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 2021

SALIENT FEATURES FROM CONTINUING OPERATIONS

- Strong financial performance and good progress on Group strategy implementation
- Revenue up 12.6% to R11.5 billion (2020: R10.3 billion)
- Underlying operating profit (EBIT) improved by 56.2% to R948 million (2020: R607 million)
- Underlying earnings per share (EPS) up 93.2% to 360 cents (2020: 186 cents)
- Share buy-back returned R257 million to shareholders (2020: returned R88 million)
- Final dividend declared of 50 cents per share (cps), returning a further R74 million to shareholders (2020: nil per share)
- Return on capital employed (ROCE) increased to 17.8% (2020: 11.4%)
- Mpact Operations retained its Level 1 B-BBEE rating

Bruce Strong, Mpact Chief Executive Officer said: “Mpact delivered a pleasing performance in 2021, successfully navigating the challenging business environment. Group revenue from continuing operations increased by 13% when compared to the prior year to R11.5 billion. Underlying EBIT from continuing operations increased by 56% to R948 million and underlying earnings per share increased by 93% to 360 cents. Return on capital employed increased to 17.8%.

The Paper business benefited from improved domestic demand and favourable product mix. Higher average selling prices were partly offset by significant increases in raw material costs, most notably in pulp and recovered paper.

The Plastics business showed good growth across most sectors and improved profitability despite delays in increasing selling prices to recover higher polymer costs.

Strong added: “Mpact has once again shown tremendous resilience, firmly anchored in our purpose of providing our customers with innovative sustainable packaging, giving effect to the circular economy through our integrated business model and making a difference in the communities where we operate.

Good progress was made in implementing the Group strategy through a combination of investments and portfolio optimisation. Several projects were successfully completed during the year and the Board approved over R700 million in new capital investments to support growth and innovation, improve margins, and ensure the resilience and sustainability of our operations. These projects include new facilities, new technology, plant, equipment and solar power to improve efficiencies and expand our capacity to meet growing customer demand.

Innovation is a cornerstone of Mpact’s business and our investments in research and development allow us to identify new ways to meet customers’ packaging needs, improve their offerings and contribute to the circular economy. Our efforts in this regard were once again recognised through a number of awards. Mpact received seven product design awards at the 2021 IPSA Gold Pack Awards, including the prestigious Gold Pack trophy recognising PETzorb as the overall winner. A further two awards were also received from the South African Plastics Recycling Organisation.

CONTINUING OPERATIONS

OVERVIEW

Customer demand was robust across most product categories and margins improved due to increased sales volumes, better operational efficiencies and a favourable mix, which offset the significant increase in the cost of inputs.

During 2021, unprecedented supply chain constraints globally and across all sectors affected the availability and cost of most raw materials, with recovered paper, plastic polymers, electricity and several process chemicals escalating well above inflation. The supply chain challenges led to increased demand from customers for locally produced products, from which Mpact benefited. Thanks to the foresight and ingenuity of Mpact's management, there were no significant interruptions to operations, although customer demand exceeded capacity in certain businesses.

Decisive action was taken by management and staff of operations affected by the regional unrest in July 2021. There were no injuries to employees nor any damages to Mpact's assets attributable to the unrest. All of the KwaZulu-Natal operations were closed for up to 8 days which resulted in lost gross profit of approximately R20 million due to reduced production and sales.

We are particularly grateful for the ongoing commitment of our staff. Covid-19 protocols are well entrenched and enthusiastically adopted by all employees, which limited the impact of the third and fourth Covid-19 waves on our business. Employees have been encouraged to get vaccinated through awareness campaigns, time off, providing transport to vaccination sites in some instances as well as inviting the Department of Health to vaccinate on site in others.

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 2021 increased by 12.6% to R11.5 billion (2020: R10.3 billion) as a result of an 8.8% increase in sales volumes and a 3.8% increase in the average price. Gross profit increased by 13.5% compared to the prior year with the gross profit margin increasing to 36.9%.

Underlying EBIT increased by 56.2% to R948 million (2020: R607 million) due to higher gross profit, well contained controllable fixed costs and a lower depreciation charge.

Underlying earnings per share increased by 93.2% to 359.6 cents (2020: 186.1 cents) due to strong earnings growth and the reduced number of shares in issue following the share buy-back in 2021. ROCE improved to 17.8% (2020: 11.4%).

Paper business

Segment revenue increased by 12.2% compared to the prior year to R9.7 billion. External sales volumes increased by 8.7% and the average price increased 3.5%.

The good performance in the first half continued in the second half with strong local containerboard and cartonboard demand. In addition, the paper converting division benefited from the recovery in the industrial and quick service restaurant sectors as well as the growth from new products sales.

Underlying EBIT for the Paper business increased by 51.5% to R875 million (2020: R578 million) due to a favourable product mix with low margin rolled pulp not being produced or sold in 2021 (2020 rolled pulp sales: 20 806 tons) and improved operational efficiencies. Higher raw material costs during the year were partially recovered through paper selling price increases in the last quarter of 2021 and we expect to realise the full margin benefit in 2022.

A second interim insurance payment of R25 million relating to the Springs Mill electricity supply interruption in 2020 was approved by insurers and included in the results as sundry income. It is anticipated that a final settlement amount of approximately R45 million will be included in the 2022 results.

The Baywhite distribution agreement expired on 31 December 2021 after having been extended beyond its initial term by seven years. In 2021, Mpact's external revenue attributable to the agreement was R867 million with a profit margin of approximately 2.5%.

Plastics business

Revenue in the Plastics business was up 14.2% to R1.9 billion (2020: R1.6 billion) due to good demand in Bins and Crates and a recovery of volumes in Preforms and Closures, offset by lower demand in FMCG. Overall, volumes increased by 9.5% with price and mix up 4.7%.

Underlying EBIT increased by 33.7% to R200 million due to good growth across most sectors and a lower depreciation charge, partially offset by delays in increasing selling prices to recover higher polymer costs. The underlying operating margin improved to 10.7% (2020: 9.2%)

Net finance costs

Net finance costs decreased by 17.7% to R139.5 million (2020: R169.5 million) due mainly to lower average net debt.

Tax

The effective tax rate before special items of 28.5% (2020: 19.4%) approximates the South African corporate income tax rate of 28%. The prior year's low effective tax rate was as a result of the S12I and S12L capital investment and energy efficiency incentives not repeated in the current year.

Earnings per share

Headline earnings per share (HEPS) increased 89% to 343.2 cents (2020: 181.6 cents) while underlying basic earnings per share (EPS) improved 93.2% to 359.6 cents (2020: 186.1 cents).

The weighted average number of shares used in the calculation of EPS, HEPS and underlying EPS for the year ended 31 December 2021 was 147,264,489 compared to 169,322,144 for the prior year.

Net debt

Net debt increased to R1.8 billion at 31 December 2021 (2020: R1.4 billion) mainly due to a cash outflow in respect of the share buy-back undertaken in January 2021 as well as investments made in capital projects.

As at 31 December 2021, Mpact had approximately R3 billion of committed debt facilities of which R900 million (R200 million drawn and R700 million undrawn) will expire in August 2022. We have therefore commenced engagements with the lenders on these facilities.

DISCONTINUED OPERATION

Following a strategic review, Mpact's Board has decided to sell its plastic trays and films business, Mpact Versapak, as a going concern. Versapak, which currently forms part of the Plastics Division of Mpact, is a leading producer of plastic trays and film with a well-established brand, blue-chip customers and a solid asset base. The reason for this decision is that Versapak's products are not fully aligned with Mpact's strategy.

Mpact Versapak is disclosed separately in the Annual Financial Statements for the year ended 31 December 2021, with the assets and liabilities being reported as "held for sale" and the Income Statement reported as a "discontinued operation".

The decision to sell Versapak does not affect any other Mpact Plastics businesses being FMCG, Plastic Containers and Preforms and Closures.

The Company is currently in the early stages of engagement with potential buyers for the business. It is anticipated that the sale could take several months to complete.

For the year ended 31 December 2021, Versapak reported revenue of R920 million (2020: R839 million), and net earnings of R2 million (2020: R15 million), which equates to basic EPS of 1.5 cents (2020: 9.0 cents). Versapak's net asset value as at 31 December 2021 was R301 million (2020: R217 million).

OUTLOOK

Mpact is expected to continue to benefit from the strong global containerboard and cartonboard market as well as increased demand for locally-produced products. In addition, the annual paper selling price increase realised at the end of 2021 will assist the Group in recovering increases in raw material costs. However, the ongoing effects of Covid-19 and the general tightening on monetary policy could negatively affect consumer spending while the pressure on input costs is likely to remain.

The upward inflationary pressure arising from global supply chain disruptions, exacerbated by the current Ukrainian crisis, are expected to continue for the foreseeable future. The Group has implemented measures to mitigate against the effects and exploit any opportunities that may arise from the disruptions. Nevertheless, the impact on the availability and cost of raw materials remains uncertain.

The proposed sharp increase in electricity tariffs by Eskom, the ongoing instability of the national grid and the escalating price of fuel remain concerns in the coming year.

Despite these immediate challenges, the Group is working on the successful implementation of several approved projects and other growth opportunities totalling over R700 million to support customer focused growth, innovation and sustainability; and to build on the Group's integrated business model, which is uniquely focused on closing the loop in paper and plastic packaging, contributing to the circular economy, and benefiting society.

DIVIDENDS AND SHARES REPURCHASED

Shareholders are referred to the Company's announcement on SENS dated 27 January 2021, in which the Company gave notification that it had repurchased 15,413,152 shares representing 10% of Mpact's issued share capital at a cost of R257 million. The total number of shares in issue as at 31 December 2021 was 148,175,363 (2020: 164,639,292).

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 buybacks or a combination thereof.

Notwithstanding the significant return of cash to shareholders during the period through the successful share buy-back, the Board has resolved to declare a final gross cash dividend of 50 cents for the financial year ended 31 December 2021 (40 cents net of dividend withholding tax) per ordinary share (2020: nil per ordinary share). A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt. The dividend has been declared from income reserves.

Salient dates for the cash dividend distribution

	2022
Publication of dividend declaration	Monday, 7 March
Last day of trade to receive a dividend	Tuesday, 29 March
Shares commence trading “ex” dividend	Wednesday, 30 March
Record date	Friday, 1 April
Payment date	Monday, 4 April

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

Share certificates may not be dematerialised or re-materialised between Wednesday, 30 March 2022 and Friday, 1 April 2022, both days inclusive. Mpact’s income tax reference number is 9003862175.

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.

BOARD CHANGES

Effective 30 November 2021, Mr. Andrew Murray Thompson resigned as an Independent Non- executive Director of Mpact, and as a member of the Audit and Risk Committee and member of the Social and Ethics Committee. The Board would like to thank him for his valuable contribution, dedication and commitment to the Company during his tenure.

Effective 27 January 2022, Mr Donald Gert Wilson has been appointed to Mpact's Board as an Independent Non-executive Director and as a member of Mpact's Audit and Risk Committee. The Board is very pleased to welcome him and looks forward to his contribution to the Company.

AJ Phillips

Chairman

BW Strong

Chief Executive Officer

7 March 2022

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 2021, Mpact employed 5,115 people (2020: 5,053 people) and had 47 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 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 and DG Wilson

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)

Sponsors:
The Standard Bank of South Africa Limited
30 Baker Street
Rosebank
2196
(PO Box 61344, Marshalltown, 2107)

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 2021

	Note	2021 R'm	Restated[1] 2020 R'm
CONTINUING OPERATIONS			
Revenue from contracts with customers	5a	**11,548.8**	10,257.9
Material, energy and fixed overhead recovery		**(6,397.9)**	(5,701.7)
Variable selling expenses		**(887.8)**	(801.2)
Administration and other operating expenses[2]		**(2,831.8)**	(2,610.9)
Depreciation, amortisation and impairment	5b	**(500.2)**	(557.6)
Operating profit	6	**931.1**	586.5
Share of profit from equity accounted investees		**7.1**	14.8
Write off of non-current financial asset		**–**	(5.2)
Gain on acquisition of business	18	**0.9**	–
Profit from operations and equity accounted investees		**939.1**	596.1
Net finance costs	7	**(139.5)**	(169.5)
Investment income		**8.0**	10.6
Finance costs		**(147.5)**	(180.1)
Profit before tax and discontinuing operation	5b	**799.6**	426.6
Tax expense	8	**(228.1)**	(78.4)
Profit for the year from continuing operations		**571.5**	348.2
DISCONTINUED OPERATION			
Profit for the year from discontinued operation	19	**2.2**	15.2
Profit for the year		**573.7**	363.4
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains on post-retirement benefit scheme		**3.0**	3.9
Tax effect		**(0.8)**	(1.1)
Items that may be reclassified subsequently to profit or loss			
Effects of cash flow hedge		**37.8**	(57.6)
Tax effect		**(10.6)**	16.1
Exchange differences on translation of foreign operations		**0.2**	(0.2)
Other comprehensive income/(loss)		**29.6**	(38.9)
Total comprehensive income for the year		**603.3**	324.5
Profit attributable to:			
Equity holders of Mpact		**519.9**	319.4
Non-controlling interests		**53.8**	44.0
Profit for the year		**573.7**	363.4
Total comprehensive income attributable to:			
Equity holders of Mpact		**549.5**	280.5
Non-controlling interests		**53.8**	44.0
Total comprehensive income for the year		**603.3**	324.5
Earnings per share (EPS) for profit attributable to equity holders of Mpact:			
Basic EPS (cps) from continuing operations	9	**351.5**	179.6
Diluted EPS (cps) from continuing operations	9	**343.7**	179.2
Basic EPS (cps) from discontinued operation	9	**1.5**	9.0
Diluted EPS (cps) from discontinued operation	9	**1.5**	9.0

[1]The comparative figures were restated as a result of the Plastics Trays & Films business being classified as a discontinued operation. Refer to note 19.

[2]Administrative and other operating expenses includes an expected credit loss on financial assets of R13.1 million (2020: R23.0 million).

MPACT LIMITED GROUP

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 R'm	2020 R'm
ASSETS			
Goodwill and other intangible assets		**549.9**	556.2
Property, plant and equipment		**3,131.8**	2,877.4
Right of use assets		**198.0**	271.4
Investments in equity accounted investees		**46.4**	48.1
Financial assets		**85.5**	83.3
Finance lease receivable		**–**	3.8
Deferred tax assets		**10.3**	11.7
Non-current assets		**4,021.9**	3,851.9
Inventories	11	**1,463.4**	1,403.1
Trade and other receivables		**2,330.0**	2,163.0
Financial assets		**13.9**	16.4
Cash and cash equivalents		**374.3**	576.0
Derivative financial instruments		**3.3**	0.5
Current tax receivables		**18.2**	17.4
Current assets		**4,203.1**	4,176.4
Assets held for sale	19	**496.9**	–
Total assets		**8,721.9**	8,028.3
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	12	**2,323.6**	2,595.6
Retained earnings		**1,567.0**	1,045.9
Reserves		**19.5**	(13.6)
Total attributable to equity holders of Mpact		**3,910.1**	3,627.9
Non-controlling interests in subsidiaries		**329.5**	284.9
Total equity		**4,239.6**	3,912.8
Interest and non-interest bearing borrowings	13	**1,651.5**	1,634.5
Lease liabilities		**179.6**	256.2
Retirement benefits obligation		**34.6**	36.9
Deferred tax liabilities	15	**217.1**	87.3
Deferred income		**0.3**	6.9
Provisions	16	**6.9**	6.8
Derivative financial instruments	17	**15.9**	57.1
Non-current liabilities		**2,105.9**	2,085.7
Short-term portion of borrowings	14	**231.4**	22.7
Lease liabilities		**67.6**	70.2
Trade and other payables		**1,845.7**	1,886.5
Provisions	16	**16.4**	22.7
Deferred income		**6.6**	5.5
Derivative financial instruments	17	**6.5**	12.8
Current tax liabilities		**6.2**	9.4
Current liabilities		**2,180.4**	2,029.8
Liabilities held for sale		**196.0**	–
Total liabilities		**4,482.3**	4,115.5
Total equity and liabilities		**8,721.9**	8,028.3

MPACT LIMITED GROUP

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**2021 R'm**	2020 R'm
Cash flows from operating activities			
Operating cash flows before movements in working capital		**1,430.8**	1,203.8
Net (increase)/decrease in working capital		**(461.7)**	665.0
Cash generated from operations	20a	**969.1**	1,868.8
Dividends received from equity accounted investees		**8.8**	8.1
Taxation paid		**(114.5)**	(71.4)
Net cash inflows from operating activities		**863.4**	1,805.5
Cash flows from investing activities			
Net cash outflow from business combination	18	**(22.7)**	–
Additions to property, plant and equipment and other intangibles		**(687.1)**	(518.3)
Acquisition of assets of a business		**(26.1)**	–
Proceeds from the disposal of property, plant and equipment		**43.3**	5.8
Loan advances to associates		**(6.6)**	(4.3)
Loan repayments from external parties		**7.0**	15.3
Loan advances to external parties		**–**	(3.6)
Interest received		**9.6**	11.9
Net cash outflows from investing activities		**(682.6)**	(493.2)
Cash flows from financing activities			
Proceeds from borrowings raised		**2,615.0**	2,025.1
Repayment of borrowings		**(2,402.7)**	(2,777.0)
Repayments of lease liabilities[1]		**(72.9)**	(71.1)
Finance costs paid[2]		**(143.5)**	(176.5)
Payment for shares re-purchased and cancelled	12	**(257.9)**	(73.6)
Dividends paid to non-controlling interests		**(9.2)**	(15.2)
Dividends paid to equity holders of Mpact Limited		**–**	(72.1)
Purchase of treasury shares		**(43.8)**	(14.2)
Net cash outflows from financing activities		**(315.0)**	(1,174.6)
Net (decrease)/increase in cash and cash equivalents		**(134.2)**	137.7
Effect of movements in exchange rates on cash held		**0.4**	–
Net cash and cash equivalents at beginning of year		**568.3**	430.6
Net cash and cash equivalents at end of year		**434.5**	568.3

[1]*The total cash outflow for leases recognised under IFRS 16 is R97.8 million (2020: R101.7 million).*

[2]*Finance costs paid includes R24.9 million (2020: R30.6 million) from lease liabilities.*

MPACT LIMITED GROUP

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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	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 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 loss 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[4]	–	–	–	–	–	(14.2)	–	(14.2)	–	(14.2)
Share plan charges for the year	–	20.6	–	–	–	–	–	20.6	–	20.6
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)
Shares re-purchased (refer to note 12)	(73.6)	–	–	–	–	–	–	(73.6)	–	(73.6)
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**
Total comprehensive income for the year	**–**	**–**	**27.2**	**2.2**	**0.2**	**–**	**519.9**	**549.5**	**53.8**	**603.3**
Purchase of treasury shares	**–**	**–**	**–**	**–**	**–**	**(43.8)**	**–**	**(43.8)**	**–**	**(43.8)**
Share plan charges for the year	**–**	**34.8**	**–**	**–**	**–**	**–**	**–**	**34.8**	**–**	**34.8**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9.2)**	**(9.2)**
Issue/exercise of shares under employee share scheme	**–**	**(20.4)**	**–**	**–**	**–**	**18.8**	**1.2**	**(0.4)**	**–**	**(0.4)**
Shares re-purchased (refer to note 12)	**(257.9)**	**–**	**–**	**–**	**–**	**–**	**–**	**(257.9)**	**–**	**(257.9)**
Treasury shares cancelled[4]	**(14.1)**	**–**	**–**	**–**	**–**	**14.1**	**–**	**–**	**–**	**–**
Balance at 31 December 2021	**2,323.6**	**57.6**	**(14.0)**	**32.4**	**10.3**	**(66.8)**	**1,567.0**	**3,910.1**	**329.5**	**4,239.6**

[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 2021, there are 2,771,881 (2020: 1,935,763) treasury shares on hand.

[3]The prior year dividends paid amounted to R72.1 million. The dividend paid per share was 42c per share.

[4]Mpact re-purchased 1,050,777 of its issued share capital at an average price of R13.50 in December 2020 and cancelled in January 2021.

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 2021 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/AFSFY2021.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.

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.

New accounting policies, early adoption and future requirements

Standards and Interpretations early adopted

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

Amendments to published Standards and Interpretations effective during 2021

There were no amendments to published standards and interpretations effective from the current year.

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

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

- **IFRS 3: Reference to the Conceptual Framework (effective 1 January 2022)**
  The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

- **IFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date has been deferred indefinitely)**
  The amendment addresses an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

- **IAS 1 and IFRS practice statement 2: Disclosure of Accounting Policies (effective 1 January 2023)**
  The amendments provides guidance and examples to help apply materiality judgements to accounting policy disclosures. The amendments aim to provide accounting policy disclosures that are more useful by replacing the requirement to disclose ‘significant’ accounting policies with a requirement to disclose ‘material’ accounting policies and adding guidance on the concept of materiality in making decisions about accounting policy disclosures.

- **IAS 8: Definition of Accounting Estimates (effective 1 January 2023)**
  The amendment introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. It also clarifies how to use measurement techniques and inputs to develop accounting estimates.

- **IAS 16: Property, Plant and Equipment: Proceeds before Intended Use (effective 1 January 2022)**
  The amendment prohibits deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling such items, and the costs of producing those items must be recognised in profit or loss.

- **IAS 37: Onerous Contracts – Costs of Fulfilling a Contract (effective 1 January 2022)**
  The amendments specifies which costs needs to include when assessing whether a contract is onerous or loss-making.
  The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

2. CHANGE IN ACCOUNTING ESTIMATE

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

	2021 R'm	2022 R'm	2023 R'm	2024 R'm	Beyond 2024 R'm
(Decrease)/increase in depreciation expense	**(34.7)**	**(21.5)**	**7.3**	**(5.3)**	**54.2**

3. IMPACT OF COVID-19 & JULY UNREST

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.

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.

Mpact reassessed its expected loss rates for trade receivables at 31 December 2021, 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. 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.

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.

4. 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 2021, 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.

Mpact's net debt as at 31 December 2021 was approximately R1,756 million (2020: R1,408 million). In the current year, Mpact secured an additional R200 million general banking facility from Standard Bank, bringing total borrowing facilities to approximately R3.0 billion.

Mpact is subject to two financial covenant conditions, namely the Interest Cover ratio, defined as EBITDA divided by Total Net interest; and the Net debt to EBITDA ratio, defined as Net debt, excluding finance liabilities divided by EBITDA.

	Threshold	**at 31 December 2021**
Interest Cover ratio	greater than or equal to 3.5 times	10.5 times
Net debt to EBITDA	less than or equal to 3.0 times	1.1 times

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

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

MPACT LIMITED GROUP

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

5. OPERATING SEGMENTS

5(a) Reportable segment revenue

	2021			Restated[3] 2020		
	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	**9,724.9**	**(36.9)**	**9,688.0**	8,664.9	(35.8)	8,629.1
Plastics	**1,861.0**	**(0.2)**	**1,860.8**	1,628.9	(0.1)	1,628.8
	11,585.9	**(37.1)**	**11,548.8**	10,293.8	(35.9)	10,257.9

	2021 R'm	Restated[3] 2020 R'm
External revenue by product type		
Recycled containerboard, cartonboard and other materials	**4,803.7**	3,708.9
Corrugated packaging, bags and sacks	**4,884.3**	4,920.2
Plastic packaging solutions	**1,860.8**	1,628.8
Total	**11,548.8**	10,257.9
External revenue by location of customer		
South Africa (country of domicile)	**10,133.3**	8,777.8
Rest of Africa	**1,297.0**	1,263.4
Rest of World	**118.5**	216.7
Total	**11,548.8**	10,257.9

There are no external customers which account for more than 10% of Mpact's total external revenue.

5(b) Reportable segment underlying operating profit

	2021 R'm	Restated[3] 2020 R'm
Paper	**875.0**	577.7
Plastics	**199.5**	149.2
Corporate	**(72.0)**	(57.9)
Inter-segment elimination	**(55.0)**	(62.4)
Segments total before special items	**947.5**	606.6
Write off of non-current financial asset	**–**	(5.2)
Special items[1]	**(16.4)**	(20.1)
Share of profit from equity accounted investees	**7.1**	14.8
Gain on acquisition of subsidiary	**0.9**	–
Net finance costs	**(139.5)**	(169.5)
Profit before tax and discontinued operation	**799.6**	426.6

[1]Special items include impairment on property, plant and equipment of R1.2 million (2020: R20.1 million) and restructuring costs of R15.2 million. Refer to note 10 for the impairment of plant and equipment.

	2021 R'm	Restated[3] 2020 R'm
Significant components of operating profit		
Depreciation and amortisation		
Paper[2]	**292.5**	314.1
Plastics[2]	**147.6**	173.7
Corporate	**58.9**	49.7
Total	**499.0**	537.5
Impairment of plant and equipment, goodwill and intangible asset		
Paper	**–**	16.4
Plastics	**1.2**	3.7
Total	**1.2**	20.1
Total depreciation, amortisation and impairment	**500.2**	557.6

[2]Excludes inter-group depreciation relating to right of use asset of R66.3 million (2020: R53.3 million) for the paper segment and R5.9 million (2020: R6.7 million) for the plastics segment.

[3]The comparative figures were restated as a result of the Plastics Trays & Films business being classified as a discontinued operation. Refer to note 19.

	2021 R'm	2020 R'm
5(c) Reportable segment assets		
Segment assets[4]		
Paper[5]	**5,368.6**	4,997.5
Plastics[5]	**1,416.8**	1,536.1
Corporate	**789.3**	649.8
Inter-segment elimination	**(45.7)**	(8.3)
Segment total[6]	**7,529.0**	7,175.1
Unallocated:		
Investments in equity accounted investees	**46.4**	48.1
Deferred tax assets	**10.3**	11.7
Other non-operating assets[7]	**165.6**	117.7
Assets held for sale	**496.9**	–
Trading assets	**8,248.2**	7,352.6
Financial assets	**99.4**	99.7
Cash and cash equivalents	**374.3**	576.0
Total assets	**8,721.9**	8,028.3
Non-current non-financial assets[8]		
South Africa (country of domicile)	**3,664.2**	3,416.0
Rest of Africa	**17.5**	17.6
Total	**3,681.7**	3,433.6
Non-current non-financial assets[8]		
Paper	**2,065.5**	2,052.8
Plastics	**828.3**	738.8
Corporate	**787.9**	642.0
Total	**3,681.7**	3,433.6
Additions to non-current non-financial assets[9]		
South Africa (country of domicile)	**684.8**	518.3
Rest of Africa	**2.3**	–
Segments total	**687.1**	518.3
Additions to non-current non-financial assets[9]		
Paper	**264.0**	223.4
Plastics	**251.7**	80.8
Corporate	**171.4**	214.1
Segments total	**687.1**	518.3

[4]Segment assets are operating assets and as at 31 December 2021 consists of property, plant and equipment of R3,131.8 million (2020: R2,877.4 million), goodwill and other intangible assets of R549.9 million (2020: R556.2 million), right of use assets of R198.0 million (2020: R271.4 million), finance lease receivables of R4.2 million (2020: R7.9 million), inventories of R1,463.4 million (2020: R1,403.1 million) and operating receivables of R2,181.7 million (2020: R2,059.1 million).

[5]Excludes inter-group right of use assets of R258.1 million (2020: R159.4 million) for the paper segment and R 11.0 million (2020: R16.9 million) for the plastics segment.

[6]Goodwill has been disclosed in the appropriate reportable segment in which it was acquired.

[7]Other non-operating assets consist of derivative assets of R3.3 million (2020: R0.5 million), other non-operating receivables of R144.1 million (2020: R99.8 million) and current tax receivable of R18.2 million (2020: R17.4 million).

[8]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.

[9]Additions to non-current non-financial assets reflect cash payments, accruals and acquisitions through business combinations 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.

	2021 R'm	Restated[2] 2020 R'm
6. OPERATING PROFIT		
Operating profit for the year has been arrived at after charging/ (crediting):		
Depreciation, amortisation and impairments	**500.2**	557.6
Amortisation of intangibles	**12.1**	12.2
Depreciation of property, plant and equipment	**409.7**	443.2
Depreciation of right of use assets	**77.2**	82.1
Impairment of property, plant and equipment	**1.2**	20.1
Increase in expected credit loss allowance	**13.1**	23.0
Net proceeds from insurance claim (refer to note 22)	**(25.0)**	(25.0)
7. NET FINANCE COSTS		
Investment income		
Bank deposits and loan receivables	**6.3**	6.3
Other	**1.7**	4.3
Total investment income	**8.0**	10.6
Finance costs		
Bank overdrafts and loans[1]	**(119.0)**	(145.7)
Lease liabilities	**(24.9)**	(30.6)
Defined benefit arrangements	**(3.6)**	(3.8)
Total interest expense	**(147.5)**	(180.1)
Net finance costs	**(139.5)**	(169.5)

[1]Includes the effects of fixed and floating rates on the interest rate swap amounting to a net value of R24.4 million (2020: R13.9 million).

[2]The comparative figures were restated as a result of the Plastics Trays & Films business being classified as a discontinued operation. Refer to note 19.

	2021 R'm	2020 R'm
8. TAX EXPENSE		
Current tax	**(115.7)**	(78.1)
Deferred tax	**(112.4)**	(0.3)
Total tax expense	**(228.1)**	(78.4)

The effective tax rate of 28.5% (2020: 18.4%) approximates the normal tax rate of 28% as the prior year's low effective tax rate was as a result of the S12I and S12L capital investment and energy efficiency incentives.

9. EARNINGS PER SHARE

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.

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.

	2021 Cents per share	Restated[4] 2020 Cents per share
Continuing operations earnings per share (EPS)		
Basic EPS	**351.5**	179.6
Diluted EPS	**343.7**	179.2
Basic headline EPS	**343.2**	181.6
Diluted headline EPS	**335.5**	181.1
Basic underlying EPS[1]	**359.6**	186.1
Diluted underlying EPS[1]	**351.5**	185.6
Discontinued operations earnings per share (EPS)		
Basic EPS	**1.5**	9.0
Diluted EPS	**1.5**	9.0
Basic headline EPS	**0.3**	14.5
Diluted headline EPS	**0.3**	14.5
Total operations earnings per share (EPS)		
Basic EPS	**353.0**	188.6
Diluted EPS	**345.2**	188.2
Basic headline EPS	**343.5**	196.1
Diluted headline EPS	**335.8**	195.6

[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, basic and diluted headline EPS and basic and diluted underlying EPS are based on the following data:

	2021 R'm	Restated[4] 2020 R'm
Continuing operations		
Profit for the year	**571.5**	348.2
Less profit attributable to non-controlling interest	**(53.8)**	(44.0)
Profit for the year attributable to equity holders of Mpact	**517.7**	304.2
Discontinued operation		
Profit for the year	**2.2**	15.2
Profit for the year attributable to equity holders of Mpact	**2.2**	15.2

	2021 R'm	Restated[4] 2020 R'm

9. EARNINGS PER SHARE (CONTINUED)

	2021 R'm	Restated[4] 2020 R'm
Continuing operations		
Profit for the financial year attributable to equity holders of Mpact	**517.7**	304.2
Impairment of plant and equipment	**1.2**	20.1
Gain on acquisition of business	**(0.9)**	–
Gain on de-recognition of right of use assets and lease liabilities	**(10.0)**	(6.0)
Profit on disposal of tangible assets	**(3.2)**	(2.3)
Non-controlling interest portion of impairment of plant and equipment	**–**	(1.3)
Related tax	**0.6**	(7.3)
Headline earnings for the financial year	**505.4**	307.4
Profit for the financial year attributable to equity holders of Mpact	**517.7**	304.2
Impairment of plant and equipment	**1.2**	20.1
Restructure costs	**15.2**	–
Non-controlling interest portion of impairment of plant and equipment	**–**	(1.3)
Related tax	**(4.6)**	(7.9)
Underlying earnings for the financial year	**529.5**	315.1
Discontinued operation		
Profit for the financial year attributable to equity holders of Mpact	**2.2**	15.2
Impairment of plant and equipment	**–**	9.4
Profit on disposal of tangible assets	**(1.8)**	–
Related tax	**–**	–
Headline earnings for the financial year	**0.4**	24.6

	Weighted number of shares	Weighted number of shares
Weighted average number of ordinary shares in issue[2]	**147,264,489**	169,322,144
Effect of dilutive potential ordinary shares[3]	**3,363,796**	418,994
Weighted average number of ordinary shares adjusted for the effect of dilution	**150,628,285**	169,741,138

[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]The weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, such as share awards granted to employees.

[4]The comparative figures were restated as a result of the Plastics Trays & Films business being classified as a discontinued operation. Refer to note 19.

10. 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 2022 to 2024 budgeted results and a reasonable growth rate, 4.5% (2020: 4.2%), 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 15.7% to 19.4% (2020: 14.5% to 17.0%) and a post-tax discount rate of 12.3% (2020: 12.0%). A terminal value growth rate of 4.5% (2020: 4.2%) was used.

	2021 **R'm**	2020 R'm
Impairment of plant and equipment in continuing operations		
Springs Mill	**–**	16.4
Bins & crates	**–**	3.7
Preforms & closures	**1.2**	–
	1.2	20.1
Impairment of plant and equipment in discontinued operation		
Trays & films	**–**	9.4
Impairment of plant and equipment in total operations	**1.2**	29.5

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

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[1] %	Breakeven terminal growth rate[2] %
Recycling	**31.3**	**<0**
Felixton mill	**28.9**	**<0**
Corrugated operations	**38.5**	**<0**
FMCG	**27.7**	**<0**
Performs & closures	**28.0**	**<0**

[1]Relates to the rate the pre-tax discount rate would need to be for the carrying value of the CGU to equal the value in use.
[2]Relates to the rate the terminal growth rate would need to be for the carrying value of the CGU to equal the value in use.

	2021 R'm	2020 R'm
11. INVENTORIES		
Raw materials and consumables	**941.2**	828.0
Work in progress	**21.1**	41.8
Finished goods	**501.1**	533.3
Total inventories	**1,463.4**	1,403.1
Write-down of inventories during the year	**13.5**	26.8
Reversal of write-down of inventories during the year	**(27.5)**	(44.1)
Cost of inventories recognised as an expense	**5,666.7**	5,116.9

12. STATED CAPITAL

	2021 R'm	2020 R'm
Authorised share capital		
217,500,000 shares of no par value	–	–
Issued share capital		
Issue of shares of no par value at beginning of the year	**2,595.6**	2,669.2
Share re-purchased	**(257.9)**	(73.6)
Treasury shares cancelled during the year	**(14.1)**	–
	2,323.6	2,595.6

Reconciliation of the number of shares in issue:	**Number of shares**	Number of shares
Shares in issue at beginning of the year	**164,639,292**	173,304,517
Shares re-purchased and cancelled during the year	**(15,413,152)**	(8,665,225)
Treasury shares cancelled during the year	**(1,050,777)**	–
Shares in issue at end of year	**148,175,363**	164,639,292

The directors were not given the authority to buy back Mpact's own shares in the current year's Annual General Meeting.

Included in other reserves are amounts paid by Mpact Limited to Mpact Limited Incentive Schemes Trust for the acquisition of Mpact shares to be utilised in terms of the Share Plans. As at 31 December 2021, The Trust held 2,771,881 (2020: 1,935,763) shares. During the year the Trust bought 1,608,907 shares at an average price of R27.22.

	2021 R'm	2020 R'm
13. INTEREST AND NON-INTEREST BEARING BORROWINGS		
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]	**750.0**	200.0
– RMB General Banking Facility[4]	**–**	380.0
– Standard Bank General Banking facility[5]	**50.0**	–
	1,850.0	1,630.0
Secured Instalment loan facilities	**4.2**	7.3
	1,854.2	1,637.3
Unsecured: Minority shareholder loans in subsidiary[6]	**9.0**	12.2
Total borrowings	**1,863.2**	1,649.5
Less: Current portion	**(211.7)**	(15.0)
RCF A[1]	**(200.0)**	–
Minority shareholder loans	**(9.0)**	(12.2)
Instalment loan facilities	**(2.7)**	(2.8)
Non-current borrowings	**1,651.5**	1,634.5
Mpact has pledged certain assets as collateral against certain borrowings. The values of these assets as at 31 December 2021 are as follows:		
Assets pledged as collateral for other borrowings		
Property, plant and equipment	**1,914.2**	1,886.4
Inventories	**1,149.2**	1,179.4
Trade and other receivables	**1,898.4**	1,837.7
Cash and cash equivalents	**219.8**	411
Total carrying value of assets pledged as collateral	**5,181.6**	5,314.5

[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]*RCF 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]*Bears interest at JIBAR plus 1.65% and expires in June 2024.*
[6]*The loan was granted as a shareholder loan which is non-interest bearing with no fixed date of repayment.*

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).
Facilities totalling R1,170 million remain committed and undrawn as at 31 December 2021 (2020: R1,190 million).
Mpact liquidity is provided through debt facilities which are in excess of the Group's short-term needs. Mpact has approved facilities amounting to R3,020 million (2020: R2,820 million). Mpact has met all its debt covenants for the current financial year.
The value of the security pledged in relation to the assets is limited to R2,800 million (2020: R2,600 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.

	2021 R'm	2020 R'm
14. SHORT-TERM BORROWINGS		
RCF A	**200.0**	–
Minority shareholder loans	**9.0**	12.2
Bank overdrafts	**19.7**	7.7
Instalment loan facilities	**2.7**	2.8
Total short-term borrowings	**231.4**	22.7

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

	2021 R'm	2020 R'm
15. DEFERRED TAX LIABILITIES		
Tax losses	**(6.1)**	(132.4)
Capital allowances	**337.2**	352.4
Fair value adjustments	**12.8**	12.6
Provisions and other temporary differences	**(126.8)**	(145.3)
Total deferred tax liabilities	**217.1**	87.3

The increase in the deferred tax liabilities is due to the utilisation of the recognised tax losses in a subsidiary.

16. PROVISIONS

	2021 R'm	2020 R'm
Non-current portion of restoration and environmental provision[1]	**6.9**	6.8
Current portion of restoration and environmental[1]	**12.1**	18.3
Current portion of Dividend equivalent bonus[2]	**4.3**	4.4
Total current provisions	**16.4**	22.7

[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 decreased by R6.1 million charged to the statement of profit or loss (2020: increase of R19.6 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 decreased by a net R0.1 million which was recognised in the statement of profit or loss (2020: increase of R0.4 million).

17. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 R'm	2020 R'm
Non-current derivative		
Cash flow hedges		
Interest rate swaps	**15.9**	57.1
	15.9	57.1
Current derivative		
Cash flow hedges		
Interest rate swaps	**3.4**	–
Held for trading		
Foreign exchange contracts	**3.1**	12.8
	6.5	12.8

In a previous 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.

18. BUSINESS COMBINATION

In terms of an agreement, on 2 November 2021 (acquisition date), Mpact acquired collection, sorting and baling businesses located in Epping and Pretoria following the fulfilment of all the conditions precedent. The Pretoria branch was merged with the Group's existing site.

The primary reason for the acquisition was to increase Mpact Recycling's paper collections and expand its footprint in the relevant geographic areas. The acquisition has been accounted for using the acquisition method in terms of IFRS 3. The fair values of the identifiable assets and liabilities as at the date of acquisition were:

	2021 R'm
Assets	
Property, plant and equipment	**18.5**
Right-of-use assets	**16.4**
Intangible assets	**5.7**
Inventories	**1.3**
Other receivables	**0.3**
	42.2
Liabilities	
Lease liabilities	**(16.4)**
Deferred tax	**(1.6)**
Trade payables	**(0.6)**
	(18.6)
Total identifiable net assets at fair value	**23.6**
Bargain purchase on acquisition	**(0.9)**
Purchase consideration transferred in cash	**22.7**

Acquisition costs expensed in operating expenses totalled R0.1 million. The other receivables were at fair value and no expected credit loss was acquired. As the businesses were integrated into the Recycling business structure, it is estimated that from the date of acquisition, the businesses had contributed approximately R10.0 to R15.0 million of revenue and R0.1 to R0.3 million to the net profit after tax.

19. DISCONTINUED OPERATION

Plastics Trays & Films

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

Versapak is a leading producer of plastic trays and film with a well-established brand, blue-chip customers and a solid asset base. The reason for the decision is that Versapak's products are not fully aligned with Mpact's strategy.

Mpact is currently in the early stages of engagement with potential buyers for the business.

At 31 December 2021, Versapak was classified as a disposal group held for sale and as a discontinued operation. The results for the year are presented below:

	2021 R'm	2020 R'm
Revenue from contracts with customers	**920.3**	839.3
Expenses	**(918.1)**	(814.9)
Impairment of plant and equipment	**–**	(9.4)
Operating profit	**2.2**	15.0
Net finance income	**–**	0.2
Profit for the year from discontinued operation[1]	**2.2**	15.2

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

The major classes of assets and liabilities of Trays & Films that were de-recognised are as follows:		
Assets		
Property, plant and equipment	**30.6**	-
Inventories	**140.6**	-
Trade and other receivables	**245.1**	-
Current financial assets	**0.7**	-
Cash and cash equivalents	**79.9**	-
Assets held for sale	**496.9**	-
Liabilities		
Trade and other payables	**196.0**	-
Liabilities held for sale	**196.0**	-
The net cash flows are as follows:		
Operating activities	**(32.0)**	40.5
Investing activities	**(17.2)**	(13.9)
Financing activities	**–**	–
Net cash outflow	**(49.2)**	26.6

20. CONSOLIDATED CASH FLOW ANALYSIS

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

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

	2021 R'm	2020 R'm
Profit before taxation from total operations	**801.8**	441.8
Profit before taxation from continuing operations	**799.6**	426.6
Profit from discontinued operations[1]	**2.2**	15.2
Adjusted for:		
Depreciation, amortisation and impairments	**501.0**	568.0
Impairment of non-current financial asset	**–**	5.2
Gain on acquisition of subsidiary (refer to note 18)	**(0.9)**	–
Share-based payments	**34.8**	20.6
Net finance costs	**139.5**	169.3
Share of equity accounted investee profit	**(7.1)**	(14.8)
(Increase)/decrease in provisions	**(8.1)**	17.2
Decrease in finance lease asset	**3.7**	–
(Increase)/decrease in inventories	**(200.7)**	461.5
(Increase)/decrease in receivables	**(408.8)**	81.4
Increase in payables	**147.8**	122.0
Profit on disposal of tangible assets	**(5.0)**	(2.3)
Fair value change on transactions not qualifying as hedges	**(13.2)**	10.9
Amortisation of government grant	**(5.5)**	(5.5)
Profit on disposal of right of use assets and lease liabilities	**(10.0)**	(6.0)
Other non-cash items	**(0.2)**	(0.5)
Cash generated from operations	**969.1**	1,868.8

[1]*The comparative figures were restated as a result of the Plastics Trays & Films business being classified as a discontinued operation. Refer to note 19.*

21. 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:

	2021 R'm	2020 R'm
Contracted for	**560.4**	190.1
Approved, not yet contracted for	**954.7**	622.3
Total capital commitments	**1,515.1**	812.4

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

22. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent liabilities for Mpact comprise aggregate amounts at 31 December 2021 of R 32.3 million (2020: R 22.3 million) in respect of guarantees given to banks, municipalities and other third parties.

(b) There is a contingent asset for the insurance claim due to a catastrophic failure of a municipal sub-station in Ekurhuleni. Refer to note 6 for proceeds received during the current and prior year.

(c) 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.

23. 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 where 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**
2021					
Trade and other receivables[1]		**2,289.0**	**–**	**–**	**2,289.0**
Loans receivable	**Level 2**	**98.8**	**–**	**–**	**98.8**
Equity investment	**Level 3**	**–**	**–**	**0.6**	**0.6**
Derivative financial instruments	**Level 2**	**–**	**3.3**	**–**	**3.3**
Cash and cash equivalents[1]		**374.3**	**–**	**–**	**374.3**
Assets held for sale		**276.7**	**0.7**	**–**	**277.4**
Total		**3,038.8**	**4.0**	**0.6**	**3,043.4**
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

Financial liabilities	**Fair value hierarchy R'm**	**At fair value through profit or loss R'm**	**At amortised cost R'm**	**Total R'm**
2021				
Borrowings	**Level 2**	**–**	**(1,882.9)**	**(1,882.9)**
Trade and other payables[1]		**–**	**(1,845.7)**	**(1,845.7)**
Derivative financial instrument	**Level 2**	**(22.4)**	**–**	**(22.4)**
Liabilities held for sale		**(196.0)**	**–**	**(196.0)**
Total		**(218.4)**	**(3,728.6)**	**(3,947.0)**
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)

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

24. 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:

	2021 R'm	2020 R'm
Sales to joint arrangement	**10.2**	6.1
Sales to associates	**296.5**	238.3
Purchases from associates	**0.7**	0.7
Loan to joint arrangement	**65.0**	59.2
Receivables due from joint arrangement	**4.9**	5.4
Receivables due from associates	**60.8**	53.9
Payables due to associates	**12.1**	12.9

25. EVENTS OCCURRING AFTER THE REPORTING DATE

The Board declared an ordinary dividend of 50 cents per share on 4 March 2022 payable on 4 April 2022 to shareholders registered on 1 April 2022.

On 23 February 2022, the Minister of Finance announced that the Corporate Income Tax rate would reduce from 28% to 27%, the impact of which will affect the realisation of deferred tax balances post year end.

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