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")

PRELIMINARY SUMMARISED CONSOLIDATED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

SALIENT FEATURES FROM CONTINUING OPERATIONS

- *Resilient performance and response to Covid-19 lockdown*
- *Cash generated from operations of R1.9 billion, highest on record (2019: R986 million)*
- *Net debt down 38.6% to R1.4 billion (2019: R2.3 billion)*
- *Gearing improved to 26.6% (2019: 38.2%)*
- *Underlying earnings per share up 4.6% to 201 cents (2019: 192 cents)*
- *Share buy-back returned R345 million to shareholders (by end Jan 2021)*
- *Mpact Operations maintained its Level 1 B-BBEE rating*

Bruce Strong, Mpact Chief Executive Officer said: "Mpact delivered a solid performance in a challenging year. The effective response to Covid-19 at all our operations was exceptional, demonstrating the depth of good management, the effectiveness of our safety systems, and the support of our customers, suppliers, and employees.

By implementing our proven strategy of securing leading market positions and focussing on customers and performance we also delivered a strong financial performance with record cash flows from operations of R1.9 billion and a reduction in net debt to R1.4 billion. Underlying earnings per share for the year increased 4.6% to 201 cents while the successful repurchase of 14.5% of the company's issued shares returned R345 million to shareholders.

Innovation remains a cornerstone of our business. In 2020 we continued to develop new ways to meet our customers' packaging needs with award-winning innovations that help improve their operations while contributing to the circular economy.

Last year the pandemic highlighted risks in the global supply chain and resulted in many customers now preferring local suppliers. As the post-pandemic economy recovers and localisation trends accelerate, Mpact will work closely with our customers and develop new markets for our innovative products. Our responsible approach to managing costs, creating value for shareholders, disciplined capital investment, and a strategic commitment to sustainability will ensure our business remains resilient while being well positioned for growth."

CONTINUING OPERATIONS

OVERVIEW

Despite the challenging operating environment over the past year, Mpact ended the 2020 financial year in a solid position, supported by our focus on strategy delivery and a strengthened balance sheet.

Mpact benefited from a strong recovery in the second half of the financial year as the Covid-19 related restrictions began to ease, and the oversupply of recycled containerboard reduced. The company achieved record cash flow from operations of R1.9 billion and a reduction in net debt to R1.4 billion (December 2019: R2.3 billion). Underlying earnings per share for the year increased 4.6% to 201 cents, and the successful share repurchase of 14.5% of the company's issued shares returned R345 million to shareholders between September 2020 and the end of January 2021.

The Group's response to the challenges presented by Covid-19 was swift and effective, and fully supported by our employees, suppliers and customers and allowed us to reduce costs and conserve cash. To ensure the safety of our work force, various Covid-19 protocols were implemented, including social distancing measures, the provision of sanitizer and vitamins to staff and their families, and working with our primary healthcare providers to educate employees. We also continued to make a tangible difference in our communities, with Mpact Recycling repurposing 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 then unable to work.

Our strategy remains consistent and is based on three core pillars: leading market positions, customer focus and a focus on performance.

Despite the prevailing trading conditions, we have remained anchored in our purpose of providing our customers with innovative and sustainable packaging and giving effect to the circular economy through our integrated business model with state-of-the-art investments in recycling and packaging technologies.

Responding to customer needs, we successfully launched the new Freshpact brand of paper based fresh produce punnets which were enthusiastically adopted by consumers. Our product excellence was again recognised with Mpact winning nine IPSA Gold Pack awards including three for Covid-19 specific product innovations.

Over and above our commitment to the circular economy, the Group has made excellent progress against our sustainability targets over the past five years. Against a 2012 baseline, all of the 2020 targets for water, energy and carbon emissions were met by the end of 2019, though the abnormal operating conditions experienced in 2020 due to the lockdown and electricity supply interruptions caused minor setbacks. For the five years ended 2020, Mpact exceeded its water usage target with a reduction of 23%. Energy consumption reduced by 13.7% while the group also achieved a reduction in scope 1 and 2 carbon emissions of 11.1%.

Several capital projects were successfully completed during the year and the Group acquired three more properties, two of which had previously been leased for Mpact's operations. Construction of Dalisu Holdings' R280 million sodium sulphate processing plant at Mpact's Piet Retief paper mill was completed in December. Dalisu Holdings is a black owned business in which Mpact has a minority shareholding. The business has developed processes to convert by-products from the paper manufacturing business into commercial products, including dust suppressants.

Mpact Operations (Pty) Ltd, the Group's main South African operating entity, retained its level 1 B-BBEE rating.

GROUP FINANCIAL PERFORMANCE

Group revenue for the year ended 31 December 2020 of R11.1 billion was similar to the prior year, with a 3.5% increase in Plastics offset by a slight decline in Paper.

Gross profit decreased by 4.9% compared to the prior year to R4,007 million with the gross profit margin decreasing 1.8 percentage points to 36.1%.

The loss in gross profit directly attributable to the Covid-19 lockdowns is estimated to be R70 million for the full year.

During the year, the Springs paper mill lost more than 50 production days due to the catastrophic failure of a municipal sub-station in Ekurhuleni, which resulted in a loss of gross profit of approximately R91 million and other related direct costs of R9 million. An insurance claim has been submitted and an interim settlement of R35 million has been approved by the insurers. The proceeds, net of insurance deductibles, amounting to R25 million have been included in the results as sundry income. The balance of the claim has not yet been settled or accounted for. The Springs paper mill operation is currently stable.

The 1.8 percentage points decline in gross profit margin was mainly attributable to lower average recycled containerboard prices due to a higher proportion of export and rolled pulp sales. Although still down on the prior year, the gross profit margin improved in the second half as a result of increased demand for containerboard in the domestic market during the last quarter of the year, and some recovery in businesses that were affected by strict Covid-19 lockdowns during the first half.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the last quarter of the year was the highest on record, resulting in EBITDA for the full the year of R1,170 million (December 2019: R1,374 million). Underlying earnings before interest and tax (EBIT) was R631 million (December 2019: R724 million).

Underlying earnings per share increased 4.6% to 201 cents (2019: 192 cents) and ROCE at 31 December 2020 was 11.4% (2019: 11.8%).

Paper business

Segment revenue of R8.7 billion was marginally lower when compared to the prior year. External sales volumes decreased by 3.3% with a decline in paper converting and recycling partly offset by an increase in containerboard exports. Demand for containerboard and cartonboard improved in the fourth quarter and remains strong.

Underlying operating profit for the Paper business declined to R578 million (2019: R716 million) due to lower containerboard margins, the electricity supply interruptions at the Springs paper mill and the effects of lockdown in the paper converting business.

Plastics business

Revenue in the Plastics converting business was up 3.5% to R2.5 billion (2019: R2.4 billion) due to increases in the Bins, Crates and FMCG businesses partially offset by declines in Preforms & Closures and Trays & Films. Overall volumes decreased 2.7% with average prices up 6.2% due primarily to product mix.

The Covid-19 lockdowns had mixed impact across this business segment with sectoral declines in some areas offset by robust growth in others. The performance in trays and films reflected a more profitable mix in line with the successful restructuring of the business during 2019.

Underlying operating profit increased 44% to R119 million (2019: R83 million) with most businesses reporting good improvements, especially in the second half of the year. Included in the result is a non-recurring inventory write-off of R29 million.

Net finance costs

Net finance costs of R169.3 million (2019: R245.3 million) decreased by 31% when compared to the prior year mainly due to lower interest rates and lower average net debt.

Tax

The effective tax rate before special items was 18.4% (2019: 25.7%). The low effective tax rate was as a result of the S12I and S12L capital investment and energy efficiency incentives.

Earnings per share

Headline earnings per share increased 5.5% to 196.1 cents (2019: 185.8 cents) while underlying basic earnings per share increased 4.6% to 200.6 cents (2019: 191.8 cents).

The weighted average number of shares used in the calculation of EPS, HEPS and underlying EPS for the year ended 31 December 2020 was 169,322,144 compared to 171,030,378 for the prior year. The total number of shares in issue at the date of this announcement is 148,175,363.

Net debt

Mpact generated cash flow from operations of R1.9 billion (2019: R986 million), which resulted in net debt decreasing to R1.4 billion at 31 December 2020 (2019: R2.3 billion). As a result, gearing declined to 26.6% compared to 38.2% at 31 December 2019.

DISCONTINUED OPERATION

On 14 November 2019, Mpact discontinued its PET recycling operation, Mpact Polymers, which was previously included in the Plastics reporting segment. In December 2019, Mpact Polymers commenced voluntary business rescue proceedings and was deconsolidated from the Group. Its profit and loss statement for the prior year was disclosed separately as a discontinued operation.

The net effect of the deconsolidation was that the Group's balance sheet as at 31 December 2019 does not reflect any assets and liabilities attributable to Mpact Polymers. The basic and headline loss per share attributable to Mpact Polymers as a discontinued operation for the year ended 31 December 2019, were 37.1 cents and 36.7 cents, respectively.

OUTLOOK

Mpact has had a positive start to the 2021 financial year and is well positioned despite a weak economy. There are indications of good fruit crops and a gradual recovery in the FMCG and Quick Service Restaurant sectors. Mpact is also expected to benefit from an improved global outlook for containerboard and cartonboard.

Working capital management will remain a key focus area, but it is anticipated that working capital levels will increase in the current period to ensure continuity of supply.

Mpact's integrated business model continues to be uniquely focused on closing the loop in paper and plastic packaging, contributing to the circular economy, and benefiting all stakeholders. The Group's focus on innovation and sustainability provides our customers with packaging solutions that ensure product quality whilst reducing the environmental impact.

The Group has a robust strategy and substantial financial capacity, as well as an experienced management team to navigate and prosper in the current volatile trading environment.

DIVIDENDS AND SHARES REPURCHASED

The Company received 99.9% support for the decision to buy back shares at the special general meeting held on 11 December 2020. During the period September 2020 to January 2021, Mpact repurchased 25,129,154 of its shares at an average purchase price of R13.71 per share, which equates to a 38% discount to the Group's net asset value per share as at 31 December 2020 and at a greater discount to its intrinsic value. The total cash outflow for the shares repurchased was R345 million, of which R87.5 million relates to the year ended 31 December 2020.

The total number of shares in issue as at 31 December 2020 was 164,639,292 (2019: 173,304,517). The total number of shares in issue at the date of this announcement is 148,175,363.

The Board reviews capital allocation for the Group on an ongoing basis. Given the discount of Mpact's share price to intrinsic value, the Board's view is that the substantial share repurchase programme enhances value creation for shareholders over a cash dividend.

The Board has therefore resolved not to declare a dividend for the financial year ended 31 December 2020.

The Board will continue to focus on driving long term value for shareholders. This is done through prudent capital allocation in the context of growth opportunities, which do exist, and cash returns to shareholders by dividends, share buybacks or a combination thereof.

CHANGE IN GROUP COMPANY SECRETARY

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

AJ Phillips	**BW Strong**
Chairman	**Chief Executive Officer**
5 March 2021	

COMPANY PROFILE

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

As at 31 December 2020, Mpact employed 5,053 people (2019: 5,142 people) and had 39 operating sites, 20 of which are manufacturing operations, located in South Africa, Namibia and Mozambique. Sales in South Africa account for approximately 87% of Mpact's total revenue for the current year while the balance was predominantly to customers in the rest of Africa.

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:
Computershare Investor Services Proprietary Limited

Rosebank Towers, 15 Bierman Avenue, Rosebank, 2196
(Private Bag x9000, Saxonworld, 2132)
Mpact appointed Computershare with effect from 1 December 2020. Computershare replaced Link Market Services

Sponsors:
The Standard Bank of South Africa Limited
30 Baker Street
Rosebank
2196
(PO Box 61344, Marshalltown, 2107)
Mpact appointed The Standard Bank of South Africa as the JSE Limited sponsor to Mpact, with effect from 1 October 2020. Standard Bank replaced Rand Merchant Bank

Auditors:
Deloitte & Touche
5 Magwa Crescent, Waterfall City, Waterfall,1685
(Private Bag X6, Gallo Manor, 2052)

MPACT LIMITED GROUP

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 R'm	2019 R'm
CONTINUING OPERATIONS			
Revenue from contracts with customers	4a	**11,097.2**	11,076.3
Material, energy and fixed overhead recovery		**(6,204.8)**	(6,007.5)
Variable selling expenses		**(884.7)**	(869.3)
Administration and other operating expenses		**(2,838.2)**	(2,833.5)
Depreciation, amortisation and impairment		**(568.0)**	(1,942.0)
Operating profit/(loss)	5	**601.5**	(576.0)
Share of profit from equity accounted investees		**14.8**	17.1
Write off of non-current financial asset		**(5.2)**	–
Gain on acquisition of subsidiary		**–**	1.3
Net loss on sale of associates		**–**	(3.0)
Profit/(loss) from operations and equity accounted investees		**611.1**	(560.6)
Net finance costs	6	**(169.3)**	(245.3)
Investment income		**10.8**	19.4
Finance costs		**(180.1)**	(264.7)
Profit/(loss) before tax		**441.8**	(805.9)
Tax (expense)/income	7	**(78.4)**	83.9
Profit/(loss) for the year from continuing operations		**363.4**	(722.0)
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	18	**–**	(162.5)
Profit/(loss) for the year		**363.4**	(884.5)
Other comprehensive (loss)/income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains on post-retirement benefit scheme		**3.9**	1.3
Tax effect		**(1.1)**	(0.4)
Items that may be reclassified subsequently to profit or loss			
Effects of cash flow hedge		**(57.6)**	2.1
Tax effect		**16.1**	(0.6)
Reclassification of cash flow hedge reserve to profit and loss		**–**	2.3
Tax effect		**–**	(0.6)
Exchange differences on translation of foreign operations		**(0.2)**	–
Other comprehensive (loss)/income		**(38.9)**	4.1
Total comprehensive income/(loss) for the year		**324.5**	(880.4)
Profit/(loss) attributable to:			
Equity holders of Mpact		**319.4**	(822.3)
Non-controlling interests		**44.0**	(62.2)
Profit/(loss) for the year		**363.4**	(884.5)
Total comprehensive income/(loss) attributable to:			
Equity holders of Mpact		**280.5**	(818.2)
Non-controlling interests		**44.0**	(62.2)
Total comprehensive income/(loss) for the year		**324.5**	(880.4)
Earnings/(loss) per share (EPS) for profit attributable to equity holders of Mpact:			
Basic EPS (cps) from continuing operations	8	**188.6**	(443.7)
Diluted EPS (cps) from continuing operations	8	**188.2**	(443.2)
Basic EPS (cps) from discontinued operation	8	**–**	(37.1)
Diluted EPS (cps) from discontinued operation	8	**–**	(37.0)

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

MPACT LIMITED GROUP

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	**2020 R'm**	2019 R'm
ASSETS			
Goodwill and other intangible assets		**556.2**	568.6
Property, plant and equipment		**2,877.4**	2,828.6
Right of use assets		**271.4**	270.7
Investments in equity accounted investees		**48.1**	41.4
Financial assets		**83.3**	97.0
Derivative financial instruments	16	**–**	0.5
Finance lease receivable		**3.8**	–
Deferred tax assets		**11.7**	10.8
Non-current assets		**3,851.9**	3,817.6
Inventories	10	**1,403.1**	1,885.3
Trade and other receivables		**2,163.0**	2,236.3
Financial assets		**16.4**	17.3
Cash and cash equivalents		**576.0**	447.1
Derivative financial instruments		**0.5**	2.7
Current tax receivables		**17.4**	18.9
Current assets		**4,176.4**	4,607.6
Total assets		**8,028.3**	8,425.2
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	11	**2,595.6**	2,669.2
Retained earnings		**1,045.9**	788.0
Reserves		**(13.6)**	33.5
Total attributable to equity holders of Mpact		**3,627.9**	3,490.7
Non-controlling interests in subsidiaries		**284.9**	256.1
Total equity		**3,912.8**	3,746.8
Interest and non-interest bearing borrowings	12	**1,634.5**	2,382.3
Lease liabilities		**256.2**	249.1
Retirement benefits obligation		**36.9**	39.9
Deferred tax liabilities		**87.3**	95.7
Deferred income		**6.9**	12.5
Provisions	15	**6.8**	–
Derivative financial instruments	16	**57.1**	–
Non-current liabilities		**2,085.7**	2,779.5
Short-term portion of borrowings	13	**22.7**	35.5
Lease liabilities		**70.2**	72.0
Trade and other payables	14	**1,886.5**	1,766.7
Provisions	15	**22.7**	9.5
Deferred income		**5.5**	5.5
Derivative financial instruments		**12.8**	4.1
Current tax liabilities		**9.4**	5.6
Current liabilities		**2,029.8**	1,898.9
Total liabilities		**4,115.5**	4,678.4
Total equity and liabilities		**8,028.3**	8,425.2

MPACT LIMITED GROUP

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 R'm	2019 R'm
Cash flows from operating activities			
Operating cash flows before movements in working capital		**1,203.8**	1,343.6
Net decrease/(increase) in working capital		**665.0**	(357.2)
Cash generated from operations	20	**1,868.8**	986.4
Dividends received from equity accounted investees		**8.1**	9.3
Taxation paid		**(71.4)**	(64.7)
Net cash inflows from operating activities		**1,805.5**	931.0
Cash flows from investing activities			
Net cash inflow from acquisition of subsidiary		**–**	0.2
Additions to property, plant and equipment and other intangibles	4c	**(518.3)**	(592.4)
Proceeds from the disposal of property, plant and equipment		**5.8**	3.8
Cash disposed of on loss of control in subsidiary		**–**	(12.5)
Loan advances to associates		**(4.3)**	(28.5)
Loan repayments from external parties		**15.3**	35.4
Loan advances to external parties		**(3.6)**	(3.0)
Interest received		**11.9**	24.8
Net cash outflows from investing activities		**(493.2)**	(572.2)
Cash flows from financing activities			
Proceeds from borrowings raised		**2,025.1**	2,585.0
Repayment of borrowings		**(2,777.0)**	(2,706.1)
Repayments of lease liabilities[1]		**(71.1)**	(77.9)
Finance costs paid[1]		**(176.5)**	(295.8)
Payment for shares re-purchased and cancelled	11	**(73.6)**	–
Dividends paid to non-controlling interests		**(15.2)**	(10.6)
Dividends paid to equity holders of Mpact Limited		**(72.1)**	(125.2)
Subscription of preference shares by non-controlling interest		**–**	15.5
Purchase of treasury shares		**(14.2)**	(7.8)
Net cash outflows from financing activities		**(1,174.6)**	(622.9)
Net increase/(decrease) in cash and cash equivalents		**137.7**	(264.1)
Net cash and cash equivalents at beginning of year		**430.6**	694.7
Net cash and cash equivalents at end of year		**568.3**	430.6

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

MPACT LIMITED GROUP

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Stated capital R'm	Share-based payment reserve R'm	Cash flow hedge reserve R'm	Post-retirement benefit reserve R'm	Other reserves[1] R'm	Treasury shares[2] R'm	Retained earnings R'm	Total attributable to equity holders of Mpact Ltd R'm	Non-controlling interest R'm	Total equity R'm
Balance at 31 December 2018	2,669.2	50.9	(2.9)	26.5	10.3	(58.2)	1,722.3	4,418.1	110.8	4,528.9
Total comprehensive loss for the year	–	–	3.2	0.9	–	–	(822.3)	(818.2)	(62.2)	(880.4)
Dividends paid[3]	–	–	–	–	–	–	(125.2)	(125.2)	–	(125.2)
Purchase of treasury shares[2]	–	–	–	–	–	(7.8)	–	(7.8)	–	(7.8)
Share plan charges for the year	–	28.6	–	–	–	–	–	28.6	–	28.6
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(10.6)	(10.6)
Issue/exercise of shares under employee share scheme	–	(28.7)	–	–	–	10.7	13.2	(4.8)	–	(4.8)
Purchase of preference shares by non-controlling interest[4]	–	–	–	–	–	–	–	–	15.5	15.5
Acquisition of subsidiaries with non-controlling interest	–	–	–	–	–	–	–	–	38.2	38.2
De-consolidation of subsidiary[5]	–	–	–	–	–	–	–	–	164.4	164.4
Balance at 31 December 2019	**2,669.2**	**50.8**	**0.3**	**27.4**	**10.3**	**(55.3)**	**788.0**	**3,490.7**	**256.1**	**3,746.8**
Total comprehensive income for the year	**–**	**–**	**(41.5)**	**2.8**	**(0.2)**	**–**	**319.4**	**280.5**	**44.0**	**324.5**
Dividends paid[3]	**–**	**–**	**–**	**–**	**–**	**–**	**(72.1)**	**(72.1)**	**–**	**(72.1)**
Purchase of treasury shares[6]	**–**	**–**	**–**	**–**	**–**	**(14.2)**	**–**	**(14.2)**	**–**	**(14.2)**
Share plan charges for the year	**–**	**20.6**	**–**	**–**	**–**	**–**	**–**	**20.6**	**–**	**20.6**
Shares re-purchased (refer to note 11)	**(73.6)**	**–**	**–**	**–**	**–**	**–**	**–**	**(73.6)**	**–**	**(73.6)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(15.2)**	**(15.2)**
Issue/exercise of shares under employee share scheme	**–**	**(28.2)**	**–**	**–**	**–**	**13.6**	**10.6**	**(4.0)**	**–**	**(4.0)**
Balance at 31 December 2020	**2,595.6**	**43.2**	**(41.2)**	**30.2**	**10.1**	**(55.9)**	**1,045.9**	**3,627.9**	**284.9**	**3,912.8**

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

[2]Treasury shares purchased represent the cost of shares in Mpact Limited purchased in the market and held by the Mpact Incentive Scheme Trust to satisfy share awards under Mpact's share incentive scheme. As at 31 December 2020, there are 1,935,763 (2019: 2,449,704) treasury shares on hand.

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

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

[5]As a result of Mpact losing control of Mpact Polymers Proprietary Limited R164.4 million was de-recognised from non-controlling interest. Refer to note 18.

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

1. ACCOUNTING POLICIES

Basis of preparation

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

These summarised consolidated financial statements for the year ended 31 December 2020 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated financial statements from which these summarised consolidated financial statements were derived. A copy of the auditor's report on the summarised consolidated financial statements is available for inspection at the company's registered office. The auditor's report does not necessarily report on all of the information contained in this announcement.

The auditor's report (with Key Audit Matters) issued on the Consolidated Annual Financial Statements ("AFS") and the actual Consolidated Annual Financial Statements can be accessed at https://www.mpact.co.za/investor-relations/financial-results/2021/AFSFY2020.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.

Accounting policies

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

Mpact has adopted the following amendments to published Standards during the current year:

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

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

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

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

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

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

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

2. IMPACT OF COVID-19

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

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

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

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

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

3. GOING CONCERN

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

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

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

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

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

4. OPERATING SEGMENTS

4(a) Reportable segment revenue

	2020			2019		
	Segment revenue R'm	**Inter-segment revenue R'm**	**Revenue from contracts with customers R'm**	Segment revenue R'm	Inter-segment revenue R'm	Revenue from contracts with customers R'm
Paper	**8,664.9**	**(35.8)**	**8,629.1**	8,726.9	(36.2)	8,690.7
Plastics	**2,468.2**	**(0.1)**	**2,468.1**	2,385.8	(0.2)	2,385.6
	11,133.1	**(35.9)**	**11,097.2**	11,112.7	(36.4)	11,076.3

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

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

[1]Special items include impairment on property, plant and equipment of R29.5 million (2019: R742.4 million). The prior year special items include impairment of goodwill and intangible assets of R549.3 million and restructure costs of R8.0 million. Refer to note 9 for the impairment of goodwill, plant and equipment.

Significant components of operating profit		
Depreciation and amortisation		
Paper[2]	**314.1**	409.0
Plastics[2]	**174.7**	198.7
Corporate	**49.7**	42.6
Total	**538.5**	650.3
Impairment of plant and equipment, goodwill and intangible asset		
Paper	**16.4**	846.6
Plastics	**13.1**	445.1
Total	**29.5**	1,291.7
Total depreciation, amortisation and impairment	**568.0**	1,942.0

[2]Excludes inter-group depreciation relating to right of use asset of R53.3 million (2019: 42.7 million) for the paper segment and R6.7 million (2019: 5.9 million) for the plastics segment.

4. OPERATING SEGMENTS (CONTINUED)

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

[3]Segment assets are operating assets and as at 31 December 2020 consists of property, plant and equipment of R2,877.4 million (2019: R2,828.6 million), goodwill and other intangible assets of R556.2 million (2019: R568.6 million), right of use assets of R271.4 million (2019: R270.7 million), finance lease receivables of R7.9 million (2019: Rnil million), inventories of R1,403.1 million (2019: R1,885.3 million) and operating receivables of R2,059.1 million (2019: R2,104.9 million).
[4]Excludes inter-group right of use assets of R159.4 million (2019: R143.1 million) for the paper segment and R 16.9 million (2019: R23.6 million) for the plastics segment.
[5]Goodwill has been disclosed in the appropriate reportable segment in which it was acquired.
[6]Other non-operating assets consist of derivative assets of R0.5 million (2019: R2.7 million), other non-operating receivables of R99.8 million (2019: R131.4 million) and current tax receivable of R17.4 million (2019: R18.9 million).
[7]Non-current non-financial assets consist of property, plant and equipment and goodwill and other intangible assets, but excludes deferred tax assets, non-current financial assets and right of use assets.
[8]Additions to non-current non-financial assets reflect cash payments and accruals in respect of additions to property, plant and equipment and intangible assets. Additions to non-current non-financial assets, however, exclude additions to deferred tax assets and non-current financial assets and right of use assets.

Special items to determine underlying operating profit

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

5. OPERATING PROFIT/(LOSS)

	2020 R'm	2019 R'm
Operating profit/(loss) for the year has been arrived at after charging/(crediting):		
Depreciation, amortisation and impairments	**568.0**	1,942.0
Amortisation of intangibles	**12.2**	13.8
Depreciation of property, plant and equipment	**444.2**	543.1
Depreciation of right of use assets	**82.1**	93.4
Impairment of goodwill	**–**	548.7
Impairment of intangible assets	**–**	0.6
Impairment of property, plant and equipment	**29.5**	742.4
Increase in expected credit loss allowance	**23.0**	45.6
Net proceeds from insurance claim (refer to note 19)	**(25.0)**	–

6. NET FINANCE COSTS

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

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

7. TAX (EXPENSE)/INCOME

	2020 R'm	2019 R'm
Current tax	**(78.1)**	(66.7)
Deferred tax	**(0.3)**	150.6
Total tax (expense)/income	**(78.4)**	83.9

Mpact has an effective tax rate of 17.7% for the current financial year (2019: negative effective tax rate of 10.4%). The increase in the deferred tax expense is mainly due to the impairment recognised in the prior year.

8. EARNINGS PER SHARE

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

Underlying earnings is arrived at after adjusting profit attributable to equity holders of Mpact for special items, net of tax and is a non-IFRS measure. It is included to assist the user's understanding of the underlying earnings performance on a basis that is comparable from year to year. The underlying earnings calculation is the responsibility of Mpact’s directors.

	2020 Cents per share	2019 Cents per share
Continuing operations earnings/(loss) per share (EPS)		
Basic EPS	**188.6**	(443.7)
Diluted EPS	**188.2**	(443.2)
Basic headline EPS	**196.1**	185.8
Diluted headline EPS	**195.6**	185.6
Basic underlying EPS[1]	**200.6**	191.8
Diluted underlying EPS[1]	**200.1**	191.6
Discontinued operations loss per share (EPS)		
Basic EPS	**–**	(37.1)
Diluted EPS	**–**	(37.0)
Basic headline EPS	**–**	(36.7)
Diluted headline EPS	**–**	(36.7)
Total operations earnings/(loss) per share (EPS)		
Basic EPS	**188.6**	(480.8)
Diluted EPS	**188.2**	(480.2)
Basic headline EPS	**196.1**	149.1
Diluted headline EPS	**195.6**	148.9

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

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

	2020 R'm	2019 R'm
Continuing operations		
Profit/(loss) for the year	**363.4**	(722.0)
Less profit attributable to non-controlling interest	**(44.0)**	(36.9)
Profit/(loss) for the year attributable to equity holders of Mpact	**319.4**	(758.9)
Discontinued operation		
Loss for the year	**–**	(162.5)
Less loss attributable to non-controlling interest	**–**	99.1
Loss for the year attributable to equity holders of Mpact	**–**	(63.4)

8. EARNINGS PER SHARE (CONTINUED)

	2020 R'm	2019 R'm
Continuing operations		
Profit/(loss) for the financial year attributable to equity holders of Mpact	**319.4**	(758.9)
Impairment of plant and equipment (refer to note 5)	**29.5**	742.4
Impairment of goodwill and other intangible assets (refer to note 5)	**–**	549.3
Gain on acquisition of subsidiary	**–**	(1.3)
Loss on sale of associate, joint arrangements and subsidiaries	**–**	3.0
Gain on de-recognition of right of use assets and lease liabilities	**(6.0)**	(6.0)
Profit on disposal of tangible assets	**(2.3)**	(0.2)
Non-controlling interest portion of impairment of plant and equipment	**(1.3)**	(3.8)
Related tax	**(7.3)**	(206.8)
Headline earnings for the financial year	**332.0**	317.7
Profit/(loss) for the financial year attributable to equity holders of Mpact	**319.4**	(758.9)
Impairment of plant and equipment (refer to note 5)	**29.5**	742.4
Impairment of goodwill and other intangible assets (refer to note 5)	**–**	549.3
Restructure costs	**–**	8.0
Non-controlling interest portion of impairment of plant and equipment	**(1.3)**	(3.8)
Related tax	**(7.9)**	(209.0)
Underlying earnings for the financial year	**339.7**	328.0
Discontinued operation		
Loss for the financial year attributable to equity holders of Mpact	**–**	(63.4)
Impairment of right of use asset	**–**	13.8
Impairment of plant and equipment	**–**	218.1
Gain on the de-consolidation of the discontinued operation	**–**	(160.1)
Non-controlling interest portion of impairment of plant and equipment	**–**	(71.2)
Headline loss for the financial year	**–**	(62.8)

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

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

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

9. IMPAIRMENT OF GOODWILL AND PLANT AND EQUIPMENT

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

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

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

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

Impairment testing and key assumptions

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

The recoverable amount of the CGUs was determined based on a value-in-use calculation, discounting the future cash flows expected to be generated using weighted average cost of capital rates. The discount rates used in discounted cash flow models are calculated using the principles of the capital asset pricing model, taking into account current market conditions. The cash flow projections were based on the 2021 to 2023 budgeted results and a reasonable growth rate, 4.2% (2019: 5.1%), applied for a further two years based on market conditions and historic trends. A perpetuity growth rate was applied based on historical market trends and operating markets.

The key inputs used in the impairment testing calculation was a pre-tax discount rate of between 14.5% to 17.0% (2019: 16.0% to 20.0%) and a post-tax discount rate of 12.0% (2019: 12.9%). A terminal value growth rate of 4.2% (2019: 5.1%) was used.

9. IMPAIRMENT OF GOODWILL AND PLANT AND EQUIPMENT (CONTINUED)

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

Sensitivity analysis on CGU's that include goodwill not impaired

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

CGU's	**Breakeven pre-tax discount rate %**	**Breakeven terminal growth rate %**
Recycling	**21.8**	**1.0**
Felixton mill	**22.3**	**<0**
Corrugated operations	**40.3**	**<0**
FMCG	**28.3**	**<0**
Performs & closures	**20.5**	**1.5**

	2020 R'm	2019 R'm
10. INVENTORIES		
Raw materials and consumables	**828.0**	1,025.0
Work in progress	**41.8**	45.3
Finished goods	**533.3**	815.0
Total inventories	**1,403.1**	1,885.3
Write-down of inventories during the year	**26.8**	59.5
Reversal of write-down of inventories during the year	**(44.1)**	(7.4)

The decrease in the inventories balance is as a result of lower stock holding levels.

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

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

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

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

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

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

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

12. INTEREST AND NON-INTEREST BEARING BORROWINGS

	2020 R'm	2019 R'm
Secured: Standard Bank, Rand Merchant Bank and Nedbank:		
– RCF A[1]	**200.0**	200.0
– RCF B[2]	**850.0**	850.0
– RCF C[3]	**200.0**	625.0
– RMB General Banking Facility[4]	**380.0**	700.0
	1,630.0	2,375.0
Secured Instalment loan facilities	**7.3**	10.9
	1,637.3	2,385.9
Unsecured: Minority shareholder loans in subsidiary[5]	**12.2**	15.4
Total borrowings	**1,649.5**	2,401.3
Less: Current portion (refer to note 13)	**(15.0)**	(19.0)
Minority shareholder loans	**(12.2)**	(15.4)
Instalment loan facilities	**(2.8)**	(3.6)
Non-current borrowings	**1,634.5**	2,382.3

[1]Bears interest at three month JIBAR plus 1.65%. The current facility is a revolving credit facility and expires in August 2022.
[2]R250 million bears interest at one month JIBAR plus 1.75% and R600 million bears interest at three month JIBAR plus 1.75%. The facility is a revolving credit facility and expires in August 2023.
[3]Facility C is a revolving credit facility, bears interest at one month JIBAR plus 1.85% and expires in August 2024.
[4]Bears interest at prime less 2.5% and expires in August 2022.
[5]The loan was granted as a shareholder loan which is non-interest bearing with no fixed date of repayment.

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

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

13. SHORT-TERM BORROWINGS

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

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

14. TRADE AND OTHER PAYABLES

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

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

15. PROVISIONS

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

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

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

16. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 R'm	2019 R'm
Non-current derivative		
Cash flow hedges		
Interest rate swaps (liability)/asset	**(57.1)**	0.5

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

17. CAPITAL COMMITMENTS

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

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

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

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

18. DISCONTINUED OPERATION AND LOSS OF CONTROL

Mpact Polymers

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

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

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

The major classes of assets and liabilities of Polymers that were derecognised are as follows:

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

The net cash flows incurred by Polymers are as follows:

Operating activities	(10.6)
Investing activities	(34.5)
Financing activities	44.1
Net cash outflow	(1.0)

19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent liabilities for Mpact comprise aggregate amounts at 31 December 2020 of R 2.0 million (2019: R 1.7 million) in respect of loans and guarantees given to banks and other third parties.
(b) A Group mill is the subject of a land claim, which should not have a material impact on the financial position of Mpact.
(c) There is a contingent asset for the insurance claim due to a catastrophic failure of a municipal sub-station in Ekurhuleni. There were no significant contingent assets for the year ended 31 December 2019.
(d) As advised to the shareholders on 26 May 2016, the Company is subject to a Competition Commission investigation. On 15 April 2019 the Competition Commission referred a complaint against the Company to the Competition Tribunal which will be adjudicated in due course. The Commission is not seeking the imposition of a penalty against Mpact.

20. CONSOLIDATED CASH FLOW ANALYSIS

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

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

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

21. FINANCIAL RISK MANAGEMENT

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

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

Specific valuation methodologies used to value financial instruments include:

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

Financial assets	**Fair value hierarchy**	**At amortised cost R'm**	**At fair value through profit or loss R'm**	**At fair value through OCI R'm**	**Total R'm**
2020					
Trade and other receivables[1]		**2,125.3**	**–**	**–**	**2,125.3**
Loans receivable	**Level 2**	**99.1**	**–**	**–**	**99.1**
Equity investment	**Level 3**	**–**	**–**	**0.6**	**0.6**
Derivative financial instruments	**Level 2**	**–**	**0.5**	**–**	**0.5**
Cash and cash equivalents[1]		**576.0**	**–**	**–**	**576.0**
Total		**2,800.4**	**0.5**	**0.6**	**2,801.5**
2019					
Trade and other receivables[1]		2,196.7	–	–	2,196.7
Loans receivable	Level 2	113.7	–	–	113.7
Equity investment	Level 3	–	–	0.6	0.6
Derivative financial instruments	Level 2	–	2.7	–	2.7
Cash and cash equivalents[1]		447.1	–	–	447.1
Total		2,757.5	2.7	0.6	2,760.8

Financial liabilities	**Fair value hierarchy R'm**	**At fair value through profit or loss R'm**	**At amortised cost R'm**	**Total R'm**
2020				
Borrowings	**Level 2**	**–**	**(1,657.2)**	**(1,657.2)**
Trade and other payables[1]		**–**	**(1,886.5)**	**(1,886.5)**
Derivative financial instrument	**Level 2**	**(69.9)**	**–**	**(69.9)**
Total		**(69.9)**	**(3,543.7)**	**(3,613.6)**
2019				
Borrowings	**Level 2**	–	(2,417.8)	(2,417.8)
Trade and other payables[1]		–	(1,766.7)	(1,766.7)
Derivative financial instrument	**Level 2**	(4.1)	–	(4.1)
Total		(4.1)	(4,184.5)	(4,188.6)

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

22. RELATED PARTY TRANSACTIONS

Mpact has a related party relationship with its subsidiaries, its associates, joint arrangement and directors. Mpact, in the ordinary course of business, enters into various sales, purchase and services transactions with its joint arrangement and associates and others in which Mpact has a material interest. These transactions are under terms that are no less favourable than those arranged with third parties.

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

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

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

23. EVENTS OCCURRING AFTER THE REPORTING DATE

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

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