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 RESULTS AND CASH DIVIDEND DECLARATION FOR THE YEAR ENDED 31 DECEMBER 2022

HIGHLIGHTS FROM CONTINUING OPERATIONS

- Strong financial performance and good progress on Group strategy implementation
- Underlying operating profit (EBIT) improved by 22.9% to R1.164 billion (2021: R948 million)
- Underlying earnings per share (EPS) up 26.7% to 456 cents (2021: 360 cents)
- Total dividends per share for the year up 130% to 115 cents (2021: 50 cents)
- Return on capital employed (ROCE) increased to 18.5% (2021: 17.8%)
- Mkhondo Mill investment and funding approved
- Mpact Operations retained its Level 1 B-BBEE rating

GROUP OVERVIEW

Bruce Strong, Mpact Chief Executive Officer, said: "We've had a good year thanks to our robust operations and strong financial performance. Operating profit is up by 23% and earnings per share are also up by almost 27%. We've benefited from strong demand for containerboard and cartonboard and our converted paper products. And, our investment in solar and backup power increased the resilience of our operations during load-shedding, while our continued research and product innovation has brought us even closer to our customers."

The Paper business benefited from strong local demand which led to a more favourable sales mix compared to 2021. Higher average selling prices were achieved in the last quarter which offset the significant increases in input costs.

In the Plastics business, sales volumes were similar to the prior year with the exception of the fast-moving consumer goods (FMCG) business which was negatively affected by seven days of downtime at the Pinetown factory caused by the floods in KwaZulu-Natal, coupled with lower customer demand.

Strong added: "Despite the many local and global challenges, we are confident in our future. Our earnings are rising, our balance sheet is strong, and we are investing and innovating to systematically improve the value and future focus of our portfolio and to meet the many growth opportunities we see.

"Our product innovation, research and new production capacity is deliberately targeting sectors like export fruit, convenience shopping, recycling, and waste management, where we expect sustained growth, and which are also partly shielded from South African consumer spending patterns. This is why we are excited by the new R1.2 billion Mkhondo Mill project which will allow us to better innovate and exploit these higher value growth areas.

"Looking forward we will continue implementing our value-enhancing strategy and to optimise the business portfolio while pursuing organic and in-organic growth. Our business, and our competitive advantage, is the circular economy. Because what goes around as packaging, comes back around as sustainable profit."

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

INVESTMENT FOR GROWTH AND SUSTAINABILITY

Mpact continues to make good progress on several strategic initiatives that focus on growth sectors and the circular economy where we see significant opportunity for long-term value creation. These are primarily organic projects which will extend our innovative product and service offering, generate sustainable energy, and make a positive impact on our communities. We have also focused on portfolio optimisation and alignment with our strategy to grow where the growth is and divest where appropriate.

Mpact recently announced a R1.2 billion investment in our Mkhondo Paper Mill to meet growing virgin containerboard demand to create quality, sustainable, fresh produce packaging, driven by the robust long-term growth trends in the South African export fruit sector. The project demonstrates our strong belief in our project management track record and the sustained need to invest to support the growth prospects of, particularly, our fruit exporters whose own investment in significant new plantings signals the long-term demand for our products.

This investment follows others such as the development of Mpact Plastic Containers' new Castleview production and Brits recycling facilities, Mpact Corrugated's new customer service centre in Limpopo, Mpact Recycling's new purpose-built facility in KZN and the expansion of the Group's solar photovoltaic (PV) generation capacity.

Mpact's paper mills have demand curtailment agreements with Eskom rather than being subject to load-shedding schedules. Consequently, they have not been materially affected by load-shedding to date. To the extent possible converting operations have amended production schedules to meet customer requirements and where feasible generators and solar are being used or installed. To increase our own energy resilience, we rolled out an additional 5.3MWp of solar PV at a further five plants in 2022, bringing the current total to 9.4MWp at 10 operating sites. We have also already approved plans for a further 6.7MWp at two sites in 2023. An additional 10.6MWp is in the pipeline for another two sites, pending approval. Several of our converting operations already have back-up generators and we are evaluating the electrical infrastructure requirements to have generators installed where practical at other sites to increase our operational resilience when the electricity infrastructure fails.

GROUP FINANCIAL PERFORMANCE FROM CONTINUING OPERATIONS

Group revenue for the year ended 31 December 2022 increased by 7.1% to R12.4 billion (2021: R11.5 billion) mainly due to higher average selling prices. Excluding revenue of R72 million (2021: R867 million) and volumes relating to the Baywhite distribution agreement with Mondi that terminated at the end of December 2021, Group revenue increased by 15.2% and sales volumes by 6.3%.

Underlying profit growth is strong, with EBIT up by 22.9% to R1.164 billion (2021: R948 million) due to strong local demand in the Paper business and higher average selling prices achieved in the last quarter to recover higher input costs.

Underlying EPS increased by 26.7% to 456 cents (2021: 360 cents) due to the strong earnings growth. ROCE improved to 18.5% (2021: 17.8%).

Paper business

Segment revenue increased by 6.7% compared to the prior year to R10.3 billion (2021: R9.7 billion). Excluding revenue relating to the Baywhite, Group revenue from the paper business increased by 16.3% and sales volumes by 6.9%. Selling prices increased in the last quarter to recover higher input costs.

Strong domestic containerboard demand and reduced Baywhite sales led to a favourable sales mix variance when compared to the prior year.

The Felixton Paper mill achieved record production of 210 646 tonnes, up 9% on 2021. The result exceeds the 2017 rebuild project target capacity and was achieved on the back of recent mill optimisation and de-bottlenecking initiatives.

Paper converting's sales volumes increased on the back of good growth in the industrial and quick-service restaurant sectors, with the latter demand possibly supported by load-shedding as more customers ordered in food. It was pleasing to see strong growth in new product sales, albeit off a low base, as a result of sustained demand in home delivery paper bags and Freshpact® punnets and trays. These gains more than offset the loss of business due to the KZN floods during the first half of the year, which resulted in some paper converting customers shutting for a few months.

Underlying operating profit in the Paper business of R1.1 billion (2021: R875 million) was up 26.8% on the prior year primarily as a result of improved trading.

The segmental result includes insurance proceeds of R47 million (2021: R25 million) received in respect of the final settlement amount for the Springs municipal electricity supply interruption in 2020 and R8 million relating to flood damages during April in KZN. Direct costs attributable to the KZN floods amounted to R12.8 million.

The underlying operating profit margin improved to 10.7% (2021: 9.0%).

Plastics business

Revenue in the Plastics business was up 9.7% to R2.0 billion (2021: R1.9 billion). Average prices increased 9.9% and volumes were in-line with the prior year with an increase in Bins and Crates offset by a decline in the FMCG business due to lower demand as well as the seven days of downtime at the FMCG Pinetown factory attributable to the floods in KZN. Preforms and closure volumes remained flat.

Underlying operating profit of R198 million (2021: R200 million) was similar to the prior period. Improved profitability at Bins and Crates, and Preforms and Closures, were offset by reduced profits in FMCG when compared to the prior year. FMCG profitability was impacted by the floods in KZN in April, with direct costs and write-offs of R10.2 million being incurred. This was however offset by insurance proceeds of R13.6 million.

The consolidation of the two preforms and closures plants in Wadeville is now complete and related cost savings are being realised. While the Bins and Crates Castleview project was delayed due to late delivery of new equipment, five machines were installed during the year bringing the total to six at year-end. A further three machines will be installed in the first half of 2023.

Net finance costs

Net finance costs increased to R183.8 million (2021: R139.5 million) due to increased average net debt and higher interest rates, partly offset by the unwinding of the interest rate swap.

Tax

The effective tax rate is 28.5% (2021: 28.5%) which approximates the South African corporate income tax rate.

Earnings per share

Headline earnings per share (HEPS) increased by 25.3% to 430.1 cents (2021: 343.2 cents) while basic underlying EPS improved by 26.7% to 455.7 cents (2021: 359.6 cents).

The weighted average number of shares used in the calculation of EPS, HEPS and underlying EPS for the year ended 31 December 2022 was 145,415,555 (2021: 147,264,489).

Net debt

Net debt increased in-line with expectations to R2.327 billion (2021: R1.756 billion) mainly due to higher capital investments of R1.0 billion as well as increased working capital.

As at 31 December 2022, Mpact had approximately R3.2 billion of committed debt facilities. In February, Mpact secured an additional R1.45 billion 4-year committed debt facility in order to ensure sufficient headroom during the implementation phase of the recently announced Mkhondo Mill project and other additional capital projects. The additional facilities were secured at the same margin and covenants as the previous facilities.

BUSINESS HELD-FOR-SALE / DISCONTINUED OPERATION

As previously advised, Mpact's Board decided at the end of 2021 to sell its Plastic Trays and Films business, Versapak, as a going concern. Versapak currently forms part of the Plastics Division of Mpact Operations Proprietary Limited. Mpact's Group results include separate disclosures in the financial statements for discontinued operations and assets and liabilities held-for-sale.

For the year ended 31 December 2022, Versapak reported revenue of R1.107 billion (2021: R920 million), and net earnings of R65 million (2021: R2 million), which equates to basic earnings per share of 44.4 cents (2021: 1.5 cents). During 2022, a decision was taken to exclude Versapak's trade receivables, cash balances and trade payables from the assets and liabilities held for sale in order to reduce the complexity of a transaction. This has resulted in Versapak's net assets held-for-sale decreasing to R191 million (2021: R301 million).

At the end of 2022, the sale of Versapak was still in progress.

OUTLOOK

While cost inflation may reduce from the high levels of the past year, we expect costs to remain elevated and consumer spending to remain under pressure. This in turn may affect demand for some of our products and place pressure on margins. Notwithstanding, several of our products are targeted at sectors which are expected to grow in the foreseeable future, and are partly shielded from South African consumer spending patterns. These include fruit exports, convenience shopping, recycling and waste management.

The Paper business is expected to continue to benefit from good domestic containerboard and cartonboard demand, with all paper machine capacity fully allocated to customers until the end of September. In addition, the recovery of higher manufacturing costs through increased selling prices in the final quarter of 2022 will be positive for the business. The Felixton Mill upgrade project, aimed at increasing the production of lightweight recycled containerboard by an additional 16,000 tonnes per annum, is scheduled to be completed during the third quarter of 2023.

Margins in the Paper Converting business are expected to remain under pressure due to significant containerboard cost increases which may not be fully recovered in selling prices.

The Plastics business is anticipated to benefit from the consolidation of the two preform and closures factories in Wadeville during 2022. We also continue to work on optimising production efficiencies, along with increased profitability in the Bins and Crates business as the new Castleview factory gains critical mass.

The indirect effects of load-shedding on our customers and future demand in general remains uncertain.

The management team's primary focus is on implementing our value-enhancing strategy that aims to optimise the business portfolio and foster organic and inorganic growth. This strategy has resulted in stronger earnings and has facilitated the Company's innovation and expansion into new, higher-margin product areas, thereby delivering tangible benefits to all shareholders. Mpact's integrated business model is designed to close the loop in paper and packaging, which makes it well-positioned to benefit from the global push towards a circular economy, spearheaded by brand owners, manufacturers, and governments.

BOARD CHANGES

Effective 2 June 2022, Ms. Ntombi Langa-Royds retired by rotation as an Independent Non-Executive Director of Mpact, Chairman of the Social and Ethics and Remuneration Committees and as member of the Nomination Committee. The Board would like to thank Ms Langa-Royds for her valuable contribution, dedication and commitment to the Company during her tenure.

Mr Sibusiso Luthuli, an Independent Non-Executive director of the Board, has been appointed as the Chairman of the Remuneration Committee effective from 2 June 2022.

Ms Maya Makanjee, an Independent Non-Executive director of the Board, has been appointed as the Chairman of the Social and Ethics Committee effective from 2 June 2022.

Ms Lea Conrad, was appointed as an Independent Non-Executive director of the Board effective September 2022 as well as a member of the Social and Ethics Committee and a trustee of the Mpact Foundation Trust.

DIVIDENDS

The Board has resolved to declare a final gross cash dividend of 75 cents per ordinary share for the financial year ended 31 December 2022 (60 cents per share net of dividend withholding tax) bringing the total dividend for the year to 115 cents per ordinary share (2021: 50 cents 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

	2023
Publication of dividend declaration	Tuesday, 7 March
Last day of trade to receive a dividend	Tuesday, 28 March
Shares commence trading "ex" dividend	Wednesday, 29 March
Record date	Friday, 31 March
Payment date	Monday, 3 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, 29 March 2023 and Friday, 31 March 2023, 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. The Group will target a dividend cover of approximately three times, based on underlying earnings, on average over the cycle, although the pay-out ratio in each year may vary according to the business cycle.

AJ Phillips

Chairman

BW Strong

Chief Executive Officer

7 March 2023

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 2022, Mpact employed 5,156 people (2021: 5,115 people) and had 43 operating sites, 21 of which are manufacturing operations, located in South Africa, Namibia and Mozambique. Sales in South Africa account for approximately 89% 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), ABA Conrad, NP Dongwana, 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)

The Group presents certain measures of financial performance, position or cash flows that are not defined or specified according to International Financial Reporting Standards (IFRS). These items are referred to as special items and are defined in the Group accounting policies included in the full Audited Consolidated Annual Financial Statements.

Deloitte & Touche, the Group's independent auditor, has audited the Consolidated Annual Financial Statements (AFS) of Mpact Limited and has expressed an unmodified audit opinion on the AFS. The group auditor report (with Key Audit Matters) and the group AFS can be accessed at:
https://www.mpact.co.za/investor-relations/financial-results/2022/GROUPAFSFY2022.pdf
The company auditor report and the company AFS can be accessed at:
https://www.mpact.co.za/investor-relations/financial-results/2022/COMPANYAFSFY2022.pdf

The full audited announcement is also available at our registered offices at no charge during office hours.

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SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022 R'm**	2021 R'm
CONTINUING OPERATIONS			
Revenue from contracts with customers	5a	**12,373.2**	11,548.8
Material, energy and fixed overhead recovery	5b	**(6,662.1)**	(6,397.9)
Variable selling expenses	5b	**(962.7)**	(887.8)
Other net operating expenses[1]	5b	**(3,075.8)**	(2,831.8)
Depreciation, amortisation and impairment	5b	**(508.4)**	(500.2)
Operating profit	6	**1,164.2**	931.1
Share of profit from equity accounted investees	12	**15.5**	7.1
Gain on acquisition of business		**–**	0.9
Profit from operations and equity accounted investees		**1,179.7**	939.1
Net finance costs	7	**(183.8)**	(139.5)
Investment income		**8.6**	8.0
Finance costs		**(192.4)**	(147.5)
Foreign currency translation reserve reclassified from other comprehensive income	8	**29.8**	–
Profit before tax from continuing operations	5b	**1,025.7**	799.6
Tax expense	9	**(292.5)**	(228.1)
Profit for the year from continuing operations		**733.2**	571.5
DISCONTINUED OPERATION			
Profit for the year from discontinued operation	20	**64.6**	2.2
Profit for the year		**797.8**	573.7
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains on post-retirement benefit scheme		**2.3**	3.0
Tax effect		**(0.6)**	(0.8)
Items that may be reclassified subsequently to profit or loss			
Effects of cash flow hedge		**17.7**	37.8
Tax effect		**(5.0)**	(10.6)
Cash flow hedge reserve reclassified to profit and loss		**1.7**	–
Tax effect		**(0.4)**	–
Exchange differences on translation of foreign operations		**0.4**	0.2
Other comprehensive income		**16.1**	29.6
Total comprehensive income for the year		**813.9**	603.3
Profit attributable to:			
Equity holders of Mpact		**727.3**	519.9
Non-controlling interests		**70.5**	53.8
Profit for the year		**797.8**	573.7
Total comprehensive income attributable to:			
Equity holders of Mpact		**743.4**	549.5
Non-controlling interests		**70.5**	53.8
Total comprehensive income for the year		**813.9**	603.3

[1]Other net operating expenses includes an expected credit loss on financial assets of R20.9 million (2021: R13.1 million).

	Note	**2022**	2021
Earnings per share (EPS) for profit attributable to equity holders of Mpact:			
Basic EPS (cps) from continuing operations	10	**455.7**	351.5
Diluted EPS (cps) from continuing operations	10	**444.2**	343.7
Basic EPS (cps) from discontinued operation	10	**44.4**	1.5
Diluted EPS (cps) from discontinued operation	10	**43.3**	1.5

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SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 R'm	2021 R'm
ASSETS			
Goodwill and other intangible assets		**537.6**	549.9
Property, plant and equipment		**3,685.7**	3,131.8
Right of use assets		**165.9**	198.0
Investments in equity accounted investees	12	**113.5**	46.4
Other financial assets	13	**31.4**	85.5
Deferred tax assets		**3.7**	10.3
Non-current assets		**4,537.8**	4,021.9
Inventories	14	**1,979.4**	1,463.4
Trade and other receivables	15	**2,910.6**	2,330.0
Other financial assets	13	**6.4**	13.9
Derivative financial instruments		**3.7**	3.3
Current tax receivables		**18.2**	18.2
Cash and cash equivalents		**612.1**	374.3
Current assets		**5,530.4**	4,203.1
Assets held for sale	20	**191.3**	496.9
Total assets		**10,259.5**	8,721.9
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital		**2,323.6**	2,323.6
Retained earnings		**2,162.1**	1,567.0
Reserves		**(3.9)**	19.5
Total attributable to equity holders of Mpact		**4,481.8**	3,910.1
Non-controlling interests in subsidiaries		**386.4**	329.5
Total equity		**4,868.2**	4,239.6
Interest and non-interest bearing borrowings	16	**2,700.6**	1,651.5
Lease liabilities		**151.0**	179.6
Retirement benefits obligation		**33.1**	34.6
Deferred tax liabilities		**227.1**	217.1
Deferred income		**0.4**	0.3
Provisions	19	**4.7**	6.9
Derivative financial instruments		**–**	15.9
Non-current liabilities		**3,116.9**	2,105.9
Short-term portion of borrowings	17	**26.3**	231.4
Lease liabilities		**60.9**	67.6
Trade and other payables	18	**2,150.2**	1,845.7
Provisions	19	**15.1**	16.4
Deferred income		**1.6**	6.6
Derivative financial instruments		**4.2**	6.5
Current tax liabilities		**16.1**	6.2
Current liabilities		**2,274.4**	2,180.4
Liabilities held for sale	20	**–**	196.0
Total liabilities		**5,391.3**	4,482.3
Total equity and liabilities		**10,259.5**	8,721.9

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SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022 R'm**	2021 R'm
Cash flows from operating activities			
Operating cash flows before movements in working capital		**1,770.7**	1,430.8
Net increase in working capital		**(753.8)**	(461.7)
Cash generated from operations	21a	**1,016.9**	969.1
Dividends received from equity accounted investees	12	**–**	8.8
Taxation paid		**(271.8)**	(114.5)
Net cash inflows from operating activities		**745.1**	863.4
Cash flows from investing activities			
Net cash outflow from business combination		**–**	(22.7)
Additions to property, plant and equipment and other intangibles		**(1,005.8)**	(687.1)
Acquisition of assets of a business		**–**	(26.1)
Proceeds from the disposal of property, plant and equipment		**13.5**	43.3
Loan repayment from/(advances to) equity accounted investees		**9.2**	(6.6)
Loan repayments from external parties		**22.0**	7.0
Loan advances to external parties		**(21.2)**	–
Interest received		**9.7**	9.6
Net cash outflows from investing activities		**(972.6)**	(682.6)
Cash flows from financing activities			
Proceeds from borrowings raised		**2,820.0**	2,615.0
Repayment of borrowings		**(1,973.8)**	(2,402.7)
Repayments of lease liabilities[1]		**(74.7)**	(72.9)
Finance costs paid[2]		**(189.1)**	(143.5)
Payment for shares re-purchased and cancelled		**–**	(257.9)
Dividends paid to non-controlling interests		**(13.6)**	(9.2)
Dividends paid to equity holders of Mpact Limited		**(131.4)**	–
Purchase of treasury shares		**(49.7)**	(43.8)
Net cash inflows/(outflows) from financing activities		**387.7**	(315.0)
Net increase/(decrease) in cash and cash equivalents		**160.2**	(134.2)
Effect of movements in exchange rates on cash held		**0.1**	0.4
Net cash and cash equivalents at beginning of year		**434.5**	568.3
Net cash and cash equivalents at end of year		**594.8**	434.5

[1]*The total cash outflow for leases recognised under IFRS 16 is R93.1 million (2021: R97.8 million).*

[2]*Finance costs paid includes R18.4 million (2021: R24.9 million) from lease liabilities.*

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SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	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 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	(257.9)	–	–	–	–	–	–	(257.9)	–	(257.9)
Treasury shares cancelled	(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**
Total comprehensive income for the year	**–**	**–**	**14.0**	**1.7**	**0.4**	**–**	**727.3**	**743.4**	**70.5**	**813.9**
Foreign currency translation reserve reclassified from other comprehensive income (refer to note 8)	**–**	**–**	**–**	**–**	**(29.8)**	**–**	**–**	**(29.8)**	**–**	**(29.8)**
Dividends paid[3]	**–**	**–**	**–**	**–**	**–**	**–**	**(131.4)**	**(131.4)**	**–**	**(131.4)**
Purchase of treasury shares	**–**	**–**	**–**	**–**	**–**	**(49.7)**	**–**	**(49.7)**	**–**	**(49.7)**
Share plan charges for the year	**–**	**39.1**	**–**	**–**	**–**	**–**	**–**	**39.1**	**–**	**39.1**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13.6)**	**(13.6)**
Issue/exercise of shares under employee share scheme	**–**	**(29.9)**	**–**	**–**	**–**	**30.8**	**(0.8)**	**0.1**	**–**	**0.1**
Balance at 31 December 2022	**2,323.6**	**66.8**	**–**	**34.1**	**(19.1)**	**(85.7)**	**2,162.1**	**4,481.8**	**386.4**	**4,868.2**

[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 2022, there are 2,720,519 (2021: 2,771,881) treasury shares on hand.*

[3]*The dividend paid per share was 90c per share.*

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. The basis of preparation is consistent with the prior year, except for new and revised standards adopted.

These summarised consolidated financial statements for the year ended 31 December 2022 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. Refer to page 30 and 31 for the auditor's report on the summarised consolidated financial statements. The auditor's report does not necessarily report on all of the information contained in this announcement.

A copy of the audited consolidated and separate annual financial statements, together with the unmodified auditor's opinion, which includes the key audit matters, are available for inspection on the Group's website and the Company's registered office.

The auditor's report (with Key Audit Matters) issued on the Consolidated Annual Financial Statements ("AFS") and the actual Consolidated Annual Financial Statements can be accessed at https://www.mpact.co.za/investor-relations/financial-results/2022/GROUPAFSFY2022.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

Amendments to published Standards and Interpretations that are effective and have been adopted during 2022

- **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.

- **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 be included 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 did not have an impact on the financial statements on adoption.

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 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: Classification of Liabilities as Current or Non-Current (effective 1 January 2023)**

  The amendments aim to promote consistency in determining whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

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

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

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:

	2022 R'm	2023 R'm	2024 R'm	2025 R'm	Beyond 2025 R'm
(Decrease)/increase in depreciation expense	**(7.3)**	**(5.7)**	**2.7**	**2.6**	**7.7**

3. SIGNIFICANT EVENTS

Mkhondo Paper Mill

On 14 December 2022, Mpact announced the approval of a R1.2 billion capital investment project at its Mkhondo Paper Mill in Mpumalanga.

This transformative project is fully aligned with Mpact's strategy to pursue organic growth and is expected to create significant value for shareholders and other stakeholders. It also forms part of the Group's portfolio development and will strategically position the Mkhondo Paper Mill to meet the increasing demand for quality, sustainable, fresh produce packaging solutions, driven by robust growth in the South African export fruit sector.

The project includes improvements to the paper machine and upgrades to the pulping section which will increase the high-yield wood pulping capacity by approximately 55,000 tonnes per annum to 110,000 tonnes. The paper machine capacity will increase by approximately 10,000 tonnes per annum to 142,000 tonnes.

In addition, a new spray drying facility will be installed at the Mill to beneficiate the additional by-product generated from the wood pulping process by producing up to 35,000 tonnes of sodium lignosulfonate (SLS) powder, primarily for export sales.

In February 2023, Mpact secured additional R1.45 billion 4-year committed debt facilities in order to ensure sufficient headroom during the implementation phase of the Mkhondo Mill project and other additional capital projects. The additional facilities were secured at the same margin and covenants as the previous facilities.

Load-shedding

Mpact has been affected by load-shedding and other electricity supply interruptions, with certain operations having to reduce electricity periodically and others being load-shed routinely. Mpact's paper mills have demand curtailment agreements with Eskom rather than being subject to load-shedding schedules. Consequently, they have not been materially affected by load-shedding to date. To the extent possible converting operations have amended production schedules to meet customer requirements and where feasible generators and solar are being used or installed.

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 2022, liquidity and solvency tests were performed based on Mpact's budgets for the next twelve months.

Mpact's net debt as at 31 December 2022 was approximately R2,326.7 million (2021: R1,755.8 million).

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

	Threshold	**at 31 December 2022**
Interest Cover ratio	greater than or equal to 3.5 times	9.6 times
Net debt to EBITDA	less than or equal to 3.0 times	1.2 times

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

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

5. OPERATING SEGMENTS

5(a) Reportable segment revenue

	2022			2021		
	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	**10,373.0**	**(40.4)**	**10,332.6**	9,724.9	(36.9)	9,688.0
Plastics	**2,041.4**	**(0.8)**	**2,040.6**	1,861.0	(0.2)	1,860.8
	12,414.4	**(41.2)**	**12,373.2**	11,585.9	(37.1)	11,548.8

	2022 R'm	2021 R'm
External revenue by product type		
Paper solutions	**10,332.6**	9,688.0
Recycled containerboard, cartonboard and other materials	**4,784.6**	4,803.7
Corrugated packaging, bags and sacks	**5,548.0**	4,884.3
Plastic packaging solutions	**2,040.6**	1,860.8
Total	**12,373.2**	11,548.8
External revenue by location of customer		
South Africa (country of domicile)	**11,056.3**	10,133.3
Paper	**9,079.5**	8,325.5
Plastics	**1,976.8**	1,807.8
Rest of Africa	**1,175.4**	1,297.0
Paper	**1,119.4**	1,262.8
Plastics	**56.0**	34.2
Rest of World	**141.5**	118.5
Paper	**133.7**	99.7
Plastics	**7.8**	18.8
Total	**12,373.2**	11,548.8

	2022 R'm	2021 R'm
5. OPERATING SEGMENTS (CONTINUED)		
5(b) Reportable segment underlying operating profit		
Paper	**1,109.2**	875.0
Plastics	**197.8**	199.5
Corporate	**(80.5)**	(72.0)
Inter-segment elimination	**(62.3)**	(55.0)
Segments total	**1,164.2**	947.5
Special items[1]	**–**	(16.4)
Share of profit from equity accounted investees	**15.5**	7.1
Gain on acquisition of subsidiary	**–**	0.9
Net finance costs	**(183.8)**	(139.5)
Foreign currency translation reserve reclassified from other comprehensive income	**29.8**	–
Profit before tax from continuing operations	**1,025.7**	799.6

[1]In the prior year, special items included impairment on property, plant and equipment of R1.2 million and restructuring costs of R15.2 million. Refer to note 11 for the impairment of plant and equipment.

Significant external components of operating profit

	2022 R'm	2021 R'm
Material, energy and fixed overhead recovery		
Paper	**(5,594.9)**	(5,426.8)
Plastics	**(1,064.9)**	(968.8)
Corporate	**(2.3)**	(2.3)
Total	**(6,662.1)**	(6,397.9)
Variable selling expenses		
Paper	**(843.1)**	(797.1)
Plastics	**(119.6)**	(90.7)
Total	**(962.7)**	(887.8)
Other net operating expenses		
Paper	**(2,313.4)**	(2,120.5)
Plastics	**(472.2)**	(444.2)
Corporate	**(290.2)**	(267.1)
Total	**(3,075.8)**	(2,831.8)
Depreciation and amortisation		
Paper[2]	**(287.4)**	(292.5)
Plastics[2]	**(152.0)**	(147.6)
Corporate	**(69.0)**	(58.9)
Total	**(508.4)**	(499.0)
Impairment of plant and equipment, goodwill and intangible asset		
Plastics	**–**	(1.2)
Total	**–**	(1.2)
Total depreciation, amortisation and impairment	**(508.4)**	(500.2)

[2]Excludes inter-group depreciation relating to right of use asset of R83.3 million (2021: R66.3 million) for the paper segment and Rnil million (2021: R5.9 million) for the plastics segment.

5. OPERATING SEGMENTS (CONTINUED)

	2022 R'm	2021 R'm
5(c) Reportable segment assets		
Segment assets[3]		
Paper[4]	**6,077.8**	5,368.6
Plastics[4]	**2,050.1**	1,416.8
Corporate	**1,008.9**	789.3
Inter-segment elimination	**(73.0)**	(45.7)
Segment total[5]	**9,063.8**	7,529.0
Unallocated:		
Investments in equity accounted investees	**113.5**	46.4
Deferred tax assets	**3.7**	10.3
Other non-operating assets[6]	**237.3**	165.6
Assets held for sale	**191.3**	496.9
Trading assets	**9,609.6**	8,248.2
Financial assets	**37.8**	99.4
Cash and cash equivalents	**612.1**	374.3
Total assets	**10,259.5**	8,721.9
Non-current non-financial assets[7]		
South Africa (country of domicile)	**4,206.9**	3,664.2
Rest of Africa	**16.4**	17.5
Total	**4,223.3**	3,681.7
Non-current non-financial assets[7]		
Paper	**2,242.0**	2,065.5
Plastics	**993.6**	828.3
Corporate	**987.7**	787.9
Total	**4,223.3**	3,681.7
Additions to non-current non-financial assets[8]		
South Africa (country of domicile)	**990.0**	684.8
Rest of Africa	**1.9**	2.3
Segments total	**991.9**	687.1
Additions to non-current non-financial assets[8]		
Paper	**417.4**	264.0
Plastics	**307.6**	251.7
Corporate	**266.9**	171.4
Segments total	**991.9**	687.1

[3]Segment assets are operating assets and as at 31 December 2022 consists of property, plant and equipment of R3,685.7 million (2021: R3,131.8 million), goodwill and other intangible assets of R537.6 million (2021: R549.9 million), right of use assets of R165.9 million (2021: R198.0 million), finance lease receivables of Rnil million (2021: R4.2 million), inventories of R1,979.4 million (2021: R1,463.4 million) and operating receivables of R2,695.2 million (2021: R2,181.7 million).

[4]Excludes inter-group right of use assets of R267.1 million (2021: R258.1 million) for the paper segment and R 11.0 million (2021: R11.0 million) for the plastics segment. Higher Paper segment assets are mainly due to the increase in inventory levels. In addition, the increase in the Plastics segment assets are as a result of the reclassification of Trays & Films trade and other receivables from assets held for sale to continuing operations.

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

[6]Other non-operating assets consist of derivative assets of R3.7 million (2021: R3.3 million), other non-operating receivables of R215.4 million (2021: R144.1 million) and current tax receivable of R18.2 million (2021: R18.2 million).

[7]Non-current non-financial assets consist of property, plant and equipment and goodwill and other intangible assets, but excludes deferred tax assets, non-current financial assets and right of use assets.

[8]Additions to non-current non-financial assets reflect cash payments, 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.

	2022 R'm	2021 R'm
6. OPERATING PROFIT		
Operating profit for the year has been arrived at after charging/(crediting):		
Depreciation, amortisation and impairments	**508.4**	500.2
Amortisation of intangibles	**12.3**	12.1
Depreciation of property, plant and equipment	**424.8**	409.7
Depreciation of right of use assets	**71.3**	77.2
Impairment of property, plant and equipment	**–**	1.2
Increase in expected credit loss allowance	**20.9**	13.1
Proceeds from insurance claims	**(68.2)**	(25.0)

7. NET FINANCE COSTS

	2022 R'm	2021 R'm
Investment income		
Bank deposits and loan receivables	**6.6**	6.3
Other	**2.0**	1.7
Total investment income	**8.6**	8.0
Finance costs		
Bank overdrafts and loans[1]	**(168.7)**	(119.0)
Loss on de-recognition of interest rate swaps	**(1.7)**	–
Lease liabilities	**(18.4)**	(24.9)
Defined benefit arrangements	**(3.6)**	(3.6)
Total interest expense	**(192.4)**	(147.5)
Net finance costs	**(183.8)**	(139.5)

[1]Includes the effects of fixed and floating rates on the interest rate swap amounting to a net value of R9.1 million (2021: R24.4 million).

8. FOREIGN CURRENCY TRANSLATION RESERVE RECLASSIFIED FROM OTHER COMPREHENSIVE INCOME

Versapak Zimbabwe ceased manufacturing operations in a prior year. In the current financial year, the entity ceased all operating activities as Mpact decided to abandon the operation and the entity is in the process of liquidation. This resulted in the cumulative amount of the exchange differences recognised in other comprehensive income to be reclassified in the statement of profit or loss. Apart from the R29.8 million reclassified from other comprehensive income to the statement of profit or loss, there was no other material impact to operating profit.

	2022 R'm	2021 R'm
9. TAX EXPENSE		
South African - current year[1]	**(290.6)**	(115.4)
- prior year	**5.1**	(0.3)
South African current tax	**(285.5)**	(115.7)
Foreign subsidiary current tax	**(4.8)**	–
Total current tax	**(290.3)**	(115.7)
Deferred tax in respect of the current year[1]	**(11.1)**	(115.6)
Deferred tax due to a decrease in tax rate[2]	**7.8**	–
Deferred tax in respect of prior year	**1.1**	3.2
Total tax expense	**(292.5)**	(228.1)

[1]The increase in current tax and the decrease in the deferred tax is due to the utilisation of recognised tax losses in the prior year.
[2]The impact on the realisation of temporary differences due to a decrease in the Corporate Income Tax rate from 28% to 27%.

10. 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 in the current financial year. The underlying earnings calculation is the responsibility of Mpact's directors.

	2022 Cents per share	2021 Cents per share
Continuing operations earnings per share (EPS)		
Basic EPS	**455.7**	351.5
Diluted EPS	**444.2**	343.7
Basic headline EPS	**430.1**	343.2
Diluted headline EPS	**419.2**	335.5
Basic underlying EPS[1]	**455.7**	359.6
Diluted underlying EPS[1]	**444.2**	351.5
Discontinued operations earnings per share (EPS)		
Basic EPS	**44.4**	1.5
Diluted EPS	**43.3**	1.5
Basic headline EPS	**44.4**	0.3
Diluted headline EPS	**43.3**	0.3
Total operations earnings per share (EPS)		
Basic EPS	**500.1**	353.0
Diluted EPS	**487.5**	345.2
Basic headline EPS	**474.5**	343.5
Diluted headline EPS	**462.5**	335.8

[1] Underlying earnings is arrived at after adjusting profit attributable to equity holders of Mpact for special items, net of tax. In the current year, there were no special items.

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

	2022 R'm	2021 R'm
Continuing operations		
Profit for the year	**733.2**	571.5
Less profit attributable to non-controlling interest	**(70.5)**	(53.8)
Profit for the year attributable to equity holders of Mpact	**662.7**	517.7
Discontinued operation		
Profit for the year	**64.6**	2.2
Profit for the year attributable to equity holders of Mpact	**64.6**	2.2

10. EARNINGS PER SHARES (CONTINUED)

	Gross R'm	Net R'm
Continuing operations		
2022		
Profit for the financial year attributable to equity holders of Mpact		**662.7**
Foreign currency translation reserve reclassified from other comprehensive income	**(29.8)**	**(29.8)**
Insurance proceeds received in relation to plant and equipment written off	**(10.4)**	**(7.5)**
Headline earnings for the financial year		**625.4**
2021		
Profit for the financial year attributable to equity holders of Mpact		517.7
Impairment of plant and equipment (refer to note 6)	1.2	0.9
Gain on acquisition of business	(0.9)	(0.9)
Gain on de-recognition of right of use assets and lease liabilities	(10.0)	(10.0)
Profit on disposal of tangible assets	(3.2)	(2.3)
Headline earnings for the financial year		505.4
Underlying earnings		
2022		
Profit for the financial year attributable to equity holders of Mpact		**662.7**
Underlying earnings for the financial year		**662.7**
2021		
Profit for the financial year attributable to equity holders of Mpact		517.7
Impairment of plant and equipment (refer to note 6)	1.2	0.9
Restructure costs[2]	15.2	10.9
Underlying earnings for the financial year		529.5
Discontinued operation		
2022		
Profit for the financial year attributable to equity holders of Mpact		**64.6**
Headline earnings for the financial year		**64.6**
2021		
Profit for the financial year attributable to equity holders of Mpact		2.2
Profit on disposal of tangible assets	(1.8)	(1.8)
Headline earnings for the financial year		0.4

	Weighted number of shares	Weighted number of shares
Weighted average number of ordinary shares in issue[3]	**145,415,555**	147,264,489
Effect of dilutive potential ordinary shares[4]	**3,761,575**	3,363,796
Weighted average number of ordinary shares adjusted for the effect of dilution	**149,177,130**	150,628,285

[2]Restructure costs is included in other net operating expenses and consists of retrenchment, rigging and moving costs.
[3]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.
[4]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.

11. IMPAIRMENT OF GOODWILL AND PLANT AND EQUIPMENT

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

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

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

Mpact assesses annually whether goodwill, 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.

CGU impairment testing, key assumptions and significant estimates

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

The recoverable amount of the CGUs was determined based on a value-in-use calculation, discounting the future cash flows expected to be generated using weighted-average cost of capital rates. The discount rates used in discounted cash flow models are calculated using the principles of the capital asset pricing model, taking into account current market conditions. The cash flow projections were based on the 2023 to 2025 budgeted results and a reasonable growth rate, 5.4% (2021: 4.5%), 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 18.3% to 19.5% (2021: 15.7% to 19.4%) and a post-tax discount rate of 13.8% (2021: 12.3%). The calculation of the discount rate takes into account market risk and specific risk premiums, where applicable. A terminal value growth rate of 5.4% (2021: 4.5%) was used.

	2022 R'm	2021 R'm
Impairment of plant and equipment in continuing operations		
Preforms & closures	–	1.2
Impairment of plant and equipment in total operations	**–**	1.2

11. 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. Each key value driver was determined independently.

CGU's	Pre-tax discount rate %	Breakeven pre-tax discount rate[1] %	Breakeven terminal growth rate[1] %
Recycling	**19.5**	**27.2**	**<0**
Felixton mill	**17.6**	**36.1**	**<0**
Corrugated operations	**18.7**	**34.7**	**<0**
FMCG	**18.3**	**26.4**	**<0**
Preforms & closures[2]	**18.7**	**21.2**	**<0**

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

[2]The amount by which the recoverable amount exceeds its carrying amount is approximately R64 million.

12. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

	2022 R'm	2021 R'm
Associates		
1 January	**46.4**	43.2
Share of profit	**15.5**	12.0
Addition	**0.6**	–
Dividends received	**–**	(8.8)
31 December	**62.5**	46.4
Joint arrangement[1]		
1 January	**–**	4.9
Additional investment[2]	**51.0**	**–**
Share of loss[3]	**–**	(4.9)
31 December	**51.0**	–
Total investment in equity account investees	**113.5**	46.4

[1]R51.0 million investment has been pledged to the IDC.

[2]The increase occurred due to changes in the terms of a prior year loan. In the current year, the loan term changed from interest bearing to interest free and is repayable at the discretion of the shareholders of the joint arrangement.

[3]The unrecognised share of loss is R14.6 million (2021: R2.8 million) as Mpact has no obligation to fund such losses.

13. OTHER FINANCIAL ASSETS

	2022 R'm	2021 R'm
Loans receivable[1]	**33.0**	33.8
Loan to jointly controlled company[2]	**4.8**	65.0
Equity investment	**–**	0.6
Total other financial assets	**37.8**	99.4
Less current portion of loan receivable	**(6.4)**	(13.9)
Total non-current other financial assets	**31.4**	85.5

[1]Loans receivable are held at amortised cost.

[2]The decrease in the current year is due to R51.0 million being reclassified to net investment in the jointly controlled company, refer to note 12, together with a repayment of R9.2 million. The loan to the jointly controlled company is held at amortised cost and the loan balance has been pledged to the IDC as at 31 December 2021.

	2022 R'm	2021 R'm
14. INVENTORIES		
Raw materials and consumables	**1,362.4**	941.2
Work in progress	**26.2**	21.1
Finished goods	**590.8**	501.1
Total inventories	**1,979.4**	1,463.4
Write-down of inventories during the year	**31.7**	13.5
Reversal of write-down of inventories during the year	**(8.0)**	(27.5)

The increase in inventories is due to a build-up of stock due to uncertainty of supply and higher purchase cost.

The cost of inventories recognised as an expense is equal to material, energy and fixed overhead recovery as disclosed in the statement of profit or loss. Certain inventories are pledged as security for the bank loans (refer to note 16).

	2022 R'm	2021 R'm
15. TRADE AND OTHER RECEIVABLES		
Trade receivables		
– external	**2,619.0**	2,139.2
– related parties (refer to note 25)	**88.3**	65.7
Allowance for expected credit losses	**(84.4)**	(64.2)
Net trade receivables	**2,622.9**	2,140.7
Lease receivables	**–**	4.2
Other receivables	**215.4**	144.1
Prepayments and accrued income	**72.3**	41.0
Total trade and other receivables	**2,910.6**	2,330.0

The increase is mainly as a result of the reclassification of Trays & Films trade and other receivables from assets held for sale to continuing operations.

Other receivables consist mainly of rebates from suppliers and deposits.

Certain trade and other receivables are pledged as security for the bank loans (refer note 16).

	2022 R'm	2021 R'm
16. INTEREST AND NON INTEREST-BEARING BORROWINGS		
Secured borrowings		
– RCF A[1]	**–**	200.0
– Term Loan A[2]	**250.0**	–
– RCF B[3]	**825.0**	850.0
– RCF C[4]	**825.0**	750.0
– RMB General Banking Facility[5]	**600.0**	–
– Standard Bank General Banking facility[6]	**200.0**	50.0
	2,700.0	1,850.0
Secured Instalment loan facilities	**2.2**	4.2
	2,702.2	1,854.2
Unsecured: Minority shareholder loans in subsidiary[7]	**7.4**	9.0
Total borrowings	**2,709.6**	1,863.2
Less: Current portion (refer to note 17)	**(9.0)**	(211.7)
RCF A[1]	**–**	(200.0)
Minority shareholder loans	**(7.4)**	(9.0)
Instalment loan facilities	**(1.6)**	(2.7)
Non-current borrowings	**2,700.6**	1,651.5

The debt facilities were provided by Standard Bank, Rand Merchant Bank and Nedbank in the prior year. In the current year these facilities were refinanced and Investec Bank was included as a lender.

Mpact has pledged certain assets as collateral against certain borrowings. The values of these assets as at 31 December 2022 are as follows:

	2022 R'm	2021 R'm
Assets pledged as collateral for other borrowings		
Property, plant and equipment	**2,258.4**	1,914.2
Inventories	**1,582.7**	1,149.2
Trade and other receivables	**2,328.1**	1,898.4
Cash and cash equivalents	**456.9**	219.8
Total carrying value of assets pledged as collateral	**6,626.1**	5,181.6

[1]Incurred interest at three-month JIBAR plus 1.65%.

[2]Incurs interest at three-month JIBAR plus 1.50% and expires in August 2025.

[3]R242.7 million incurs interest at one-month JIBAR plus 1.50% and R582.3 million incurs interest at three-month JIBAR plus 1.50% and expires in August 2025. The previous facility, R250 million incurred interest at one-month JIBAR plus 1.75% and R600 million incurred interest at three-month JIBAR plus 1.75%.

[4]Incurs interest at one-month JIBAR plus 1.60% and expires in August 2026. The previous facility incurred interest at one-month JIBAR plus 1.85%.

[5]Incurs interest at prime less 2.5% and expires in August 2026 with a cancellation notice period of 367 days.

[6]Incurs interest at three-month JIBAR plus 1.65% and expires in December 2025.

[7]The loan was granted as a shareholder loan which is non-interest bearing with no fixed date of repayment.

16. INTEREST AND NON INTEREST BEARING BORROWINGS (CONTINUED)

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

KPI Status	Description	Margin adjustment following the 31 December 2023 Performance Target Date	Margin adjustment following the 31 December 2024 Performance Target Date
Successful completion of Mpact Carbon Emissions Target	GHG Emissions (Scope 1 & 2)	-3 basis points	-3 basis points
Non-successful completion Mpact Carbon Emissions Target	GHG Emissions (Scope 1 & 2)	+3 basis points	+3 basis points
Successful completion of Mpact Water Efficiency Target	Water Consumption	-2 basis points	-2 basis points
Non-successful completion of Mpact Water Efficiency Target	Water Consumption	+2 basis points	+2 basis points

Mpact has not recognised an embedded derivative, as these targets are specifically defined by Mpact and are not linked to a basic lending arrangement.

Facilities totalling R470 million remain committed and undrawn as at 31 December 2022 (2021: R1,170 million). Mpact's liquidity is provided through debt facilities which are in excess of the Group's short-term needs. Mpact has approved facilities amounting to R3,170 million (2021: R3,020 million). Mpact has met all its debt covenants for the current financial year.

Certain intercompany 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.

	2022 R'm	2021 R'm
17. SHORT-TERM BORROWINGS		
RCF A (refer to note 16)	**–**	200.0
Minority shareholder loans (refer to note 16)	**7.4**	9.0
Bank overdrafts	**17.3**	19.7
Instalment loan facilities (refer to note 16)	**1.6**	2.7
Total short-term borrowings	**26.3**	231.4

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

	2022 R'm	2021 R'm
18. TRADE AND OTHER PAYABLES		
Trade payables	**1,338.7**	1,110.7
Amounts owed to related parties (refer to note 25)	**16.2**	12.1
Refund liabilities	**244.3**	194.9
Accruals	**246.8**	221.0
Other payables	**304.2**	307.0
Total trade and other payables	**2,150.2**	1,845.7

The increase is mainly as a result of the reclassification of Trays & Films trade and other payables from assets held for sale to continuing operations. Other payables consist mainly of staff costs.

	2022 R'm	2021 R'm
19. PROVISIONS		
Non-current portion of restoration and environmental provision[1]	**4.7**	6.9
Current portion of restoration and environmental[1]	**12.1**	12.1
Current portion of Dividend equivalent bonus[2]	**3.0**	4.3
Total current provisions	**15.1**	16.4

[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 R2.2 million charged to the statement of profit or loss (2021: decrease of R6.1 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 R0.9 million which was recognised in the statement of profit or loss (2021: increase of R0.4 million).

20. DISCONTINUED OPERATION

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations; is a part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to sell.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income (OCI) is re-presented as if the operation had been discontinued from the start of the comparative year.

Plastics Trays & Films

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

At the end of 2022, the sale of Versapak was still in progress. A decision was taken to exclude the trade receivables and payables from the discontinued operations to reduce complexity in the envisaged transaction structure. Management's intentions are to collect the outstanding receivables from its debtors and any cash balances post the effective date, and settle any outstanding creditors balances when they fall due. These balances are therefore no longer likely to realise through sale and have been excluded from assets and liabilities held for sale. Negotiations with a prospective party are still ongoing and additional prospective buyers are being actively sought. Management is still committed to the plan of disposing the Plastics trays and films business and a sale is likely to occur in the next 12 months.

20. DISCONTINUED OPERATIONS (CONTINUED)

At 31 December 2022, Versapak is presented as a disposal group held for sale and as a discontinued operation. The results for the year are presented below:

	2022 R'm	2021 R'm
Revenue from contracts with customers	**1,107.4**	920.3
Expenses	**(1,043.3)**	(918.1)
Operating profit	**64.1**	2.2
Net finance income	**0.5**	–
Profit for the year from discontinued operation[1]	**64.6**	2.2

[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 are as follows:

	2022 R'm	2021 R'm
Assets		
Plant and equipment	**44.6**	30.6
Inventories	**146.7**	140.6
Trade and other receivables	**–**	245.1
Current financial assets	**–**	0.7
Cash and cash equivalents	**–**	79.9
Assets held for sale	**191.3**	496.9
Liabilities		
Trade and other payables	**–**	196.0
Liabilities held for sale	**–**	196.0
Net assets held for sale	**191.3**	300.9

The net cash flows are as follows:	**2022 R'm**	2021 R'm
Operating activities	**(0.1)**	(32.0)
Investing activities	**(12.6)**	(17.2)
Net cash outflow	**(12.7)**	(49.2)

21. 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.

	2022 R'm	2021 R'm
Profit before taxation from total operations	**1,090.3**	801.8
Profit before taxation from continuing operations	**1,025.7**	799.6
Profit from discontinued operations	**64.6**	2.2
Adjusted for:		
Depreciation, amortisation and impairments	**508.4**	501.0
Gain on acquisition of subsidiary	**–**	(0.9)
Share-based payments	**39.2**	34.8
Net finance costs	**183.8**	139.5
Share of equity accounted investee profit	**(15.5)**	(7.1)
Increase in provisions	**(6.3)**	(8.1)
Decrease in finance lease asset	**4.2**	3.7
Net increase in working capital	**(753.8)**	(461.7)
Increase in inventories	**(521.8)**	(200.7)
Increase in receivables	**(339.1)**	(408.8)
Increase in payables	**107.1**	147.8
Foreign currency translation reserve reclassified from other comprehensive income	**(29.8)**	–
Profit on disposal of tangible assets	**–**	(5.0)
Fair value change on transactions not qualifying as hedges	**1.4**	(13.2)
Amortisation of government grant	**(5.0)**	(5.5)
Profit on disposal of right of use assets and lease liabilities	**–**	(10.0)
Other non-cash items	**–**	(0.2)
Cash generated from operations	**1,016.9**	969.1

22. 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:

	2022 R'm	2021 R'm
Contracted for	**629.2**	560.4
Approved, not yet contracted for	**2,245.4**	954.7
Total capital commitments	**2,874.6**	1,515.1

The capital commitments will be financed from existing cash resources, unutilised and additional borrowing facilities. Commitments of R1,603.0 million (2021: R1,383.7 million) will be spent in the next 12 months. The balance of R1,271.6 million (2021: R 131.4 million) will be spent in one to five years.

23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent liabilities for Mpact comprise aggregate amounts at 31 December 2022 of R 31.7 million (2021: R 32.3 million) in respect of guarantees given to banks, municipalities and other third parties.

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

24. FINANCIAL RISK MANAGEMENT

Financial instruments by category

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
2022					
Trade and other receivables[1]		**2,838.3**	**–**	**–**	**2,838.3**
Loans receivable	**Level 2**	**37.8**	**–**	**–**	**37.8**
Derivative financial instruments	**Level 2**	**–**	**3.7**	**–**	**3.7**
Cash and cash equivalents[1]		**612.1**	**–**	**–**	**612.1**
Total		**3,488.2**	**3.7**	**–**	**3,491.9**
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

Financial liabilities	Fair value hierarchy R'm	At fair value through profit or loss R'm	At amortised cost R'm	Total R'm
2022				
Borrowings	**Level 2**	**–**	**(2,726.9)**	**(2,726.9)**
Trade and other payables[1]		**–**	**(2,150.2)**	**(2,150.2)**
Derivative financial instrument	**Level 2**	**(4.2)**	**–**	**(4.2)**
Total		**(4.2)**	**(4,877.1)**	**(4,881.3)**
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)

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

25. RELATED PARTY TRANSACTIONS

Mpact has a related party relationship with its subsidiaries, its associates, joint arrangement and directors. Mpact, in the ordinary course of business, enters into various sales, purchase and services transactions with its joint arrangement and associates and others in which Mpact has a material interest.

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

	2022 R'm	2021 R'm
Sales to joint arrangement	**2.1**	10.2
Sales to associates	**384.3**	296.5
Purchases from associates	**3.2**	0.7
Loan to joint arrangement	**4.8**	65.0
Receivables due from joint arrangement	**3.4**	4.9
Receivables due from associates	**84.9**	60.8
Payables due to associates	**16.2**	12.1

26. EVENTS OCCURRING AFTER THE REPORTING DATE

In February 2023, Mpact secured additional R1.45 billion 4-year committed debt facilities in order to ensure sufficient headroom during the implementation phase of the recently announced Mkhondo Mill project and other additional capital projects. The additional facilities were secured at the same margin and covenants as the previous facilities.

The Board declared an ordinary dividend of 75 cents per share on 6 March 2023 payable on 3 April 2023 to shareholders registered on 31 March 2023.

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

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INDEPENDENT AUDITOR'S REPORT ON SUMMARISED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF MPACT LIMITED

Opinion

The summarised consolidated financial statements of Mpact Limited, which comprise the summarised consolidated statement of financial position as at 31 December 2022, the summarised consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and related notes as set out on pages 7 to 29, are derived from the audited consolidated annual financial statements of Mpact Limited for the year ended 31 December 2022.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited annual consolidated financial statements of Mpact Limited, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in note 1 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Other Matter

We have not audited future financial performance and expectations by management included in the accompanying summary consolidated financial statements and accordingly do not express any opinion thereon.

Summarised consolidated financial statements

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

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated annual financial statements in our report dated 06 March 2023. That report also includes the communication of key audit matters as reported in the auditor's report of the audited consolidated annual financial statements.

INDEPENDENT AUDITOR'S REPORT ON SUMMARISED FINANCIAL STATEMENTS
TO THE SHAREHOLDERS OF MPACT LIMITED (continued)

Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in note 1 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34, *Interim Financial Reporting*.

Auditor's responsibility

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

DocuSigned by:
Deloitte & Touche
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Deloitte & Touche
Per: SJ Nelson
Partner
Registered Auditor
07 March 2023