mpact

smarter, sustainable solutions

2016

Unaudited interim results

for the six months ended 30 June 2016 and declaration of scrip distribution with a cash dividend alternative

Salient features

- Revenue increased by 6.2% to R4.7 billion (June 2015: R4.4 billion)
- Underlying operating profit of R322 million (June 2015: R342 million)
- Underlying earnings per share of 95.2 cents (June 2015: 135.3 cents)
- Return on capital employed (ROCE) of 16.7% (June 2015: 17.9%)
- Gearing at 33.8% (June 2015: 34.2%)
- Interim gross cash dividend declared of 30 cents per share (June 2015: 30 cents per share)

Company profile

Mpact is one of the leading paper and plastics packaging businesses in southern Africa, listed on the JSE's Main Board in the Industrial – Paper and Packaging sector. The Group has a leading market position in southern Africa in recovered paper collection, corrugated packaging, recycled-based cartonboard and containerboard, polyethylene-terephthalate (PET) preforms, recycled PET, styrene trays and plastic jumbo bins. These leading market positions allow Mpact to meet the increasing requirements of its customers, achieve economies of scale and cost effectiveness at the various operations.

Mpact has 42 operating sites, of which 22 are manufacturing operations, in South Africa, Namibia, Mozambique, Botswana and Zimbabwe. South African-based customers accounted for approximately 90% of Mpact's sales for the current period while the balance of trade was predominantly to customers in the rest of Africa.

As at 30 June 2016 Mpact employed 5,131 people. (June 2015: 4,366 people).

Commentary

In the first half of 2016, businesses within the Group achieved varied levels of performance. The Plastics business excluding Mpact Polymers ("Plastics Converting") showed pleasing revenue and operating profit growth while in the Paper business Corrugated showed its resilience in a difficult market also growing revenue and operating profit. These gains were offset by a loss in Mpact Polymers, which is still in a development phase, and the effects of lower containerboard sales.

While the drought across the country remained a concern during the reporting period, the impact on the demand for our packaging products was limited. Water consumption has been reduced in some operations in response to low water levels in supply dams.

In May 2016 the Group concluded the acquisition of Remade Holdings ("Remade"), including its property holding companies. Remade is a collector and trader of recyclable material, with nine branches in the Gauteng and North West provinces. Although relatively small, the acquisition complements a number of initiatives by Mpact Recycling to expand its own collections of paper and plastic, and to increase recycling rates of these materials in South Africa. These initiatives increase the material available for the Felixton mill, for Mpact Polymers and for the recently commissioned liquid-packaging recycling plant at the Springs paper mill.

Notwithstanding significant capital investment, the Group's balance sheet remains strong with gearing reducing to 33.8% during the period.

The leadership succession process in the Mpact Corrugated business has progressed well, with Johan Stumpf having taken over as Managing Director ("MD") from 1 January 2016. Ralph von Veh, the former MD, remains with the Group and has assumed executive responsibility for Remade, Mpact Polymers and the paper bags and sacks businesses.

Group performance

Group revenue of R4.7 billion was 6.2% higher than the comparable prior year period, with 1.7% of this growth attributable to acquisitions. External sales volumes, measured in tonnes, declined by 0.8% with good growth in Plastics offset by a decline in Paper.

Underlying operating profit declined by 6.0% to R321.7 million, due to lower containerboard sales as well as a loss in Mpact Polymers, offset partially by an improved trading performance in the rest of the Paper and Plastics business.

ROCE for the period was 16.7% (June 2015: 17.9%) despite new investments in capital projects.

Paper business

Revenue in the Paper business increased by 5.6% to R3.5 billion with average selling prices increasing 5.8% and sales volumes declining 0.2%. Paper business volumes include sales by the recently acquired Remade business. Excluding Remade, volumes declined 6.6%.

The decline in external sales resulted from an integrated competitor increasing containerboard production, replacing products previously supplied by Mpact. Lower external sales volumes were partly mitigated by increased integration of containerboard into Mpact's own Corrugated business. In light of the decline in sales volumes, uncertain demand in the near term and relatively high waste paper prices, paper production was reduced by approximately 4% of capacity during the period. Notwithstanding the current imbalance in domestic recycled containerboard supply and demand, we remain confident in the rationale for the Felixton mill upgrade, Phase 2 of which is due to be completed during the second half of 2017.

Underlying operating profit decreased by 7.4% to R292.1 million on the back of lower production and sales volumes.

Plastics business

Revenue in the Plastics business increased by 10.2% to R1.3 billion, due to volume growth of 5.6% and higher selling prices. Plastics Converting achieved volume growth of 4.2% with good growth in bins, crates, preforms and closures partially offset by lower sales in trays, films and FMCG. Mpact Polymers' rPET sales for the period totalled 2,361 tonnes of which 643 tonnes were to external customers.

Underlying operating profit for the Plastics business declined 20.1% to R69.7 million with pleasing growth of 22.8% in the Converting business offset by a loss in Mpact Polymers which was exacerbated by the slower than anticipated start-up.

Net finance costs

Net finance costs increased by 57.0% to R90.9 million (June 2015: R57.9 million) due to higher interest rates on increased average net debt over the period as well as the borrowing costs related to the Mpact Polymers and Felixton Mill (Phase 1) projects no longer being capitalised, following their completion in 2015.

Tax

The effective tax rate for the period was 34.4% (June 2015: 21.1%) which is higher than the statutory rate of 28% due to deferred tax on certain tax losses in Mpact Polymers not recognised.

Earnings per share

Basic and underlying earnings per share decreased by 29.6% to 95.2 cents (June 2015: 135.3 cents), respectively whilst headline earnings per share for the period were down by 29.4% to 94.9 cents (June 2015: 134.4 cents).

Net debt

Net debt at 30 June 2016 was R1.9 billion, an increase of 12.5% from 30 June 2015, due mainly to investments in capital projects and payments made for the Remade acquisition. The gearing ratio was 33.8% (June 2015: 34.2%).

Outlook

We anticipate subdued trading conditions across most sectors serviced by the Group during second half of 2016.

The effects of excess recycled containerboard capacity in South Africa will continue to exert pressure on profits in the Paper business. Notwithstanding this, we are confident our interventions and investments in enhancing Mpact's competitiveness in this sector will provide profitable growth over the medium term. Phase 2 of the Felixton mill upgrade project is progressing according to plan with completion schedule for the second half of 2017.

Steady progress continues to be made in addressing the challenges associated with the start-up phase of the Mpact Polymers rPET plant. Nevertheless, the business is only expected to begin generating profits during 2017.

The Group's earnings are expected to continue to be impacted during the second half by a higher effective tax rate and higher finance costs compared to the same prior year period. Additionally, depreciation charges related to the Felixton mill (Phase1) and Mpact Polymers projects, which were capitalised in the last quarter of 2015, will also impact comparable earnings.

We remain concerned about the possible effects of the drought in certain regions of South Africa despite relief brought by the recent rain.

Mpact has an experienced management team, confident in their ability to navigate the turbulent environment in which we are currently operating whilst also developing key aspects of the business to ensure profitable growth for the Group over the long term.

Scrip Dividend and Cash Dividend alternative

1. Introduction

Notice is hereby given that the Board has declared an interim distribution for the six months ended 30 June 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, 9 September 2016.

Shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive a gross cash dividend of 30 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 12h00 on Friday, 9 September 2016 ("the Cash Dividend").

The Cash Dividend has been declared from income reserves. A dividend withholding tax of 15% will be applicable to all Shareholders not exempt therefrom, after deduction of which the net Cash Dividend is 25.50 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 11 August 2016 is 167,637,426. 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, 9 September 2016 in relation to the ratio that 30 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 Thursday, 25 August 2016. Where the application of this ratio gives rise to a fraction of an ordinary share, such fraction of a new share will be rounded down to the nearest whole number, resulting 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, 7 September 2016, (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, 8 September 2016.

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 Monday, 15 August 2016. The salient dates of events thereafter are as follows:

	2016
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 Thursday, 25 August 2016, by 11h00 on	Friday, 26 August
Announcement published in the press of the ratio applicable to the Scrip Distribution, based on the 30-day volume weighted average price ending on Thursday, 25 August 2016 on	Monday, 29 August
Last day to trade in order to be eligible for the Scrip Distribution and the Cash Dividend alternative	Tuesday, 6 September
Ordinary shares trade "ex" the Scrip Distribution and the Cash Dividend alternative on	Wednesday, 7 September
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, 7 September
Announcement released on SENS in respect of the cash payment applicable to fractional entitlements, based on the volume weighted average price on Wednesday, 7 September 2016, discounted by 10%	Thursday, 8 September
Last day to elect to receive the Cash Dividend alternative instead of the Scrip Distribution, Forms of Election to reach the Transfer Secretaries by 12h00 on	Friday, 9 September
Record Date in respect of the Scrip distribution and the Cash Dividend alternative	Friday, 9 September
Scrip Distribution certificates posted and Cash Dividend payments made, CSDP/broker accounts credited/updated, as applicable, on	Monday, 12 September
Announcement relating to the results of the Scrip Distribution and the Cash Dividend alternative released on SENS on	Monday, 12 September
Announcement relating to the results of the Scrip Distribution and the Cash Dividend alternative published in the press on	Tuesday, 13 September
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, 14 September

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, 7 September 2016 and Friday, 9 September 2016, both days inclusive.

Change in directorate

There has been no change to the Board of directors for the period ended 30 June 2016.

AJ Phillips
Chairman

BW Strong
Chief Executive Officer

11 August 2016

Condensed consolidated statement of comprehensive income

	Notes	(Unaudited) Six months ended 30 June 2016 R'm	(Unaudited) Six months ended 30 June 2015 R'm	(Audited) Year ended 31 December 2015 R'm
Revenue	4	**4,687.7**	4,413.9	9,547.7
Cost of sales		**(2,892.4)**	(2,756.5)	(5,883.0)
Gross margin		**1,795.3**	1,657.4	3,664.7
Administration and other operating expenditure		**(1,473.6)**	(1,315.0)	(2,755.7)
Operating profit	5	**321.7**	342.4	909.0
Share of equity accounted investees' profit		**5.9**	5.0	13.0
Profit on sale of equity accounted investees'		**–**	–	0.2
Total profit from operations and equity accounted investees		**327.6**	347.4	922.2
Net finance costs		**(90.9)**	(57.9)	(132.0)
Finance costs	6	**(101.5)**	(62.6)	(140.7)
Investment income		**10.6**	4.7	8.7
Profit before tax		**236.7**	289.5	790.2
Tax charge		**(81.5)**	(61.1)	(172.4)
Profit for the period		**155.2**	228.4	617.8
Other comprehensive income, net of taxation		**(12.8)**	(5.8)	18.1
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains on post-retirement benefit schemes		**–**	–	6.7
Tax effect		**–**	–	(1.9)
Items that may be reclassified subsequently to profit or loss				
Effect of cash flow hedges		**(16.1)**	(9.7)	8.1
Tax effect		**4.5**	2.7	(2.3)
Exchange differences on translation of foreign operations		**(1.2)**	1.2	7.5
Total comprehensive income		**142.4**	222.6	635.9
Profit/(loss) attributable to:				
Equity holders of Mpact		**157.8**	221.7	602.5
Non-controlling interests in subsidiaries		**(2.6)**	6.7	15.3
Profit for the period		**155.2**	228.4	617.8
Comprehensive income/(loss) attributable to:				
Equity holders of Mpact		**144.8**	215.9	621.3
Non-controlling interests in subsidiaries		**(2.4)**	6.7	14.6
Total comprehensive income		**142.4**	222.6	635.9
Earnings per share (EPS) attributable to equity holders of Mpact	7			
Basic EPS (cents)		**95.2**	135.3	366.9
Diluted EPS (cents)		**94.9**	134.2	363.3

Condensed consolidated statement of financial position

	Notes	(Unaudited) As at 30 June 2016 R'm	(Unaudited) As at 30 June 2015 R'm	(Audited) As at 31 December 2015 R'm
ASSETS				
Non-current assets		**4,625.4**	3,965.8	4,252.0
Property, plant and equipment		**3,368.5**	2,761.7	3,041.2
Goodwill and other intangible assets		**1,132.3**	1,071.2	1,066.5
Investment in equity accounted investee's		**95.6**	89.2	90.5
Financial asset investments		**15.0**	21.5	24.6
Derivative financial instruments		**–**	–	13.9
Deferred tax assets		**14.0**	22.2	15.3
Current assets		**3,811.4**	3,328.2	3,817.2
Inventories		**1,503.5**	1,237.2	1,275.0
Trade and other receivables		**1,932.6**	1,873.8	2,013.2
Derivative financial instruments		**5.7**	2.1	15.1
Current tax receivable		**9.8**	19.0	5.0
Cash and cash equivalents		**359.8**	196.1	508.9
Total assets		**8,436.8**	7,294.0	8,069.2
EQUITY AND LIABILITIES				
Capital and reserves				
Stated capital	8	**2,505.0**	2,397.3	2,426.2
Other reserves		**45.1**	(0.3)	7.8
Retained earnings		**1,167.8**	**842.6**	1,170.8
Equity attributable to the equity holders of Mpact		**3,717.9**	3,239.6	3,604.8
Non-controlling interests in subsidiaries		**98.3**	101.8	107.0
Total equity		**3,816.2**	**3,341.4**	3,711.8
Non-current liabilities		**1,791.4**	1,585.9	1,707.1
Non-current borrowings	9	**1,379.8**	1,265.0	1,331.0
Retirement benefit obligations		**54.4**	58.5	53.0
Deferred tax liabilities		**301.5**	225.2	266.8
Derivative financial instruments		**2.2**	3.9	–
Deferred income		**31.8**	11.6	34.6
Other non-current liabilities		**21.7**	21.7	21.7
Current liabilities		**2,829.2**	2,366.7	2,650.3
Short-term borrowings and bank overdraft	9	**923.0**	658.3	770.0
Trade and other payables		**1,874.4**	1,688.8	1,855.6
Derivative financial instruments		**12.7**	0.7	7.0
Deferred income		**5.5**	1.9	5.5
Provisions		**3.8**	2.3	3.6
Current tax liabilities		**9.8**	14.7	4.0
Other current liabilities		**–**	–	4.6
Total equity and liabilities		**8,436.8**	**7,294.0**	8,069.2

Condensed consolidated statement of cash flows

	Note	(Unaudited) Six months ended 30 June 2016 R'm	(Unaudited) Six months ended 30 June 2015 R'm	(Audited) Year ended 31 December 2015 R'm
Operating cash flows before movements in working capital		**568.7**	531.3	1,321.7
Net increase in working capital		**(147.2)**	(223.4)	(235.2)
Cash generated from operations		**421.5**	307.9	1,086.5
Taxation paid		**(63.2)**	(49.1)	(115.5)
Dividends received from equity accounted investees		**2.0**	6.1	12.5
Net cash inflows from operating activities		**360.3**	264.9	983.5
Investment in property, plant and equipment		**(444.8)**	(512.1)	(979.2)
Acquisition of business	14	**(96.3)**	–	–
Other investing activities		**22.6**	9.3	39.2
Net cash outflows from investing activities		**(518.5)**	(502.8)	(940.0)
Purchase of treasury shares		**–**	(47.1)	(73.5)
Net proceeds from borrowings		**170.6**	81.3	253.9
Finance costs paid		**(101.9)**	(79.1)	(170.5)
Dividends paid to Mpact shareholders		**(53.9)**	(55.1)	(75.8)
Other financing activities		**(6.3)**	(4.1)	(5.5)
Net cash inflows/(outflows) from financing activities		**8.5**	(104.1)	(71.4)
Net (decrease) in cash and cash equivalents		**(149.7)**	(342.0)	(27.9)
Cash and cash equivalents at beginning of the period ^		**482.8**	510.7	510.7
Cash and cash equivalents at end of the period ^		**333.1**	168.7	482.8

^ *Cash and cash equivalents net of overdrafts.*

Condensed consolidated statement of changes in equity

	Stated capital R'm	Share-based payments reserves R'm	Cash flow hedge reserves R'm	Post-retirement benefits reserves R'm	Other reserves[1] R'm	Retained earnings R'm	Total attributable to equity holders of Mpact R'm	Non-controlling interests R'm	Total equity R'm
Balance at 31 December 2014 (audited)	2,344.1	29.4	4.2	7.9	(32.3)	738.0	3,091.3	114.8	3,206.1
Dividends paid	53.2				(0.5)	(107.8)	(55.1)		(55.1)
Total comprehensive income			(7.0)		1.2	221.7	215.9	6.7	222.6
Share scheme charges for the period		9.4					9.4		9.4
Dividends paid to non-controlling shareholders								(4.1)	(4.1)
Issue/exercise of shares options		(15.2)			49.7	(24.9)	9.6		9.6
Purchase of shares					(47.1)		(47.1)		(47.1)
Decrease of non-controlling interest						15.6	15.6	(15.6)	
Balance at 30 June 2015 (unaudited)	2,397.3	23.6	(2.8)	7.9	(29.0)	842.6	3,239.6	101.8	3,341.4
Dividends paid	28.9				(0.3)	(49.3)	(20.7)		(20.7)
Total comprehensive income			12.8	4.8	7.0	380.7	405.3	7.9	413.2
Purchase of shares					(26.4)		(26.4)		(26.4)
Share scheme charges for the period		10.2					10.2		10.2
Decrease of non-controlling interest						1.4	1.4	(2.7)	(1.3)
Deferred settlement charge						(4.6)	(4.6)		(4.6)
Balance at 31 December 2015 (audited)	**2,426.2**	**33.8**	**10.0**	**12.7**	**(48.7)**	**1,170.8**	**3,604.8**	**107.0**	**3,711.8**
Dividends paid[2]	**78.8**				**(0.6)**	**(132.1)**	**(53.9)**		**(53.9)**
Total comprehensive income			**(11.6)**		**(1.4)**	**157.8**	**144.8**	**(2.4)**	**142.4**
Share scheme charges for the period		**11.1**					**11.1**		**11.1**
Dividends paid to non-controlling shareholders								**(6.3)**	**(6.3)**
Issue/exercise of shares options		**(19.5)**			**59.3**	**(28.7)**	**11.1**		**11.1**
Balance at 30 June 2016 (unaudited)	**2,505.0**	**25.4**	**(1.6)**	**12.7**	**8.6**	**1,167.8**	**3,717.9**	**98.3**	**3,816.2**

[1] *Other reserves consist of the option to equity holder reserves, revaluation reserves, foreign currency translation reserves and treasury shares.*

[2] *Dividends declared amounted to R132.1 million of which R78.8 million related to a capitalisation issue, of which R0.6 million were issued to the Mpact Incentive Share Trust.*

Notes

1. **Basis of preparation**
The condensed, consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IAS) 34 Interim Financial Reporting and contains the information required by the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa. The preparation of the Group's consolidated results for the half year ended 30 June 2016 was supervised by the Chief Financial Officer, BDV Clark CA(SA). These results are unaudited.

2. **Accounting policies**
The accounting policies and methods of computation used are consistent with those applied in the preparation of the annual financial statements for the year ended 31 December 2015.
The following revised accounting standards, which had no significant impact on the Group, were adopted in the current period:
– IFRS 5 – Non-current assets held for sale and discontinued operations
– IFRS 7 – Financial Instruments: Disclosures
– IFRS 10 – Consolidated financial statements
– IFRS 14 – Regulatory deferred accounts
– IFRS 11 – Joint arrangement
– IFRS 12 – Disclosure of Interests in Other Entities
– IAS 1 – Presentation of annual financial statements
– IAS 16 – Property, plant and equipment
– IAS 19 – Employee benefits
– IAS 27 – Separate financial statements
– IAS 28 – Investment in associates and joint venture
– IAS 38 – Intangible assets

3. **Seasonality**
Seasonal effects in the Group's markets have historically resulted in higher revenue and operating profits for the second half, when compared to the first half.

	(Unaudited) Six months ended 30 June 2016 R'm	(Unaudited) Six months ended 30 June 2015 R'm	(Audited) Year ended 31 December 2015 R'm
4. Group segment analysis			
Revenue			
Paper	**3,462.5**	3,279.9	7,060.1
Plastics	**1,264.5**	1,147.6	2,533.4
	4,727.0	4,427.5	9,593.5
Less: Inter-segment revenue	**(39.3)**	(13.6)	(45.8)
Total revenue	**4,687.7**	4,413.9	9,547.7
Operating profit			
Paper	**292.1**	315.4	802.7
Plastics	**69.7**	87.3	199.0
Corporate	**(40.1)**	(60.3)	(92.7)
Underlying segment total	**321.7**	342.4	909.0
Share of equity accounted investee's profit	**5.9**	5.0	13.0
Net finance cost	**(90.9)**	(57.9)	(132.0)
Profit on sale of equity accounted investee	**–**	–	0.2
Profit before tax	**236.7**	289.5	790.2
Assets			
Paper	**4,605.6**	3,967.6	4,247.4
Plastics	**1,989.4**	1,721.1	1,858.7
Corporate[1]	**1,841.8**	1,605.3	1,963.1
Total assets	**8,436.8**	7,294.0	8,069.2

[1] *Includes intangible and other non-operating assets.*

	(Unaudited) Six months ended 30 June 2016 R'm	(Unaudited) Six months ended 30 June 2015 R'm	(Audited) Year ended 31 December 2015 R'm
5. Operating profit			
Included in operating profit are:			
Amortisation of intangible assets	**5.1**	5.6	9.9
Depreciation	**225.5**	182.6	400.1
6. Finance costs			
Bank and other borrowings	**101.9**	68.6	162.8
Defined benefit arrangements	**2.8**	2.4	4.7
Interest capitalised to qualifying assets	**(3.6)**	(8.4)	(26.8)
Interest on contingent purchase consideration	**0.4**	–	–
	101.5	62.6	140.7

	(Unaudited) Six months ended 30 June 2016 Cents	(Unaudited) Six months ended 30 June 2015 Cents	(Audited) Year ended 31 December 2015 Cents
7. Earnings per share			
Earnings per share (EPS)			
Basic EPS	**95.2**	135.3	366.9
Diluted EPS	**94.9**	134.2	363.3
Underlying earnings per share[1]			
Basic underlying EPS	**95.2**	135.3	366.9
Diluted underlying EPS	**94.9**	134.2	363.3
Headline earnings per share[2]			
Basic headline EPS	**94.9**	134.4	365.8
Diluted headline EPS	**94.6**	133.3	362.2

[1] *Underlying EPS excludes the impact of special items. There have been no special items in the current or comparative periods.*

[2] *The presentation of headline EPS is mandated under the JSE Listings Requirements. Headline earnings has been calculated in accordance with Circular 2/2015, 'Headline Earnings', issued by the South African Institute of Chartered Accountants.*

7. **Earnings per share** continued
The calculation of headline earnings, based on basic earnings is as follows:

	(Unaudited) Six months ended 30 June 2016 R'm	(Unaudited) Six months ended 30 June 2015 R'm	(Audited) Year ended 31 December 2015 R'm
Profit for the period attributable to equity holders of Mpact	**157.8**	221.7	602.5
Profit on disposal of tangible and intangible assets	**(0.7)**	(1.9)	(2.4)
Profit on sale of equity accounted investees	**–**	–	(0.2)
Related tax	**0.2**	0.5	0.8
Headline earnings for the period	**157.3**	220.3	600.7
	Number of shares	Number of shares	Number of shares
Basic number of shares outstanding	**165,721,399**	163,876,224	164,218,439
Effect of dilutive potential ordinary shares	**576,663**	1,363,434	1,626,716
Diluted number of ordinary shares outstanding[1]	**166,298,062**	165,239,658	165,845,155

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

	(Unaudited) Six months ended 30 June 2016 R'm	(Unaudited) Six months ended 30 June 2015 R'm	(Audited) Year ended 31 December 2015 R'm
8. **Stated capital**			
Authorised			
217,500,000 shares of no par value	**–**	–	–
Issued			
167,637,426 shares of no par value	**2,505.0**	2,397.3	2,426.2
On 20 April 2016, 1,678,807 new ordinary shares were issued to shareholders who elected to receive capitalisation shares in terms of the capitalisation issue in lieu of a cash dividend.			
9. **Borrowings**			
– Bank borrowings	**900.0**	900.0	900.0
– Other loans[1]	**418.8**	320.0	383.0
– Finance lease liability	**37.7**	21.2	22.8
– Instalment loan facility	**23.3**	23.8	25.2
Non-current borrowings	**1,379.8**	1,265.0	1,331.0
Short-term borrowings and short-term portion of long-term borrowings	**826.3**	564.2	665.0
Short-term minority shareholder loans	**70.0**	66.7	78.9
Bank overdraft	**26.7**	27.4	26.1
Total borrowings	**2,302.8**	1,923.3	2,101.0

[1] *Other loans consist of IDC loan of R218.8 million, and KZN Growth Fund of R200.0 million. The Company's borrowing powers are not restricted.*

	(Unaudited) Six months ended 30 June 2016 R'm	(Unaudited) Six months ended 30 June 2015 R'm	(Audited) Year ended 31 December 2015 R'm
10. Capital commitments			
– Contracted capital commitments	**561.2**	548.0	443.0
– Approved capital commitments	**530.5**	591.8	885.6
Capital commitments	**1,091.7**	1,139.8	1,328.6
Commitments of R733.0 million will be spent in the next 12 months. The balance of R358.7 million will be spent in one to five years. These commitments will be met from existing cash resources and borrowing facilities available to the Group.			
11. Contingent liabilities			
(a) Bank guarantees	**7.9**	79.6	17.4
(b) A settlement agreement relating to the valuation of put options previously held in a Group subsidiary provides for a deferred payment contingent upon achievement of certain EBITDA and ROCE levels for the years 2016 to 2018, subject to a maximum amount of R6.5 million.			

12. Fair value estimation

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

The significant inputs required to fair value all of the Group'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 that fair values of other financial instruments

	(Unaudited) Six months ended 30 June 2016 R'm	(Unaudited) Six months ended 30 June 2015 R'm	(Audited) Year ended 31 December 2015 R'm
Financial instruments by category			
Financial assets			
– Trade receivables (Level 2 – Loans and receivables)	**1,932.6**	1,873.8	2,013.2
– Financial asset investments (Level 2 – Loans and receivables)	**15.0**	21.5	24.6
– Derivative financial instruments (Level 2 – At fair value through profit or loss)	**5.7**	2.1	29.0
– Cash and cash equivalents (Level 1 – Loans and receivables)	**359.8**	196.1	508.9
Total	**2,313.1**	2,093.5	2,575.7
Financial liabilities			
– Borrowings (Level 2 – At amortised cost)	**2,302.8**	1,923.3	2,101.0
– Trade payables (Level 2 – At amortised costs)	**1,874.4**	1,688.8	1,855.6
– Derivative financial instrument (Level 2 – At fair value through profit or loss)	**14.9**	4.6	7.0
Total	**4,192.1**	3,616.7	3,963.6

	(Unaudited) Six months ended 30 June 2016 R'm	(Unaudited) Six months ended 30 June 2015 R'm	(Audited) Year ended 31 December 2015 R'm
13. Net asset value per share			
Net asset value per share is defined as net assets divided by the number of ordinary shares in issue as at the period end.			
Net asset value per share (cents)	**2,276.5**	2,021.0	2,236.6
14. Business combinations			
(a) In May 2016, the Group acquired a 100% interest in six property companies at fair value for a total cash purchase consideration of R38.6 million. Details of the aggregated fair value of the net assets acquired are as follows:			
Property, plant and equipment	**52.8**		
Trade receivables	**0.3**		
Financial assets	**3.2**		
Cash	**1.4**		
Trade and other payables	**(0.3)**		
Shareholder loan	**(31.1)**		
Deferred tax liability	**(9.9)**		
Taxation liability	**(0.3)**		
Financial liabilities	**(8.6)**		
Net assets acquired	**7.5**		
Shareholders' loan acquired	**31.1**		
Purchase consideration	**38.6**		
Cash acquired	**(1.4)**		
Net cash outflow	**37.2**		
(b) In May 2016, the Group acquired a 100% interest in Remade Holdings (Pty) Ltd for a purchase consideration of R89.1 million. Details of the fair value of the net assets acquired are as follows:			
Intangible assets	**47.0**		
Property, plant and equipment	**55.5**		
Investments	**1.2**		
Inventories	**4.7**		
Trade receivables	**27.9**		
Cash	**3.8**		
Trade and other payables	**(20.5)**		
Finance lease obligations	**(26.8)**		
Deferred tax liability	**(21.9)**		
Provisions	**(2.9)**		
Taxation liability	**(2.3)**		
Financial liabilities	**(0.5)**		
Net assets acquired	**65.2**		
Goodwill on acquisition	**23.9**		
Purchase consideration	**89.1**		
Contingent consideration[1]	**(26.2)**		
Cash acquired	**(3.8)**		
Net cash outflow	**59.1**		

[1] *The contingent consideration is based on a multiple of targeted future earnings, of which a 100% outcome has been projected.*

[2] *Revenue and profits arising from the above acquisitions are not material to the Group. The acquisition of Remade Holdings (Pty) Ltd complements a number of initiatives by Mpact Recycling to expand its own collections of paper and plastics and to increase recycling rates of these material in South Africa. These initiatives increase the material available for the Felixton Mill, for Mpact Polymers and for the recently commissioned liquid packaging recycling plant at the Springs Paper Mill.*

15. Related parties

Transactions between the Company and its respective subsidiaries, which are related parties, have been eliminated on consolidation.

The Group and its subsidiaries, in the ordinary course of business, enter into various sales, purchases and service transactions with associates and others in which the Group has a material interest. These transactions are under terms that are no less favourable than those arranged with third parties. These transactions in total are not significant.

There have been no significant changes to the related parties in this interim reporting period.

16. Post-balance sheet events

The directors are not aware of any matters or circumstances arising subsequent to 30 June 2016 that require any additional disclosure or adjustment to the interim financial statements.

Company information

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")

Directors:

Independent non-executive
AJ Phillips (Chairman)
NP Dongwana, NB Langa-Royds
TDA Ross, AM Thompson

Executive
BW Strong (Chief Executive Officer)
BDV Clark (Chief Financial Officer)

Company secretary
MN Sepuru

Registered office

4th Floor, No 3 Melrose Boulevard
Melrose Arch, 2196
(Postnet Suite #179
Private Bag X1, Melrose Arch, 2076)

Transfer secretaries

Link Market Services
South Africa Proprietary Limited
13th Floor, Rennie House
19 Ameshoff Street
Braamfontein, 2001
(PO Box 4844, Johannesburg, 2000
South Africa)

Sponsor

Rand Merchant Bank
(a division of FirstRand Bank Limited)
1 Merchant Place
corner Fredman Drive and
Rivonia Road, Sandton, 2196
(PO Box 786273, Sandton, 2146)

mpact

smarter, sustainable solutions

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