MPACT LIMITED
AUDITED ANNUAL FINANCIAL STATEMENTS
31 December
2016

mpact
smarter, sustainable solutions

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AUDITED ANNUAL FINANCIAL STATEMENTS

31 December 2016

DIRECTORS' RESPONSIBILITY STATEMENT AND BASIS OF PREPARATION

The directors are responsible for preparing the annual financial statements in accordance with applicable law and regulations.

These audited annual financial statements have been prepared using accounting policies compliant with 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 and are in compliance with the Companies Act of South Africa.

The preparation of these annual financial statements for the year ended 31 December 2016 was supervised by the Chief Financial Officer, Mr BDV Clark CA(SA).

In preparing the Company's financial statements, International Accounting Standard 1, Presentation of Financial Statements, requires that the directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosure when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going-concern.

APPROVAL OF THE FINANCIAL STATEMENTS

The directors confirm, that to the best of their knowledge, the Company's financial statements, are prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa fairly present the assets, liabilities, financial position and profit of the Company.

The directors believe that the Company has adequate resources to continue in operation for the foreseeable future and the financial statements have therefore been prepared on a going-concern basis.

The financial statements and related notes, which appear on pages 4 to 28, were approved by the Board of Directors and authorised for issue on 1 March 2017 and were signed on its behalf by:

AJ Phillips
Chairman

BW Strong
Chief Executive Officer

CERTIFICATE BY COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I certify that Mpact Limited has lodged with the Companies and Intellectual Property Commission all such returns, as are required of a company in terms of the Act and, that such returns are true, correct and up to date.

Noriah Sepuru
Company Secretary

1 March 2017

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MPACT LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Mpact Limited ("the Company") set out on pages 11 to 28, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. With reference to Mpact Limited, we are satisfied that no key audit matters exist in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate, as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going-concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Mpact Limited for 12 years.

Deloitte & Touche
Registered auditors

Per: **MH Holme**
Partner

1 March 2017

REPORT OF THE DIRECTORS

31 December 2016

The directors have pleasure in presenting their report on the annual financial statements of Mpact Limited ("Mpact or Company") for the year ended 31 December 2016.

NATURE OF BUSINESS

The Mpact Group is one of the largest paper and plastics packaging businesses in southern Africa, with leading market positions in recovered paper collection, corrugated packaging, recycled-based cartonboard and containerboard, PET preforms, styrene trays and plastic jumbo bins.

In terms of the Group restructure which took place in January 2015, Mpact Limited sold the majority of its operating assets and liabilities to Mpact Operations Proprietary Limited, a 90% owned subsidiary. Mpact Limited acts as a holding company for foreign investments and properties used within that Mpact group. Mpact Limited is incorporated in the Republic of South Africa and is listed on the JSE.

STATED CAPITAL

The authorised share capital is 217,500,000 ordinary shares of no par value.

On 31 December 2016, the issued share capital of the Company was 168,485,360 ordinary shares of no par value. (2015: 165,958,619 ordinary shares of no par value).

REGISTER OF SHAREHOLDERS

The register of shareholders of the Company is open for inspection to members and the public, during normal office hours, at the office of the Company's transfer secretaries, Link Market Services South Africa Proprietary Limited.

DIRECTORS INTEREST IN SHARE CAPITAL

Details of the beneficial holdings of directors of the Company and their families in ordinary shares are given on page 7.

Scrip distribution and cash dividend alternative

1. Introduction

Notice is hereby given that the Board has declared a final distribution for year ended 31 December 2016, by way of the issue of fully-paid Mpact ordinary shares of no par value each ("the Scrip Distribution") as a Scrip Distribution payable to ordinary shareholders ("Shareholders") recorded in the register of the Company at the close of business on the record date, being Friday, 31 March 2017.

Shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive a gross cash dividend of 65 cents per ordinary share *in lieu* of the Scrip Distribution, which will be paid only to those Shareholders who elect to receive the cash dividend, in respect of all or part of their shareholding, on or before 12:00 on Friday, 31 March 2017 ("the cash dividend").

The cash dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all Shareholders not exempt therefrom, after deduction of which the net cash dividend is 52 cents per Mpact ordinary share.

The new ordinary shares will, pursuant to the Scrip Distribution, be settled by way of capitalisation of the Company's distributable retained profits.

The Company's total number of issued ordinary shares as at 1 March 2017 is 168,485,360. Mpact's income tax reference number is 9003862175.

2. Terms of the Scrip Distribution

The number of Scrip Distribution shares to which each of the Shareholders will become entitled pursuant to the Scrip Distribution (to the extent that such Shareholders have not elected to receive the cash dividend) will be determined by reference to such Shareholder's ordinary shareholding in Mpact (at the close of business on the record date, being Friday, 31 March 2017 in relation to the ratio that 65 cents bears to the volume weighted average price ("VWAP") of an ordinary Mpact share traded on the JSE during the 30-day trading period ending on Friday, 10 March 2017. Where the application of this ratio gives rise to a fraction of an ordinary share, in allocations of whole ordinary shares and a cash payment for the fraction.

The applicable cash payment will be determined with reference to the VWAP of an ordinary Mpact share traded on the JSE on Wednesday, 29 March 2017, (being the day on which an ordinary Mpact share begins trading 'ex' the entitlement to receive the Scrip Distribution or the cash dividend alternative), discounted by 10%.

The applicable cash payment will be announced on SENS on Thursday, 30 March 2017.

Details of the ratio will be announced on the Stock Exchange News Service ("SENS") of the JSE in accordance with the timetable below.

3. Circular and salient dates

A circular providing Shareholders with full information on the Scrip Distribution and the cash dividend alternative, including a form of election to elect to receive the cash dividend alternative will be posted to Shareholders on or about Wednesday, 8 March 2017.

The salient dates of events thereafter are as follows:

	2017
Announcement released on SENS in respect of the ratio applicable to the Scrip Distribution, based on the 30-day volume weighted average price ending on Friday, 10 March 2017, by 11:00 on	Monday, 13 March
Announcement published in the press of the ratio applicable to the Scrip Distribution, based on the 30-day volume weighted average price ending on Friday, 10 March 2017	Tuesday, 14 March
Last day to trade in order to be eligible for the Scrip Distribution and the cash dividend alternative	Tuesday, 28 March
Ordinary shares trade "ex" the Scrip Distribution and the cash dividend alternative on	Wednesday, 29 March
Listing and trading of maximum possible number of ordinary shares on the JSE in terms of the Scrip Distribution from the commencement of business on	Wednesday, 29 March
Announcement released on SENS in respect of the cash payment applicable to fractional entitlements, based on the volume weighted average price on Wednesday, 29 March 2017, discounted by 10%	Thursday, 30 March
Last day to elect to receive the cash dividend alternative instead of the Scrip Distribution, Forms of Election to reach the Transfer Secretaries by 12:00 on	Friday, 31 March
Record date in respect of the Scrip distribution and the cash dividend alternative	Friday, 31 March
Scrip Distribution certificates posted and cash dividend payments made, CSDP/broker accounts credited/ updated, as applicable, on	Monday, 3 April
Announcement relating to the results of the Scrip Distribution and the cash dividend alternative released on SENS on	Monday, 3 April
Announcement relating to the results of the Scrip Distribution and the cash dividend alternative published in the press on	Tuesday, 4 April
JSE listing of ordinary shares in respect of the Scrip Distribution adjusted to reflect the actual number of ordinary shares issued in terms of the Scrip Distribution at the commencement of business on or about	Wednesday, 5 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 SENS.

Share certificates may not be dematerialised or rematerialised between Wednesday, 29 March 2017 and Friday, 31 March 2017, both days inclusive.

INVESTMENT PROPERTY

At 31 December 2016, the net investment in property amounted to R182.2 million (2015: R122.4 million), details of which are set out in note 5 to the annual financial statements. Capital commitments at year-end for the Company amounted to R23.6 million, set out in note 17, (2015: R16.6 million).

EVENTS OCCURRING AFTER THE REPORTING DATE

There were no significant or material subsequent events which would require adjustments to or disclosure in the annual financial statements.

DIRECTORS

The following directors have held office during the year ended 31 December 2016 and to the date of this report:

AJ Phillips (Chairman)	Independent Non-executive
NP Dongwana	Independent Non-executive
NB Langa-Royds	Independent Non-executive
M Makanjee	Independent Non-executive (appointed: 5 September 2016)
TDA Ross	Independent Non-executive
AM Thompson	Independent Non-executive
BW Strong (Chief Executive Officer)	Executive
BDV Clark (Chief Financial Officer)	Executive

COMPANY SECRETARY AND REGISTERED OFFICE

The Company Secretary of Mpact Limited is MN Sepuru.

4th Floor	Postnet Suite #179
3 Melrose Boulevard	Private Bag X1
Melrose Arch, 2196	Melrose Arch, 2076

AUDITORS

Deloitte & Touche are the appointed auditors to the Company, with MH Holme the designated auditor.

SPECIAL RESOLUTIONS PASSED BY SUBSIDIARY COMPANIES

Notwithstanding the title of section 45 of the Companies Act, 71 of 2008, being "loans or other financial assistance to directors" on an interpretation thereof, the body of the section also applies to financial assistance provided by the Company to any related or inter-related company or corporation and a member of a related or inter-related corporation.

On 4 March 2016, all the subsidiaries of the Company passed special resolutions to authorise the companies to provide any direct or indirect financial assistance, including by way of lending money, guaranteeing a loan, or other obligations as it may be required or otherwise to any of its present or future related or inter-related companies or corporations for such amounts and such terms and conditions as the Board/s may determine.

Details of subsidiaries are included in the interest in subsidiaries, set out in note 24.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee ("the committee") operates on a Group-wide basis. The committee, in terms of the Companies Act of South Africa, and King III, has the responsibility, among other things, for monitoring the integrity of Mpact's financial statements. It also has the responsibility for reviewing the effectiveness of the Company's system of internal controls and risk management systems. An internal audit function has been established which is responsible for advising the Board on the effectiveness of the Company's risk management process.

The committee oversees the relationship with the external auditors; is responsible for their appointment and remuneration; reviews the effectiveness of the external audit process; and ensures that the objectivity and independence of the external auditors is maintained.

The committee has concluded that it is satisfied that auditor independence and objectivity has been maintained.

The comprehensive report of the committee is included on page 8 to 10.

BOARD STATEMENT OF EFFECTIVENESS OF CONTROLS

Based on the recommendation of the Audit and Risk Committee, nothing has come to the attention of the Board that caused it to believe that the Company's system of internal control and risk management is not effective, or that the internal controls do not form a sound basis for the preparation of reliable financial statements.

GOING CONCERN

The directors consider that the Company has adequate resources to continue operating for the foreseeable future and that it is, therefore, appropriate to adopt the going-concern basis in preparing the financial statements. The directors have satisfied themselves that the Company is in a sound financial position, and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

INTEREST OF DIRECTORS IN SHARE CAPITAL

The aggregate beneficial holdings as at 31 December 2016 and 31 December 2015 of the directors of the Company in the issued ordinary shares of the Company are detailed below. There have been no material changes in these shareholdings between 31 December 2016 and 1 March 2017, the date of approval.

	2016		2015	
	Direct number of shares	Indirect number of shares	Direct number of shares	Indirect number of shares
Non-executive director				
AJ Phillips	**8,502**	**1,448**	–	–
Executive director				
BW Strong	**420,489**	**–**	416,668	–
BDV Clark	**–**	**18,890**	–	18,719
Total	**428,991**	**20,338**	416,668	18,719

There are no associate interests for the above directors.

INTEREST OF MAJOR SHAREHOLDERS IN SHARE CAPITAL

	2016		2015	
	Number of shares	% of total issued share capital	Number of shares	% of total issued share capital
Major shareholders (5% and more of the shares in issue)				
Visio Capital Management	**22,058,268**	**13,09**	22,516,723	13,59
Prudential Portfolio Managers	**19,674,921**	**11,68**	14,105,581	8,50
Public Investment Corporation	**19,412,239**	**11,52**	19,014,542	11,40
Allan Gray	**15,671,309**	**9,30**	10,820,395	6,52
Mazi Capital	**12,347,066**	**7,33**	9,234,551	5,56

AUDIT AND RISK COMMITTEE REPORT

31 December 2016

INTRODUCTION

The Audit and Risk Committee ("the committee") has pleasure in submitting its report for the year ended 31 December 2016 in compliance with section 94(7) of the Companies Act.

The Audit and Risk Committee acts for the Company and all its subsidiaries, and is an independent entity accountable to the Board. It operates within a documented charter and complies with all relevant legislation, regulation and governance codes and executes its duties in terms of the requirements of King III.

The committee's terms of reference were approved by the Board and are reviewed annually.

COMMITTEE ACTIVITIES

The Audit and Risk Committee attended to the following during the year:

External auditors

The committee reviewed the independence of Deloitte & Touche as the Group's external auditor with MH Holme as the independent individual registered auditor who will undertake the Group's audit for the ensuing year. Before recommending the re-election of Deloitte & Touche to the Board, the committee is satisfied that Deloitte & Touche is independent.

The committee proposes the re-appointment of Deloitte & Touche as external auditor and MH Holme as the independent individual registered auditor and shareholders of the Company are requested to vote.

Independence of external auditors

This assessment was made after considering the following:

- Confirmation from the external auditors that they, or their immediate family, do not hold any significant direct or indirect financial interest or have any material business relationship with Mpact. The external auditors also confirmed that they have internal monitoring procedures to ensure their independence.
- The auditors do not, other than in their capacity as external auditors or rendering permitted non-audit services, receive any remuneration or other benefits from Mpact.
- The auditor's independence was not impaired by the non-audit work performed having regard to the quantum of audit fees relative to the total fee based and the nature of the non-audit work undertaken.
- The auditor's independence was not prejudiced as a result of any previous appointment as auditor. In addition, an audit partner rotation process is in place in accordance with the relevant legal and regulatory requirements.
- The criteria specified for independence by the Independent Regulatory Board for Auditors.
- The audit firm and the designated auditor are accredited with the JSE.

The committee confirms that the external auditor has functioned in accordance with its terms of reference for the 2016 financial year.

External auditor's fees

The committee:

- approved, in consultation with management, the audit fee and engagement terms for the external auditors for the 2016 financial year;
- reviewed and approved the non-audit services fees for the year under review and ensured that the fees were within limit and in line with the non-audit service policy; and
- determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services.

External auditor's performance

- Reviewed and approved the external audit plan, ensuring that material risk areas were included and that coverage of the significant business processes was acceptable.
- Reviewed the external audit reports and management's response, considered their effect on the financial statements and internal financial control.

Financial statements

The committee reviewed the interim results and year-end Company and Group financial statements, including the public announcements of the Group's financial results, and made recommendations to the Board for their approval. In the course of its review, the committee:

- took appropriate steps to ensure that the financial statements were prepared in accordance with IFRS;
- considered the appropriateness of accounting policies and disclosures made; and
- completed a detailed review of the going-concern assumption, confirming that it was appropriate in the preparation of the financial statements.

The committee was not required to deal with any complaints relating to accounting practices or internal audit, nor to the content or audit of the financial statements, nor internal financial controls and related matters.

Significant areas of judgement

The figures disclosed in the annual financial statements in certain circumstances are arrived at using judgement. These are explained in detail in the accounting policies. The committee has considered the qualitative and quantitative aspects of the information presented in the statement of financial position and other items that require significant judgement.

Internal audit

- Reviewed and approved the existing internal audit charter, which ensures that the Group's internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to discharge its duties.
- Satisfied itself of the credibility, independence and objectivity of the internal audit function.
- Ensured that internal audit had direct access to the committee, primarily through the committee's Chairman.
- Reviewed and approved the annual internal audit plan, ensuring that material risk areas were included and that the coverage of significant business processes was acceptable.
- Reviewed the quarterly internal audit reports, covering the effectiveness of internal control, material fraud incidents and material non-compliance with Mpact's policies and procedures. The committee is advised of all internal control developments and advised of any material losses, with none being reported during the year.
- Considered and reviewed with management and internal auditors, any significant findings and management responses thereto in relation to reliable financial reporting, corporate governance and effective internal control to ensure appropriate action is taken.
- The internal audit function provided a written assessment of the effectiveness of the Company's system of internal controls and confirmed that based on their results of work undertaken, they provided reasonable assurance regarding adequacy and effectiveness of systems of internal control.

The committee has reviewed the independence of KPMG as the Group's internal auditor and is satisfied that KPMG is independent.

Internal financial control and compliance

- Reviewed and approved the existing treasury policy and reviewed the quarterly treasury reports prepared by management.
- Reviewed the quarterly legal and regulatory reports setting out the latest legislative and regulatory developments impacting the Group.
- Reviewed the quarterly report on taxation.
- Reviewed IT reports.
- Considered and, where appropriate, made recommendations on internal financial control.
- Monitored the outsourced internal audit service provided by KPMG internal audit, risk and compliance services.

KPMG performed the internal audit for the year ended 31 December 2016 and provided a written assessment of the effectiveness of Mpact's system of internal controls. The Audit and Risk Committee considered the comments in the audit reports issued by KPMG on the audits conducted, and together with other information available from management and the year-end external audit reports, and determined that there were no material weaknesses in internal control and risk management. On this basis, the Audit and Risk Committee has made a recommendation to the Board on the effectiveness of the system of internal controls for inclusion in the directors' responsibility statement.

Risk management

Management is regularly developing and enhancing the Company's risk and control procedures to improve the mechanisms for identifying, assessing and monitoring risks given that effective risk management is integral to the Group's objective of consistently adding value to the business. The Board approves strategies and budgets and monitors progress against the budget. It also considers the identified business risks.

Risk management is addressed in the areas of physical and operational risks, human resource risks, technology risks, business continuity and disaster recovery risks, credit and market risks and compliance risks.

The Company has implemented several policies and procedures to manage its governance, operations and information systems with regard to the:

- reliability and integrity of financial and operational information;
- effectiveness and efficiency of operations;
- safeguarding of assets; and
- compliance with laws, regulations and contracts.

Risks are periodically reviewed and updated on a regular basis. The committee reviewed and approved the risk ratings and the risk appetite and tolerance tables for recommendation to the Board.

The Risk Management Review is available on the website, www.mpact.co.za.

Combined assurance

During the year under review, a combined assurance map was developed by management in collaboration with internal audit and external audit. The mapping was compiled to help understand the level of coverage achieved by each assurance provider in terms of the third level of defence in the Combined Assurance Model. The committee further approved the Integrated Risk Assurance Framework which covered the innovative and strategic approach to governance while integrating the Company value drivers with risk and opportunity register.

INTEGRATED REPORT

The committee fulfils an oversight role regarding our report and the reporting process. Accordingly, it has:

- Considered the integrated report and has assessed the consistency with operational, financial and other information known to the Audit and Risk Committee members, and for consistency with the annual financial statements. The committee is satisfied that the Integrated Report is materially accurate, complete and reliable and consistent with the annual financial statements; and
- The committee has, at its meeting held on 23 February 2017, recommended the integrated report for the year ended 31 December 2016 to the Board for approval.

GOVERNANCE

The Board has assigned oversight of the risk management function to the committee, which has an oversight role with respect to financial reporting risks arising from internal financial controls, fraud and IT risks.

In line with the terms of the JSE Listings Requirements, the committee is satisfied that Brett Clark has the appropriate expertise and experience to meet the responsibilities of his appointed position as CFO as required by the JSE.

The committee is satisfied:

- that the resources within the finance function are adequate to provide the necessary support to the CFO; and
- with the expertise and experience of the Group Financial Manager.

In making these assessments, the committee has obtained feedback from the external and internal auditors.

Based on the processes and assurances obtained, the committee believes that the accounting practices are effective.

Tim Ross
Audit and Risk Committee Chairman

1 March 2017

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Notes	2016 R'm	2015 R'm
Rental income		**25.5**	12.8
Administration and other operating expenses		**(12.2)**	(0.5)
Depreciation, amortisation and impairments		**(13.6)**	(5.6)
Operating profit	2	**(0.3)**	6.7
Net finance income	3	**244.3**	3,701.0
Investment income		**245.1**	3,701.0
Finance costs		**(0.8)**	–
Fair value gain	12	**7.2**	–
Profit before taxation		**251.2**	3,707.7
Income tax expense	4	**(72.4)**	(56.2)
Total comprehensive income for the year		**178.8**	3,651.5

STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

	Notes	2016 R'm	2015 R'm
Investment property	5	**182.2**	122.4
Investments in and loans to subsidiaries	6	**6,419.3**	6,355.0
Investment in share trust	7	**27.3**	61.5
Deferred tax asset	11	**4.8**	14.6
Non-current assets		**6,633.6**	6,553.5
Trade and other receivables	8	**1.4**	1.5
Cash and cash equivalents	9	**0.7**	1.4
Short-term portion of loans to subsidiaries	6	**40.2**	35.3
Current assets		**42.3**	38.2
Total assets		**6,675.9**	6,591.7
Other payables	10	**5.1**	9.7
Current tax liabilities		**4.2**	4.5
Other current liabilities	12	**14.5**	–
Current liabilities		**23.8**	14.2
Other non-current liabilities	12	**–**	21.7
Total liabilities		**23.8**	35.9
Stated capital	13	**2,532.7**	2,426.2
Retained earnings		**4,130.6**	4,141.4
Other reserves		**(11.2)**	(11.8)
Total equity		**6,652.1**	6,555.8
Total equity and liabilities		**6,675.9**	6,591.7

STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	Notes	2016 R'm	2015 R'm
Cash flows from operating activities			
Operating cash inflow/(outflow) before movements in working capital		**19.8**	(11.5)
(Increase)/decrease in working capital		**(4.6)**	21.3
Cash generated from operations	16a	**15.2**	9.8
Dividends from subsidiaries		**3.5**	3,522.8
Taxation paid		**(67.2)**	(51.3)
Net cash (outflows)/inflows from operating activities		**(48.5)**	3,481.3
Cash flows from investing activities			
Cash effect of group restructuring	15	**3.0**	(335.0)
Increase in investment in subsidiaries		**(35.3)**	(3,843.8)
Acquisition of subsidiaries		**(38.6)**	–
Additions to investment property	5	**(15.5)**	(65.8)
Government grant received		**–**	31.1
Loan repayments from related parties		**108.0**	455.1
Interest received from related parties		**84.6**	180.8
Net investment in share incentive trust		**18.9**	(23.6)
Net cash inflows/(outflows) from investing activities		**125.1**	(3,601.2)
Cash flows from financing activities			
Borrowings repaid		**–**	(136.5)
Finance costs paid		**(0.8)**	–
Dividends paid to equity holders of Mpact Limited		**(76.5)**	(75.8)
Acquisition of non-controlling interest in a subsidiary		**–**	(1.4)
Net cash outflows from financing activities		**(77.3)**	(213.7)
Net decrease in cash and cash equivalents		**(0.7)**	(333.6)
Cash and cash equivalents at beginning of year		**1.4**	335.0
Cash and cash equivalents at end of year	9	**0.7**	1.4

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Share capital R'm	Share-based payment reserves R'm	Cash flow hedge reserves R'm	Post-retirement benefit reserves R'm	Other reserve R'm	Retained earnings R'm	Total equity R'm
Balance at 31 December 2014	2,344.1	25.8	4.2	7.9	(21.7)	643.2	3,003.5
Total comprehensive income for the year	–	–	–	–	–	3,651.5	3,651.5
Dividends paid[1]	82.1	–	–	–	–	(157.9)	(75.8)
Share plan charge for the year (see note 14)	–	5.6	–	–	–	–	5.6
Issue/exercise of shares under employee share scheme	–	(3.7)	–	–	–	(5.6)	(9.3)
Sale of business (see note 15)	–	(17.8)	(4.2)	(7.9)	–	10.2	(19.7)
Balance at 31 December 2015	2,426.2	9.9	–	–	(21.7)	4,141.4	6,555.8
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**178.8**	**178.8**
Dividends paid[1]	**106.5**	**–**	**–**	**–**	**–**	**(183.0)**	**(76.5)**
Share plan charge for the year (see note 14)	**–**	**6.5**	**–**	**–**	**–**	**–**	**6.5**
Issue/exercise of shares under employee share scheme	**–**	**(5.9)**	**–**	**–**	**–**	**(6.6)**	**(12.5)**
Balance at 31 December 2016	**2,532.7**	**10.5**	**–**	**–**	**(21.7)**	**4,130.6**	**6,652.1**

1 Dividends declared amounted to R183.0 million (2015 : R157.9 million) of which R106.5 million (2015 : R82.1 million) related to a capitalisation issue (see note 13).

1. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared and presented in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited's listing requirements, and the requirements of the Companies Act 71 of 2008. The financial statements have been prepared on the historical cost basis, except for derivative financial instruments, financial instruments at fair value through profit or loss and available for sale financial assets. The financial statements have been prepared on a going-concern basis.

The basis of preparation is consistent with the prior year, except for revised standards and interpretations adopted to the annual financial statements.

Revenue recognition

Rental income

Revenue is derived principally from the result of properties under operating leases. Revenue comprises rental charges adjusted for straight lining effects of lease smoothing as per IAS 17 leases.

Investment income

Interest income, which is derived from cash and cash equivalents, and loans and receivables is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income from investments is recognised when the Company's right to receive payment has been established.

Non-current, non-financial assets excluding goodwill, deferred tax and retirement benefits surplus

Investment property

Investment property are properties held to earn rental and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost of assets, other than land, and assets in the course of construction, over their estimated useful lives to their estimated residual values. Buildings have an estimated useful life to a maximum of fifty years.

Residual value and useful lives are reviewed at last annually.

Impairment of tangible assets

At each reporting date, the Company reviews the carrying amounts of its tangible 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, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of the asset, or cash-generating unit, is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows generated by the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. If the recoverable amount of an asset, or cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset, or cash-generating unit, is reduced to its recoverable amount. An impairment is recognised as an expense in the statement of comprehensive income. Where the underlying circumstances change such that a previously recognised impairment 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 comprehensive income.

Tax

The tax expense represents the sum of the current tax charge and the movement in deferred tax.

Current tax

The current tax payable is based on taxable profit for the year. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Dividend withholding tax is payable at a rate of 20% on dividends distributed to certain shareholders. This tax is not attributable to the Company, but is collected by the Company and paid to the tax authorities on behalf of the shareholders.

1. ACCOUNTING POLICIES CONTINUED

Tax (continued)

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using balance sheet position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the tax profit nor accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle their current tax assets and liabilities on a net basis.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating leases

Rental costs under operating leases are charged to the statement of comprehensive income in equal annual amounts over the lease term.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, which it will be required to settle. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Government grants

Government grants are recognised when the right to receive such grants is established and are treated as deferred income. They are released to statement of comprehensive income on a systematic basis, either over the expected useful lives of the assets for which they are provided, or over the periods necessary to match them with the related costs which they are intended to compensate.

Foreign currency transactions and translation

Foreign currency transactions

Foreign currency transactions are recorded in their functional currencies at the exchange rates ruling on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the reporting date. Gains and losses arising on translation are included in the statement of other comprehensive income for the year and are classified as either operating or financing depending on the nature of the monetary items giving rise to them.

Share-based payments

The Company participates in a number of equity settled, share-based compensation. The fair value of the employee services received in exchange for the grant of share awards is recognised concurrently as an expense and an adjustment to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted, as adjusted for market performance conditions and non-vesting conditions where applicable. Vesting conditions are included in assumptions about the number of awards that are expected to vest. At each reporting date, the Company revises its estimates of the number of share awards that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

Financial instruments

Financial assets and financial liabilities are recognised in the Company statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial asset investments

Investments, other than investments in subsidiaries and associates, are either classified as available-for-sale or loans and receivables.

Loans and receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments of a maturity of three months or less from the date of acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position. Cash and cash equivalents in the statement of cash flows and in the presentation of net debt are reflected net of overdrafts.

Trade receivables

Trade receivables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method, less allowance for any impairment as appropriate.

Trade payables

Trade payables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method.

Ineffective, expired, sold, terminated or exercised hedging instruments

Hedge accounting is discontinued when the hedging relationship is revoked or hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity at that time remains in equity until the forecast transaction is ultimately recognised in the statement of comprehensive income. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss deferred in equity is included immediately in the statement of comprehensive income.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of their host contracts and the host contracts themselves are not carried at fair value with unrealised gains or losses reported in the statement of comprehensive income.

Equity instruments and dividend payments

Equity instruments

An equity instrument is any contract which evidences a residual interest in the net assets of an entity.

Dividend payments

Dividend distributions to the Company's ordinary equity holders are recognised as a liability in the period in which the dividends are declared and approved. Final dividends are accrued when approved by the Board.

New accounting policies, early adoption and future requirements

Standards and Interpretations early adopted by the Company

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

Standards, amendments to published standards and Interpretations effective during 2016

The Company has adopted the following standards, amendments to published standards and Interpretations during the current year, all of which had no significant impact on the Company's results:

- IFRS 10 – Consolidated financial statements
- IFRS 11 – Joint arrangements
- IFRS 12 – Disclosure of interests in other entities
- IFRS 5 – Non-current assets held for sale and discontinued operations
- IFRS 7 – Financial instruments disclosures
- IAS 1 – Presentation of financial statements
- IAS 16 – Property, plant and equipment
- IAS 19 – Employee benefits
- IAS 27 – Separate financial statements
- IAS 28 – Investments in associates and joint ventures
- IAS 32 – Intangible assets

The following standards and amendments to published standards are not expected to have a significant impact on the Company's results in the first year of adoption:

- IFRS 2 – Share-based payment (Effective 1 January 2017)
- IFRS 9 – Financial instruments (Effective 1 January 2018)
- IFRS 15 – Revenue from contracts with customers (Effective 1 January 2018)
- IFRS 4 – Insurance contracts (Effective 1 January 2017)
- IAS 7 – Statement of cash flows (Effective 1 January 2017)
- IAS 12 – Income taxes (Effective 1 January 2017)
- IAS 40 – Investment property (Effective 1 January 2018)

1. ACCOUNTING POLICIES CONTINUED

New accounting policies, early adoption and future requirements CONTINUED

Standards, amendments to published standards and Interpretations effective during 2016 CONTINUED

- IFRS 12 – Disclosure of interest on other entities (Effective 1 January 2017)
- IFRS 13 – Fair value measurement (Effective 1 January 2017)
- IFRS 16 – Leases (Effective 1 January 2019)
- IFRIC 22 – Foreign currency transactions and advance considerations (Effective 1 January 2018)

Accounting estimates and critical judgements

The preparation of the Company's financial statements includes the use of estimates and assumptions which affect certain items reported in the statement of financial position and the statement of comprehensive income. The disclosure of contingent assets and liabilities is also affected by the use of estimation techniques. Although the estimates used are based on management's best knowledge of current circumstances and future events and actions, actual results may differ from those estimates. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next financial year are discussed below.

Deferred tax assets

The recognition of deferred tax assets is based upon whether it is probable that taxable profits will be available in the future, against which the deductible temporary differences can be utilised. Management therefore exercises judgement in assessing the future financial performance of the particular entity or tax Company in which the deferred tax asset is to be recognised.

Share based payment charges

The Company issues equity settled share based payments to employees. Equity settled share based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of the grant. The fair value determined at the grant date of the equity settled share based payments is expensed as services are rendered over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. The share payment expense relating to the awards of performance shares to the Company's executive directors and selected employees is based on the achievement of financial and service conditions. The probability of these conditions being achieved is estimated using an option pricing model.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values.

Significant valuation issues are reported to the Company's Audit and Risk Committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Valuation of financial instruments

The fair value of financial instruments, excluding derivative instruments, not traded in active, liquid and organised financial markets is determined using a variety of valuation methods and assumptions that are based on market conditions and risks existing at the reporting date, including independent appraisals and discounted cash flow methods.

	2016 R'm	2015 R'm
2. OPERATING PROFIT		
Operating profit for the year has been arrived at after charging:		
Depreciation of investment property (see note 5)	**7.0**	5.6
Impairment of investments	**6.6**	–
Auditors Remuneration – audit fees	**1.9**	1.8
Staff costs (excluding directors emoluments)	**8.7**	9.1
Executive directors emoluments (excluding value of deferred bonus shares awarded)	**13.5**	12.9
3. NET FINANCE INCOME		
Investment income		
Bank deposits and loan receivables	**2.2**	–
Interest from loans to subsidiaries	**235.0**	180.8
Total interest income	237.2	180.8
Dividends – subsidiary companies	**7.9**	3,520.2
Total investment income	**245.1**	3,701.0
Finance costs		
Interest paid to SARS	**(0.8)**	–
Net finance income	**244.3**	3,701.0
4. TAX CHARGE		
Analysis of tax charge for the year		
South African corporate tax		
– current year	**71.9**	60.9
– prior year	**(0.8)**	(1.6)
– security transfer tax	**0.1**	–
Current tax	**71.2**	59.3
Deferred tax in respect of the current year	**0.1**	(3.1)
Deferred tax in respect of prior year	**1.1**	–
Total tax charge	**72.4**	56.2
Factors affecting tax charge for the year		
The Company's effective rates of tax for the year ended 31 December 2016, calculated on profit before tax is 28.8% (2015: 1.5%).		
The Company's total tax charge for the year can be reconciled to the tax on the Company's profit before tax at the South African corporation tax rate of 28% as follows:		
Profit before tax	**251.2**	3,707.7
Tax on profit before tax calculated at the South African corporation tax rate of 28%	**70.3**	1,038.2
Tax effects of:		
Expenses not deductible for tax purposes		
Other non-deductible expenses	**0.2**	4.2
Legal and professional costs	**0.8**	1.2
Non-taxable income		
Other non-taxable income	**(1.7)**	–
Non-taxable dividend	**(0.4)**	(985.7)
Temporary difference adjustments		
Prior period tax losses and other temporary differences not previously recognised	**1.1**	(0.1)
Withholding tax	**0.2**	–
Prior year adjustment current tax	**(0.8)**	(1.6)
Other adjustments	**2.7**	–
Tax charge for the year	**72.4**	56.2

5. INVESTMENT PROPERTY

	Land and buildings R'm	Assets in the course of construction R'm	Total R'm
2016			
Cost			
At 1 January	131.6	29.0	160.6
Group restructure (see note 15)	51.3	–	51.3
Additions	15.5	–	15.5
Transfers out of assets in the course of construction	27.8	(27.8)	–
At 31 December 2016	226.2	1.2	227.4
Accumulated depreciation			
At 1 January	38.2	–	38.2
Depreciation	7.0	–	7.0
At 31 December 2016	45.2	–	45.2
Net book value at 31 December 2016	181.0	1.2	182.2
2015			
Cost			
At 1 January	–	–	–
Transfer from property, plant and equipment	94.7	–	94.7
Additions	36.8	29.0	65.8
Reclassification	0.1	–	0.1
At 31 December 2015	131.6	29.0	160.6
Accumulated depreciation and impairments			
At 1 January	–	–	–
Transfer from property, plant and equipment	32.5	–	32.5
Depreciation	5.6	–	5.6
Reclassification	0.1	–	0.1
At 31 December 2015	38.2	–	38.2
Net book value at 31 December 2015	93.4	29.0	122.4

The fair value of the investment properties are R 339.1 million (2015: R 286.3 million), measured by independent valuations.

The land and building are pledged as security in respect of bank loans of Mpact Operations (Pty) Ltd.

The net book value of land and buildings comprises:

	2016 R'm	2015 R'm
Freehold	181.0	93.4
Total land and buildings	181.0	93.4

A register of land and buildings is open for inspection upon prior arrangement at the registered office of the Company.

6. INVESTMENTS IN AND LOANS TO SUBSIDIARIES

		2016 R'm	2015 R'm
Unlisted	**Country of incorporation**		
Sunko Mauritius	Mauritius	–	–
Mpact Namibia (Pty) Ltd	Namibia	22.6	22.6
Embalagens Mpact LDA	Mozambique	0.9	0.9
Mpact Operations (Pty) Ltd	South Africa	4,455.8	4,455.8
Shoebill (Pty) Ltd	Botswana	–	–
Pyramid Holdings (Pty) Ltd	Botswana	–	–
Total shares at cost		4,479.3	4,479.3
Loans advanced		1,940.0	1,875.7
		6,419.3	6,355.0

Refer to the interest in Subsidiaries on note 24 for details of the investment in subsidiary companies. The investment in Mpact Operations (Pty) Ltd are pledged as security in respect of the bank loans of Mpact Operations (Pty) Ltd.

Loans advanced are the following:

	Interest Rate	2016 R'm	2015 R'm
Mpact Operations (Pty) Ltd	Prime plus 2%	**1,940.0**	1,875.7
Shoebill (Pty) Ltd	Prime	**8.4**	9.0
Pyramid Holdings (Pty) Ltd	0%	**31.8**	26.3
		1,980.2	1,911.0
Less current portion		**(40.2)**	(35.3)
		1,940.0	1,875.7

There are no fixed terms of repayment for these loans. The term loan to Mpact Operations (Pty) Ltd is repayable on notice of 366 days.
These loans are unsecured.
These companies operate principally in the countries in which they are incorporated.

	2016 R'm	2015 R'm
7. INVESTMENT IN SHARE TRUST		
Investment in share trust	**27.3**	61.5
	27.3	61.5

Mpact Ltd funds the Share Incentive Trust through equity investments

	2016 R'm	2015 R'm
8. OTHER RECEIVABLES		
Other receivables	**1.4**	1.5
The fair values of other receivables are not materially different to the carrying values presented.		
9. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	**0.7**	1.4
10. TRADE AND OTHER PAYABLES		
Trade payables	**0.5**	0.5
Other payables and accruals	**4.6**	9.2
Total trade and other payables	**5.1**	9.7
The fair values of trade and other payables are not materially different to the carrying values presented.		
11. DEFERRED TAX ASSET		
Deferred tax asset/(liability)		
At 1 January	**14.6**	(162.1)
Charged to statement of comprehensive income	**(1.2)**	3.1
Charge to equity	**(1.7)**	(1.0)
Group restructure (see note 15)	**(6.9)**	174.6
At 31 December	**4.8**	14.6
The deferred taxation provided represents:		
Deferred tax asset		
Capital allowances	**1.3**	10.5
Other temporary differences	**3.5**	4.1
Deferred tax	**4.8**	14.6
12. OTHER NON-CURRENT LIABILITIES		
Non-controlling interest put option	**14.5**	21.7
Less current portion	**(14.5)**	–
	–	21.7

The non-controlling shareholders of a subsidiary company have a put option which may require the Company to purchase the non-controlling interest in the future. There has been a fair value adjustment of R7.2 million to the put option in the current year.

	2016 R'm	2015 R'm
13. STATED CAPITAL		
Authorised share capital		
217,500,000 shares of no par value	**–**	–
Issued share capital		
Issue of 165,958,619 (2014: 164,100,797) shares of no par value	**2,426.2**	2,344.1
Capitalisation issue	**106.5**	82.1
	2,532.7	2,426.2

During the year 2,526,741 (2015: 1,857,822) new ordinary shares were issued to shareholders who elected to receive capitalisation shares in terms of the Script Distribution. As at 31 December 2016, 168,485,360 shares were in issue (2015: 165,958,619).

14. SHARE-BASED PAYMENTS

The Company has a share-based payment arrangement for executive directors of the Company. The Company intends to operate two plans on a continuing basis, namely; Bonus Share Plan ("BSP") and Performance Share Plan ("PSP"). The Share Appreciation Right Plan ("SARP") was a once off allocation in 2011.

The total fair value charge in respect of all the Mpact share awards granted are as follows:

	2016 R'm	2015 R'm
Bonus Share Plan (BSP)	**2.6**	2.2
Performance Share Plan (PSP)	**3.9**	3.3
Share Appreciation Rights (SARP)	**–**	0.1
Total share-based payment expense	**6.5**	5.6

The fair values of the share awards granted under the Mpact share plans are calculated with reference to the facts and assumptions presented below:

	2016	2015	2014
Bonus Share Plan (BSP)			
Date of grant	**1 April 2016**	1 April 2015	5 June 2014
Vesting period (months)	**36**	36	34
Expected leavers per annum (%)	**–**	5	5
Grant date fair value per instrument (R)	**48.53**	39.06	23.43
Performance Share Plan (PSP)			
Date of grant	**1 April 2016**	1 April 2015	5 June 2014
Vesting period (months)	**36**	36	34
Expected leavers per annum (%)	**–**	5	5
Expected outcome of meeting performance criteria (%)			
– Return on capital employed ("ROCE") component	**100**	100	100
– Total shareholder return ("TSR") component determined inside the valuation model and incorporated in the fair value per option			
Grant date fair value per instrument (R)			
– ROCE component	**48.53**	39.06	23.43
– TSR component	**31.13**	24.49	13.75

Share Appreciation Right Plan (SARP)[1]	
Date of grant	1 September 2011
Vesting period	Equal third on 31 March 2014/2015/2016
Expected leavers per annum (%)	5
Expected outcome of meeting performance criteria (%)	
- EBITDA component	100.0
Strike price (R)	13.41

1 No share appreciation right options were granted during the current year.

A reconciliation of share award movements for the Company is shown below.

	1 January	Shares conditionally awarded in year	Shares vested in year	Shares lapsed in year	Transfers in year	31 December
2016						
BSP	**268,471**	**63,549**	**(97,003)**	**–**	**–**	**235,017**
PSP	**454,879**	**128,697**	**(168,678)**	**–**	**-**	**414,898**
SARP	**117,450**	**–**	**(87,044)**	**(30,406)**	**–**	**–**
2015						
BSP	1,286,723	71,772	(83,527)	–	(1,006,547)	268,471
PSP	943,177	138,230	(139,672)	(24,647)	(462,209)	454,879
SARP	1,244,355	–	(80,822)	(36,628)	(1,009,455)	117,450

15. GROUP RESTRUCTURE

2016

In terms of the restructure of the Remade property companies, which took place in November 2016, the property companies transferred their assets and liabilities to Mpact Limited.

Details of the assets and liabilities transferred are as follows:

	2016 R'm
Investment property	**51.3**
Trade and other receivables	**0.1**
Cash	**3.0**
Deferred tax liability	**(6.9)**
Trade and other payables	**(0.2)**
Net assets transferred	**47.3**

2015

In terms of the Group restructure which took place in January 2015, Mpact Limited transferred the majority of its operating assets and liabilities to Mpact Operations (Proprietary) Limited. The Company is still exposed to the risks and rewards of the transferred business through the interest in the subsidiary.

Details of the assets and liabilities sold are as follows:

	2015 R'm
Goodwill and intangible assets	670.6
Property, plant and equipment	1,341.3
Investment in subsidiaries	91.2
Financial assets	18.8
Loan to subsidiaries	248.0
Inventories	756.0
Receivables	1,268.8
Cash	335.0
Derivative financial instruments	5.8
Short-term borrowings	(783.5)
Payables	(1,109.6)
Provisions	(1.3)
Derivative liabilities	–
Non-current borrowings	(901.4)
Deferred tax liabilities	(174.6)
Deferred income	(14.5)
Reserves	(19.7)
Net assets sold	1,730.9
Settled through inter-company loan	(1,730.9)

	2016 R'm	2015 R'm
16. CASH FLOW ANALYSIS		
(a) Reconciliation of profit before taxation to cash generated from operations		
Profit before taxation	**251.2**	3,707.7
Depreciation, amortisation and impairments	**13.6**	5.6
Share based payments	**6.5**	5.6
Net finance income	**(244.3)**	(3,701.1)
Fair value gain	**(7.2)**	–
Increase in receivables	**0.2**	5.9
(Decrease)/increase in payables	**(4.8)**	17.2
Amortisation of government grant	**–**	(31.1)
Cash generated from operations	**15.2**	9.8
17. CAPITAL COMMITMENTS		
Approved, not yet contracted for	**23.6**	16.6

The capital commitments will be financed from existing cash resources.

18. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As advised to the shareholders on 26 May 2016, the Company is subject to a Competition Commission investigation. The Directors are unable at this stage to determine what the outcome of the investigation will be.

19. OPERATING LEASE ARRANGEMENTS

At 31 December, the outstanding receivables under non-cancellable leases were:

	2016 R'm	2015 R'm
Operating lease receivables		
Expiry date		
Within one year	**26.1**	23.2
One to two years	**13.7**	25.0
Two to five years	**0.5**	12.5
	40.3	60.7

These operating leases relate to land and buildings.

20. CAPITAL MANAGEMENT

The Company defines its total capital employed as loans and investments plus cash and cash equivalents less equity.

The capital structure of the Company is equity funded, comprising of stated capital as referred to in note 13, reserves and retained earnings.

21. FINANCIAL RISK MANAGEMENT

The Company's trading and financing activities expose it to various financial risks that, if left unmanaged, could adversely impact on current or future earnings. Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company is actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on the Company's financial performance.

The principles, practices and procedures governing the Company-wide financial risk management process have been approved by the Board and are overseen by the executive committee. In turn, the executive committee delegates authority to a central treasury function (Company treasury) for the practical implementation of the financial risk management process across the Company and for ensuring that the Company's entities adhere to specified financial risk management policies. Company treasury continually reassesses and reports on the financial risk environment, identifying, evaluating and hedging financial risks by entering into derivative contracts with counterparties where appropriate. The Company does not take speculative positions on derivative contracts and only enters into contractual arrangements with counterparties that have investment grade credit ratings.

Market risk

The Company's activities are exposed to primarily foreign exchange and interest rate risk. Both risks are actively monitored on a continuous basis and primarily relate to foreign currency translation exposure on net investments in foreign operations, and interest rate exposure on loans to Group subsidiaries.

Management of cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term highly liquid investments which have a maturity of three months or less from the date of acquisition.

Credit risk

The Company's credit risk is mainly confined to the risk of borrowers defaulting on borrowings. Full disclosure of the Company's maximum exposure to credit risk is presented in the following table.

	2016 R'm	2015 R'm
Exposure to credit risk		
Cash and cash equivalents	**0.7**	1.4
Trade and other receivables (excluding prepayments and accrued income)	**1.4**	1.5
Loans receivable	**1,980.2**	1,911.0
Financial asset investments	**27.3**	61.5
Total credit risk exposure	**2,009.6**	1,975.4

Liquidity risk

Liquidity risk is the risk that the Company could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment. The Company manages its liquidity risk by using reasonable and retrospectively-assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate.

Contractual maturity analysis

Trade receivables, the principal class of non-derivative financial assets held by the Company, are settled gross by customers. The Company's financial investments, which are not held for trading and therefore do not comprise part of the Company's liquidity planning arrangements, make up the remainder of the non-derivative financial assets held.

The following table presents the Company's outstanding contractual maturity profile for its non-derivative financial liabilities. The analysis presented is based on the undiscounted contractual maturities of the Company's financial liabilities, including any interest that will accrue, except where the Company is entitled and intends to repay a financial liability, or part of a financial liability, before its contractual maturity. Non-interest bearing financial liabilities which are due to be settled in less than 12 months from maturity equal their carrying values, since the impact of the time value of money is immaterial over such a short duration.

Maturity profile of outstanding financial liabilities

	Undiscounted cash flow				
	< 1 year R'm	1-2 years R'm	2-5 years R'm	5 + years R'm	Total R'm
2016					
Trade and other payables	**5.1**	**–**	**–**	**–**	**5.1**
Total	**5.1**	**–**	**–**	**–**	**5.1**
2015					
Trade and other payables	9.7	–	–	–	9.7
Total	9.7	–	–	–	9.7

It has been assumed that, where applicable, interest and foreign exchange rates prevailing at the reporting date will not vary over the time periods remaining for future cash flows.

Financial instruments by category

	Fair value hierarchy	Loans and receivables R'm	Total R'm
2016			
Financial assets			
Trade and other receivables	**Level 2**	**1.4**	**1.4**
Total		**1.4**	**1.4**
2015			
Financial assets			
Trade and other receivables	Level 2	1.5	1.5
Total		1.5	1.5

		2016 R'm	2015 R'm
Financial liabilities – At amortised cost			
Trade and other payables	Level 2	**5.1**	9.7

21. FINANCIAL RISK MANAGEMENT CONTINUED

Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using standard valuation techniques. These valuation techniques maximise the use of observable market data were available and rely as little as possible on Company specific estimates.

The significant inputs required to fair value all of the Company'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;
- other techniques, including discounted cash flow analysis, are used to determine the fair values of other financial instruments.

22. RELATED PARTY TRANSACTIONS

The Company has a related party relationship with its subsidiaries, associates and directors.

During the year certain assets and liabilities were transferred to Mpact Limited from subsidiary companies. Refer to note 15 for details of assets of liabilities transferred.

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

	2016 R'm	2015 R'm
Management fees received	**16.4**	–
Loans to related parties	**1,980.2**	1,911.0
Dividend income	**8.0**	3,520.2
Interest income	**235.0**	180.8
Rent income	**25.4**	12.8

Detail of the executive directors remuneration included in Note 25.

23. EVENTS OCCURRING AFTER THE REPORTING DATE

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

24. INTEREST IN SUBSIDIARIES

	Share capital		Shareholding		Cost of investment		Loans	
	2016	2015	2016 %	2015 %	2016 R'm	2015 R'm	2016 R'm	2015 R'm
Subsidiary – direct holding								
Mpact Namibia (Pty) Limited	**N$100**	N$100	**74**	74	**22,6**	22.6	**–**	
Embalagens Mpact Limitada	**M1,213,000**	M1,213,000	**90**	90	**0,9**	0.9	**–**	
Mpact Operations (Pty) Limited	**R10,000**	R10,000	**90**	90	**4,455.8**	4,455.8	**1,940.0**	1,875.7
Shoebill (Pty) Limited	**BWP100**	BWP100	**100**	100	**–**	–	**8,4**	9.0
Pyramid Holdings (Pty) Limited	**BWP3,100,200**	BWP3,100,200	**51**	51	**–**	–	**31,8**	26.3
					4,479.3	4,479.3	**1,980.2**	1,911.0
Subsidiaries – indirect holding								
Lenco Corporate Finance (Pty) Limited	**R100**	R100						
Versapak Holdings (Pvt) Limited	**R100**	R100						
Versapak Zimbabwe (Pvt) Limited	**US$50**	US$50						
Xactics Packaging (Pty) Limited	**R100**	R100						
Lion Packaging Trading 57 (Pty) Limited	**R72**	R72						
Magic Attitude (Pty) Limited	**R72**	R72						
Mpact Versapak (Pty) Limited	**R72**	R72						
Mpact Plastics Containers (Pty) Limited	**R100**	R100						
Mpact Recycling (Pty) Limited	**R100**	R100						
Mpact Polymers (Pty) Limited	**R100**	R100						
Rebel Packaging (Pty) Limited	**R4,000**	R4,000						
Detpak South Africa (Pty) Limited	**R7,143**	R7,143						
Remade Holdings (Pty) Limited	**R1,000**	–						
							1,980.2	1,911.0

The Company does not have any significant restrictions on its ability to assess/use assets, or settle liabilities in any of its subsidiaries. The foreign subsidiaries held by the Company have limited risks accepted by the Company in trading in these environments.

25. DIRECTORS REMUNERATION

Executive directors' remuneration

The remuneration of the executive directors, all of which were paid by Mpact Limited who served during the period under review was as follows:

Rands	Year	Salary	Incentive bonus[1]	Retirement funding contribution[2]	Other cash benefits[3]	Total remuneration
Executive Directors						
BW Strong	2016	**3,654,968**	**2,775,386**	**932,769**	**319,506**	**7,682,629**
	2015	3,457,036	2,790,091	883,304	330,721	7,461,152
BDV Clark	2016	**3,132,959**	**2,130,776**	**244,938**	**301,678**	**5,810,351**
	2015	2,930,616	2,082,414	229,989	221,580	5,464,599
Total	2016	**6,787,927**	**4,906,162**	**1,177,707**	**621,184**	**13,492,980**
Total	2015	6,387,652	4,872,505	1,113,293	552,301	12,925,751

1 *The cash portion of the incentive bonus attributable for the year ended 31 December 2015 was paid in March 2016 and therefore reflected as 2016 remuneration. Similarly, that attributable for the year ended 31 December 2014 is reflected as 2015 remuneration.*

2 *Employer contribution towards a defined contribution retirement fund*

3 *Other cash benefits include car allowances, employer contribution to medical aid schemes, dividend equivalent bonus and other benefits*

Share awards and vestings

		Bonus share plan	Performance share plan		Share appreciation right plan	
Rands	Year	Value at grant date[1]	Value at grant date[2]	Share price gain on vesting[3]	Value at grant date[2]	Share price gain on vesting[4]
Executive Directors						
BW Strong	2016	**1,734,616**	**2,136,497**	**2,681,167**	**1,167,260**	**2,923,730**
	2015	1,743,807	1,705,201	2,853,887	1,083,823	2,376,248
BDV Clark	2016	**1,331,735**	**1,610,280**	**2,020,799**	**–**	**–**
	2015	1,301,509	499,801	836,484	–	–
Total	2016	**3,066,351**	**3,746,777**	**4,701,966**	**1,167,260**	**2,923,730**
Total	2015	3,045,316	2,205,002	3,690,371	1,083,823	2,376,248

1 *Value of conditional awards based on prior year performance vesting in three (3) years*

2 *Value of 2013 share award made at grant date, based on the number of shares vested.(2015: Value of 2012 share award made at grant date, based on the number of shares vested)*

3 *Value of the share price gain between date of grant and date of vesting relating to the 2013 share award. The value of Mpact Limited share price increased from R22.21 to R50.09 during the share award holding period. (2015: Value of the share price gain between date of grant and date of vesting relating to the 2012 share award. The value of Mpact Limited share price increased from R15.79 to R42.21 during the share award holding period)*

4 *Share price gains on the share appreciation rights plan, where the value of Mpact Limited share price increased from R13.41 to R47.00 during the share award holding period. (2015: Share price gains on the share appreciation rights plan, where the value of Mpact Limited share price increased from R13.41 to R42.81 during the share award holding period)*

Non-executive directors' remuneration

	2016		2015	
Rands	Fees paid as non-executive director	Fees paid as Trustee to the Mpact Foundation Trust	Fees paid as non-executive director	Fees paid as Trustee to the Mpact Foundation Trust
AJ Phillips	**917,921**	**–**	840,136	–
AM Thompson	**473,298**	**60,017**	459,320	–
M Makanjee[1]	**101,951**	**–**	–	–
NP Dongwana	**473,298**	**120,033**	432,513	–
NB Langa-Royds	**605,863**	**60,017**	583,753	–
TDA Ross	**578,620**	**–**	520,954	–
Total	**3,150,951**	**240,067**	2,836,676	–

1 *From date of appointment to the Board on 5 September 2016*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED **for the year ended 31 December 2016**

25. DIRECTORS REMUNERATION CONTINUED

Share awards granted to executive directors

The following tables set out the share awards grants to the executive directors.

	Type of award[1,2,3]	Awards held at beginning of year or on appointment to the Board	Awards granted during year	Awards exercised during year	Shares lapsed	Awards held as at 31 December 2016	Award price basis (cents)	Date of award	Release date
2016									
BW Strong	SARP	117,449	–	(87,044)	(30,405)	–	1,341	Sep 11	Mar 16
	BSP	66,230	–	(66,230)	–	–	2,221	Apr 13	Mar 16
	PSP	96,184	–	(96,184)	–	–	2,221	Apr 13	Mar 16
	BSP	56,649	–	–	–	56,649	2,684	Jun 14	Mar 17
	PSP	84,377	–	–	–	84,377	2,684	Jun 14	Mar 17
	BSP	41,098	–	–	–	41,098	4,243	Apr 15	Mar 18
	PSP	95,185	–	–	–	95,185	4,243	Apr 15	Mar 18
	BSP	–	35,949	–	–	35,949	4,825	Apr 16	Mar 19
	PSP	–	88,387	–	–	88,387	4,825	Apr 16	Mar 19
BDV Clark	BSP	30,773	–	(30,773)	–	–	2,221	Apr 13	Mar 16
	PSP	72,494	–	(72,494)	–	–	2,221	Apr 13	Mar 16
	BSP	43,047	–	–	–	43,047	2,684	Jun 14	Mar 17
	PSP	63,595	–	–	–	63,595	2,684	Jun 14	Mar 17
	BSP	30,674	–	–	–	30,674	4,243	Apr 15	Mar 18
	PSP	43,044	–	–	–	43,044	4,243	Apr 15	Mar 18
	PSP	–	40,311	–	–	40,311	4,825	Apr 16	Mar 19
	BSP	–	27,600	–	–	27,600	4,825	Apr 16	Mar19
2015									
BW Strong	SARP	234,899	–	(80,822)	(36,628)	117,450	1,341	Sep 11	Mar 15 Mar 16
	BSP	83,527	–	(83,527)	–	–	1,579	Apr 12	Mar 15
	PSP	127,073	–	(108,013)	(19,060)	–	1,579	Apr 12	Mar 15
	BSP	66,230	–	–	–	66,230	2,221	Apr 13	Mar 16
	PSP	96,184	–	–	–	96,184	2,221	Apr 13	Mar 16
	BSP	56,649	–	–	–	56,649	2,684	Jun 14	Mar 17
	PSP	84,377	–	–	–	84,377	2,684	Jun 14	Mar 17
	BSP	–	41,098	–	–	41,098	4,243	Apr 15	Mar 18
	PSP	–	95,185	–	–	95,185	4,243	Apr 15	Mar 18
BDV Clark	PSP	37,246	–	(31,659)	(5,587)	–	1,579	Apr 12	Mar 15
	BSP	30,773	–	–	–	30,773	2,221	Apr 13	Mar 16
	PSP	72,494	–	–	–	72,494	2,221	Apr 13	Mar 16
	BSP	43,047	–	–	–	43,047	2,684	Jun 14	Mar 17
	PSP	63,595	–	–	–	63,595	2,684	Jun 14	Mar 17
	BSP	–	30,674	–	–	30,674	4,243	Apr 15	Mar 18
	PSP	–	43,045	–	–	43,044	4,243	Apr 15	Mar 18

1 *Bonus share plan (BSP)*
2 *Performance share plan (PSP)*
3 *Share appreciation rights plan (SARP)*

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www.mpact.co.za
info@mpact.co.za