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**MPACT LIMITED GROUP
UNAUDITED CONDENSED
CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**
FOR THE SIX MONTHS ENDED 30 JUNE
2021

COMMENTARY

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 2021

SALIENT FEATURES

- Revenue increased by 16.3% to R5.9 billion (June 2020: R5.1 billion)
- Underlying operating profit increased by 165% to R337 million (June 2020: R127 million)
- Underlying earnings per share up 13 times to 120.8 cents (June 2020: 9.0 cents)
- Successfully repurchased 10% of issued shares during the period returning R257 million to shareholders
- Return on Capital Employed (ROCE) improved to 15.6% (June 2020: 9.4%)
- Gearing improved to 27.6% (June 2020: 34.8%)
- Retained B-BBEE Level 1 rating for Mpact Operations Proprietary Limited
- Investments of over R500 million approved to support customer focused growth, innovation and sustainability

GROUP PERFORMANCE

Bruce Strong, Mpact Chief Executive Officer said: "Mpact continues to show tremendous resilience, firmly anchored in our purpose of making a difference, providing our customers with sustainable packaging and giving effect to the circular economy through our integrated business model.

This is demonstrated by the pleasing financial results for the first half of the year announced today. The Group's operating profit increased 165% to R337 million and ROCE increased to 15.6%. Underlying earnings per share increased to 121 cents from 9 cents in the same period last year.

Strong cash flow from operations resulted in net debt decreasing to R1.47 billion (30 June 2020: R1.9 billion) despite returning R257 million to shareholders in January 2021 through a successful share buy-back.

Our strong financial position and proven strategy enables us to take advantage of the significant changes in the global economy as it begins to recover from last year's slump. Customers continue to look to more sustainable solutions sourced locally, instead of relying on imports and unsustainable packaging formats. They are also demanding even higher environmental, social and governance standards from their suppliers, which positions Mpact extremely well as a customer-focused business that is resolute, trustworthy and responsible.

To take advantage of this increase in customer demand, the Board recently approved over R500 million in investments to support our growth and innovation, improve margins, and ensure the resilience and sustainability of our operations."

OVERVIEW

Trading for the six months ended 30 June 2021 was robust, with underlying profit exceeding pre-pandemic comparatives in both the Plastics and Paper businesses.

Group revenue for the six months increased by 16.3% compared to the same period last year to R5.9 billion, while underlying operating profit increased by 165% to R337 million. The Paper business benefited from improved global containerboard prices and increased local sales at higher average prices while the Plastics business also experienced increased demand in most sectors.

Supply chain constraints across most sectors put pressure on raw material availability and costs. Recovered paper costs increased dramatically during the period, partly offsetting the benefits of higher containerboard prices. Similarly, the Plastics business was negatively impacted by higher polymer costs and the timing of passing these cost increases to customers.

Mpact continues to operate effectively under Covid-19 related protocols and conditions, and remains vigilant, upholding the highest standards of health and safety at our operations.

Paper business

Revenue of R4.6 billion was 15.8% higher than the same period last year (June 2020: R4.0 billion), with sales volumes increasing by 12.7%. Paper manufacturing benefited from strong local containerboard demand during the period, improved production performance and a favourable product mix due to low margin rolled pulp not being produced nor sold in the current period.

The recovery in the industrial and Quick Service Restaurant sectors and the continued growth in the agricultural sector benefited the Paper Converting business. Good growth in citrus volumes is anticipated in the second half, despite the late start to the season.

Underlying operating profit of R347.1 million was up 88.6%, due to improved trading and operational efficiencies. A second interim payment of R25 million relating to the Springs Mill electricity supply interruption in 2020 has been approved by insurers and included in the interim results as sundry income.

Plastics business

Revenue in the Plastics business increased by 18.3% to R1.3 billion with a strong recovery in sales volumes. Gross profit increased by 23% due to improved sales and a stock write-down in the prior comparable period which was not repeated.

Plastics showed a significant improvement in profitability, with underlying operating profit increasing to R34.6 million from a loss in the prior period of R17.7 million due to good improvements in most businesses.

Net finance costs

Net finance costs of R67.9 million (June 2020: R94.8 million) were lower by 28.3% compared to the prior comparable period due to lower interest rates and average net debt over the period.

Earnings per share

Headline earnings per share increased to 120.5 cents (June 2020: 8.4 cents) while basic and underlying earnings per share increased to 120.8 cents (June 2020: 9.0 cents).

Net debt

Cash generated from operating activities during the six months was R592 million, after a working capital outflow of R11 million. The cash generated from operating activities more than offset capital expenditure cash flows of R250 million, payment of interest of R70 million and shares repurchased of R257 million.

Net debt at 30 June 2021 was R1.465 billion with gearing improving to 27.6% (June 2020: 34.8%).

OUTLOOK

Strong demand experienced in the first half is expected to continue across most businesses but may be partially offset by the recent unrest experienced in KwaZulu-Natal (KZN) and parts of Gauteng as well as supply chain constraints across most sectors. Margins are expected to improve as raw material cost increases are recovered through increases in selling prices.

Working capital management will remain a key focus area, but it is anticipated that working capital levels will increase in the current period as inventories are replenished.

Decisive actions were taken by management and staff of operations affected by the unrest in July 2021. There were no injuries to employees nor any damages to Mpact's assets attributable to the unrest. All of the KZN operations were closed for up to eight days which resulted in lost gross profit due to reduced production of approximately R20 million. In addition, current indications are that gross profit may be negatively affected by a further R20 million due to lost sales which may be partially recovered by year-end.

The third wave of the Covid-pandemic which started early in June has had limited impact on business continuity to date. Relevant health and safety protocols are well entrenched and upheld across all of the Group's operations.

Mpact has a proven strategy, substantial financial capacity and an experienced management team. The Board recently approved over R500 million in investments to support customer focused growth, innovation and sustainability; and to build on our integrated business model which is uniquely focused on closing the loop in paper and plastic packaging, contributing to the circular economy, and benefiting society.

COMMENTARY CONTINUED

DIVIDENDS

During the past 12 months, R345 million has been returned to shareholders in the form of a share buy-back at an average price of R13.71, of which R257 million was returned during the current period, equating to 1.4 times earnings for the period. The net asset value per share at 30 June 2021 was R24.10.

The Board has therefore resolved not to declare an interim dividend.

Mpact will continue to focus on creating value for shareholders over the long-term through prudent capital allocation in the context of growth opportunities; and cash returns to shareholders by dividends, share buy-backs or a combination thereof.

AJ Phillips

Chairman

5 August 2021

BW Strong

Chief Executive Officer

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2021

	Note	Unaudited Six months ended 30 June 2021 R'm	Unaudited Six months ended 30 June 2020 R'm	Audited Year ended 31 December 2020 R'm
Revenue from contracts with customers	5	5,886.9	5,062.3	11,097.2
Material, energy and fixed overhead recovery		(3,305.5)	(2,858.9)	(6,204.8)
Variable selling expenses		(491.9)	(436.0)	(884.7)
Administration and other operating expenses		(1,494.6)	(1,371.6)	(2,838.2)
Depreciation, amortisation and impairment		(258.0)	(268.9)	(568.0)
Operating profit	6	336.9	126.9	601.5
Share of profit from equity accounted investees		0.8	0.4	14.8
Write-off of non-current financial asset		–	(7.0)	(5.2)
Profit from operations and equity accounted investees		337.7	120.3	611.1
Net finance costs		(67.9)	(94.8)	(169.3)
Investment income		4.0	5.7	10.8
Finance costs	7	(71.9)	(100.5)	(180.1)
Profit before taxation		269.8	25.5	441.8
Taxation		(75.3)	(7.3)	(78.4)
Profit for the period		194.5	18.2	363.4
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains on post-retirement benefit schemes		–	–	3.9
Tax effect		–	–	(1.1)
Items that may be reclassified subsequently to profit or loss				
Effect of cash flow hedges		26.1	(58.9)	(57.6)
Tax effect		(7.3)	16.5	16.1
Exchange differences on translation of foreign operations		–	–	(0.2)
Other comprehensive income/(loss) for the period net of tax		18.8	(42.4)	(38.9)
Total comprehensive income/(loss) for the period		213.3	(24.2)	324.5
Profit attributable to:				
Equity holders of Mpact		180.0	15.4	319.4
Non-controlling interests		14.5	2.8	44.0
Profit for the period		194.5	18.2	363.4
Total comprehensive income/(loss) attributable to:				
Equity holders of Mpact		198.8	(27.0)	280.5
Non-controlling interests		14.5	2.8	44.0
Total comprehensive income/(loss) for the period		213.3	(24.2)	324.5
Earnings per share (EPS) for profit attributable to equity holders of Mpact				
	8			
Basic EPS (cps)		120.8	9.0	188.6
Diluted EPS (cps)		119.0	9.0	188.2

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

	Note	Unaudited as at 30 June 2021 R'm	Unaudited as at 30 June 2020 R'm	Audited as at 31 December 2020 R'm
ASSETS				
Goodwill and other intangible assets		550.2	562.4	556.2
Property, plant and equipment		2,941.1	2,780.0	2,877.4
Right of use assets		244.6	291.1	271.4
Investments in equity accounted investees		40.6	38.4	48.1
Financial asset investments		81.6	94.5	83.3
Finance lease receivable		3.8	–	3.8
Deferred tax assets		14.4	9.3	11.7
Non-current assets		3,876.3	3,775.7	3,851.9
Inventories		1,679.8	1,735.3	1,403.1
Trade and other receivables		2,451.0	2,185.2	2,163.0
Financial assets		13.4	13.7	16.4
Cash and cash equivalents		538.1	387.7	576.0
Derivative financial instruments		0.6	5.0	0.5
Current tax receivable		19.2	21.8	17.4
Current assets		4,702.1	4,348.7	4,176.4
Total assets		8,578.4	8,124.4	8,028.3
EQUITY AND LIABILITIES				
Capital and reserves				
Stated capital	9	2,323.6	2,669.2	2,595.6
Retained earnings		1,227.1	740.9	1,045.9
Reserves		20.9	(17.1)	(13.6)
Total attributable to equity holders of Mpac		3,571.6	3,393.0	3,627.9
Non-controlling interests in subsidiaries		291.4	245.3	284.9
Total equity		3,863.0	3,638.3	3,912.8
Interest and non-interest-bearing borrowings	10	1,673.1	1,955.8	1,634.5
Lease liabilities		250.1	302.7	256.2
Retirement benefits obligation		37.2	40.2	36.9
Deferred tax liabilities		149.6	78.0	87.3
Deferred income		5.1	10.6	6.9
Provisions		6.9	–	6.8
Derivative financial instruments		31.0	58.4	57.1
Non-current liabilities		2,153.0	2,445.7	2,085.7
Short-term portion of borrowings	10	27.0	23.4	22.7
Lease liabilities		52.8	43.4	70.2
Trade and other payables		2,442.4	1,882.6	1,886.5
Dividend payable		–	72.8	–
Provisions		20.1	10.3	22.7
Deferred income		4.6	4.6	5.5
Derivative financial instruments		11.9	3.0	12.8
Current tax liabilities		3.6	0.3	9.4
Current liabilities		2,562.4	2,040.4	2,029.8
Total liabilities		4,715.4	4,486.1	4,115.5
Total equity and liabilities		8,578.4	8,124.4	8,028.3

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021

	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 Impact Limited R'm	Non-controlling interest R'm	Total equity R'm
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 paid	-	-	-	-	-	(72.1)	(72.1)	-	(72.1)
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	9.6	(5.0)	-	(5.0)
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
Total comprehensive income for the period	-	-	0.9	2.8	(0.2)	304.0	307.5	41.2	348.7
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(1.6)	(1.6)
Purchase of treasury shares	-	-	-	-	(14.2)	-	(14.2)	-	(14.2)
Shares re-purchased	(73.6)	-	-	-	-	-	(73.6)	-	(73.6)
Share plan charges for the period	-	14.2	-	-	-	-	14.2	-	14.2
Issue/exercise of shares under employee share scheme	-	-	-	-	-	1.0	1.0	-	1.0
Balance at 31 December 2020 (audited)	2,595.6	43.2	(41.2)	30.2	(45.8)	1,045.9	3,627.9	284.9	3,912.8
Total comprehensive income for the period	-	-	18.8	-	-	180.0	198.8	14.5	213.3
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(8.0)	(8.0)
Purchase of treasury shares	-	-	-	-	(12.2)	-	(12.2)	-	(12.2)
Shares re-purchased	(257.9)	-	-	-	-	-	(257.9)	-	(257.9)
Shares cancelled ³	(14.1)	-	-	-	14.1	-	-	-	-
Share plan charges for the period	-	15.4	-	-	-	-	15.4	-	15.4
Issue/exercise of shares under employee share scheme	-	(20.4)	-	-	18.8	1.2	(0.4)	-	(0.4)
Balance at 30 June 2021 (unaudited)	2,323.6	38.2	(22.4)	30.2	(25.1)	1,227.1	3,571.6	291.4	3,863.0

¹ Other reserves consist of foreign currency translation reserve, treasury shares and fair value adjustments to equity investments.

² Dividends declared amounted to Rnil million (30 June 2020 and 31 December 2020: Rnil million).

³ These shares were purchased in the prior year and cancelled in the current year.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

for the six months ended 30 June 2021

	Note	Unaudited Six months ended 30 June 2021 R'm	Unaudited Six months ended 30 June 2020 R'm	Audited Year ended 31 December 2020 R'm
Cash flows from operating activities				
Operating cash flows before movements in working capital		603.0	393.5	1,203.8
Net (increase)/decrease working capital		(11.0)	304.4	665.0
Cash generated from operations	15	592.0	697.9	1,868.8
Dividends from equity accounted investees		8.3	3.4	8.1
Taxation paid		(31.2)	(19.6)	(71.4)
Net cash inflows from operating activities		569.1	681.7	1,805.5
Cash flows from investing activities				
Additions to property, plant and equipment and intangibles assets		(249.5)	(161.1)	(518.3)
Other investing activities		14.5	9.1	25.1
Net cash outflows from investing activities		(235.0)	(152.0)	(493.2)
Cash flows from financing activities				
Repayment of borrowings		(517.9)	(1,187.0)	(2,777.0)
Proceeds from borrowings raised		525.0	760.0	2,025.1
Repayment of lease liabilities ¹		(35.4)	(37.6)	(71.1)
Finance costs paid ¹		(69.9)	(99.4)	(176.5)
Payment for shares re-purchased and cancelled		(257.9)	–	(73.6)
Purchase of treasury shares		(12.2)	–	(14.2)
Dividends paid to Mpact shareholders		–	–	(72.1)
Other financing activities		(8.0)	(13.6)	(15.2)
Net cash outflows from financing activities		(376.3)	(577.6)	(1,174.6)
Net (decrease)/increase in cash and cash equivalents		(42.2)	(47.9)	137.7
Net cash and cash equivalents at beginning of period ²		568.3	430.6	430.6
Net cash and cash equivalents at end of period²		526.1	382.7	568.3

¹ The total cash outflow for leases recognised under IFRS 16 is R48.4 million (30 June 2020: R53.4 million, 31 December 2020: R101.7 million). Finance costs paid includes R13.0 million (30 June 2020: R15.8 million, 31 December 2020: 30.6 million) from lease liabilities.

² Net cash and equivalents comprise of cash and cash equivalents of R538.1 million (30 June 2020: R387.7 million, 31 December 2020: R576.0 million) and bank overdrafts of R12.0 million (30 June 2020: R5.0 million, 31 December 2020: R7.7 million).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2021

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 Mpac'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 2020.

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

The presentation of headline EPS is mandated under the JSE Listings Requirements and is calculated in accordance with Circular 1/2021, "Headline Earnings", as issued by the South African Institute of Chartered Accountants.

The preparation of Mpac's consolidated results for the half year ended 30 June 2021 was supervised by the Chief Financial Officer, BDV Clark CA(SA). The interim condensed consolidated financial statements have not been audited or reviewed by Mpac's external auditor.

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 2020. There were no new adoptions in the current period.

Significant accounting judgements, estimates and assumptions

The significant judgements made by management in applying Mpac'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 2020.

3. SEASONALITY

Seasonal effects in Mpac'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.

4. SIGNIFICANT EVENT

In June 2021, Mpac secured an additional R200 million general banking facility from Standard Bank.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2021

5. SEGMENT INFORMATION

Mpact's operating segments are reported in a manner consistent with the internal reporting provided to Mpact's executive committee, being the chief operating decision-making body. Mpact 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 Mpact's accounting policies. All goods sold to customers occur at a point in time.

	Unaudited Six months ended 30 June 2021 R'm	Unaudited Six months ended 30 June 2020 R'm	Audited Year ended 31 December 2020 R'm
Mpact's segment analysis			
Revenue			
Paper	4,638.9	4,005.9	8,664.9
Plastics	1,266.5	1,070.9	2,468.2
Revenue before inter-segment revenue	5,905.4	5,076.8	11,133.1
Less: Inter-segment revenue	(18.5)	(14.5)	(35.9)
Total	5,886.9	5,062.3	11,097.2
External revenue by product type			
Recycled containerboard, cartonboard and other materials	2,321.5	1,880.4	3,708.9
Corrugated packaging, bags and sacks	2,298.9	2,111.0	4,920.2
Plastic packaging solutions	1,266.5	1,070.9	2,468.1
Total	5,886.9	5,062.3	11,097.2
External revenue by location of customer			
South Africa (country of domicile)	5,188.8	4,371.4	9,612.8
Rest of Africa	634.4	571.0	1,267.7
Rest of World	63.7	119.9	216.7
Total	5,886.9	5,062.3	11,097.2
Operating segment underlying operating profit/(loss)			
Paper	347.1	184.0	577.7
Plastics	34.6	(17.7)	119.3
Corporate	(36.5)	(39.4)	(57.9)
Inter-segment elimination	(8.3)	-	(8.1)
Operating profit before special items (underlying EBIT)	336.9	126.9	631.0
Special items ¹	-	-	(29.5)
Share of equity accounted investee's profit	0.8	0.4	14.8
Write-off of non-current financial asset	-	(7.0)	(5.2)
Net finance costs	(67.9)	(94.8)	(169.3)
Profit before tax	269.8	25.5	441.8
Assets			
Paper	5,375.7	5,620.9	4,997.5
Plastics	1,636.8	1,489.9	1,536.1
Corporate ²	1,565.9	1,013.6	1,494.7
Total assets	8,578.4	8,124.4	8,028.3

¹ Consist of impairment of property, plant and equipment.

² Includes intangible and other non-operating assets.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2021

	Unaudited Six months ended 30 June 2021 R'm	Unaudited Six months ended 30 June 2020 R'm	Audited Year ended 31 December 2020 R'm
6. OPERATING PROFIT			
Included in operating profit are:			
Depreciation, amortisation and impairments	258.0	268.9	568.0
Amortisation of intangible assets	6.1	6.1	12.2
Depreciation of property, plant and equipment	213.2	220.3	444.2
Depreciation of right of use assets	38.7	42.5	82.1
Impairment of property, plant and equipment	–	–	29.5
Net foreign currency losses/(gain)	13.6	(28.4)	9.3
Net loss from trade receivables written off	0.4	0.6	2.0
Trade receivables written-off ¹	2.0	54.1	79.0
Reversal of expected credit loss allowance	(1.6)	(53.5)	(77.0)
Increase in expected credit loss provision	5.9	22.6	23.0
(Reversal of provision)/provision for net write-down of inventories ²	(11.8)	49.5	(17.3)
Impairment of non-current financial asset ¹	–	7.0	5.2
Net proceeds from insurance claim	25.0	–	25.0

¹ In the prior year, the majority of the write-off was due to a customer that was in financial distress and was unlikely to be in a position to fully settle its 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 overdrafts and loans	57.1	82.8	145.7
Leases liabilities	13.0	15.8	30.6
Defined benefit arrangements	1.8	1.9	3.8
Total	71.9	100.5	180.1

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2021

	Unaudited Six months ended 30 June 2021 cents	Unaudited Six months ended 30 June 2020 cents	Audited Year ended 31 December 2020 cents
8. EARNINGS PER SHARE			
Basic EPS	120.8	9.0	188.6
Diluted EPS ¹	119.0	9.0	188.2
Basic headline EPS	120.5	8.4	196.1
Diluted headline EPS ¹	118.8	8.3	195.6
Basic underlying EPS	120.8	9.0	200.6
Diluted underlying EPS ¹	119.0	9.0	200.1

	R'm	R'm	R'm
Profit for the period attributable to equity holders of Mpact	180.0	15.4	319.4
Impairment of goodwill and other intangible assets	–	–	29.5
Gain on de-recognition of right-of-use assets and lease liabilities	–	–	(6.0)
Profit on disposal of tangible and intangible assets	(0.5)	(1.5)	(2.3)
Non-controlling interest portion of impairment of plant and equipment	–	–	(1.3)
Related tax	0.1	0.4	(7.3)
Headline earnings for the period	179.6	14.3	332.0
Profit for the period attributable to equity holders of Mpact	180.0	15.4	319.4
Impairment of goodwill and other intangible assets	–	–	29.5
Non-controlling interest portion of impairment of plant and equipment	–	–	(1.3)
Related tax	–	–	(7.9)
Underlying earnings for the period	180.0	15.4	339.7

	Weighted average of shares		
Basic number of shares outstanding	149,064,418	171,017,608	169,322,144
Effect of dilutive potential ordinary shares	2,157,948	1,048,366	418,994
Diluted number of ordinary shares outstanding¹	151,222,366	172,065,974	169,741,138

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.

	Unaudited Six months ended 30 June 2021 R'm	Unaudited Six months ended 30 June 2020 R'm	Audited Year ended 31 December 2020 R'm
9. STATED CAPITAL			
Authorised			
217,500,000 shares of no par value	–	–	–
Issued			
148,175,363 shares (30 June 2020: 173,304,517; 31 December 2020: 164,639,292) of no par value.	2,323.6	2,669.2	2,595.6

In January 2021, Mpact re-purchased 15,413,152 of its issued shares for a consideration of R257.9 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. 1,050,777 of the cancelled and delisted shares were purchased in the previous financial year for a consideration of R14.1 million.

As at 30 June 2021, there are 1,771,881 (30 June 2020: 2,187,648; 31 December 2020: 1,935,763) treasury shares on hand.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2021

	Unaudited Six months ended 30 June 2021 R'm	Unaudited Six months ended 30 June 2020 R'm	Audited Year ended 31 December 2020 R'm
10. INTEREST AND NON-INTEREST-BEARING BORROWINGS			
– Secured interest bearing borrowings ¹	1,670.0	1,950.0	1,630.0
– Instalment loan facility	3.1	5.8	4.5
Non-current borrowings	1,673.1	1,955.8	1,634.5
– Unsecured non-interest-bearing borrowings	12.2	15.4	12.2
– Instalment loan facility	2.8	3.0	2.8
– Bank overdraft	12.0	5.0	7.7
Short-term portion of borrowings	27.0	23.4	22.7
Total borrowings	1,700.1	1,979.2	1,657.2

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

¹ Mpact 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	339.3	107.7	190.1
– Approved capital commitments	322.2	376.6	622.3
Capital commitments	661.5	484.3	812.4

Commitments of R587.0 million (30 June 2020: R437.9 million; 31 December 2020: R805.6 million) will be spent in the next 12 months on condition of available cash resources. The balance of R74.5 million (30 June 2020: R46.4 million; 31 December 2020: R6.8 million) will be spent in one to five years. These commitments will be met from existing cash resources and borrowing facilities available to Mpact.

12. FAIR VALUE ESTIMATION

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 Mpact's 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2021

	Unaudited Six months ended 30 June 2021 R'm	Unaudited Six months ended 30 June 2020 R'm	Audited Year ended 31 December 2020 R'm
12. FAIR VALUE ESTIMATION (continued)			
Financial instruments by category			
Financial assets			
Trade receivables ¹ (At amortised cost)	2,394.0	2,128.2	2,125.3
Loan receivables (Level 2 – At amortised cost)	94.4	107.6	99.1
Equity investments (Level 3 – At fair value through OCI)	0.6	0.6	0.6
Derivative financial instruments (Level 2 – At fair value through profit or loss)	0.6	5.0	0.5
Cash and cash equivalents ¹ (At amortised cost)	538.1	387.7	576.0
Total	3,027.7	2,629.1	2,801.5
Financial liabilities			
Borrowings (Level 2 – At amortised cost)	1,700.1	1,979.2	1,657.2
Lease liabilities (Level 2 - At amortised cost)	302.9	346.1	326.4
Trade payables ¹ (At amortised cost)	2,442.4	1,882.6	1,886.5
Dividend payable	–	72.8	–
Derivative financial instrument (Level 2 – At fair value through profit or loss)	42.9	61.4	69.9
Total	4,488.3	4,342.1	3,940.0

¹ The carrying value approximates the fair value.

13. NET ASSET PER SHARE

Net asset value per share (cents)	2,410.4	1,957.8	2,203.5
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Net asset value per share is defined as net assets attributable to equity holders of Mpac divided by the number of ordinary shares in issue as at the period-end.

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

- Contingent liabilities for Mpac comprise aggregate amounts at 30 June 2021 of R11.7 million (30 June 2020: R9.5 million, 31 December 2020: R2.0 million) in respect of loans and guarantees given to banks and other third parties.
- A Group mill is the subject of a land claim, which should not have a material impact on the financial position of Mpac.
- There is a contingent asset for the insurance claim due to a catastrophic failure of a municipal sub-station in Ekurhuleni. There were no other significant contingent assets for Mpac at 30 June 2021.
- 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. The matter will be adjudicated in due course. The commission is not seeking the imposition of a penalty against Mpac.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2021

	Unaudited Six months ended 30 June 2021 R'm	Unaudited Six months ended 30 June 2020 R'm	Audited Year ended 31 December 2020 R'm
15. CASH GENERATED FROM OPERATIONS			
Profit before taxation	269.8	25.5	441.8
Depreciation, amortisation and impairments	258.0	268.9	568.0
Write-off of non-current financial asset	–	7.0	5.2
Share-based payments	15.4	6.4	20.6
Net finance costs	67.9	94.8	169.3
Share of profit from equity accounted investees	(0.8)	(0.4)	(14.8)
(Decrease)/increase in provisions	(3.0)	(0.7)	17.2
(Increase)/decrease in inventories	(278.9)	136.7	461.5
(Increase)/decrease in receivables	(286.5)	51.0	81.4
Increase in payables	554.3	116.7	122.0
Profit on disposal of tangible assets	(0.5)	(1.5)	(2.3)
Fair value change on transactions not qualifying as hedges	(1.0)	(3.4)	10.9
Amortisation of government grant	(2.8)	(2.8)	(5.5)
Profit on disposal of right-of-use assets and lease liabilities	–	–	(6.0)
Other non-cash items	0.1	(0.3)	(0.5)
Cash generated from operations	592.0	697.9	1,868.8

16. RELATED PARTIES

Mpact has a related party relationship with its associates and joint ventures. Mpact, in the ordinary course of business, enters into various sales, purchase and services transactions with joint ventures 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.

	Unaudited Six months ended 30 June 2021 R'm	Unaudited Six months ended 30 June 2020 R'm	Audited Year ended 31 December 2020 R'm
Details of transactions and balances between Mpact and related parties are disclosed below:			
Sales to related parties	123.2	101.9	244.4
Purchases from related parties	0.7	–	0.7
Interest received from related parties	0.6	1.2	2.2
Receivables due from related parties	45.2	44.5	64.6
Payables due to related parties	9.2	8.5	12.9
Loans to related parties	61.8	58.2	59.2

17. SUBSEQUENT EVENTS

The directors are not aware of any matters or circumstances arising subsequent to 30 June 2021 that require any additional disclosure or adjustment to the condensed consolidated interim financial statements.

COMPANY INFORMATION

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 2021, Mpact employed 5,153 people (June 2020: 5,026 people) and had 46 operating sites, 22 of which are manufacturing operations, located in South Africa, Namibia and Mozambique. Sales in South Africa account for approximately 88% of Mpact's total revenue for the current period 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 Biermann Avenue, Rosebank, 2196
(Private Bag X9000, Saxonwold, 2132)

Sponsors:

The Standard Bank of South Africa Limited

30 Baker Street, Rosebank, Johannesburg, 2196
(PO Box 61344, Marshalltown, 2107)

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.

