	**1.9**	1.9	3.9
Total	**100.5**	133.3	264.7

8. EARNINGS PER SHARE

	cents	cents	cents
Continuing operations earnings/(loss) per share (EPS)			
Basic EPS	**9.0**	57.8	(443.7)
Diluted EPS	**9.0**	57.6	(443.2)
Basic headline EPS	**8.4**	56.6	185.8
Diluted headline EPS	**8.3**	56.4	185.6
Basic underlying EPS	**9.0**	57.0	191.8
Diluted underlying EPS	**9.0**	56.8	191.6
Discontinued operation loss per share (EPS)			
Basic EPS	**–**	(17.6)	(37.1)
Diluted EPS	**–**	(17.5)	(37.0)
Basic headline EPS	**–**	(17.6)	(36.7)
Diluted headline EPS	**–**	(17.5)	(36.7)
Total operations earnings/(loss) per share (EPS)			
Basic EPS (cents)	**9.0**	40.2	(480.8)
Diluted EPS (cents)	**9.0**	40.1	(480.2)
Basic headline EPS (cents)	**8.4**	39.0	149.1
Diluted headline EPS (cents)	**8.3**	38.9	148.9

8. EARNINGS PER SHARE continued

	Unaudited Six months ended 30 June 2020 R'm	Unaudited Restated Six months ended 30 June 2019 R'm	Audited Year ended 31 December 2019 R'm
The calculation of headline earnings, based on basic earnings is as follows:			
Continuing operations			
Profit/(loss) for the period	**18.2**	104.6	(722.0)
Less profit attributable to non-controlling interest	**(2.8)**	(5.8)	(36.9)
Profit/(loss) for the period attributable to equity holders of Mpact	**15.4**	98.8	(758.9)
Discontinued operation			
Loss for the period	**–**	(43.4)	(162.5)
Less loss attributable to non-controlling interest	**–**	13.3	99.1
Loss for the period attributable to equity holders of Mpact	**–**	(30.1)	(63.4)
Continuing operations			
Profit/(loss) for the period attributable to equity holders of Mpact	**15.4**	98.8	(758.9)
Impairment of property, plant and equipment	**–**	–	742.4
Impairment of goodwill and other intangible assets	**–**	–	549.3
Gain on acquisition of subsidiary	**–**	(1.3)	(1.3)
Loss on sale of associates	**–**	–	3.0
Gain on de-recognition of right-of-use assets and lease liabilities	**–**	–	(6.0)
Profit on disposal of tangible and intangible assets	**(1.5)**	(1.0)	(0.2)
Non-controlling interest portion of impairment of plant and equipment	**–**	–	(3.8)
Related tax	**0.4**	0.3	(206.8)
Headline earnings for the period	**14.3**	96.8	317.7
Profit/(loss) for the period attributable to equity holders of Mpact	**15.4**	98.8	(758.9)
Impairment of property, plant and equipment	**–**	–	742.4
Impairment of goodwill and other intangible assets	**–**	–	549.3
Gain on acquisition of subsidiary	**–**	(1.3)	–
Restructure costs	**–**	–	8.0
Non-controlling interest portion of impairment of plant and equipment	**–**	–	(3.8)
Related tax	**–**	–	(209.0)
Underlying earnings for the period	**15.4**	97.5	328.0
Discontinued operation			
Loss for the period attributable to equity holders of Mpact	**–**	(30.1)	(63.4)
Impairment of right-of-use asset	**–**	–	13.8
Impairment of plant and equipment	**–**	–	218.1
Gain on the de-consolidation of the discontinued operation	**–**	–	(160.1)
Non-controlling interest portion of impairment of plant and equipment	**–**	–	(71.2)
Headline loss for the period	**–**	(30.1)	(62.8)

	Weighted average of shares		
Basic number of shares outstanding	**171,017,608**	171,057,427	171,030,378
Effect of dilutive potential ordinary shares	**1,048,366**	592,398	187,040
Diluted number of ordinary shares outstanding[1]	**172,065,974**	171,649,825	171,217,418

[1] *Diluted EPS is calculated by adjusting the weighted average number of ordinary shares in issue, on the assumption of conversion of all potentially dilutive ordinary shares.*

Notes to condensed consolidated interim financial statements continued

for the six months ended 30 June 2020

9. STATED CAPITAL

	Unaudited Six months ended 30 June 2020 R'm	Unaudited Six months ended 30 June 2019 R'm	Audited Year ended 31 December 2019 R'm
Authorised			
217,500,000 shares of no par value	–	–	–
Issued			
173,304,517 shares (30 June 2019: 173,304,517; 31 December 2019: 173,304,517) of no par value.	2,669.2	2,669.2	2,669.2
As at 30 June 2020, there are 2,187,648 (30 June 2019: 1,999,704; 31 December 2019: 2,449,704) treasury shares on hand.			

10. INTEREST AND NON-INTEREST-BEARING BORROWINGS

– Secured interest bearing borrowings[1]	1,950.0	1,170.4	2,375.0
– Secured non-interest bearing borrowings	–	217.7	–
– Instalment loan facility	5.8	2.0	7.3
Non-current borrowings	1,955.8	1,390.1	2,382.3
– Secured interest-bearing borrowings[1]	–	1,301.3	–
– Unsecured non-interest-bearing borrowings	15.4	15.4	15.4
– Instalment loan facility	3.0	0.9	3.6
– Bank overdraft	5.0	14.7	16.5
Short-term portion of borrowings	23.4	1,332.3	35.5
Total borrowings	1,979.2	2,722.4	2,417.8

The Company's borrowing powers are not restricted. The current portion of borrowings is expected to be repaid from operational cash flows and other borrowings.

[1] *The Group has pledged certain items of property, plant and equipment, inventories, cash and cash equivalents and trade receivables as collateral against certain borrowings. Certain inter-company loans have been subordinated in favour of the debt holders.*

11. CAPITAL COMMITMENTS

– Contracted capital commitments	107.7	235.6	148.9
– Approved capital commitments	376.6	327.8	604.3
Capital commitments	484.3	563.4	753.2

Commitments of R437.9 million (30 June 2019: R524.6 million; 31 December 2019: R733.0 million) will be spent in the next 12 months on condition of available cash resources. The balance of R46.4 million (30 June 2019: R38.8 million; 31 December 2019: R20.2 million) will be spent in one to five years. These commitments will be met from existing cash resources and borrowing facilities available to the Group.

Notes to condensed consolidated interim financial statements continued

for the six months ended 30 June 2020

12. FAIR VALUE ESTIMATION

	Unaudited Six months ended 30 June 2020 R'm	Unaudited Six months ended 30 June 2019 R'm	Audited Year ended 31 December 2019 R'm
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using standard valuation techniques. These valuation techniques maximise the use of observable market data available and rely as little as possible on Group-specific estimates.			
The significant inputs required to fair value all of the Group's financial instruments are observable.			
Specific valuation methodologies used to value financial instruments include:			
• the fair values of interest rate swaps and foreign exchange contracts are calculated as the present value of expected future cash flows based on observable yield curves and exchange rates; and			
• other techniques, including discounted cash flow analysis, are used to determine the fair values of other financial instruments.			
Financial instruments by category			
Financial assets			
Trade receivables[1] (At amortised cost)	**2,128.2**	2,238.6	2,196.7
Loan receivables (Level 2 – At amortised cost)	**107.6**	91.4	113.7
Equity investments (Level 3 – At fair value through OCI)	**0.6**	–	0.6
Derivative financial instruments (Level 2 – At fair value through profit or loss)	**5.0**	2.7	2.7
Cash and cash equivalents[1] (At amortised cost)	**387.7**	157.0	447.1
Total	**2,629.1**	2,489.7	2,760.8
Financial liabilities			
Borrowings (Level 2 – At amortised cost)	**1,979.2**	2,722.4	2,417.8
Lease liabilities (Level 2 – At amortised cost)	**346.1**	434.8	321.1
Trade payables[1] (At amortised cost)	**1,882.6**	1,801.2	1,766.7
Dividend payable	**72.8**	–	–
Derivative financial instrument (Level 2 – At fair value through profit or loss)	**61.4**	6.5	4.1
Total	**4,342.1**	4,964.9	4,509.7

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

13. NET ASSET PER SHARE

Net asset value per share (cents)	**2,099.4**	2,626.2	2,162.0

Net asset value per share is defined as net assets divided by the number of ordinary shares in issue as at the period-end.

Notes to condensed consolidated interim financial statements continued

for the six months ended 30 June 2020

14. DISCONTINUED OPERATION AND LOSS OF CONTROL

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

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

	June 2019 R'm	December 2019 R'm
Revenue from contracts with customers	50.4	77.6
Expenses	(87.9)	(155.9)
Impairment of right-of-use asset	–	(13.8)
Impairment of plant and equipment	–	(218.1)
Operating loss	(37.5)	(310.2)
Net finance costs	(5.9)	(12.4)
Gain on the de-consolidation of the discontinued operation	–	160.1
Loss for the year from discontinued operation	(43.4)	(162.5)
The major classes of assets and liabilities of Polymers that were de-recognised are as follows:		
Assets de-recognised	–	(16.0)
Liabilities de-recognised	–	340.5
Non-controlling interest de-recognised	–	(164.4)
Gain on the de-consolidation of the discontinued operation	–	160.1
The net cash flows incurred by Polymers were as follows:		
Operating activities	(21.4)	(10.6)
Investing activities	(20.9)	(34.5)
Financing activities	47.3	44.1
Net cash outflow	5.0	(1.0)

15. BUSINESS COMBINATION

2020

There was no business combination in the current period.

2019

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

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

	R'm
Total identifiable net assets at fair value	96.0
Non-controlling interest measured at fair value	(38.2)
Carrying value of equity interest	(48.5)
Gain on acquisition of subsidiary	(1.3)
Purchase consideration transferred	8.0
Cash acquired	(8.2)
Net cash inflow from acquisition of subsidiary	(0.2)

Notes to condensed consolidated interim financial statements continued

for the six months ended 30 June 2020

16. DISPOSAL OF EQUITY ACCOUNTED INVESTEES AND SUBSIDIARIES

2020

There was no disposal in the current period.

2019

(a) Right Corrugated Proprietary Limited

The Group disposed of its entire interest in the associate for proceeds of R15.0 million, which had a carrying value of R14.3 million. A profit of R0.7 million has been recognised in the statement of profit or loss. At 31 December 2019, the proceeds were settled through a loan account with the purchaser.

(b) Box Boyz Proprietary Limited

The Group disposed of its entire interest in the associate for proceeds of R8.0 million, which had a carrying value of R11.7 million. A loss of R3.7 million has been recognised in the statement of profit or loss. At 31 December 2019, the proceeds were settled through a loan account with the purchaser.

17. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent liabilities for the Group comprise aggregate amounts at 30 June 2020 of R9.5 million (31 December 2019: R1.7 million, 30 June 2019: R10.7 million) in respect of loans and guarantees given to banks and other third parties.

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

(c) There were no significant contingent assets for the Group at 30 June 2020.

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

18. CASH GENERATED FROM OPERATIONS

	Unaudited Six months ended 30 June 2020 R'm	Unaudited Six months ended 30 June 2019 R'm	Audited Year ended 31 December 2019 R'm
Profit/(loss) before taxation from total operations	**25.5**	86.3	(968.4)
Profit/(loss) before taxation from continuing operations	**25.5**	129.7	(805.9)
Loss from discontinued operation	**–**	(43.4)	(162.5)
Depreciation, amortisation and impairments	**268.9**	338.3	2,199.0
Impairment of non-current financial asset	**7.0**	–	–
Profit on the de-consolidation of the discontinued operation	**–**	–	(160.1)
Gain on acquisition of subsidiary	**–**	(1.3)	(1.3)
Share-based payments	**6.4**	15.5	28.6
Net finance costs	**94.8**	128.7	257.8
Share of equity accounted investee profit	**(0.4)**	4.0	(17.1)
Impairment of inventory of the discontinued operation	**–**	–	10.6
(Decrease)/increase in provisions	**(0.7)**	(2.1)	1.6
Decrease/(increase) in inventories	**136.7**	(224.0)	(122.2)
Decrease in receivables	**51.0**	168.0	195.5
Increase/(decrease) in payables	**116.7**	(431.3)	(430.5)
Profit on disposal of tangible assets	**(1.5)**	(1.0)	(0.2)
Fair value change on transactions not qualifying as hedges	**(3.4)**	1.0	1.6
Amortisation of government grant	**(2.8)**	(2.8)	(5.5)
Loss on sale of associates	**–**	–	3.0
Profit on disposal of right-of-use assets and lease liabilities	**–**	–	(6.0)
Other non-cash items	**(0.3)**	0.5	–
Cash generated from operations	**697.9**	79.8	986.4

Notes to condensed consolidated interim financial statements continued

for the six months ended 30 June 2020

19. RELATED PARTIES

	Unaudited Six months ended 30 June 2020 R'm	Unaudited Six months ended 30 June 2019 R'm	Audited Year ended 31 December 2019 R'm
The Group has a related party relationship with its associates and joint ventures. The Group, in the ordinary course of business, enters into various sales, purchase and services transactions with joint ventures and associates and others in which the Group has a material interest. These transactions are under terms that are no less favourable than those arranged with third parties.			
Details of transactions and balances between the Group and related parties are disclosed below:			
Sales to related parties[1]	**101.9**	208.4	205.2
Interest received from related parties	**1.2**	3.8	6.0
Receivables due from related parties[1]	**44.5**	99.0	24.6
Payables due to related parties	**8.5**	11.7	8.2
Loans to related parties	**58.2**	54.8	57.0

[1] *Right Corrugated Proprietary Limited and Box Boyz Proprietary Limited were disposed in the prior financial year. Included in the sales to related parties at June 2019 are sales to the disposed entities amounting to R120.6 million and receivables of R79.8 million. No sales or receivables due from the disposed entities were included at 31 December 2019.*

20. SUBSEQUENT EVENTS

In July 2020, the Group secured an additional R210 million general banking facility from Nedbank.

The directors are not aware of any matters or circumstances arising subsequent to 30 June 2020 that require any additional disclosure or adjustment to the condensed consolidated interim financial statements.

Company information

DIRECTORS

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

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

Company secretary:

DM Dickson

Registered office:

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

Transfer secretaries:

Link Market Services South Africa Proprietary Limited

13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001
(PO Box 4844, Johannesburg, 2000, South Africa)

Sponsors:

Rand Merchant Bank (a division of FirstRand Bank Limited)

1 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196
(PO Box 786273, Sandton, 2146)

Auditors :

Deloitte & Touche

5 Magwa Crescent, Waterfall City, Waterfall, Docex 10, Johannesburg
(Private Bag x6, Gallo Manor, 2052)

Disclaimer

This document including, without limitation, those statements concerning the demand outlook, expansion projects and its capital resources and expenditure, may be considered to be forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty and although Mpact believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government action and business and operational risk management. While Mpact has taken reasonable care to ensure the accuracy of the information presented, Mpact accepts no responsibility for any consequential, indirect, special or incidental damages, whether foreseeable or unforeseeable, based on claims arising out of misrepresentation or negligence arising in connection with a forward-looking statement. This document is not intended to contain any profit forecasts or profit estimates and has not been reviewed or reported on by the auditors.